SOUTHERN CO
Form 10-K
February 20, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2018

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 18th Street Birmingham, Alabama 35291 (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
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
001-37803	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-2598670
1-14174	Southern Company Gas (A Georgia Corporation)	58-2210952

Ten Peachtree Place, N.E.
Atlanta, Georgia 30309
(404) 584-4000

Securities registered pursuant to Section 12(b) of the Act:[1]
Each of the following classes or series of securities registered pursuant to Section 12(b) of the Act is listed on the New York Stock Exchange.

Title of each class	Registrant
Common Stock, $5 par value	The Southern Company
Junior Subordinated Notes, $25 denominations 6.25% Series 2015A due 2075 5.25% Series 2016A due 2076 5.25% Series 2017B due 2077	
Class A preferred stock, cumulative, $25 stated capital 5.00% Series	Alabama Power Company
Junior Subordinated Notes, $25 denominations 5.00% Series 2017A due 2077	Georgia Power Company
Senior Notes 1.000% Series 2016A due 2022 1.850% Series 2016B due 2026	Southern Power Company

Securities registered pursuant to Section 12(g) of the Act:[1]

Title of each class			Registrant
Preferred stock, cumulative, $100 par value			Alabama Power Company
4.20% Series	4.60% Series	4.72% Series	
4.52% Series	4.64% Series	4.92% Series	

(1) At December 31, 2018.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Registrant	Yes	No
The Southern Company	X	
Alabama Power Company	X	
Georgia Power Company	X	
Mississippi Power Company		X
Southern Power Company	X	
Southern Company Gas	X	

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x (Response applicable to all registrants.)
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 x No ¨
Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted 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 such files). Yes x No ¨
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x (Response applicable to all registrants.)

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Aggregate market value of The Southern Company's common stock held by non-affiliates of The Southern Company at June 29, 2018: $47.0 billion. All of the common stock of the other registrants is held by The Southern Company. A description of each registrant's common stock follows:

Registrant	Description of Common Stock	Shares Outstanding at January 31, 2019
The Southern Company	Par Value $5 Per Share	1,034,564,279
Alabama Power Company	Par Value $40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value $0.01 Per Share	1,000
Southern Company Gas	Par Value $0.01 Per Share	100

Documents incorporated by reference: specified portions of The Southern Company's Definitive Proxy Statement on Schedule 14A relating to the 2019 Annual Meeting of Stockholders are incorporated by reference into PART III. In addition, specified portions of the Definitive Information Statement on Schedule 14C of Alabama Power Company relating to its 2019 Annual Meeting of Shareholders are incorporated by reference into PART III.

Each of Georgia Power Company, Mississippi Power Company, Southern Power Company, and Southern Company Gas meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format specified in General Instructions I(2)(b), (c), and (d) of Form 10-K.

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

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DEFINITIONS

When used in this Form 10-K, the following terms will have the meanings indicated.

Term	Meaning
2013 ARP	Alternative Rate Plan approved by the Georgia PSC in 2013 for Georgia Power for the years 2014 through 2016 and subsequently extended through 2019
AFUDC	Allowance for funds used during construction
Alabama Power	Alabama Power Company
AMEA	Alabama Municipal Electric Authority
AOCI	Accumulated other comprehensive income
ARO	Asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Atlanta Gas Light	Atlanta Gas Light Company, a wholly-owned subsidiary of Southern Company Gas
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas has a 5% ownership interest
Bcf	Billion cubic feet
Bechtel	Bechtel Power Corporation, the primary contractor for the remaining construction activities for Plant Vogtle Units 3 and 4
Bechtel Agreement	The October 23, 2017 construction completion agreement between the Vogtle Owners and Bechtel
CCR	Coal combustion residuals
CCR Rule	Disposal of Coal Combustion Residuals from Electric Utilities final rule published by the EPA in 2015
Chattanooga Gas	Chattanooga Gas Company, a wholly-owned subsidiary of Southern Company Gas
Clean Air Act	Clean Air Act Amendments of 1990
CO_2	Carbon dioxide
COD	Commercial operation date
Contractor Settlement Agreement	The December 31, 2015 agreement between Westinghouse and the Vogtle Owners resolving disputes between the Vogtle Owners and the EPC Contractor under the Vogtle 3 and 4 Agreement
Cooperative Energy	Electric cooperative in Mississippi
CPCN	Certificate of public convenience and necessity
Customer Refunds	Refunds issued to Georgia Power customers in 2018 as ordered by the Georgia PSC related to the Guarantee Settlement Agreement
CWIP	Construction work in progress
Dalton	City of Dalton, Georgia, an incorporated municipality in the State of Georgia, acting by and through its Board of Water, Light, and Sinking Fund Commissioners
Dalton Pipeline	A pipeline facility in Georgia in which Southern Company Gas has a 50% undivided ownership interest
DOE	U.S. Department of Energy
Duke Energy Florida	Duke Energy Florida, LLC
EBIT	Earnings before interest and taxes
ECM	Mississippi Power's energy cost management clause
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 loan guarantee program established under Title XVII of the Energy Policy Act of 2005
EMC	Electric membership corporation
EPA	U.S. Environmental Protection Agency

EPC Contractor	Westinghouse and its affiliate, WECTEC Global Project Services Inc.; the former engineering, procurement, and construction contractor for Plant Vogtle Units 3 and 4

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DEFINITIONS
(continued)

Term	Meaning
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
Fitch	Fitch Ratings, Inc.
FMPA	Florida Municipal Power Agency
GAAP	U.S. generally accepted accounting principles
Georgia Power	Georgia Power Company
Georgia Power 2019 Base Rate Case	Georgia Power's base rate case scheduled to be filed by July 1, 2019
Georgia Power Tax Reform Settlement Agreement	A settlement agreement between Georgia Power and the staff of the Georgia PSC regarding the retail rate impact of the Tax Reform Legislation, as approved by the Georgia PSC on April 3, 2018
GHG	Greenhouse gas
Guarantee Settlement Agreement	The June 9, 2017 settlement agreement between the Vogtle Owners and Toshiba related to certain payment obligations of the EPC Contractor guaranteed by Toshiba
Gulf Power	Gulf Power Company
Heating Degree Days	A measure of weather, calculated when the average daily temperatures are less than 65 degrees Fahrenheit
Heating Season	The period from November through March when Southern Company Gas' natural gas usage and operating revenues are generally higher
HLBV	Hypothetical liquidation at book value
Horizon Pipeline	Horizon Pipeline Company, LLC
IBEW	International Brotherhood of Electrical Workers
IGCC	Integrated coal gasification combined cycle, the technology originally approved for Mississippi Power's Kemper County energy facility (Plant Ratcliffe)
IIC	Intercompany Interchange Contract
Illinois Commission	Illinois Commerce Commission
Interim Assessment Agreement	Agreement entered into by the Vogtle Owners and the EPC Contractor to allow construction to continue after the EPC Contractor's bankruptcy filing
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IPP	Independent Power Producer
IRP	Integrated Resource Plan
IRS	Internal Revenue Service
ITAAC	Inspections, Tests, Analyses, and Acceptance Criteria, standards established by the NRC
ITC	Investment tax credit
JEA	Jacksonville Electric Authority
KUA	Kissimmee Utility Authority
KW	Kilowatt
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
LNG	Liquefied natural gas
Loan Guarantee Agreement	Loan guarantee agreement entered into by Georgia Power with the DOE in 2014, under which the proceeds of borrowings may be used to reimburse Georgia Power for Eligible Project Costs incurred in connection with its construction of Plant Vogtle Units 3 and 4

LOCOM	Lower of weighted average cost or current market price
LTSA	Long-term service agreement
Marketers	Marketers selling retail natural gas in Georgia and certificated by the Georgia PSC

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Term	Meaning
MEAG	Municipal Electric Authority of Georgia
Merger	The merger, effective July 1, 2016, of a wholly-owned, direct subsidiary of Southern Company with and into Southern Company Gas, with Southern Company Gas continuing as the surviving corporation
MGP	Manufactured gas plant
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal units
Moody's	Moody's Investors Service, Inc.
MPUS	Mississippi Public Utilities Staff
MRA	Municipal and Rural Associations
MW	Megawatt
MWH	Megawatt hour
natural gas distribution utilities	Southern Company Gas' natural gas distribution utilities (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, Elizabethtown Gas, Florida City Gas, Chattanooga Gas, and Elkton Gas as of June 30, 2018) (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas as of July 29, 2018)
NCCR	Georgia Power's Nuclear Construction Cost Recovery
NDR	Alabama Power's Natural Disaster Reserve
NextEra Energy	NextEra Energy, Inc.
Nicor Gas	Northern Illinois Gas Company, a wholly-owned subsidiary of Southern Company Gas
NO_X	Nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
OCI	Other comprehensive income
OPC	Oglethorpe Power Corporation (an Electric Membership Corporation)
OTC	Over-the-counter
OUC	Orlando Utilities Commission
PATH Act	Protecting Americans from Tax Hikes Act
PennEast Pipeline	PennEast Pipeline Company, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas has a 20% ownership interest
PEP	Mississippi Power's Performance Evaluation Plan
Piedmont	Piedmont Natural Gas Company, Inc.
Pivotal Home Solutions	Nicor Energy Services Company, until June 4, 2018 a wholly-owned subsidiary of Southern Company Gas, doing business as Pivotal Home Solutions
Pivotal Utility Holdings	Pivotal Utility Holdings, Inc., until July 29, 2018 a wholly-owned subsidiary of Southern Company Gas, doing business as Elizabethtown Gas (until July 1, 2018), Elkton Gas (until July 1, 2018), and Florida City Gas
power pool	The operating arrangement whereby the integrated generating resources of the traditional electric operating companies and Southern Power (excluding subsidiaries) are subject to joint commitment and dispatch in order to serve their combined load obligations
PowerSecure	PowerSecure Inc.
PowerSouth	PowerSouth Energy Cooperative
PPA	Power purchase agreements, as well as, for Southern Power, contracts for differences that provide the owner of a renewable facility a certain fixed price for the electricity sold to the grid

PRP	Pipeline Replacement Program, Atlanta Gas Light's 15-year infrastructure replacement program, which ended in December 2013
PSC	Public Service Commission
PTC	Production tax credit

DEFINITIONS
(continued)

Term	Meaning
Rate CNP	Alabama Power's Rate Certificated New Plant
Rate CNP Compliance	Alabama Power's Rate Certificated New Plant Compliance
Rate CNP PPA	Alabama Power's Rate Certificated New Plant Power Purchase Agreement
Rate ECR	Alabama Power's Rate Energy Cost Recovery
Rate NDR	Alabama Power's Rate Natural Disaster Reserve
Rate RSE	Alabama Power's Rate Stabilization and Equalization
registrants	Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power Company, and Southern Company Gas
revenue from contracts with customers	Revenue from contracts accounted for under the guidance of ASC 606, Revenue from Contracts with Customers
ROE	Return on equity
RUS	Rural Utilities Service
S&P	S&P Global Ratings, a division of S&P Global Inc.
SCS	Southern Company Services, Inc. (the Southern Company system service company)
SEC	U.S. Securities and Exchange Commission
SEGCO	Southern Electric Generating Company
SEPA	Southeastern Power Administration
Sequent	Sequent Energy Management, L.P.
SERC	Southeastern Electric Reliability Council
SNG	Southern Natural Gas Company, L.L.C.
SO_2	Sulfur dioxide
Southern Company	The Southern Company
Southern Company Gas	Southern Company Gas and its subsidiaries
Southern Company Gas Capital	Southern Company Gas Capital Corporation, a 100%-owned subsidiary of Southern Company Gas
Southern Company Gas Dispositions	Southern Company Gas' disposition of Pivotal Home Solutions, Pivotal Utility Holdings' disposition of Elizabethtown Gas and Elkton Gas, and NUI Corporation's disposition of Pivotal Utility Holdings, which primarily consisted of Florida City Gas
Southern Company system	Southern Company, the traditional electric operating companies, Southern Power, Southern Company Gas (as of July 1, 2016), SEGCO, Southern Nuclear, SCS, Southern Linc, PowerSecure (as of May 9, 2016), and other subsidiaries
Southern Holdings	Southern Company Holdings, Inc.
Southern Linc	Southern Communications Services, Inc.
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company and its subsidiaries
SouthStar	SouthStar Energy Services, LLC
SP Solar	SP Solar Holdings I, LP
SP Wind	SP Wind Holdings II, LLC
SRR	Mississippi Power's System Restoration Rider, a tariff for retail property damage reserve
STRIDE	Atlanta Gas Light's Strategic Infrastructure Development and Enhancement program
Subsidiary Registrants	Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas

Tax Reform Legislation	The Tax Cuts and Jobs Act, which became effective on January 1, 2018
Toshiba	Toshiba Corporation, parent company of Westinghouse
traditional electric operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power through December 31, 2018; Alabama Power, Georgia Power, and Mississippi Power as of January 1, 2019
Triton	Triton Container Investments, LLC

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DEFINITIONS
(continued)

Term	Meaning
VCM	Vogtle Construction Monitoring
VIE	Variable interest entity
Virginia Commission	Virginia State Corporation Commission
Virginia Natural Gas	Virginia Natural Gas, Inc., a wholly-owned subsidiary of Southern Company Gas
Vogtle 3 and 4 Agreement	Agreement entered into with the EPC Contractor in 2008 by Georgia Power, acting for itself and as agent for the Vogtle Owners, and rejected in bankruptcy in July 2017, pursuant to which the EPC Contractor agreed to design, engineer, procure, construct, and test Plant Vogtle Units 3 and 4
Vogtle Owners	Georgia Power, Oglethorpe Power Corporation, MEAG, and Dalton
Vogtle Services Agreement	The June 9, 2017 services agreement between the Vogtle Owners and the EPC Contractor, as amended and restated on July 20, 2017, for the EPC Contractor to transition construction management of Plant Vogtle Units 3 and 4 to Southern Nuclear and to provide ongoing design, engineering, and procurement services to Southern Nuclear
WACOG	Weighted average cost of gas
Westinghouse	Westinghouse Electric Company LLC

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements include, among other things, statements concerning regulated rates, the strategic goals for the business, customer and sales growth, economic conditions, fuel and environmental cost recovery and other rate actions, projected equity ratios, current and proposed environmental regulations and related compliance plans and estimated expenditures, pending or potential litigation matters, access to sources of capital, projections for the qualified pension plans, postretirement benefit plans, and nuclear decommissioning trust fund contributions, financing activities, completion dates of construction projects, completion of announced dispositions, filings with state and federal regulatory authorities, federal and state income tax benefits, estimated sales and purchases under power sale and purchase agreements, and estimated construction plans and expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "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 environmental laws and regulations, and also changes in tax (including the Tax Reform Legislation) 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;
- the extent and timing of costs and liabilities to comply with federal and state laws, regulations, and legal requirements related to CCR, including amounts for required closure of ash ponds and ground water monitoring;
- current and future litigation or regulatory investigations, proceedings, or inquiries, including litigation and other disputes related to the Kemper County energy facility;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate, including from the development and deployment of alternative energy sources;
- variations in demand for electricity and natural gas;
- available sources and costs of natural gas and other fuels;
- the ability to complete necessary or desirable pipeline expansion or infrastructure projects, limits on pipeline capacity, and operational interruptions to natural gas distribution and transmission activities;
- transmission constraints;
- effects of inflation;
- the ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of facilities, including Plant Vogtle Units 3 and 4 which includes components based on new technology that only recently began initial operation in the global nuclear industry at this scale, including changes in labor costs, availability, and productivity; challenges with management of contractors, subcontractors, or vendors; adverse weather conditions; shortages, increased costs, or inconsistent quality of equipment, materials, and labor; contractor or supplier delay; non-performance under construction, operating, or other agreements; operational readiness, including specialized operator training and required site safety programs; engineering or design problems; design and other licensing-based compliance matters, including the timely resolution of ITAAC and the related approvals by the NRC; challenges with start-up activities, including major equipment failure and system integration; and/or operational performance;
- the ability to construct facilities in accordance with the requirements of permits and licenses (including satisfaction of NRC requirements), 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 the employee and retiree benefit plans and nuclear decommissioning trust funds;
- advances in technology;
- the ability to control operating and maintenance costs;
- ongoing renewable energy partnerships and development agreements;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to ROE, equity ratios, and fuel and other cost recovery mechanisms;

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION
(continued)

- the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions;
- legal proceedings and regulatory approvals and actions related to Plant Vogtle Units 3 and 4, including Georgia PSC approvals and NRC actions;
- under certain specified circumstances, a decision by holders of more than 10% of the ownership interests of Plant Vogtle Units 3 and 4 not to proceed with construction and the ability of other Vogtle Owners to tender a portion of their ownership interests to Georgia Power following certain construction cost increases;
- in the event Georgia Power becomes obligated to provide funding to MEAG with respect to the portion of MEAG's ownership interest in Plant Vogtle Units 3 and 4 involving JEA, any inability of Georgia Power to receive repayment of such funding;
- the inherent risks involved in operating and constructing nuclear generating facilities;
- the inherent risks involved in transporting and storing natural gas;
- 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, including the proposed disposition of Plant Mankato, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with wholesale customers;
- the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or physical attack and the threat of physical attacks;
- interest rate fluctuations and financial market conditions and the results of financing efforts;
- access to capital markets and other financing sources;
- changes in Southern Company's and any of its subsidiaries' credit ratings;
- the ability of Southern Company's electric utilities to obtain additional generating capacity (or sell excess generating capacity) at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events, 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, natural gas pipeline infrastructure, or operation of generating or storage resources;
- impairments of goodwill or long-lived assets;
- the effect of accounting pronouncements issued periodically by standard-setting bodies; and
- other factors discussed elsewhere herein and in other reports filed by the registrants from time to time with the SEC.

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

PART I

Item 1. BUSINESS

Southern Company was incorporated under the laws of Delaware on November 9, 1945. Southern Company owns all of the outstanding common stock of Alabama Power, Georgia Power, and Mississippi Power, each of which is an operating public utility company. The traditional electric operating companies supply electric service in the states of Alabama, Georgia, and Mississippi. More particular information relating to each of the traditional electric operating companies is as follows:

Alabama Power is a corporation organized under the laws of the State of Alabama on November 10, 1927, by the consolidation of a predecessor Alabama Power Company, Gulf Electric Company, and Houston Power Company. The predecessor Alabama Power Company had been in continuous existence since its incorporation in 1906.

Georgia Power was incorporated under the laws of the State of Georgia on June 26, 1930.

Mississippi Power was incorporated under the laws of the State of Mississippi on July 12, 1972 and effective December 21, 1972, by the merger into it of the predecessor Mississippi Power Company, succeeded to the business and properties of the latter company. The predecessor Mississippi Power Company was incorporated under the laws of the State of Maine on November 24, 1924.

On January 1, 2019, Southern Company completed its sale of Gulf Power to NextEra Energy for an aggregate cash purchase price of approximately $5.8 billion (less $1.3 billion of indebtedness assumed), subject to customary working capital adjustments. Gulf Power is an electric utility serving retail customers in the northwestern portion of Florida. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" in Item 8 herein for additional information.

In addition, Southern Company owns all of the common stock of Southern Power Company, which is also an operating public utility company. The term "Southern Power" when used herein refers to Southern Power Company and its subsidiaries, while the term "Southern Power Company" when used herein refers only to the Southern Power parent company. Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy projects, and sells electricity at market-based rates in the wholesale market. Southern Power Company is a corporation organized under the laws of Delaware on January 8, 2001. On May 22, 2018, Southern Power sold a noncontrolling 33% equity interest in SP Solar, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, for approximately $1.2 billion and, on December 11, 2018, Southern Power sold a noncontrolling tax equity interest in SP Wind, a holding company owning a portfolio of eight operating wind facilities, for approximately $1.2 billion. Southern Power also sold all of its equity interests in Plant Oleander and Plant Stanton Unit A (together, the Florida Plants) to NextEra Energy on December 4, 2018 for $203 million. On November 5, 2018, Southern Power entered into an agreement to sell all of its equity interests in Plant Mankato (including the 385-MW expansion currently under construction) for approximately $650 million. The transaction is subject to FERC and state commission approvals and is expected to close mid-2019. The ultimate outcome of this matter cannot be determined at this time. See "The Southern Company System – Southern Power" herein and Note 15 to the financial statements in Item 8 herein for additional information.

Southern Company acquired all of the common stock of Southern Company Gas in July 2016. Southern Company Gas is an energy services holding company whose primary business is the distribution of natural gas in four states - Illinois, Georgia, Virginia, and Tennessee - through the natural gas distribution utilities. Southern Company Gas is also involved in several other businesses that are complementary to the distribution of natural gas. Southern Company Gas was incorporated under the laws of the State of Georgia on November 27, 1995 for the primary purpose of becoming the holding company for Atlanta Gas Light, which was founded in 1856. In July 2018, Southern Company Gas completed sales of three of its natural gas distribution utilities (Elizabethtown Gas, Florida City Gas, and Elkton Gas). In June 2018, Southern Company Gas also completed the sale of Pivotal Home Solutions, which provided home equipment protection products and services. See "The Southern Company System – Southern Company Gas" herein and Note 15 to the financial statements in Item 8 herein for additional information.

Southern Company also owns all of the outstanding common stock or membership interests of SCS, Southern Linc, Southern Holdings, Southern Nuclear, PowerSecure, and other direct and indirect subsidiaries. SCS, the system service company, has contracted with Southern Company, each traditional electric operating company, Southern

Power, Southern Company Gas, Southern Nuclear, SEGCO, and other subsidiaries to furnish, at direct or allocated cost and upon request, the following services: general executive and advisory, general and design engineering, operations, purchasing, accounting, finance, treasury, legal, tax, information technology, marketing, auditing, insurance and pension administration, human resources, systems and procedures, digital wireless communications, cellular tower space, and other services with respect to business and operations, construction management, and power pool transactions. Southern Linc provides digital wireless communications for use by Southern Company and its subsidiary companies and also markets these services to the public and provides fiber optics services within the Southeast. Southern Holdings is an intermediate holding company subsidiary, primarily for Southern Company's investments in leveraged leases and energy-related funds and companies, and for other electric and natural gas products and

services. Southern Nuclear operates and provides services to the Southern Company system's nuclear power plants and is currently managing construction of and developing Plant Vogtle Units 3 and 4, which are co-owned by Georgia Power. PowerSecure is a provider of energy solutions, including distributed energy infrastructure, energy efficiency products and services, and utility infrastructure services, to customers.
Alabama Power and Georgia Power each own 50% of the outstanding common stock of SEGCO. SEGCO is an operating public utility company that owns electric generating units with an aggregate capacity of 1,020 MWs at Plant Gaston on the Coosa River near Wilsonville, Alabama. Alabama Power and Georgia Power are each entitled to one-half of SEGCO's capacity and energy. Alabama Power acts as SEGCO's agent in the operation of SEGCO's units and furnishes fuel to SEGCO for its units. See Note 7 to the financial statements in Item 8 herein for additional information.
Segment information for Southern Company and Southern Company Gas is included in Note 16 to the financial statements in Item 8 herein.
The registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports are made available on Southern Company's website, free of charge, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Southern Company's internet address is www.southerncompany.com.
The Southern Company System
Traditional Electric Operating Companies
The traditional electric operating companies are vertically integrated utilities that own generation, transmission, and distribution facilities. See PROPERTIES in Item 2 herein for additional information on the traditional electric operating companies' generating facilities. Each company's transmission facilities are connected to the respective company's own generating plants and other sources of power (including certain generating plants owned by Southern Power) and are interconnected with the transmission facilities of the other traditional electric operating companies and SEGCO. For information on the State of Georgia's integrated transmission system, see "Territory Served by the Southern Company System – Traditional Electric Operating Companies and Southern Power" herein.
Agreements in effect with principal neighboring utility systems provide for capacity and energy transactions that may be entered into from time to time for reasons related to reliability or economics. Additionally, the traditional electric operating companies have entered into various reliability agreements with certain neighboring utilities, each of which provides for the establishment and periodic review of principles and procedures for planning and operation of generation and transmission facilities, maintenance schedules, load retention programs, emergency operations, and other matters affecting the reliability of bulk power supply. The traditional electric operating companies have joined with other utilities in the Southeast to form the SERC to augment further the reliability and adequacy of bulk power supply. Through the SERC, the traditional electric operating companies are represented on the North American Electric Reliability Council.
The utility assets of the traditional electric operating companies and certain utility assets of Southern Power Company are operated as a single integrated electric system, or power pool, pursuant to the IIC. Activities under the IIC are administered by SCS, which acts as agent for the traditional electric operating companies and Southern Power Company. The fundamental purpose of the power pool is to provide for the coordinated operation of the electric facilities in an effort to achieve the maximum possible economies consistent with the highest practicable reliability of service. Subject to service requirements and other operating limitations, system resources are committed and controlled through the application of centralized economic dispatch. Under the IIC, each traditional electric operating company and Southern Power Company retains its lowest cost energy resources for the benefit of its own customers and delivers any excess energy to the power pool for use in serving customers of other traditional electric operating companies or Southern Power Company or for sale by the power pool to third parties. The IIC provides for the recovery of specified costs associated with the affiliated operations thereunder, as well as the proportionate sharing of costs and revenues resulting from power pool transactions with third parties. In connection with the sale of Gulf Power, an appendix was added to the IIC setting forth terms and conditions governing Gulf Power's continued participation in the IIC for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024.

Southern Power and Southern Linc have secured from the traditional electric operating companies certain services which are furnished in compliance with FERC regulations.

Alabama Power and Georgia Power each have agreements with Southern Nuclear to operate the Southern Company system's existing nuclear plants, Plants Farley, Hatch, and Vogtle. In addition, Georgia Power has an agreement with Southern Nuclear to develop, license, construct, and operate Plant Vogtle Units 3 and 4. See "Regulation – Nuclear Regulation" herein for additional information.

Southern Power

Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy facilities, and sells electricity at market-based rates (under authority from the FERC) in the wholesale market. Southern Power continually seeks opportunities to execute its strategy to create value through various transactions including acquisitions, dispositions, and sales of partnership interests, development and construction of new generating facilities, and entry into PPAs primarily with investor-owned utilities, IPPs, municipalities, electric cooperatives, and other load-serving entities, as well as commercial and industrial customers. Southern Power's business activities are not subject to traditional state regulation like the traditional electric operating companies, but the majority of its business activities are subject to regulation by the FERC. Southern Power has attempted to insulate itself from significant fuel supply, fuel transportation, and electric transmission risks by generally making such risks the responsibility of the counterparties to its PPAs. However, Southern Power's future earnings will depend on the parameters of the wholesale market and the efficient operation of its wholesale generating assets, as well as Southern Power's ability to execute its growth strategy and to develop and construct generating facilities. For additional information on Southern Power's business activities, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Business Activities" of Southern Power in Item 7 herein.

Southern Power Company directly owns and manages generation assets primarily in the Southeast, which are included in the power pool, and has various subsidiaries, which were created to own and operate natural gas and renewable generation facilities either wholly or in partnership with various third parties. At December 31, 2018, Southern Power's generation fleet, which is owned in part with its various partners, totaled 11,888 MWs of nameplate capacity in commercial operation (including 4,508 MWs of nameplate capacity owned by its subsidiaries and including Plant Mankato, which is classified as held for sale in the financial statements). In addition, Southern Power Company has other subsidiaries that are pursuing additional natural gas generation and other renewable generation development opportunities. The generation assets of Southern Power Company's subsidiaries are not included in the power pool.

On May 22, 2018, Southern Power sold a noncontrolling 33% equity interest in SP Solar, a limited partnership indirectly owning substantially all of Southern Power's solar facilities. On December 11, 2018, Southern Power sold a noncontrolling tax equity interest in SP Wind, a holding company which owns a portfolio of eight operating wind farms.

In addition, on December 4, 2018, Southern Power sold all of its equity interests in the Florida Plants and, in November 2018, entered into an agreement to sell Plant Mankato. The completion of the disposition of Plant Mankato is subject to the expansion unit reaching commercial operation as well as various other customary conditions to closing, including FERC and state commission approvals, and is expected to close mid-2019. The ultimate outcome of this matter cannot be determined at this time.

A majority of Southern Power's partnerships in renewable facilities allow for the sharing of cash distributions and tax benefits at differing percentages, with Southern Power being the controlling member and thus consolidating the assets and operations of the partnerships. At December 31, 2018, Southern Power has three tax-equity partnership arrangements where the tax-equity investors receive substantially all of the tax benefits, including ITCs and PTCs. In addition, Southern Power holds controlling interests in eight partnerships in solar facilities through SP Solar. For seven of these solar partnerships, Southern Power and its new 33% partner, Global Atlantic, are entitled to 51% of all cash distributions and the respective partner that holds the Class B membership interests is entitled to 49% of all cash distributions. For the Desert Stateline partnership, Southern Power and Global Atlantic are entitled to 66% of all cash distributions and the Class B member is entitled to 34% of all cash distributions. In addition, Southern Power and Global Atlantic are entitled to substantially all of the federal tax benefits with respect to these eight partnership entities. Finally, for the Roserock partnership, Southern Power is entitled to 51% of all cash distributions and substantially all of the federal tax benefits, with the Class B member entitled to 49% of all cash distributions.

See PROPERTIES in Item 2 herein and Note 15 to the financial statements under "Southern Power" in Item 8 herein for additional information regarding Southern Power's acquisitions, dispositions, construction, and development projects.

Southern Power calculates an investment coverage ratio for its generating assets based on the ratio of investment under contract to total investment using the respective generation facilities' net book value (or expected in-service value for facilities under construction or being acquired) as the investment amount. With the inclusion of investments associated with the wind and natural gas facilities currently under construction, as well as other capacity and energy contracts, Southern Power has an average investment coverage ratio, at December 31, 2018, of 93% through 2023 and 91% through 2028, with an average remaining contract duration of approximately 14 years (including Plant Mankato, which is classified as held for sale in the financial statements).

Southern Power's natural gas and biomass sales are primarily through long-term PPAs that consist of two types of agreements. The first type, referred to as a unit or block sale, is a customer purchase from a dedicated plant unit where all or a portion of the generation from that unit is reserved for that customer. Southern Power typically has the ability to serve the unit or block sale customer from an alternate resource. The second type, referred to as requirements service, provides that Southern Power serves the customer's capacity and energy requirements from a combination of the customer's own generating units and from Southern Power resources not dedicated to serve unit or block sales. Southern Power has rights to purchase power provided by the requirements customers' resources when economically viable. Capacity charges that form part of the PPA payments are designed to recover fixed and variable operations and maintenance costs based on dollars-per-kilowatt year and to provide a return on investment.

Southern Power's electricity sales from solar and wind generating facilities are predominantly through long-term PPAs; however, these solar and wind PPAs do not have a capacity charge and customers either purchase the energy output of a dedicated renewable facility through an energy charge or provide Southern Power a certain fixed price for the electricity sold to the grid. As a result, Southern Power's ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors.

The following tables set forth Southern Power's PPAs as of December 31, 2018:

Block Sales PPAs

Facility/Source	Counterparty	MWs[(1)]	Contract Term
Addison Units 1 and 3	Georgia Power	297	through May 2030
Addison Unit 2	MEAG Power	149	through April 2029
Addison Unit 4	Georgia Energy Cooperative	146	through May 2030
Cleveland County Unit 1	North Carolina EMC (NCEMC)	90-180	through Dec. 2036
Cleveland County Unit 2	NCEMC	183	through Dec. 2036
Cleveland County Unit 3	North Carolina Municipal Power Agency 1	183	through Dec. 2031
Dahlberg Units 1, 3, and 5	Cobb EMC	224	through Dec. 2027
Dahlberg Units 2, 6, 8, and 10	Georgia Power	298	through May 2025
Dahlberg Unit 4	Georgia Power	74	through May 2030
Franklin Unit 1	Duke Energy Florida	434	through May 2021
Franklin Unit 2	Morgan Stanley Capital Group	250	through Dec. 2025
Franklin Unit 2	Jackson EMC	60-65	through Dec. 2035
Franklin Unit 2	GreyStone Power Corporation	35	through Dec. 2035
Franklin Unit 2	Cobb EMC	100	through Dec. 2027
Franklin Unit 3	Morgan Stanley Capital Group	200-300	through Dec. 2033
Franklin Unit 3	Dalton	70	through Dec. 2027
Franklin Unit 3	Dalton	16	through Dec. 2019
Harris Unit 1	Georgia Power	640	through May 2030
Harris Unit 2	Georgia Power	657	through May 2019
Harris Unit 2	AMEA[(2)]	25	through Dec. 2025
Mankato[(3)]	Northern States Power Company	375	through July 2026
Mankato[(3)]	Northern States Power Company	345	June 2019 – May 2039[(4)]
Nacogdoches	City of Austin, Texas	100	through May 2032
NCEMC PPA[(5)]	EnergyUnited	100	through Dec. 2021
Rowan CT Unit 1	North Carolina Municipal Power Agency 1	150	through Dec. 2030
Rowan CT Units 2 and 3	EnergyUnited	100-175	Jan. 2022 – Dec. 2025
Rowan CT Unit 3	EnergyUnited	113	through Dec. 2023
Rowan CC Unit 4	EnergyUnited	23-328	through Dec. 2025

Block Sales PPAs (continued)

Facility/Source	Counterparty	MWs[1]	Contract Term
Rowan CC Unit 4	Duke Energy Progress, LLC	150	through Dec. 2019
Rowan CC Unit 4	Macquarie	150-250	Jan. 2019 – Nov. 2020
Wansley Unit 6	Century Aluminum	158	Jan. 2019 – Dec. 2020
Wansley Unit 7	JEA[6]	200	through Dec. 2019

(1) The MWs and related facility units may change due to unit rating changes or assignment of units to contracts.
(2) AMEA will also be served by Plant Franklin Unit 1 through December 2019.
(3) On November 5, 2018, Southern Power entered into an agreement with Northern States Power to sell all of its equity interests in Plant Mankato (including the 385-MW expansion currently under construction). The ultimate outcome of this matter cannot be determined at this time. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas Plants" in Item 8 herein for additional information.
(4) Subject to commercial operation of the 385-MW expansion project.
(5) Represents sale of power purchased from NCEMC under a PPA.
(6) JEA will also be served by Plant Wansley Unit 6 during 2019.

Requirements Services PPAs

Counterparty	MWs[1]	Contract Term
Nine Georgia EMCs	294-376	through Dec. 2024
Sawnee EMC	267-639	through Dec. 2027
Cobb EMC	0-145	through Dec. 2027
Flint EMC	135-194	through Dec. 2024
Dalton	53-92	through Dec. 2027
EnergyUnited	78-159	through Dec. 2025
City of Blountstown, Florida	10	through April 2022

(1) Represents forecasted incremental capacity needs over the contract term.

Solar/Wind PPAs

Facility	Counterparty	MWs[1]	Contract Term
Solar[2]			
Adobe	Southern California Edison Company	20	through June 2034
Apex	Nevada Power Company	20	through Dec. 2037
Boulder 1	Nevada Power Company	100	through Dec. 2036
Butler	Georgia Power	100	through Dec. 2046
Butler Solar Farm	Georgia Power	20	through Feb. 2036
Calipatria	San Diego Gas & Electric Company	20	through Feb. 2036
Campo Verde	San Diego Gas & Electric Company	139	through Oct. 2033
Cimarron	Tri-State Generation and Transmission Association, Inc.	30	through Dec. 2035
Decatur County	Georgia Power	19	through Dec. 2035
Decatur Parkway	Georgia Power	80	through Dec. 2040
Desert Stateline	Southern California Edison Company	300	through Sept. 2036
East Pecos	Austin Energy	119	through April 2032
Garland A	Southern California Edison Company	20	through Sept. 2036
Garland	Southern California Edison Company	180	through Oct. 2031
Gaskell West 1	Southern California Edison Company	20	through March 2038
Granville	Duke Energy Progress, LLC	3	through Oct. 2032
Henrietta	Pacific Gas & Electric Company[3]	100	through Sept. 2036
Imperial Valley	San Diego Gas & Electric Company	150	through Nov. 2039

Solar/Wind PPAs (continued)

Facility	Counterparty	MWs[1]	Contract Term
Lamesa	City of Garland, Texas	102	through April 2032
Lost Hills Blackwell	99% to Pacific Gas & Electric Company[3] and 1% to City of Roseville, California	32	through Dec. 2043
Macho Springs	El Paso Electric Company	50	through May 2034
Morelos	Pacific Gas & Electric Company[3]	15	through Feb. 2036
North Star	Pacific Gas & Electric Company[3]	60	through June 2035
Pawpaw	Georgia Power	30	through March 2046
Roserock	Austin Energy	157	through Nov. 2036
Rutherford	Duke Energy Carolinas, LLC	75	through Dec. 2031
Sandhills	Cobb EMC	111	through Oct. 2041
Sandhills	Flint EMC	15	through Oct. 2041
Sandhills	Sawnee EMC	15	through Oct. 2041
Sandhills	Middle Georgia and Irwin EMC	2	through Oct. 2041
Spectrum	Nevada Power Company	30	through Dec. 2038
Tranquillity	Shell Energy North America (US), LP	204	through Nov. 2019
Tranquillity	Southern California Edison Company	204	Dec. 2019 – Nov. 2034
Wind[4]			
Bethel	Google Inc.	225	through Jan. 2029
Cactus Flats	General Mills, Inc.	98	through July 2033
Cactus Flats	General Motors Company	50	through July 2030
Grant Plains	Oklahoma Municipal Power Authority	41	Jan. 2020 – Dec. 2039
Grant Plains	Steelcase Inc.	25	through Dec. 2028
Grant Plains	Allianz Risk Transfer (Bermuda) Ltd.	81-122	through March 2027
Grant Wind	East Texas Electric Cooperative	50	through April 2036
Grant Wind	Northeast Texas Electric Cooperative	50	through April 2036
Grant Wind	Western Farmers Electric Cooperative	50	through April 2036
Kay Wind	Westar Energy Inc.	200	through Dec. 2035
Kay Wind	Grand River Dam Authority	99	through Dec. 2035
Passadumkeag	Western Massachusetts Electric Company	40	through June 2031
Reading[5]	Royal Caribbean Cruises Ltd.	200	April 2020 – March 2032
Salt Fork Wind	City of Garland, Texas	150	through Nov. 2030
Salt Fork Wind	Salesforce.com, Inc.	24	through Nov. 2028
Tyler Bluff Wind	The Proctor & Gamble Company	96	through Dec. 2028
Wake Wind	Equinix Enterprises, Inc.	100	through Oct. 2028
Wake Wind	Owens Corning	125	through Oct. 2028
Wildhorse[5]	Arkansas Electric Cooperative Corporation	100	Oct. 2019 – Sept. 2039

(1) MWs shown are for 100% of the PPA, which is based on demonstrated capacity of the facility.
(2) In May 2018, Southern Power sold a noncontrolling 33% equity interest in SP Solar (a limited partnership indirectly owning all of Southern Power's solar facilities, except the Roserock and Gaskell West facilities). SP Solar is the 51% majority owner of Boulder 1, Garland, Henrietta, Imperial Valley, Lost Hills Blackwell, North Star, and Tranquillity; the 66% majority owner of Desert Stateline; and the sole owner of the remaining SP Solar facilities. Southern Power is the 51% majority owner of Roserock and also the controlling partner in a tax equity partnership owning Gaskell West. All of these entities are consolidated subsidiaries of Southern Power.

(3) See Note 1 to the financial statements under "Revenues – Concentration of Revenue" in Item 8 herein for additional information on Pacific Gas & Electric Company's bankruptcy filing.
(4) In December 2018, Southern Power sold a noncontrolling tax equity interest in SP Wind (which owns all of Southern Power's wind facilities, except Cactus Flats and the two wind projects under construction, Reading and Wildhorse). SP Wind is the 90.1% majority owner of Wake Wind and owns 100% of the remaining SP Wind facilities. Southern Power owns 100% of Reading and Wildhorse and is the controlling partner in a tax equity partnership owning Cactus Flats. All of these entities are consolidated subsidiaries of Southern Power.
(5) Subject to commercial operation.

For the year ended December 31, 2018, approximately 9.8% of Southern Power's revenues were derived from Georgia Power. Southern Power actively pursues replacement PPAs prior to the expiration of its current PPAs and anticipates that the revenues attributable to one customer may be replaced by revenues from a new customer; however, the expiration of any of Southern Power's current PPAs without the successful remarketing of a replacement PPA could have a material negative impact on Southern Power's earnings but is not expected to have a material impact on Southern Company's earnings.

Southern Company Gas

Southern Company Gas is an energy services holding company whose primary business is the distribution of natural gas through the natural gas distribution utilities. Southern Company Gas is also involved in several other businesses that are complementary to the distribution of natural gas, including gas pipeline investments, wholesale gas services, and gas marketing services. During the fourth quarter 2018, Southern Company Gas changed its reportable segments to further align with the way its new Chief Operating Decision Maker reviews operating results and has reclassified prior years' data to conform to the new reportable segment presentation. This change resulted in a new reportable segment, gas pipeline investments, which was formerly included in gas midstream operations. Gas pipeline investments consists primarily of joint ventures in natural gas pipeline investments including a 50% interest in SNG, two significant pipeline construction projects, and a 50% joint ownership interest in the Dalton Pipeline. Gas distribution operations, wholesale gas services, and gas marketing services continue to remain as separate reportable segments and reflect the impact of the Southern Company Gas Dispositions. The all other non-reportable segment includes segments below the quantitative threshold for separate disclosure, including the storage and fuels operations that were formerly included in gas midstream operations, and other subsidiaries that fall below the quantitative threshold for separate disclosure.

Gas distribution operations, the largest segment of Southern Company Gas' business, operates, constructs, and maintains approximately 75,200 miles of natural gas pipelines and 14 storage facilities, with total capacity of 158 Bcf, to provide natural gas to residential, commercial, and industrial customers. Gas distribution operations serves approximately 4.2 million customers across four states.

On July 1, 2018, a Southern Company Gas subsidiary, Pivotal Utility Holdings, completed the sales of the assets of two of its natural gas distribution utilities, Elizabethtown Gas and Elkton Gas, to South Jersey Industries, Inc. On July 29, 2018, Southern Company Gas and its wholly-owned direct subsidiary, NUI Corporation, completed the stock sale of Pivotal Utility Holdings, which then primarily consisted of Florida City Gas, to NextEra Energy. The transactions raised approximately $2.3 billion in proceeds. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for additional information.

Gas pipeline investments includes joint ventures in natural gas pipeline investments that enable the provision of diverse sources of natural gas supplies to the customers of Southern Company Gas. SNG, the largest natural gas pipeline investment, is the owner of a 7,000-mile pipeline connecting natural gas supply basins in Texas, Louisiana, Mississippi, and Alabama to markets in Louisiana, Mississippi, Alabama, Florida, Georgia, South Carolina, and Tennessee.

Wholesale gas services consists of Sequent and engages in natural gas storage and gas pipeline arbitrage and provides natural gas asset management and related logistical services to most of the natural gas distribution utilities as well as non-affiliate companies.

Gas marketing services is comprised of SouthStar and provides natural gas commodity and related services to customers in competitive markets or markets that provide for customer choice. SouthStar, serving approximately 697,000 natural gas commodity customers, markets gas to residential, commercial, and industrial customers and offers energy-related products that provide natural gas price stability and utility bill management.

On June 4, 2018, Southern Company Gas completed the stock sale of Pivotal Home Solutions to American Water Enterprises LLC for $365 million. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for additional information.

Other Businesses

PowerSecure, which was acquired by Southern Company in 2016, provides energy solutions, including distributed energy infrastructure, energy efficiency products and services, and utility infrastructure services, to customers.

Southern Holdings is an intermediate holding subsidiary, primarily for Southern Company's investments in leveraged leases and energy-related funds and companies, and also for other electric and natural gas products and services. Southern Linc provides digital wireless communications for use by Southern Company and its subsidiary companies and also markets these services to the public. Southern Linc delivers multiple wireless communication options including push to talk, cellular service, text messaging, wireless internet access, and wireless data. Its system covers approximately 127,000 square miles in the Southeast. Southern Linc also provides fiber optics services within the Southeast through its subsidiary, Southern Telecom, Inc.

These efforts to invest in and develop new business opportunities may offer potential returns exceeding those of rate-regulated operations. However, these activities often involve a higher degree of risk.

Construction Programs

The subsidiary companies of Southern Company are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. For estimated construction and environmental expenditures for the periods 2019 through 2023, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of each registrant in Item 7 herein. The Southern Company system's construction program consists of capital investment and capital expenditures to comply with environmental laws and regulations. In 2019, the construction program is expected to be apportioned approximately as follows:

	Southern Company system[a][b]	Alabama Power[a]	Georgia Power[a]	Mississippi Power
	(in billions)			
New generation	$1.6	$ —	$ 1.6	$ —
Environmental compliance[c]	0.5	0.2	0.2	—
Generation maintenance	0.9	0.4	0.4	0.1
Transmission	1.0	0.3	0.6	—
Distribution	1.1	0.5	0.5	0.1
Nuclear fuel	0.2	0.1	0.1	—
General plant	0.5	0.2	0.2	—
	5.8	1.8	3.7	0.2
Southern Power[d]	0.3			
Southern Company Gas[e]	1.6			
Other subsidiaries	0.3			
Total[a]	$8.0	$ 1.8	$ 3.7	$ 0.2

(a) Totals may not add due to rounding.

(b) Includes the Subsidiary Registrants, as well as the other subsidiaries. See "Other Businesses" herein for additional information.

(c) Reflects cost estimates for environmental regulations. These estimated expenditures do not include any potential compliance costs associated with pending regulation of CO_2 emissions from fossil-fuel-fired electric generating units or costs associated with ash pond closure and groundwater monitoring under the CCR Rule and the related state rules. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Laws and Regulations" and FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Southern Company and each traditional electric operating company in Item 7 herein for additional information.

(d) Excludes up to approximately $0.5 billion for planned expenditures for plant acquisitions and placeholder growth, which may vary materially due to market opportunities and Southern Power's ability to execute its growth strategy.

(e) Includes costs for ongoing capital projects associated with infrastructure improvement programs for certain natural gas distribution utilities that have been previously approved by their applicable state regulatory agencies. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Infrastructure Replacement Programs and Capital Projects" of Southern Company Gas in Item 7 herein for additional information.

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 laws and regulations; the outcome of any legal challenges to environmental rules; changes in electric generating plants, including unit retirements and replacements and adding or changing fuel sources at existing electric generating units, to meet regulatory requirements; changes in FERC rules and regulations; state regulatory agency approvals; changes in the expected environmental compliance program; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; storm impacts; and the cost of capital. In addition, there can

be no assurance that costs related to capital expenditures will be fully recovered. Additionally, planned expenditures for plant acquisitions may vary due to market opportunities and Southern Power's ability to execute its growth strategy.
The construction program also includes Plant Vogtle Units 3 and 4, which includes components based on new technology that only recently began initial operation in the global nuclear industry at this scale and which may be subject to additional revised cost estimates during construction. The ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of new facilities is subject to a number of factors, including, but not limited to, changes in labor costs, availability, and productivity; challenges with management of contractors, subcontractors, or vendors; adverse weather conditions; shortages, increased costs, or inconsistent quality of equipment, materials, and labor; contractor or supplier delay; non-performance under construction, operating, or other agreements; operational readiness, including specialized operator training and required site safety programs; engineering or design problems; design and other licensing-based compliance matters, including the timely resolution of ITAAC and the related approvals by the NRC; challenges with start-up activities, including major equipment failure and system integration; and/or operational performance. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein for additional information regarding Georgia Power's construction of Plant Vogtle Units 3 and 4.
Also see "Regulation – Environmental Laws and Regulations" herein for additional information with respect to certain existing and proposed environmental requirements and PROPERTIES – "Electric – Jointly-Owned Facilities" and – "Natural Gas – Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information concerning Alabama Power's, Georgia Power's, and Southern Power's joint ownership of certain generating units and related facilities with certain non-affiliated utilities and Southern Company Gas' joint ownership of a pipeline facility.
Financing Programs
See each of the registrant's MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY in Item 7 herein and Note 8 to the financial statements in Item 8 herein for information concerning financing programs.
Fuel Supply
Electric
The traditional electric operating companies' and SEGCO's supply of electricity is primarily fueled by natural gas and coal. Southern Power's supply of electricity is primarily fueled by natural gas. See MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATION – "Electricity Business – Fuel and Purchased Power Expenses" of Southern Company and MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATION – "Fuel and Purchased Power Expenses" of each traditional electric operating company in Item 7 herein for information regarding the electricity generated and the average cost of fuel in cents per net KWH generated for the years 2016 through 2018.
The traditional electric operating companies have agreements in place from which they expect to receive substantially all of their 2019 coal burn requirements. These agreements have terms ranging between one and four years. In 2018, the weighted average sulfur content of all coal burned by the traditional electric operating companies was 1.06%. This sulfur level, along with banked SO_2 allowances, allowed the traditional electric operating companies to remain within limits set by Phase I of the Cross-State Air Pollution Rule (CSAPR) under the Clean Air Act. In 2018, the Southern Company system did not purchase any SO_2 allowances, annual NOx emission allowances, or seasonal NOx emission allowances from the market. As any additional environmental regulations are proposed that impact the utilization of coal, the traditional electric operating companies' fuel mix will be monitored to help ensure that the traditional electric operating companies remain in compliance with applicable laws and regulations. Additionally, Southern Company and the traditional electric operating companies will continue to evaluate the need to purchase additional emissions allowances, the timing of capital expenditures for emissions control equipment, and potential unit retirements and replacements. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" of Southern Company, each traditional electric operating company, and Southern Power in Item 7 herein for additional information on environmental matters.

SCS, acting on behalf of the traditional electric operating companies and Southern Power Company, has agreements in place for the natural gas burn requirements of the Southern Company system. For 2019, SCS has contracted for 557 Bcf of natural gas supply under agreements with remaining terms up to 15 years. In addition to natural gas supply, SCS has contracts in place for both firm natural gas transportation and storage. Management believes these contracts provide sufficient natural gas supplies, transportation, and storage to ensure normal operations of the Southern Company system's natural gas generating units.

Alabama Power and Georgia Power have multiple contracts covering their nuclear fuel needs for uranium, conversion services, enrichment services, and fuel fabrication. The uranium, conversion services, and fuel fabrication contracts have remaining terms ranging from one to 17 years. The remaining term lengths for the enrichment services contracts range from five to 10 years. Management believes suppliers have sufficient nuclear fuel production capability to permit the normal operation of the Southern Company system's nuclear generating units.

Changes in fuel prices to the traditional electric operating companies are generally reflected in fuel adjustment clauses contained in rate schedules. See "Rate Matters – Rate Structure and Cost Recovery Plans" herein for additional information. Southern Power's natural gas and biomass PPAs generally provide that the counterparty is responsible for substantially all of the cost of fuel.

Alabama Power and Georgia Power have contracts with the United States, acting through the DOE, that provide for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in 1998, as required by the contracts, and Alabama Power and Georgia Power have pursued and are pursuing legal remedies against the government for breach of contract. See Note 3 to the financial statements under "Nuclear Fuel Disposal Costs" in Item 8 herein for additional information.

Natural Gas

Advances in natural gas drilling in shale producing regions of the United States have resulted in historically high supplies of natural gas and relatively low prices for natural gas. Procurement plans for natural gas supply and transportation to serve regulated utility customers are reviewed and approved by the regulatory agencies in the states where Southern Company Gas operates. Southern Company Gas purchases natural gas supplies in the open market by contracting with producers and marketers and, for the natural gas distribution utilities except Nicor Gas, from its wholly-owned subsidiary, Sequent, under asset management agreements approved by the applicable state regulatory agency. Southern Company Gas also contracts for transportation and storage services from interstate pipelines that are regulated by the FERC. When firm pipeline services are temporarily not needed, Southern Company Gas may release the services in the secondary market under FERC-approved capacity release provisions or utilize asset management arrangements, thereby reducing the net cost of natural gas charged to customers for most of the natural gas distribution utilities. Peak-use requirements are met through utilization of company-owned storage facilities, pipeline transportation capacity, purchased storage services, peaking facilities, and other supply sources, arranged by either transportation customers or Southern Company Gas.

Territory Served by the Southern Company System

Traditional Electric Operating Companies and Southern Power

As of January 1, 2019, the territory in which the traditional electric operating companies provide retail electric service comprises most of the states of Alabama and Georgia, together with southeastern Mississippi. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" in Item 8 herein for information on the sale of Gulf Power. In this territory there are non-affiliated electric distribution systems that obtain some or all of their power requirements either directly or indirectly from the traditional electric operating companies. As of January 1, 2019, the territory had an area of approximately 114,000 square miles and an estimated population of approximately 16 million. Southern Power sells electricity at market-based rates in the wholesale market, primarily to investor-owned utilities, IPPs, municipalities, and other load-serving entities, as well as commercial and industrial customers.

Alabama Power is engaged, within the State of Alabama, in the generation, transmission, distribution, and purchase of electricity and the sale of electric service, at retail in approximately 400 cities and towns (including Anniston, Birmingham, Gadsden, Mobile, Montgomery, and Tuscaloosa), as well as in rural areas, and at wholesale to 11 municipally-owned electric distribution systems, all of which are served indirectly through sales to AMEA, and two rural distributing cooperative associations. The sales contract with AMEA is scheduled to expire on December 31, 2025. Alabama Power owns coal reserves near its Plant Gorgas and uses the output of coal from the reserves in its generating plants. Alabama Power also sells, and cooperates with dealers in promoting the sale of, electric appliances and products and markets and sells outdoor lighting services.

Georgia Power is engaged in the generation, transmission, distribution, and purchase of electricity and the sale of electric service within the State of Georgia, at retail in over 600 communities (including Athens, Atlanta, Augusta, Columbus, Macon, Rome, and Savannah), as well as in rural areas, and at wholesale to OPC, MEAG Power, Dalton, various EMCs, and non-affiliated utilities. Georgia Power also markets and sells outdoor lighting services.

Mississippi Power is engaged in the generation, transmission, distribution, and purchase of electricity and the sale of electric service within 23 counties in southeastern Mississippi, at retail in 123 communities (including Biloxi, Gulfport, Hattiesburg, Laurel, Meridian, and Pascagoula), as well as in rural areas, and at wholesale to one municipality, six rural electric distribution cooperative associations, and one generating and transmitting cooperative.

For information relating to KWH sales by customer classification for the traditional electric operating companies, see MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATIONS of Southern Company and each traditional electric operating company in Item 7 herein. For information relating to the number of retail customers served by customer classification for the traditional electric operating companies, see SELECTED FINANCIAL DATA of Southern Company and each traditional electric operating company in Item 6 herein. Also, for information relating to the sources of revenues for Southern Company, each traditional electric operating company, and Southern Power, reference is made to Item 7 herein.

The RUS has authority to make loans to cooperative associations or corporations to enable them to provide electric service to customers in rural sections of the country. As of January 1, 2019, there were approximately 58 electric cooperative distribution systems operating in the territory in which the traditional electric operating companies provide electric service at retail or wholesale.

One of these organizations, PowerSouth, is a generating and transmitting cooperative selling power to several distributing cooperatives, municipal systems, and other customers in south Alabama. As of December 31, 2018, PowerSouth owned generating units with approximately 2,100 MWs of nameplate capacity, including an undivided 8.16% ownership interest in Alabama Power's Plant Miller Units 1 and 2. PowerSouth's facilities were financed with RUS loans secured by long-term contracts requiring distributing cooperatives to take their requirements from PowerSouth to the extent such energy is available. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for details of Alabama Power's joint-ownership with PowerSouth of a portion of Plant Miller. Alabama Power has a system supply agreement with PowerSouth to provide 200 MWs of capacity service through December 31, 2030 with an option to extend and renegotiate in the event Alabama Power builds new generation or contracts for new capacity.

Alabama Power has entered into a separate agreement with PowerSouth involving interconnection between their systems. The delivery of capacity and energy from PowerSouth to certain distributing cooperatives in the service territory of Alabama Power is governed by the Southern Company/PowerSouth Network Transmission Service Agreement. The rates for this service to PowerSouth are on file with the FERC.

OPC is an EMC owned by its 38 retail electric distribution cooperatives, which provide retail electric service to customers in Georgia. OPC provides wholesale electric power to its members through its generation assets, some of which are jointly owned with Georgia Power, and power purchased from other suppliers. OPC and the 38 retail electric distribution cooperatives are members of Georgia Transmission Corporation, an EMC (GTC), which provides transmission services to its members and third parties. See PROPERTIES – "Electric – Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information regarding Georgia Power's jointly-owned facilities.

Mississippi Power has an interchange agreement with Cooperative Energy, a generating and transmitting cooperative, pursuant to which various services are provided.

As of January 1, 2019, there were approximately 71 municipally-owned electric distribution systems operating in the territory in which the traditional electric operating companies provide electric service at retail or wholesale.

As of December 31, 2018, 48 municipally-owned electric distribution systems and one county-owned system received their requirements through MEAG Power, which was established by a Georgia state statute in 1975. MEAG Power serves these requirements from self-owned generation facilities, some of which are jointly-owned with Georgia Power, and purchases from other resources. MEAG Power also has a pseudo scheduling and services agreement with Georgia Power. Dalton serves its requirements from self-owned generation facilities, some of which are jointly-owned with Georgia Power, and through purchases from Southern Power through a service agreement. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Georgia Power has entered into substantially similar agreements with GTC, MEAG Power, and Dalton providing for the establishment of an integrated transmission system to carry the power and energy of all parties. The agreements require an investment by each party in the integrated transmission system in proportion to its respective share of the aggregate system load. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein for additional information.

Southern Power assumed or entered into PPAs with Georgia Power, investor-owned utilities, IPPs, municipalities, electric cooperatives, and other load-serving entities, as well as commercial and industrial customers. See "The Southern Company System – Southern Power" above and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Power Sales Agreements" of Southern Power in Item 7 herein for additional information concerning Southern Power's PPAs.

SCS, acting on behalf of the traditional electric operating companies, also has a contract with SEPA providing for the use of the traditional electric operating companies' facilities at government expense to deliver to certain cooperatives and municipalities, entitled by federal statute to preference in the purchase of power from SEPA, quantities of power equivalent to the amounts of power allocated to them by SEPA from certain U.S. government hydroelectric projects.

Southern Company Gas

Southern Company Gas is engaged in the distribution of natural gas in four states through the natural gas distribution utilities. The natural gas distribution utilities construct, manage, and maintain intrastate natural gas pipelines and distribution facilities. Details of the natural gas distribution utilities at December 31, 2018 are as follows:

Utility	State	Number of customers (in thousands)	Approximate miles of pipe
Nicor Gas	Illinois	2,237	34,285
Atlanta Gas Light	Georgia	1,643	33,610
Virginia Natural Gas	Virginia	301	5,650
Chattanooga Gas	Tennessee	67	1,655
Total		4,248	75,200

For information relating to the sources of revenue for Southern Company Gas, see MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATIONS and – FUTURE EARNINGS POTENTIAL of Southern Company Gas in Item 7 herein.

Competition

Electric

The electric utility industry in the U.S. is continuing to evolve as a result of regulatory and competitive factors. Among the early primary agents of change was the Energy Policy Act of 1992, which allowed IPPs to access a utility's transmission network in order to sell electricity to other utilities.

The competition for retail energy sales among competing suppliers of energy is influenced by various factors, including price, availability, technological advancements, service, and reliability. These factors are, in turn, affected by, among other influences, regulatory, political, and environmental considerations, taxation, and supply.

The retail service rights of all electric suppliers in the State of Georgia are regulated by the Territorial Electric Service Act of 1973. Pursuant to the provisions of this Act, all areas within existing municipal limits were assigned to the primary electric supplier therein. Areas outside of such municipal limits were either to be assigned or to be declared open for customer choice of supplier by action of the Georgia PSC pursuant to standards set forth in this Act. Consistent with such standards, the Georgia PSC has assigned substantially all of the land area in the state to a supplier. Notwithstanding such assignments, this Act provides that any new customer locating outside of 1973 municipal limits and having a connected load of at least 900 KWs may exercise a one-time choice for the life of the premises to receive electric service from the supplier of its choice.

Pursuant to the 1956 Utility Act, the Mississippi PSC issued "Grandfather Certificates" of public convenience and necessity to Mississippi Power and to six distribution rural cooperatives operating in southeastern Mississippi, then served in whole or in part by Mississippi Power, authorizing them to distribute electricity in certain specified geographically described areas of the state. The six cooperatives serve approximately 325,000 retail customers in a certificated area of approximately 10,300 square miles. In areas included in a "Grandfather Certificate," the utility holding such certificate may extend or maintain its electric system subject to certain regulatory approvals; extensions of facilities by such utility, or extensions of facilities into that area by other utilities, may not be made except upon a showing of, and a grant of a certificate of, public convenience and necessity. Areas included in a CPCN that are subsequently annexed to municipalities may continue to be served by the holder of the CPCN, irrespective of whether it has a franchise in the annexing municipality. On the other hand, the holder of the municipal franchise may not extend service into such newly annexed area without authorization by the Mississippi PSC.

Generally, the traditional electric operating companies have experienced, and expect to continue to experience, competition in their respective retail service territories in varying degrees from the development and deployment of alternative energy sources such as self-generation (as described below) and distributed generation technologies, as well as other factors.

Southern Power competes with investor-owned utilities, IPPs, and others for wholesale energy sales across various U.S. utility markets. The needs of these markets are driven by the demands of end users and the generation available.

Southern Power's success in wholesale energy sales is influenced by various factors including reliability and availability of Southern Power's plants, availability of transmission to serve the demand, price, and Southern Power's ability to contain costs.

As of December 31, 2018, Alabama Power had cogeneration contracts in effect with nine industrial customers. Under the terms of these contracts, Alabama Power purchases excess energy generated by such companies. During 2018, Alabama Power purchased approximately 99 million KWHs from such companies at a cost of $3 million.

As of December 31, 2018, Georgia Power had contracts in effect with 28 small power producers whereby Georgia Power purchases their excess generation. During 2018, Georgia Power purchased 2.1 billion KWHs from such companies at a cost of $140 million. Georgia Power also has PPAs for electricity with four cogeneration facilities. Payments are subject to reductions for failure to meet minimum capacity output. During 2018, Georgia Power purchased 26 million KWHs at a cost of $0.8 million from these facilities.

Also during 2018, Georgia Power purchased energy from three customer-owned generating facilities. These customers provide energy with no capacity commitment and are not dispatched by Georgia Power. During 2018, Georgia Power purchased a total of 341 million KWHs from the three customers at a cost of approximately $28 million.

As of December 31, 2018, Mississippi Power had a cogeneration agreement in effect with one of its industrial customers. Under the terms of this contract, Mississippi Power purchases any excess generation. During 2018, Mississippi Power did not purchase any excess generation from this customer.

Natural Gas

Southern Company Gas' natural gas distribution utilities do not compete with other distributors of natural gas in their exclusive franchise territories but face competition from other energy products. Their principal competitors are electric utilities and fuel oil and propane providers serving the residential, commercial, and industrial markets in their service areas for customers who are considering switching to or from a natural gas appliance.

Competition for heating as well as general household and small commercial energy needs generally occurs at the initial installation phase when the customer or builder makes decisions as to which types of equipment to install. Customers generally use the chosen energy source for the life of the equipment.

Customer demand for natural gas could be affected by numerous factors, including:

- changes in the availability or price of natural gas and other forms of energy;
- general economic conditions;
- energy conservation, including state-supported energy efficiency programs;
- legislation and regulations;
- the cost and capability to convert from natural gas to alternative energy products; and
- technological changes resulting in displacement or replacement of natural gas appliances.

The natural gas-related programs generally emphasize natural gas as the fuel of choice for customers and seek to expand the use of natural gas through a variety of promotional activities. In addition, Southern Company Gas partners with third-party entities to market the benefits of natural gas appliances.

The availability and affordability of natural gas have provided cost advantages and further opportunity for growth of the businesses.

Seasonality

The demand for electric power and natural gas supply is affected by seasonal differences in the weather. While the electric power sales of some of the traditional electric operating companies peak in the summer, others peak in the winter. In the aggregate, electric power sales peak during the summer with a smaller peak during the winter. In most of the areas Southern Company Gas serves, natural gas demand peaks during the winter. As a result, the overall operating results of Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas in the future may fluctuate substantially on a seasonal basis. In addition, the traditional electric operating companies, Southern Power, and Southern Company Gas have historically sold less power and natural gas when weather conditions are milder.

Regulation

States

The traditional electric operating companies and the natural gas distribution utilities are subject to the jurisdiction of their respective state PSCs or applicable state regulatory agencies. These regulatory bodies have broad powers of supervision and regulation over public utilities operating in the respective states, including their rates, service regulations, sales of securities (except for the Mississippi PSC), and, in the cases of the Georgia PSC and the

Mississippi PSC, in part, retail service territories. See "Territory Served by the Southern Company System" and "Rate Matters" herein for additional information.

Federal Power Act

The traditional electric operating companies, Southern Power Company and certain of its generation subsidiaries, and SEGCO are all public utilities engaged in wholesale sales of energy in interstate commerce and, therefore, are subject to the rate, financial, and accounting jurisdiction of the FERC under the Federal Power Act. The FERC must approve certain financings and allows an "at cost standard" for services rendered by system service companies such as SCS and Southern Nuclear. The FERC is also authorized to establish regional reliability organizations which enforce reliability standards, address impediments to the construction of transmission, and prohibit manipulative energy trading practices.

Alabama Power and Georgia Power are also subject to the provisions of the Federal Power Act or the earlier Federal Water Power Act applicable to licensees with respect to their hydroelectric developments. As of December 31, 2018, among the hydroelectric projects subject to licensing by the FERC are 14 existing Alabama Power generating stations having an aggregate installed capacity of 1,670,000 KWs and 17 existing Georgia Power generating stations and one generating station partially owned by Georgia Power, with a combined aggregate installed capacity of 1,101,402 KWs.

In 2013, the FERC issued a new 30-year license to Alabama Power for Alabama Power's seven hydroelectric developments on the Coosa River (Weiss, Henry, Logan Martin, Lay, Mitchell, Jordan, and Bouldin). Alabama Power filed a petition requesting rehearing of the FERC order granting the relicense seeking revisions to several conditions of the license. Alabama Rivers Alliance, American Rivers, the Georgia Environmental Protection Division, and the Atlanta Regional Commission also filed petitions for rehearing of the FERC order. In 2016, the FERC issued an order granting in part and denying in part Alabama Power's rehearing request. The order also denied all of the other rehearing requests. Also in 2016, Alabama Rivers Alliance and American Rivers filed a second rehearing request and also filed a petition with the U.S. Court of Appeals for the District of Columbia Circuit for review of the license and the rehearing denial order. The FERC issued an order in 2016 denying the second rehearing request, and American Rivers and Alabama Rivers Alliance subsequently filed an appeal of that order at the U.S. Court of Appeals for the District of Columbia Circuit. The U.S. Court of Appeals for the District of Columbia Circuit consolidated the two appeals into one proceeding and, on July 6, 2018, vacated the FERC's 2013 order for the new 30-year license and remanded the proceeding to the FERC. Alabama Power continues to operate the Coosa River developments under annual licenses issued by the FERC. The ultimate outcome of this matter cannot be determined at this time.

In 2018, Alabama Power continued the process of developing an application to relicense the Harris Dam project on the Tallapoosa River, which is expected to be filed with the FERC by November 30, 2021. The current Harris Dam project license will expire on November 30, 2023.

On May 31, 2018, Georgia Power filed an application to relicense the Wallace Dam project on the Oconee River. The current Wallace Dam project license will expire on June 1, 2020. On July 3, 2018, Georgia Power filed a Notice of Intent to relicense the Lloyd Shoals project on the Ocmulgee River. The application to relicense the Lloyd Shoals project is expected to be filed with the FERC by December 31, 2021. The current Lloyd Shoals project license will expire on December 31, 2023. On December 18, 2018, Georgia Power filed applications to surrender the Langdale and Riverview hydroelectric projects on the Chattahoochee River upon their license expirations on December 31, 2023. Both projects together represent 1,520 KWs of Georgia Power's hydro fleet capacity.

Georgia Power and OPC also have a license, expiring in 2027, for the Rocky Mountain project, a pure pumped storage facility of 903,000 KW installed capacity. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein for additional information.

Licenses for all projects, excluding those discussed above, expire in the years 2034-2066 in the case of Alabama Power's projects and in the years 2035-2044 in the case of Georgia Power's projects.

Upon or after the expiration of each license, the U.S. Government, by act of Congress, may take over the project or the FERC may relicense the project either to the original licensee or to a new licensee. In the event of takeover or relicensing to another, the original licensee is to be compensated in accordance with the provisions of the Federal Power Act, such compensation to reflect the net investment of the licensee in the project, not in excess of the fair value of the property, plus reasonable damages to other property of the licensee resulting from the severance therefrom of the property. The FERC may grant relicenses subject to certain requirements that could result in

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

Nuclear Regulation

Alabama Power, Georgia Power, and Southern Nuclear are subject to regulation by the NRC. The NRC is responsible for licensing and regulating nuclear facilities and materials and for conducting research in support of the licensing and regulatory process, as mandated by the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974, as amended; and the Nuclear Nonproliferation Act of 1978, as amended; and in accordance with the National Environmental Policy Act of 1969, as amended, and other applicable statutes. These responsibilities also include protecting public health and safety, protecting the

environment, protecting and safeguarding nuclear materials and nuclear power plants in the interest of national security, and assuring conformity with antitrust laws.
The NRC licenses for Georgia Power's Plant Hatch Units 1 and 2 expire in 2034 and 2038, respectively. The NRC licenses for Alabama Power's Plant Farley Units 1 and 2 expire in 2037 and 2041, respectively. The NRC licenses for Plant Vogtle Units 1 and 2 expire in 2047 and 2049, respectively.
In 2012, the NRC issued combined construction and operating licenses (COLs) for Plant Vogtle Units 3 and 4. Receipt of the COLs allowed full construction to begin. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Retail Regulatory Matters – Nuclear Construction" of Georgia Power in Item 7 herein and Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein for additional information.
See Notes 3 and 6 to the financial statements under "Nuclear Insurance" and "Nuclear Decommissioning," respectively, in Item 8 herein for information on nuclear insurance and nuclear decommissioning costs.
Environmental Laws and Regulations
The Southern Company system's operations are regulated by state and federal environmental agencies through a variety of laws and regulations governing air, water, land, and protection of other natural resources. Compliance with these existing environmental requirements involves significant capital and operating costs, a major portion of which is expected to be recovered through existing ratemaking provisions or through market-based contracts. There is no assurance, however, that all such costs will be recovered.
For Southern Company Gas, substantially all of these costs are related to former MGP sites, which are generally recovered through existing ratemaking provisions. See Note 3 to the financial statements under "Environmental Matters" in Item 8 herein for additional information.
Compliance with environmental laws and resulting regulations, including, but not limited to, proposed and existing regulations related to air quality, water quality, CCR, and global climate issues, has been, and will continue to be, a significant focus for each of the registrants and SEGCO. Compliance with any new or revised environmental laws and regulations could affect many areas of the traditional electric operating companies', Southern Power's, SEGCO's, and Southern Company Gas' operations. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" of each of the registrants in Item 7 herein for additional information about environmental issues.
The Southern Company system's ultimate environmental compliance strategy and future environmental expenditures will depend on various factors, such as state adoption and implementation of requirements, the availability and cost of any deployed control technology, fuel prices, and the outcome of pending and/or future legal challenges. Compliance costs may result from the installation of additional environmental controls, closure and monitoring of CCR facilities, unit retirements, or changing fuel sources for certain existing units, as well as related upgrades to the transmission and distribution (electric and natural gas) systems. Environmental compliance spending over the next several years may differ materially from the amounts estimated. Such expenditures could affect results of operations, cash flows, and/or financial condition if such costs are not recovered on a timely basis through regulated rates for the traditional electric operating companies and the natural gas distribution utilities or through long-term wholesale agreements for the traditional electric operating companies and Southern Power. Further, higher costs that are recovered through regulated rates could contribute to reduced demand for energy, which could negatively affect results of operations, cash flows, and financial condition. Additionally, many commercial and industrial customers may also be affected by existing and future environmental requirements, which for some may have the potential to ultimately affect their demand for electricity and natural gas. See "Construction Program" herein and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" of each of the registrants in Item 7 herein for additional information. The ultimate outcome of these matters cannot be determined at this time.
Rate Matters
Rate Structure and Cost Recovery Plans
Electric
The rates and service regulations of the traditional electric operating companies are uniform for each class of service throughout their respective retail service territories. Rates for residential electric service are generally of the block

type based upon KWHs used and include minimum charges. Residential and other rates contain separate customer charges. Rates for commercial service are presently of the block type and, for large customers, the billing demand is generally used to determine capacity and minimum bill charges. These large customers' rates are generally based upon usage by the customer and include rates with special features to encourage off-peak usage. Additionally, Alabama Power and Mississippi Power are generally allowed by their respective state PSCs to negotiate the terms and cost of service to large customers. Such terms and cost of service, however, are subject to final state PSC approval.

The traditional electric operating companies recover certain costs through a variety of forward-looking, cost-based rate mechanisms. Fuel and net purchased energy costs are recovered through specific fuel cost recovery provisions. These fuel cost recovery provisions are adjusted to reflect increases or decreases in such costs as needed or on schedules as required by the respective PSCs. Approved compliance, storm damage, and certain other costs are recovered at Alabama Power and Mississippi Power through specific cost recovery mechanisms approved by their respective PSCs. Certain similar costs at Georgia Power are recovered through various base rate tariffs as approved by the Georgia PSC. Costs not recovered through specific cost recovery mechanisms are recovered at Alabama Power and Mississippi Power through annual, formulaic cost recovery proceedings and at Georgia Power through periodic base rate proceedings.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Regulatory Matters" of Southern Company and each of the traditional electric operating companies in Item 7 herein and Note 2 to the financial statements in Item 8 herein for a discussion of rate matters and certain cost recovery mechanisms. Also, see Note 1 to the financial statements in Item 8 herein for a discussion of recovery of fuel costs, storm damage costs, and compliance costs through rate mechanisms.

See "Integrated Resource Planning" herein and Note 2 to the financial statements under "Georgia Power – Integrated Resource Plan" in Item 8 herein for a discussion of Georgia PSC certification of new demand-side or supply-side resources for Georgia Power. In addition, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Retail Regulatory Matters – Nuclear Construction" of Georgia Power in Item 7 herein and Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein for a discussion of the Georgia Nuclear Energy Financing Act and the Georgia PSC certification of Plant Vogtle Units 3 and 4, which have allowed Georgia Power to recover financing costs for construction of Plant Vogtle Units 3 and 4 since 2011.

See Note 2 to the financial statements under "Kemper County Energy Facility" in Item 8 herein and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Kemper County Energy Facility – Rate Recovery" of Mississippi Power in Item 7 herein for information on cost recovery plans for the Kemper County energy facility.

The traditional electric operating companies and Southern Power Company and certain of its generation subsidiaries are authorized by the FERC to sell power to non-affiliates, including short-term opportunity sales, at market-based prices. Specific FERC approval must be obtained with respect to a market-based contract with an affiliate.

Mississippi Power serves long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under cost-based electric tariffs which are subject to regulation by the FERC. The contracts with these wholesale customers represented 17.3% of Mississippi Power's total operating revenues in 2018 and are generally subject to 10-year rolling cancellation notices. Historically, these wholesale customers have acted as a group and any changes in contractual relationships for one customer are likely to be followed by the other wholesale customers.

Natural Gas

Southern Company Gas' natural gas distribution utilities are subject to regulation and oversight by their respective state regulatory agencies. Rates charged to these customers vary according to customer class (residential, commercial, or industrial) and rate jurisdiction. These agencies approve rates designed to provide each natural gas distribution utility the opportunity to generate revenues to recover all prudently-incurred costs, including a return on rate base sufficient to pay interest on debt, and provide a reasonable return.

With the exception of Atlanta Gas Light, which operates in a deregulated environment in which Marketers rather than a traditional utility sell natural gas to end-use customers and earns revenue by charging rates to its customers based primarily on monthly fixed charges that are set by the Georgia PSC, the earnings of the natural gas distribution utilities can be affected by customer consumption patterns that are largely a function of weather conditions and price levels for natural gas.

The natural gas distribution utilities, excluding Atlanta Gas Light, are authorized to use natural gas cost recovery mechanisms that adjust rates to reflect changes in the wholesale cost of natural gas and ensure recovery of all costs prudently incurred in purchasing natural gas for customers. In addition to natural gas cost recovery mechanisms, the natural gas distribution utilities have other cost recovery mechanisms, such as regulatory riders, which vary by utility but allow recovery of certain costs, such as those related to infrastructure replacement programs as well as environmental remediation and energy efficiency plans.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Utility Regulation and Rate Design" of Southern Company Gas in Item 7 herein and Note 2 to the financial statements under "Southern Company Gas" in Item 8 herein for a discussion of rate matters and certain cost recovery mechanisms.

Integrated Resource Planning

Each of the traditional electric operating companies continually evaluates its electric generating resources in order to ensure that it maintains a cost-effective and reliable mix of resources to meet the existing and future demand requirements of its customers. See "Environmental Laws and Regulations" above for a discussion of existing and potential environmental regulations that may impact the future generating resource needs of the traditional electric operating companies.

Alabama Power

Triennially, Alabama Power provides an IRP report to the Alabama PSC. This report overviews Alabama Power's resource planning process and contains information that serves as the foundation for certain decisions affecting Alabama Power's portfolio of supply-side and demand-side resources. The IRP report facilitates Alabama Power's ability to provide reliable and cost-effective electric service to customers, while accounting for the risks and uncertainties inherent in planning for resources sufficient to meet expected customer demand. Under State of Alabama law, a CPCN must be obtained from the Alabama PSC before Alabama Power constructs any new generating facility, unless such construction is deemed an ordinary extension in the usual course of business.

Georgia Power

Triennially, Georgia Power must file an IRP with the Georgia PSC that specifies how it intends to meet the future electric service needs of its customers through a combination of demand-side and supply-side resources. The Georgia PSC, under state law, must certify any new demand-side or supply-side resources for Georgia Power to receive cost recovery. Once certified, the lesser of actual or certified construction costs and purchased power costs is recoverable through rates. Certified costs may be excluded from recovery only on the basis of fraud, concealment, failure to disclose a material fact, imprudence, or criminal misconduct. See Note 2 to the financial statements under "Georgia Power – Rate Plans," " – Integrated Resource Plan," and " – Nuclear Construction" in Item 8 herein for additional information.

Mississippi Power

On February 6, 2018, the Mississippi PSC approved a settlement agreement related to cost recovery for the Kemper County energy facility, pursuant to which Mississippi Power filed a Reserve Margin Plan (RMP) on August 6, 2018. The RMP includes many of the same aspects of a traditional IRP, but the RMP also contains alternatives proposed by Mississippi Power to address its existing reserve capacity, which is greater than the level required to meet Mississippi Power's projected summer peak demand. Mississippi Power developed the alternatives by evaluating the economics of each unit in Mississippi Power's fleet, the opportunities currently available in the wholesale market, and the operational constraints of the Southern Company system. The ultimate outcome of this matter cannot be determined at this time. For additional information, see Note 2 to the financial statements under "Kemper County Energy Facility" in Item 8 herein.

Employee Relations

The Southern Company system had a total of 29,192 employees on its payroll at January 1, 2019.

	Employees at January 1, 2019
Alabama Power	6,650
Georgia Power	6,967
Mississippi Power	1,053
PowerSecure	1,743
SCS	3,799
Southern Company Gas	4,389
Southern Nuclear	3,870
Southern Power	491
Other	230
Total	29,192

The traditional electric operating companies and the natural gas distribution utilities have separate agreements with local unions of the IBEW and the Utilities Workers Union of America generally covering wages, working conditions, and procedures for handling grievances and arbitration. These agreements apply with certain exceptions to operating, maintenance, and construction employees.

Alabama Power has agreements with the IBEW in effect through August 15, 2019. Upon notice given at least 60 days prior to that date, negotiations may be initiated with respect to agreement terms to be effective after such date.

Georgia Power has an agreement with the IBEW covering wages and working conditions, which is in effect through June 30, 2021.

Mississippi Power has an agreement with the IBEW covering wages and working conditions, which is in effect through May 1, 2019. In 2015, Mississippi Power signed a separate agreement with the IBEW related solely to the Kemper County energy facility; that current agreement is in effect through March 15, 2021. In August 2017, Mississippi Power signed an agreement with the IBEW that added several job classifications and provided guidelines related to the reorganization at the Kemper County energy facility.

Southern Nuclear has a five-year agreement with the IBEW covering certain employees at Plants Hatch and Plant Vogtle Units 1 and 2, which is in effect through June 30, 2021. A five-year agreement between Southern Nuclear and the IBEW representing certain employees at Plant Farley is in effect through August 15, 2019. Upon notice given at least 60 days prior to that date, negotiations may be initiated with respect to agreement terms to be effective after such date.

The agreements also make the terms of the pension plans for the companies discussed above subject to collective bargaining with the unions at either a five-year or a 10-year cycle, depending upon union and company actions.

The natural gas distribution utilities have separate agreements with local unions of the IBEW and Utilities Workers Union of America covering wages, working conditions, and procedures for handling grievances and arbitration. Nicor Gas' agreement with the IBEW is effective through February 29, 2020. Virginia Natural Gas' agreement with the IBEW is effective through May 15, 2020. The agreements also make the terms of the Southern Company Gas pension plan subject to collective bargaining with the unions when significant changes to the benefit accruals are considered by Southern Company Gas.

Item 1A. RISK FACTORS

In addition to the other information in this Form 10-K, including MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL in Item 7 of each registrant, and other documents filed by Southern Company and/or its subsidiaries with the SEC from time to time, the following factors should be carefully considered in evaluating Southern Company and its subsidiaries. Such factors could affect actual results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Southern Company and/or its subsidiaries.

UTILITY REGULATORY, LEGISLATIVE, AND LITIGATION RISKS

Southern Company and its subsidiaries are subject to substantial state and federal governmental regulation. Compliance with current and future regulatory requirements and procurement of necessary approvals, permits, and certificates may result in substantial costs to Southern Company and its subsidiaries.

Southern Company and its subsidiaries are subject to substantial regulation from federal, state, and local regulatory agencies and are required to comply with numerous laws and regulations and to obtain numerous permits, approvals, and certificates from governmental agencies. The traditional electric operating companies and the natural gas distribution utilities seek to recover their costs (including a reasonable return on invested capital) through their retail rates, which must be approved by the applicable state PSC or other applicable state regulatory agency. A state PSC or other applicable state regulatory agency, in a future rate proceeding, may alter the timing or amount of certain costs for which recovery is allowed or modify the current authorized rate of return. Rate refunds may also be required. Additionally, the rates charged to wholesale customers by the traditional electric operating companies and by Southern Power and the rates charged to natural gas transportation customers by Southern Company Gas' pipeline investments and for some of its storage assets must be approved by the FERC. These wholesale rates could be affected by changes to Southern Power's and the traditional electric operating companies' ability to conduct business pursuant to FERC market-based rate authority. Retaining this authority from the FERC is important to the traditional electric operating companies' and Southern Power's ability to remain competitive in the wholesale electric markets.

The impact of any future revision or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to Southern Company or any of its subsidiaries is uncertain. Changes in regulation or the imposition of additional regulations could influence the operating environment of Southern Company and its subsidiaries and may result in substantial costs or otherwise negatively affect their results of operations.

The Southern Company system's costs of compliance with environmental laws and satisfying related AROs are significant. The costs of compliance with current and future environmental laws and related AROs and the incurrence of environmental liabilities could negatively impact the net income, cash flows, and financial condition of the registrants.

The Southern Company system's operations are subject to extensive regulation by state and federal environmental agencies through a variety of laws and regulations. Compliance with existing environmental requirements involves significant capital and operating costs including the settlement of AROs, a major portion of which is expected to be recovered through existing ratemaking provisions or through market-based contracts. There is no assurance, however, that all such costs will be recovered. The registrants expect future compliance expenditures will continue to be significant.

The EPA has adopted and is implementing regulations governing air and water quality under the Clean Air Act and regulations governing cooling water intake structures and effluent guidelines for steam electric generating plants under the Clean Water Act. The EPA has also adopted regulations governing the disposal of CCR, including coal ash and gypsum, in landfills and surface impoundments at active generating power plants. The cost estimates for AROs related to the disposal of CCR 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. The traditional electric operating companies will continue to periodically update their ARO cost estimates. Additionally, environmental laws and regulations covering the handling and disposal of waste and release of hazardous substances could require the Southern Company system to incur substantial costs to clean up affected sites, including certain current and former operating sites, and locations affected by historical operations or subject to contractual obligations.

Existing environmental laws and regulations may be revised or new environmental laws and regulations may be adopted or become applicable to the Southern Company system. In addition, existing environmental laws and regulations may be impacted by related legal challenges.

Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental requirements has occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by CO_2 and other emissions, CCR, releases of regulated substances, and alleged exposure to regulated substances, and/or requests for injunctive relief in connection with such matters.

Compliance with any new or revised environmental laws or regulations could affect many areas of the Southern Company system's operations. The Southern Company system's ultimate environmental compliance strategy and future environmental expenditures will depend on various factors, such as state adoption and implementation of requirements, the availability and cost of any deployed control technology, and the outcome of pending and/or future legal challenges. Compliance costs may result from the installation of additional environmental controls, closure and monitoring of CCR facilities, unit retirements, or changing fuel sources for certain existing units, as well as related upgrades to the Southern Company system's transmission and distribution (electric and natural gas) systems. Environmental compliance spending over the next several years may differ materially from the amounts estimated. Such expenditures could affect results of operations, cash flows, and/or financial condition if such costs are not recovered on a timely basis through regulated rates for the traditional electric operating companies and the natural gas distribution utilities or through long-term wholesale agreements for the traditional electric operating companies and Southern Power. Further, higher costs that are recovered through regulated rates could contribute to reduced demand for energy, which could negatively affect results of operations, cash flows, and financial condition. Additionally, many commercial and industrial customers may also be affected by existing and future environmental requirements, which for some may have the potential to ultimately affect their demand for electricity or natural gas.

The Southern Company system may be exposed to regulatory and financial risks related to the impact of GHG legislation, regulation, and emission reduction goals.

The EPA has published rules limiting CO_2 emissions from new, modified, and reconstructed fossil fuel-fired electric generating units and guidelines for states to develop plans to meet EPA-mandated CO_2 emission performance standards for existing units (known as the Clean Power Plan or CPP). On August 31, 2018, the EPA published a proposed rule known as the Affordable Clean Energy (ACE) Rule, which is intended to replace a regulation enacted in 2015 known as the Clean Power Plan (CPP), that would limit CO_2 emissions from existing fossil fuel-fired electric generating units. The CPP has been stayed by the U.S. Supreme Court since 2016. The ACE Rule would require states to develop GHG unit-specific emission rate standards based on heat-rate efficiency improvements for existing fossil fuel-fired steam units. As proposed, combustion turbines, including natural gas combined cycles, are not affected sources. As of January 1, 2019, the Southern Company system has ownership interests in 40 fossil fuel-fired steam units to which the proposed ACE Rule is applicable. The ultimate impact of this rule to the Southern Company system is currently unknown and will depend on changes between the proposal and the final rule, subsequent state plan developments and requirements, and any associated legal challenges.

The EPA also has proposed a review of final rules adopted in 2015 to establish performance standards for new, modified, and reconstructed electric utility generating units. The impact of any changes will depend on the content of any final rule adopted by the EPA and the outcome of any related legal challenges.

In April 2018, Southern Company established an intermediate goal of a 50% reduction in carbon emissions from 2007 levels by 2030 and a long-term goal of low- to no-carbon operations by 2050. To achieve these goals, the Southern Company system expects to continue growing its renewable energy portfolio, optimize technology advancements to modernize its transmission and distribution systems, increase the use of natural gas for generation, complete ongoing construction projects, including Georgia Power's interest in Plant Vogtle Units 3 and 4, invest in energy efficiency, and continue research and development efforts focused on technologies to lower GHG emissions. The Southern Company system's ability to achieve these goals also will be dependent on many external factors, including supportive national energy policies, low natural gas prices, and the development, deployment, and advancement of relevant energy technologies.

Costs associated with GHG legislation, regulation, and emission reduction goals could be significant. However, the ultimate impact will depend on various factors, such as state adoption and implementation of requirements, low natural gas prices, the development, deployment, and advancement of relevant energy technologies, the ability to recover costs through existing ratemaking provisions, and the outcome of pending and/or future legal challenges.

Because natural gas is a fossil fuel with lower carbon content relative to other fossil fuels, future GHG constraints, including, but not limited to, the imposition of a carbon tax, may create additional demand for natural gas, both for production of electricity and direct use in homes and businesses. Future GHG constraints designed to minimize emissions from natural gas could likewise result in increased costs to the Southern Company system and affect the demand for natural gas as well as the prices charged to customers and the competitive position of natural gas.

The net income of Southern Company, the traditional electric operating companies, and Southern Power could be negatively impacted by changes in regulations related to transmission planning processes and competition in the wholesale electric markets.

The traditional electric operating companies currently own and operate transmission facilities as part of a vertically integrated utility. A small percentage of transmission revenues are collected through the wholesale electric tariff but the majority are collected through retail rates. FERC rules pertaining to regional transmission planning and cost allocation present challenges to transmission planning and the wholesale market structure. The key impacts of these rules include:

- possible disruption of the integrated resource planning processes within the states in the Southern Company system's service territory;
- delays and additional processes for developing transmission plans; and
- possible impacts on state jurisdiction of approving, certifying, and pricing new transmission facilities.

The FERC rules related to transmission are intended to spur the development of new transmission infrastructure to promote and encourage the integration of renewable sources of supply as well as facilitate competition in the wholesale market by providing more choices to wholesale power customers. Technology changes in the power and fuel industries continue to create significant impacts to wholesale transaction cost structures. The impact of these and other such developments and the effect of changes in levels of wholesale supply and demand are uncertain. The financial condition, net income, and cash flows of Southern Company, the traditional electric operating companies, and Southern Power could be adversely affected by these and other changes.

The traditional electric operating companies and Southern Power could be subject to higher costs as a result of implementing and maintaining compliance with the North American Electric Reliability Corporation mandatory reliability standards along with possible associated penalties for non-compliance.

Owners and operators of bulk power systems, including the traditional electric operating companies, are subject to mandatory reliability standards enacted by the North American Electric Reliability Corporation and enforced by the FERC. Compliance with or changes in the mandatory reliability standards may subject the traditional electric operating companies and Southern Power to higher operating costs and/or increased capital expenditures. If any traditional electric operating company or Southern Power is found to be in noncompliance with these standards, such traditional electric operating company or Southern Power could be subject to sanctions, including substantial monetary penalties.

OPERATIONAL RISKS

The financial performance of Southern Company and its subsidiaries may be adversely affected if the subsidiaries are unable to successfully operate their facilities or perform certain corporate functions.

The financial performance of Southern Company and its subsidiaries depends on the successful operation of the electric generation, transmission, and distribution facilities and natural gas distribution and storage facilities and the successful performance of necessary corporate functions. There are many risks that could affect these operations and performance of corporate functions, including:

- operator error or failure of equipment or processes;
- accidents;
- operating limitations that may be imposed by environmental or other regulatory requirements or in connection with joint owner arrangements;
- labor disputes;
- physical attacks;
- fuel or material supply interruptions and/or shortages;
- transmission disruption or capacity constraints, including with respect to the Southern Company system's and third parties' transmission, storage, and transportation facilities;
- compliance with mandatory reliability standards, including mandatory cyber security standards;
- implementation of new technologies;
- information technology system failures;
- cyber intrusions;

- environmental events, such as spills or releases; and
- catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events, or other similar occurrences.

A decrease or elimination of revenues from the electric generation, transmission, or distribution facilities or natural gas distribution or storage facilities or an increase in the cost of operating the facilities would reduce the net income and cash flows and could adversely impact the financial condition of the affected registrant.

Operation of nuclear facilities involves inherent risks, including environmental, safety, health, regulatory, natural disasters, cyber intrusions or physical attacks, and financial risks, that could result in fines or the closure of the nuclear units owned by Alabama Power or Georgia Power and which may present potential exposures in excess of insurance coverage.

Alabama Power owns, and contracts for the operation of, two nuclear units and Georgia Power holds undivided interests in, and contracts for the operation of, four existing nuclear units. The six existing units are operated by Southern Nuclear and represent approximately 3,680 MWs, or 8% of the Southern Company system's electric generation capacity at January 1, 2019. In addition, these units generated approximately 25% of the total KWHs generated by each of Alabama Power and Georgia Power in the year ended December 31, 2018. In addition, Southern Nuclear, on behalf of Georgia Power and the other Vogtle Owners, is managing the construction of Plant Vogtle Units 3 and 4. Due solely to the increase in nuclear generating capacity, the below risks are expected to increase incrementally once Plant Vogtle Units 3 and 4 are operational. Nuclear facilities are subject to environmental, safety, health, operational, and financial risks such as:

- the potential harmful effects on the environment and human health and safety resulting from a release of radioactive materials in connection with the operation of nuclear facilities and the storage, handling, and disposal of radioactive material, including spent nuclear fuel;
- uncertainties with respect to the ability to dispose of spent nuclear fuel and the need for longer term on-site storage;
- uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of licensed lives and the ability to maintain and anticipate adequate capital reserves for decommissioning;
- limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with the nuclear operations of Alabama Power and Georgia Power or those of other commercial nuclear facility owners in the U.S.;
- potential liabilities arising out of the operation of these facilities;
- significant capital expenditures relating to maintenance, operation, security, and repair of these facilities, including repairs and upgrades required by the NRC;
- actual or threatened cyber intrusions or physical attacks; and
- the potential impact of an accident or natural disaster.

It is possible that damages, decommissioning, or other costs could exceed the amount of decommissioning trusts or external insurance coverage, including statutorily required nuclear incident insurance.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear generation facilities. In the event of non-compliance, the NRC has the authority to impose fines and/or shut down any unit, depending upon its assessment of the severity of the situation, until compliance is achieved. NRC orders or regulations related to increased security measures and any future safety requirements promulgated by the NRC could require Alabama Power and Georgia Power to make substantial operating and capital expenditures at their nuclear plants. In addition, if a serious nuclear incident were to occur, it could result in substantial costs to Alabama Power or Georgia Power and Southern Company. A major incident at a nuclear facility anywhere in the world could cause the NRC to delay or prohibit construction of new nuclear units or require additional safety measures at new and existing units. Moreover, a major incident at any nuclear facility in the U.S., including facilities owned and operated by third parties, could require Alabama Power and Georgia Power to make material contributory payments.

In addition, actual or potential threats of cyber intrusions or physical attacks could result in increased nuclear licensing or compliance costs that are difficult to predict.

Transporting and storing natural gas involves risks that may result in accidents and other operating risks and costs.

Southern Company Gas' natural gas distribution and storage activities involve a variety of inherent hazards and operating risks, such as leaks, accidents, explosions, and mechanical problems, which could result in serious injury to employees and non-employees, loss of life, significant damage to property, environmental pollution, and impairment of its operations. The location of pipelines and storage facilities near populated areas could increase the level of damage resulting from these risks. Additionally, these pipeline and storage facilities are subject to various state and other regulatory requirements. Failure to comply with these regulatory requirements could result in substantial monetary penalties or potential early retirement of storage facilities, which could trigger an associated impairment.

The occurrence of any of these events not fully covered by insurance or otherwise could adversely affect Southern Company Gas' and Southern Company's financial condition and results of operations.

Physical attacks, both threatened and actual, could impact the ability of the Subsidiary Registrants to operate and could adversely affect financial results and liquidity.

The Subsidiary Registrants face the risk of physical attacks, both threatened and actual, against their respective generation and storage facilities and the transmission and distribution infrastructure used to transport energy, which could negatively impact their ability to generate, transport, and deliver power, or otherwise operate their respective facilities, or, with respect to Southern Company Gas, its ability to distribute or store natural gas, or otherwise operate its facilities, in the most efficient manner or at all. In addition, physical attacks against third-party providers could have a similar effect on Southern Company and its subsidiaries.

Despite the implementation of robust security measures, all assets are potentially vulnerable to disability, failures, or unauthorized access due to human error, natural disasters, technological failure, or internal or external physical attacks. If assets were to fail, be physically damaged, or be breached and were not restored in a timely manner, the affected Subsidiary Registrant may be unable to fulfill critical business functions. Moreover, the amount and scope of insurance maintained against losses resulting from any such events or physical security breaches may not be sufficient to cover losses or otherwise adequately compensate for any disruptions to business that could result.

These events could harm the reputation of and negatively affect the financial results of the registrants through lost revenues and costs to repair damage, if such costs cannot be recovered.

An information security incident, including a cybersecurity breach, or the failure of one or more key information technology systems, networks, or processes could impact the ability of the registrants to operate and could adversely affect financial results and liquidity.

Information security risks have generally increased in recent years as a result of the proliferation of new technology and increased sophistication and frequency of cyber attacks and data security breaches. The Subsidiary Registrants operate in highly regulated industries that require the continued operation of sophisticated information technology systems and network infrastructure, which are part of interconnected distribution systems. Because of the critical nature of the infrastructure, increased connectivity to the internet, and technology systems' inherent vulnerability to disability or failures due to hacking, viruses, acts of war or terrorism, or other types of data security breaches, Southern Company and its subsidiaries face a heightened risk of cyberattack. Parties that wish to disrupt the U.S. bulk power system or Southern Company system operations could view these computer systems, software, or networks as targets. The registrants and their third-party vendors have been subject, and will likely continue to be subject, to attempts to gain unauthorized access to their information technology systems and confidential data or to attempts to disrupt utility operations. As a result, Southern Company and its subsidiaries face on-going threats to their assets, including assets deemed critical infrastructure, where databases and systems have been, and will likely continue to be, subject to advanced computer viruses or other malicious codes, unauthorized access attempts, phishing, and other cyber attacks. While there have been immaterial incidents of phishing and attempted financial fraud across the Southern Company system, there has been no material impact on business or operations from these attacks. However, the registrants cannot guarantee that security efforts will prevent breaches, operational incidents, or other breakdowns of information technology systems and network infrastructure and cannot provide any assurance that such incidents will not have a material adverse effect in the future.

In addition, in the ordinary course of business, Southern Company and its subsidiaries collect and retain sensitive information, including personally identifiable information about customers, employees, and stockholders, and other confidential information. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber attacks. Generally, Southern Company and its subsidiaries enter certain contractual security guarantees and assurances with these third parties to help ensure the security and safety of this information.

Despite the implementation of robust security measures, all assets are potentially vulnerable to disability, failures, or unauthorized access due to human error, natural disasters, technological failure, or internal or external cyber attacks. If assets were to fail or be breached and were not restored in a timely manner, the affected registrant may be unable to fulfill critical business functions, and sensitive and other data could be compromised. Any cyber breach or theft, damage, or improper disclosure of sensitive electronic data may also subject the affected registrant to penalties and claims from regulators or other third parties. Moreover, the amount and scope of insurance maintained against losses resulting from any such events or security breaches may not be sufficient to cover losses or otherwise adequately compensate for any disruptions to business that could result. In addition, as cybercriminals become more sophisticated, the cost of proactive defensive measures may increase.

These events could negatively affect the financial results of the registrants through lost revenues, costs to recover and repair damage, costs associated with governmental actions in response to such attacks, and litigation costs if such costs cannot be recovered through insurance or otherwise.

The Southern Company system may not be able to obtain adequate natural gas, fuel supplies, and other resources required to operate the traditional electric operating companies' and Southern Power's electric generating plants or serve Southern Company Gas' natural gas customers.

The traditional electric operating companies and Southern Power purchase fuel, including coal, natural gas, uranium, fuel oil, and biomass, as applicable, from a number of suppliers. Additionally, the traditional electric operating companies and Southern

Power need adequate access to water, which is drawn from nearby sources to aid in the production of electricity and, once it is used, returned to its source. Disruption in the delivery of fuel, including disruptions as a result of, among other things, transportation delays, weather, labor relations, force majeure events, or environmental regulations affecting any of these fuel suppliers, or the availability of water, could limit the ability of the traditional electric operating companies and Southern Power to operate certain facilities, which could result in higher fuel and operating costs and potentially reduce the net income of the affected traditional electric operating company or Southern Power and Southern Company.

Southern Company Gas' primary business is the distribution and sale of natural gas through its regulated and unregulated subsidiaries. Natural gas supplies can be subject to disruption in the event production or distribution is curtailed, such as in the event of a hurricane or a pipeline failure. Southern Company Gas also relies on natural gas pipelines and other storage and transportation facilities owned and operated by third parties to deliver natural gas to wholesale markets and to Southern Company Gas' distribution systems. The availability of shale gas and potential regulations affecting its accessibility may have a material impact on the supply and cost of natural gas. Disruption in natural gas supplies could limit the ability to fulfill these contractual obligations.

The traditional electric operating companies and Southern Power have become more dependent on natural gas for a portion of their electric generating capacity and expect to continue to increase such dependence. In many instances, the cost of purchased power for the traditional electric operating companies and Southern Power is influenced by natural gas prices. Historically, natural gas prices have been more volatile than prices of other fuels. In recent years, domestic natural gas prices have been depressed by robust supplies, including production from shale gas. These market conditions, together with additional regulation of coal-fired generating units, have increased the traditional electric operating companies' reliance on natural gas-fired generating units.

The traditional electric operating companies are also dependent on coal for a portion of their electric generating capacity. The traditional electric operating companies depend on coal supply contracts, and the counterparties to these agreements may not fulfill their obligations to supply coal to the traditional electric operating companies. The suppliers may experience financial or technical problems that inhibit their ability to fulfill their obligations. In addition, the suppliers may not be required to supply coal under certain circumstances, such as in the event of a natural disaster. If the traditional electric operating companies are unable to obtain their coal requirements under these contracts, they may be required to purchase their coal requirements at higher prices, which may not be recoverable through rates.

The revenues of Southern Company, the traditional electric operating companies, and Southern Power depend in part on sales under PPAs. The failure of a counterparty to one of these PPAs to perform its obligations, the failure of the traditional electric operating companies or Southern Power to satisfy minimum requirements under the PPAs, or the failure to renew the PPAs or successfully remarket the related generating capacity could have a negative impact on the net income and cash flows of the affected traditional electric operating company or Southern Power and of Southern Company.

Most of Southern Power's generating capacity has been sold to purchasers under PPAs. Southern Power's top three customers, Georgia Power, Duke Energy Corporation, and Southern California Edison accounted for 9.8%, 6.8%, and 6.2%, respectively, of Southern Power's total revenues for the year ended December 31, 2018. In addition, the traditional electric operating companies enter into PPAs with non-affiliated parties. Revenues are dependent on the continued performance by the purchasers of their obligations under these PPAs. The failure of one of the purchasers to perform its obligations, including as a result of a general default or bankruptcy, could have a negative impact on the net income and cash flows of the affected traditional electric operating company or Southern Power and of Southern Company. Although the credit evaluations undertaken and contractual protections implemented by Southern Power and the traditional electric operating companies take into account the possibility of default by a purchaser, actual exposure to a default by a purchaser may be greater than predicted or specified in the applicable contract. See Note 1 to the financial statements under "Revenues – Concentration of Revenue" in Item 8 herein for additional information on Pacific Gas & Electric Company's bankruptcy filing.

Additionally, neither Southern Power nor any traditional electric operating company can predict whether the PPAs will be renewed at the end of their respective terms or on what terms any renewals may be made. The failure of the traditional electric operating companies or Southern Power to satisfy minimum operational or availability requirements under these PPAs could result in payment of damages or termination of the PPAs.

The asset management arrangements between Southern Company Gas' wholesale gas services and its customers, including the natural gas distribution utilities, may not be renewed or may be renewed at lower levels, which could have a significant impact on Southern Company Gas' financial results.

Southern Company Gas' wholesale gas services currently manages the storage and transportation assets of the natural gas distribution utilities (except Nicor Gas) as well as certain non-affiliated customers. Southern Company Gas' wholesale gas

services has a concentration of credit risk for services it provides to its counterparties, which is generally concentrated in 20 of its counterparties.
The profits earned from the management of affiliate assets are shared with the respective affiliate's customers (and for Atlanta Gas Light with the Georgia PSC's Universal Service Fund), except for Chattanooga Gas where wholesale gas services are provided under annual fixed-fee agreements. These asset management agreements are subject to regulatory approval and such agreements may not be renewed or may be renewed with less favorable terms.
The financial results of Southern Company Gas' wholesale gas services could be significantly impacted if any of its agreements with its affiliated or non-affiliated customers are not renewed or are amended or renewed with less favorable terms. Sustained low natural gas prices could reduce the demand for these types of asset management arrangements.
Increased competition could negatively impact Southern Company's and its subsidiaries' revenues, results of operations, and financial condition.
The Southern Company system faces increasing competition from other companies that supply energy or generation and storage technologies. Changes in technology may make the Southern Company system's electric generating facilities owned by the traditional electric operating companies and Southern Power less competitive. Southern Company Gas' business is dependent on natural gas prices remaining competitive as compared to other forms of energy. Southern Company Gas also faces competition in its unregulated markets.
A key element of the business models of the traditional electric operating companies and Southern Power is that generating power at central station power plants achieves economies of scale and produces power at a competitive cost. There are distributed generation and storage technologies that produce and store power, including fuel cells, microturbines, wind turbines, solar cells, and batteries. Advances in technology or changes in laws or regulations could reduce the cost of these or other alternative methods of producing power to a level that is competitive with that of most central station power electric production or result in smaller-scale, more fuel efficient, and/or more cost effective distributed generation that allows for increased self-generation by customers. Broader use of distributed generation by retail energy customers may also result from customers' changing perceptions of the merits of utilizing existing generation technology or tax or other economic incentives. Additionally, a state PSC or legislature may modify certain aspects of the traditional electric operating companies' business as a result of these advances in technology.
It is also possible that rapid advances in central station power generation technology could reduce the value of the current electric generating facilities owned by the traditional electric operating companies and Southern Power. Changes in technology could also alter the channels through which electric customers buy or utilize power, which could reduce the revenues or increase the expenses of Southern Company, the traditional electric operating companies, or Southern Power.
Southern Company Gas' gas marketing services is affected by competition from other energy marketers providing similar services in Southern Company Gas' service territories, most notably in Illinois and Georgia. Southern Company Gas' wholesale gas services competes for sales with national and regional full-service energy providers, energy merchants and producers, and pipelines based on the ability to aggregate competitively-priced commodities with transportation and storage capacity. Southern Company Gas competes with natural gas facilities in the Gulf Coast region of the U.S., as the majority of the existing and proposed high deliverability salt-dome natural gas storage facilities in North America are located in the Gulf Coast region.
If new technologies become cost competitive and achieve sufficient scale, the market share of the Subsidiary Registrants could be eroded, and the value of their respective electric generating facilities or natural gas distribution and storage facilities could be reduced. Additionally, Southern Company Gas' market share could be reduced if Southern Company Gas cannot remain price competitive in its unregulated markets. If state PSCs or other applicable state regulatory agencies fail to adjust rates to reflect the impact of any changes in loads, increasing self-generation, and the growth of distributed generation, the financial condition, results of operations, and cash flows of Southern Company and the affected traditional electric operating company or Southern Company Gas could be materially adversely affected.

Failure to attract and retain an appropriately qualified workforce could negatively impact Southern Company's and its subsidiaries' results of operations.

Events such as an aging workforce without appropriate replacements, mismatch of skill sets to future needs, or unavailability of contract resources may lead to operating challenges such as lack of resources, loss of knowledge, and a lengthy time period associated with skill development, including with the workforce needs associated with major construction projects and ongoing operations. The Southern Company system's costs, including costs for contractors to replace employees, productivity costs, and safety costs, may rise. Failure to hire and adequately obtain replacement employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, or the future availability and cost of contract labor may adversely affect Southern Company and its subsidiaries' ability to manage and operate their businesses. If Southern Company

and its subsidiaries are unable to successfully attract and retain an appropriately qualified workforce, results of operations could be negatively impacted.
CONSTRUCTION RISKS
The registrants may incur additional costs or delays in the construction of new plants or other facilities and may not be able to recover their investments. Also, existing facilities of the Subsidiary Registrants require ongoing expenditures, including those to meet AROs and other environmental standards and goals.
General
The businesses of the registrants require substantial expenditures for investments in new facilities and, for the traditional electric operating companies, capital improvements to transmission, distribution, and generation facilities, for Southern Power, capital improvements to generation facilities, and, for Southern Company Gas, capital improvements to natural gas distribution and storage facilities. These expenditures also include those to meet AROs and environmental standards and goals. Certain of the traditional electric operating companies and Southern Power are in the process of constructing new generating facilities and adding environmental controls equipment at existing generating facilities. Southern Company Gas is replacing certain pipelines in its natural gas distribution system and is involved in two new gas pipeline construction projects. The Southern Company system intends to continue its strategy of developing and constructing other new facilities, expanding or updating existing facilities, and adding environmental control equipment. These types of projects are long term in nature and in some cases may include the development and construction of facilities with designs that have not been finalized or previously constructed. The completion of these types of projects without delays or significant cost overruns is subject to substantial risks, including:
- shortages, increased costs, or inconsistent quality of equipment, materials, and labor;
- changes in labor costs, availability, and productivity;
- challenges related to management of contractors, subcontractors, or vendors;
- work stoppages;
- contractor or supplier delay;
- non-performance under construction, operating, or other agreements;
- delays in or failure to receive necessary permits, approvals, tax credits, and other regulatory authorizations;
- delays in start-up activities (including major equipment failure and system integration) and/or operational performance;
- operational readiness, including specialized operator training and required site safety programs;
- impacts of new and existing laws and regulations, including environmental laws and regulations;
- the outcome of any legal challenges to projects, including legal challenges to regulatory approvals;
- failure to construct in accordance with permitting and licensing requirements (including satisfaction of NRC requirements);
- failure to satisfy any environmental performance standards and the requirements of tax credits and other incentives;
- continued public and policymaker support for projects;
- adverse weather conditions or natural disasters;
- engineering or design problems;
- changes in project design or scope;
- environmental and geological conditions;
- delays or increased costs to interconnect facilities to transmission grids; and
- increased financing costs as a result of changes in market interest rates or as a result of project delays.

If a Subsidiary Registrant is unable to complete the development or construction of a project or decides to delay or cancel construction of a project, it may not be able to recover its investment in that project and may incur substantial cancellation payments under equipment purchase orders or construction contracts, as well as other costs associated with the closure and/or abandonment of the construction project. See Note 2 to the financial statements under "Kemper County Energy Facility" for information related to the abandonment of and related closure activities and costs for the mine and gasifier-related assets at the Kemper County energy facility.

Additionally, each Southern Company Gas pipeline construction project involves separate joint venture participants, Southern Power participates in partnership agreements with respect to renewable energy projects, and Georgia Power jointly owns Plant Vogtle Units 3 and 4 with other co-owners. Any failure by a partner or co-owner to perform its obligations under the applicable agreements could have a material negative impact on the applicable project under construction. In addition, partnership and joint ownership agreements may provide partners or co-owners with certain decision-making authority in connection with projects under construction, including rights to cause the cancellation of a construction project under certain circumstances.

Even if a construction project (including a joint venture construction project) is completed, the total costs may be higher than estimated and may not be recoverable through regulated rates, if applicable. In addition, construction delays and contractor performance shortfalls can result in the loss of revenues and may, in turn, adversely affect the net income and financial position of the affected registrant. See Note 2 to the financial statements under "FERC Matters – Southern Company Gas" for information regarding the Atlantic Coast Pipeline construction delays and the associated cost increase.

Construction delays could result in the loss of otherwise available tax credits and incentives. Furthermore, if construction projects are not completed according to specification, a registrant may incur liabilities and suffer reduced plant efficiency, higher operating costs, and reduced net income.

Once facilities become operational, ongoing capital expenditures are required to maintain reliable levels of operation. Significant portions of the traditional electric operating companies' existing facilities were constructed many years ago. Older equipment, even if maintained in accordance with good engineering practices, may require significant expenditures to maintain efficiency, to comply with changing environmental requirements, to provide safe and reliable operations, and/or to meet related retirement obligations.

The largest construction project currently underway in the Southern Company system is Plant Vogtle Units 3 and 4.

Plant Vogtle Units 3 and 4 construction and rate recovery

Background

In 2009, the Georgia PSC certified construction of Plant Vogtle Units 3 and 4. Georgia Power holds a 45.7% ownership interest in Plant Vogtle Units 3 and 4. In 2012, the NRC issued the related combined construction and operating licenses, which allowed full construction of the two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities to begin. Until March 2017, construction on Plant Vogtle Units 3 and 4 continued under the Vogtle 3 and 4 Agreement, which was a substantially fixed price agreement. In March 2017, the EPC Contractor filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.

In connection with the EPC Contractor's bankruptcy filing, Georgia Power, acting for itself and as agent for the Vogtle Owners, entered into the Interim Assessment Agreement with the EPC Contractor to allow construction to continue. The Interim Assessment Agreement expired in July 2017 when Georgia Power, acting for itself and as agent for the other Vogtle Owners, and the EPC Contractor entered into the Vogtle Services Agreement. Under the Vogtle Services Agreement, Westinghouse provides facility design and engineering services, procurement and technical support, and staff augmentation on a time and materials cost basis.

In October 2017, Georgia Power, acting for itself and as agent for the other Vogtle Owners, executed the Bechtel Agreement, a cost reimbursable plus fee arrangement, whereby Bechtel is reimbursed for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel's performance against cost and schedule targets.

Cost and Schedule

Georgia Power's approximate proportionate share of the remaining estimated capital cost to complete Plant Vogtle Units 3 and 4 by the expected in-service dates of November 2021 and November 2022, respectively, is as follows:

	(in billions)
Base project capital cost forecast[(a)(b)]	$ 8.0
Construction contingency estimate	0.4
Total project capital cost forecast[(a)(b)]	8.4
Net investment as of December 31, 2018[(b)]	(4.6)
Remaining estimate to complete[(a)]	$ 3.8

(a) Excludes financing costs expected to be capitalized through AFUDC of approximately $315 million.

(b) Net of $1.7 billion received from Toshiba under the Guarantee Settlement Agreement and approximately $188 million in related Customer Refunds.

Georgia Power estimates that its financing costs for construction of Plant Vogtle Units 3 and 4 will total approximately $3.1 billion, of which $1.9 billion had been incurred through December 31, 2018.

As construction continues, challenges with management of contractors, subcontractors, and vendors; labor productivity, availability, and/or cost escalation; procurement, fabrication, delivery, assembly, and/or installation and testing, including any required engineering changes, of plant systems, structures, and components (some of which are based on new technology that only recently began initial operation in the global nuclear industry at this scale); or other issues could arise and change the projected schedule and estimated cost. Monthly construction production targets required to maintain the current project schedule will continue to increase significantly throughout 2019. To meet these increasing monthly targets, existing craft construction productivity must improve and additional craft laborers must be retained and deployed.

Georgia Power and Southern Nuclear believe it is a leading practice in connection with a construction project of this size and complexity to periodically validate recent construction progress in comparison to the projected schedule and to verify and update quantities of commodities remaining to install, labor productivity, and forecasted staffing needs. This verification process, led by Southern Nuclear, was underway as of December 31, 2018 and is expected to be completed during the second quarter 2019. Georgia Power currently does not anticipate any material changes to the total estimated project capital cost forecast for Plant Vogtle Units 3 and 4 or the expected in-service dates of November 2021 and November 2022, respectively, resulting from this verification process. However, the ultimate impact on cost and schedule, if any, will not be known until the verification process is completed. Georgia Power is required to report the results and any project impacts to the Georgia PSC by May 15, 2019.

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. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, 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 matters, including the timely resolution of ITAAC and the related approvals by the NRC, may arise, 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. The ultimate outcome of these matters cannot be determined at this time. However, any extension of the project schedule is currently estimated to result in additional base capital costs of approximately $50 million per month, based on Georgia Power's ownership interests, and AFUDC of approximately $12 million per month. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Joint Owner Contracts

In November 2017, the Vogtle Owners entered into an amendment to their joint ownership agreements for Plant Vogtle Units 3 and 4 to provide for, among other conditions, additional Vogtle Owner approval requirements. Effective August 31, 2018, the Vogtle Owners further amended the joint ownership agreements to clarify and provide procedures for certain provisions of the joint ownership agreements related to adverse events that require the vote of the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 to continue construction (as amended, and together with the November 2017 amendment, the Vogtle Joint Ownership Agreements).

As a result of the increase in the total project capital cost forecast and Georgia Power's decision not to seek rate recovery of the increase in the base capital costs as described below, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 were required to vote to continue construction. On September 26, 2018, the Vogtle Owners unanimously voted to continue construction of Plant Vogtle Units 3 and 4.

Amendments to the Vogtle Joint Ownership Agreements

In connection with the vote to continue construction, Georgia Power entered into (i) a binding term sheet (Vogtle Owner Term Sheet) with the other Vogtle Owners and MEAG's wholly-owned subsidiaries MEAG Power SPVJ, LLC (MEAG SPVJ), MEAG Power SPVM, LLC (MEAG SPVM), and MEAG Power SPVP, LLC (MEAG SPVP) to take certain actions which partially mitigate potential financial exposure for the other Vogtle Owners, including additional amendments to the Vogtle Joint Ownership Agreements and the purchase of PTCs from the other Vogtle Owners, and (ii) a term sheet (MEAG Term Sheet) with MEAG and MEAG SPVJ to provide funding with respect to MEAG SPVJ's ownership interest in Plant Vogtle Units 3 and 4 (Project J) under certain circumstances. On January 14, 2019, Georgia Power, MEAG, and MEAG SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet (MEAG Funding Agreement). On February 18, 2019, Georgia Power, the other Vogtle Owners, and MEAG's wholly-owned subsidiaries MEAG SPVJ, MEAG SPVM, and MEAG SPVP entered into certain amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, the Vogtle Joint Ownership Agreements were modified as follows: (i) each Vogtle Owner must pay its proportionate share of qualifying construction costs for Plant Vogtle Units 3 and 4 based on its ownership percentage up to the estimated cost at completion (EAC) for Plant Vogtle Units 3 and 4 which formed the basis of Georgia Power's forecast of $8.4 billion in the nineteenth VCM plus $800 million; (ii) Georgia Power will be responsible for 55.7% of actual qualifying construction costs between $800 million and $1.6 billion over the EAC in the nineteenth VCM (resulting in $80 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 44.3% of such costs pro rata in accordance with their respective ownership interests; and (iii) Georgia

Power will be responsible for 65.7% of qualifying construction costs between $1.6 billion and $2.1 billion over the EAC in the nineteenth VCM (resulting in a further $100 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 34.3% of such costs pro rata in accordance with their respective ownership interests.

If the EAC is revised and exceeds the EAC in the nineteenth VCM by more than $2.1 billion, each of the other Vogtle Owners will have a one-time option at the time the project budget forecast is so revised to tender a portion of its ownership interest to Georgia Power in exchange for Georgia Power's agreement to pay 100% of such Vogtle Owner's remaining share of total construction costs in excess of the EAC in the nineteenth VCM plus $2.1 billion. In this event, Georgia Power will have the option of cancelling the project in lieu of purchasing a portion of the ownership interest of any other Vogtle Owner. If Georgia Power accepts the offer to purchase a portion of another Vogtle Owner's ownership interest in Plant Vogtle Units 3 and 4, the ownership interest(s) to be conveyed from the tendering Vogtle Owner(s) to Georgia Power will be calculated based on the proportion of the cumulative amount of construction costs paid by each such tendering Vogtle Owner(s) and by Georgia Power as of the COD of Plant Vogtle Unit 4. For purposes of this calculation, payments made by Georgia Power on behalf of another Vogtle Owner in accordance with the second and third items described in the paragraph above will be treated as payments made by the applicable Vogtle Owner.

In the event the actual costs of construction at completion of a Unit are less than the EAC reflected in the nineteenth VCM report and such Unit is placed in service in accordance with the schedule projected in the nineteenth VCM report (i.e., Plant Vogtle Unit 3 is placed in service by November 2021 or Plant Vogtle Unit 4 is placed in service by November 2022), Georgia Power will be entitled to 60.7% of the cost savings with respect to the relevant Unit and the remaining Vogtle Owners will be entitled to 39.3% of such savings on a pro rata basis in accordance with their respective ownership interests.

For purposes of the foregoing provisions, qualifying construction costs will not include costs (i) resulting from force majeure events, including governmental actions or inactions (or significant delays associated with issuance of such actions) that affect the licensing, completion, start-up, operations, or financing of Plant Vogtle Units 3 and 4, administrative proceedings or litigation regarding ITAAC or other regulatory challenges to commencement of operation of Plant Vogtle Units 3 and 4, and changes in laws or regulations governing Plant Vogtle Units 3 and 4, (ii) legal fees and legal expenses incurred due to litigation with contractors or subcontractors that are not subsidiaries or affiliates of Southern Company, and (iii) additional costs caused by requests from the Vogtle Owners other than Georgia Power, except for the exercise of a right to vote granted under the Vogtle Joint Ownership Agreements, that increase costs by $100,000 or more.

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, the provisions of the Vogtle Joint Ownership Agreements requiring that Vogtle Owners holding 90% of the ownership interests in Plant Vogtle Units 3 and 4 vote to continue construction following certain adverse events (Project Adverse Events) were modified. Pursuant to the Global Amendments, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain Project Adverse Events occur, including: (i) the bankruptcy of Toshiba; (ii) the termination or rejection in bankruptcy of certain agreements, including the Vogtle Services Agreement, the Bechtel Agreement, or the agency agreement with Southern Nuclear; (iii) Georgia Power publicly announces its intention not to submit for rate recovery any portion of its investment in Plant Vogtle Units 3 and 4 or the Georgia PSC determines that any of Georgia Power's costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates, excluding any additional amounts paid by Georgia Power on behalf of the other Vogtle Owners pursuant to the Global Amendments described above and the first 6% of costs during any six-month VCM reporting period that are disallowed by the Georgia PSC for recovery, or for which Georgia Power elects not to seek cost recovery, through retail rates; and (iv) an incremental extension of one year or more over the most recently approved schedule. Under the Global Amendments, Georgia Power may cancel the project at any time in its sole discretion.

In addition, pursuant to the Vogtle Joint Ownership Agreements, the required approval of holders of ownership interests in Plant Vogtle Units 3 and 4 is at least (i) 90% for a change of the primary construction contractor and (ii) 67% for material amendments to the Vogtle Services Agreement or agreements with Southern Nuclear or the primary

construction contractor, including the Bechtel Agreement.
The Global Amendments provide that if the holders of at least 90% of the ownership interests fail to vote in favor of continuing the project following any future Project Adverse Event, work on Plant Vogtle Units 3 and 4 will continue for a period of 30 days if the holders of more than 50% of the ownership interests vote in favor of continuing construction (Majority Voting Owners). In such a case, the Vogtle Owners (i) have agreed to negotiate in good faith towards the resumption of the project, (ii) if no agreement is reached during such 30-day period, the project will be cancelled, and (iii) in the event of such a cancellation, the Majority Voting Owners will be obligated to reimburse any other Vogtle Owner for the incremental costs it incurred during such 30-day negotiation period.

Purchase of PTCs During Commercial Operation

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, Georgia Power has agreed to purchase additional PTCs from OPC, Dalton, MEAG SPVM, MEAG SPVP, and MEAG SPVJ (to the extent any MEAG SPVJ PTC rights remain after any purchases required under the MEAG Funding Agreement as described below) at varying purchase prices dependent upon the actual cost to complete construction of Plant Vogtle Units 3 and 4 as compared to the EAC reflected in the nineteenth VCM report. The purchases are at the option of the applicable Vogtle Owner.

Potential Funding to MEAG Project J

Pursuant to the MEAG Funding Agreement, and consistent with the MEAG Term Sheet, if MEAG SPVJ is unable to make its payments due under the Vogtle Joint Ownership Agreements solely as a result of the occurrence of one of the following situations that materially impedes access to capital markets for MEAG for Project J: (i) the conduct of JEA or the City of Jacksonville, such as JEA's legal challenges of its obligations under a PPA with MEAG (PPA-J), or (ii) PPA-J is declared void by a court of competent jurisdiction or rejected by JEA under the applicable provisions of the U.S. Bankruptcy Code (each of (i) and (ii), a JEA Default), at MEAG's request, Georgia Power will purchase from MEAG SPVJ the rights to PTCs attributable to MEAG SPVJ's share of Plant Vogtle Units 3 and 4 (approximately 206 MWs) within 30 days of such request at varying prices dependent upon the stage of construction of Plant Vogtle Units 3 and 4. The aggregate purchase price of the PTCs, together with any advances made as described in the next paragraph, shall not exceed $300 million.

At the option of MEAG, as an alternative or supplement to Georgia Power's purchase of PTCs as described above, Georgia Power has agreed to provide up to $250 million in funding to MEAG for Project J in the form of advances (either advances under the Vogtle Joint Ownership Agreements or the purchase of MEAG Project J bonds, at the discretion of Georgia Power), subject to any required approvals of the Georgia PSC and the DOE.

In the event MEAG SPVJ certifies to Georgia Power that it is unable to fund its obligations under the Vogtle Joint Ownership Agreements as a result of a JEA Default and Georgia Power becomes obligated to provide funding as described above, MEAG is required to (i) assign to Georgia Power its right to vote on any future Project Adverse Event and (ii) diligently pursue JEA for its breach of PPA-J. In addition, Georgia Power agreed that it will not sue MEAG for any amounts due from MEAG SPVJ under MEAG's guarantee of MEAG SPVJ's obligations so long as MEAG SPVJ complies with the terms of the MEAG Funding Agreement as to its payment obligations and the other non-payment provisions of the Vogtle Joint Ownership Agreements.

Under the terms of the MEAG Funding Agreement, Georgia Power may cancel the project in lieu of providing funding in the form of advances or PTC purchases.

Regulatory Matters

In December 2017, the Georgia PSC voted to approve (and issued its related order on January 11, 2018) Georgia Power's recommendation to continue construction and resolved the following regulatory matters related to Plant Vogtle Units 3 and 4: (i) none of the $3.3 billion of costs incurred through December 31, 2015 and reflected in the fourteenth VCM report should be disallowed from rate base on the basis of imprudence; (ii) the Contractor Settlement Agreement was reasonable and prudent and none of the amounts paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) (a) capital costs incurred up to $5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs, (b) Georgia Power would have the burden to show that any capital costs above $5.68 billion were prudent, and (c) a revised capital cost forecast of $7.3 billion (after reflecting the impact of payments received under the Guarantee Settlement Agreement and related Customer Refunds) was found reasonable; (iv) construction of Plant Vogtle Units 3 and 4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (v) approved and deemed reasonable Georgia Power's revised schedule placing Plant Vogtle Units 3 and 4 in service in November 2021 and November 2022, respectively; (vi) confirmed that the revised cost forecast does not represent a cost cap and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; (vii) reduced the ROE used to calculate the NCCR tariff (a) from 10.95% (the ROE rate setting point authorized by the Georgia PSC in the 2013 ARP) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%, effective January 1, 2020, and (c) from 8.30% to 5.30%, effective January 1, 2021 (provided that the ROE in no case will be less than Georgia Power's average cost of long-term debt); (viii) reduced the ROE used for AFUDC equity for Plant Vogtle Units 3 and 4 from 10.00% to Georgia Power's average cost of long-term debt, effective January 1, 2018; and (ix) agreed that upon Unit 3 reaching commercial operation, retail base rates would be adjusted to include carrying costs on those capital costs deemed prudent in the Vogtle Cost Settlement Agreement. The January 11, 2018 order also stated that if Plant Vogtle Units 3 and 4 are not commercially operational by June 1, 2021 and June 1, 2022, respectively, the ROE used to calculate the NCCR tariff will be further reduced by 10 basis points each month (but not lower than Georgia Power's average cost of long-term debt) until the respective Unit is commercially operational. The ROE reductions negatively impacted earnings by approximately $100 million, $25 million, and $20 million in 2018, 2017, and 2016, respectively, and are estimated to have negative earnings impacts of approximately $75 million in 2019 and an aggregate of approximately $615 million from 2020 to 2022.

In its January 11, 2018 order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

On February 12, 2018, Georgia Interfaith Power & Light, Inc. (GIPL) and Partnership for Southern Equity, Inc. (PSE) filed a petition appealing the Georgia PSC's January 11, 2018 order with the Fulton County Superior Court. On March 8, 2018, Georgia Watch filed a similar appeal to the Fulton County Superior Court for judicial review of the Georgia PSC's decision and denial of Georgia Watch's motion for reconsideration. On December 21, 2018, the Fulton County Superior Court granted Georgia Power's motion to dismiss the two appeals. On January 9, 2019, GIPL, PSE, and Georgia Watch filed an appeal of this decision with the Georgia Court of Appeals. Georgia Power believes the appeal has no merit; however, an adverse outcome in the appeal combined with subsequent adverse action by the Georgia PSC could have a material impact on Southern Company's and Georgia Power's results of operations, financial condition, and liquidity.

In preparation for its nineteenth VCM filing, Georgia Power requested Southern Nuclear to perform a full cost reforecast for the project. This reforecast, performed prior to the nineteenth VCM filing, resulted in a $0.7 billion increase to the base capital cost forecast reported in the second quarter 2018. This base cost increase primarily resulted from changed assumptions related to the finalization of contract scopes and management responsibilities for Bechtel and over 60 subcontractors, labor productivity rates, and craft labor incentives, as well as the related levels of project management, oversight, and support, including field supervision and engineering support.

Although Georgia Power believes these incremental costs are reasonable and necessary to complete the project and the Georgia PSC's order in the seventeenth VCM proceeding specifically states that the construction of Plant Vogtle Units 3 and 4 is not subject to a cost cap, Georgia Power did not seek rate recovery for these cost increases included in the current base capital cost forecast (or any related financing costs) in the nineteenth VCM report. In connection with future VCM filings, Georgia Power may request the Georgia PSC to evaluate costs currently included in the construction contingency estimate for rate recovery as and when they are appropriately included in the base capital cost forecast. After considering the significant level of uncertainty that exists regarding the future recoverability of costs included in the construction contingency estimate since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in these future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of $1.1 billion ($0.8 billion after tax) in the second quarter 2018, which includes the total increase in the base capital cost forecast and construction contingency estimate.

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

See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein for additional information regarding Plant Vogtle Units 3 and 4.

Southern Company Gas' significant investments in pipelines and pipeline development projects involve financial and execution risks.

Southern Company Gas has made significant investments in existing pipelines and pipeline development projects. Many of the existing pipelines are, and when completed many of the pipeline development projects will be, operated by third parties. If one of these agents fails to perform in a proper manner, the value of the investment could decline and Southern Company Gas could lose part or all of its investment. In addition, from time to time, Southern Company Gas may be required to contribute additional capital to a pipeline joint venture or guarantee the obligations of such joint venture.

With respect to certain pipeline development projects, Southern Company Gas will rely on its joint venture partners for construction management and will not exercise direct control over the process. All of the pipeline development projects are dependent on contractors for the successful and timely completion of the projects. Further, the development of pipeline projects involves numerous regulatory, environmental, construction, safety, political, and legal uncertainties and may require the expenditure of significant amounts of capital. These projects may not be completed on schedule, at the budgeted cost, or at all. There may be cost overruns and construction difficulties that cause Southern Company Gas' capital expenditures to exceed its initial expectations. Moreover, Southern Company Gas' income will not increase immediately upon the expenditure of funds on a pipeline project. Pipeline construction occurs over an extended period of time and Southern Company Gas will not receive material increases in income until the project is placed in service.

Work continues with state and federal agencies to obtain the required permits to begin construction on the PennEast Pipeline. Any material delays may impact forecasted capital expenditures and the expected in-service date.

The Atlantic Coast Pipeline has experienced challenges to its permits since construction began in 2018. During the third and fourth quarters 2018, a FERC stop work order, together with delays in obtaining permits necessary for construction and construction delays due to judicial actions, impacted the cost and schedule for the project. As a result, total project cost estimates have increased and the operator of the joint venture currently expects to achieve a late 2020 in-service date for at least key segments of the Atlantic Coast Pipeline, while the remainder may extend into early 2021. Abnormal weather, work delays (including due to judicial or regulatory action), and other conditions may result in additional cost or schedule modifications, which could result in an impairment of Southern Company Gas' investment and could have a material impact on Southern Company's and Southern Company Gas' financial statements.

The ultimate outcome of these matters cannot be determined at this time and the occurrence of these or any other of the foregoing events could adversely affect the results of operations, cash flows, and financial condition of Southern Company Gas and Southern Company.

FINANCIAL, ECONOMIC, AND MARKET RISKS

The electric generation and energy marketing operations of the traditional electric operating companies and Southern Power and the natural gas operations of Southern Company Gas are subject to risks, many of which are beyond their control, including changes in energy prices and fuel costs, which may reduce revenues and increase costs.

The generation, energy marketing, and natural gas operations of the Southern Company system are subject to changes in energy prices and fuel costs, which could increase the cost of producing power, decrease the amount received from the sale of energy, and/or make electric generating facilities less competitive. The market prices for these commodities may fluctuate significantly over relatively short periods of time. Among the factors that could influence energy prices and fuel costs are:

- prevailing market prices for coal, natural gas, uranium, fuel oil, biomass, and other fuels, as applicable, used in the generation facilities of the traditional electric operating companies and Southern Power and, in the case of natural gas, distributed by Southern Company Gas, including associated transportation costs, and supplies of such commodities;
- demand for energy and the extent of additional supplies of energy available from current or new competitors;
- liquidity in the general wholesale electricity and natural gas markets;
- weather conditions impacting demand for electricity and natural gas;
- seasonality;
- transmission or transportation constraints, disruptions, or inefficiencies;
- availability of competitively priced alternative energy sources;
- forced or unscheduled plant outages for the Southern Company system, its competitors, or third party providers;
- the financial condition of market participants;
- the economy in the Southern Company system's service territory, the nation, and worldwide, including the impact of economic conditions on demand for electricity and the demand for fuels, including natural gas;
- natural disasters, wars, embargos, physical or cyber attacks, and other catastrophic events; and
- federal, state, and foreign energy and environmental regulation and legislation.

These factors could increase the expenses and/or reduce the revenues of the registrants. For the traditional electric operating companies and Southern Company Gas' regulated gas distribution operations, such impacts may not be fully recoverable through rates.

Historically, the traditional electric operating companies and Southern Company Gas from time to time have experienced underrecovered fuel and/or purchased gas cost balances and may experience such balances in the future. While the traditional electric operating companies and Southern Company Gas are generally authorized to recover fuel and/or purchased gas costs through cost recovery clauses, recovery may be denied if costs are deemed to be imprudently incurred, and delays in the authorization of such recovery, both of which could negatively impact the cash flows of the affected traditional electric operating company or Southern Company Gas and of Southern Company.

The registrants are subject to risks associated with a changing economic environment, customer behaviors, including increased energy conservation, and adoption patterns of technologies by the customers of the Subsidiary Registrants.

The consumption and use of energy are fundamentally linked to economic activity. This relationship is affected over time by changes in the economy, customer behaviors, and technologies. Any economic downturn could negatively impact customer growth and usage per customer, thus reducing the sales of energy and revenues. Additionally, any economic downturn or disruption of financial markets, both nationally and internationally, could negatively affect the financial stability of customers and counterparties of the Subsidiary Registrants.

Outside of economic disruptions, changes in customer behaviors in response to energy efficiency programs, changing conditions and preferences, or changes in the adoption of technologies could affect the relationship of economic activity to the consumption of energy.

Both federal and state programs exist to influence how customers use energy, and several of the traditional electric operating companies and Southern Company Gas have PSC or other applicable state regulatory agency mandates to promote energy efficiency. Conservation programs could impact the financial results of the registrants in different ways. For example, if any traditional electric operating company or Southern Company Gas is required to invest in conservation measures that result in

reduced sales from effective conservation, regulatory lag in adjusting rates for the impact of these measures could have a negative financial impact on such traditional electric operating company or Southern Company Gas and Southern Company. Customers could also voluntarily reduce their consumption of energy in response to decreases in their disposable income, increases in energy prices, or individual conservation efforts.
In addition, the adoption of technology by customers can have both positive and negative impacts on sales. Many new technologies utilize less energy than in the past. However, electric and natural gas technologies such as electric and natural gas vehicles can create additional demand. The Southern Company system uses best available methods and experience to incorporate the effects of changes in customer behavior, state and federal programs, PSC or other applicable state regulatory agency mandates, and technology, but the Southern Company system's planning processes may not appropriately estimate and incorporate these effects.
All of the factors discussed above could adversely affect a registrant's results of operations, financial condition, and liquidity.
The operating results of the registrants are affected by weather conditions and may fluctuate on a seasonal and quarterly basis. In addition, catastrophic events, such as fires, earthquakes, hurricanes, tornadoes, floods, droughts, and storms, could result in substantial damage to or limit the operation of the properties of a Subsidiary Registrant and could negatively impact results of operation, financial condition, and liquidity.
Electric power and natural gas supply are generally seasonal businesses. In many parts of the country, demand for power peaks during the summer months, with market prices also peaking at that time. In other areas, power demand peaks during the winter months. While the electric power sales of some of the traditional electric operating companies peak in the summer, others peak in the winter. In the aggregate, electric power sales peak during the summer with a smaller peak during the winter. Additionally, Southern Power has variability in its revenues from renewable generation facilities due to seasonal weather patterns primarily from wind and sun. In most of the areas Southern Company Gas serves, natural gas demand peaks during the winter. As a result, the overall operating results of the registrants may fluctuate substantially on a seasonal basis. In addition, the Subsidiary Registrants have historically sold less power and natural gas when weather conditions are milder. Unusually mild weather in the future could reduce the revenues, net income, and available cash of the affected registrant.
Further, volatile or significant weather events could result in substantial damage to the transmission and distribution lines of the traditional electric operating companies, the generating facilities of the traditional electric operating companies and Southern Power, and the natural gas distribution and storage facilities of Southern Company Gas. The Subsidiary Registrants have significant investments in the Atlantic and Gulf Coast regions and Southern Power and Southern Company Gas have investments in various states which could be subject to severe weather and natural disasters, including wildfires. Further, severe drought conditions can reduce the availability of water and restrict or prevent the operation of certain generating facilities. There have been multiple significant hurricanes in the Southern Company system service territory in recent years.
In the event a traditional electric operating company or Southern Company Gas experiences any of these weather events or any natural disaster or other catastrophic event, recovery of costs in excess of reserves and insurance coverage is subject to the approval of its state PSC or other applicable state regulatory agency. Historically, the traditional electric operating companies from time to time have experienced deficits in their storm cost recovery reserve balances and may experience such deficits in the future. For example, at December 31, 2018, Georgia Power had a substantial underrecovered balance in its storm cost recovery balance as a result of multiple recent significant hurricanes in its service territory. Any denial by the applicable state PSC or other applicable state regulatory agency or delay in recovery of any portion of such costs could have a material negative impact on a traditional electric operating company's or Southern Company Gas' and on Southern Company's results of operations, financial condition, and liquidity.
In addition, damages resulting from significant weather events within the service territory of any traditional electric operating company or Southern Company Gas or affecting Southern Power's customers may result in the loss of customers and reduced demand for energy for extended periods and may impact customers' ability to perform under existing PPAs. See Note 1 to the financial statements under "Revenues – Concentration of Revenue" in Item 8 herein for additional information on Pacific Gas & Electric Company's bankruptcy filing. Any significant loss of customers

or reduction in demand for energy could have a material negative impact on a registrant's results of operations, financial condition, and liquidity.

Acquisitions, dispositions, or other strategic ventures or investments may not result in anticipated benefits and may present risks not originally contemplated, which may have a material adverse effect on the liquidity, results of operations, and financial condition of Southern Company and its subsidiaries.

Southern Company and its subsidiaries have made significant acquisitions and investments in the past, as well as recent dispositions, and may in the future make additional acquisitions, dispositions, or other strategic ventures or investments, including the pending disposition by Southern Power of Plant Mankato, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries. Southern Company and its subsidiaries continually seek opportunities to create value through various transactions, including acquisitions or sales of assets. Specifically, Southern Power continually seeks opportunities to execute its strategy to create value through various transactions, including acquisitions, dispositions, and sales of partnership interests, development and construction of new generating facilities, and entry into PPAs primarily with investor-owned utilities, IPPs, municipalities, and other load-serving entities, as well as commercial and industrial customers.

Southern Company and its subsidiaries may face significant competition for transactional opportunities and anticipated transactions may not be completed on acceptable terms or at all. In addition, these transactions are intended to, but may not, result in the generation of cash or income, the realization of savings, the creation of efficiencies, or the reduction of risk. These transactions may also affect the liquidity, results of operations, and financial condition of Southern Company and its subsidiaries.

These transactions also involve risks, including:

- they may not result in an increase in income or provide adequate or expected funds or return on capital or other anticipated benefits;
- they may result in Southern Company or its subsidiaries entering into new or additional lines of business, which may have new or different business or operational risks;
- they may not be successfully integrated into the acquiring company's operations and/or internal control processes;
- the due diligence conducted prior to a transaction may not uncover situations that could result in financial or legal exposure or may not appropriately evaluate the likelihood or quantify the exposure from identified risks;
- they may result in decreased earnings, revenues, or cash flow;
- Southern Company, Southern Company Gas, and certain of their subsidiaries have retained obligations in connection with transitional agreements related to dispositions that subject these companies to additional risk;
- Southern Company or the applicable subsidiary may not be able to achieve the expected financial benefits from the use of funds generated by any dispositions;
- expected benefits of a transaction may be dependent on the cooperation or performance of a counterparty; or
- for the traditional electric operating companies and Southern Company Gas, costs associated with such investments that were expected to be recovered through regulated rates may not be recoverable.

Southern Company and Southern Company Gas are holding companies and Southern Power owns many of its assets indirectly through subsidiaries. Each of these companies is dependent on cash flows from their respective subsidiaries to meet their ongoing and future financial obligations, including making interest and principal payments on outstanding indebtedness and, for Southern Company, to pay dividends on its common stock.

Southern Company and Southern Company Gas are holding companies and, as such, they have no operations of their own. Substantially all of Southern Company's and Southern Company Gas' and many of Southern Power's respective consolidated assets are held by subsidiaries. A significant portion of Southern Company Gas' debt is issued by its 100%-owned subsidiary, Southern Company Gas Capital, and is fully and unconditionally guaranteed by Southern Company Gas. Southern Company's, Southern Company Gas' and, to a certain extent, Southern Power's ability to meet their respective financial obligations, including making interest and principal payments on outstanding indebtedness, and, for Southern Company, to pay dividends on its common stock, is dependent on the net income and cash flows of their respective subsidiaries and the ability of those subsidiaries to pay upstream dividends or to repay borrowed funds. Prior to funding Southern Company, Southern Company Gas, or Southern Power, the respective subsidiaries have financial obligations and, with respect to Southern Company and Southern Company Gas, regulatory restrictions that must be satisfied, including among others, debt service and preferred stock dividends. These subsidiaries are separate legal entities and, except as described below, have no obligation to provide Southern Company, Southern Company Gas, or Southern Power with funds. Certain of Southern Power's assets are held through controlling interests in subsidiaries. In certain cases, distributions without partner consent are limited to available cash, and the subsidiaries are obligated to distribute all available cash to their owners each quarter. In addition, Southern Company, Southern Company Gas, and Southern Power may provide capital contributions or debt financing to subsidiaries under certain circumstances, which would reduce the funds available to meet their respective financial obligations, including making interest and principal payments on outstanding indebtedness, and to pay dividends on Southern Company's common stock.

A downgrade in the credit ratings of any of the registrants, Southern Company Gas Capital, or Nicor Gas could negatively affect their ability to access capital at reasonable costs and/or could require posting of collateral or replacing certain indebtedness.

There are a number of factors that rating agencies evaluate to arrive at credit ratings for the registrants, Southern Company Gas Capital, and Nicor Gas, including capital structure, regulatory environment, the ability to cover liquidity requirements, and other commitments for capital. The registrants, Southern Company Gas Capital, and Nicor Gas could experience a downgrade in their ratings if any rating agency concludes that the level of business or financial risk of the industry or the applicable company has deteriorated. Changes in ratings methodologies by the agencies could also have a negative impact on credit ratings. If one or more rating agencies downgrade any registrant, Southern Company Gas Capital, or Nicor Gas, borrowing costs likely would increase, including automatic increases in interest rates under applicable term loans and credit facilities, the pool of investors and funding sources would likely decrease, and, particularly for any downgrade to below investment grade, significant collateral requirements may be triggered in a number of contracts. Any credit rating downgrades could require altering the mix of debt financing currently used, and could require the issuance of secured indebtedness and/or indebtedness with additional restrictive covenants binding the applicable company.

Uncertainty in demand for energy can result in lower earnings or higher costs. If demand for energy falls short of expectations, it could result in potentially stranded assets. If demand for energy exceeds expectations, it could result in increased costs for purchasing capacity in the open market or building additional electric generation and transmission facilities or natural gas distribution and storage facilities.

Southern Company, the traditional electric operating companies, and Southern Power each engage in a long-term planning process to estimate the optimal mix and timing of new generation assets required to serve future load obligations. Southern Company Gas engages in a long-term planning process to estimate the optimal mix and timing of building new pipelines and storage facilities, replacing existing pipelines, rewatering storage facilities, and entering new markets and/or expanding in existing markets. These planning processes must look many years into the future in order to accommodate the long lead times associated with the permitting and construction of new generation and associated transmission facilities and natural gas distribution and storage facilities. Inherent risk exists in predicting demand as future loads are dependent on many uncertain factors, including economic conditions, customer usage patterns, efficiency programs, and customer technology adoption. Because regulators may not permit the traditional electric operating companies or Southern Company Gas' regulated operating companies to adjust rates to recover the costs of new generation and associated transmission assets and/or new pipelines and related infrastructure in a timely manner or at all, Southern Company and its subsidiaries may not be able to fully recover these costs or may have exposure to regulatory lag associated with the time between the incurrence of costs and the recovery in customers' rates. In addition, under Southern Power's model of selling capacity and energy at negotiated market-based rates under long-term PPAs, Southern Power might not be able to fully execute its business plan if market prices drop below original forecasts. Southern Power and/or the traditional electric operating companies may not be able to extend existing PPAs or find new buyers for existing generation assets as existing PPAs expire, or they may be forced to market these assets at prices lower than originally intended. These situations could have negative impacts on net income and cash flows for the affected registrant.

The traditional electric operating companies are currently obligated to supply power to retail customers and wholesale customers under long-term PPAs. Southern Power is currently obligated to supply power to wholesale customers under long-term PPAs. At peak times, the demand for power required to meet this obligation could exceed the Southern Company system's available generation capacity. Market or competitive forces may require that the traditional electric operating companies purchase capacity on the open market or build additional generation and transmission facilities and that Southern Power purchase energy or capacity on the open market. Because regulators may not permit the traditional electric operating companies to pass all of these purchase or construction costs on to their customers, the traditional electric operating companies may not be able to recover some or all of these costs or may have exposure to regulatory lag associated with the time between the incurrence of costs of purchased or constructed capacity and the traditional electric operating companies' recovery in customers' rates. Under Southern Power's long-term fixed price PPAs, Southern Power may not be able to recover all of these costs. These situations could have negative impacts on net income and cash flows for the affected registrant.

The businesses of the registrants, SEGCO, and Nicor Gas are dependent on their ability to successfully access funds through capital markets and financial institutions. The inability of any of the registrants, SEGCO, or Nicor Gas to access funds may limit its ability to execute its business plan by impacting its ability to fund capital investments or acquisitions that it may otherwise rely on to achieve future earnings and cash flows.

The registrants, SEGCO, and Nicor Gas rely on access to both short-term money markets and longer-term capital markets as a significant source of liquidity for capital requirements not satisfied by the cash flow from their respective operations. If any of the registrants, SEGCO, or Nicor Gas is not able to access capital at competitive rates or on favorable terms, its ability to implement its business plan will be limited by impacting its ability to fund capital investments or acquisitions that it may otherwise rely on to achieve future earnings and cash flows. In addition, the registrants, SEGCO, and Nicor Gas rely on committed bank lending agreements as back-up liquidity which allows them to access low cost money markets. Each of the registrants, SEGCO, and Nicor Gas believes that it will maintain sufficient access to these financial markets based upon current credit ratings. However, certain events or market disruptions may increase the cost of borrowing or adversely affect the ability to raise capital through the issuance of securities or other borrowing arrangements or the ability to secure committed bank lending agreements used as back-up sources of capital. Such disruptions could include:

- an economic downturn or uncertainty;
- bankruptcy or financial distress at an unrelated energy company, financial institution, or sovereign entity;
- capital markets volatility and disruption, either nationally or internationally;
- changes in tax policy, including further interpretation and guidance on tax reform;

- volatility in market prices for electricity and natural gas;
- actual or threatened cyber or physical attacks on the Southern Company system's facilities or unrelated energy companies' facilities;
- war or threat of war; or
- the overall health of the utility and financial institution industries.

Georgia Power's ability to make future borrowings through its term loan credit facility with the FFB is subject to the satisfaction of customary conditions, as well as certification of compliance with the requirements of the loan guarantee program under Title XVII of the Energy Policy Act of 2005, including accuracy of project-related representations and warranties, delivery of updated project-related information and evidence of compliance with the prevailing wage requirements of the Davis-Bacon Act of 1931, as amended, and certification from the DOE's consulting engineer that proceeds of the advances are used to reimburse certain costs of construction relating to Plant Vogtle Units 3 and 4 that are eligible for financing under the Title XVII Loan Guarantee Program. Prior to obtaining any further advances under Georgia Power's loan guarantee agreement with the DOE, Georgia Power is required to obtain the DOE's approval of the Bechtel Agreement.

Failure to comply with debt covenants or conditions could adversely affect the ability of the registrants, SEGCO, Southern Company Gas Capital, or Nicor Gas to execute future borrowings.

The debt and credit agreements of the registrants, SEGCO, Southern Company Gas Capital, and Nicor Gas contain various financial and other covenants. Georgia Power's loan guarantee agreement with the DOE contains additional covenants, events of default, and mandatory prepayment events relating to the construction of Plant Vogtle Units 3 and 4. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements, which would negatively affect the applicable company's financial condition and liquidity.

Volatility in the securities markets, interest rates, and other factors could substantially increase defined benefit pension and other postretirement plan costs and the funding available for nuclear decommissioning.

The costs of providing pension and other postretirement benefit plans are dependent on a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plan, changes in actuarial assumptions, government regulations, and/or life expectancy, and the frequency and amount of the Southern Company system's required or voluntary contributions made to the plans. Changes in actuarial assumptions and differences between the assumptions and actual values, as well as a significant decline in the value of investments that fund the pension and other postretirement plans, if not offset or mitigated by a decline in plan liabilities, could increase pension and other postretirement expense, and the Southern Company system could be required from time to time to fund the pension plans with significant amounts of cash. Such cash funding obligations could have a material impact on liquidity by reducing cash flows and could negatively affect results of operations. Additionally, Alabama Power and Georgia Power each hold significant assets in their nuclear decommissioning trusts to satisfy obligations to decommission Alabama Power's and Georgia Power's nuclear plants. The rate of return on assets held in those trusts can significantly impact both the funding available for decommissioning and the funding requirements for the trusts.

The registrants are subject to risks associated with their ability to obtain adequate insurance at acceptable costs.

The financial condition of some insurance companies, actual or threatened physical or cyber attacks, and natural disasters, among other things, could have disruptive effects on insurance markets. The availability of insurance covering risks that the registrants and their respective competitors typically insure against may decrease, and the insurance that the registrants are able to obtain may have higher deductibles, higher premiums, and more restrictive policy terms. Further, the insurance policies may not cover all of the potential exposures or the actual amount of loss incurred.

Any losses not covered by insurance, or any increases in the cost of applicable insurance, could adversely affect the results of operations, cash flows, or financial condition of the affected registrant.

The use of derivative contracts by Southern Company and its subsidiaries in the normal course of business could result in financial losses that negatively impact the net income of the registrants or in reported net income volatility.

Southern Company and its subsidiaries use derivative instruments, such as swaps, options, futures, and forwards, to manage their commodity and interest rate exposures and, to a lesser extent, manage foreign currency exchange rate exposure and engage in limited trading activities. The registrants could recognize financial losses as a result of volatility in the market values of these contracts or if a counterparty fails to perform. These risks are managed through risk management policies, limits, and procedures, which might not work as planned and cannot entirely eliminate the risks associated with these activities. In addition, derivative contracts entered into for hedging purposes might not offset the underlying exposure being hedged as expected, resulting in financial losses. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management's judgment or use of estimates. The factors used in the valuation of these instruments become more difficult to predict and the calculations become less reliable further into the future. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

In addition, Southern Company Gas utilizes derivative instruments to lock in economic value in wholesale gas services, which may not qualify as, or may not be designated as, hedges for accounting purposes. The difference in accounting treatment for the underlying position and the financial instrument used to hedge the value of the contract can cause volatility in reported net income of Southern Company and Southern Company Gas while the positions are open due to mark-to-market accounting.

Future impairments of goodwill or long-lived assets could have a material adverse effect on the registrants' results of operations.

Goodwill is assessed for impairment at least annually and more frequently if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value and long-lived assets are assessed for impairment whenever events or circumstances indicate that an asset's carrying amount may not be recoverable. In connection with the completion of the Merger, the application of the acquisition method of accounting was pushed down to Southern Company Gas. The excess of the purchase price over the fair values of Southern Company Gas' assets and liabilities was recorded as goodwill. This resulted in a significant increase in the goodwill recorded on Southern Company's and Southern Company Gas' consolidated balance sheets. At December 31, 2018, goodwill was $5.3 billion and $5.0 billion for Southern Company and Southern Company Gas, respectively.

In addition, Southern Company and its subsidiaries have long-lived assets recorded on their balance sheets. To the extent the value of goodwill or long-lived assets become impaired, the affected registrant may be required to incur impairment charges that could have a material impact on their results of operations. For example, a wholly-owned subsidiary of Southern Company Gas owns and operates a natural gas storage facility consisting of two salt dome caverns where recent seismic mapping indicates that proximity of one of the caverns to the edge of the salt dome may be less than the required minimum and could result in Southern Company Gas retiring the cavern early. Early retirement of the cavern could trigger impairment of other long-lived assets associated with the natural gas storage facility. In addition, a subsidiary of Southern Company has several leveraged lease agreements, with terms ranging up to 45 years, which relate to international and domestic energy generation, distribution, and transportation assets. Southern Company receives federal income tax deductions for depreciation and amortization, as well as interest on long-term debt related to these investments. Southern Company reviews all important lease assumptions at least annually, or more frequently if events or changes in circumstances indicate that a change in assumptions has occurred or may occur. With respect to Southern Company's subsidiary's investments in leveraged leases, the recovery of its investment is dependent on the profitable operation of the leased assets by the respective lessees. A significant deterioration in the performance of the leased asset could result in the impairment of the related lease receivable.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

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Item 2. PROPERTIES
Electric
Electric Properties
The traditional electric operating companies, Southern Power, and SEGCO, at January 1, 2019, owned and/or operated 33 hydroelectric generating stations, 26 fossil fuel generating stations, three nuclear generating stations, 13 combined cycle/cogeneration stations, 40 solar facilities, nine wind facilities, and one biomass facility. The amounts of capacity for each company, at January 1, 2019, are shown in the table below.

Generating Station	Location	Nameplate Capacity (1) (KWs)	
FOSSIL STEAM			
Gadsden	Gadsden, AL	120,000	
Gorgas	Jasper, AL	1,021,250	(2)
Barry	Mobile, AL	1,300,000	
Greene County	Demopolis, AL	300,000	(3)
Gaston Unit 5	Wilsonville, AL	880,000	
Miller	Birmingham, AL	2,532,288	(4)
Alabama Power Total		6,153,538	
Bowen	Cartersville, GA	3,160,000	
Hammond	Rome, GA	800,000	(5)
McIntosh	Effingham County, GA	163,117	(5)
Scherer	Macon, GA	750,924	(6)
Wansley	Carrollton, GA	925,550	(7)
Yates	Newnan, GA	700,000	
Georgia Power Total		6,499,591	
Daniel	Pascagoula, MS	500,000	(8)
Greene County	Demopolis, AL	200,000	(3)
Watson	Gulfport, MS	750,000	
Mississippi Power Total		1,450,000	
Gaston Units 1-4	Wilsonville, AL		
SEGCO Total		1,000,000	(9)
Total Fossil Steam		15,103,129	
NUCLEAR STEAM			
Farley	Dothan, AL		
Alabama Power Total		1,720,000	
Hatch	Baxley, GA	899,612	(10)
Vogtle Units 1 and 2	Augusta, GA	1,060,240	(11)
Georgia Power Total		1,959,852	
Total Nuclear Steam		3,679,852	

Generating Station	Location	Nameplate Capacity (1)	
COMBUSTION TURBINES			
Greene County	Demopolis, AL		
Alabama Power Total		720,000	
Boulevard	Savannah, GA	19,700	
McDonough Unit 3	Atlanta, GA	78,800	
McIntosh Units 1 through 8	Effingham County, GA	640,000	
McManus	Brunswick, GA	481,700	
Robins	Warner Robins, GA	158,400	
Wansley	Carrollton, GA	26,322	(7)
Wilson	Augusta, GA	354,100	
Georgia Power Total		1,759,022	
Chevron Cogenerating Station	Pascagoula, MS	147,292	(12)
Sweatt	Meridian, MS	39,400	
Watson	Gulfport, MS	39,360	
Mississippi Power Total		226,052	
Addison	Thomaston, GA	668,800	
Cleveland County	Cleveland County, NC	720,000	
Dahlberg	Jackson County, GA	756,000	
Rowan	Salisbury, NC	455,250	
Southern Power Total		2,600,050	
Gaston (SEGCO)	Wilsonville, AL	19,680	(9)
Total Combustion Turbines		5,324,804	
COGENERATION			
Washington County	Washington County, AL	123,428	
Lowndes County	Burkeville, AL	104,800	
Theodore	Theodore, AL	236,418	
Alabama Power Total		464,646	
COMBINED CYCLE			
Barry	Mobile, AL		
Alabama Power Total		1,070,424	
McIntosh Units 10 and 11	Effingham County, GA	1,318,920	
McDonough-Atkinson Units 4 through 6	Atlanta, GA	2,520,000	
Georgia Power Total		3,838,920	
Daniel	Pascagoula, MS	1,070,424	
Ratcliffe	Kemper County, MS	769,898	(13)
Mississippi Power Total		1,840,322	
Franklin	Smiths, AL	1,857,820	
Harris	Autaugaville, AL	1,318,920	
Mankato	Mankato, MN	375,000	(14)
Rowan	Salisbury, NC	530,550	
Wansley Units 6 and 7	Carrollton, GA	1,073,000	
Southern Power Total		5,155,290	
Total Combined Cycle		11,904,956	

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Generating Station	Location	Nameplate Capacity (1)	
HYDROELECTRIC FACILITIES			
Bankhead	Holt, AL	53,985	
Bouldin	Wetumpka, AL	225,000	
Harris	Wedowee, AL	132,000	
Henry	Ohatchee, AL	72,900	
Holt	Holt, AL	46,944	
Jordan	Wetumpka, AL	100,000	
Lay	Clanton, AL	177,000	
Lewis Smith	Jasper, AL	157,500	
Logan Martin	Vincent, AL	135,000	
Martin	Dadeville, AL	182,000	
Mitchell	Verbena, AL	170,000	
Thurlow	Tallassee, AL	81,000	
Weiss	Leesburg, AL	87,750	
Yates	Tallassee, AL	47,000	
Alabama Power Total		1,668,079	
Bartletts Ferry	Columbus, GA	173,000	
Goat Rock	Columbus, GA	38,600	
Lloyd Shoals	Jackson, GA	14,400	
Morgan Falls	Atlanta, GA	16,800	
North Highlands	Columbus, GA	29,600	
Oliver Dam	Columbus, GA	60,000	
Rocky Mountain	Rome, GA	215,256	(15)
Sinclair Dam	Milledgeville, GA	45,000	
Tallulah Falls	Clayton, GA	72,000	
Terrora	Clayton, GA	16,000	
Tugalo	Clayton, GA	45,000	
Wallace Dam	Eatonton, GA	321,300	
Yonah	Toccoa, GA	22,500	
6 Other Plants	Various Georgia locations	18,080	
Georgia Power Total		1,087,536	
Total Hydroelectric Facilities		2,755,615	

Generating Station	Location	Nameplate Capacity (1)
RENEWABLE SOURCES: SOLAR FACILITIES		
Fort Rucker	Calhoun County, AL	10,560
Anniston Army Depot	Dale County, AL	7,380
Alabama Power Total		17,940
Fort Benning	Columbus, GA	30,005
Fort Gordon	Augusta, GA	30,000
Fort Stewart	Fort Stewart, GA	30,000
Kings Bay	Camden County, GA	30,161
Dalton	Dalton, GA	6,508
Marine Corps Logistics Base	Albany, GA	31,161
4 Other Plants	Various Georgia locations	5,171
Georgia Power Total		163,006
Adobe	Kern County, CA	20,000
Apex	North Las Vegas, NV	20,000
Boulder I	Clark County, NV	100,000
Butler	Taylor County, GA	103,700
Butler Solar Farm	Taylor County, GA	22,000
Calipatria	Imperial County, CA	20,000
Campo Verde	Imperial County, CA	147,420
Cimarron	Springer, NM	30,640
Decatur County	Decatur County, GA	20,000
Decatur Parkway	Decatur County, GA	84,000
Desert Stateline	San Bernadino County, CA	299,900
East Pecos	Pecos County, TX	120,000
Garland	Kern County, CA	205,130
Gaskell West I		20,000

	Kern County, CA		
Granville	Oxford, NC	2,500	
Henrietta	Kings County, CA	102,000	
Imperial Valley	Imperial County, CA	163,200	
Lamesa	Dawson County, TX	102,000	
Lost Hills - Blackwell	Kern County, CA	33,440	
Macho Springs	Luna County, NM	55,000	
Morelos del Sol	Kern County, CA	15,000	
North Star	Fresno County, CA	61,600	
Pawpaw	Taylor County, GA	30,480	
Roserock	Pecos County, TX	160,000	
Rutherford	Rutherford County, NC	74,800	
Sandhills	Taylor County, GA	146,890	
Spectrum	Clark County, NV	30,240	
Tranquillity	Fresno County, CA	205,300	
Southern Power Total		2,395,240	(16)
Total Solar		2,576,186	

Generating Station	Location	Nameplate Capacity (1)	
WIND FACILITIES			
Bethel	Castro County, TX	276,000	
Cactus Flats	Concho County, TX	148,350	
Grant Plains	Grant County, OK	147,200	
Grant Wind	Grant County, OK	151,800	
Kay Wind	Kay County, OK	299,000	
Passadumkeag	Penobscot County, ME	42,900	
Salt Fork	Donley & Gray Counties TX	174,000	
Tyler Bluff	Cooke County, TX	125,580	
Wake Wind	Crosby & Floyd Counties, TX	257,250	
Southern Power Total		1,622,080	(17)
BIOMASS FACILITY			
Nacogdoches	Sacul, TX		
Southern Power Total		115,500	
Total Alabama Power Generating Capacity		11,814,627	
Total Georgia Power Generating Capacity		15,307,927	
Total Mississippi Power Generating Capacity		3,516,374	
Total Southern Power Generating Capacity		11,888,160	
Total Generating Capacity		43,546,768	

Notes:

(1) See "Jointly-Owned Facilities" herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

(2) As part of its environmental compliance strategy, Alabama Power plans to retire Plant Gorgas Units 8, 9, and 10 by April 15, 2019. See Note 2 to the financial statements under "Alabama Power – Environmental Accounting Order" in Item 8 herein for additional information.

(3) Owned by Alabama Power and Mississippi Power as tenants in common in the proportions of 60% and 40%, respectively. Capacity shown for each company represents its portion of total plant capacity.

(4) Capacity shown is Alabama Power's portion (95.92%) of total plant capacity.

(5) Georgia Power has requested to decertify and retire Plant Hammond Units 1 through 4 and Plant McIntosh Unit 1 upon approval of its 2019 IRP filing. See Note 2 to the financial statements under "Georgia Power – Integrated Resource Plan" in Item 8 herein for additional information.

(6) Capacity shown for Georgia Power is 8.4% of Units 1 and 2 and 75% of Unit 3.

(7) Capacity shown is Georgia Power's portion (53.5%) of total plant capacity.

(8) Capacity shown is Mississippi Power's portion (50%) of total plant capacity.

(9) SEGCO is jointly-owned by Alabama Power and Georgia Power. See BUSINESS in Item 1 herein for additional information. Also see Note 7 to the financial statements under "SEGCO" in Item 8 herein.

(10) Capacity shown is Georgia Power's portion (50.1%) of total plant capacity.

(11) Capacity shown is Georgia Power's portion (45.7%) of total plant capacity.

(12) Generation is dedicated to a single industrial customer. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Credit Rating Risk" of Mississippi Power in Item 7 herein.

(13) The capacity shown is the gross capacity using natural gas fuel without supplemental firing.

(14) On November 5, 2018, Southern Power entered into an agreement with Northern States Power to sell all of its equity interests in Plant Mankato (including the 385-MW expansion currently under construction). The ultimate outcome of this matter cannot be determined at this time. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas Plants" in Item 8 herein for additional information.

(15) Capacity shown is Georgia Power's portion (25.4%) of total plant capacity. OPC operates the plant.

(16) In May 2018, Southern Power sold a noncontrolling 33% equity interest in SP Solar (a limited partnership indirectly owning all of Southern Power's solar facilities, except the Roserock and Gaskell West facilities). SP Solar is the 51% majority owner of Boulder 1, Garland, Henrietta, Imperial Valley, Lost Hills Blackwell, North Star, and Tranquillity; the 66% majority owner of Desert Stateline; and the sole owner of the remaining SP Solar facilities. Southern Power is the 51% majority owner of Roserock and also the controlling partner in a tax equity partnership owning Gaskell West. All of these entities are consolidated subsidiaries of Southern Power and the capacity shown in the table is 100% of the nameplate capacity for the respective facility.

(17) In December 2018, Southern Power sold a noncontrolling tax equity interest in SP Wind (which owns all of Southern Power's wind facilities, except Cactus Flats). SP Wind is the 90.1% majority owner of Wake Wind and owns 100% of the remaining SP Wind facilities. Southern Power is the controlling partner in a tax equity partnership owning Cactus Flats. All of these entities are consolidated subsidiaries of Southern Power and the capacity shown in the table is 100% of the nameplate capacity for the respective facility.

Except as discussed below under "Titles to Property," the principal plants and other important units of the traditional electric operating companies, Southern Power, and SEGCO are owned in fee by the respective companies. It is the opinion of management of each such company that its operating properties are adequately maintained and are substantially in good operating condition, and suitable for their intended purpose.

Mississippi Power owns a 79-mile length of 500-kilovolt transmission line which is leased to Entergy Gulf States Louisiana, LLC. The line extends from Plant Daniel to the Louisiana state line. Entergy Gulf States Louisiana, LLC is paying a use fee over a 40-year period through 2024 covering all expenses and the amortization of the original cost. At December 31, 2018, the unamortized portion was approximately $12 million.

Mississippi Power owns a lignite mine and equipment that were intended to provide fuel for the Kemper IGCC. Mississippi Power also has acquired mineral reserves located around the Kemper County energy facility. Liberty Fuels Company, LLC, the operator of the mine, has a legal obligation to perform mine reclamation and Mississippi Power has a contractual obligation to fund all reclamation activities. As a result of the abandonment of the Kemper IGCC, final mine reclamation began in 2018 and is expected to be substantially completed in 2020, with monitoring expected to continue through 2027. Mississippi Power is currently evaluating its options regarding the final disposition of the CO_2 pipeline, including removal of the pipeline. This evaluation is expected to be complete later in 2019. The ultimate outcome of these matters cannot be determined at this time. See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility – Lignite Mine and CO_2 Pipeline Facilities" in Item 8 herein for additional information on the lignite mine and CO_2 pipeline.

In August 2018, Mississippi Power filed a RMP which identified alternatives that, if implemented, could impact Mississippi Power's generating stations as well as Plant Greene County, jointly owned by Mississippi Power and Alabama Power. See BUSINESS in Item 1 herein under "Rate Matters – Integrated Resource Planning – Mississippi Power" for additional information.

In conjunction with Southern Company's sale of Gulf Power, Mississippi Power and Gulf Power have committed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. On January 15, 2019, Gulf Power provided notice to Mississippi Power that Gulf Power will retire its share of the generating capacity of Plant Daniel on January 15, 2024. Mississippi Power has the option to purchase Gulf Power's ownership interest for $1 on January 15, 2024, provided that Mississippi Power exercises the option no later than 120 days prior to that date. Mississippi Power is assessing the potential operational and economic effects of Gulf Power's notice. The ultimate outcome of these matters remains subject to completion of Mississippi Power's evaluations and applicable regulatory approvals, including the FERC and the Mississippi PSC, and cannot now be determined. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" in Item 8 herein for information regarding the sale of Gulf Power.

In 2018, the maximum demand on the traditional electric operating companies, Southern Power Company, and SEGCO was 36,429,000 KWs and occurred on January 18, 2018. The all-time maximum demand of 38,777,000 KWs on the traditional electric operating companies, Southern Power Company, and SEGCO occurred on August 22, 2007. These amounts exclude demand served by capacity retained by MEAG Power, OPC, and SEPA. The reserve margin for the traditional electric operating companies, Southern Power Company, and SEGCO in 2018 was 29.8%. See SELECTED FINANCIAL DATA in Item 6 herein for additional information.

Jointly-Owned Facilities

Alabama Power, Georgia Power, and Mississippi Power at January 1, 2019 had undivided interests in certain generating plants and other related facilities with non-affiliated parties. The percentages of ownership of the total plant or facility are as follows:

	Total Capacity (MWs)	Percentage Ownership Alabama Power	PowerSouth	Georgia Power	Mississippi Power	OPC	MEAG Power	Dalton	Gulf Power
Plant Miller Units 1 and 2	1,320	91.8%	8.2 %	— %	— %	— %	— %	— %	— %
Plant Hatch	1,796	—	—	50.1	—	30.0	17.7	2.2	—
Plant Vogtle Units 1 and 2	2,320	—	—	45.7	—	30.0	22.7	1.6	—

Plant Scherer Units 1 and 2	1,636	—	—	8.4	—	60.0	30.2	1.4	—
Plant Scherer Unit 3	818	—	—	75.0	—	—	—	—	25.0
Plant Wansley	1,779	—	—	53.5	—	30.0	15.1	1.4	—
Rocky Mountain	903	—	—	25.4	—	74.6	—	—	—
Plant Daniel Units 1 and 2	1,000	—	—	—	50.0	—	—	—	50.0

Alabama Power, Georgia Power, and Mississippi Power have contracted to operate and maintain the respective units in which each has an interest (other than Rocky Mountain) as agent for the joint owners. Southern Nuclear operates and provides services to Alabama Power's and Georgia Power's nuclear plants.

In addition, Georgia Power has commitments regarding a portion of a 5% interest in Plant Vogtle Units 1 and 2 owned by MEAG Power that are in effect until the later of retirement of the plant or the latest stated maturity date of MEAG Power's bonds issued to finance such ownership interest. The payments for capacity are required whether any capacity is available. The energy cost is a function of each unit's variable operating costs. Except for the portion of the capacity payments related to the Georgia PSC's disallowances of Plant Vogtle Units 1 and 2 costs, the cost of such capacity and energy is included in purchased power from non-affiliates in Georgia Power's statements of income in Item 8 herein. Also see Note 9 to the financial statements under "Fuel and Power Purchase Agreements" in Item 8 herein for additional information.

Construction continues on Plant Vogtle Units 3 and 4, which are jointly owned by the Vogtle Owners (with each owner holding the same undivided ownership interest as shown in the table above with respect to Plant Vogtle Units 1 and 2). See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein.

On December 4, 2018, Southern Power completed the sale of its 65% ownership interest in Plant Stanton Unit A, which Southern Power previously jointly-owned with OUC, FMPA, and KUA, to NextEra Energy. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas Plants" in Item 8 herein for additional information.

Titles to Property

The traditional electric operating companies', Southern Power's, and SEGCO's interests in the principal plants and other important units of the respective companies are owned in fee by such companies, subject to the following major encumbrances: (1) liens pursuant to the assumption of debt obligations by Mississippi Power in connection with the acquisition of Plant Daniel Units 3 and 4, (2) a leasehold interest granted by Mississippi Power's largest retail customer, Chevron Products Company (Chevron), at the Chevron refinery, on which five combustion turbines of Mississippi Power are located, (3) liens pursuant to the agreements entered into with Chevron in October 2017 on Mississippi Power's co-generation assets located at the Chevron refinery, (4) liens associated with Georgia Power's reimbursement obligations to the DOE under its loan guarantee, which are secured by a first priority lien on (a) Georgia Power's 45.7% undivided ownership interest in Plant Vogtle Units 3 and 4 and (b) Georgia Power's rights and obligations under the principal contracts relating to Plant Vogtle Units 3 and 4, and (5) liens associated with two PPAs assumed as part of the acquisition of Plant Mankato in 2016 by Southern Power Company. See Note 5 to the financial statements under "Assets Subject to Lien," Note 8 to the financial statements under "Secured Debt" and "Long-term Debt – DOE Loan Guarantee Borrowings," and Note 15 to the financial statements under "Southern Power – Sales of Natural Gas Plants" in Item 8 herein for additional information. The traditional electric operating companies own the fee interests in certain of their principal plants as tenants in common. See "Jointly-Owned Facilities" herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Properties such as electric transmission and distribution lines, steam heating mains, and gas pipelines are constructed principally on rights-of-way, which are maintained under franchise or are held by easement only. A substantial portion of lands submerged by reservoirs is held under flood right easements. In addition, certain of the renewable generating facilities occupy or use real property that is not owned, primarily through various leases, easements, rights-of-way, permits, or licenses from private landowners or governmental entities.

Natural Gas

Southern Company Gas considers its properties to be adequately maintained, substantially in good operating condition, and suitable for their intended purpose. The following provides the location and general character of the materially important properties that are used by the segments of Southern Company Gas. Substantially all of Nicor Gas' properties are subject to the lien of the indenture securing its first mortgage bonds. See Note 8 to the financial statements under "Long-term Debt – Other Long-Term Debt – Southern Company Gas" in Item 8 herein for additional information.

Distribution and Transmission Mains – Southern Company Gas' distribution systems transport natural gas from its pipeline suppliers to customers in its service areas. These systems consist primarily of distribution and transmission mains, compressor stations, peak shaving/storage plants, service lines, meters, and regulators. At December 31, 2018, Southern Company Gas' gas distribution operations segment owned approximately 75,200 miles of underground distribution and transmission mains, which are located on easements or rights-of-way that generally provide for perpetual use.

Storage Assets – Gas Distribution Operations – Southern Company Gas owns and operates eight underground natural gas storage fields in Illinois with a total working capacity of approximately 150 Bcf, approximately 135 Bcf of which is usually cycled on an annual basis. This system is designed to meet about 50% of the estimated peak-day deliveries and approximately 40% of the normal winter deliveries in Illinois. This level of storage capability provides Nicor Gas with supply flexibility, improves the reliability of deliveries, and helps mitigate the risk associated with seasonal price movements.

Southern Company Gas also has four LNG plants located in Georgia and Tennessee with total LNG storage capacity of approximately 7.4 Bcf. In addition, Southern Company Gas owns two propane storage facilities in Virginia, each with storage capacity of approximately 0.3 Bcf. The LNG plants and propane storage facility are used by Southern Company Gas' gas distribution operations segment to supplement natural gas supply during peak usage periods.

Storage Assets – All Other – Southern Company Gas subsidiaries own three high-deliverability natural gas storage and hub facilities that are included in the all other segment. Jefferson Island Storage & Hub, LLC operates a storage facility in Louisiana consisting of two salt dome gas storage caverns. Golden Triangle Storage, Inc. operates a storage facility in Texas consisting of two salt dome caverns. Central Valley Gas Storage, LLC operates a depleted field storage facility in California. In addition, Southern Company Gas has a LNG facility in Alabama that produces LNG for Pivotal LNG, Inc. to support its business of selling LNG as a substitute fuel in various markets.

In August 2017, in connection with an ongoing integrity project into the salt dome gas storage caverns in Louisiana, updated seismic mapping indicated the proximity of one of the caverns to the edge of the salt dome may be less than the required minimum and could result in Southern Company Gas retiring the cavern early. See FUTURE EARNINGS POTENTIAL – "Other Matters" of Southern Company Gas in Item 7 herein and Note 3 to the financial statements under "Other Matters – Southern Company Gas" in Item 8 herein for additional information.

Jointly-Owned Properties – Southern Company Gas' gas pipeline investments segment has a 50% undivided ownership interest in a 115-mile pipeline facility in northwest Georgia that was placed in service in August 2017. Southern Company Gas also has an agreement to lease its 50% undivided ownership in the pipeline facility. See Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Southern Company Gas owns a 50% interest in a LNG liquefaction and storage facility in Jacksonville, Florida, which was placed in service in October 2018 and is included in the all other segment. The facility is outfitted with a 2.0 million gallon storage tank with the capacity to produce in excess of 120,000 gallons of LNG per day.

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Item 3. LEGAL PROCEEDINGS

See Note 3 to the financial statements in Item 8 herein for descriptions of legal and administrative proceedings discussed therein.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF SOUTHERN COMPANY
(Identification of executive officers of Southern Company is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2018.
Thomas A. Fanning
Chairman, President, and Chief Executive Officer
Age 61
First elected in 2003. Chairman and Chief Executive Officer since December 2010 and President since August 2010.
Andrew W. Evans
Executive Vice President and Chief Financial Officer
Age 52
First elected in 2016. Executive Vice President since July 2016 and Chief Financial Officer since June 2018. Previously served as Chief Executive Officer and Chairman of Southern Company Gas' Board of Directors from January 2016 through June 2018, President of Southern Company Gas from May 2015 through June 2018, Chief Operating Officer of Southern Company Gas from May 2015 through December 2015, and Executive Vice President and Chief Financial Officer of Southern Company Gas from May 2006 through May 2015.
W. Paul Bowers
Chairman, President and Chief Executive Officer of Georgia Power
Age 62
First elected in 2001. Chief Executive Officer, President, and Director of Georgia Power since January 2011. Chairman of Georgia Power's Board of Directors since May 2014.
S. W. Connally, Jr.
Executive Vice President of SCS
Age 49
First elected in 2012. Executive Vice President for Operations of SCS since June 2018. Previously served as President, Chief Executive Officer, and Director of Gulf Power from July 2012 through December 2018 and Chairman of Gulf Power's Board of Directors from July 2015 through December 2018.
Mark A. Crosswhite
Chairman, President and Chief Executive Officer of Alabama Power
Age 56
First elected in 2010. President, Chief Executive Officer, and Director of Alabama Power since March 2014. Chairman of Alabama Power's Board of Directors since May 2014. Previously served as Executive Vice President and Chief Operating Officer of Southern Company from July 2012 through February 2014.
Kimberly S. Greene
Chairman, President, and Chief Executive Officer of Southern Company Gas
Age 52
First elected in 2013. Chairman, President, and Chief Executive Officer of Southern Company Gas since June 2018. Director of Southern Company Gas since July 2016. Previously served as Executive Vice President and Chief Operating Officer of Southern Company from March 2014 through June 2018 and President and Chief Executive Officer of SCS from April 2013 through February 2014.
James Y. Kerr II
Executive Vice President, Chief Legal Officer, and Chief Compliance Officer
Age 54
First elected in 2014. Executive Vice President, Chief Legal Officer (formerly known as General Counsel), and Chief Compliance Officer since March 2014. Before joining Southern Company, Mr. Kerr was a partner with McGuireWoods LLP and a senior advisor at McGuireWoods Consulting LLC from 2008 through February 2014.
Stephen E. Kuczynski
Chairman, President, and Chief Executive Officer of Southern Nuclear
Age 56
First elected in 2011. Chairman, President, and Chief Executive Officer of Southern Nuclear since July 2011.

Mark S. Lantrip
Executive Vice President
Age 64
First elected in 2014. Executive Vice President since February 2019. Chairman, President, and Chief Executive Officer of SCS since March 2014 and Chairman, President, and Chief Executive Officer of Southern Power since March 2018. Previously served as Treasurer of Southern Company from October 2007 to February 2014 and Executive Vice President of SCS from November 2010 to March 2014.
Anthony L. Wilson
Chairman, President, and Chief Executive Officer of Mississippi Power
Age 54
First elected in 2015. President of Mississippi Power since October 2015 and Chief Executive Officer and Director since January 2016. Chairman of Mississippi Power's Board of Directors since August 2016. Previously served as Executive Vice President of Mississippi Power from May 2015 to October 2015 and Executive Vice President of Georgia Power from January 2012 to May 2015.
Christopher C. Womack
Executive Vice President
Age 60
First elected in 2008. Executive Vice President and President of External Affairs since January 2009.
The officers of Southern Company were elected at the first meeting of the directors following the last annual meeting of stockholders held on May 23, 2018, for a term of one year or until their successors are elected and have qualified, except for Mr. Lantrip, whose election as Executive Vice President was effective February 11, 2019.

EXECUTIVE OFFICERS OF ALABAMA POWER

(Identification of executive officers of Alabama Power is inserted in Part I in accordance with Regulation S-K, Item 401(b), Instruction 3.) The ages of the officers set forth below are as of December 31, 2018.

Mark A. Crosswhite
Chairman, President, and Chief Executive Officer
Age 56
First elected in 2014. President, Chief Executive Officer, and Director since March 1, 2014. Chairman since May 2014. Previously served as Executive Vice President and Chief Operating Officer of Southern Company from July 2012 through February 2014.

Greg J. Barker
Executive Vice President
Age 55
First elected in 2016. Executive Vice President for Customer Services since February 2016. Previously served as Senior Vice President of Marketing and Economic Development from April 2012 to February 2016.

Philip C. Raymond
Executive Vice President, Chief Financial Officer, and Treasurer
Age 59
First elected in 2010. Executive Vice President, Chief Financial Officer, and Treasurer since August 2010.

Zeke W. Smith
Executive Vice President
Age 59
First elected in 2010. Executive Vice President of External Affairs since November 2010.

James P. Heilbron
Senior Vice President and Senior Production Officer
Age 47
First elected in 2013. Senior Vice President and Senior Production Officer of Alabama Power since March 2013 and Senior Vice President and Senior Production Officer – West of SCS and Senior Production Officer of Mississippi Power since October 2018.

R. Scott Moore
Senior Vice President
Age 51
First elected in 2017. Senior Vice President of Power Delivery since May 2017. Previously served as Vice President of Transmission from August 2012 to May 2017.

The officers of Alabama Power were elected at the meeting of the directors held on April 27, 2018 for a term of one year or until their successors are elected and have qualified.

PART II

Item 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a)(1) The common stock of Southern Company is listed and traded on the NYSE under the ticker symbol SO. The common stock is also traded on regional exchanges across the U.S.

There is no market for the other registrants' common stock, all of which is owned by Southern Company.

(a)(2) Number of Southern Company's common stockholders of record at January 31, 2019: 115,847

Each of the other registrants have one common stockholder, Southern Company.

(a)(3) Securities authorized for issuance under equity compensation plans.

See Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(b) Use of Proceeds

Not applicable.

(c) Issuer Purchases of Equity Securities

None.

Item 6. SELECTED FINANCIAL DATA

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Southern Company and Subsidiary Companies 2018 Annual Report

	2018	2017	2016[d]	2015	2014
Operating Revenues (in millions)	$23,495	$23,031	$19,896	$17,489	$18,467
Total Assets (in millions)[a]	$116,914	$111,005	$109,697	$78,318	$70,233
Gross Property Additions (in millions)	$8,205	$5,984	$7,624	$6,169	$6,522
Return on Average Common Equity (percent)[b]	9.11	3.44	10.80	11.68	10.08
Cash Dividends Paid Per Share of Common Stock	$2.3800	$2.3000	$2.2225	$2.1525	$2.0825
Consolidated Net Income Attributable to Southern Company (in millions)[b]	$2,226	$842	$2,448	$2,367	$1,963
Earnings Per Share —					
Basic	$2.18	$0.84	$2.57	$2.60	$2.19
Diluted	2.17	0.84	2.55	2.59	2.18
Capitalization (in millions):					
Common stockholders' equity	$24,723	$24,167	$24,758	$20,592	$19,949
Preferred and preference stock of subsidiaries and noncontrolling interests	4,316	1,361	1,854	1,390	977
Redeemable preferred stock of subsidiaries	291	324	118	118	375
Redeemable noncontrolling interests	—	—	164	43	39
Long-term debt[a][c]	40,736	44,462	42,629	24,688	20,644
Total (excluding amounts due within one year)[c]	$70,066	$70,314	$69,523	$46,831	$41,984
Capitalization Ratios (percent):					
Common stockholders' equity	35.3	34.4	35.6	44.0	47.5
Preferred and preference stock of subsidiaries and noncontrolling interests	6.2	1.9	2.7	3.0	2.3
Redeemable preferred stock of subsidiaries	0.4	0.5	0.2	0.3	0.9
Redeemable noncontrolling interests	—	—	0.2	0.1	0.1
Long-term debt[a][c]	58.1	63.2	61.3	52.6	49.2
Total (excluding amounts due within one year)[c]	100.0	100.0	100.0	100.0	100.0
Other Common Stock Data:					
Book value per share	$23.91	$23.99	$25.00	$22.59	$21.98
Market price per share:					
High	$49.43	$53.51	$54.64	$53.16	$51.28
Low	42.38	46.71	46.00	41.40	40.27
Close (year-end)	43.92	48.09	49.19	46.79	49.11
Market-to-book ratio (year-end) (percent)	183.7	200.5	196.8	207.2	223.4
Price-earnings ratio (year-end) (times)	20.1	57.3	19.1	18.0	22.4
Dividends paid (in millions)	$2,425	$2,300	$2,104	$1,959	$1,866
Dividend yield (year-end) (percent)	5.4	4.8	4.5	4.6	4.2
Dividend payout ratio (percent)	108.9	273.2	86.0	82.7	95.0
Shares outstanding (in thousands):					
Average	1,020,247	1,000,336	951,332	910,024	897,194
Year-end	1,033,788	1,007,603	990,394	911,721	907,777
Stockholders of record (year-end)	116,135	120,803	126,338	131,771	137,369

(a) A reclassification of debt issuance costs from Total Assets to Long-term debt of $202 million and a reclassification of deferred tax assets from Total Assets to Accumulated deferred income taxes of $488 million is reflected for 2014, in accordance with new accounting standards adopted in 2015 and applied retrospectively.

(b)

Georgia Power recorded a pre-tax estimated probable loss of $1.1 billion ($0.8 billion after tax) in the second quarter 2018 to reflect its revised estimate to complete construction and start-up of Plant Vogtle Units 3 and 4. In addition, a significant loss to income was recorded by Mississippi Power related to the suspension of the Kemper IGCC in June 2017. Earnings in all periods presented were impacted by losses related to the Kemper IGCC. See Note 2 to the financial statements in Item 8 herein for additional information.

(c) Amounts related to Gulf Power have been reclassified to liabilities held for sale at December 31, 2018. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" in Item 8 herein for additional information.

(d) The 2016 selected financial and operating data includes the operations of Southern Company Gas from the date of the Merger, July 1, 2016, through December 31, 2016. See Note 15 to the financial statements under "Southern Company Merger with Southern Company Gas" in Item 8 herein for additional information.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 2014-2018 (continued)
Southern Company and Subsidiary Companies 2018 Annual Report

	2018	2017	2016[(a)]	2015	2014
Operating Revenues (in millions):					
Residential	$6,608	$6,515	$6,614	$6,383	$6,499
Commercial	5,266	5,439	5,394	5,317	5,469
Industrial	3,224	3,262	3,171	3,172	3,449
Other	124	114	55	115	133
Total retail	15,222	15,330	15,234	14,987	15,550
Wholesale	2,516	2,426	1,926	1,798	2,184
Total revenues from sales of electricity	17,738	17,756	17,160	16,785	17,734
Natural gas revenues	3,854	3,791	1,596	—	—
Other revenues	1,903	1,484	1,140	704	733
Total	$23,495	$23,031	$19,896	$17,489	$18,467
Kilowatt-Hour Sales (in millions):					
Residential	54,590	50,536	53,337	52,121	53,347
Commercial	53,451	52,340	53,733	53,525	53,243
Industrial	53,341	52,785	52,792	53,941	54,140
Other	799	846	883	897	909
Total retail	162,181	156,507	160,745	160,484	161,639
Wholesale sales	49,963	49,034	37,043	30,505	32,786
Total	212,144	205,541	197,788	190,989	194,425
Average Revenue Per Kilowatt-Hour (cents):					
Residential	12.10	12.89	12.40	12.25	12.18
Commercial	9.85	10.39	10.04	9.93	10.27
Industrial	6.04	6.18	6.01	5.88	6.37
Total retail	9.39	9.80	9.48	9.34	9.62
Wholesale	5.04	4.95	5.20	5.89	6.66
Total sales	8.36	8.64	8.68	8.79	9.12
Average Annual Kilowatt-Hour Use Per Residential Customer	12,514	11,618	12,387	13,318	13,765
Average Annual Revenue Per Residential Customer	$1,555	$1,498	$1,541	$1,630	$1,679
Plant Nameplate Capacity Ratings (year-end) (megawatts)	45,824	46,936	46,291	44,223	46,549
Maximum Peak-Hour Demand (megawatts):					
Winter	36,429	31,956	32,272	36,794	37,234
Summer	34,841	34,874	35,781	36,195	35,396
System Reserve Margin (at peak) (percent)	29.8	30.8	34.2	33.2	19.8
Annual Load Factor (percent)	61.2	61.4	61.5	59.9	59.6
Plant Availability (percent):					
Fossil-steam	81.4	84.5	86.4	86.1	85.8
Nuclear	94.0	94.7	93.3	93.5	91.5

(a) The 2016 selected financial and operating data includes the operations of Southern Company Gas from the date of the Merger, July 1, 2016, through December 31, 2016. See Note 15 to the financial statements under "Southern Company Merger with Southern Company Gas" in Item 8 herein for additional information.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 2014-2018 (continued)
Southern Company and Subsidiary Companies 2018 Annual Report

	2018	2017	2016[a]	2015	2014
Source of Energy Supply (percent):					
Gas	41.6	41.9	41.7	42.7	37.0
Coal	27.0	27.0	30.3	32.3	39.3
Nuclear	13.8	14.5	14.5	15.2	14.8
Hydro	2.9	2.1	2.1	2.6	2.5
Other	5.4	5.4	2.4	0.8	0.4
Purchased power	9.3	9.1	9.0	6.4	6.0
Total	100.0	100.0	100.0	100.0	100.0
Gas Sales Volumes (mmBtu in millions):					
Firm	791	729	296	—	—
Interruptible	109	109	53	—	—
Total	900	838	349	—	—
Traditional Electric Operating Company Customers (year-end) (in thousands):					
Residential	4,053	4,011	3,970	3,928	3,890
Commercial[b]	603	599	595	590	586
Industrial[b]	17	18	17	17	17
Other	12	12	11	11	11
Total electric customers	4,685	4,640	4,593	4,546	4,504
Gas distribution operations customers	4,248	4,623	4,586	—	—
Total utility customers	8,933	9,263	9,179	4,546	4,504
Employees (year-end)	30,286	31,344	32,015	26,703	26,369

(a) The 2016 selected financial and operating data includes the operations of Southern Company Gas from the date of the Merger, July 1, 2016, through December 31, 2016. See Note 15 to the financial statements under "Southern Company Merger with Southern Company Gas" in Item 8 herein for additional information.

(b) A reclassification of customers from commercial to industrial is reflected for years 2014-2015 to be consistent with the rate structure approved by the Georgia PSC. The impact to operating revenues, kilowatt-hour sales, and average revenue per kilowatt-hour by class is not material.

SELECTED FINANCIAL AND OPERATING DATA 2014-2018
Alabama Power Company 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions)	$ 6,032	$ 6,039	$ 5,889	$ 5,768	$ 5,942
Net Income After Dividends on Preferred and Preference Stock (in millions)	$ 930	$ 848	$ 822	$ 785	$ 761
Cash Dividends on Common Stock (in millions)	$ 801	$ 714	$ 765	$ 571	$ 550
Return on Average Common Equity (percent)	13.00	12.89	13.34	13.37	13.52
Total Assets (in millions)(*)	$ 26,730	$ 23,864	$ 22,516	$ 21,721	$ 20,493
Gross Property Additions (in millions)	$ 2,273	$ 1,949	$ 1,338	$ 1,492	$ 1,543
Capitalization (in millions):					
Common stockholder's equity	$ 7,477	$ 6,829	$ 6,323	$ 5,992	$ 5,752
Preference stock	—	—	196	196	343
Redeemable preferred stock	291	291	85	85	342
Long-term debt(*)	7,923	7,628	6,535	6,654	6,137
Total (excluding amounts due within one year)	$ 15,691	$ 14,748	$ 13,139	$ 12,927	$ 12,574
Capitalization Ratios (percent):					
Common stockholder's equity	47.7	46.3	48.1	46.4	45.8
Preference stock	—	—	1.5	1.5	2.7
Redeemable preferred stock	1.9	2.0	0.7	0.7	2.7
Long-term debt(*)	50.4	51.7	49.7	51.4	48.8
Total (excluding amounts due within one year)	100.0	100.0	100.0	100.0	100.0
Customers (year-end):					
Residential	1,273,526	1,268,271	1,262,752	1,253,875	1,247,061
Commercial	200,032	199,840	199,146	197,920	197,082
Industrial	6,158	6,171	6,090	6,056	6,032
Other	760	766	762	757	753
Total	1,480,476	1,475,048	1,468,750	1,458,608	1,450,928
Employees (year-end)	6,650	6,613	6,805	6,986	6,935

(*) A reclassification of debt issuance costs from Total Assets to Long-term debt of $40 million and a reclassification of deferred tax assets from Total Assets to Accumulated deferred income taxes of $20 million is reflected for 2014, in accordance with new accounting standards adopted in 2015 and applied retrospectively.

SELECTED FINANCIAL AND OPERATING DATA 2014-2018 (continued)
Alabama Power Company 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions):					
Residential	$2,335	$2,302	$2,322	$2,207	$2,209
Commercial	1,578	1,649	1,627	1,564	1,533
Industrial	1,428	1,477	1,416	1,436	1,480
Other	26	30	(43)	27	27
Total retail	5,367	5,458	5,322	5,234	5,249
Wholesale — non-affiliates	279	276	283	241	281
Wholesale — affiliates	119	97	69	84	189
Total revenues from sales of electricity	5,765	5,831	5,674	5,559	5,719
Other revenues	267	208	215	209	223
Total	$6,032	$6,039	$5,889	$5,768	$5,942
Kilowatt-Hour Sales (in millions):					
Residential	18,626	17,219	18,343	18,082	18,726
Commercial	13,868	13,606	14,091	14,102	14,118
Industrial	23,006	22,687	22,310	23,380	23,799
Other	187	198	208	201	211
Total retail	55,687	53,710	54,952	55,765	56,854
Wholesale — non-affiliates	5,018	5,415	5,744	3,567	3,588
Wholesale — affiliates	4,565	4,166	3,177	4,515	6,713
Total	65,270	63,291	63,873	63,847	67,155
Average Revenue Per Kilowatt-Hour (cents):					
Residential	12.54	13.37	12.66	12.21	11.80
Commercial	11.38	12.12	11.55	11.09	10.86
Industrial	6.21	6.51	6.35	6.14	6.22
Total retail	9.64	10.16	9.68	9.39	9.23
Wholesale	4.15	3.89	3.95	4.02	4.56
Total sales	8.83	9.21	8.88	8.71	8.52
Residential Average Annual Kilowatt-Hour Use Per Customer	14,660	13,601	14,568	14,454	15,051
Residential Average Annual Revenue Per Customer	$1,878	$1,819	$1,844	$1,764	$1,775
Plant Nameplate Capacity Ratings (year-end) (megawatts)	11,815	11,797	11,797	11,797	12,222
Maximum Peak-Hour Demand (megawatts):					
Winter	11,744	10,513	10,282	12,162	11,761
Summer	10,652	10,711	10,932	11,292	11,054
Annual Load Factor (percent)	60.1	63.5	63.5	58.4	61.4
Plant Availability (percent):					
Fossil-steam	81.6	82.8	83.0	81.5	82.5
Nuclear	91.6	97.6	88.0	92.1	93.3
Source of Energy Supply (percent):					
Coal	43.8	44.8	47.1	49.1	49.0
Nuclear	20.5	22.2	20.3	21.3	20.7
Gas	17.2	18.1	17.1	14.6	15.4
Hydro	6.7	5.4	4.8	5.6	5.5
Purchased power —					

From non-affiliates	5.4	4.6	4.8	4.4	3.6
From affiliates	6.4	4.9	5.9	5.0	5.8
Total	100.0	100.0	100.0	100.0	100.0

SELECTED FINANCIAL AND OPERATING DATA 2014-2018
Georgia Power Company 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions)	$ 8,420	$ 8,310	$ 8,383	$ 8,326	$ 8,988
Net Income After Dividends on Preferred and Preference Stock (in millions)[(a)]	$ 793	$ 1,414	$ 1,330	$ 1,260	$ 1,225
Cash Dividends on Common Stock (in millions)	$ 1,396	$ 1,281	$ 1,305	$ 1,034	$ 954
Return on Average Common Equity (percent)	6.04	12.15	12.05	11.92	12.24
Total Assets (in millions)[(b)]	$ 40,365	$ 36,779	$ 34,835	$ 32,865	$ 30,872
Gross Property Additions (in millions)	$ 3,176	$ 1,080	$ 2,314	$ 2,332	$ 2,146
Capitalization (in millions):					
Common stockholder's equity	$ 14,323	$ 11,931	$ 11,356	$ 10,719	$ 10,421
Preferred and preference stock	—	—	266	266	266
Long-term debt[(b)]	9,364	11,073	10,225	9,616	8,563
Total (excluding amounts due within one year)	$ 23,687	$ 23,004	$ 21,847	$ 20,601	$ 19,250
Capitalization Ratios (percent):					
Common stockholder's equity	60.5	51.9	52.0	52.0	54.1
Preferred and preference stock	—	—	1.2	1.3	1.4
Long-term debt[(b)]	39.5	48.1	46.8	46.7	44.5
Total (excluding amounts due within one year)	100.0	100.0	100.0	100.0	100.0
Customers (year-end):					
Residential	2,220,240	2,185,782	2,155,945	2,127,658	2,102,673
Commercial[(c)]	312,474	308,939	305,488	302,891	300,186
Industrial[(c)]	10,571	10,644	10,537	10,429	10,192
Other	9,838	9,766	9,585	9,261	9,003
Total	2,553,123	2,515,131	2,481,555	2,450,239	2,422,054
Employees (year-end)	6,967	6,986	7,527	7,989	7,909

(a) Georgia Power recorded a pre-tax estimated probable loss of $1.1 billion ($0.8 billion after tax) in the second quarter 2018 to reflect its revised estimate to complete construction and start-up of Plant Vogtle Units 3 and 4.

(b) A reclassification of debt issuance costs from Total Assets to Long-term debt of $124 million and a reclassification of deferred tax assets from Total Assets to Accumulated deferred income taxes of $34 million is reflected for 2014, in accordance with new accounting standards adopted in 2015 and applied retrospectively.

(c) A reclassification of customers from commercial to industrial is reflected for years 2014-2015 to be consistent with the rate structure approved by the Georgia PSC. The impact to operating revenues, kilowatt-hour sales, and average revenue per kilowatt-hour by class is not material.

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SELECTED FINANCIAL AND OPERATING DATA 2014-2018 (continued)
Georgia Power Company 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions):					
Residential	$3,301	$3,236	$3,318	$3,240	$3,350
Commercial	3,023	3,092	3,077	3,094	3,271
Industrial	1,344	1,321	1,291	1,305	1,525
Other	84	89	86	88	94
Total retail	7,752	7,738	7,772	7,727	8,240
Wholesale — non-affiliates	163	163	175	215	335
Wholesale — affiliates	24	26	42	20	42
Total revenues from sales of electricity	7,939	7,927	7,989	7,962	8,617
Other revenues	481	383	394	364	371
Total	$8,420	$8,310	$8,383	$8,326	$8,988
Kilowatt-Hour Sales (in millions):					
Residential	28,331	26,144	27,585	26,649	27,132
Commercial	32,958	32,155	32,932	32,719	32,426
Industrial	23,655	23,518	23,746	23,805	23,549
Other	549	584	610	632	633
Total retail	85,493	82,401	84,873	83,805	83,740
Wholesale — non-affiliates	3,140	3,277	3,415	3,501	4,323
Wholesale — affiliates	526	800	1,398	552	1,117
Total	89,159	86,478	89,686	87,858	89,180
Average Revenue Per Kilowatt-Hour (cents):					
Residential	11.65	12.38	12.03	12.16	12.35
Commercial	9.17	9.62	9.34	9.46	10.09
Industrial	5.68	5.62	5.44	5.48	6.48
Total retail	9.07	9.39	9.16	9.22	9.84
Wholesale	5.10	4.64	4.51	5.80	6.93
Total sales	8.90	9.17	8.91	9.06	9.66
Residential Average Annual Kilowatt-Hour Use Per Customer	12,849	12,028	12,864	12,582	12,969
Residential Average Annual Revenue Per Customer	$1,555	$1,489	$1,557	$1,529	$1,605
Plant Nameplate Capacity Ratings (year-end) (megawatts)	15,308	15,274	15,274	15,455	17,593
Maximum Peak-Hour Demand (megawatts):					
Winter	15,372	13,894	14,527	15,735	16,308
Summer	15,748	16,002	16,244	16,104	15,777
Annual Load Factor (percent)	64.5	61.1	61.9	61.9	61.2
Plant Availability (percent):					
Fossil-steam	81.5	85.0	87.4	85.6	86.3
Nuclear	95.0	93.5	95.6	94.1	90.8
Source of Energy Supply (percent):					
Gas	29.1	28.6	28.2	28.3	26.3
Coal	21.1	22.4	26.4	24.5	30.9
Nuclear	17.6	17.8	17.6	17.6	16.7
Hydro	1.9	1.0	1.1	1.6	1.3
Other	0.3	0.3	—	—	—

Purchased power —					
From non-affiliates	7.3	7.8	6.7	5.0	3.8
From affiliates	22.7	22.1	20.0	23.0	21.0
Total	100.0	100.0	100.0	100.0	100.0

SELECTED FINANCIAL AND OPERATING DATA 2014-2018
Mississippi Power Company 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions)	$ 1,265	$1,187	$1,163	$1,138	$1,243
Net Income (Loss) After Dividends on Preferred Stock (in millions)[(a)(b)]	$ 235	$(2,590)	$(50)	$(8)	$(329)
Return on Average Common Equity (percent)[(a)(b)]	15.83	(120.43)	(1.87)	(0.34)	(15.43)
Total Assets (in millions)[(c)]	$ 4,886	$4,866	$8,235	$7,840	$6,642
Gross Property Additions (in millions)	$ 206	$536	$946	$972	$1,389
Capitalization (in millions):					
Common stockholder's equity	$ 1,609	$1,358	$2,943	$2,359	$2,084
Redeemable preferred stock	—	33	33	33	33
Long-term debt[(c)]	1,539	1,097	2,424	1,886	1,621
Total (excluding amounts due within one year)	$ 3,148	$2,488	$5,400	$4,278	$3,738
Capitalization Ratios (percent):					
Common stockholder's equity	51.1	54.6	54.5	55.1	55.8
Redeemable preferred stock	—	1.3	0.6	0.8	0.9
Long-term debt[(c)]	48.9	44.1	44.9	44.1	43.3
Total (excluding amounts due within one year)	100.0	100.0	100.0	100.0	100.0
Customers (year-end):					
Residential	153,423	153,115	153,172	153,158	152,453
Commercial	33,968	33,992	33,783	33,663	33,496
Industrial	445	452	451	467	482
Other	188	173	175	175	175
Total	188,024	187,732	187,581	187,463	186,606
Employees (year-end)	1,053	1,242	1,484	1,478	1,478

(a) As a result of the Tax Reform Legislation, Mississippi Power recorded an income tax expense (benefit) of $(35) million and $372 million in 2018 and 2017, respectively.

(b) A significant loss to income was recorded by Mississippi Power related to the suspension of the Kemper IGCC in June 2017. Earnings in all periods presented were impacted by losses related to the Kemper IGCC.

(c) A reclassification of debt issuance costs from Total Assets to Long-term debt of $9 million and a reclassification of deferred tax assets from Total Assets to Accumulated deferred income taxes of $105 million is reflected for 2014, in accordance with new accounting standards adopted in 2015 and applied retrospectively.

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SELECTED FINANCIAL AND OPERATING DATA 2014-2018 (continued)
Mississippi Power Company 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions):					
Residential	$273	$257	$260	$238	$239
Commercial	286	285	279	256	257
Industrial	321	321	313	287	291
Other	9	(9)	7	(5)	8
Total retail	889	854	859	776	795
Wholesale — non-affiliates	263	259	261	270	323
Wholesale — affiliates	91	56	26	76	107
Total revenues from sales of electricity	1,243	1,169	1,146	1,122	1,225
Other revenues	22	18	17	16	18
Total	$1,265	$1,187	$1,163	$1,138	$1,243
Kilowatt-Hour Sales (in millions):					
Residential	2,113	1,944	2,051	2,025	2,126
Commercial	2,797	2,764	2,842	2,806	2,860
Industrial	4,924	4,841	4,906	4,958	4,943
Other	37	39	39	40	40
Total retail	9,871	9,588	9,838	9,829	9,969
Wholesale — non-affiliates	3,980	3,672	3,920	3,852	4,191
Wholesale — affiliates	2,584	2,024	1,108	2,807	2,900
Total	16,435	15,284	14,866	16,488	17,060
Average Revenue Per Kilowatt-Hour (cents):					
Residential	12.92	13.22	12.68	11.75	11.26
Commercial	10.23	10.31	9.82	9.12	8.99
Industrial	6.52	6.63	6.38	5.79	5.89
Total retail	9.01	8.91	8.73	7.90	7.97
Wholesale	5.39	5.53	5.71	5.20	6.06
Total sales	7.56	7.65	7.71	6.80	7.18
Residential Average Annual Kilowatt-Hour Use Per Customer	13,768	12,692	13,383	13,242	13,934
Residential Average Annual Revenue Per Customer	$1,780	$1,680	$1,697	$1,556	$1,568
Plant Nameplate Capacity Ratings (year-end) (megawatts)	3,516	3,628	3,481	3,561	3,867
Maximum Peak-Hour Demand (megawatts):					
Winter	2,763	2,390	2,195	2,548	2,618
Summer	2,346	2,322	2,384	2,403	2,345
Annual Load Factor (percent)	55.8	63.1	64.0	60.6	59.4
Plant Availability Fossil-Steam (percent)	82.4	89.1	91.4	90.6	87.6
Source of Energy Supply (percent):					
Gas	86.1	88.0	84.9	81.6	55.3
Coal	6.9	7.5	8.0	16.5	39.7
Purchased power —					
From non-affiliates	4.7	0.5	(0.3)	0.4	1.4
From affiliates	2.3	4.0	7.4	1.5	3.6
Total	100.0	100.0	100.0	100.0	100.0

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 2014-2018
Southern Power Company and Subsidiary Companies 2018 Annual Report

	2018	2017	2016	2015	2014
Operating Revenues (in millions):					
Wholesale — non-affiliates	$1,757	$1,671	$1,146	$964	$1,116
Wholesale — affiliates	435	392	419	417	383
Total revenues from sales of electricity	2,192	2,063	1,565	1,381	1,499
Other revenues	13	12	12	9	2
Total	$2,205	$2,075	$1,577	$1,390	$1,501
Net Income Attributable to Southern Power (in millions)[(a)]	$187	$1,071	$338	$215	$172
Cash Dividends on Common Stock (in millions)	$312	$317	$272	$131	$131
Return on Average Common Equity (percent)[(a)]	4.62	22.39	9.79	10.16	10.39
Total Assets (in millions)[(b)]	$14,883	$15,206	$15,169	$8,905	$5,233
Property, Plant, and Equipment — In Service (in millions)	$13,271	$13,755	$12,728	$7,275	$5,657
Capitalization (in millions):					
Common stockholders' equity	$2,968	$5,138	$4,430	$2,483	$1,752
Noncontrolling interests	4,316	1,360	1,245	781	219
Redeemable noncontrolling interests	—	—	164	43	39
Long-term debt[(b)]	4,418	5,071	5,068	2,719	1,085
Total (excluding amounts due within one year)	$11,702	$11,569	$10,907	$6,026	$3,095
Capitalization Ratios (percent):					
Common stockholders' equity	25.4	44.4	40.6	41.2	56.6
Noncontrolling interests	36.9	11.8	11.4	13.0	7.1
Redeemable noncontrolling interests	—	—	1.5	0.7	1.3
Long-term debt[(b)]	37.7	43.8	46.5	45.1	35.0
Total (excluding amounts due within one year)	100.0	100.0	100.0	100.0	100.0
Kilowatt-Hour Sales (in millions):					
Wholesale — non-affiliates	37,164	35,920	23,213	18,544	19,014
Wholesale — affiliates	12,603	12,811	15,950	16,567	11,194
Total	49,767	48,731	39,163	35,111	30,208
Plant Nameplate Capacity Ratings (year-end) (megawatts)	11,888	12,940	12,442	9,808	9,185
Maximum Peak-Hour Demand (megawatts):					
Winter	2,867	3,421	3,469	3,923	3,999
Summer	4,210	4,224	4,303	4,249	3,998
Annual Load Factor (percent)	52.2	49.1	50.0	49.0	51.8
Plant Availability (percent)	99.9	99.9	91.6	93.1	91.8
Source of Energy Supply (percent):					
Natural gas	68.1	67.7	79.4	89.5	86.0
Solar, Wind, and Biomass	23.6	22.8	12.1	4.3	2.9
Purchased power —					
From non-affiliates	6.6	7.8	6.8	4.7	6.4
From affiliates	1.7	1.7	1.7	1.5	4.7
Total	100.0	100.0	100.0	100.0	100.0
Employees (year-end)[(c)]	491	541	—	—	—

(a)

As a result of the Tax Reform Legislation, Southern Power recorded an income tax expense (benefit) of $79 million and $(743) million in 2018 and 2017, respectively.

(b) A reclassification of debt issuance costs from Total Assets to Long-term debt of $11 million and a reclassification of deferred tax assets from Total Assets to Accumulated deferred income taxes of $306 million is reflected for 2014, in accordance with new accounting standards adopted in 2015 and applied retrospectively.

(c) Prior to December 2017, Southern Power had no employees but was billed for employee-related costs from SCS.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 2014-2018
Southern Company Gas and Subsidiary Companies 2018 Annual Report

	Successor[a]			Predecessor[a]		
	2018[b]	2017	July 1, 2016 through December 31, 2016	January 1, 2016 through June 30, 2016	2015	2014
Operating Revenues (in millions)	$3,909	$ 3,920	$ 1,652	$1,905	$ 3,941	$ 5,385
Net Income Attributable to Southern Company Gas (in millions)[c]	$372	$ 243	$ 114	$131	$ 353	$ 482
Cash Dividends on Common Stock (in millions)	$468	$ 443	$ 126	$128	$ 244	$ 233
Return on Average Common Equity (percent)[c]	4.23	2.68	1.74	3.31	9.05	12.96
Total Assets (in millions)	$21,448	$ 22,987	$ 21,853	$14,488	$ 14,754	$ 14,888
Gross Property Additions (in millions)	$1,399	$ 1,525	$ 632	$548	$ 1,027	$ 769
Capitalization (in millions):						
Common stockholders' equity	$8,570	$ 9,022	$ 9,109	$3,933	$ 3,975	$ 3,828
Long-term debt	5,583	5,891	5,259	3,709	3,275	3,581
Total (excluding amounts due within one year)	$14,153	$ 14,913	$ 14,368	$7,642	$ 7,250	$ 7,409
Capitalization Ratios (percent):						
Common stockholders' equity	60.6	60.5	63.4	51.5	54.8	51.7
Long-term debt	39.4	39.5	36.6	48.5	45.2	48.3
Total (excluding amounts due within one year)	100.0	100.0	100.0	100.0	100.0	100.0
Service Contracts (period-end)	—	1,184,257	1,198,263	1,197,096	1,205,476	1,162,065
Customers (period-end)						
Gas distribution operations	4,247,804	4,623,249	4,586,477	4,544,489	4,557,729	4,529,114
Gas marketing services	697,384	773,984	655,999	630,475	654,475	633,460
Total	4,945,188	5,397,233	5,242,476	5,174,964	5,212,204	5,162,574
Employees (period-end)	4,389	5,318	5,292	5,284	5,203	5,165

(a) As a result of the Merger, pushdown accounting was applied to create a new cost basis for Southern Company Gas' assets, liabilities, and equity as of the acquisition date. Accordingly, the successor financial statements reflect the new basis of accounting, and successor and predecessor period financial results are presented but are not comparable.

(b) During 2018, Southern Company Gas completed the Southern Company Gas Dispositions. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for additional information.

(c) As a result of the Tax Reform Legislation, Southern Company Gas recorded income tax expense (benefit) of $(3) million and $93 million in 2018 and 2017, respectively.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA 2014-2018 (continued)
Southern Company Gas and Subsidiary Companies 2018 Annual Report

	Successor[a]			Predecessor[a]		
	2018[b]	2017	July 1, 2016 through December 31, 2016	January 1, 2016 through June 30, 2016	2015	2014
Operating Revenues (in millions)						
Residential	$1,886	$2,100	$ 899	$1,101	$2,129	$2,877
Commercial	546	641	260	310	617	861
Transportation	944	811	269	290	526	458
Industrial	140	159	74	72	203	242
Other	393	209	150	132	466	947
Total	$3,909	$3,920	$ 1,652	$1,905	$3,941	$5,385
Heating Degree Days:						
Illinois	6,101	5,246	1,903	3,340	5,433	6,556
Georgia	2,588	1,970	727	1,448	2,204	2,882
Gas Sales Volumes (mmBtu in millions):						
Gas distribution operations						
Firm	721	667	274	396	695	766
Interruptible	95	95	47	49	99	106
Total	816	762	321	445	794	872
Gas marketing services						
Firm:						
Georgia	37	32	13	21	35	41
Illinois	13	12	4	8	13	17
Other	20	18	5	7	11	10
Interruptible large commercial and industrial	14	14	6	8	14	17
Total	84	76	28	44	73	85
Market share in Georgia (percent)	29.0	29.2	29.4	29.3	29.7	30.6
Wholesale gas services						
Daily physical sales (mmBtu in millions/day)	6.7	6.4	7.2	7.6	6.8	6.3

(a) As a result of the Merger, pushdown accounting was applied to create a new cost basis for Southern Company Gas' assets, liabilities, and equity as of the acquisition date. Accordingly, the successor financial statements reflect the new basis of accounting, and successor and predecessor period financial results are presented but are not comparable.

(b) During 2018, Southern Company Gas completed the Southern Company Gas Dispositions. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for additional information.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Southern Company and Subsidiary Companies 2018 Annual Report

OVERVIEW
Business Activities
Southern Company is a holding company that owns all of the common stock of the traditional electric operating companies and the parent entities of Southern Power and Southern Company Gas and owns other direct and indirect subsidiaries. The primary businesses of the Southern Company system are electricity sales by the traditional electric operating companies and Southern Power and the distribution of natural gas by Southern Company Gas.

- The traditional electric operating companies are vertically integrated utilities providing electric service in three Southeastern states as of January 1, 2019. On January 1, 2019, Southern Company completed its sale of Gulf Power to NextEra Energy for an aggregate cash purchase price of approximately $5.8 billion (less $1.3 billion of indebtedness assumed), subject to customary working capital adjustments. At December 31, 2018, the assets and liabilities of Gulf Power were classified as held for sale on Southern Company's balance sheet. Unless otherwise noted, the disclosures herein related to specific asset and liability balances at December 31, 2018 exclude assets and liabilities held for sale. See Note 15 under "Assets Held for Sale" for additional information. A preliminary gain of $2.5 billion pre-tax ($1.3 billion after tax) associated with the sale of Gulf Power is expected to be recorded in 2019.
- Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy projects, and sells electricity at market-based rates in the wholesale market. On May 22, 2018, Southern Power sold a noncontrolling 33% equity interest in SP Solar, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, for approximately $1.2 billion and, on December 11, 2018, Southern Power sold a noncontrolling tax equity interest in SP Wind, a holding company owning a portfolio of eight operating wind facilities, for approximately $1.2 billion. On November 5, 2018, Southern Power entered into an agreement to sell all of its equity interests in Plant Mankato (including the 385-MW expansion currently under construction) for an aggregate purchase price of approximately $650 million, which is expected to close mid-2019. The ultimate outcome of this matter cannot be determined at this time.
- Southern Company Gas distributes natural gas through its natural gas distribution utilities and is involved in several other complementary businesses including gas pipeline investments, wholesale gas services, and gas marketing services. In July 2018, Southern Company Gas completed sales of three of its natural gas distribution utilities.

See FUTURE EARNINGS POTENTIAL – "General" herein and Note 15 to the financial statements for additional information regarding disposition activities.
Many factors affect the opportunities, challenges, and risks of the Southern Company system's electricity and natural gas businesses. These factors include the ability to maintain constructive regulatory environments, to maintain and grow sales and customers, and to effectively manage and secure timely recovery of costs. These costs include those related to projected long-term demand growth, stringent environmental standards, including CCR rules, reliability, fuel, restoration following major storms, and capital expenditures, including constructing new electric generating plants, expanding and improving the electric transmission and distribution systems, and updating and expanding the natural gas distribution systems.
The traditional electric operating companies and natural gas distribution utilities have various regulatory mechanisms that operate to address cost recovery. Effectively operating pursuant to these regulatory mechanisms and appropriately balancing required costs and capital expenditures with customer prices will continue to challenge the Southern Company system for the foreseeable future. See Note 2 to the financial statements for additional information.
In 2018, Alabama Power, Georgia Power, Mississippi Power, Atlanta Gas Light, and Nicor Gas reached agreements with their respective state PSCs or other applicable state regulatory agencies relating to the regulatory impacts of the Tax Reform Legislation, which, for some companies, included capital structure adjustments expected to help mitigate the potential adverse impacts to certain of their credit metrics. See Note 2 to the financial statements for additional

information regarding state PSC or other regulatory agency actions related to the Tax Reform Legislation. Also see MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters" and FINANCIAL CONDITION AND LIQUIDITY – "Credit Rating Risk" herein and Note 10 to the financial statements for information regarding the Tax Reform Legislation.

Another major factor affecting the Southern Company system's businesses is the profitability of the competitive market-based wholesale generating business. Southern Power's strategy is to create value through various transactions including acquisitions, dispositions, and sales of partnership interests, development and construction of new generating facilities, and entry into PPAs primarily with investor-owned utilities, IPPs, municipalities, electric cooperatives, and other load-serving entities, as well as commercial and industrial customers. In general, Southern Power commits to the construction or acquisition of new generating capacity only after entering into or assuming long-term PPAs for the new facilities.

Southern Company's other business activities include providing energy solutions, including distributed energy infrastructure, energy efficiency products and services, and utility infrastructure services, to customers. Other business activities also include investments in telecommunications, leveraged lease projects, and gas storage facilities. Management continues to evaluate the contribution of each of these activities to total shareholder return and may pursue acquisitions, dispositions, and other strategic ventures or investments accordingly.

In striving to achieve attractive risk-adjusted returns while providing cost-effective energy to more than eight million electric and gas utility customers, the Southern Company system continues to focus on several key performance indicators. These indicators include, but are not limited to, customer satisfaction, plant availability, electric and natural gas system reliability, execution of major construction projects, and earnings per share (EPS). Southern Company's financial success is directly tied to customer satisfaction. Key elements of ensuring customer satisfaction include outstanding service, high reliability, and competitive prices. Management uses customer satisfaction surveys and reliability indicators to evaluate the results of the Southern Company system.

See RESULTS OF OPERATIONS herein for information on Southern Company's financial performance.

Plant Vogtle Units 3 and 4 Status

In 2009, the Georgia PSC certified construction of Plant Vogtle Units 3 and 4 (with electric generating capacity of approximately 1,100 MWs each). Georgia Power holds a 45.7% ownership interest in Plant Vogtle Units 3 and 4. In March 2017, the EPC Contractor filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. In December 2017, the Georgia PSC approved Georgia Power's recommendation to continue construction. The current expected in-service dates remain November 2021 for Unit 3 and November 2022 for Unit 4.

In the second quarter 2018, Georgia Power revised its base capital cost forecast and estimated contingency to complete construction and start-up of Plant Vogtle Units 3 and 4 to $8.0 billion and $0.4 billion, respectively, for a total project capital cost forecast of $8.4 billion (net of $1.7 billion received under the Guarantee Settlement Agreement and approximately $188 million in related Customer Refunds), with respect to Georgia Power's ownership interest. Although Georgia Power believes these incremental costs are reasonable and necessary to complete the project and the Georgia PSC's order in the seventeenth VCM proceeding specifically states that the construction of Plant Vogtle Units 3 and 4 is not subject to a cost cap, Georgia Power did not seek rate recovery for the $0.7 billion increase in costs included in the current base capital cost forecast (or any related financing costs) in the nineteenth VCM report that was approved by the Georgia PSC on February 19, 2019. In connection with future VCM filings, Georgia Power may request the Georgia PSC to evaluate costs currently included in the construction contingency estimate for rate recovery as and when they are appropriately included in the base capital cost forecast. After considering the significant level of uncertainty that exists regarding the future recoverability of costs included in the construction contingency estimate since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in these future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of $1.1 billion ($0.8 billion after tax) in the second quarter 2018.

As a result of the increase in the total project capital cost forecast and Georgia Power's decision not to seek rate recovery of the increase in the base capital costs, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 were required to vote to continue construction. On September 26, 2018, the Vogtle Owners unanimously voted to continue construction of Plant Vogtle Units 3 and 4. In connection with the vote to continue construction, Georgia Power entered into (i) a binding term sheet (Vogtle Owner Term Sheet) with the other Vogtle Owners and certain of MEAG's wholly-owned subsidiaries, including MEAG Power SPVJ, LLC (MEAG SPVJ), to take certain actions which partially mitigate potential financial exposure for the other Vogtle Owners and (ii) a term sheet (MEAG Term Sheet) with MEAG and MEAG SPVJ to provide funding with respect to MEAG SPVJ's ownership interest in Plant Vogtle Units 3 and 4 under certain circumstances. On January 14, 2019, Georgia Power, MEAG, and MEAG SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet. On February 18, 2019, Georgia Power, the other Vogtle Owners, and certain of MEAG's wholly-owned subsidiaries entered into certain

amendments to their joint ownership agreements to implement the provisions of the Vogtle Owner Term Sheet.
The ultimate outcome of these matters cannot be determined at this time.
See FUTURE EARNINGS POTENTIAL – "Construction Program – Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

Earnings

Consolidated net income attributable to Southern Company was $2.2 billion in 2018, an increase of $1.4 billion, or 164.4%, from the prior year. The increase was primarily due to charges of $3.4 billion ($2.4 billion after tax) in 2017 related to the Kemper IGCC at Mississippi Power, partially offset by a $1.1 billion ($0.8 billion after tax) charge in the second quarter 2018 for an estimated probable loss on Georgia Power's construction of Plant Vogtle Units 3 and 4. The increase also reflects lower federal income tax expense as a result of the Tax Reform Legislation, partially offset by impairment charges, primarily associated with asset sales at Southern Power and Southern Company Gas.

Consolidated net income attributable to Southern Company was $842 million in 2017, a decrease of $1.6 billion, or 65.6%, from the prior year. The decrease was primarily due to pre-tax charges of $3.4 billion ($2.4 billion after tax) related to the Kemper IGCC at Mississippi Power. Also contributing to the change were increases of $240 million in net income from Southern Company Gas (excluding the impact of $111 million in additional expense related to the Tax Reform Legislation) reflecting the 12-month period in 2017 compared to the six-month period following the Merger closing on July 1, 2016, $264 million related to net tax benefits from the Tax Reform Legislation, higher retail electric revenues resulting from increases in base rates partially offset by milder weather and lower customer usage, and increases in renewable energy sales at Southern Power. These increases were partially offset by higher interest and depreciation and amortization.

See Note 15 to the financial statements under "Southern Company Merger with Southern Company Gas" for additional information regarding the Merger.

Basic EPS was $2.18 in 2018, $0.84 in 2017, and $2.57 in 2016. Diluted EPS, which factors in additional shares related to stock-based compensation, was $2.17 in 2018, $0.84 in 2017, and $2.55 in 2016. EPS for 2018, 2017, and 2016 was negatively impacted by $0.04, $0.04, and $0.12 per share, respectively, as a result of increases in the average shares outstanding. See FINANCIAL CONDITION AND LIQUIDITY – "Financing Activities" herein for additional information.

Dividends

Southern Company has paid dividends on its common stock since 1948. Dividends paid per share of common stock were $2.38 in 2018, $2.30 in 2017, and $2.22 in 2016. In January 2019, Southern Company declared a quarterly dividend of 60 cents per share. This is the 285th consecutive quarter that Southern Company has paid a dividend equal to or higher than the previous quarter. For 2018, the dividend payout ratio was 109% compared to 273% for 2017. The decrease was due to an increase in earnings in 2018 resulting from charges related to the Kemper IGCC in 2017, partially offset by the charge related to construction of Plant Vogtle Units 3 and 4 in 2018. See "Earnings" and RESULTS OF OPERATIONS – "Electricity Business – Estimated Loss on Projects Under Construction" herein and Note 2 to the financial statements under "Georgia Power – Nuclear Construction" and "Mississippi Power – Kemper County Energy Facility" for additional information.

RESULTS OF OPERATIONS

Discussion of the results of operations is divided into three parts – the Southern Company system's primary business of electricity sales, its gas business, and its other business activities.

	2018	2017	2016
	(in millions)		
Electricity business	$2,304	$878	$2,571
Gas business	372	243	114
Other business activities	(450)	(279)	(237)
Net Income	$2,226	$842	$2,448

Electricity Business

Southern Company's electric utilities generate and sell electricity to retail and wholesale customers. The results of operations discussed below include the results of Gulf Power through December 31, 2018. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" for additional information.

A condensed statement of income for the electricity business follows:

	Amount	Increase (Decrease) from Prior Year	
	2018	2018	2017
	(in millions)		
Electric operating revenues	$18,571	$31	$599
Fuel	4,637	237	39
Purchased power	971	108	113
Cost of other sales	66	(3)	11
Other operations and maintenance	4,635	45	(76)
Depreciation and amortization	2,565	108	224
Taxes other than income taxes	1,098	35	24
Estimated loss on plants under construction	1,097	(2,265)	2,934
Impairment charges	156	156	—
Gain on dispositions, net	—	40	(41)
Total electric operating expenses	15,225	(1,539)	3,228
Operating income	3,346	1,570	(2,629)
Allowance for equity funds used during construction	131	(21)	(48)
Interest expense, net of amounts capitalized	1,035	24	80
Other income (expense), net	144	17	58
Income taxes	207	125	(1,009)
Net income	2,379	1,417	(1,690)
Less:			
Dividends on preferred and preference stock of subsidiaries	16	(22)	(7)
Net income attributable to noncontrolling interests	59	13	10
Net Income Attributable to Southern Company	$2,304	$1,426	$(1,693)

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Electric Operating Revenues
Electric operating revenues for 2018 were $18.6 billion, reflecting a $31 million increase from 2017. Details of electric operating revenues were as follows:

	2018	2017
	(in millions)	
Retail electric — prior year	$15,330	$15,234
Estimated change resulting from —		
Rates and pricing	(773)	508
Sales growth (decline)	84	(71)
Weather	300	(281)
Fuel and other cost recovery	281	(60)
Retail electric — current year	15,222	15,330
Wholesale electric revenues	2,516	2,426
Other electric revenues	664	681
Other revenues	169	103
Electric operating revenues	$18,571	$18,540
Percent change	0.2%	3.3%

Retail electric revenues decreased $108 million, or 0.7%, in 2018 as compared to the prior year. The significant factors driving this change are shown in the preceding table. The decrease in rates and pricing in 2018 was primarily due to revenues deferred as regulatory liabilities for customer bill credits related to the Tax Reform Legislation and expected customer refunds at Alabama Power and Georgia Power.

Retail electric revenues increased $96 million, or 0.6%, in 2017 as compared to the prior year. The significant factors driving this change are shown in the preceding table. The increase in rates and pricing in 2017 was primarily due to a Rate RSE increase at Alabama Power effective in January 2017, the recovery of Plant Vogtle Units 3 and 4 construction financing costs under the NCCR tariff at Georgia Power, and an increase in retail base rates effective July 2017 at Gulf Power.

See Note 2 to the financial statements under "Southern Company – Gulf Power," "Alabama Power – Rate RSE" and " – Rate CNP Compliance," "Georgia Power – Rate Plans," and " – Nuclear Construction" for additional information. Also see "Energy Sales" below for a discussion of changes in the volume of energy sold, including changes related to sales growth (decline) and weather.

Electric rates for the traditional electric 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 PPA costs, and do not affect net income. The traditional electric operating companies each have one or more regulatory mechanisms to recover other costs such as environmental and other compliance costs, storm damage, new plants, and PPA capacity costs.

Wholesale electric revenues consist of PPAs and short-term opportunity sales. Wholesale electric revenues from PPAs (other than solar and wind PPAs) have both capacity and energy components. Capacity revenues generally represent the greatest contribution to net income and are designed to provide recovery of fixed costs plus 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 electric 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. Energy sales from solar and wind PPAs do not have a capacity charge and customers either purchase the energy output of a dedicated renewable facility through an energy charge or through a fixed price related to the energy. As a result, the ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors. Wholesale electric revenues at Mississippi Power include FERC-regulated MRA 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.

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Wholesale electric revenues from power sales were as follows:

	2018	2017	2016
	(in millions)		
Capacity and other	$620	$642	$570
Energy	1,896	1,784	1,356
Total	$2,516	$2,426	$1,926

In 2018, wholesale revenues increased $90 million, or 3.7%, as compared to the prior year due to a $112 million increase in energy revenues, partially offset by a $22 million decrease in capacity revenues. The increase in energy revenues was primarily related to Southern Power and includes new PPAs related to existing natural gas facilities, new renewable facilities, and an increase in the volume of KWHs sold at existing renewable facilities, partially offset by a decrease in non-PPA revenues from short-term sales. The decrease in capacity revenues was primarily due to the expiration of a wholesale contract in the fourth quarter 2017 at Georgia Power.

In 2017, wholesale revenues increased $500 million, or 26.0%, as compared to the prior year due to a $428 million increase in energy revenues and a $72 million increase in capacity revenues, primarily at Southern Power. The increase in energy revenues was primarily due to increases in renewable energy sales arising from new solar and wind facilities and non-PPA revenues from short-term sales. The increase in capacity revenues was primarily due to a PPA related to new natural gas facilities and additional customer capacity requirements.

Other Electric Revenues

Other electric revenues decreased $17 million, or 2.5%, in 2018 as compared to the prior year. The decrease is primarily related to a decrease in open access transmission tariff revenues, largely due to a lower rate related to the Tax Reform Legislation. Other electric revenues decreased $17 million, or 2.4%, in 2017, as compared to the prior year. The decrease reflects a $15 million decrease in open access transmission tariff revenues, primarily as a result of the expiration of long-term transmission services contracts at Georgia Power.

Energy Sales

Changes in revenues are influenced heavily by the change in the volume of energy sold from year to year. KWH sales for 2018 and the percent change from the prior year were as follows:

	Total KWHs	Total KWH Percent Change		Weather-Adjusted Percent Change	
	2018	2018	2017	2018	2017
	(in billions)				
Residential	54.6	8.0 %	(5.3)%	1.2 %	(0.3)%
Commercial	53.5	2.1	(2.6)	0.5	(0.9)
Industrial	53.3	1.1	—	1.1	—
Other	0.8	(5.5)	(4.0)	(5.7)	(3.9)
Total retail	162.2	3.6	(2.6)	0.9 %	(0.4)%
Wholesale	49.9	1.9	32.4		
Total energy sales	212.1	3.2 %	3.9 %		

Changes in retail energy sales are generally the result of changes in electricity usage by customers, changes in weather, and changes in the number of customers. Retail energy sales increased 5.7 billion KWHs in 2018 as compared to the prior year. This increase was primarily due to colder weather in the first quarter 2018 and warmer weather in the second and third quarters 2018 compared to the corresponding periods in 2017. Weather-adjusted residential KWH sales increased primarily due to customer growth. Weather-adjusted commercial KWH sales increased primarily due to customer growth, partially offset by decreased customer usage resulting from customer initiatives in energy savings and an ongoing migration to the electronic commerce business model. Industrial KWH energy sales increased primarily due to increased sales in the primary metals sector, partially offset by decreased sales

in the paper sector.
Retail energy sales decreased 4.2 billion KWHs in 2017 as compared to the prior year. This decrease was primarily due to milder weather and decreased customer usage, partially offset by customer growth. Weather-adjusted residential KWH sales decreased

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primarily due to decreased customer usage resulting from an increase in penetration of energy-efficient residential appliances and an increase in multi-family housing, partially offset by customer growth. Weather-adjusted commercial KWH sales decreased primarily due to decreased customer usage resulting from customer initiatives in energy savings and an ongoing migration to the electronic commerce business model, partially offset by customer growth. Industrial KWH energy sales were flat primarily due to decreased sales in the paper, stone, clay, and glass, transportation, and chemicals sectors, offset by increased sales in the primary metals and textile sectors. Additionally, Hurricane Irma negatively impacted customer usage for all customer classes.

See "Electric Operating Revenues" above for a discussion of significant changes in wholesale revenues related to changes in price and KWH sales.

Other Revenues

Other revenues increased $66 million, or 64.1%, in 2018 as compared to the prior year. The increase was primarily due to unregulated sales of products and services that were reclassified from other income (expense), net as a result of the adoption of ASC 606, Revenue from Contracts with Customers (ASC 606). See Note 1 to the financial statements for additional information regarding the adoption of ASC 606.

Other revenues increased $20 million in 2017 as compared to the prior year. The increase was primarily due to additional third party infrastructure services.

Fuel and Purchased Power Expenses

The mix of fuel sources for the generation of electricity is determined primarily by demand, the unit cost of fuel consumed, and the availability of generating units. Additionally, the electric utilities purchase a portion of their electricity needs from the wholesale market.

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

	2018	2017	2016
Total generation (in billions of KWHs)	200	194	188
Total purchased power (in billions of KWHs)	21	20	19
Sources of generation (percent) —			
Gas	46	46	46
Coal	30	30	33
Nuclear	15	16	16
Hydro	3	2	2
Other	6	6	3
Cost of fuel, generated (in cents per net KWH)[(a)] —			
Gas	2.89	2.79	2.48
Coal	2.80	2.81	3.04
Nuclear	0.80	0.79	0.81
Average cost of fuel, generated (in cents per net KWH)[(a)]	2.50	2.44	2.40
Average cost of purchased power (in cents per net KWH)[(b)]	5.46	5.19	4.81

(a) For 2018, cost of fuel, generated and average cost of fuel, generated excludes a $30 million adjustment associated with a May 2018 Alabama PSC accounting order related to excess deferred income taxes.

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

In 2018, total fuel and purchased power expenses were $5.6 billion, an increase of $345 million, or 6.6%, as compared to the prior year. The increase was primarily the result of a $178 million increase in the volume of KWHs generated and purchased primarily due to colder weather in the first quarter 2018 and warmer weather in the second and third quarters 2018 compared to the corresponding periods in 2017 and a $137 million increase in the average cost of fuel and purchased power primarily due to higher natural gas prices.

In addition, fuel expense increased $30 million in 2018 as a result of an Alabama PSC accounting order authorizing the amortization of a regulatory liability to offset under recovered fuel costs. See FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Alabama Power – Tax Reform Accounting Order" herein for additional information.

In 2017, total fuel and purchased power expenses were $5.3 billion, an increase of $152 million, or 3.0%, as compared to the prior year. The increase was primarily the result of a $196 million increase in the average cost of fuel and purchased power primarily due to higher natural gas prices, partially offset by a $44 million net decrease in the volume of KWHs generated and purchased.

Fuel and purchased power energy transactions at the traditional electric operating companies are generally offset by fuel revenues and do not have a significant impact on net income. See FUTURE EARNINGS POTENTIAL – "Regulatory Matters – 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.

Fuel

In 2018, fuel expense was $4.6 billion, an increase of $237 million, or 5.4%, as compared to the prior year. The increase was primarily due to a 3.6% increase in the average cost of natural gas per KWH generated, a 3.5% increase in the volume of KWHs generated by coal, and a 2.8% increase in the volume of KWHs generated by natural gas.

In 2017, fuel expense was $4.4 billion, an increase of $39 million, or 0.9%, as compared to the prior year. The increase was primarily due to a 12.5% increase in the average cost of natural gas per KWH generated and a 2.8% increase in the volume of KWHs generated by natural gas, partially offset by a 7.9% decrease in the volume of KWHs generated by coal and a 7.6% decrease in the average cost of coal per KWH generated.

Purchased Power

In 2018, purchased power expense was $971 million, an increase of $108 million, or 12.5%, as compared to the prior year. The increase was primarily due to a 5.2% increase in the average cost per KWH purchased, primarily as a result of higher natural gas prices, and a 5.2% increase in the volume of KWHs purchased.

In 2017, purchased power expense was $863 million, an increase of $113 million, or 15.1%, as compared to the prior year. The increase was primarily due to a 7.9% increase in the average cost per KWH purchased, primarily as a result of higher natural gas prices, and a 5.0% increase in the volume of KWHs purchased.

Energy purchases will vary depending on demand for energy within the Southern Company system's electric 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

Other operations and maintenance expenses increased $45 million, or 1.0%, in 2018 as compared to the prior year. The increase was primarily due to a $74 million increase in transmission and distribution costs, primarily related to additional vegetation management at Georgia Power, and $74 million in expenses from unregulated sales of products and services that were reclassified to other operations and maintenance expenses as a result of the adoption of ASC 606. In prior periods, these expenses were included in other income (expense), net. These increases were partially offset by a $32.5 million charge in the first quarter 2017 related to the write-down of Gulf Power's ownership of Plant Scherer Unit 3 in accordance with a rate case settlement agreement, a $30 million net decrease in employee compensation and benefits, including pension costs, largely due to a decrease in active medical costs at Alabama Power and a 2017 employee attrition plan at Georgia Power, and a $27 million decrease in customer accounts, service, and sales costs primarily due to cost-saving initiatives. See Note 1 to the financial statements for additional information regarding the adoption of ASC 606.

Other operations and maintenance expenses decreased $76 million, or 1.6%, in 2017 as compared to the prior year. The decrease was primarily due to cost containment and modernization activities implemented at Georgia Power that contributed to decreases of $85 million in generation maintenance costs, $46 million in transmission and distribution overhead line maintenance, $22 million in other employee compensation and benefits, and $22 million in customer accounts, service, and sales costs. Additionally, there was a $34 million decrease in scheduled outage and maintenance costs at generation facilities. These decreases were partially offset by a $56 million increase associated with new facilities at Southern Power, a $37 million increase in transmission and distribution costs primarily due to vegetation management at Alabama Power, and $32.5 million resulting from the write-down of Gulf Power's ownership of Plant Scherer Unit 3 in accordance with a rate case settlement agreement.

Production expenses and transmission and distribution expenses fluctuate from year to year due to variations in outage and maintenance schedules and normal changes in the cost of labor and materials.

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Depreciation and Amortization

Depreciation and amortization increased $108 million, or 4.4%, in 2018 as compared to the prior year. The increase was primarily related to additional plant in service. Additionally, the increase reflects $34 million in depreciation credits recognized in 2017, as authorized in Gulf Power's 2013 rate case settlement.

Depreciation and amortization increased $224 million, or 10.0%, in 2017 as compared to the prior year. The increase reflects $203 million related to additional plant in service at the traditional electric operating companies and Southern Power and a $13 million increase in amortization related to environmental compliance at Mississippi Power. The increase was partially offset by $34 million in depreciation credits recognized in accordance with Gulf Power's 2013 rate case settlement.

See Note 2 to the financial statements under "Southern Company – Regulatory Assets and Liabilities" and Note 5 to the financial statements under "Depreciation and Amortization" for additional information.

Taxes Other Than Income Taxes

Taxes other than income taxes increased $35 million, or 3.3%, in 2018 as compared to the prior year primarily due to increased property taxes associated with higher assessed values and an increase in municipal franchise fees primarily related to higher retail revenues at Georgia Power.

Taxes other than income taxes increased $24 million, or 2.3%, in 2017 as compared to the prior year primarily due to an increase in property taxes due to new facilities at Southern Power.

Estimated Loss on Projects Under Construction

In the second quarter 2018, an estimated probable loss of $1.1 billion was recorded to reflect Georgia Power's revised estimate to complete construction and start-up of Plant Vogtle Units 3 and 4, which reflects the increase in costs included in the revised base capital cost forecast for which Georgia Power did not seek rate recovery and costs included in the revised construction contingency estimate for which Georgia Power may seek rate recovery as and when such costs are appropriately included in the base capital cost forecast. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

Charges associated with the Kemper IGCC of $37 million, $3.4 billion, and $428 million were recorded in 2018, 2017, and 2016, respectively. The 2018 pre-tax charge of $37 million primarily resulted from the abandonment and related closure activities and ongoing period costs, net of sales proceeds, for the mine and gasifier-related assets at the Kemper County energy facility. On June 28, 2017, Mississippi Power suspended the gasifier portion of the project and recorded a charge to earnings for the remaining $2.8 billion book value of the gasifier portion of the project. Prior to the suspension, Mississippi Power recorded losses for revisions of estimated costs expected to be incurred on 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 and excluding the cost of the lignite mine and equipment, the cost of the CO_2 pipeline facilities, AFUDC, and certain general exceptions. See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility" for additional information.

Impairment Charges

In the second quarter 2018, Southern Power recorded a $119 million asset impairment charge in contemplation of the sale of Plant Oleander and Plant Stanton Unit A (together, the Florida Plants) and in the third quarter 2018 recorded a $36 million asset impairment charge on wind turbine equipment held for development projects. There were no asset impairment charges recorded in 2017 or 2016. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas Plants" and " – Development Projects" for additional information.

Gain on Dispositions, Net

Gain on dispositions, net decreased $40 million in 2018 and increased $41 million in 2017 as compared to the prior periods primarily due to gains on sales of assets at Georgia Power recorded in 2017.

Allowance for Equity Funds Used During Construction

AFUDC equity decreased $21 million, or 13.8%, in 2018 as compared to the prior year primarily due to Mississippi Power's suspension of the Kemper IGCC construction in June 2017, partially offset by a higher AFUDC rate resulting from a higher equity ratio and lower short-term borrowings at Georgia Power and a higher AFUDC base related to steam and transmission construction projects at Alabama Power.

AFUDC equity decreased $48 million, or 24.0%, in 2017 as compared to the prior year primarily due to Mississippi Power's suspension of the Kemper IGCC in June 2017.
See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility" for additional information.

Interest Expense, Net of Amounts Capitalized

Interest expense, net of amounts capitalized increased $24 million, or 2.4%, in 2018 as compared to the prior year. The increase was primarily related to Mississippi Power and reflects a $33 million net reduction in interest recorded in 2017 following a settlement with the IRS related to research and experimental deductions and a $29 million reduction in interest capitalized related to the Kemper IGCC suspension in June 2017. The increase also reflects an increase in outstanding borrowings and higher interest rates at Alabama Power, partially offset by a decrease in outstanding borrowings at Georgia Power. See Note 10 to the financial statements under "Section 174 Research and Experimental Deduction" for additional information.
Interest expense, net of amounts capitalized increased $80 million, or 8.6%, in 2017 as compared to the prior year primarily due to an increase in average outstanding long-term debt, primarily at Southern Power and Georgia Power, and a $37 million decrease in interest capitalized, primarily at Southern Power and Mississippi Power, partially offset by a net reduction of $33 million following Mississippi Power's settlement with the IRS related to research and experimental deductions. See Note 10 to the financial statements under "Unrecognized Tax Benefits" for additional information.
See Note 8 to the financial statements for additional information.

Other Income (Expense), Net

Other income (expense), net increased $17 million, or 13.4%, in 2018 as compared to the prior year primarily due to the settlement of Mississippi Power's Deepwater Horizon claim in May 2018 and a gain from a joint-development wind project at Southern Power, which is attributable to Southern Power's partner in the project and fully offset within noncontrolling interests, partially offset by an increase in charitable donations. See Note 3 to the financial statements under "General Litigation Matters – Mississippi Power" and Note 7 to the financial statements under "Southern Power" for additional information.
Other income (expense), net increased $58 million, or 84.1%, in 2017 as compared to the prior year primarily due to a decrease in non-service cost components of net periodic pension and other postretirement benefits costs, partially offset by increases in charitable donations. The change also includes an increase of $159 million in currency losses arising from a translation of euro-denominated fixed-rate notes into U.S. dollars, fully offset by an equal change in gains on the foreign currency hedges that were reclassified from accumulated OCI into earnings at Southern Power. See Note 1 under "Recently Adopted Accounting Standards" and Note 11 to the financial statements for additional information on net periodic pension and other postretirement benefit costs.

Income Taxes

Income taxes increased $125 million, or 152.4%, in 2018 as compared to the prior year. The increase was primarily due to an increase in pre-tax earnings, primarily resulting from charges recorded in 2017 related to the Kemper IGCC at Mississippi Power, partially offset by the estimated probable loss on Plant Vogtle Units 3 and 4 at Georgia Power recognized in the second quarter 2018. This increase was partially offset by lower federal income tax expense, as well as benefits from the flowback of excess deferred income taxes as a result of the Tax Reform Legislation.
Income taxes decreased $1.0 billion, or 92.5%, in 2017 as compared to the prior year primarily due to $809 million in tax benefits related to estimated losses on the Kemper IGCC at Mississippi Power and $346 million in net tax benefits resulting from the Tax Reform Legislation.
See Note 10 to the financial statements for additional information.

Dividends on Preferred and Preference Stock of Subsidiaries

Dividends on preferred and preference stock of subsidiaries decreased $22 million, or 57.9%, in 2018 as compared to 2017 and decreased $7 million, or 15.6%, in 2017 as compared to 2016. These decreases were primarily due to the 2017 redemptions of all outstanding shares of preferred and preference stock at Georgia Power and Gulf Power. See Note 8 to the financial statements for additional information.

Net Income Attributable to Noncontrolling Interests

Substantially all noncontrolling interests relate to renewable projects at Southern Power. Net income attributable to noncontrolling interests increased $13 million, or 28.3%, in 2018, as compared to the prior year. The increase was primarily due to $20 million of net income allocations due to the sale of a noncontrolling 33% equity interest in SP Solar in 2018 and $14

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million of other income allocations attributable to a joint-development wind project, partially offset by a reduction of $19 million due to HLBV income allocations between Southern Power and tax equity partners for partnerships entered into during 2018. In 2017, noncontrolling interests increased $10 million, or 28%, compared to 2016 primarily due to additional net income allocations from new solar partnerships.
See Note 15 under "Southern Power" for additional information.

Gas Business

Southern Company Gas distributes natural gas through utilities in four states and is involved in several other complementary businesses including gas pipeline investments, wholesale gas services, and gas marketing services.
A condensed statement of income for the gas business follows:

	Amount	Increase (Decrease) from Prior Year	
	2018	2018	2017
	(in millions)		
Operating revenues	$3,909	$ (11)	$ 2,268
Cost of natural gas	1,539	(62)	988
Cost of other sales	12	(17)	19
Other operations and maintenance	981	36	424
Depreciation and amortization	500	(1)	263
Taxes other than income taxes	211	27	113
Impairment charges	42	42	—
Gain on dispositions, net	(291)	(291)	—
Total operating expenses	2,994	(266)	1,807
Operating income	915	255	461
Earnings from equity method investments	148	42	46
Interest expense, net of amounts capitalized	228	28	119
Other income (expense), net	1	(43)	32
Income taxes	464	97	291
Net income	$372	$ 129	$ 129

In the table above, the 2018 changes for Southern Company Gas reflect the year ended December 31, 2018 compared to 2017. The Southern Company Gas Dispositions were completed by July 29, 2018 and represent the primary variance driver for the 2018 changes. Additional detailed variance explanations are provided herein. The 2017 changes reflect the 12-month period in 2017 compared to the six-month period following the Merger closing on July 1, 2016, which is the primary variance driver. Additionally, earnings from equity method investments include Southern Company Gas' acquisition of a 50% equity interest in SNG completed in September 2016. See Note 15 to the financial statements under "Southern Company Gas" for additional information on Southern Company Gas' investment in SNG and the Southern Company Gas Dispositions.

Seasonality of Results

During the period from November through March when natural gas usage and operating revenues are generally higher (Heating Season), more customers are connected to Southern Company Gas' distribution systems, and natural gas usage is higher in periods of colder weather. Occasionally in the summer, operating revenues are impacted due to peak usage by power generators in response to summer energy demands. Southern Company Gas' base operating expenses, excluding cost of natural gas, bad debt expense, and certain incentive compensation costs, are incurred relatively equally over any given year. Thus, operating results can vary significantly from quarter to quarter as a result of seasonality. For 2018, the percentage of operating revenues and net income generated during the Heating Season (January through March and November through December) were 68.7% and 96.0%, respectively. For 2017, the percentage of operating revenues and net income generated during the Heating Season were 67.3% and 73.7%, respectively. The 2017 net income generated during the Heating Season was significantly impacted by additional tax expense recorded in the fourth quarter resulting from the Tax Reform Legislation. See FUTURE EARNINGS POTENTIAL – "Income Tax Matters – Federal Tax Reform Legislation" herein for additional information.

Operating Revenues

Operating revenues in 2018 were $3.9 billion, reflecting an $11 million decrease from 2017. Details of operating revenues were as follows:

	(in millions)	(% change)
Operating revenues – prior year	$ 3,920	
Estimated change resulting from –		
Infrastructure replacement programs and base rate changes	31	0.8
Gas costs and other cost recovery	3	0.1
Weather	13	0.3
Wholesale gas services	138	3.5
Southern Company Gas Dispositions(*)	(228)	(5.8)
Other	32	0.8
Operating revenues – current year	$ 3,909	(0.3)%

(*) Includes a $154 million decrease related to natural gas revenues, including alternative revenue programs, and a $74 million decrease related to other revenues. See Note 15 to the financial statements under "Southern Company Gas" for additional information.

Revenues from infrastructure replacement programs and base rate changes increased in 2018 primarily due to a $48 million increase at Nicor Gas, partially offset by a $12 million decrease at Atlanta Gas Light. These amounts include the natural gas distribution utilities' continued investments recovered through infrastructure replacement programs and base rate increases less revenue reductions for the impacts of the Tax Reform Legislation. See Note 2 to the financial statements under "Southern Company Gas" for additional information.

Revenues increased due to colder weather, as determined by Heating Degree Days, in 2018 compared to 2017.

Revenues from wholesale gas services increased in 2018 primarily due to increased commercial activity, partially offset by derivative losses.

Other revenues increased in 2018 primarily due to a $15 million increase from the Dalton Pipeline being placed in service in August 2017 and a $14 million increase in Nicor Gas' revenue taxes.

Natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities.

Cost of Natural Gas

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, the natural gas distribution utilities charge their utility customers for natural gas consumed using natural gas cost recovery mechanisms set by the applicable state regulatory agencies. Under these mechanisms, all prudently-incurred natural gas costs are passed through to customers without markup, subject to regulatory review. The natural gas distribution utilities defer or accrue the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred natural gas costs are reflected as regulatory assets and accrued natural gas costs are reflected as regulatory liabilities. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities. Cost of natural gas at the natural gas distribution utilities represented 83.2% of the total cost of natural gas for 2018.

Gas marketing services customers are charged for actual and estimated natural gas consumed. Cost of natural gas includes the cost of fuel and associated transportation costs, lost and unaccounted for gas, adjustments to reduce the value of inventories to market value, if applicable, and gains and losses associated with certain derivatives.

Cost of natural gas in 2018 was $1.5 billion, a decrease of $62 million, or 3.9%, compared to 2017, which was substantially all as a result of the Southern Company Gas Dispositions.

Cost of Other Sales

Cost of other sales in 2018 was $12 million, a decrease of $17 million, or 58.6%, compared to 2017 primarily related to the disposition of Pivotal Home Solutions.

Other Operations and Maintenance Expenses

Other operations and maintenance expenses increased $36 million, or 3.8%, in 2018 compared to the prior year. Excluding a $39 million decrease related to the Southern Company Gas Dispositions, other operations and maintenance expenses increased $75 million. This increase was primarily due to a $53 million increase in compensation and benefit costs, including a $12 million one-time increase for the adoption of a new paid time off policy to align with the Southern Company system, a $28 million increase in disposition-related costs, and an $11 million expense for a litigation settlement to facilitate the sale of Pivotal Home Solutions. These increases were partially offset by a $27 million decrease in bad debt expense primarily at Nicor Gas, which was offset by a decrease in revenues as a result of the related regulatory recovery mechanism. See Note 3 to the financial statements under "General Litigation Matters – Southern Company Gas" for additional information on the litigation settlement.

Depreciation and Amortization

Depreciation and amortization decreased $1 million, or 0.2%, in 2018 compared to the prior year. Excluding a $37 million decrease related to the Southern Company Gas Dispositions, depreciation and amortization increased $36 million. The increase was primarily due to continued infrastructure investments at the natural gas distribution utilities, partially offset by lower amortization of intangible assets as a result of fair value adjustments in acquisition accounting at gas marketing services. See Note 2 to the financial statements under "Southern Company Gas" for additional information on infrastructure replacement programs.

Taxes Other Than Income Taxes

Taxes other than income taxes increased $27 million, or 14.7%, in 2018 compared to the prior year. Excluding a $4 million decrease related to the Southern Company Gas Dispositions, taxes other than income taxes increased $31 million. This increase primarily reflects a $13 million increase in revenue tax expenses as a result of higher natural gas revenues, a $12 million increase in Nicor Gas' invested capital tax that reflects a $7 million credit in 2017 to establish a related regulatory asset, and a $4 million increase in property taxes. See Note 15 to the financial statements under "Southern Company Gas" for additional information on the Southern Company Gas Dispositions.

Impairment Charges

A goodwill impairment charge of $42 million was recorded in 2018 in contemplation of the sale of Pivotal Home Solutions. See Notes 1 and 15 to the financial statements under "Goodwill and Other Intangible Assets and Liabilities" and "Southern Company Gas – Sale of Pivotal Home Solutions," respectively, for additional information.

Gain on Dispositions, Net

Gain on dispositions, net was $291 million in 2018 and was associated with the Southern Company Gas Dispositions. The income tax expense on these gains included income tax expense on goodwill not deductible for tax purposes and for which a deferred tax liability had not been recorded previously.

Earnings from Equity Method Investments

Earnings from equity method investments increased $42 million, or 39.6%, in 2018 compared to the prior year. The increase was primarily due to higher earnings from Southern Company Gas' equity method investment in SNG from new rates effective September 2018 and lower operations and maintenance expenses due to the timing of pipeline maintenance. See Note 7 to the financial statements under "Southern Company Gas – Equity Method Investments" for additional information.

Interest Expense, Net of Amounts Capitalized

Interest expense, net of amounts capitalized increased $28 million, or 14.0%, in 2018 compared to the prior year. The increase was primarily due to $21 million of additional interest expense related to new debt issuances and a $4 million reduction in capitalized interest primarily due to the Dalton Pipeline being placed in service in August 2017.

Other Income (Expense), Net

Other income (expense), net decreased $43 million, or 97.7%, in 2018 compared to the prior year. Excluding a $3 million decrease related to the Southern Company Gas Dispositions, other income (expense), net decreased $40 million. This decrease was primarily due to a $23 million increase in charitable donations and a $13 million decrease in gains from the settlement of contractor litigation claims. See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects – PRP" for additional information on the contractor litigation settlement.

Income Taxes

Income taxes increased $97 million, or 26.4%, in 2018 compared to the prior year. Excluding a $329 million increase related to the Southern Company Gas Dispositions, including tax expense on the goodwill for which a deferred tax liability had not been previously provided, income taxes decreased $232 million. This decrease was primarily due to a lower federal income tax rate and the flowback of excess deferred taxes as a result of the Tax Reform Legislation. In addition, 2017 included additional tax expense of $130 million from the revaluation of deferred tax assets associated with the Tax Reform Legislation, the enactment of the State of Illinois income tax legislation, and new income tax apportionment factors in several states. See Note 10 to the financial statements for additional information.

Other Business Activities

Southern Company's other business activities primarily include the parent company (which does not allocate operating expenses to business units); PowerSecure, which was acquired on May 9, 2016 and is a provider of energy solutions, including distributed infrastructure, energy efficiency products and services, and utility infrastructure services, to customers; Southern Company Holdings, Inc. (Southern Holdings), which invests in various projects, including leveraged lease projects; and Southern Linc, which provides digital wireless communications for use by Southern Company and its subsidiary companies and also markets these services to the public and provides fiber optics services within the Southeast.

A condensed statement of income for Southern Company's other business activities follows:

	Amount	Increase (Decrease) from Prior Year	
	2018	2018	2017
	(in millions)		
Operating revenues	$1,015	$ 444	$ 268
Cost of other sales	728	313	223
Other operations and maintenance	273	69	9
Depreciation and amortization	66	14	21
Taxes other than income taxes	6	3	—
Impairment charges	12	12	—
Total operating expenses	1,085	411	253
Operating income (loss)	(70)	33	15
Interest expense	579	96	178
Other income (expense), net	(23)	(23)	30
Income taxes (benefit)	(222)	85	(91)
Net income (loss)	$(450)	$ (171)	$ (42)

In the table above, the 2018 changes for these other business activities reflect the inclusion of PowerSecure for the year ended December 31, 2018 compared to 2017. The 2017 changes reflect the inclusion of PowerSecure for the 12-month period in 2017 compared to the eight-month period following the acquisition on May 9, 2016, which is the primary variance driver. Additional detailed variance explanations are provided herein. See Note 15 to the financial statements under "Southern Company Acquisition of PowerSecure" for additional information.

Operating Revenues

Southern Company's operating revenues for these other business activities increased $444 million, or 77.8%, in 2018 as compared to the prior year. The increase was primarily related to PowerSecure's storm restoration services in

Puerto Rico.

Cost of Other Sales

Cost of other sales for these other business activities increased $313 million, or 75.4% in 2018. The increase was primarily related to PowerSecure's storm restoration services in Puerto Rico.

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Other Operations and Maintenance Expenses

Other operations and maintenance expenses for these other business activities increased $69 million, or 33.8%, in 2018 as compared to the prior year. The increase was primarily due to PowerSecure's storm restoration services in Puerto Rico and parent company expenses related to the sale of Gulf Power. Other operations and maintenance expenses for these other business activities increased $9 million, or 4.6%, in 2017 as compared to the prior year. The increase was primarily due to a $44 million increase as a result of the inclusion of PowerSecure results for the 12-month period in 2017 compared to eight months in 2016, partially offset by a $35 million decrease in parent company expenses related to the Merger and the acquisition of PowerSecure.

Impairment Charges

Impairment charges for these other business activities were $12 million in 2018. These charges were associated with Southern Linc's tower leases and were recorded in contemplation of the sale of Gulf Power.

Interest Expense

Interest expense for these other business activities increased $96 million, or 19.9%, in 2018 as compared to the prior year primarily due to an increase in variable interest rates and average outstanding debt at the parent company. Interest expense for these other business activities increased $178 million, or 58.4%, in 2017 as compared to the prior year primarily due to an increase in average outstanding long-term debt at the parent company. See Note 8 to the financial statements for additional information.

Other Income (Expense), Net

Other income (expense), net for these other business activities decreased $23 million in 2018 as compared to the prior year primarily due to charitable donations, partially offset by leveraged lease income at Southern Holdings. See Note 1 to the financial statements for additional information. Other income (expense), net for these other business activities increased $30 million in 2017 as compared to the prior year primarily due to expenses associated with bridge financing for the Merger in 2016.

Income Taxes (Benefit)

The income tax benefit for these other business activities decreased $85 million, or 27.7%, in 2018 as compared to the prior year primarily as a result of the Tax Reform Legislation, partially offset by an increase in pre-tax losses at the parent company. The income tax benefit for these other business activities increased $91 million, or 42.1%, in 2017 as compared to the prior year primarily as a result of pre-tax earnings (losses) and net tax benefits related to the Tax Reform Legislation. See FUTURE EARNINGS POTENTIAL – "Income Tax Matters – Federal Tax Reform Legislation" herein and Note 10 to the financial statements for additional information.

Effects of Inflation

The electric operating companies and natural gas distribution utilities are subject to rate regulation that is generally based on the recovery of historical and projected costs. The effects of inflation can create an economic loss since the recovery of costs could be in dollars that have less purchasing power. Southern Power is party to long-term contracts reflecting market-based rates, including inflation expectations. Any adverse effect of inflation on Southern Company's results of operations has not been substantial in recent years.

FUTURE EARNINGS POTENTIAL

General

The traditional electric operating companies operate as vertically integrated utilities providing electric service to customers within their service territories in the Southeast. On January 1, 2019, Southern Company completed the sale of Gulf Power, one of the traditional electric operating companies, to NextEra Energy. The natural gas distribution utilities provide service to customers in their service territories in Illinois, Georgia, Virginia, and Tennessee. In July 2018, Southern Company Gas completed sales of three of its natural gas distribution utilities. Prices for electricity provided and natural gas distributed to retail customers are set by state PSCs or other applicable state regulatory agencies under cost-based regulatory principles. Retail rates and earnings are reviewed and may be adjusted periodically within certain limitations. Prices for wholesale electricity sales and natural gas distribution, interconnecting transmission lines, and the exchange of electric power are regulated by the FERC. Southern Power continues to focus on long-term PPAs. In 2018, Southern Power completed sales of noncontrolling interests in entities indirectly owning substantially all of its solar facilities and eight of its wind facilities and also completed sales and entered into an agreement to sell certain of its natural gas plants. See ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates – Utility Regulation" herein and Note 2 to the financial statements for additional information about regulatory matters.

The results of operations for the past three years are not necessarily indicative of Southern Company's future earnings potential. Future earnings will be impacted by the 2018 disposition activities described herein and in Note 15 to the financial statements. 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 businesses of selling electricity and distributing natural gas. These factors include the traditional electric operating companies' and the natural gas distribution utilities' ability to maintain constructive regulatory environments that allow for the timely recovery of prudently-incurred costs during a time of increasing costs, continued customer growth, and, for the traditional electric operating companies, the weak pace of growth in electricity use per customer, especially in residential and commercial markets. Plant Vogtle Units 3 and 4 construction and rate recovery and the profitability of Southern Power's competitive wholesale business are also major factors.

Earnings in the electricity business will also depend upon maintaining and growing sales, considering, among other things, the adoption and/or penetration rates of increasingly energy-efficient technologies, increasing volumes of electronic commerce transactions, and more multi-family home construction, all of which could contribute to a net reduction in customer usage. Earnings for both the electricity and natural gas businesses are subject to a variety of other 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 prices of electricity and natural gas, 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 electric business also depends on numerous factors including regulatory matters, creditworthiness of customers, total electric generating capacity available and related costs, the development or acquisition of renewable facilities and other energy projects, and the successful remarketing of capacity as current contracts expire. Demand for electricity and natural gas is primarily driven by the pace of economic growth that may be affected by changes in regional and global economic conditions, which may impact future earnings. In addition, the volatility of natural gas prices has a significant impact on the natural gas distribution utilities' customer rates, long-term competitive position against other energy sources, and the ability of Southern Company Gas' gas marketing services and wholesale gas services businesses to capture value from locational and seasonal spreads. Additionally, changes in commodity prices subject a significant portion of Southern Company Gas' operations to earnings variability.

As part of its ongoing effort to adapt to changing market conditions, Southern Company continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, partnerships, and acquisitions involving other utility or non-utility businesses or properties, disposition of certain assets or businesses, internal restructuring, or some combination thereof. Furthermore, Southern Company may engage in new business ventures that arise from competitive and regulatory changes in the utility industry. Pursuit of any of the above strategies, or any combination thereof, may significantly affect the business operations, risks, and financial condition of Southern Company.

On January 1, 2019, Southern Company completed the sale of Gulf Power to NextEra Energy for an aggregate cash purchase price of approximately $5.8 billion (less $1.3 billion of indebtedness assumed), subject to customary working capital adjustments. In 2018, net income attributable to Gulf Power was $160 million.

On June 4, 2018, Southern Company Gas completed the stock sale of Pivotal Home Solutions to American Water Enterprises LLC for a total cash purchase price of $365 million. On July 1, 2018, a Southern Company Gas subsidiary, Pivotal Utility Holdings, completed the sales of the assets of two of its natural gas distribution utilities, Elizabethtown Gas and Elkton Gas, to South Jersey Industries, Inc. for a total cash purchase price of $1.7 billion. On July 29, 2018, Southern Company Gas and its wholly-owned direct subsidiary, NUI Corporation, completed the stock sale of Pivotal Utility Holdings, which primarily consisted of Florida City Gas, to NextEra Energy for a total cash purchase price of $587 million. The total cash purchase price for each transaction includes final working capital and other adjustments.

The Southern Company Gas Dispositions resulted in a net loss of $51 million, which includes $342 million of tax expense. The after-tax impacts of these dispositions included income tax expense on goodwill not deductible for tax purposes and for which a deferred tax liability had not been recorded previously. In addition, a goodwill impairment charge of $42 million was recorded during 2018 in contemplation of the sale of Pivotal Home Solutions.

On May 22, 2018, Southern Power sold a noncontrolling 33% equity interest in SP Solar, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, for approximately $1.2 billion and, on December 11, 2018, sold a noncontrolling tax equity interest in SP Wind, a holding company owning a portfolio of eight operating wind facilities, for approximately $1.2 billion. Additionally, on November 5, 2018, Southern Power entered into an agreement to sell all of its equity interests in Plant Mankato (including the 385-MW expansion currently under construction) for an aggregate purchase price of approximately $650 million. The completion of the disposition is subject to the expansion unit reaching commercial operation as well as various other customary conditions to closing, including FERC and state commission approvals, and the sale is expected to close mid-2019. The ultimate outcome of this matter cannot be determined at this time. On December 4, 2018, Southern Power sold of all of its equity interests in the Florida Plants to NextEra Energy for approximately $203 million.

See Note 15 to the financial statements for additional information regarding disposition activities.

Environmental Matters

The Southern Company system's operations are regulated by state and federal environmental agencies through a variety of laws and regulations governing air, water, land, and protection of other natural resources. The Southern Company system maintains comprehensive environmental compliance and GHG strategies to assess upcoming requirements and compliance costs associated with these environmental laws and regulations. The costs, including capital expenditures, operations and maintenance costs, and costs reflected in ARO liabilities, required to comply with environmental laws and regulations and to achieve stated goals may impact future electric generating unit retirement and replacement decisions, results of operations, cash flows, and/or financial condition. Related costs may result from the installation of additional environmental controls, closure and monitoring of CCR facilities, unit retirements, or changing fuel sources for certain existing units, as well as related upgrades to the Southern Company system's transmission and distribution (electric and natural gas) systems. A major portion of these costs is expected to be recovered through retail and wholesale rates. The ultimate impact of environmental laws and regulations and the GHG goals discussed herein will depend on various factors, such as state adoption and implementation of requirements, the availability and cost of any deployed technology, fuel prices, and the outcome of pending and/or future legal challenges.

New or revised environmental laws and regulations could affect many areas of the traditional electric operating companies', Southern Power's, and the natural gas distribution utilities' operations. The impact of any such changes cannot be determined at this time. Environmental compliance costs could affect earnings if such costs cannot continue to be recovered in rates on a timely basis for the traditional electric operating companies and the natural gas distribution utilities or through long-term wholesale agreements for the traditional electric operating companies and Southern Power. Further, increased costs that are recovered through regulated rates could contribute to reduced demand for electricity and natural gas, which could negatively affect results of operations, cash flows, and/or financial condition. Additionally, many commercial and industrial customers may also be affected by existing and future environmental requirements, which for some may have the potential to ultimately affect their demand for electricity and natural gas.

The Southern Company system's commitment to the environment has been demonstrated in many ways, including participating in partnerships resulting in approximately $140 million of funding that has restored or enhanced more than 2 million acres of habitat since 2003; the removal of more than 15.5 million pounds of trash and debris from waterways between 2000 and 2018 through the Renew Our Rivers program; a 21.2% reduction in surface water withdrawal from 2015 to 2017; reductions in SO_2 and NO_X air emissions of 98% and 89%, respectively, from 1990 to 2017; the reduction of mercury air emissions of over 95% from 2005 to 2017; and the Southern Company system's changing energy mix.

Through 2018, the traditional electric operating companies have invested approximately $14.2 billion in environmental capital retrofit projects to comply with environmental requirements, with annual totals of approximately $1.3 billion, $0.9 billion, and $0.5 billion for 2018, 2017, and 2016, respectively. Although the timing, requirements, and estimated costs could change as environmental laws and regulations are adopted or modified, as compliance plans are revised or updated, and as legal challenges to rules are initiated or completed, the Southern Company system's current compliance strategy estimates capital expenditures of $1.4 billion from 2019 through 2023, with annual totals of approximately $0.5 billion, $0.2 billion, $0.3 billion, $0.3 billion, and $0.2 billion for 2019, 2020, 2021, 2022, and 2023, respectively. These estimates do not include any potential compliance costs associated with pending regulation of CO_2 emissions from fossil fuel-fired electric generating units. See "Global Climate Issues" herein for additional information. The Southern Company system also anticipates substantial expenditures associated with ash pond closure and ground water monitoring under the CCR Rule, which are reflected in Southern Company's ARO liabilities. See FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein and Note 6 to the financial statements for additional information.

Environmental Laws and Regulations

Air Quality

The EPA has set National Ambient Air Quality Standards (NAAQS) for six air pollutants (carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter, and SO_2) to protect and improve the nation's air quality, which it reviews and revises periodically. Following a NAAQS revision, states are required to develop an EPA-approved plan to protect air quality. These state plans can require additional emission controls, improvements in control efficiency, or fuel changes which can result in increased compliance and operational costs. NAAQS requirements can also adversely affect the siting of new electric generating facilities. All areas within the Southern Company system's electric service territory have been designated as attainment for all NAAQS except for a seven-county area within metropolitan Atlanta that is not in attainment with the 2015 ozone NAAQS and the area surrounding Plant Hammond, in Georgia, which will not be designated attainment or nonattainment for the 2010 SO_2 standard until December 2020. If areas are designated as nonattainment in the future, increased compliance costs could result. See "Regulatory Matters – Georgia Power – Integrated Resource Plan" herein for information regarding Georgia Power's request to decertify and retire Plant Hammond.

In 2011, the EPA finalized the Cross-State Air Pollution Rule (CSAPR) to address impacts of SO_2 and NO_X emissions from fossil fuel-fired electric generating plants. CSAPR establishes emissions trading programs and budgets for certain states and allocates emissions allowances for sources in those states. In 2016, the EPA published a final rule establishing more stringent ozone season NO_X emissions budgets in Alabama, Mississippi, and Texas. Georgia's ozone season NO_X emissions budget remained unchanged. The EPA also removed North Carolina from this particular CSAPR program. The outcome of ongoing CSAPR litigation concerning the 2016 CSAPR rule, to which Mississippi Power is a party, could have an impact on the State of Mississippi's ozone season NO_X emissions budget. Increases in either future fossil fuel-fired generation or the availability or cost of CSAPR allowances could have a negative financial impact on results of operations for Southern Company.

The EPA finalized regional haze regulations in 2005 and 2017. These regulations require states, tribal governments, and various federal agencies to develop and implement plans to reduce pollutants that impair visibility and demonstrate reasonable progress toward the goal of restoring natural visibility conditions in certain areas, including national parks and wilderness areas. States must submit a revised state implementation plan (SIP) to the EPA demonstrating continued reasonable progress towards achieving visibility improvement goals. These plans could require reductions in certain pollutants, such as particulate matter, SO_2, and NO_X, which could result in increased compliance costs. The EPA approved the regional progress SIPs for the States of Alabama and Georgia, but only issued a limited approval of the regional progress SIP for the State of Mississippi because Mississippi must revise the best available retrofit technology (BART) provisions of its SIP. Therefore, Mississippi Power's Plant Daniel is the only electric generating unit in the Southern Company system that continues to be evaluated under the regional haze BART provisions. Mississippi Power is required to submit Plant Daniel's BART analysis to the State of Mississippi by summer 2019. Requirements for further reduction of these pollutants at Plant Daniel could increase compliance costs.

Water Quality

In 2014, the EPA finalized requirements under Section 316(b) of the Clean Water Act (CWA) to regulate cooling water intake structures (CWIS) to minimize their effects on fish and other aquatic life at existing power plants (e.g. coal, natural gas, oil, and nuclear generating plants) and manufacturing facilities. The regulation requires plant-specific studies to determine applicable CWIS changes to protect organisms that either get caught on the intake screens (impingement) or are drawn into the cooling system (entrainment). The Southern Company system is conducting these studies and currently anticipates applicable CWIS changes may include fish-friendly CWIS screens with fish return systems and minor additions of monitoring equipment at certain plants. However, the ultimate impact of this rule will depend on the outcome of these plant-specific studies, any additional protective measures required to be incorporated into each plant's National Pollutant Discharge Elimination System (NPDES) permit based on site-specific factors, and the outcome of any legal challenges.

In 2015, the EPA finalized the steam electric effluent limitations guidelines (ELG) rule (2015 ELG Rule) that set national standards for wastewater discharges from new and existing steam electric generating units generating greater than 50 MWs. The 2015 ELG Rule prohibits effluent discharges of certain waste streams and imposes stringent limits on flue gas desulfurization (scrubber) wastewater discharges. The revised technology-based limits and the CCR Rule require extensive changes to existing ash and wastewater management systems or the installation and operation of new ash and wastewater management systems. Compliance with the 2015 ELG Rule is expected to require capital expenditures and increased operational costs primarily for the traditional electric operating companies' coal-fired electric generation. State environmental agencies will incorporate specific compliance applicability dates in the

NPDES permitting process for each ELG waste stream no later than December 31, 2023. The EPA is scheduled to issue a new rulemaking by December 2019 that could revise the limitations and applicability dates of two of the waste streams regulated in the 2015 ELG Rule. The impact of any changes to the 2015 ELG Rule will depend on the content of the new rule and the outcome of any legal challenges.

In 2015, the EPA and the U.S. Army Corps of Engineers (Corps) jointly published a final rule that revised the regulatory definition of waters of the United States (WOTUS) for all CWA programs. The rule significantly expanded the scope of federal jurisdiction over waterbodies (such as rivers, streams, canals, and wastewater treatment ponds), which could impact new generation projects and permitting and reporting requirements associated with the installation, expansion, and maintenance of transmission, distribution, and pipeline projects. The EPA and the Corps are expected to publish a final rule in 2019 to replace the 2015 WOTUS definition. The impact of any changes to the 2015 WOTUS rule will depend on the content of this final rule and the outcome of any legal challenges.

Coal Combustion Residuals

In 2015, the EPA finalized non-hazardous solid waste regulations for the disposal of CCR, including coal ash and gypsum, in landfills and surface impoundments (ash ponds) at active generating power plants. In addition to the EPA's CCR Rule, the States of Alabama and Georgia have also finalized regulations regarding the handling of CCR within their respective states. The EPA's CCR Rule requires landfills and ash ponds to be evaluated against a set of performance criteria and potentially closed if minimum criteria are not met. Closure of existing landfills and ash ponds could require installation of equipment and infrastructure to manage CCR in accordance with the CCR Rule. Based on cost estimates for closure and monitoring of landfills and ash ponds pursuant to the CCR Rule, the Southern Company system recorded AROs for each CCR unit in 2015. As further analysis was performed and closure details were developed, the traditional electric operating companies have continued to periodically update these cost estimates, as discussed further below.

The EPA published certain amendments to the CCR Rule, which became effective August 29, 2018. These amendments extend the date from April 2019 to October 31, 2020 to cease sending CCR and other waste streams to ash ponds that demonstrate compliance with all except two of the specified performance criteria.

On August 21, 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued a decision suggesting the EPA should regulate previously-excluded inactive ash ponds located at retired generation facilities and questioning both the ability of unlined ash ponds to continue operating no matter the performance criteria results and the classification of clay-lined landfills and ash ponds. These developments could impact the expected timing of the traditional electric operating companies' landfill and ash pond closure activities, but the extent of any impact will depend on the outcome of ongoing litigation, anticipated EPA rulemaking action to establish further guidance, and the outcome of any legal challenges.

In June 2018, Alabama Power recorded an increase of approximately $1.2 billion to its AROs related to the CCR Rule. The revised cost estimates were based on information from feasibility studies performed on ash ponds in use at plants operated by Alabama Power, including at a plant jointly-owned by Mississippi Power. During the second quarter 2018, Alabama Power's management completed its analysis of these studies which indicated that additional closure costs, primarily related to increases in estimated ash volume, water management requirements, and design revisions, will be required to close these ash ponds under the planned closure-in-place methodology. As the level of work becomes more defined in the next 12 months, it is likely that these cost estimates will change and the change could be material.

In December 2018, Georgia Power recorded an increase of approximately $3.1 billion to its AROs related to the CCR Rule and the related state rule. During the second half of 2018, Georgia Power completed a strategic assessment related to its plans to close the ash ponds at all of its generating plants in compliance with the CCR Rule and the related state rule. This assessment included engineering and constructability studies related to design assumptions for ash pond closures and advanced engineering methods. The results indicated that additional closure costs will be required to close these ash ponds, primarily due to changes in closure strategies, the estimated amount of ash to be excavated, and additional water management requirements necessary to support closure strategies. These factors also impact the estimated timing of future cash outlays.

The traditional electric operating companies expect to periodically update their ARO cost estimates. Absent continued recovery of ARO costs through regulated rates, Southern Company's results of operations, cash flows, and financial condition could be materially impacted. See FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein and Note 6 to the financial statements for additional information.

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

Nuclear Decommissioning

In June 2018, Alabama Power completed an updated decommissioning cost site study for Plant Farley. The estimated cost of decommissioning based on the study resulted in an increase in Alabama Power's ARO liability of

approximately $300 million. Amounts previously contributed to Alabama Power's external trust funds are currently projected to be adequate to meet the updated decommissioning obligations.
In December 2018, Georgia Power completed updated decommissioning cost site studies for Plant Hatch and Plant Vogtle Units 1 and 2. The estimated cost of decommissioning based on the studies resulted in an increase in Georgia Power's ARO liability of approximately $130 million. Georgia Power currently collects $4 million and $2 million annually in rates, which is used to fund external nuclear decommissioning trusts for Plant Hatch and Plant Vogtle Units 1 and 2, respectively. Georgia Power expects the Georgia PSC to review and adjust, if necessary, these amounts in the Georgia Power 2019 Base Rate Case.
See Note 6 to the financial statements for additional information.

Environmental Remediation

The Southern Company system must comply with environmental laws and regulations governing the handling and disposal of waste and releases of hazardous substances. Under these various laws and regulations, the Southern Company system could incur substantial costs to clean up affected sites. The traditional electric operating companies and the natural gas distribution utilities conduct studies to determine the extent of any required cleanup and Southern Company has recognized the estimated costs to clean up known impacted sites in its financial statements. Amounts for cleanup and ongoing monitoring costs were not material for any year presented. The traditional electric operating companies and the natural gas distribution utilities in Illinois and Georgia have all received authority from their respective state PSCs or other applicable state regulatory agencies to recover approved environmental compliance costs through regulatory mechanisms. These regulatory mechanisms are adjusted annually or as necessary within limits approved by the state PSCs or other applicable state regulatory agencies. The traditional electric operating companies and Southern Company Gas may be liable for some or all required cleanup costs for additional sites that may require environmental remediation. See Note 3 to the financial statements under "Environmental Remediation" for additional information.

Global Climate Issues

On August 31, 2018, the EPA published a proposed rule known as the Affordable Clean Energy (ACE) Rule, which is intended to replace a regulation enacted in 2015 known as the Clean Power Plan (CPP), that would limit CO_2 emissions from existing fossil fuel-fired electric generating units. The CPP has been stayed by the U.S. Supreme Court since 2016. The ACE Rule would require states to develop GHG unit-specific emission rate standards based on heat-rate efficiency improvements for existing fossil fuel-fired steam units. As proposed, combustion turbines, including natural gas combined cycles, are not affected sources. As of January 1, 2019, the Southern Company system has ownership interests in 40 fossil fuel-fired steam units to which the proposed ACE Rule is applicable. The ultimate impact of this rule to the Southern Company system is currently unknown and will depend on changes between the proposal and the final rule, subsequent state plan developments and requirements, and any associated legal challenges.

On December 20, 2018, the EPA published a proposed review of the Standards of Performance for Greenhouse Gas Emissions from New, Modified, and Reconstructed Stationary Sources: Electric Utility Generating Units final rule (2015 NSPS rule). The EPA's final 2015 NSPS rule set standards of performance for new, modified, and reconstructed electric utility generating units which included stationary combustion turbines and fossil-fired steam boilers. This proposal reduces the stringency of the 2015 NSPS rule by not basing the new and reconstructed fossil-fired steam boiler and IGCC standards on partial carbon capture and sequestration. The impact of any changes to this rule will depend on the content of the final rule and the outcome of any legal challenges.

Additional domestic GHG policies may emerge in the future requiring the United States to transition to a lower GHG emitting economy. The Southern Company system has transitioned from an electric generating mix of 70% coal and 15% natural gas in 2007 to a mix of 30% coal and 46% natural gas in 2018, along with over 8,000 MWs of renewable resources. This transition has been supported in part by the Southern Company system retiring 4,226 MWs of coal- and oil-fired generating capacity since 2010 and converting 3,280 MWs of generating capacity from coal to natural gas since 2015. In addition, Southern Company Gas has replaced approximately 5,600 miles of bare steel and cast-iron pipe, resulting in removal of approximately 2.5 million metric tons of GHG from its natural gas distribution system since 1998. Based on ownership or financial control of facilities, the Southern Company system's 2017 GHG emissions (CO_2 equivalent) were approximately 98 million metric tons, with 2018 emissions estimated at 98 million metric tons. This equates to a reduction of 36% between 2007 and 2018. The 2018 estimates include GHG emissions attributable to each of Elizabethtown Gas, Elkton Gas, Florida City Gas, and the Florida Plants through the date of the applicable disposition. See Note 15 to the financial statements for additional information regarding disposition activities.

In April 2018, Southern Company established an intermediate goal of a 50% reduction in carbon emissions from 2007 levels by 2030 and a long-term goal of low- to no-carbon operations by 2050. To achieve these goals, the Southern Company system expects to continue growing its renewable energy portfolio, optimize technology advancements to modernize its transmission and distribution systems, increase the use of natural gas for generation, complete ongoing construction projects, including Georgia Power's interest in Plant Vogtle Units 3 and 4, invest in energy efficiency, and continue research and development efforts focused on technologies to lower GHG emissions. The Southern Company system's ability to achieve these goals also will be dependent on many external factors, including supportive national energy policies, low natural gas prices, and the development, deployment, and advancement of relevant energy technologies.

FERC Matters

Open Access Transmission Tariff

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

Southern Company Gas

Southern Company Gas' gas pipeline investments business is involved in two significant pipeline construction projects, the Atlantic Coast Pipeline (5% ownership) and the PennEast Pipeline (20% ownership), which received FERC approval in October 2017 and January 2018, respectively. Southern Company Gas' total capital expenditures, excluding AFUDC, at completion are expected to be between $350 million and $390 million for the Atlantic Coast Pipeline and $276 million for the PennEast Pipeline. These projects, along with Southern Company Gas' existing pipelines, are intended to provide diverse sources of natural gas supplies to customers, resolve current and long-term supply planning for new capacity, enhance system reliability, and generate economic development in the areas served. Work continues with state and federal agencies to obtain the required permits to begin construction on the PennEast Pipeline. Any material delays may impact forecasted capital expenditures and the expected in-service date.

The Atlantic Coast Pipeline has experienced challenges to its permits since construction began in 2018. During the third and fourth quarters 2018, a FERC stop work order, together with delays in obtaining permits necessary for construction and construction delays due to judicial actions, impacted the cost and schedule for the project. As a result, total project cost estimates have increased from between $6.0 billion and $6.5 billion to between $7.0 billion and $7.8 billion, excluding financing costs. Southern Company Gas' share of the total project costs is 5% and Southern Company Gas' investment at December 31, 2018 totaled $83 million. The operator of the joint venture currently expects to achieve a late 2020 in-service date for at least key segments of the Atlantic Coast Pipeline, while the remainder may extend into early 2021. Southern Company Gas has evaluated the recoverability of its investment and determined there was no impairment as of December 31, 2018. Abnormal weather, work delays (including due to judicial or regulatory action), and other conditions may result in additional cost or schedule modifications, which could result in an impairment of Southern Company Gas' investment and could have a material impact on Southern Company's financial statements.

The ultimate outcome of these matters cannot be determined at this time. See Notes 7 and 9 to the financial statements under "Southern Company Gas – Equity Method Investments" and "Guarantees," respectively, for additional information on these pipeline projects.

Regulatory Matters

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 Rate RSE, Rate CNP, Rate ECR, and Rate NDR. In addition, the Alabama PSC issues accounting orders to address current events impacting Alabama Power. See Note 2 to the financial statements under "Alabama

Power" for additional information regarding Alabama Power's rate mechanisms and accounting orders.

Rate RSE

The Alabama PSC has adopted Rate RSE that provides for periodic annual adjustments based upon Alabama Power's projected weighted common equity return (WCER) compared to an allowable range. Rate RSE adjustments are based on forward-looking information for the applicable upcoming calendar year. Rate RSE adjustments for any two-year period, when averaged together, cannot exceed 4.0% and any annual adjustment is limited to 5.0%. When the projected WCER is under the allowed range, there is an adjusting point of 5.98% and eligibility for a performance-based adder of seven basis points, or 0.07%, to the WCER adjusting point if Alabama Power (i) has an "A" credit rating equivalent with at least one of the recognized rating agencies or (ii) is in the top one-third of a designated customer value benchmark survey. If Alabama Power's actual retail return is above the allowed WCER range, the excess will be refunded to customers unless otherwise directed by the Alabama PSC; however, there is no provision for additional customer billings should the actual retail return fall below the WCER range. Prior to January 2019, retail rates remained unchanged when the WCER range was between 5.75% and 6.21%.

On May 1, 2018, the Alabama PSC approved modifications to Rate RSE and other commitments designed to position Alabama Power to address the growing pressure on its credit quality resulting from the Tax Reform Legislation, without increasing retail rates under Rate RSE in the near term. Alabama Power plans to reduce growth in total debt by increasing equity, with corresponding reductions in debt issuances, thereby de-leveraging its capital structure. Alabama Power's goal is to achieve an equity ratio of approximately 55% by the end of 2025. At December 31, 2018, Alabama Power's equity ratio was approximately 47%.

The approved modifications to Rate RSE began for billings in January 2019. The modifications include reducing the top of the allowed WCER range from 6.21% to 6.15% and modifications to the refund mechanism applicable to prior year actual results. The modifications to the refund mechanism allow Alabama Power to retain a portion of the revenue that causes the actual WCER for a given year to exceed the allowed range.

Generally, if Alabama Power's actual WCER is between 6.15% and 7.65%, customers will receive 25% of the amount between 6.15% and 6.65%, 40% of the amount between 6.65% and 7.15%, and 75% of the amount between 7.15% and 7.65%. Customers will receive all amounts in excess of an actual WCER of 7.65%.

In conjunction with these modifications to Rate RSE, on May 8, 2018, Alabama Power consented to a moratorium on any upward adjustments under Rate RSE for 2019 and 2020 and will also return $50 million to customers through bill credits in 2019.

On November 30, 2018, Alabama Power made its required annual Rate RSE submission to the Alabama PSC of projected data for calendar year 2019. Projected earnings were within the specified range; therefore, retail rates under Rate RSE remain unchanged for 2019.

At December 31, 2018, Alabama Power's retail return exceeded the allowed WCER range, which resulted in Alabama Power establishing a regulatory liability of $109 million for Rate RSE refunds. In accordance with an Alabama PSC order issued on February 5, 2019, Alabama Power will apply $75 million to reduce the Rate ECR under recovered balance and the remaining $34 million will be refunded to customers through bill credits in July through September 2019.

Rate CNP PPA

Alabama Power's retail rates, approved by the Alabama PSC, provide for adjustments under Rate CNP to recognize the placing of new generating facilities into retail service. Alabama Power may also recover retail costs associated with certificated PPAs under Rate CNP PPA. No adjustments to Rate CNP PPA occurred during the period 2016 through 2018 and no adjustment is expected in 2019.

In accordance with an accounting order issued in February 2017 by the Alabama PSC, Alabama Power reclassified $69 million of the December 31, 2016 Rate CNP PPA under recovered balance to a separate regulatory asset. The amortization of the new regulatory asset through Rate RSE will begin concurrently with the effective date of Alabama Power's next depreciation study, which is expected to occur no later than 2022.

Rate CNP Compliance

Rate CNP Compliance allows for the recovery of Alabama Power's retail costs associated with laws, regulations, and other such mandates directed at the utility industry involving the environment, security, reliability, safety, sustainability, or similar considerations impacting Alabama Power's facilities or operations. Rate CNP Compliance is based on forward-looking information and provides for the recovery of these costs pursuant to a factor that is calculated annually. Compliance costs to be recovered include operations and maintenance expenses, depreciation, and a return on certain invested capital. Revenues for Rate CNP Compliance, as recorded on the financial statements, are adjusted for differences in actual recoverable costs and amounts billed in current regulated rates. Accordingly, changes in the billing factor will have no significant effect on revenues or net income, but will affect annual cash flow. Changes in Rate CNP Compliance-related operations and maintenance expenses and depreciation generally will have no effect on net income.

In accordance with an accounting order issued in February 2017 by the Alabama PSC, Alabama Power reclassified $36 million of its under recovered balance in Rate CNP Compliance to a separate regulatory asset. The amortization of the new regulatory asset through Rate RSE will begin concurrently with the effective date of Alabama Power's next depreciation study, which is expected to occur no later than 2022.

On November 30, 2018, Alabama Power submitted calculations associated with its cost of complying with environmental mandates, as provided under Rate CNP Compliance. The filing reflected a projected unrecovered retail revenue requirement for environmental compliance of approximately $205 million, which is being recovered in the billing months of January 2019 through December 2019.

Tax Reform Accounting Order

On May 1, 2018, the Alabama PSC approved an accounting order that authorized Alabama Power to defer the benefits of federal excess deferred income taxes associated with the Tax Reform Legislation for the year ended December 31, 2018 as a regulatory liability and to use up to $30 million of such deferrals to offset under recovered amounts under Rate ECR. The estimated deferrals for the year ended December 31, 2018 totaled approximately $63 million, subject to adjustment following the filing of the 2018 tax return, of which $30 million was used to offset the Rate ECR under recovered balance and $33 million is recorded in other regulatory liabilities, deferred on the balance sheet to be used for the benefit of customers as determined by the Alabama PSC at a future date. See Note 10 to the financial statements under "Current and Deferred Income Taxes" for additional information.

Environmental Accounting Order

Based on an order from the Alabama PSC (Environmental Accounting Order), Alabama Power is allowed to establish a regulatory asset to record the unrecovered investment costs, including the unrecovered plant asset balance and the unrecovered costs associated with site removal and closure associated with future unit retirements caused by environmental regulations. The regulatory asset is being amortized and recovered over the affected unit's remaining useful life, as established prior to the decision regarding early retirement through Rate CNP Compliance. At December 31, 2018, this regulatory asset had a balance of $42 million. See "Environmental Matters – Environmental Laws and Regulations" herein for additional information regarding environmental regulations.

Subsequent to December 31, 2018, Alabama Power determined that Plant Gorgas Units 8, 9, and 10 (approximately 1,000 MWs) will be retired by April 15, 2019 due to the expected costs of compliance with federal and state environmental regulations. In accordance with the Environmental Accounting Order, approximately $740 million of net investment costs will be transferred to a regulatory asset at the retirement date and recovered over the affected units' remaining useful lives, as established prior to the decision to retire.

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. Georgia Power is scheduled to file a base rate case by July 1, 2019, which may continue or modify these tariffs. In addition, financing costs on certified construction costs of Plant Vogtle Units 3 and 4 are being collected through the NCCR tariff and fuel costs are collected through a separate fuel cost recovery tariff. See Note 2 to the financial statements under "Georgia Power" for additional information.

Rate Plans

Pursuant to the terms and conditions of a settlement agreement related to Southern Company's acquisition of Southern Company Gas approved by the Georgia PSC in 2016, the 2013 ARP will continue in effect until December 31, 2019, and Georgia Power will be required to file its next base rate case by July 1, 2019. Furthermore, through December 31, 2019, Georgia Power will retain its merger savings, net of transition costs, as defined in the settlement agreement; through December 31, 2022, such net merger savings will be shared on a 60/40 basis with customers; thereafter, all merger savings will be retained by customers. See Note 15 to the financial statements under "Southern Company Merger with Southern Company Gas" for additional information regarding the Merger.

There were no changes to Georgia Power's traditional base tariff rates, ECCR tariff, DSM tariffs, or MFF tariff in 2017 or 2018.

Under the 2013 ARP, Georgia Power's retail ROE is set at 10.95% and earnings are evaluated against a retail ROE range of 10.00% to 12.00%. Two-thirds of any earnings above 12.00% will be directly refunded to customers, with the remaining one-third retained by Georgia Power. There will be no recovery of any earnings shortfall below 10.00% on an actual basis. In 2016, Georgia Power's retail ROE exceeded 12.00%, and Georgia Power refunded to retail customers in 2018 approximately $40 million as approved by the Georgia PSC. On February 5, 2019, the Georgia PSC approved a settlement between Georgia Power and the staff of the Georgia PSC under which Georgia Power's retail ROE for 2017 was stipulated to exceed 12.00% and Georgia Power will reduce certain regulatory assets by approximately $4 million in lieu of providing refunds to retail customers. In 2018, Georgia Power's retail ROE exceeded 12.00%, and Georgia Power accrued approximately $100 million to refund to retail customers, subject to review and approval by the Georgia PSC.

On April 3, 2018, the Georgia PSC approved the Georgia Power Tax Reform Settlement Agreement. Pursuant to the Georgia Power Tax Reform Settlement Agreement, to reflect the federal income tax rate reduction impact of the Tax Reform Legislation, Georgia Power will refund to customers a total of $330 million through bill credits. Georgia Power issued bill credits of approximately $130 million in 2018 and will issue bill credits of approximately $95 million in June 2019 and $105 million in February 2020. In addition, Georgia Power is deferring as a regulatory liability (i) the revenue equivalent of the tax expense reduction resulting from legislation lowering the Georgia state income tax rate from 6.00% to 5.75% in 2019 and (ii) the entire benefit of federal and state excess accumulated deferred income taxes, which is expected to total approximately $700 million at December 31, 2019. At December 31, 2018, the related regulatory liability balance totaled $610 million. The amortization of these regulatory liabilities is expected to be addressed in the Georgia Power 2019 Base Rate Case. If there is not a base rate case in 2019, customers will receive $185 million in annual bill credits beginning in 2020, with any additional federal and state income tax savings deferred as a regulatory liability, until Georgia Power's next base rate case.

To address some of the negative cash flow and credit quality impacts of the Tax Reform Legislation, the Georgia PSC also approved an increase in Georgia Power's retail equity ratio to the lower of (i) Georgia Power's actual common equity weight in its capital structure or (ii) 55%, until the Georgia Power 2019 Base Rate Case. At December 31, 2018, Georgia Power's actual retail common equity ratio (on a 13-month average basis) was approximately 55%. Benefits from reduced federal income tax rates in excess of the amounts refunded to customers will be retained by Georgia Power to cover the carrying costs of the incremental equity in 2018 and 2019.

Integrated Resource Plan

See "Environmental Matters" herein for additional information regarding proposed and final EPA rules and regulations, including revisions to ELG for steam electric power plants and additional regulations of CCR and CO_2.

In 2016, the Georgia PSC approved Georgia Power's triennial Integrated Resource Plan (2016 IRP) including the reclassification of the remaining net book value of Plant Mitchell Unit 3 and costs associated with materials and supplies remaining at the unit retirement date to a regulatory asset. Recovery of the unit's net book value will continue through December 31, 2019, as provided in the 2013 ARP. The timing of the recovery of the remaining balance of the unit's net book value as of December 31, 2019 and costs associated with materials and supplies remaining at the unit retirement date was deferred for consideration in the Georgia Power 2019 Base Rate Case.

In the 2016 IRP, the Georgia PSC also approved recovery of costs up to $99 million through June 30, 2019 to preserve nuclear generation as an option at a future generation site in Stewart County, Georgia. In March 2017, the Georgia PSC approved Georgia Power's decision to suspend work at the site due to changing economics, including lower load forecasts and fuel costs. The timing of recovery for costs incurred of approximately $50 million is expected to be determined by the Georgia PSC in the Georgia Power 2019 Base Rate Case.

On January 31, 2019, Georgia Power filed its triennial IRP (2019 IRP). The filing includes a request to decertify and retire Plant Hammond Units 1 through 4 (840 MWs) and Plant McIntosh Unit 1 (142.5 MWs) upon approval of the 2019 IRP.

In the 2019 IRP, Georgia Power requested approval to reclassify the remaining net book value of Plant Hammond Units 1 through 4 (approximately $520 million at December 31, 2018) upon retirement to a regulatory asset to be amortized ratably over a period equal to the applicable unit's remaining useful life through 2035. For Plant McIntosh Unit 1, Georgia Power requested approval to reclassify the remaining net book value (approximately $40 million at December 31, 2018) upon retirement to a regulatory asset to be amortized over a three-year period to be determined in the Georgia Power 2019 Base Rate Case. Georgia Power also requested approval to reclassify any unusable material and supplies inventory balances remaining at the applicable unit's retirement date to a regulatory asset for recovery over a period to be determined in the Georgia Power 2019 Base Rate Case.

The 2019 IRP also includes a request to certify approximately 25 MWs of capacity at Plant Scherer Unit 3 for the retail jurisdiction beginning January 1, 2020, following the expiration of a wholesale PPA.

The 2019 IRP also includes details regarding ARO costs associated with ash pond and landfill closures and post-closure care. Georgia Power requested the timing and rate of recovery of these costs be determined by the Georgia PSC in the Georgia Power 2019 Base Rate Case. See "Environmental Matters – Environmental Laws and Regulations – Coal Combustion Residuals" and FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein and Note 6 to the financial statements for additional information regarding Georgia Power's AROs.

Georgia Power also requested approval to issue two capacity-based requests for proposals (RFP). If approved, the first capacity-based RFP will seek resources that can provide capacity beginning in 2022 or 2023 and the second capacity-based RFP will seek resources that can provide capacity beginning in 2026, 2027, or 2028. Additionally, the 2019 IRP includes a request to procure an additional 1,000 MWs of renewable resources through a competitive bidding process. Georgia Power also proposed to invest in a portfolio of up to 50 MWs of battery energy storage technologies.

A decision from the Georgia PSC on the 2019 IRP is expected in mid-2019.

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

Storm Damage Recovery

Georgia Power is accruing $30 million annually through December 31, 2019, as provided in the 2013 ARP, for incremental operations and maintenance costs of damage from major storms to its transmission and distribution facilities. At December 31, 2018, the total balance in the regulatory asset related to storm damage was $416 million. During October 2018, Hurricane Michael caused significant damage to Georgia Power's transmission and distribution facilities. The incremental restoration costs related to this hurricane deferred in the regulatory asset for storm damage totaled approximately $115 million. Hurricanes Irma and Matthew also caused significant damage to Georgia Power's transmission and distribution facilities during September 2017 and October 2016, respectively. The incremental restoration costs related to Hurricanes Irma and Matthew deferred in Georgia Power's regulatory asset for storm damage totaled approximately $250 million. The rate of storm damage cost recovery is expected to be adjusted as part of the Georgia Power 2019 Base Rate Case and further adjusted in future regulatory proceedings as necessary. The ultimate outcome of this matter cannot be determined at this time. See Note 2 to the financial statements under "Georgia Power – Storm Damage Recovery" for additional information regarding Georgia Power's storm damage reserve.

Mississippi Power

Mississippi Power's retail base rates generally are set under the PEP, a rate plan approved by the Mississippi PSC. Two filings are made for each calendar year: the PEP projected filing, which is typically filed prior to the beginning of the year based on a projected revenue requirement, and the PEP lookback filing, which is filed after the end of the year and allows for review of the actual revenue requirement compared to the projected filing.

On February 7, 2018, Mississippi Power revised its annual projected PEP filing for 2018 to reflect the impacts of the Tax Reform Legislation. The revised filing requested an increase of $26 million in annual revenues, based on a performance adjusted ROE of 9.33% and an increased equity ratio of 55%. On July 27, 2018, Mississippi Power and the MPUS entered into a settlement agreement with respect to the 2018 PEP filing and all unresolved PEP filings for prior years (PEP Settlement Agreement), which was approved by the Mississippi PSC on August 7, 2018. Rates under the PEP Settlement Agreement became effective with the first billing cycle of September 2018. The PEP Settlement Agreement provides for an increase of approximately $21.6 million in annual base retail revenues, which excludes certain compensation costs contested by the MPUS, as well as approximately $2 million which was subsequently approved for recovery through Mississippi Power's 2018 Energy Efficiency Cost Rider.

Pursuant to the PEP Settlement Agreement, Mississippi Power's performance-adjusted allowed ROE is 9.31% and its allowed equity ratio is capped at 51%, pending further review by the Mississippi PSC. In lieu of the requested equity ratio increase, Mississippi Power retained $44 million of excess accumulated deferred income taxes resulting from the Tax Reform Legislation until the conclusion of Mississippi Power's next base rate case, which is scheduled to be filed in the fourth quarter 2019 (Mississippi Power 2019 Base Rate Case). Further, Mississippi Power agreed to seek equity contributions sufficient to restore its equity ratio to 50% by December 31, 2018.

Pursuant to the PEP Settlement Agreement, PEP proceedings are suspended until after the conclusion of the Mississippi Power 2019 Base Rate Case and Mississippi Power is not required to make any PEP filings for regulatory years 2018, 2019, and 2020. The PEP Settlement Agreement also resolved all open PEP filings with no change to customer rates.

Kemper County Energy Facility

In 2018, Mississippi Power recorded pre-tax charges to income of $37 million ($27 million after tax), primarily resulting from the abandonment and related closure activities and ongoing period costs, net of sales proceeds, for the mine and gasifier-related assets at the Kemper County energy facility. In addition, Mississippi Power recorded a credit to earnings of $95 million in the fourth quarter 2018 primarily resulting from the reduction of a valuation allowance for a state income tax net operating loss (NOL) carryforward associated with the Kemper County energy facility. Additional closure costs for the mine and gasifier-related assets, currently estimated at up to $10 million pre-tax (excluding salvage, net of dismantlement costs), may be incurred through the first half of 2020. In addition, period costs, including, but not limited to, costs for compliance and safety, ARO accretion, and property taxes for the mine and gasifier-related assets, are estimated to total $11 million in 2019 and $2 million to $4 million annually in

2020 through 2023. Mississippi Power is currently evaluating its options regarding the final disposition of the CO_2 pipeline, including removal of the pipeline. This evaluation is expected to be complete later in 2019. If Mississippi Power ultimately decides to remove the CO_2 pipeline, the cost of removal could have a material impact on Southern Company's financial statements. The ultimate outcome of these matters cannot be determined at this time.

The combined cycle and associated common facilities portions of the Kemper County energy facility were dedicated as Plant Ratcliffe on April 27, 2018.

For additional information on the Kemper County energy facility, see Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility."

Reserve Margin Plan

On August 6, 2018, Mississippi Power filed its proposed Reserve Margin Plan (RMP), as required by the Mississippi PSC's order in the docket established for the purposes of pursuing a global settlement of the costs related to the Kemper County energy facility. Under the RMP, Mississippi Power proposed alternatives that would reduce its reserve margin, with the most economic of the alternatives being the two-year and seven-year acceleration of the retirement of Plant Watson Units 4 and 5, respectively, to the first quarter 2022 and the four-year acceleration of the retirement of Plant Greene County Units 1 and 2 to the third quarter 2021 and the third quarter 2022, respectively, in order to lower or avoid operating costs. The Plant Greene County unit retirements would require the completion by Alabama Power of proposed transmission and system reliability improvements, as well as agreement by Alabama Power. The RMP filing also states that, in the event the Mississippi PSC ultimately approves an alternative that includes an accelerated retirement, Mississippi Power would require authorization to defer in a regulatory asset for future recovery the remaining net book value of the units at the time of retirement. A decision by the Mississippi PSC that does not include recovery of the remaining book value of any generating units retired could have a material impact on Southern Company's financial statements. The ultimate outcome of this matter cannot be determined at this time.

Government Grants

In 2010, the DOE, through a cooperative agreement with SCS, agreed to fund $270 million of the Kemper County energy facility through the grants awarded to the project by the DOE under the Clean Coal Power Initiative Round 2. Through December 31, 2018, Mississippi Power received total DOE grants of $387 million, of which $382 million reduced the construction costs of the Kemper County energy facility and $5 million reimbursed Mississippi Power for expenses associated with DOE reporting. On December 12, 2018, Mississippi Power filed with the DOE its request for property closeout certification under the contract related to the grants received. Mississippi Power and the DOE are currently in discussions regarding the requested closeout and property disposition, which may require payment to the DOE for a portion of certain property that is to be retained by Mississippi Power. The ultimate outcome of this matter cannot be determined at this time; however, it could have a significant impact on Southern Company's financial statements.

Southern Company Gas

The natural gas distribution utilities are subject to regulation and oversight by their respective state regulatory agencies for the rates charged to their customers and other matters.

The natural gas market for Atlanta Gas Light was deregulated in 1997. Accordingly, Marketers, rather than a traditional utility, sell natural gas to end-use customers in Georgia and handle customer billing functions. Atlanta Gas Light earns revenue for its distribution services by charging rates to its customers based primarily on monthly fixed charges that are set by the Georgia PSC and adjusted periodically.

With the exception of Atlanta Gas Light, the natural gas distribution utilities are authorized by the relevant regulatory agencies in the states in which they serve to use natural gas cost recovery mechanisms that adjust rates to reflect changes in the wholesale cost of natural gas and ensure recovery of all costs prudently incurred in purchasing natural gas for customers. Natural gas cost recovery revenues are adjusted for differences in actual recoverable natural gas costs and amounts billed in current regulated rates. Changes in the billing factor will not have a significant effect on revenues or net income, but will affect cash flows. In addition to natural gas cost recovery mechanisms, there are other cost recovery mechanisms, such as regulatory riders, which vary by utility but allow recovery of certain costs, such as those related to infrastructure replacement programs, as well as environmental remediation and energy efficiency plans. See Note 1 to the financial statements under "Cost of Natural Gas" for additional information.

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Infrastructure Replacement Programs and Capital Projects
In addition to capital expenditures recovered through base rates by each of the natural gas distribution utilities, Nicor Gas and Virginia Natural Gas have separate rate riders that provide timely recovery of capital expenditures for specific infrastructure replacement programs. These infrastructure replacement programs and capital projects are risk-based and designed to update and replace cast iron, bare steel, and mid-vintage plastic materials or expand the natural gas distribution systems to improve reliability and meet operational flexibility and growth. The total expected investment under the infrastructure replacement programs for 2019 is $408 million. See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" for additional information.
Rate Proceedings
On February 23, 2018, Atlanta Gas Light revised its annual base rate filing to reflect the impacts of the Tax Reform Legislation and requested a $16 million rate reduction in 2018. On May 15, 2018, the Georgia PSC approved a stipulation for Atlanta Gas Light's annual base rates to remain at the 2017 level for 2018 and 2019, with customer credits of $8 million in each of July 2018 and October 2018 to reflect the impacts of the Tax Reform Legislation. The Georgia PSC maintained Atlanta Gas Light's previously authorized earnings band based on a ROE between 10.55% and 10.95% and increased the allowed equity ratio by 4% to an equity ratio of 55% to address the negative cash flow and credit metric impacts of the Tax Reform Legislation. Additionally, Atlanta Gas Light is required to file a traditional base rate case on or before June 1, 2019 for rates effective January 1, 2020.
On January 31, 2018, the Illinois Commission approved a $137 million increase in Nicor Gas' annual base rate revenues, including $93 million related to the recovery of investments under Nicor Gas' infrastructure program, effective February 8, 2018, based on a ROE of 9.8%.
On May 2, 2018, the Illinois Commission approved Nicor Gas' rehearing request for revised base rates to incorporate the reduction in the federal income tax rate as a result of the Tax Reform Legislation. The resulting decrease of approximately $44 million in annual base rate revenues became effective May 5, 2018. Nicor Gas' previously-authorized capital structure and ROE of 9.80% were not addressed in the rehearing and remain unchanged.
On November 9, 2018, Nicor Gas filed a general base rate case with the Illinois Commission requesting a $230 million increase in annual base rate revenues. The requested increase is based on a projected test year for the 12-month period ending September 30, 2020, a ROE of 10.6%, and an increase in the equity ratio from 52.0% to 54.0% to address the negative cash flow and credit metric impacts of the Tax Reform Legislation. The Illinois Commission is expected to rule on the requested increase within the 11-month statutory time limit, after which rate adjustments will be effective. The ultimate outcome of this matter cannot be determined at this time.
Fuel Cost Recovery
The traditional electric 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 electric operating companies continuously monitor their under or over recovered fuel cost balances and make appropriate filings with their state PSCs to adjust fuel cost recovery rates as necessary.
See Note 1 to the financial statements under "Revenues" and Note 2 to the financial statements under "Alabama Power – Rate ECR," "Georgia Power – Fuel Cost Recovery," and "Mississippi Power – Fuel Cost Recovery" for additional information.
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 electric generating facilities, adding environmental modifications to certain existing units, expanding and improving the electric transmission and distribution systems, and updating and expanding the natural gas distribution systems. For the traditional electric 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. Southern Company Gas is engaged in various infrastructure improvement programs designed to update or expand the natural gas distribution systems of the natural gas distribution utilities to improve reliability and meet operational flexibility and growth. The natural gas distribution utilities recover their investment and a return associated with these infrastructure programs through their regulated rates. See Note 15 to the financial statements under "Southern Power" for additional information about costs relating to Southern Power's acquisitions that involve construction of renewable energy facilities and Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement

Programs and Capital Projects" for additional information regarding infrastructure improvement programs at the natural gas distribution utilities.

The Southern Company system's construction program is currently estimated to total approximately $8.0 billion, $7.7 billion, $6.7 billion, $6.3 billion, and $6.0 billion for 2019, 2020, 2021, 2022, and 2023, respectively. The largest construction project currently underway in the Southern Company system is Plant Vogtle Units 3 and 4 (45.7% ownership interest by Georgia Power in the two units, each with approximately 1,100 MWs). See FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein for additional information regarding Southern Company's capital requirements for its subsidiaries' construction programs.

Nuclear Construction

In 2009, the Georgia PSC certified construction of Plant Vogtle Units 3 and 4. Georgia Power holds a 45.7% ownership interest in Plant Vogtle Units 3 and 4. In 2012, the NRC issued the related combined construction and operating licenses, which allowed full construction of the two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities to begin. Until March 2017, construction on Plant Vogtle Units 3 and 4 continued under the Vogtle 3 and 4 Agreement, which was a substantially fixed price agreement. In March 2017, the EPC Contractor filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code.

In connection with the EPC Contractor's bankruptcy filing, Georgia Power, acting for itself and as agent for the Vogtle Owners, entered into the Interim Assessment Agreement with the EPC Contractor to allow construction to continue. The Interim Assessment Agreement expired in July 2017 when Georgia Power, acting for itself and as agent for the other Vogtle Owners, and the EPC Contractor entered into the Vogtle Services Agreement. Under the Vogtle Services Agreement, Westinghouse provides facility design and engineering services, procurement and technical support, and staff augmentation on a time and materials cost basis. The Vogtle Services Agreement provides that it will continue until the start-up and testing of Plant Vogtle Units 3 and 4 are complete and electricity is generated and sold from both units. The Vogtle Services Agreement is terminable by the Vogtle Owners upon 30 days' written notice.

In October 2017, Georgia Power, acting for itself and as agent for the other Vogtle Owners, executed the Bechtel Agreement, a cost reimbursable plus fee arrangement, whereby Bechtel is reimbursed for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel's performance against cost and schedule targets. Each Vogtle Owner is severally (not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to Bechtel under the Bechtel Agreement. The Vogtle Owners may terminate the Bechtel Agreement at any time for their convenience, provided that the Vogtle Owners will be required to pay amounts related to work performed prior to the termination (including the applicable portion of the base fee), certain termination-related costs, and, at certain stages of the work, the applicable portion of the at-risk fee. Bechtel may terminate the Bechtel Agreement under certain circumstances, including certain Vogtle Owner suspensions of work, certain breaches of the Bechtel Agreement by the Vogtle Owners, Vogtle Owner insolvency, and certain other events. Pursuant to the Loan Guarantee Agreement between Georgia Power and the DOE, Georgia Power is required to obtain the DOE's approval of the Bechtel Agreement prior to obtaining any further advances under the Loan Guarantee Agreement.

Cost and Schedule

Georgia Power's approximate proportionate share of the remaining estimated capital cost to complete Plant Vogtle Units 3 and 4 by the expected in-service dates of November 2021 and November 2022, respectively, is as follows:

	(in billions)
Base project capital cost forecast[(a)(b)]	$ 8.0
Construction contingency estimate	0.4
Total project capital cost forecast[(a)(b)]	8.4
Net investment as of December 31, 2018[(b)]	(4.6)
Remaining estimate to complete[(a)]	$ 3.8

(a) Excludes financing costs expected to be capitalized through AFUDC of approximately $315 million.

(b) Net of $1.7 billion received from Toshiba under the Guarantee Settlement Agreement and approximately $188 million in related Customer Refunds.

Georgia Power estimates that its financing costs for construction of Plant Vogtle Units 3 and 4 will total approximately $3.1 billion, of which $1.9 billion had been incurred through December 31, 2018.

As construction continues, challenges with management of contractors, subcontractors, and vendors; labor productivity, availability, and/or cost escalation; procurement, fabrication, delivery, assembly, and/or installation and testing, including any required engineering changes, of plant systems, structures, and components (some of which are based on new technology that only recently began initial operation in the global nuclear industry at this scale); or other issues could arise and change the projected schedule and estimated cost. Monthly construction production targets required to maintain the current project schedule will continue to increase significantly throughout 2019. To meet these increasing monthly targets, existing craft construction productivity must improve and additional craft laborers must be retained and deployed.

Georgia Power and Southern Nuclear believe it is a leading practice in connection with a construction project of this size and complexity to periodically validate recent construction progress in comparison to the projected schedule and to verify and update quantities of commodities remaining to install, labor productivity, and forecasted staffing needs. This verification process, led by Southern Nuclear, was underway as of December 31, 2018 and is expected to be completed during the second quarter 2019. Georgia Power currently does not anticipate any material changes to the total estimated project capital cost forecast for Plant Vogtle Units 3 and 4 or the expected in-service dates of November 2021 and November 2022, respectively, resulting from this verification process. However, the ultimate impact on cost and schedule, if any, will not be known until the verification process is completed. Georgia Power is required to report the results and any project impacts to the Georgia PSC by May 15, 2019.

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. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, 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 matters, including the timely resolution of ITAAC and the related approvals by the NRC, may arise, 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.

The ultimate outcome of these matters cannot be determined at this time. However, any extension of the project schedule is currently estimated to result in additional base capital costs of approximately $50 million per month, based on Georgia Power's ownership interests, and AFUDC of approximately $12 million per month. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Joint Owner Contracts

In November 2017, the Vogtle Owners entered into an amendment to their joint ownership agreements for Plant Vogtle Units 3 and 4 to provide for, among other conditions, additional Vogtle Owner approval requirements. Effective August 31, 2018, the Vogtle Owners further amended the joint ownership agreements to clarify and provide procedures for certain provisions of the joint ownership agreements related to adverse events that require the vote of the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 to continue construction (as amended, and together with the November 2017 amendment, the Vogtle Joint Ownership Agreements). The Vogtle Joint Ownership Agreements also confirm that the Vogtle Owners' sole recourse against Georgia Power or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Owners is limited to removal of Georgia Power and/or Southern Nuclear as agent, except in cases of willful misconduct.

As a result of the increase in the total project capital cost forecast and Georgia Power's decision not to seek rate recovery of the increase in the base capital costs as described below, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 were required to vote to continue construction. On September 26, 2018, the Vogtle Owners unanimously voted to continue construction of Plant Vogtle Units 3 and 4.

Amendments to the Vogtle Joint Ownership Agreements

In connection with the vote to continue construction, Georgia Power entered into (i) the Vogtle Owner Term Sheet with the other Vogtle Owners and MEAG's wholly-owned subsidiaries MEAG SPVJ, MEAG Power SPVM, LLC (MEAG SPVM), and MEAG Power SPVP, LLC (MEAG SPVP) to take certain actions which partially mitigate potential financial exposure for the other Vogtle Owners, including additional amendments to the Vogtle Joint Ownership Agreements and the purchase of PTCs from the other Vogtle Owners, and (ii) the MEAG Term Sheet with MEAG and MEAG SPVJ to provide funding with respect to MEAG SPVJ's ownership interest in Plant Vogtle Units 3 and 4 (Project J) under certain circumstances. On January 14, 2019, Georgia Power, MEAG, and MEAG SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet (MEAG Funding Agreement). On February 18, 2019, Georgia Power, the other Vogtle Owners, and MEAG's wholly-owned subsidiaries MEAG SPVJ, MEAG SPVM, and MEAG SPVP entered into certain amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, the Vogtle Joint Ownership Agreements were modified as follows: (i) each Vogtle Owner must pay its proportionate share of qualifying construction costs for Plant Vogtle Units 3 and 4 based on its ownership percentage up to the estimated cost at completion (EAC) for Plant Vogtle Units 3 and 4 which formed the basis of Georgia Power's forecast of $8.4 billion in the nineteenth VCM plus $800 million; (ii) Georgia Power will be responsible for 55.7% of actual qualifying construction costs between $800 million and $1.6 billion over the EAC in the nineteenth VCM (resulting in $80 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 44.3% of such costs pro rata in accordance with their respective ownership interests; and (iii) Georgia Power will be responsible for 65.7% of qualifying construction costs between $1.6 billion and $2.1 billion over the EAC in the nineteenth VCM (resulting in a further $100 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 34.3% of such costs pro rata in accordance with their respective ownership interests.

If the EAC is revised and exceeds the EAC in the nineteenth VCM by more than $2.1 billion, each of the other Vogtle Owners will have a one-time option at the time the project budget forecast is so revised to tender a portion of its ownership interest to Georgia Power in exchange for Georgia Power's agreement to pay 100% of such Vogtle Owner's remaining share of total construction costs in excess of the EAC in the nineteenth VCM plus $2.1 billion. In this event, Georgia Power will have the option of cancelling the project in lieu of purchasing a portion of the ownership interest of any other Vogtle Owner. If Georgia Power accepts the offer to purchase a portion of another Vogtle Owner's ownership interest in Plant Vogtle Units 3 and 4, the ownership interest(s) to be conveyed from the tendering Vogtle Owner(s) to Georgia Power will be calculated based on the proportion of the cumulative amount of construction costs paid by each such tendering Vogtle Owner(s) and by Georgia Power as of the COD of Plant Vogtle Unit 4. For purposes of this calculation, payments made by Georgia Power on behalf of another Vogtle Owner in accordance with the second and third items described in the paragraph above will be treated as payments made by the applicable Vogtle Owner.

In the event the actual costs of construction at completion of a Unit are less than the EAC reflected in the nineteenth VCM report and such Unit is placed in service in accordance with the schedule projected in the nineteenth VCM report (i.e., Plant Vogtle Unit 3 is placed in service by November 2021 or Plant Vogtle Unit 4 is placed in service by November 2022), Georgia Power will be entitled to 60.7% of the cost savings with respect to the relevant Unit and the remaining Vogtle Owners will be entitled to 39.3% of such savings on a pro rata basis in accordance with their respective ownership interests.

For purposes of the foregoing provisions, qualifying construction costs will not include costs (i) resulting from force majeure events, including governmental actions or inactions (or significant delays associated with issuance of such actions) that affect the licensing, completion, start-up, operations, or financing of Plant Vogtle Units 3 and 4, administrative proceedings or litigation regarding ITAAC or other regulatory challenges to commencement of operation of Plant Vogtle Units 3 and 4, and changes in laws or regulations governing Plant Vogtle Units 3 and 4, (ii) legal fees and legal expenses incurred due to litigation with contractors or subcontractors that are not subsidiaries or affiliates of Southern Company, and (iii) additional costs caused by requests from the Vogtle Owners other than Georgia Power, except for the exercise of a right to vote granted under the Vogtle Joint Ownership Agreements, that increase costs by $100,000 or more.

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, the provisions of the Vogtle Joint Ownership Agreements requiring that Vogtle Owners holding 90% of the ownership interests in Plant Vogtle Units 3 and 4 vote to continue construction following certain adverse events (Project Adverse Events) were modified. Pursuant to the Global Amendments, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain Project Adverse Events occur, including: (i) the bankruptcy of Toshiba; (ii) the termination or rejection in bankruptcy of certain agreements, including the Vogtle Services Agreement, the Bechtel Agreement, or the agency agreement with Southern Nuclear; (iii) Georgia Power publicly announces its intention not to submit for rate recovery any portion of its investment in Plant Vogtle Units 3 and 4 or the Georgia PSC determines that any of Georgia Power's costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates, excluding any additional amounts paid by Georgia Power on behalf of the other Vogtle Owners pursuant to the Global Amendments described above and the first 6% of costs during any six-month VCM reporting period that are disallowed by the Georgia PSC for recovery, or for which Georgia Power elects not to seek cost recovery, through retail rates; and (iv) an incremental extension of one year or more over the most recently approved schedule. Under the Global Amendments, Georgia Power may cancel the project at any time in its sole discretion.

In addition, pursuant to the Vogtle Joint Ownership Agreements, the required approval of holders of ownership interests in Plant Vogtle Units 3 and 4 is at least (i) 90% for a change of the primary construction contractor and (ii) 67% for material amendments to the Vogtle Services Agreement or agreements with Southern Nuclear or the primary construction contractor, including the Bechtel Agreement.

The Global Amendments provide that if the holders of at least 90% of the ownership interests fail to vote in favor of continuing the project following any future Project Adverse Event, work on Plant Vogtle Units 3 and 4 will continue for a period of 30 days if the holders of more than 50% of the ownership interests vote in favor of continuing construction (Majority Voting Owners). In such a case, the Vogtle Owners (i) have agreed to negotiate in good faith towards the resumption of the project, (ii) if no agreement is reached during such 30-day period, the project will be cancelled, and (iii) in the event of such a cancellation, the Majority Voting Owners will be obligated to reimburse any other Vogtle Owner for the incremental costs it incurred during such 30-day negotiation period.

Purchase of PTCs During Commercial Operation

Pursuant to the Global Amendments, and consistent with the Vogtle Owner Term Sheet, Georgia Power has agreed to purchase additional PTCs from OPC, Dalton, MEAG SPVM, MEAG SPVP, and MEAG SPVJ (to the extent any MEAG SPVJ PTC rights remain after any purchases required under the MEAG Funding Agreement as described below) at varying purchase prices dependent upon the actual cost to complete construction of Plant Vogtle Units 3 and 4 as compared to the EAC reflected in the nineteenth VCM report. The purchases are at the option of the applicable Vogtle Owner.

Potential Funding to MEAG Project J

Pursuant to the MEAG Funding Agreement, and consistent with the MEAG Term Sheet, if MEAG SPVJ is unable to make its payments due under the Vogtle Joint Ownership Agreements solely as a result of the occurrence of one of the following situations that materially impedes access to capital markets for MEAG for Project J: (i) the conduct of JEA or the City of Jacksonville, such as JEA's legal challenges of its obligations under a PPA with MEAG (PPA-J), or (ii) PPA-J is declared void by a court of competent jurisdiction or rejected by JEA under the applicable provisions of the U.S. Bankruptcy Code (each of (i) and (ii), a JEA Default), at MEAG's request, Georgia Power will purchase from MEAG SPVJ the rights to PTCs attributable to MEAG SPVJ's share of Plant Vogtle Units 3 and 4 (approximately 206 MWs) within 30 days of such request at varying prices dependent upon the stage of construction of Plant Vogtle Units 3 and 4. The aggregate purchase price of the PTCs, together with any advances made as described in the next paragraph, shall not exceed $300 million.

At the option of MEAG, as an alternative or supplement to Georgia Power's purchase of PTCs as described above, Georgia Power has agreed to provide up to $250 million in funding to MEAG for Project J in the form of advances (either advances under the Vogtle Joint Ownership Agreements or the purchase of MEAG Project J bonds, at the discretion of Georgia Power), subject to any required approvals of the Georgia PSC and the DOE.

In the event MEAG SPVJ certifies to Georgia Power that it is unable to fund its obligations under the Vogtle Joint Ownership Agreements as a result of a JEA Default and Georgia Power becomes obligated to provide funding as described above, MEAG is required to (i) assign to Georgia Power its right to vote on any future Project Adverse Event and (ii) diligently pursue JEA for its breach of PPA-J. In addition, Georgia Power agreed that it will not sue MEAG for any amounts due from MEAG SPVJ under MEAG's guarantee of MEAG SPVJ's obligations so long as MEAG SPVJ complies with the terms of the MEAG Funding Agreement as to its payment obligations and the other non-payment provisions of the Vogtle Joint Ownership Agreements.

Under the terms of the MEAG Funding Agreement, Georgia Power may cancel the project in lieu of providing funding in the form of advances or PTC purchases.

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

Regulatory Matters

In 2009, the Georgia PSC voted to certify construction of Plant Vogtle Units 3 and 4 with a certified capital cost of $4.418 billion. In addition, in 2009 the Georgia PSC approved inclusion of the Plant Vogtle Units 3 and 4 related CWIP accounts in rate base, and the State of Georgia enacted the Georgia Nuclear Energy Financing Act, which allows Georgia Power to recover financing costs for Plant Vogtle Units 3 and 4. Financing costs are recovered on all applicable certified costs through annual adjustments to the NCCR tariff up to the certified capital cost of $4.418 billion. At December 31, 2018, Georgia Power had recovered approximately $1.9 billion of financing costs. Financing costs related to capital costs above $4.418 billion will be recovered through AFUDC; however, Georgia Power will not record AFUDC related to any capital costs in excess of the total deemed reasonable by the Georgia PSC (currently $7.3 billion) and not requested for rate recovery. On December 18, 2018, the Georgia PSC approved Georgia Power's request to increase the NCCR tariff by $88 million annually, effective January 1, 2019.

Georgia Power is required to file semi-annual VCM reports with the Georgia PSC by February 28 and August 31 of each year. In 2013, in connection with the eighth VCM report, the Georgia PSC approved a stipulation between Georgia Power and the staff of the Georgia PSC to waive the requirement to amend the Plant Vogtle Units 3 and 4 certificate in accordance with the 2009 certification order until the completion of Plant Vogtle Unit 3, or earlier if deemed appropriate by the Georgia PSC and Georgia Power.

In 2016, the Georgia PSC voted to approve a settlement agreement (Vogtle Cost Settlement Agreement) resolving certain prudency matters in connection with the fifteenth VCM report. In December 2017, the Georgia PSC voted to approve (and issued its related order on January 11, 2018) Georgia Power's seventeenth VCM report, which included a recommendation to continue construction with Southern Nuclear as project manager and Bechtel serving as the primary construction contractor, and modified the Vogtle Cost Settlement Agreement. The Vogtle Cost Settlement Agreement, as modified by the January 11, 2018 order, resolved the following regulatory matters related to Plant Vogtle Units 3 and 4: (i) none of the $3.3 billion of costs incurred through December 31, 2015 and reflected in the fourteenth VCM report should be disallowed from rate base on the basis of imprudence; (ii) the Contractor Settlement Agreement was reasonable and prudent and none of the amounts paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) (a) capital costs incurred up to $5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs, (b) Georgia Power would have the burden to show that any capital costs above $5.68 billion were prudent, and (c) a revised capital cost forecast of $7.3 billion (after reflecting the impact of payments received under the Guarantee Settlement Agreement and related Customer Refunds) was found reasonable; (iv) construction of Plant Vogtle Units 3 and 4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (v) approved and deemed reasonable Georgia Power's revised schedule placing Plant Vogtle Units 3 and 4 in service in November 2021 and November 2022, respectively; (vi) confirmed that the revised cost forecast does not represent a cost cap and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; (vii) reduced the ROE used to calculate the NCCR tariff (a) from 10.95% (the ROE rate setting point authorized by the Georgia PSC in the 2013 ARP) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%, effective January 1, 2020, and (c) from 8.30% to 5.30%, effective January 1, 2021 (provided that the ROE in no case will be less than Georgia Power's average cost of long-term debt); (viii) reduced the ROE used for AFUDC equity for Plant Vogtle Units 3 and 4 from 10.00% to Georgia Power's average cost of long-term debt, effective January 1, 2018; and (ix) agreed that upon Unit 3 reaching commercial operation, retail base rates would be adjusted to include carrying costs on those capital costs deemed prudent in the Vogtle Cost Settlement Agreement. The January 11, 2018 order also stated that if Plant Vogtle Units 3 and 4 are not commercially operational by June 1, 2021 and June 1, 2022, respectively, the ROE used to calculate the NCCR tariff will be further reduced by 10 basis points each month (but not lower than Georgia Power's average cost of long-term debt) until the respective Unit is commercially operational. The ROE reductions negatively impacted earnings by approximately $100 million, $25 million, and $20 million in 2018, 2017, and 2016, respectively, and are estimated to have negative earnings impacts of approximately $75 million in 2019 and an aggregate of approximately $615 million from 2020 to 2022.

In its January 11, 2018 order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

On February 12, 2018, Georgia Interfaith Power & Light, Inc. (GIPL) and Partnership for Southern Equity, Inc. (PSE) filed a petition appealing the Georgia PSC's January 11, 2018 order with the Fulton County Superior Court. On March 8, 2018, Georgia Watch filed a similar appeal to the Fulton County Superior Court for judicial review of the Georgia PSC's decision and denial of Georgia Watch's motion for reconsideration. On December 21, 2018, the Fulton County Superior Court granted Georgia Power's motion to dismiss the two appeals. On January 9, 2019, GIPL, PSE, and Georgia Watch filed an appeal of this decision with the Georgia Court of Appeals. Georgia Power believes the appeal has no merit; however, an adverse outcome in the appeal combined with subsequent adverse action by the Georgia PSC could have a material impact on Southern Company's results of operations, financial condition, and liquidity.

In preparation for its nineteenth VCM filing, Georgia Power requested Southern Nuclear to perform a full cost reforecast for the project. This reforecast, performed prior to the nineteenth VCM filing, resulted in a $0.7 billion increase to the base capital cost forecast reported in the second quarter 2018. This base cost increase primarily resulted from changed assumptions related to the finalization of contract scopes and management responsibilities for Bechtel and over 60 subcontractors, labor productivity rates, and craft labor incentives, as well as the related levels of project management, oversight, and support, including field supervision and engineering support.

Although Georgia Power believes these incremental costs are reasonable and necessary to complete the project and the Georgia PSC's order in the seventeenth VCM proceeding specifically states that the construction of Plant Vogtle Units 3 and 4 is not subject to a cost cap, Georgia Power did not seek rate recovery for these cost increases included in the current base capital cost forecast (or any related financing costs) in the nineteenth VCM report. In connection with future VCM filings, Georgia Power may request the Georgia PSC to evaluate costs currently included in the construction contingency estimate for rate recovery as and when they are appropriately included in the base capital cost forecast. After considering the significant level of uncertainty that exists regarding the future recoverability of costs included in the construction contingency estimate since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in these future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of $1.1 billion ($0.8 billion after tax) in the second quarter 2018, which includes the total increase in the base capital cost forecast and construction contingency estimate.

On August 31, 2018, Georgia Power filed its nineteenth VCM report with the Georgia PSC, which requested approval of $578 million of construction capital costs incurred from January 1, 2018 through June 30, 2018. On February 19, 2019, the Georgia PSC approved the nineteenth VCM, but deferred approval of $51.6 million of expenditures related to Georgia Power's portion of an administrative claim filed in the Westinghouse bankruptcy proceedings. Through the nineteenth VCM, the Georgia PSC has approved total construction capital costs incurred through June 30, 2018 of $5.4 billion (before $1.7 billion of payments received under the Guarantee Settlement Agreement and approximately $188 million in related Customer Refunds). In addition, the staff of the Georgia PSC requested, and Georgia Power agreed, to file its twentieth VCM report concurrently with the twenty-first VCM report by August 31, 2019.

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

DOE Financing

At December 31, 2018, Georgia Power had borrowed $2.6 billion related to Plant Vogtle Units 3 and 4 costs through the Loan Guarantee Agreement and a multi-advance credit facility among Georgia Power, the DOE, and the FFB, which provides for borrowings of up to $3.46 billion, subject to the satisfaction of certain conditions. In September 2017, the DOE issued a conditional commitment to Georgia Power for up to approximately $1.67 billion in additional guaranteed loans under the Loan Guarantee Agreement. In September 2018, the DOE extended the conditional commitment to March 31, 2019. Any further extension must be approved by the DOE. Final approval and issuance of these additional loan guarantees by the DOE cannot be assured and are subject to the negotiation of definitive agreements, completion of due diligence by the DOE, receipt of any necessary regulatory approvals, and satisfaction of other conditions. See Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings" for additional information, including applicable covenants, events of default, mandatory prepayment events (including any decision not to continue construction of Plant Vogtle Units 3 and 4), and conditions to borrowing.

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

Income Tax Matters

Federal Tax Reform Legislation

In December 2017, the Tax Reform Legislation was signed into law and became effective on January 1, 2018. The Tax Reform Legislation, among other things, reduced the federal corporate income tax rate to 21%, retained normalization provisions for public utility property and existing renewable energy incentives, and repealed the corporate alternative minimum tax. In addition, under the Tax Reform Legislation, NOLs generated after December 31, 2017 can no longer be carried back to previous tax years but can be carried forward indefinitely, with utilization limited to 80% of taxable income of the subsequent tax year. The projected reduction of the consolidated income tax liability resulting from the tax rate reduction also delays the expected utilization of existing tax credit carryforwards.

Following the enactment of the Tax Reform Legislation, the SEC staff issued Staff Accounting Bulletin 118 – "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118), which provided for a measurement period of up to one year from the enactment date to complete accounting under GAAP for the tax effects of the legislation. Due to the complex and comprehensive nature of the enacted tax law changes and their application under GAAP, Southern Company considered all amounts recorded in the financial statements as a result of the Tax Reform Legislation "provisional" as discussed in SAB 118 and subject to revision prior to filing its 2017 tax return in the fourth quarter 2018. Southern Company recognized tax benefits of $30 million and $264 million in 2018 and 2017, respectively, for a total net tax benefit of $294 million as a result of the Tax Reform Legislation. In addition, in total, Southern Company recorded a $417 million decrease in regulatory assets and a $6.2 billion increase in regulatory liabilities as a result of the Tax Reform Legislation and $16 million of stranded excess deferred tax balances in AOCI at December 31, 2017 were adjusted through retained earnings in 2018. As of December 31, 2018, Southern Company considered the measurement of impacts from the Tax Reform Legislation on deferred income tax assets and liabilities, primarily

due to the impact of the reduction of the corporate income tax rate, to be complete.
However, the IRS continues to issue regulations that provide further interpretation and guidance on the law and each state's adoption of the provisions contained in the Tax Reform Legislation remains uncertain. In addition, the regulatory treatment of certain impacts of the Tax Reform Legislation is subject to the discretion of the FERC and each state's regulatory commission. The ultimate impact of these matters cannot be determined at this time. See Note 2 to the financial statements for additional information regarding the traditional electric operating companies' and the natural gas distribution utilities' rate filings, including

amounts returned to customers during 2018, to reflect the impacts of the Tax Reform Legislation. Also see FINANCIAL CONDITION AND LIQUIDITY – "Credit Rating Risk" herein and Note 10 to the financial statements under "Current and Deferred Income Taxes" for additional information.

Bonus Depreciation

Under the Tax Reform Legislation, projects with binding contracts prior to September 28, 2017 and placed in service after September 27, 2017 remain eligible for bonus depreciation under the PATH Act. The PATH Act allowed for 50% bonus depreciation for 2015 through 2017, 40% bonus depreciation for 2018, and 30% bonus depreciation for 2019 and certain long-lived assets placed in service in 2020. Based on provisional estimates, bonus depreciation is expected to result in positive cash flows of approximately $300 million for the 2018 tax year and approximately $130 million for the 2019 tax year. The ultimate outcome of this matter cannot be determined at this time.

Tax Credits

The Tax Reform Legislation retained the renewable energy incentives that were included in the PATH Act. The PATH Act allows for 30% ITC for solar projects that commence construction by December 31, 2019; 26% ITC for solar projects that commence construction in 2020; 22% ITC for solar projects that commence construction in 2021; and a permanent 10% ITC for solar projects that commence construction on or after January 1, 2022. In addition, the PATH Act allows for 100% PTC for wind projects that commenced construction in 2016; 80% PTC for wind projects that commenced construction in 2017; 60% PTC for wind projects that commenced construction in 2018 and 40% PTC for wind projects that commence construction in 2019. Wind projects commencing construction after 2019 will not be entitled to any PTCs. Southern Company has received ITCs and PTCs in connection with investments in solar, wind, and biomass facilities primarily at Southern Power and Georgia Power. See Note 1 to the financial statements under "Income Taxes" and Note 10 to the financial statements under "Current and Deferred Income Taxes – Tax Credit Carryforwards" for additional information regarding the utilization and amortization of credits and the tax benefit related to basis differences.

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 laws and regulations governing air, water, land, and protection of other natural resources. Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental laws and regulations, has occurred throughout the U.S. This litigation has included claims for damages alleged to have been caused by CO_2 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 or regulatory matters cannot be predicted at this time; however, for current proceedings not specifically reported herein or in Notes 2 and 3 to the financial statements, 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 Notes 2 and 3 to the financial statements for a discussion of various other contingencies, regulatory matters, and other matters being litigated which may affect future earnings potential.

Litigation

In January 2017, a putative securities class action complaint was filed against Southern Company, certain of its officers, and certain former Mississippi Power officers in the U.S. District Court for the Northern District of Georgia, Atlanta Division, by Monroe County Employees' Retirement System on behalf of all persons who purchased shares of Southern Company's common stock between April 25, 2012 and October 29, 2013. The complaint alleges that Southern Company, certain of its officers, and certain former Mississippi Power officers made materially false and misleading statements regarding the Kemper County energy facility in violation of certain provisions under the Securities Exchange Act of 1934, as amended. The complaint seeks, among other things, compensatory damages and litigation costs and attorneys' fees. In June 2017, the plaintiffs filed an amended complaint that provided additional detail about their claims, increased the purported class period by one day, and added certain other former Mississippi Power officers as defendants. In July 2017, the defendants filed a motion to dismiss the plaintiffs' amended complaint with prejudice, to which the plaintiffs filed an opposition in September 2017. On March 29, 2018, the U.S. District Court for the Northern District of Georgia, Atlanta Division, issued an order granting, in part, the defendants' motion to dismiss. The court dismissed certain claims against certain officers of Southern Company and Mississippi Power and dismissed the allegations related to a number of the statements that plaintiffs challenged as being false or misleading. On April 26, 2018, the defendants filed a motion for reconsideration of the court's order, seeking dismissal of the remaining claims in the lawsuit. On August 10, 2018, the court denied the motion for reconsideration and denied a motion to certify the issue for interlocutory appeal.

In February 2017, Jean Vineyard filed a shareholder derivative lawsuit and, in May 2017, Judy Mesirov filed a shareholder derivative lawsuit, each in the U.S. District Court for the Northern District of Georgia. Each of these lawsuits names as defendants Southern Company, certain of its directors, certain of its officers, and certain former Mississippi Power officers. In August 2017, these two shareholder derivative lawsuits were consolidated in the U.S. District Court for the Northern District of Georgia. The complaints allege that the defendants caused Southern Company to make false or misleading statements regarding the Kemper County energy facility cost and schedule. Further, the complaints allege that the defendants were unjustly enriched and caused the waste of corporate assets and also allege that the individual defendants violated their fiduciary duties. Each plaintiff seeks to recover, on behalf of Southern Company, unspecified actual damages and, on each plaintiff's own behalf, attorneys' fees and costs in bringing the lawsuit. Each plaintiff also seeks certain changes to Southern Company's corporate governance and internal processes. On April 25, 2018, the court entered an order staying this lawsuit until 30 days after the resolution of any dispositive motions or any settlement, whichever is earlier, in the putative securities class action.

In May 2017, Helen E. Piper Survivor's Trust filed a shareholder derivative lawsuit in the Superior Court of Gwinnett County, State of Georgia that names as defendants Southern Company, certain of its directors, certain of its officers, and certain former Mississippi Power officers. The complaint alleges that the individual defendants, among other things, breached their fiduciary duties in connection with schedule delays and cost overruns associated with the construction of the Kemper County energy facility. The complaint further alleges that the individual defendants authorized or failed to correct false and misleading statements regarding the Kemper County energy facility schedule and cost and failed to implement necessary internal controls to prevent harm to Southern Company. The plaintiff seeks to recover, on behalf of Southern Company, unspecified actual damages and disgorgement of profits and, on its behalf, attorneys' fees and costs in bringing the lawsuit. The plaintiff also seeks certain unspecified changes to Southern Company's corporate governance and internal processes. On May 4, 2018, the court entered an order staying this lawsuit until 30 days after the resolution of any dispositive motions or any settlement, whichever is earlier, in the putative securities class action.

On May 18, 2018, Southern Company and Mississippi Power received a notice of dispute and arbitration demand filed by Martin Product Sales, LLC (Martin) based on two agreements, both related to Kemper IGCC byproducts for which Mississippi Power provided termination notices in September 2017. Martin alleges breach of contract, breach of good faith and fair dealing, fraud and misrepresentation, and civil conspiracy and makes a claim for damages in the amount of approximately $143 million, as well as additional unspecified damages, attorney's fees, costs, and interest. In the first quarter 2019, Mississippi Power and Southern Company filed motions to dismiss.

Southern Company believes these legal challenges have no merit; however, an adverse outcome in any of these proceedings could have an impact on Southern Company's results of operations, financial condition, and liquidity. Southern Company will vigorously defend itself in these matters, the ultimate outcome of which cannot be determined at this time.

Investments in Leveraged Leases

A subsidiary of Southern Holdings has several leveraged lease agreements, with original terms ranging up to 45 years, which relate to international and domestic energy generation, distribution, and transportation assets. Southern Company receives federal income tax deductions for depreciation and amortization, as well as interest on long-term debt related to these investments. Southern Company reviews all important lease assumptions at least annually, or more frequently if events or changes in circumstances indicate that a change in assumptions has occurred or may occur. These assumptions include the effective tax rate, the residual value, the credit quality of the lessees, and the timing of expected tax cash flows. See Note 1 to the financial statements under "Leveraged Leases" for additional information.

The ability of the lessees to make required payments to the Southern Holdings subsidiary is dependent on the operational performance of the assets. In 2017, the financial and operational performance of one of the lessees and the associated generation assets raised significant concerns about the short-term ability of the generation assets to produce cash flows sufficient to support ongoing operations and the lessee's contractual obligations and its ability to make the remaining semi-annual lease payments to the Southern Holdings subsidiary beginning in June 2018. As a result of operational improvements in 2018, the 2018 lease payments were paid in full. However, operational issues and the resulting cash liquidity challenges persist and significant concerns continue regarding the lessee's ability to make the remaining semi-annual lease payments. These operational challenges may also impact the expected residual value of the assets at the end of the lease term in 2047. If any future lease payment is not paid in full, the Southern Holdings subsidiary may be unable to make its corresponding payment to the holders of the underlying non-recourse debt related to the generation assets. Failure to make the required payment to the debtholders could represent an event of default that would give the debtholders the right to foreclose on, and take ownership of, the generation assets from the

Southern Holdings subsidiary, in effect terminating the lease and resulting in the write-off of the related lease receivable, which would result in a reduction in net income of approximately $86 million after tax based on the lease receivable balance at December 31, 2018. Southern Company has evaluated the recoverability of the lease receivable and the expected residual value of the generation assets at the end of the lease under various scenarios and has concluded that its investment in the leveraged lease is not impaired at December 31, 2018. Southern Company will continue to monitor the operational performance of the underlying assets and evaluate the ability of the lessee to continue to make the required lease payments. The ultimate outcome of this matter cannot be determined at this time.

Mississippi Power

In conjunction with Southern Company's sale of Gulf Power, Mississippi Power and Gulf Power have committed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. On January 15, 2019, Gulf Power provided notice to Mississippi Power that Gulf Power will retire its share of the generating capacity of Plant Daniel on January 15, 2024. Mississippi Power has the option to purchase Gulf Power's ownership interest for $1 on January 15, 2024, provided that Mississippi Power exercises the option no later than 120 days prior to that date. Mississippi Power is assessing the potential operational and economic effects of Gulf Power's notice. The ultimate outcome of these matters remains subject to completion of Mississippi Power's evaluations and applicable regulatory approvals, including the FERC and the Mississippi PSC, and cannot now be determined. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" for information regarding the sale of Gulf Power.

Southern Power

On January 29, 2019, Pacific Gas & Electric Company (PG&E) filed petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code. Southern Power, together with its noncontrolling partners, owns four solar facilities where PG&E is the energy off-taker for approximately 207 MWs of capacity under long-term PPAs. PG&E is also the transmission provider for these facilities and two of Southern Power's other solar facilities. Southern Power has evaluated the recoverability of its investments in these solar facilities under various scenarios, including selling the related energy into the competitive markets, and has concluded they are not impaired. At December 31, 2018, Southern Power had outstanding accounts receivables due from PG&E of $1 million related to the PPAs and $36 million related to the transmission interconnections. Southern Company does not expect a material impact to its financial statements if, as a result of the bankruptcy proceedings, PG&E does not perform in accordance with the PPAs or the terms of the PPAs are renegotiated; however, the ultimate outcome of this matter cannot be determined at this time.

Southern Company Gas

A wholly-owned subsidiary of Southern Company Gas owns and operates a natural gas storage facility consisting of two salt dome caverns in Louisiana. Periodic integrity tests are required in accordance with rules of the Louisiana Department of Natural Resources (DNR). In August 2017, in connection with an ongoing integrity project, updated seismic mapping indicated the proximity of one of the caverns to the edge of the salt dome may be less than the required minimum and could result in Southern Company Gas retiring the cavern early. At December 31, 2018, the facility's property, plant, and equipment had a net book value of $109 million, of which the cavern itself represents approximately 20%. A potential early retirement of this cavern is dependent upon several factors including compliance with an order from the Louisiana DNR detailing the requirements to place the cavern back in service, which includes, among other things, obtaining core samples to determine the composition of the sheath surrounding the edge of the salt dome.

The cavern continues to maintain its pressures and overall structural integrity. Southern Company Gas intends to monitor the cavern and comply with the Louisiana DNR order through 2020 and place the cavern back in service in 2021. These events were considered in connection with Southern Company Gas' annual long-lived asset impairment analysis, which determined there was no impairment as of December 31, 2018. Any changes in results of monitoring activities, rates at which expiring capacity contracts are re-contracted, timing of placing the cavern back in service, or Louisiana DNR requirements could trigger impairment. Further, early retirement of the cavern could trigger impairment of other long-lived assets associated with the natural gas storage facility. The ultimate outcome of this matter cannot be determined at this time, but could have a significant impact on Southern Company's financial statements.

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 Notes 1, 5, and 6 to the financial statements. 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. Senior management has reviewed and discussed the following critical accounting policies and estimates with the Audit Committee of Southern Company's Board of Directors.

Utility Regulation

Southern Company's traditional electric operating companies and natural gas distribution utilities, which collectively comprised approximately 85% of Southern Company's total operating revenues for 2018, are subject to retail regulation by their respective state PSCs or other applicable state regulatory agencies and wholesale regulation by the FERC. These regulatory agencies set the rates the traditional electric operating companies and the natural gas distribution utilities are permitted to charge customers based on allowable costs, including a reasonable ROE. As a result, the traditional electric operating companies and the natural gas distribution utilities apply accounting standards which require the financial statements to reflect the effects of rate regulation. Through the ratemaking process, the regulators may require the inclusion of costs or revenues in periods different than when they would be recognized by a non-regulated company. This treatment may result in the deferral of expenses and the recording of related regulatory assets based on anticipated future recovery through rates or the deferral of gains or creation of liabilities and the recording of related regulatory liabilities. The application of the accounting standards has a further effect on Southern Company's financial statements as a result of the estimates of allowable costs used in the ratemaking process. These estimates may differ from those actually incurred by the traditional electric operating companies and the natural gas distribution utilities; therefore, the accounting estimates inherent in specific costs such as depreciation, AROs, and pension and other postretirement benefits have less of a direct impact on Southern Company's results of operations and financial condition than they would on a non-regulated company. See Note 15 to the financial statements for information regarding the sale of Gulf Power and three of Southern Company Gas' natural gas distribution utilities.

As reflected in Note 2 to the financial statements under "Southern Company – Regulatory Assets and Liabilities," significant regulatory assets and liabilities have been recorded. Management reviews the ultimate recoverability of these regulatory assets and any requirement to refund these regulatory liabilities based on applicable regulatory guidelines and GAAP. However, adverse legislative, judicial, or regulatory actions could materially impact the amounts of such regulatory assets and liabilities and could adversely impact Southern Company's financial statements.

Estimated Cost, Schedule, and Rate Recovery for the Construction of Plant Vogtle Units 3 and 4

In 2016, the Georgia PSC approved the Vogtle Cost Settlement Agreement, which resolved certain prudency matters in connection with Georgia Power's fifteenth VCM report. In December 2017, the Georgia PSC approved Georgia Power's seventeenth VCM report, which included a recommendation to continue construction of Plant Vogtle Units 3 and 4, with Southern Nuclear serving as project manager and Bechtel serving as the primary construction contractor, as well as a modification of the Vogtle Cost Settlement Agreement. The Georgia PSC's related order stated that under the modified Vogtle Cost Settlement Agreement, (i) none of the $3.3 billion of costs incurred through December 31, 2015 should be disallowed as imprudent; (ii) capital costs incurred up to $5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs; (iii) Georgia Power would have the burden of proof to show that any capital costs above $5.68 billion were prudent; (iv) Georgia Power's total project capital cost forecast of $7.3 billion (net of $1.7 billion received under the Guarantee Settlement Agreement and approximately $188 million in related Customer Refunds) was found reasonable and did not represent a cost cap; and (v) prudence decisions would be made subsequent to achieving fuel load for Unit 4.

In its order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

In the second quarter 2018, Georgia Power revised its base cost forecast and estimated contingency to complete construction and start-up of Plant Vogtle Units 3 and 4 to $8.0 billion and $0.4 billion, respectively, for a total project capital cost forecast of $8.4 billion (net of $1.7 billion received under the Guarantee Settlement Agreement and approximately $188 million in related Customer Refunds). Although Georgia Power believes these incremental costs are reasonable and necessary to complete the project and the Georgia PSC's order in the seventeenth VCM proceeding specifically states that the construction of Plant Vogtle Units 3 and 4 is not subject to a cost cap, Georgia Power did not seek rate recovery for the $0.7 billion increase in costs included in the current base capital cost forecast in the nineteenth VCM report. In connection with future VCM filings, Georgia Power may request the Georgia PSC to evaluate costs currently included in the construction contingency estimate for rate recovery as and when they are appropriately included in the base capital cost forecast. After considering the significant level of uncertainty that exists regarding the future recoverability of costs included in the construction contingency estimate since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in these future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of $1.1 billion ($0.8 billion after tax) in the second quarter 2018.

Georgia Power's revised cost estimate reflects an expected in-service date of November 2021 for Unit 3 and November 2022 for Unit 4.

As construction continues, challenges with management of contractors, subcontractors, and vendors; labor productivity, availability, and/or cost escalation; procurement, fabrication, delivery, assembly, and/or installation and testing, including any required engineering changes, of plant systems, structures, and components (some of which are based on new technology that only recently began initial operation in the global nuclear industry at this scale); or other issues could arise and change the projected schedule and estimated cost. Monthly construction production targets required to maintain the current project schedule will continue to increase significantly throughout 2019. To meet these increasing monthly targets, existing craft construction productivity must improve and additional craft laborers must be retained and deployed.

Georgia Power and Southern Nuclear believe it is a leading practice in connection with a construction project of this size and complexity to periodically validate recent construction progress in comparison to the projected schedule and to verify and update quantities of commodities remaining to install, labor productivity, and forecasted staffing needs. This verification process, led by Southern Nuclear, was underway as of December 31, 2018 and is expected to be completed during the second quarter 2019. Georgia Power currently does not anticipate any material changes to the total estimated project capital cost forecast for Plant Vogtle Units 3 and 4 or the expected in-service dates of November 2021 and November 2022, respectively, resulting from this verification process. However, the ultimate impact on cost and schedule, if any, will not be known until the verification process is completed. Georgia Power is required to report the results and any project impacts to the Georgia PSC by May 15, 2019.

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. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, 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 matters, including the timely resolution of ITAAC and the related approvals by the NRC, may arise, 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.

The ultimate outcome of these matters cannot be determined at this time. Any extension of the in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4 is currently estimated to result in additional base capital costs of approximately $50 million per month, based on Georgia Power's ownership interests, and AFUDC of approximately $12 million per month. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Given the significant complexity involved in estimating the future costs to complete construction and start-up of Plant Vogtle Units 3 and 4 and the significant management judgment necessary to assess the related uncertainties surrounding future rate recovery of any projected cost increases, as well as the potential impact on Southern Company's results of operations and cash flows, Southern Company considers these items to be critical accounting estimates. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

Accounting for Income Taxes

The consolidated income tax provision and deferred income tax assets and liabilities, as well as any unrecognized tax benefits and valuation allowances, require significant judgment and estimates. These estimates are supported by historical tax return data, reasonable projections of taxable income, and interpretations of applicable tax laws and regulations across multiple taxing jurisdictions. The effective tax rate reflects the statutory tax rates and calculated apportionments for the various states in which the Southern Company system operates.
Southern Company files a consolidated federal income tax return and various state income tax returns, some of which are combined or unitary. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and no subsidiary is allocated more current expense than would be paid if it filed a separate income tax return. Certain deductions and credits can be limited at the consolidated or combined level resulting in NOL and tax credit carryforwards that would not otherwise result on a stand-alone basis. Utilization of NOL and tax credit carryforwards and the assessment of valuation allowances are based on significant judgment and extensive analysis of

Southern Company's current financial position and result of operations, including currently available information about future years, to estimate when future taxable income will be realized.

Current and deferred state income tax liabilities and assets are estimated based on laws of multiple states that determine the income to be apportioned to their jurisdictions. States utilize various formulas to calculate the apportionment of taxable income, primarily using sales, assets, or payroll within the jurisdiction compared to the consolidated totals. In addition, each state varies as to whether a stand-alone, combined, or unitary filing methodology is required. The calculation of deferred state taxes considers apportionment factors and filing methodologies that are expected to apply in future years. The apportionments and methodologies which are ultimately finalized in a manner inconsistent with expectations could have a material effect on Southern Company's financial statements.

Given the significant judgment involved in estimating NOL and tax credit carryforwards and multi-state apportionments for all subsidiaries, Southern Company considers federal and state deferred income tax liabilities and assets to be critical accounting estimates.

Asset Retirement Obligations

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

The liability for AROs primarily relates to facilities that are subject to the CCR Rule and the related state rules, principally ash ponds, and the decommissioning of the Southern Company system's nuclear facilities – Alabama Power's Plant Farley and Georgia Power's ownership interests in Plant Hatch and Plant Vogtle Units 1 and 2. In addition, the Southern Company system has AROs related to various landfill sites, asbestos removal, mine reclamation, land restoration related to solar and wind facilities, and disposal of polychlorinated biphenyls in certain transformers.

The traditional electric operating companies and Southern Company Gas also have identified retirement obligations, such as obligations related to certain electric transmission and distribution facilities, certain asbestos containing material within long-term assets not subject to ongoing repair and maintenance activities, certain wireless communication towers, the disposal of polychlorinated biphenyls in certain transformers, leasehold improvements, equipment on customer property, and property associated with the Southern Company system's rail lines and natural gas pipelines. However, liabilities for the removal of these assets have not been recorded as the fair value of the retirement obligations cannot be reasonably estimated. A liability for these retirement obligations will be recognized when sufficient information becomes available to support a reasonable estimation of the retirement obligation.

The cost estimates for AROs related to the disposal of CCR 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. During 2018, Alabama Power and Georgia Power recorded increases of approximately $1.2 billion and $3.1 billion, respectively, to their AROs related to the disposal of CCR and increases of approximately $300 million and $130 million, respectively, to their AROs related to updated nuclear decommissioning cost site studies. Alabama Power's CCR-related update resulted from feasibility studies performed on ash ponds in use at the plants it operates, which indicated that additional closure costs, primarily related to increases in estimated ash volume, water management requirements, and design revisions, will be required to close these ash ponds under the planned closure-in-place methodology. Georgia Power's CCR-related update resulted from a strategic assessment which indicated additional closure costs will be required to close its ash ponds, primarily due to changes in closure strategies, the estimated amount of ash to be excavated, and additional water management requirements necessary to support closure strategies. The traditional electric operating companies expect to periodically update their ARO cost estimates. See FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Laws and Regulations – Coal Combustion Residuals" herein and Note 6 to the financial statements for additional information.

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

Pension and Other Postretirement Benefits

Southern Company's calculation of pension and other postretirement benefits expense is dependent on a number of assumptions. These assumptions include discount rates, healthcare cost trend rates, expected long-term return on plan assets, mortality rates, expected salary and wage increases, and other factors. Components of pension and other postretirement benefits expense include

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interest and service cost on the pension and other postretirement benefit plans, expected return on plan assets, and amortization of certain unrecognized costs and obligations. Actual results that differ from the assumptions utilized are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While Southern Company believes that the assumptions used are appropriate, differences in actual experience or significant changes in assumptions would affect its pension and other postretirement benefit costs and obligations.
Key elements in determining Southern Company's pension and other postretirement benefit expense are the expected long-term return on plan assets and the discount rate used to measure the benefit plan obligations and the periodic benefit plan expense for future periods. The expected long-term return on pension and other postretirement benefit plan assets is based on Southern Company's investment strategy, historical experience, and expectations for long-term rates of return that consider external actuarial advice. Southern Company determines the long-term return on plan assets by applying the long-term rate of expected returns on various asset classes to Southern Company's target asset allocation. For purposes of determining its liability related to the pension and other postretirement benefit plans, Southern Company discounts the future related cash flows using a single-point discount rate for each plan developed from the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to expected benefit payments.
The following table illustrates the sensitivity to changes in Southern Company's long-term assumptions with respect to the discount rate, salary increases, and the long-term rate of return on plan assets:

Change in Assumption	Increase/(Decrease) in Total Benefit Expense for 2019	Increase/(Decrease) in Projected Obligation for Pension Plan at December 31, 2018	Increase/(Decrease) in Projected Obligation for Other Postretirement Benefit Plans at December 31, 2018
	(in millions)		
25 basis point change in discount rate	$37/$(36)	$434/$(411)	$50/$(48)
25 basis point change in salaries	$11/$(11)	$105/$(101)	$–/$–
25 basis point change in long-term return on plan assets	$33/$(33)	N/A	N/A

N/A – Not applicable
See Note 11 to the financial statements for additional information regarding pension and other postretirement benefits.

Goodwill and Other Intangible Assets
The acquisition method of accounting requires the assets acquired and liabilities assumed to be recorded at the date of acquisition at their respective estimated fair values. Southern Company recognizes goodwill as of the acquisition date, as a residual over the fair values of the identifiable net assets acquired. Goodwill is tested for impairment on an annual basis in the fourth quarter of the year as well as on an interim basis as events and changes in circumstances occur. Primarily as a result of the acquisitions of Southern Company Gas and PowerSecure in 2016, goodwill totaled approximately $5.3 billion at December 31, 2018. As a result of the Southern Company Gas Dispositions, goodwill was reduced by $910 million during 2018. In addition, Southern Company Gas recorded a $42 million goodwill impairment charge in 2018 in contemplation of the sale of Pivotal Home Solutions.
Definite-lived intangible assets acquired are amortized over the estimated useful lives of the respective assets to reflect the pattern in which the economic benefits of the intangible assets are consumed. Whenever events or changes in

circumstances indicate that the carrying amount of the intangible assets may not be recoverable, the intangible assets will be reviewed for impairment. Primarily as a result of the acquisitions of Southern Company Gas and PowerSecure and PPA fair value adjustments resulting from Southern Power's acquisitions, other intangible assets, net of amortization totaled approximately $613 million at December 31, 2018.

The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can significantly impact Southern Company's results of operations. Fair values and useful lives are determined based on, among other factors, the expected future period of benefit of the asset, the various characteristics of the asset, and projected cash flows. As the determination of an asset's fair value and useful life involves management making certain estimates and because these estimates form the basis for the determination of whether or not an impairment charge should be recorded, Southern Company considers these estimates to be critical accounting estimates.

See Note 1 to the financial statements under "Goodwill and Other Intangible Assets and Liabilities" for additional information regarding Southern Company's goodwill and other intangible assets and Note 15 to the financial statements for additional information related to Southern Company's 2016 acquisitions of Southern Company Gas and PowerSecure, as well as the Southern Company Gas Dispositions.

Derivatives and Hedging Activities

Derivative instruments are recorded on the balance sheets as either assets or liabilities measured at their fair value, unless the transactions qualify for the normal purchases or normal sales scope exception and are instead subject to traditional accrual accounting. For those transactions that do not qualify as a normal purchase or normal sale, changes in the derivatives' fair values are recognized concurrently in earnings unless specific hedge accounting criteria are met. If the derivatives meet those criteria, derivative gains and losses offset related results of the hedged item in the income statement in the case of a fair value hedge, or gains and losses are deferred in OCI until the hedged transaction affects earnings in the case of a cash flow hedge. Certain subsidiaries of Southern Company enter into energy-related derivatives that are designated as regulatory hedges where gains and losses are initially recorded as regulatory liabilities and assets and then are included in fuel expense as the underlying fuel is used in operations and ultimately recovered through billings to customers.

Southern Company uses derivative instruments to reduce the impact to the results of operations due to the risk of changes in the price of natural gas, to manage fuel hedging programs per guidelines of state regulatory agencies, and to mitigate residual changes in the price of electricity, weather, interest rates, and foreign currency exchange rates.

The fair value of commodity derivative instruments used to manage exposure to changing prices reflects the estimated amounts that Southern Company would receive or pay to terminate or close the contracts at the reporting date. To determine the fair value of the derivative instruments, Southern Company utilizes market data or assumptions that market participants would use in pricing the derivative asset or liability, including assumptions about risk and the risks inherent in the inputs of the valuation technique.

Southern Company classifies derivative assets and liabilities based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy. The determination of the fair value of the derivative instruments incorporates various required factors. These factors include:

- the creditworthiness of the counterparties involved and the impact of credit enhancements (such as cash deposits and letters of credit);
- events specific to a given counterparty; and
- the impact of Southern Company's nonperformance risk on its liabilities.

Given the assumptions used in pricing the derivative asset or liability, Southern Company considers the valuation of derivative assets and liabilities a critical accounting estimate. See FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" herein and Note 14 to the financial statements for more information.

Contingent Obligations

Southern Company is subject to a number of federal and state laws and regulations as well as other factors and conditions that subject it to environmental, litigation, and other risks. See FUTURE EARNINGS POTENTIAL herein and Notes 2 and 3 to the financial statements for more information regarding certain of these contingencies. Southern Company periodically evaluates its exposure to such risks and records reserves for those matters where a non-tax-related loss is considered probable and reasonably estimable. The adequacy of reserves can be significantly affected by external events or conditions that can be unpredictable; thus, the ultimate outcome of such matters could materially affect Southern Company's results of operations, cash flows, or financial condition.

Recently Issued Accounting Standards

See Note 1 to the financial statements under "Recently Adopted Accounting Standards" for additional information.

In 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (ASU 2016-02). ASU 2016-02 requires lessees to recognize on the balance sheet a lease liability and a right-of-use asset for all leases. ASU 2016-02 also changes the recognition, measurement, and presentation of expense associated with leases and provides clarification regarding the identification of certain components of contracts that would represent a lease. The accounting required by lessors is relatively unchanged and there is no change to the accounting for existing leveraged leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and Southern Company adopted the new standard effective January 1, 2019.

Southern Company elected the transition methodology provided by ASU No. 2018-11, Leases (Topic 842): Targeted Improvements, whereby the requirements of ASU 2016-02 are applied on a prospective basis as of the adoption date of January 1, 2019, without restating prior periods. Southern Company elected the package of practical expedients provided by ASU 2016-02 that allows prior determinations of whether existing contracts are, or contain, leases and the classification of existing leases to continue without reassessment. Additionally, Southern Company applied the use-of-hindsight practical expedient in determining lease terms as of the date of adoption and elected the practical expedient that allows existing land easements not previously accounted for as leases not to be reassessed. Southern Company also made accounting policy elections to account for short-term leases in all asset classes as off-balance sheet leases and combined lease and non-lease components in the computations of lease obligations and right-of-use assets for most asset classes.

The Southern Company system completed the implementation of a new application to track and account for its leases and updated its internal controls and accounting policies to support the accounting for leases under ASU 2016-02. The Southern Company system completed its lease inventory and determined its most significant leases involve PPAs, real estate, and communication towers where certain of Southern Company's subsidiaries are the lessee and PPAs where certain of Southern Company's subsidiaries are the lessor. In the first quarter 2019, the adoption of ASU 2016-02 resulted in recording lease liabilities and right-of-use assets on Southern Company's balance sheet each totaling approximately $2.0 billion, with no impact on Southern Company's statement of income.

FINANCIAL CONDITION AND LIQUIDITY

Overview

Earnings in all periods presented were negatively affected by charges associated with plants under construction; however, Southern Company's financial condition remained stable at December 31, 2018.

The Southern Company system's cash requirements primarily consist of funding ongoing operations, common stock dividends, capital expenditures, and debt maturities. The Southern Company system's capital expenditures and other investing activities include investments to meet projected long-term demand requirements, including to build new electric generation facilities, to maintain existing electric generation facilities, to comply with environmental regulations including adding environmental modifications to certain existing electric generating units and closures of ash ponds, to expand and improve electric transmission and distribution facilities, to update and expand natural gas distribution systems, and for restoration following major storms. Operating cash flows provide a substantial portion of the Southern Company system's cash needs. For the three-year period from 2019 through 2021, Southern Company's projected common stock dividends, capital expenditures, and debt maturities are expected to exceed operating cash flows. Southern Company plans to finance future cash needs in excess of its operating cash flows primarily by accessing borrowings from financial institutions and through debt and equity issuances in the capital markets. Southern Company intends to continue to monitor its access to short-term and long-term capital markets as well as bank credit arrangements to meet future capital and liquidity needs. See "Sources of Capital," "Financing Activities," and "Capital Requirements and Contractual Obligations" herein for additional information.

Southern Company's investments in the qualified pension plans and the nuclear decommissioning trust funds decreased in value at December 31, 2018 as compared to December 31, 2017. No contributions to the qualified pension plan were made for the year ended December 31, 2018 and no mandatory contributions to the qualified pension plans are anticipated during 2019. See "Contractual Obligations" herein and Notes 6 and 11 to the financial statements under "Nuclear Decommissioning" and "Pension Plans," respectively, for additional information.

Net cash provided from operating activities in 2018 totaled $6.9 billion, an increase of $0.6 billion from 2017. The increase in net cash provided from operating activities was primarily due to the timing of vendor payments and increased fuel cost recovery. Net cash provided from operating activities in 2017 totaled $6.4 billion, an increase of $1.5 billion from 2016. Significant changes in operating cash flow for 2017 as compared to 2016 included increases of $1.2 billion related to operating activities of Southern Company Gas, which was acquired on July 1, 2016, and $1.0 billion related to voluntary contributions to the qualified pension plan in 2016, partially offset by the timing of vendor payments.

Net cash used for investing activities in 2018, 2017, and 2016 totaled $5.8 billion, $7.2 billion, and $20.0 billion, respectively. The cash used for investing activities in 2018 was primarily due to the traditional electric operating companies' installation of equipment to comply with environmental standards and construction of electric generation, transmission, and distribution facilities and capital expenditures for Southern Company Gas' infrastructure replacement programs, partially offset by proceeds from the sale transactions described in Note 15 to the financial statements. The cash used for investing activities in 2017 was primarily due to the traditional electric operating companies' installation of equipment to comply with environmental standards and construction of electric generation, transmission, and distribution facilities, capital expenditures for Southern Company Gas' infrastructure replacement programs, and Southern Power's renewable acquisitions. The cash used for investing activities in 2016 was primarily due to the closing of the Merger, the acquisition of PowerSecure, Southern Company Gas' investment in SNG, the traditional electric operating companies' construction of electric generation, transmission, and distribution facilities and installation of equipment at electric generating facilities to comply with environmental standards, and Southern Power's acquisitions and construction of renewable facilities and a natural gas facility.

Net cash used for financing activities totaled $1.8 billion in 2018 primarily due to net redemptions and repurchases of long-term debt, common stock dividend payments, and a decrease in commercial paper borrowings, partially offset by net issuances of short-term bank debt, proceeds from Southern Power's sales of non-controlling equity interests in entities indirectly owning substantially all of its solar facilities and eight of its wind facilities, and the issuance of common stock. Net cash provided from financing activities totaled $1.0 billion in 2017 primarily due to net issuances of long-term and short-term debt, partially offset by common stock dividend payments. Net cash provided from financing activities totaled $15.7 billion in 2016 primarily due to issuances of long-term debt and common stock associated with completing the Merger and funding the subsidiaries' continuous construction programs, Southern Power's acquisitions, and Southern Company Gas' investment in SNG, partially offset by redemptions of long-term debt and common stock dividend payments. Fluctuations in cash flow from financing activities vary from year to year based on capital needs and the maturity or redemption of securities.

Significant balance sheet changes in 2018 included the reclassification of $5.7 billion and $3.3 billion in total assets and liabilities held for sale, respectively, primarily associated with Gulf Power, as well as decreases of $3.0 billion and $0.4 billion in total assets and liabilities, respectively, associated with the sales described in Note 15 to the financial statements under "Southern Power" and "Southern Company Gas." Also see Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" and "Assets Held for Sale" for additional information. After adjusting for these changes, other significant balance sheet changes included an increase of $7.1 billion in total property, plant, and equipment primarily related to the $4.7 billion increase in AROs at Alabama Power and Georgia Power, as well as the traditional electric operating companies' installation of equipment to comply with environmental standards and construction of electric generation, transmission, and distribution facilities and Southern Company Gas' capital expenditures for infrastructure replacement programs, partially offset by the second quarter 2018 charge related to the construction of Plant Vogtle Units 3 and 4; a decrease of $3.1 billion in long-term debt (including amounts due within one year) resulting from the repayment of long-term debt; an increase of $3.0 billion in noncontrolling interests at Southern Power as a result of sales of interests in entities indirectly owning substantially all of its solar facilities and eight of its wind facilities; and an increase of $1.9 billion in other regulatory assets, deferred primarily related to AROs at Georgia Power. See Notes 2 and 15 to the financial statements under "Georgia Power – Nuclear Construction" and "Southern Power – Sales of Renewable Facility Interests," respectively, as well as Notes 6 and 8 to the financial statements and "Financing Activities" herein for additional information.

At the end of 2018, the market price of Southern Company's common stock was $43.92 per share (based on the closing price as reported on the NYSE) and the book value was $23.91 per share, representing a market-to-book value ratio of 184%, compared to $48.09, $23.99, and 201%, respectively, at the end of 2017.

Southern Company's consolidated ratio of common equity to total capitalization plus short-term debt was 32.5% and 31.5% at December 31, 2018 and 2017, respectively. See Note 8 to the financial statements for additional information.

Sources of Capital

Southern Company intends to meet its future capital needs through operating cash flows, borrowings from financial institutions, and debt and equity issuances in the capital markets. 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 and debt issuances in 2019, as well as in subsequent years, will be contingent on Southern Company's investment opportunities and the Southern Company system's capital requirements and will depend upon prevailing market conditions and other factors. See "Capital Requirements and Contractual Obligations" herein for additional information.

Except as described herein, the traditional electric operating companies, Southern Power, and Southern Company Gas plan to obtain the funds required for construction and other purposes from operating cash flows, external security issuances, borrowings from financial institutions, and equity contributions or loans from Southern Company. Southern Power also plans to utilize tax equity partnership contributions, as well as funds resulting from its pending sale of Plant Mankato. However, the amount, type, and timing of any future financings, if needed, will depend upon prevailing market conditions, regulatory approval, and other factors. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas Plants" herein for additional information.

In addition, in 2014, Georgia Power entered into the Loan Guarantee Agreement with the DOE, under which the proceeds of borrowings 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. At December 31, 2018, Georgia Power had borrowed $2.6 billion under the FFB Credit Facility. In July 2017, Georgia Power entered into an amendment to the Loan Guarantee Agreement, which provides that further advances are conditioned upon the DOE's approval of any agreements entered into in replacement of the Vogtle 3 and 4 Agreement and satisfaction of certain other conditions.

In September 2017, the DOE issued a conditional commitment to Georgia Power for up to approximately $1.67 billion of additional guaranteed loans under the Loan Guarantee Agreement. This conditional commitment expires on March 31, 2019, subject to any further extension approved by the DOE. Final approval and issuance of these additional loan guarantees by the DOE cannot be assured and are subject to the negotiation of definitive agreements, completion of due diligence by the DOE, receipt of any necessary regulatory approvals, and satisfaction of other conditions. See Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings" for additional information regarding the Loan Guarantee Agreement, including applicable covenants, events of default, mandatory prepayment events (including any decision not to continue construction of Plant Vogtle Units 3 and 4), and additional conditions to borrowing. Also see Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information regarding Plant Vogtle Units 3 and 4.

The issuance of securities by the traditional electric operating companies and Nicor Gas is generally subject to the approval of the applicable state PSC or other applicable state regulatory agency. The issuance of all securities by Mississippi Power and short-term securities by Georgia Power is generally subject to regulatory approval by the FERC. Additionally, with respect to the public offering of securities, Southern Company and certain of its subsidiaries file registration statements with the SEC under the Securities Act of 1933, as amended (1933 Act). The amounts of securities authorized by the appropriate regulatory authorities, as well as the securities registered under the 1933 Act, are continuously monitored and appropriate filings are made to ensure flexibility in the capital markets.

Southern Company, each traditional electric operating company, and Southern Power generally obtain financing separately without credit support from any affiliate. The Southern Company system does not maintain a centralized cash or money pool. Therefore, funds of each company are not commingled with funds of any other company in the Southern Company system.

In addition, Southern Company Gas Capital obtains external financing for Southern Company Gas and its subsidiaries, other than Nicor Gas, which obtains financing separately without credit support from any affiliates. Nicor Gas' commercial paper program supports its working capital needs as Nicor Gas is not permitted to make money pool loans to affiliates. All of the other Southern Company Gas subsidiaries benefit from Southern Company Gas Capital's commercial paper program.

See Note 8 to the financial statements under "Bank Credit Arrangements" for additional information.

At December 31, 2018, Southern Company's current liabilities exceeded current assets by $4.7 billion, primarily due to $3.2 billion of long-term debt that is due within one year (including approximately $1.3 billion at the parent company, $0.2 billion at Alabama Power, $0.6 billion at Georgia Power, $0.6 billion at Southern Power, and $0.4 billion at Southern Company Gas) and $2.9 billion of notes payable (including approximately $1.8 billion at the parent company, $0.3 billion at Georgia Power, $0.1 billion at Southern Power, and $0.7 billion at Southern Company Gas). Subsequent to December 31, 2018, using proceeds from the sale of Gulf Power, the Southern Company parent entity repaid $0.7 billion of its long-term debt due within one year and all $1.8 billion of its notes payable at December 31, 2018. See "Financing Activities" herein for additional information. To meet short-term cash needs and contingencies, the Southern Company system has substantial cash flow from operating activities and access to capital markets and financial institutions. Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas 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 electric operating companies, Southern Power, and Southern Company Gas, equity contributions and/or loans from Southern Company to meet their short-term capital needs.

At December 31, 2018, Southern Company and its subsidiaries had approximately $1.4 billion of cash and cash equivalents. Committed credit arrangements with banks at December 31, 2018 were as follows:

	Expires					Executable Term Loans		Expires Within One Year	
Company	2019	2020	2022	Total	Unused[(d)]	One Year	Two Years	Term Out	No Term Out
	(in millions)								
Southern Company[(a)]	$—	$—	$2,000	$2,000	$ 1,999	$ —	$ —	$—	$—
Alabama Power	33	500	800	1,333	1,333	—	—	—	33
Georgia Power	—	—	1,750	1,750	1,736	—	—	—	—
Mississippi Power	100	—	—	100	100	—	—	—	100
Southern Power[(b)]	—	—	750	750	727	—	—	—	—
Southern Company Gas[(c)]	—	—	1,900	1,900	1,895	—	—	—	—
Other	30	—	—	30	30	—	—	—	30
Southern Company Consolidated[(e)]	$163	$500	$7,200	$7,863	$ 7,820	$ —	$ —	$—	$163

(a) Represents the Southern Company parent entity.

(b) Does not include Southern Power Company's $120 million continuing letter of credit facility for standby letters of credit expiring in 2021, of which $17 million was unused at December 31, 2018. Southern Power's subsidiaries are not parties to its bank credit arrangement.

(c) Southern Company Gas, as the parent entity, guarantees the obligations of Southern Company Gas Capital, which is the borrower of $1.4 billion of this arrangement. Southern Company Gas' committed credit arrangement also includes $500 million for which Nicor Gas is the borrower and which is restricted for working capital needs of Nicor Gas. Pursuant to this multi-year credit arrangement, the allocations between Southern Company Gas Capital and Nicor Gas may be adjusted.

(d) Amounts used are for letters of credit.

(e) Excludes $280 million of committed credit arrangements of Gulf Power, which was sold on January 1, 2019. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" for additional information.

See Note 8 to the financial statements under "Bank Credit Arrangements" for additional information.

Most of these bank credit arrangements, as well as the term loan arrangements of Alabama Power and Southern Power Company, 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 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. At December 31, 2018, Southern Company, the traditional electric operating companies, Southern Power Company, Southern Company Gas, and Nicor Gas were 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.

A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of Southern Company, the traditional

electric operating companies, Southern Power Company, Southern Company Gas, and Nicor Gas. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at December 31, 2018 was approximately $1.6 billion, which included $82 million related to Gulf Power. In addition, at December 31, 2018, the traditional electric operating companies had approximately $403 million of revenue bonds outstanding that are required to be remarketed within the next 12 months, which included $58 million related to Gulf Power. See Note 15 to the financial statements under "Southern Company's Sale of Gulf Power" for information regarding the sale of Gulf Power on January 1, 2019. Subsequent to December 31, 2018, Georgia Power redeemed approximately $108 million of obligations related to outstanding variable rate pollution control revenue bonds.
Southern Company, Alabama Power, Georgia Power, Southern Power Company, Southern Company Gas, Nicor Gas, and SEGCO make short-term borrowings primarily through commercial paper programs that have the liquidity support of the committed bank credit arrangements described above. Short-term borrowings are included in notes payable in the balance sheets.

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Details of short-term borrowings were as follows:

	Short-term Debt at the End of the Period		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)
December 31, 2018:					
Commercial paper	$1,064	3.0 %	$ 1,655	2.3 %	$ 3,042
Short-term bank debt	1,851	3.1 %	1,722	2.9 %	2,504
Total	$2,915	3.1 %	$ 3,377	2.6 %	
December 31, 2017:					
Commercial paper	$1,832	1.8 %	$ 2,117	1.3 %	$ 2,946
Short-term bank debt	607	2.3 %	555	2.1 %	1,020
Total	$2,439	1.9 %	$ 2,672	1.5 %	
December 31, 2016:					
Commercial paper	$1,909	1.1 %	$ 976	0.8 %	$ 1,970
Short-term bank debt	123	1.7 %	176	1.7 %	500
Total	$2,032	1.1 %	$ 1,152	1.1 %	

(*) Average and maximum amounts are based upon daily balances during the 12-month periods ended December 31, 2018, 2017, and 2016.

In addition to the short-term borrowings of Southern Power Company included in the table above, at December 31, 2016, Southern Power Company subsidiaries assumed credit agreements (Project Credit Facilities) with the acquisition of certain solar facilities, which were non-recourse to Southern Power Company, the proceeds of which were used to finance project costs related to such solar facilities. The Project Credit Facilities were fully repaid in January 2017. For the year ended December 31, 2016, the Project Credit Facilities had a maximum amount outstanding of $828 million and an average amount outstanding of $566 million at a weighted average interest rate of 2.1% and had total amounts outstanding of $209 million at a weighted average interest rate of 2.1% at December 31, 2016.

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

Financing Activities

During 2018, Southern Company issued approximately 11.6 million shares of common stock primarily through employee equity compensation plans and received proceeds of approximately $442 million.

In addition, during the third and fourth quarters 2018, Southern Company issued a total of approximately 12.1 million and 2.5 million shares, respectively, of common stock through at-the-market issuances pursuant to sales agency agreements related to Southern Company's continuous equity offering program and received cash proceeds of approximately $540 million and $108 million, respectively, net of $5 million and $1 million in commissions, respectively.

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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The following table outlines the long-term debt financing activities for Southern Company and its subsidiaries for the year ended December 31, 2018:

Company	Senior Note Issuances	Senior Note Maturities, Redemptions, and Repurchases	Revenue Bond Issuances and Reofferings of Purchased Bonds	Revenue Bond Maturities, Redemptions, and Repurchases	Other Long-Term Debt Issuances	Other Long-Term Debt Redemptions and Maturities[a]
	(in millions)					
Southern Company[b]	$750	$ 1,000	$ —	$ —	$ —	$ —
Alabama Power	500	—	120	120	—	1
Georgia Power	—	1,500	108	469	—	111
Mississippi Power	600	155	—	43	—	900
Southern Power	—	350	—	—	—	420
Southern Company Gas	—	155	—	200	300	—
Other[c]	—	100	—	—	100	13
Elimination[d]						