ALABAMA POWER CO
Form 10-Q
May 10, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2013
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 35203 (205) 257-1000	63-0004250
1-6468	Georgia Power Company (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
001-31737	Gulf Power Company (A Florida Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820

333-98553	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-2598670

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

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

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

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

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

Registrant	Description of Common Stock	Shares Outstanding at March 31, 2013
The Southern Company	Par Value $5 Per Share	870,390,537
Alabama Power Company	Par Value $40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Gulf Power Company	Without Par Value	4,942,717
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value $0.01 Per Share	1,000

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

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March 31, 2013

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DEFINITIONS

Term	Meaning
2010 ARP	Alternate Rate Plan approved by the Georgia PSC for Georgia Power, which became effective January 1, 2011 and will continue through December 31, 2013
2011 IRP	Georgia Power's 2011 Integrated Resource Plan update filed with the Georgia PSC
2013 IRP	Georgia Power's triennial Integrated Resource Plan filed with the Georgia PSC on January 31, 2013
AFUDC	Allowance for Funds Used During Construction
Alabama Power	Alabama Power Company
AOCI	Accumulated Other Comprehensive Income
Baseload Act	State of Mississippi legislation designed to enhance the Mississippi PSC's authority to facilitate development and construction of baseload generation in the State of Mississippi
Clean Air Act	Clean Air Act Amendments of 1990
Contractor	Westinghouse and Stone & Webster, Inc.
CPCN	Certificate of Public Convenience and Necessity
CWIP	Construction Work in Progress
DOE	U.S. Department of Energy
ECO Plan	Mississippi Power's Environmental Compliance Overview Plan
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
Form 10-K	Combined Annual Report on Form 10-K of Southern Company, Alabama Power, Georgia Power, Gulf Power, and Southern Power for the year ended December 31, 2012
Form 10-K/A	Annual Report on Form 10-K of Mississippi Power for the year ended December 31, 2012, as amended by Amendment No. 1
GAAP	Generally Accepted Accounting Principles
Georgia Power	Georgia Power Company
Gulf Power	Gulf Power Company
IFR	Georgia Power's Interim Fuel Rider
IIC	Intercompany Interchange Contract
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IRS	Internal Revenue Service
Kemper IGCC	Integrated coal gasification combined cycle facility under construction in Kemper County, Mississippi
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
MATS rule	Mercury and Air Toxics Standards Rule
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal unit
Moody's	Moody's Investors Service, Inc.
MW	Megawatt
MWH	Megawatt-hour
NCCR	Georgia Power's Nuclear Construction Cost Recovery
NDR	Alabama Power's Natural Disaster Reserve
NRC	Nuclear Regulatory Commission

NSR	New Source Review
OCI	Other Comprehensive Income

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Owners	Georgia Power, Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia, and the City of Dalton, Georgia, an incorporated municipality in the State of Georgia acting by and through its Board of Water, Light, and Sinking Fund Commissioners
PEP	Mississippi Power's Performance Evaluation Plan
Plant Vogtle Units 3 and 4	Two new nuclear generating units under construction at Plant Vogtle
Power Pool	The operating arrangement whereby the integrated generating resources of the traditional operating companies and Southern Power are subject to joint commitment and dispatch in order to serve their combined load obligations
PPA	Power Purchase Agreement
PSC	Public Service Commission
registrants	Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power
ROE	Return on Equity
SEC	Securities and Exchange Commission
SEGCO	Southern Electric Generating Company
SMEPA	South Mississippi Electric Power Association
Southern Company	The Southern Company
Southern Company system	Southern Company, the traditional operating companies, Southern Power, and other subsidiaries
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company
S&P	Standard and Poor's Ratings Services, a division of The McGraw Hill Companies, Inc.
traditional operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power
Westinghouse	Westinghouse Electric Company LLC
wholesale revenues	revenues generated from sales for resale

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements include, among other things, statements concerning retail sales, retail rates, the strategic goals for the wholesale business, customer growth, economic recovery, fuel and environmental cost recovery and other rate actions, current and proposed environmental regulations and related estimated expenditures, access to sources of capital, projections for the qualified pension plan, postretirement benefit plan, and nuclear decommissioning trust fund contributions, financing activities, start and completion dates of construction projects, plans and estimated costs for new generation resources, filings with state and federal regulatory authorities, impact of the American Taxpayer Relief Act of 2012, estimated sales and purchases under new power sale and purchase agreements, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, environmental laws including regulation of water, coal combustion byproducts, and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, financial reform legislation, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries, including the pending EPA civil actions against certain Southern Company subsidiaries, FERC matters, and IRS and state tax audits;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate;
- variations in demand for electricity, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), the effects of energy conservation measures, and any potential economic impacts resulting from federal fiscal decisions;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities, including the development and construction of facilities with designs that have not been finalized or previously constructed, to construct facilities in accordance with the requirements of permits and licenses, and to satisfy any operational and environmental performance standards, including the requirements of tax credits and other incentives;
- investment performance of Southern Company's employee benefit plans and the Southern Company system's nuclear decommissioning trust funds;
- advances in technology;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms;
- regulatory approvals and actions related to Plant Vogtle Units 3 and 4, including Georgia PSC approvals, NRC actions, and potential DOE loan guarantees;
- regulatory approvals and actions related to cost recovery for the Kemper IGCC, including Mississippi PSC review of Mississippi Power's proposed rate recovery plan, the prudence review of Kemper IGCC costs and actions relating to proposed securitization; the ability to complete the proposed sale of an interest in the Kemper IGCC to SMEPA as contemplated by Mississippi Power's proposed rate recovery plan; satisfaction of requirements to utilize investment tax credits and grants; and the outcome of any legal or regulatory proceedings regarding the Mississippi PSC's issuance of the CPCN for the Kemper IGCC, the settlement agreement between Mississippi Power and the Mississippi PSC, or the Baseload Act;

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- the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health, regulatory, natural disaster, terrorism, and financial risks;
- the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities;
- internal restructuring or other restructuring options that may be pursued;
- potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with wholesale customers;
- the direct or indirect effect on the Southern Company system's business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's and its subsidiaries' credit ratings;
- the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general, as well as potential impacts on the availability or benefits of proposed DOE loan guarantees;
- the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
- the direct or indirect effects on the Southern Company system's business resulting from incidents affecting the U.S. electric grid or operation of generating resources;
- the effect of accounting pronouncements issued periodically by standard setting bodies; and
- other factors discussed elsewhere herein and in other reports (including the Form 10-K and the Form 10-K/A) filed by the registrants from time to time with the SEC.

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

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THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES

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

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Operating Revenues:		
Retail revenues	$3,298	$3,092
Wholesale revenues	432	349
Other electric revenues	155	148
Other revenues	12	15
Total operating revenues	3,897	3,604
Operating Expenses:		
Fuel	1,262	1,064
Purchased power	95	141
Other operations and maintenance	974	967
Depreciation and amortization	466	441
Taxes other than income taxes	235	225
Estimated loss on Kemper IGCC	540	—
Total operating expenses	3,572	2,838
Operating Income	325	766
Other Income and (Expense):		
Allowance for equity funds used during construction	41	31
Leveraged lease income (loss)	(21)	6
Interest expense, net of amounts capitalized	(211)	(211)
Other income (expense), net	(6)	(8)
Total other income and (expense)	(197)	(182)
Earnings Before Income Taxes	128	584
Income taxes	31	200
Consolidated Net Income	97	384
Dividends on Preferred and Preference Stock of Subsidiaries	16	16
Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries	$81	$368
Common Stock Data:		
Earnings per share (EPS) -		
Basic EPS	$0.09	$0.42
Diluted EPS	$0.09	$0.42
Average number of shares of common stock outstanding (in millions)		
Basic	870	868
Diluted	875	877
Cash dividends paid per share of common stock	$0.4900	$0.4725

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

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

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Consolidated Net Income	$97	$384
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of $- and $2, respectively	—	3
Reclassification adjustment for amounts included in net income, net of tax of $2 and $1, respectively	3	2
Pension and other post retirement benefit plans:		
Reclassification adjustment for amounts included in net income, net of tax of $1 and $1, respectively	1	1
Total other comprehensive income (loss)	4	6
Dividends on preferred and preference stock of subsidiaries	(16)	(16)
Comprehensive Income	$85	$374

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

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

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Operating Activities:		
Consolidated net income	$97	$384
Adjustments to reconcile consolidated net income to net cash provided from operating activities —		
Depreciation and amortization, total	568	529
Deferred income taxes	(92)	104
Allowance for equity funds used during construction	(41)	(31)
Leveraged lease (income) loss	21	(6)
Pension, postretirement, and other employee benefits	22	16
Stock based compensation expense	26	25
Estimated loss on Kemper IGCC	540	—
Other, net	(62)	8
Changes in certain current assets and liabilities —		
-Receivables	29	372
-Fossil fuel stock	36	(218)
-Materials and supplies	52	4
-Other current assets	(72)	(64)
-Accounts payable	(47)	(136)
-Accrued taxes	(98)	(167)
-Accrued compensation	(282)	(305)
-Other current liabilities	40	53
Net cash provided from operating activities	737	568
Investing Activities:		
Property additions	(1,197)	(1,231)
Investment in restricted cash	(78)	1
Nuclear decommissioning trust fund purchases	(262)	(336)
Nuclear decommissioning trust fund sales	261	334
Cost of removal, net of salvage	(30)	(32)
Change in construction payables, net	6	(153)
Other investing activities	21	(10)
Net cash used for investing activities	(1,279)	(1,427)
Financing Activities:		
Increase in notes payable, net	468	174
Proceeds —		
Long-term debt issuances	1,035	1,400
Interest-bearing refundable deposit related to asset sale	—	150
Common stock issuances	42	116
Redemptions —		
Long-term debt	(656)	(827)
Common stock repurchased	(18)	—
Payment of common stock dividends	(426)	(410)
Payment of dividends on preferred and preference stock of subsidiaries	(16)	(16)

Other financing activities	—	1
Net cash provided from financing activities	429	588
Net Change in Cash and Cash Equivalents	(113)	(271)
Cash and Cash Equivalents at Beginning of Period	628	1,315
Cash and Cash Equivalents at End of Period	$515	$1,044
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of $17 and $21 capitalized for 2013 and 2012, respectively)	$187	$178
Income taxes, net	4	2
Noncash transactions — accrued property additions at end of period	501	420

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

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

Assets	At March 31, 2013	At December 31, 2012
	(in millions)	
Current Assets:		
Cash and cash equivalents	$515	$628
Restricted cash and cash equivalents	25	7
Receivables —		
Customer accounts receivable	1,011	961
Unbilled revenues	390	441
Under recovered regulatory clause revenues	26	29
Other accounts and notes receivable	223	235
Accumulated provision for uncollectible accounts	(15)	(17)
Fossil fuel stock, at average cost	1,783	1,819
Materials and supplies, at average cost	940	1,000
Vacation pay	166	165
Prepaid expenses	693	657
Other regulatory assets, current	115	163
Other current assets	60	74
Total current assets	5,932	6,162
Property, Plant, and Equipment:		
In service	63,586	63,251
Less accumulated depreciation	22,219	21,964
Plant in service, net of depreciation	41,367	41,287
Other utility plant, net	266	263
Nuclear fuel, at amortized cost	861	851
Construction work in progress	6,193	5,989
Total property, plant, and equipment	48,687	48,390
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,365	1,303
Leveraged leases	648	670
Miscellaneous property and investments	217	216
Total other property and investments	2,230	2,189
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	1,387	1,385
Unamortized debt issuance expense	144	133
Unamortized loss on reacquired debt	303	309
Other regulatory assets, deferred	4,021	4,032
Other deferred charges and assets	570	549
Total deferred charges and other assets	6,425	6,408
Total Assets	$63,274	$63,149

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

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

Liabilities and Stockholders' Equity	At March 31, 2013	At December 31, 2012
	(in millions)	
Current Liabilities:		
Securities due within one year	$1,769	$2,335
Interest-bearing refundable deposit related to asset sale	150	150
Notes payable	1,294	825
Accounts payable	1,369	1,387
Customer deposits	376	370
Accrued taxes —		
Accrued income taxes	38	10
Other accrued taxes	208	391
Accrued interest	249	237
Accrued vacation pay	212	212
Accrued compensation	161	433
Liabilities from risk management activities	37	75
Other regulatory liabilities, current	114	107
Other current liabilities	462	482
Total current liabilities	6,439	7,014
Long-term Debt	20,223	19,274
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	9,842	9,938
Deferred credits related to income taxes	207	211
Accumulated deferred investment tax credits	946	894
Employee benefit obligations	2,526	2,540
Asset retirement obligations	1,807	1,748
Other cost of removal obligations	1,220	1,194
Other regulatory liabilities, deferred	312	289
Other deferred credits and liabilities	633	668
Total deferred credits and other liabilities	17,493	17,482
Total Liabilities	44,155	43,770
Redeemable Preferred Stock of Subsidiaries	375	375
Stockholders' Equity:		
Common Stockholders' Equity:		
Common stock, par value $5 per share —		
Authorized — 1.5 billion shares		
Issued — March 31, 2013: 880 million shares		
— December 31, 2012: 878 million shares		
Treasury — March 31, 2013: 10.1 million shares		
— December 31, 2012: 10.0 million shares		
Par value	4,400	4,389
Paid-in capital	4,926	4,855
Treasury, at cost	(451)	(450)
Retained earnings	9,281	9,626
Accumulated other comprehensive loss	(119)	(123)

Total Common Stockholders' Equity	18,037	18,297
Preferred and Preference Stock of Subsidiaries	707	707
Total Stockholders' Equity	18,744	19,004
Total Liabilities and Stockholders' Equity	$63,274	$63,149

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

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

FIRST QUARTER 2013 vs. FIRST QUARTER 2012

OVERVIEW

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

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

Georgia Power is scheduled to file its next base rate case by July 1, 2013, which will determine whether the 2010 ARP should be continued, modified, or discontinued.

Southern Company continues to focus on several key performance indicators. These indicators include customer satisfaction, plant availability, system reliability, and earnings per share. For additional information on these indicators, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Key Performance Indicators" of Southern Company in Item 7 of the Form 10-K. See FUTURE EARNINGS POTENTIAL – "Other Matters" herein for information regarding an explosion at Plant Bowen in April 2013 that is expected to negatively impact the Southern Company system's actual performance on its peak season equivalent forced outage rate, one of its key performance indicators, for 2013, as compared to the target.

RESULTS OF OPERATIONS

Net Income

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$(287)	(78.0)

Southern Company's first quarter 2013 net income after dividends on preferred and preference stock of subsidiaries was $81 million ($0.09 per share) compared to $368 million ($0.42 per share) for the first quarter 2012. The decrease was primarily related to a revision of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC above the $2.88 billion cost cap established by the Mississippi PSC, net of $245 million of grants awarded to the project by the DOE under the Clean Coal Power Initiative Round 2 (DOE Grants) and the cost of the lignite mine and equipment, the cost of the carbon dioxide pipeline facilities, AFUDC, and certain general exceptions, including change of law, force majeure, and beneficial capital (which exists when Mississippi Power demonstrates that the purpose and effect of the construction cost increase is to produce efficiencies that will result in a neutral or favorable effect on customers relative to the original proposal for the CPCN) (Cost Cap Exceptions). Also contributing to the decrease were a reduction in leveraged lease income

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resulting from a lease restructuring and an increase in depreciation related to new generating plants in service. The decrease was partially offset by an increase in weather-related revenues due to more favorable weather in the first quarter 2013 as compared to the corresponding period in 2012, an increase in retail base revenues at Georgia Power as authorized under the 2010 ARP and the NCCR tariff, and an increase in capacity revenues at Southern Power.

Retail Revenues

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$206	6.7

In the first quarter 2013, retail revenues were $3.3 billion compared to $3.1 billion for the corresponding period in 2012.

Details of the change to retail revenues were as follows:

	First Quarter 2013 (in millions)	(% change)
Retail – prior year	$3,092	
Estimated change in –		
Rates and pricing	46	1.5
Sales growth (decline)	(14)	(0.4)
Weather	66	2.1
Fuel and other cost recovery	108	3.5
Retail – current year	$3,298	6.7%

Revenues associated with changes in rates and pricing increased in the first quarter 2013 when compared to the corresponding period in 2012 primarily due to base tariff increases at Georgia Power effective April 2012 and January 1, 2013, as approved by the Georgia PSC, related to placing new generating units at Plant McDonough-Atkinson in service, the financing costs related to the construction of Plant Vogtle Units 3 and 4, and demand-side management costs.

Revenues attributable to changes in sales decreased in the first quarter 2013 when compared to the corresponding period in 2012. The decrease was due to a 2.1% decrease in industrial KWH sales and a 0.9% decrease in weather-adjusted residential KWH sales, partially offset by a 0.4% increase in weather-adjusted commercial KWH sales. The decrease in industrial KWH sales for the first quarter 2013 was primarily due to decreases in the chemicals, paper, and primary metals sectors, partially offset by an increase in the stone, clay, and glass sector. The decrease in weather-adjusted residential KWH sales for the first quarter 2013 was primarily due to a decrease in customer usage, partially offset by customer growth. The increase in weather-adjusted commercial KWH sales for the first quarter 2013 was primarily due to increased customer usage. In addition, an extra day of sales as a result of the leap year in 2012 negatively impacted KWH sales in all customer classes in 2013.

In the first quarter 2012, Georgia Power began using new actual advanced meter data to compute unbilled revenues. The weather-adjusted KWH sales variances shown above reflect an adjustment to the estimated allocation of Georgia Power's unbilled January 2012 KWH sales among customer classes that is consistent with the actual allocation in 2013. Without this adjustment, first quarter 2013 residential weather-adjusted KWH sales decreased 1.9% as compared to the corresponding period in 2012 and commercial weather-adjusted KWH sales increased 1.5% as compared to the corresponding period in 2012.

Revenues resulting from changes in weather increased $66 million in the first quarter 2013 as a result of more favorable weather when compared to the corresponding period in 2012.

Fuel and other cost recovery revenues increased $108 million in the first quarter 2013 when compared to the corresponding period in 2012 primarily due to an increase in fuel costs associated with an increase in KWH

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

Wholesale Revenues

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$83	23.8

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

In the first quarter 2013, wholesale revenues were $432 million compared to $349 million for the corresponding period in 2012, reflecting a $60 million increase in energy revenues and a $23 million increase in capacity revenues. The increase in energy revenues was primarily related to more favorable weather in the first quarter 2013 as compared to the corresponding period in 2012. The increase in capacity revenues was primarily due to the commencement of PPAs at Southern Power for new plants placed in service in 2012.

Fuel and Purchased Power Expenses

	First Quarter 2013 vs. First Quarter 2012 (change in millions)	(% change)
Fuel	$198	18.6
Purchased power	(46)	(32.6)
Total fuel and purchased power expenses	$152	

In the first quarter 2013, total fuel and purchased power expenses were $1.4 billion compared to $1.2 billion for the corresponding period in 2012. The increase was primarily the result of a $116 million increase in the volume of KWHs generated as a result of more favorable weather in the first quarter 2013 and a $95 million increase in the average cost of fuel and purchased power, partially offset by a $59 million decrease in the volume of KWHs purchased.

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

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

	First Quarter 2013	First Quarter 2012
Total generation (billions of KWHs)	43	39
Total purchased power (billions of KWHs)	3	4
Sources of generation (percent) —		
Coal	34	35
Nuclear	17	19
Gas	44	42
Hydro	5	4
Cost of fuel, generated (cents per net KWH) —		
Coal	4.14	4.09
Nuclear	0.85	0.80
Gas	3.11	2.77
Average cost of fuel, generated (cents per net KWH)	3.08	2.85
Average cost of purchased power (cents per net KWH)[(a)]	4.64	3.88

(a) Average cost of purchased power includes fuel purchased by the electric utilities for tolling agreements where power is generated by the provider.

Fuel

In the first quarter 2013, fuel expense was $1.3 billion compared to $1.1 billion for the corresponding period in 2012. The increase was primarily due to a 12.3% increase in the average cost of natural gas per KWH generated and a 9.3% increase in the volume of KWHs generated as a result of higher demand for generation.

Purchased Power

In the first quarter 2013, purchased power expense was $95 million compared to $141 million for the corresponding period in 2012. The decrease was primarily due to a 33.7% decrease in the volume of KWHs purchased as the marginal cost of generation available was lower than the market cost of available energy, partially offset by a 19.6% increase in the average cost per KWH purchased.

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

Other Operations and Maintenance Expenses

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$7	0.7

In the first quarter 2013, other operations and maintenance expenses were $974 million compared to $967 million for the corresponding period in 2012. The increase was primarily the result of a $14 million increase in administrative and general costs primarily due to an increase in pension costs and a $6 million increase in nuclear production expenses primarily at Alabama Power related to the amortization of nuclear outage expenses, partially offset by a $14 million decrease related to scheduled outage and maintenance costs.

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Depreciation and Amortization

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$25	5.7

In the first quarter 2013, depreciation and amortization was $466 million compared to $441 million for the corresponding period in 2012. The increase was primarily the result of an increase in depreciation related to additional plant in service due to the completion of Georgia Power's Plant McDonough-Atkinson Units 5 and 6 in April 2012 and October 2012, respectively, additional plant in service at Southern Power, as well as transmission, distribution, and environmental projects. These increases were partially offset by amortization of the regulatory liability previously established for state income tax credits at Georgia Power, as authorized by the Georgia PSC.

Taxes Other Than Income Taxes

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$10	4.4

In the first quarter 2013, taxes other than income taxes were $235 million compared to $225 million for the corresponding period in 2012. The increase was primarily the result of increases in property taxes and municipal franchise fees.

Estimated Loss on Kemper IGCC

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$540	N/M

N/M – Not meaningful

In the first quarter 2013, an estimated probable loss on the Kemper IGCC of $540 million was recorded at Southern Company to reflect a revision of estimated costs expected to be incurred on Mississippi Power's construction of the Kemper IGCC in excess of the $2.88 billion cost cap established by the Mississippi PSC, net of the DOE Grants and the Cost Cap Exceptions.

See FUTURE EARNINGS POTENTIAL – "Construction Program" and Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

Allowance for Equity Funds Used During Construction

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$10	32.3

In the first quarter 2013, AFUDC equity was $41 million compared to $31 million for the corresponding period in 2012. The increase was primarily due to an increase in CWIP related to Mississippi Power's Kemper IGCC, partially offset by the completion of Georgia Power's Plant McDonough-Atkinson Units 5 and 6 in April 2012 and October 2012, respectively. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information regarding the Kemper IGCC.

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Leveraged Lease Income (Loss)

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$(27)	N/M

N/M – Not meaningful

In the first quarter 2013, leveraged lease income (loss) was $(21) million compared to $6 million for the corresponding period in 2012. The decrease was primarily due to the restructuring of a leveraged lease investment. See Note (J) to the Condensed Financial Statements under "Investments in Leveraged Leases" herein for additional information.

Income Taxes

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$(169)	(84.5)

In the first quarter 2013, income taxes were $31 million compared to $200 million for the corresponding period in 2012. The decrease was primarily due to lower pre-tax earnings.

FUTURE EARNINGS POTENTIAL

The results of operations discussed above are not necessarily indicative of Southern Company's future earnings potential. The level of Southern Company's future earnings depends on numerous factors that affect the opportunities, challenges, and risks of the Southern Company system's primary business of selling electricity. These factors include the traditional operating companies' ability to maintain a constructive regulatory environment that continues to allow for the timely recovery of prudently-incurred costs during a time of increasing costs and the successful completion of ongoing construction projects, including construction of generating facilities. Another major factor is the profitability of the competitive wholesale supply business. Future earnings for the electricity business in the near term will depend, in part, upon maintaining energy sales which is subject to a number of factors. These factors include weather, competition, new energy contracts with neighboring utilities and other wholesale customers, energy conservation practiced by customers, the price of electricity, the price elasticity of demand, and the rate of economic growth or decline in the service territory. In addition, the level of future earnings for the wholesale supply business also depends on numerous factors including creditworthiness of customers, total generating capacity available and related costs, future acquisitions and construction of generating facilities, and the successful remarketing of capacity as current contracts expire. Changes in regional and global economic conditions may impact sales for the traditional operating companies and Southern Power, as the pace of the economic recovery remains uncertain. The timing and extent of the economic recovery will impact growth and may impact future earnings. For additional information relating to these issues, see RISK FACTORS in Item 1A and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL of Southern Company in Item 7 of the Form 10-K.

Environmental Matters

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

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Item 7 and Note 3 to the financial statements of Southern Company under "Environmental Matters" in Item 8 of the Form 10-K for additional information.

Environmental Statutes and Regulations

Air Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality" of Southern Company in Item 7 of the Form 10-K for additional information regarding Alabama's State Implementation Plan requirements related to opacity, the EPA's MATS rule, and the 2007 State of Georgia Multi-Pollutant Rule.

On March 6, 2013, the U.S. Court of Appeals for the Eleventh Circuit upheld the EPA's 2008 approval of Alabama's opacity requirements and vacated the EPA's 2011 attempt to rescind its approval, thereby resolving Alabama Power's appeal in Alabama Power's favor. The ultimate outcome of this matter will depend on the outcome of any further appellate or regulatory actions and cannot be determined at this time.

On April 24, 2013, the EPA published a final reconsideration rule addressing new source standards within the MATS rule. Although the EPA had considered revisions to the startup and shutdown provisions of the MATS rule, a final decision on these provisions was deferred. The ultimate impact of this rulemaking will depend on the outcome of any additional rulemaking and/or legal challenges and, therefore, cannot be determined at this time.

On April 30, 2013, the State of Georgia finalized revisions to the 2007 State of Georgia Multi-Pollutant Rule and a companion rule requiring a 95% reduction in sulfur dioxide emissions from certain coal-fired generating units. The revisions modify the compliance dates under those two rules for units yet to be controlled to synchronize them with the MATS rule compliance deadline. The revisions also allow natural gas to be used as a compliance alternative at Plant Yates as contemplated by the 2013 IRP. The ultimate outcome of these matters cannot be determined at this time. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Integrated Resource Plans" in Item 8 of the Form 10-K for additional information.

Water Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Water Quality" of Southern Company in Item 7 of the Form 10-K for additional information regarding the EPA's proposed revision of the current steam electric effluent guidelines. On April 19, 2013, the EPA signed a proposed rule which requests comments on a range of potential regulatory options for addressing certain wastestreams from steam electric power plants. These regulations could result in the installation of additional controls at certain of the facilities of Southern Company's subsidiaries, which could result in significant capital expenditures and compliance costs that could affect future unit retirement and replacement decisions. The ultimate impact of these proposed regulations will, however, depend on the specific requirements of the final rule and the outcome of any legal challenges and cannot be determined at this time.

PSC Matters

Retail Fuel Cost Recovery

The traditional operating companies each have established fuel cost recovery rates approved by their respective state PSCs. The traditional operating companies have experienced lower pricing for natural gas in recent years resulting in an increase in natural gas generation and a decrease in coal generation, which is currently more costly. The lower cost of natural gas has resulted in a total over recovered fuel balance at Alabama Power, Georgia Power, Gulf Power, and Mississippi Power included on Southern Company's Condensed Balance Sheet herein of approximately $269 million at March 31, 2013. At December 31, 2012, a total over recovered fuel balance at Georgia Power, Gulf Power, and Mississippi Power included on Southern Company's Condensed Balance Sheet herein was approximately $303 million.

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Fuel cost recovery revenues are adjusted for differences in actual recoverable fuel costs and amounts billed in current regulated rates. Accordingly, changes in the billing factor will not have a significant effect on Southern Company's revenues or net income, but will affect cash flow. The traditional operating companies continuously monitor their under or over recovered fuel cost balances.

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

Alabama Power

Rate RSE

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Alabama Power – Rate RSE" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Rate RSE" in Item 8 of the Form 10-K for additional information regarding Alabama Power's Rate Stabilization and Equalization (Rate RSE). On March 19, 2013, the Alabama PSC issued a notice that the Alabama PSC will hold public proceedings regarding the operation and utilization of Rate RSE. The ultimate outcome of these proceedings cannot be determined at this time.

Natural Disaster Cost Recovery

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Alabama Power – Natural Disaster Reserve" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Alabama Power – Natural Disaster Reserve" in Item 8 of the Form 10-K for additional information regarding natural disaster cost recovery. At March 31, 2013, the NDR had an accumulated balance of $93 million as compared to $103 million at December 31, 2012, which is included on Southern Company's Condensed Balance Sheets herein under other regulatory liabilities, deferred. The decrease in the NDR in the first quarter 2013 is a result of storm activity. The related accruals are reflected as operations and maintenance expenses on Southern Company's Condensed Statement of Income herein.

Georgia Power

Integrated Resource Plans

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality," "– Water Quality," and "– Coal Combustion Byproducts" of Southern Company in Item 7 and Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Rate Plans" and "– Integrated Resource Plans" in Item 8 of the Form 10-K for additional information regarding proposed and final EPA rules and regulations, including the MATS rule for coal- and oil-fired electric utility steam generating units, revisions to effluent guidelines for steam electric power plants, and additional regulation of coal combustion byproducts; the State of Georgia's Multi-Pollutant Rule; Georgia Power's analysis of the potential costs and benefits of installing the required controls on its fossil generating units in light of these regulations; the 2010 ARP; the 2011 IRP; and the 2013 IRP.

On April 17, 2013, the Georgia PSC approved the decertification of Plant Bowen Unit 6 (32 MWs), which was retired on April 25, 2013. The Georgia PSC is scheduled to vote on all other aspects of the 2013 IRP in July 2013. The ultimate outcome of this matter cannot be determined at this time.

Separately, on April 22, 2013, Georgia Power executed two PPAs to purchase energy from two wind farms with capacity totaling 250 MWs in southwest Oklahoma that will commence in 2016 and end in 2035. In addition, on April 29, 2013, Georgia Power executed a PPA for the purchase of 50 MWs of capacity and energy that will commence in 2015 and end in 2035. These PPAs are subject to Georgia PSC approval and, if approved, will result in contractual obligations of approximately $13 million in 2015, $47 million in 2016, $48 million in 2017, and $1.3 billion thereafter.

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Construction Program

The subsidiary companies of Southern Company are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. The Southern Company system intends to continue its strategy of developing and constructing new generating facilities, including the ongoing construction of Plant Vogtle Units 3 and 4 at Georgia Power, the Kemper IGCC at Mississippi Power, and solar units at Southern Power, as well as adding or changing fuel sources for certain existing units, adding environmental control equipment, and expanding the transmission and distribution systems. For the traditional operating companies, major generation construction projects are subject to state PSC approvals in order to be included in retail rates. While Southern Power generally constructs and acquires generation assets covered by long-term PPAs, any uncontracted capacity could negatively affect future earnings.

The two largest construction projects currently underway in the Southern Company system are Plant Vogtle Units 3 and 4 (45.7% ownership interest by Georgia Power in two units, each with approximately 1,100 MWs) and the construction of Mississippi Power's Kemper IGCC (for a total of 582 MWs). See FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein for the current cost estimate of the Southern Company system's construction program, which includes the revised construction cost estimate to complete the Kemper IGCC. Also see Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" herein for additional information.

Investments in Leveraged Leases

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Investments in Leveraged Leases" of Southern Company in Item 7 and Note 1 to the financial statements of Southern Company under "Leveraged Leases" in Item 8 of the Form 10-K for additional information.

On March 1, 2013, Southern Company completed the restructuring of the nonrecourse debt and the related rental payments associated with its leveraged lease investment in a 440-MW generation facility located in Choctaw County, Mississippi. In connection with the restructuring, Southern Company has committed, as owner/lessor, to invest approximately $60 million in capital over the next three years to improve the operational performance of the facility and upgrade environmental controls. As part of the restructuring, the interest rate on the nonrecourse debt was significantly reduced, resulting in lower debt payments for Southern Company and lower rental payments for the lessee over the remaining 19-year term of the nonrecourse debt and the lease. As a consequence of the restructuring, Southern Company recalculated its net investment in the lease to reflect changes in the future cash flows to Southern Company as owner/lessor. As a result of the recalculation, Southern Company recorded an after-tax charge to income during the first quarter 2013 of approximately $16 million. This noncash charge reflects a reallocation of previously recognized lease income that will be reflected in income over the remaining term of the lease.

Other Matters

Southern Company and its subsidiaries are involved in various other matters being litigated and regulatory matters that could affect future earnings. In addition, Southern Company and its subsidiaries are subject to certain claims and legal actions arising in the ordinary course of business. The business activities of Southern Company's subsidiaries are subject to extensive governmental regulation related to public health and the environment, such as regulation of air emissions and water discharges. Litigation over environmental issues and claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental requirements, such as air quality and water standards, has increased generally throughout the U.S. In particular, personal injury, property damage, and other claims for damages alleged to have been caused by carbon dioxide and other emissions, coal combustion byproducts, and alleged exposure to hazardous materials, and/or requests for injunctive relief in connection with such matters, have become more frequent.

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

See the Notes to the Condensed Financial Statements herein for a discussion of various other contingencies, regulatory matters, and other matters being litigated which may affect future earnings potential.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Other Matters" of Southern Company in Item 7 of the Form 10-K for additional information regarding the NRC's performance of additional operational and safety reviews of nuclear facilities in the U.S. following the major earthquake and tsunami that struck Japan in 2011. On March 19, 2013, the NRC issued an order relating to hardened vents for certain classes of containment structures, including the one in use at Plant Hatch. Southern Company is continuing to analyze the impact of this order. The ultimate outcome of this matter cannot be determined at this time; however, management does not currently anticipate that the compliance costs associated with this order would have a material impact on Southern Company's financial statements.

On April 4, 2013, an explosion occurred at Plant Bowen Unit 2 that resulted in substantial damage to the Plant Bowen Unit 2 generator, Plant Bowen's Units 1 and 2 control room and surrounding areas, as well as Plant Bowen's switchyard. The extent of the damage sustained by Plant Bowen Unit 1 is unknown. Plant Bowen Units 1 and 2 (approximately 1,400 MWs) remain offline, pending assessment of the damage and completion of repairs. Georgia Power expects that any material repair costs related to the damage will be covered by property insurance. The ultimate outcome of this matter cannot be determined at this time.

ACCOUNTING POLICIES

Application of Critical Accounting Policies and Estimates

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

Estimated Construction Costs for the Kemper IGCC

On April 23, 2013, Mississippi Power revised its cost estimate to complete construction of the Kemper IGCC to an amount that exceeds the $2.88 billion cost cap, net of the DOE Grants and the Cost Cap Exceptions. Mississippi Power does not intend to seek any joint owner contributions or rate recovery for any Kemper IGCC construction costs that exceed the $2.88 billion cost cap, except for amounts subject to the Cost Cap Exceptions and net of the DOE Grants. As a result, Southern Company recorded a pretax charge of $540 million in the first quarter 2013. In subsequent periods, any changes in the estimated costs to complete construction of the Kemper IGCC subject to the $2.88 billion cost cap will be reflected in Southern Company's statements of income and these changes could be material. Southern Company's analysis will be ongoing throughout the construction period. It is possible that Southern Company could experience further cost increases and/or schedule delays with respect to the Kemper IGCC as a result of factors including, but not limited to, costs and productivity of labor, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, contractor or supplier delay or non-performance under construction or other agreements, delays associated with start-up activities, and/or unforeseen engineering problems.

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Given the significant judgment involved in estimating the future costs to complete construction, schedule, and the ultimate rate recoverability for the Kemper IGCC, and the potential impact on Southern Company's results of operations, Southern Company considers the future total construction costs for the Kemper IGCC to be a critical accounting estimate. See FUTURE EARNINGS POTENTIAL – "Construction Program" of Southern Company in Item 7 of the Form 10-K, Note 3 to the financial statements of Southern Company under "Integrated Coal Gasification Combined Cycle" in Item 8 of the Form 10-K, and Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for additional information.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" of Southern Company in Item 7 of the Form 10-K for additional information. Southern Company's financial condition remained stable at March 31, 2013. Southern Company intends to continue to monitor its access to short-term and long-term capital markets as well as its bank credit arrangements to meet future capital and liquidity needs. See "Capital Requirements and Contractual Obligations," "Sources of Capital," and "Financing Activities" herein for additional information.

Net cash provided from operating activities totaled $737 million for the first three months of 2013, an increase of $169 million from the corresponding period in 2012. The increase in net cash provided from operating activities was primarily due to a reduction in fossil fuel stock. Net cash used for investing activities totaled $1.3 billion for the first three months of 2013 primarily due to property additions to utility plant. Net cash provided from financing activities totaled $429 million for the first three months of 2013. This was primarily due to long-term debt issuances. 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 for the first three months of 2013 include an increase of $297 million in total property, plant, and equipment for construction of generation, transmission, and distribution facilities and a decrease in cash and cash equivalents of $113 million primarily due to an effort to reduce bank balances. Other significant changes include a $949 million increase in long-term debt (excluding amounts due within a year) to repay maturing debt and to fund the Southern Company subsidiaries' continuous construction programs, a $345 million decrease in retained earnings resulting from the estimated probable loss on the Kemper IGCC, a decrease of $272 million in accrued compensation primarily due to the payout in March of employee performance incentives earned in 2012, and a reduction in other accrued taxes of $183 million primarily due to payments of ad valorem taxes.

The market price of Southern Company's common stock at the end of the first quarter 2013 was $46.92 per share (based on the closing price as reported on the New York Stock Exchange) and the book value was $20.72 per share, representing a market-to-book ratio of 226%, compared to $42.81, $21.09, and 203%, respectively, at the end of 2012. The dividend for the first quarter 2013 was $0.49 per share compared to $0.4725 per share in the first quarter 2012. In April 2013, the quarterly dividend payable in June 2013 was increased to $0.5075 per share.

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Southern Company in Item 7 of the Form 10-K for a description of Southern Company's capital requirements for the construction programs of the Southern Company system, including estimated capital expenditures for new generating facilities and to comply with existing environmental statutes and regulations, and other funding requirements associated with scheduled maturities of long-term debt, as well as the related interest, preferred and preference stock dividends, leases, trust funding requirements, other purchase commitments, unrecognized tax benefits and interest, and derivative obligations. Approximately $1.8 billion will be required through March 31, 2014 to fund maturities of long-term debt. See FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations" herein for additional information.

The Southern Company system's construction program is currently estimated to be $5.9 billion for 2013, $6.0 billion for 2014, and $5.2 billion for 2015. Included in these estimated amounts are expenditures related to the construction of the Kemper IGCC of $913 million and $358 million in 2013 and 2014, respectively, which include the revised construction cost estimate to complete the Kemper IGCC and are net of SMEPA's 15% proposed ownership share of the Kemper IGCC, which reflects costs of approximately $492 million and $28 million in 2013 and 2014, respectively. The estimated share of SMEPA in 2013 reflects estimated construction costs relating to SMEPA's proposed ownership interest to be incurred through December 31, 2013 (including construction costs for all prior years relating to its proposed ownership interest).

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 the expected environmental compliance program; changes in environmental statutes and regulations; the outcome of any legal challenges to the environmental rules; changes in generating plants, including unit retirements and replacements and adding or changing fuel sources at existing units, to meet regulatory requirements; changes in FERC rules and regulations; PSC approvals; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; storm impacts; and the cost of capital. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. See Note 3 to the financial statements of Southern Company under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "PSC Matters – Georgia Power – Nuclear Construction" and "Integrated Coal Gasification Combined Cycle" herein for additional information.

Sources of Capital

Southern Company intends to meet its future capital needs through internal cash flow and external security issuances. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings. The amount and timing of additional equity capital to be raised in 2013, as well as in subsequent years, will be contingent on Southern Company's investment opportunities.

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

In 2010, Georgia Power reached an agreement with the DOE to accept terms for a conditional commitment for federal loan guarantees that would apply to future Georgia Power borrowings related to the construction of Plant Vogtle Units 3 and 4. Any borrowings guaranteed by the DOE would be full recourse to Georgia Power and secured by a first priority lien on Georgia Power's 45.7% undivided ownership interest in Plant Vogtle Units 3 and 4. Total guaranteed borrowings would not exceed the lesser of 70% of eligible project costs or approximately $3.46 billion and are expected to be funded by the Federal Financing Bank. Final approval and issuance of loan guarantees by the DOE are subject to negotiation of definitive agreements, completion of due diligence by the DOE, receipt of any necessary regulatory approvals, and satisfaction of other conditions. In the event that the DOE does not issue a loan guarantee or Georgia Power determines that the final terms and conditions of the loan guarantee by the DOE are not in the best interest of its customers, Georgia Power expects to finance the construction of Plant Vogtle Units 3 and 4 through traditional capital markets financings. There can be no assurance that the DOE will issue loan guarantees for Georgia Power. The conditional commitment will expire on June 30, 2013, unless further extended by the DOE. See Note (B) to the Condensed Financial Statements under "Retail Regulatory Matters – Georgia Power – Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Mississippi Power has received DOE Clean Coal Power Initiative Round 2 (CCPI2) grant funds of $245 million that have been used for the construction of the Kemper IGCC. An additional $25 million in CCPI2 grant funds is expected to be received for the initial operation of the Kemper IGCC. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for information regarding legislation related to the securitization of certain costs of the Kemper IGCC.

Southern Company's current liabilities frequently exceed current assets because of the continued use of short-term debt as a funding source to meet scheduled maturities of long-term debt, as well as cash needs, which can fluctuate significantly due to the seasonality of the business of the Southern Company system. To meet short-term cash needs and contingencies, Southern Company has substantial cash flow from operating activities and access to capital markets, including commercial paper programs which are backed by bank credit facilities.

At March 31, 2013, Southern Company and its subsidiaries had approximately $515 million of cash and cash equivalents. Committed credit arrangements with banks at March 31, 2013 were as follows:

	Expires[(a)]						Executable Term Loans		Due Within One Year	
Company	2013	2014	2016	2018	Total	Unused	One Year	Two Years	Term Out	No Term Out
	(in millions)				(in millions)		(in millions)		(in millions)	
Southern Company	$—	$—	$—	$1,000	$1,000	$1,000	$—	$—	$—	$—
Alabama Power	156	151	—	1,000	1,307	1,307	56	—	56	102
Georgia Power	—	—	150	1,600	1,750	1,740	—	—	—	—
Gulf Power	45	60	165	—	270	270	45	—	45	30
Mississippi Power	110	25	165	—	300	300	25	40	65	70
Southern Power	—	—	—	500	500	500	—	—	—	—
Other	50	—	—	—	50	50	25	—	25	25
Total	$361	$236	$480	$4,100	$5,177	$5,167	$151	$40	$191	$227

(a) No credit arrangements expire in 2015 or 2017.

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

A portion of the unused credit with banks is allocated to provide liquidity support to the traditional operating companies' variable rate pollution control revenue bonds and commercial paper programs. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of March 31, 2013 was approximately $1.8 billion.

In February 2013, Southern Company, Alabama Power, Georgia Power, and Southern Power each amended their multi-year credit arrangements, which extended the maturity dates from 2016 to 2018.

In March 2013, Alabama Power amended a $200 million credit arrangement, which extended the maturity date from 2014 to 2018. In March 2013, Gulf Power also amended a $35 million credit arrangement, which reduced the amount to $30 million and extended the maturity date from 2013 to 2014. In addition, in March 2013, Georgia Power, Gulf Power, and Mississippi Power each amended certain of their credit arrangements, which extended the maturity dates from 2014 to 2016 and, in the case of Mississippi Power, also revised the definition of debt to exclude securitized debt relating to the Kemper IGCC for purposes of calculating the debt covenant under these credit arrangements. See Note (B) to the Condensed Financial Statements under "Integrated Coal Gasification Combined Cycle" herein for information regarding legislation related to the securitization of certain costs of the Kemper IGCC.

Subsequent to March 31, 2013, Gulf Power entered into a new credit arrangement for $5 million with a maturity date of 2014.

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THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Subsequent to March 31, 2013, SEGCO entered into two new $25 million credit arrangements with maturity dates of 2014.

Most of these arrangements contain covenants that limit debt levels and typically contain cross default provisions that are restricted only to the indebtedness of the individual company. Southern Company and its subsidiaries are currently in compliance with all such covenants.

The traditional operating companies may also meet short-term cash needs through a Southern Company subsidiary organized to issue and sell commercial paper at the request and for the benefit of each of the traditional operating companies.

Details of short-term borrowings were as follows:

	Short-term Debt at March 31, 2013[a]		Short-term Debt During the Period[a][b]		
	Amount Outstanding	Weighted Average Interest Rate	Average Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)		(in millions)		(in millions)
Commercial paper	$989	0.3 %	$955	0.3 %	$1,119
Short-term bank debt	300	0.9 %	87	0.9 %	300
Total	$1,289	0.4 %	$1,042	0.3 %	

(a) Excludes notes payable related to other energy service contracts of $2 million.

(b) Average and maximum amounts are based upon daily balances during the three-month period ended March 31, 2013.

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

Credit Rating Risk

Southern Company and its subsidiaries do not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain contracts that could require collateral, but not accelerated payment, in the event of a credit rating change of certain subsidiaries to BBB and Baa2, or BBB- and/or Baa3 or below. These contracts are for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, emissions allowances, energy price risk management, and construction of new generation.

The maximum potential collateral requirements under these contracts at March 31, 2013 were as follows:

Credit Ratings	Maximum Potential Collateral Requirements
	(in millions)
At BBB and Baa2	$9
At BBB- and/or Baa3	625
Below BBB- and/or Baa3	2,571

In March 2012, Mississippi Power received a $150 million interest-bearing refundable deposit from SMEPA to be applied to the sale price for the pending sale of an undivided interest in the Kemper IGCC. Until the acquisition is closed, the deposit bears interest at Mississippi Power's AFUDC rate adjusted for income taxes, which was 9.967% per annum for 2012 and 9.962% per annum at March 31, 2013, and is refundable to SMEPA upon termination of the asset purchase agreement related to such purchase, within 60 days of a request by SMEPA for a full or partial refund, or within 15 days at SMEPA's discretion in the event that Mississippi Power is assigned a

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senior unsecured credit rating of BBB+ or lower by S&P or Baa1 or lower by Moody's or ceases to be rated by either of these rating agencies.

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

Market Price Risk

The Southern Company system is exposed to market risks, primarily commodity price risk and interest rate risk. The Southern Company system may also occasionally have limited exposure to foreign currency exchange rates. To manage the volatility attributable to these exposures, the applicable company nets the exposures, where possible, to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to the applicable company's policies in areas such as counterparty exposure and risk management practices. The Southern Company system's policy is that derivatives are to be used primarily for hedging purposes and mandates strict adherence to all applicable risk management policies. Derivative positions are monitored using techniques including, but not limited to, market valuation, value at risk, stress testing, and sensitivity analysis.

Due to cost-based rate regulation and other various cost recovery mechanisms, the traditional operating companies continue to have limited exposure to market volatility in interest rates, foreign currency, commodity fuel prices, and prices of electricity. In addition, Southern Power's exposure to market volatility in commodity fuel prices and prices of electricity is limited because its long-term sales contracts shift substantially all fuel cost responsibility to the purchaser. However, Southern Power has been and may continue to be exposed to market volatility in energy-related commodity prices as a result of sales of uncontracted generating capacity. To mitigate residual risks relative to movements in electricity prices, the traditional operating companies enter into physical fixed-price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, financial hedge contracts for natural gas purchases. The traditional operating companies continue to manage fuel-hedging programs implemented per the guidelines of their respective state PSCs. Southern Company had no material change in market risk exposure for the first quarter 2013 when compared to the December 31, 2012 reporting period.

The changes in fair value of energy-related derivative contracts, the majority of which are composed of regulatory hedges, for the three months ended March 31, 2013 were as follows:

	First Quarter 2013 Changes Fair Value (in millions)
Contracts outstanding at the beginning of the period, assets (liabilities), net	$(85)
Contracts realized or settled	25
Current period changes[(a)]	47
Contracts outstanding at the end of the period, assets (liabilities), net	$(13)

(a) Current period changes also include the changes in fair value of new contracts entered into during the period, if any.

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The changes in the fair value positions of the energy-related derivative contracts, which are substantially all attributable to both the volume and the price of natural gas, for the three months ended March 31, 2013 were as follows:

	First Quarter 2013 Changes
	Fair Value (in millions)
Natural gas swaps	$57
Natural gas options	15
Total changes	$72

The net hedge volumes of energy-related derivative contracts were as follows:

	March 31, 2013	December 31, 2012
	mmBtu Volume (in millions)	
Commodity – Natural gas swaps	170	171
Commodity – Natural gas options	89	105
Total hedge volume	259	276

The weighted average swap contract cost above market prices was approximately $0.05 per mmBtu as of March 31, 2013 and $0.39 per mmBtu as of December 31, 2012. The change in option fair value is primarily attributable to the volatility of the market and the underlying change in the natural gas price. The majority of the natural gas hedge gains and losses are recovered through the traditional operating companies' fuel cost recovery clauses.

The net fair value of energy-related derivative contracts by hedge designation was reflected in the financial statements as follows:

Asset (Liability) Derivatives	March 31, 2013	December 31, 2012
	(in millions)	
Regulatory hedges	$(17)	$(86)
Cash flow hedges	—	—
Not designated	4	1
Total fair value	$(13)	$(85)

Energy-related derivative contracts which are designated as regulatory hedges relate to the traditional operating companies' fuel-hedging programs, where gains and losses are initially recorded as regulatory liabilities and assets, respectively, and then are included in fuel expense as they are recovered through the fuel cost recovery clauses. Gains and losses on energy-related derivatives that are designated as cash flow hedges are mainly used by Southern Power to hedge anticipated purchases and sales and are initially deferred in OCI before being recognized in income in the same period as the hedged transaction. Gains and losses on energy-related derivative contracts that are not designated or fail to qualify as hedges are recognized in the statements of income as incurred.

Total net unrealized pre-tax gains (losses) recognized in the statements of income for the three months ended March 31, 2013 and 2012 were not material.

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Southern Company uses over-the-counter contracts that are not exchange traded but are fair valued using prices which are market observable, and thus fall into Level 2. See Note (C) to the Condensed Financial Statements herein for further discussion on fair value measurements. The maturities of the energy-related derivative contracts, which are all Level 2 of the fair value hierarchy, at March 31, 2013 were as follows:

	March 31, 2013 Fair Value Measurements			
	Total Fair Value	Maturity Year 1	Years 2&3	Years 4&5
	(in millions)			
Level 1	$—	$—	$—	$—
Level 2	(13)	(8)	(5)	—
Level 3	—	—	—	—
Fair value of contracts outstanding at end of period	$(13)	$(8)	$(5)	$—

For additional information, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" of Southern Company in Item 7 and Note 1 under "Financial Instruments" and Note 11 to the financial statements of Southern Company in Item 8 of the Form 10-K and Note (H) to the Condensed Financial Statements herein.

Financing Activities

During the first quarter 2013, Southern Company issued approximately 2.6 million shares of common stock for approximately $54 million through the employee and director stock plans, of which 0.7 million shares related to Southern Company's performance share plan. Since mid-2011, Southern Company has issued additional equity only through its employee and director stock plans. In July 2012, Southern Company announced a program to repurchase shares to partially offset the incremental shares issued under its employee and director stock plans. As of December 31, 2012, Southern Company had repurchased a total of approximately 9 million shares at a total cost of approximately $430 million under this program. In January 2013, Southern Company announced that it plans to continue this program through 2015. There were no repurchases under this program in the first quarter 2013. Pursuant to approval by the Southern Company Board of Directors, Southern Company may repurchase shares through open market purchases or privately negotiated transactions, in accordance with applicable securities laws.

In addition, Southern Company is not currently issuing shares of common stock through the Southern Investment Plan or its employee savings plan. All sales under the Southern Investment Plan and the employee savings plan are currently being funded with shares acquired on the open market by the independent plan administrators.

The following table outlines the long-term debt financing activities for Southern Company, the traditional operating companies, and Southern Power for the first three months of 2013:

Company[(a)]	Senior Note Issuances	Senior Note Redemptions and Maturities	Revenue Bond Issuances	Other Long-Term Debt Issuances
			(in millions)	
Georgia Power	$650	$650	$18	$—
Mississippi Power	—	—	16	350
Southern Power	—	—	—	2
Total	$650	$650	$34	$352

(a) Southern Company, Alabama Power, and Gulf Power did not issue or redeem any long-term debt during the first quarter 2013.

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

In March 2013, Georgia Power entered into three 60-day floating rate bank loans bearing interest based on one-month LIBOR. Each of these short-term loans was for $100 million aggregate principal amount and the proceeds were used for working capital and other general corporate purposes, including Georgia Power's continuous construction program.

Subsequent to March 31, 2013, $17.5 million aggregate principal amount of Development Authority of Monroe County Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), Second Series 1997 were redeemed.

Also subsequent to March 31, 2013, Southern Power issued a $5.6 million promissory note, due April 30, 2033, to Turner Renewable Energy, LLC related to the financing of the acquisition by Southern Power of Campo Verde Solar, LLC, which is constructing a 139-MW solar photovoltaic facility in Southern California. See Note (I) to the Condensed Financial Statements herein for additional information.

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

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PART I

Item 3. Quantitative And Qualitative Disclosures About Market Risk.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" herein for each registrant and Note 1 to the financial statements of each registrant under "Financial Instruments," Note 11 to the financial statements of Southern Company, Alabama Power, and Georgia Power, Note 10 to the financial statements of Gulf Power and Mississippi Power, and Note 9 to the financial statements of Southern Power in Item 8 of the Form 10-K. Also, see Note (H) to the Condensed Financial Statements herein for information relating to derivative instruments.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

Southern Company, Alabama Power, Georgia Power, Gulf Power, and Southern Power

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

Mississippi Power

As described further in Notes 3 and 12 to the financial statements of Mississippi Power in Item 8 and Management's Report on Internal Control Over Financial Reporting in Item 9A of the Form 10-K/A, Mississippi Power restated and corrected its previously issued financial statements for the year ended December 31, 2012 to recognize a pretax charge for an estimated probable loss relating to the Kemper IGCC. Management believes Mississippi Power's failure to maintain sufficient evidence supporting certain estimated amounts included in the Kemper IGCC cost estimate and to fully communicate the related effects in the development of the Kemper IGCC cost estimate would constitute a material weakness in internal control over financial reporting under standards adopted by the Public Company Accounting Oversight Board and concluded Mississippi Power's internal control over financial reporting was not effective as of December 31, 2012.

As of the end of the period covered by this quarterly report, Mississippi Power conducted an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Sections 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based upon this evaluation, which considered the material weakness described above, the Chief Executive Officer and the Chief Financial Officer concluded that the disclosure controls and procedures were not effective.

Management has initiated appropriate actions to remediate the material weakness in internal control over financial reporting. Such actions include, but are not limited to, the following:

- establishing a new governance team focused on accounting, legal, and regulatory affairs that will meet regularly with the Kemper IGCC project and construction teams and will provide further oversight of the Kemper IGCC cost estimation process;
- reemphasizing and enhancing communication across functional areas and departments; and
- applying appropriate performance management actions.

Remediation of the material weakness is expected to be completed during the second quarter 2013.

(b) Changes in internal controls.

There have been no changes in Southern Company's, Alabama Power's, Georgia Power's, Gulf Power's, Mississippi Power's, or Southern Power's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the first quarter 2013 that have materially affected or are reasonably likely to materially affect Southern Company's, Alabama Power's, Georgia Power's, Gulf Power's, Mississippi Power's, or Southern Power's internal control over financial reporting.

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ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Operating Revenues:		
Retail revenues	$1,141	$1,092
Wholesale revenues, non-affiliates	59	61
Wholesale revenues, affiliates	56	14
Other revenues	52	49
Total operating revenues	1,308	1,216
Operating Expenses:		
Fuel	372	306
Purchased power, non-affiliates	20	15
Purchased power, affiliates	31	40
Other operations and maintenance	330	321
Depreciation and amortization	158	157
Taxes other than income taxes	90	86
Total operating expenses	1,001	925
Operating Income	307	291
Other Income and (Expense):		
Allowance for equity funds used during construction	8	5
Interest expense, net of amounts capitalized	(66)	(73)
Other income (expense), net	(1)	(3)
Total other income and (expense)	(59)	(71)
Earnings Before Income Taxes	248	220
Income taxes	97	84
Net Income	151	136
Dividends on Preferred and Preference Stock	10	10
Net Income After Dividends on Preferred and Preference Stock	$141	$126

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Net Income	$151	$136
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of $- and $3, respectively	—	4
Total other comprehensive income (loss)	—	4
Comprehensive Income	$151	$140

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

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ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31, 2013	2012
	(in millions)	
Operating Activities:		
Net income	$151	$136
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	206	189
Deferred income taxes	25	31
Allowance for equity funds used during construction	(8)	(5)
Stock based compensation expense	4	4
Other, net	5	(11)
Changes in certain current assets and liabilities —		
-Receivables	(13)	89
-Fossil fuel stock	28	(81)
-Materials and supplies	16	2
-Other current assets	(71)	(51)
-Accounts payable	(124)	(149)
-Accrued taxes	90	43
-Accrued compensation	(61)	(63)
-Retail fuel cost over recovery	21	1
-Other current liabilities	1	5
Net cash provided from operating activities	270	140
Investing Activities:		
Property additions	(274)	(244)
Nuclear decommissioning trust fund purchases	(57)	(49)
Nuclear decommissioning trust fund sales	57	49
Cost of removal, net of salvage	(9)	(6)
Change in construction payables	(1)	14
Other investing activities	37	1
Net cash used for investing activities	(247)	(235)
Financing Activities:		
Increase in notes payable, net	45	—
Proceeds —		
Capital contributions from parent company	5	5
Senior notes issuances	—	250
Payment of preferred and preference stock dividends	(10)	(10)
Payment of common stock dividends	(132)	(135)
Other financing activities	(3)	(4)
Net cash provided from (used for) financing activities	(95)	106
Net Change in Cash and Cash Equivalents	(72)	11
Cash and Cash Equivalents at Beginning of Period	137	344
Cash and Cash Equivalents at End of Period	$65	$355
Supplemental Cash Flow Information:		

Cash paid (received) during the period for —		
Interest (net of $3 and $2 capitalized for 2013 and 2012, respectively)	$64	$66
Income taxes, net	(3)	22
Noncash transactions—accrued property additions at end of period	30	32

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

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ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At March 31, 2013	At December 31, 2012
	(in millions)	
Current Assets:		
Cash and cash equivalents	$65	$137
Receivables —		
Customer accounts receivable	349	321
Unbilled revenues	122	138
Under recovered regulatory clause revenues	11	23
Other accounts and notes receivable	35	42
Affiliated companies	74	55
Accumulated provision for uncollectible accounts	(8)	(8)
Fossil fuel stock, at average cost	447	475
Materials and supplies, at average cost	370	395
Vacation pay	61	61
Prepaid expenses	121	81
Other regulatory assets, current	13	24
Other current assets	14	13
Total current assets	1,674	1,757
Property, Plant, and Equipment:		
In service	21,508	21,407
Less accumulated provision for depreciation	7,816	7,761
Plant in service, net of depreciation	13,692	13,646
Nuclear fuel, at amortized cost	356	354
Construction work in progress	535	438
Total property, plant, and equipment	14,583	14,438
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	54	53
Nuclear decommissioning trusts, at fair value	642	605
Miscellaneous property and investments	78	78
Total other property and investments	774	736
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	524	525
Deferred under recovered regulatory clause revenues	15	11
Other regulatory assets, deferred	1,071	1,083
Other deferred charges and assets	128	162
Total deferred charges and other assets	1,738	1,781
Total Assets	$18,769	$18,712

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

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ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At March 31, 2013 (in millions)	At December 31, 2012
Current Liabilities:		
Securities due within one year	$250	$250
Notes payable	45	—
Accounts payable —		
Affiliated	188	191
Other	204	318
Customer deposits	86	85
Accrued taxes —		
Accrued income taxes	73	5
Other accrued taxes	56	33
Accrued interest	60	62
Accrued vacation pay	50	50
Accrued compensation	36	94
Liabilities from risk management activities	5	14
Other regulatory liabilities, current	29	3
Other current liabilities	38	38
Total current liabilities	1,120	1,143
Long-term Debt	5,929	5,929
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,418	3,404
Deferred credits related to income taxes	78	79
Accumulated deferred investment tax credits	139	141
Employee benefit obligations	319	321
Asset retirement obligations	599	589
Other cost of removal obligations	773	759
Other regulatory liabilities, deferred	203	183
Other deferred credits and liabilities	91	81
Total deferred credits and other liabilities	5,620	5,557
Total Liabilities	12,669	12,629
Redeemable Preferred Stock	342	342
Preference Stock	343	343
Common Stockholder's Equity:		
Common stock, par value $40 per share —		
Authorized - 40,000,000 shares		
Outstanding - 30,537,500 shares	1,222	1,222
Paid-in capital	2,236	2,227
Retained earnings	1,984	1,976
Accumulated other comprehensive loss	(27)	(27)
Total common stockholder's equity	5,415	5,398
Total Liabilities and Stockholder's Equity	$18,769	$18,712

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

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FIRST QUARTER 2013 vs. FIRST QUARTER 2012

OVERVIEW

Alabama Power operates as a vertically integrated utility providing electricity to retail and wholesale customers within its traditional service territory located within the State of Alabama in addition to wholesale customers in the Southeast. Many factors affect the opportunities, challenges, and risks of Alabama Power's business of selling electricity. These factors include the ability to maintain a constructive regulatory environment, to maintain and grow energy sales given economic conditions, and to effectively manage and secure timely recovery of costs. These costs include those related to projected long-term demand growth, increasingly stringent environmental standards, fuel, capital expenditures, and restoration following major storms. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge Alabama Power for the foreseeable future.

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

RESULTS OF OPERATIONS

Net Income

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$15	11.9

Alabama Power's net income after dividends on preferred and preference stock for the first quarter 2013 was $141 million compared to $126 million for the corresponding period in 2012. The increase for the first quarter 2013 was primarily related to an increase in weather-related revenues due to more favorable weather in the first quarter 2013 as compared to the corresponding period in 2012, partially offset by increases in other operations and maintenance expenses.

Retail Revenues

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$49	4.5

In the first quarter 2013, retail revenues were $1.14 billion compared to $1.09 billion for the corresponding period in 2012.

Details of the change to retail revenues were as follows:

	First Quarter 2013 (in millions)	(% change)
Retail – prior year	$1,092	
Estimated change in –		
Rates and pricing	(1)	(0.1)
Sales growth (decline)	(9)	(0.9)
Weather	39	3.6
Fuel and other cost recovery	20	1.9
Retail – current year	$1,141	4.5%

Revenues associated with changes in rates and pricing decreased slightly in the first quarter 2013 when compared to the corresponding period in 2012. The decrease was not material.

Revenues attributable to changes in sales decreased in the first quarter 2013 when compared to the corresponding period in 2012. Weather-adjusted residential and commercial KWH energy sales decreased 2.4% and 0.4%, respectively, due to decreases in customer usage. Industrial KWH energy sales increased 0.4% due to an increase in usage resulting from changes in production levels primarily in the stone, clay, and glass and primary metal sectors. In addition, an extra day of sales as a result of the leap year in 2012 negatively impacted KWH sales in all customer classes in 2013.

Revenues resulting from changes in weather increased in the first quarter 2013 when compared to the corresponding period in 2012. Alabama Power's service territory experienced more favorable weather in the first quarter 2013 as compared to the corresponding period in 2012. As a result, residential sales revenues increased 8.5% in the first quarter 2013 as compared to the corresponding period in 2012.

Fuel and other cost recovery revenues increased in the first quarter 2013 when compared to the corresponding period in 2012 primarily due to an increase in fuel costs associated with an increase in KWH generation. Electric rates include provisions to recognize the full recovery of fuel costs, purchased power costs, PPAs certificated by the Alabama PSC, and costs associated with the NDR. Under these provisions, fuel and other cost recovery revenues generally equal fuel and other cost recovery expenses and do not affect net income.

Wholesale Revenues – Non-Affiliates

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$(2)	(3.3)

Wholesale revenues from sales to non-affiliates will vary depending on the market prices of available wholesale energy compared to the cost of Alabama Power's and the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income.

In the first quarter 2013, the decrease in wholesale revenues from non-affiliates compared to the corresponding period in 2012 was not material.

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ALABAMA POWER COMPANY
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FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Wholesale Revenues – Affiliates

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$42	300.0

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

In the first quarter 2013, wholesale revenues from affiliates were $56 million compared to $14 million for the corresponding period in 2012. The increase was primarily due to a 262.4% increase in KWH sales and a 9.5% increase in the price of energy.

Fuel and Purchased Power Expenses

	First Quarter 2013 vs. First Quarter 2012	
	(change in millions)	(% change)
Fuel	$66	21.6
Purchased power – non-affiliates	5	33.3
Purchased power – affiliates	(9)	(22.5)
Total fuel and purchased power expenses	$62	

In the first quarter 2013, total fuel and purchased power expenses were $423 million compared to $361 million for the corresponding period in 2012. The increase was primarily due to a $62 million increase associated with an increase in the volume of KWHs generated as a result of more favorable weather in first quarter 2013, a $5 million increase in the average cost of fuel, and a $4 million increase in the average cost of purchased power, partially offset by an $8 million decrease related to the volume of KWHs purchased.

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

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

	First Quarter 2013	First Quarter 2012
Total generation (billions of KWHs)	16	14
Total purchased power (billions of KWHs)	1	1
Sources of generation (percent) –		
Coal	47	42
Nuclear	24	27
Gas	17	20
Hydro	12	11
Cost of fuel, generated (cents per net KWH) –		
Coal	3.35	3.43
Nuclear	0.81	0.74
Gas	3.31	3.00
Average cost of fuel, generated (cents per net KWH)[a]	2.65	2.51
Average cost of purchased power (cents per net KWH)[b]	4.96	4.60

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

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

Fuel

In the first quarter 2013, fuel expense was $372 million compared to $306 million for the corresponding period in 2012. The $66 million increase was primarily due to a 31.4% increase in KWHs generated by coal and a 10.3% increase in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements. This increase was offset by a 31.5% increase in the volume of KWHs generated by hydro facilities resulting from greater rainfall.

Purchased Power – Non-Affiliates

In the first quarter 2013, purchased power expense from non-affiliates was $20 million compared to $15 million for the corresponding period in 2012. The increase was related to a 73.0% increase in the amount of energy purchased, partially offset by a 23.4% decrease in the average cost per KWH.

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

Purchased Power – Affiliates

In the first quarter 2013, purchased power expense from affiliates was $31 million compared to $40 million for the corresponding period in 2012. The decrease was related to a 48.2% decrease in the volume of KWHs purchased, partially offset by a 47.5% increase in the average cost per KWH.

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

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Other Operations and Maintenance Expenses

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$9	2.8

In the first quarter 2013, other operations and maintenance expenses were $330 million compared to $321 million for the corresponding period in 2012. Nuclear production expenses increased $6 million primarily due to the amortization of nuclear outage expenses. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Nuclear Outage Accounting Order" of Alabama Power in Item 7 of the Form 10-K for additional information. Administrative and general expenses increased $3 million primarily due to increases in employee medical and pension expenses, partially offset by a decrease in labor and other general expenses.

Allowance for Funds Used During Construction Equity

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$3	60.0

In the first quarter 2013, AFUDC equity was $8 million compared to $5 million for the corresponding period in 2012. The increase was primarily due to an increase in capital expenditures for steam generating and environmental, transmission, and nuclear generating facilities.

Interest Expense, Net of Amounts Capitalized

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$(7)	(9.6)

In the first quarter 2013, interest expense, net of amounts capitalized was $66 million compared to $73 million for the corresponding period in 2012. The decrease was primarily due to a decrease in interest rates and the timing of issuances and redemptions of long term-debt.

Other Income (Expense), Net

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$2	66.7

In the first quarter 2013, other income (expense), net was $(1) million compared to $(3) million for the corresponding period in 2012. The change was primarily due to an increase in non-operating income related to gains on sales of non-utility property.

Income Taxes

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$13	15.5

In the first quarter 2013, income taxes were $97 million compared to $84 million for the corresponding period in 2012. The increase was primarily due to higher pre-tax income as a result of increased weather-related revenues.

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FUTURE EARNINGS POTENTIAL

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

Environmental Matters

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

Environmental Statutes and Regulations

Air Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Air Quality" of Alabama Power in Item 7 of the Form 10-K for additional information regarding Alabama's State Implementation Plan requirements related to opacity and the EPA's MATS rule.

On March 6, 2013, the U.S. Court of Appeals for the Eleventh Circuit upheld the EPA's 2008 approval of Alabama's opacity requirements and vacated the EPA's 2011 attempt to rescind its approval, thereby resolving Alabama Power's appeal in Alabama Power's favor. The ultimate outcome of this matter will depend on the outcome of any further appellate or regulatory actions and cannot be determined at this time.

On April 24, 2013, the EPA published a final reconsideration rule addressing new source standards within the MATS rule. Although the EPA had considered revisions to the startup and shutdown provisions of the MATS rule, a final decision on these provisions was deferred. The ultimate impact of this rulemaking will depend on the outcome of any additional rulemaking and/or legal challenges and, therefore, cannot be determined at this time.

Water Quality

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations – Water Quality" of Alabama Power in Item 7 of the Form 10-K for additional information regarding the EPA's proposed revision of the current steam electric effluent guidelines. On April 19, 2013, the EPA signed a proposed rule which requests comments on a range of potential regulatory options for addressing certain wastestreams from steam electric power plants. These regulations could result in the installation of additional controls at certain of Alabama Power's facilities, which could result in significant capital expenditures and compliance costs that could affect future unit retirement and replacement decisions. The ultimate impact of these proposed regulations will, however, depend on the specific requirements of the final rule and the outcome of any legal challenges and cannot be determined at this time.

FERC Matters

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "FERC Matters" of Alabama Power in Item 7 of the Form 10-K for additional information on Alabama Power's Warrior River hydroelectric license.

On March 18, 2013, the Smith Lake Improvement and Stakeholders' Association filed an appeal to the U.S. Court of Appeals for the District of Columbia Circuit regarding the FERC's orders related to the Warrior River relicensing proceedings. The ultimate outcome of this matter cannot be determined at this time.

PSC Matters

Rate RSE

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Rate RSE" of Alabama Power in Item 7 and Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Rate RSE" in Note 8 of the Form 10-K for additional information on Alabama Power's Rate Stabilization and Equalization (Rate RSE). On March 19, 2013, the Alabama PSC issued a notice that the Alabama PSC will hold public proceedings regarding the operation and utilization of Rate RSE. The ultimate outcome of these proceedings cannot be determined at this time.

Rate CNP

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Retail Rate Adjustments – Rate CNP" of Alabama Power in Item 7 and Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Rate CNP" in Item 8 of the Form 10-K for additional information regarding Alabama Power's recovery of retail costs through Rate Certificated New Plant Power Purchase Agreement (Rate CNP PPA) and Rate Certificated New Plant Environmental (Rate CNP Environmental). Alabama Power's under recovered Rate CNP PPA balance at March 31, 2013 was $7 million as compared to $9 million at December 31, 2012. This under recovered balance at March 31, 2013 is included in deferred under recovered regulatory clause revenues on Alabama Power's Condensed Balance Sheet herein. For Rate CNP PPA, this classification is based on an estimate, which includes such factors as purchased power capacity and energy demand. A change in any of these factors could have a material impact on the timing of any recovery of the under recovered retail costs. Alabama Power's under recovered Rate CNP Environmental balance at March 31, 2013 was $19 million as compared to $21 million at December 31, 2012. This under recovered balance at March 31, 2013 consists of $11 million in under recovered regulatory clause revenues and $8 million in deferred under recovered regulatory clause revenues on Alabama Power's Condensed Balance Sheet herein. For Rate CNP Environmental, this classification is based on an estimate, which includes such factors as costs to comply with environmental mandates and energy demand. A change in any of these factors could have a material impact on the timing of any recovery of the under recovered retail costs.

Retail Energy Cost Recovery

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Energy Cost Recovery" of Alabama Power in Item 7 and Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Energy Cost Recovery" in Item 8 of the Form 10-K for information regarding Alabama Power's energy cost recovery. Alabama Power's over recovered fuel costs at March 31, 2013 totaled $21 million as compared to an under recovered balance of $4 million at December 31, 2012. The over recovered fuel costs at March 31, 2013 are included in other regulatory liabilities, current and the under recovered fuel costs at December 31, 2012 are included in deferred under recovered regulatory clause revenues on Alabama Power's Condensed Balance Sheet herein. These classifications are based on estimates, which include such factors as

weather, generation availability, energy demand, and the price of energy. A change in any of these factors could have a material impact on the timing of any return of the over recovered fuel costs.

Natural Disaster Cost Recovery

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "PSC Matters – Natural Disaster Reserve" of Alabama Power in Item 7 and Note 3 to the financial statements of Alabama Power under "Retail Regulatory Matters – Natural Disaster Reserve" in Item 8 of the Form 10-K for additional information regarding natural disaster cost recovery. At March 31, 2013, the NDR had an accumulated balance of $93 million as compared to $103 million at December 31, 2012, which is included on Alabama Power's Condensed Balance Sheet herein under other regulatory liabilities, deferred. The decrease in the NDR in the first quarter 2013 is a result of storm activity. The related accruals are reflected as operations and maintenance expenses on Alabama Power's Condensed Statement of Income herein.

Other Matters

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

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

See the Notes to the Condensed Financial Statements herein for a discussion of various other contingencies, regulatory matters, and other matters being litigated which may affect future earnings potential.

ACCOUNTING POLICIES

Application of Critical Accounting Policies and Estimates

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

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" of Alabama Power in Item 7 of the Form 10-K for additional information. Alabama Power's financial condition remained stable at March 31, 2013. Alabama Power intends to continue to monitor its access to short-term and long-term capital markets as well as its bank credit arrangements to meet future capital and liquidity needs. See "Sources of Capital," "Financing Activities," and "Capital Requirements and Contractual Obligations" herein for additional information.

Net cash provided from operating activities totaled $270 million for the first three months of 2013, an increase of $130 million as compared to the first three months of 2012. The increase in net cash provided from operating activities was primarily due to a decrease in fossil fuel stock, an increase in accounts payable as compared to the first three months of 2012, and the timing of income tax payments and refunds. This was partially offset by an increase in receivables. Net cash used for investing activities totaled $247 million for the first three months of 2013 primarily due to gross property additions related to steam generation, transmission, and distribution equipment. Net cash used for financing activities totaled $95 million for the first three months of 2013 primarily due to the payment of common stock dividends, partially offset by an increase in notes payable. Fluctuations in cash flow from financing activities vary year to year based on capital needs and the maturity or redemption of securities.

Significant balance sheet changes for the first three months of 2013 include increases of $145 million in property, plant, and equipment associated with routine property additions and $68 million in accrued income taxes and decreases of $114 million in other accounts payable and $72 million in cash and cash equivalents.

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" of Alabama Power in Item 7 of the Form 10-K for a description of Alabama Power's capital requirements for its construction program, including estimated capital expenditures to comply with existing environmental statutes and regulations, scheduled maturities of long-term debt, as well as the related interest, derivative obligations, preferred and preference stock dividends, leases, purchase commitments, trust funding requirements, and unrecognized tax benefits. See FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Statutes and Regulations" herein for additional information. Approximately $250 million will be required through March 31, 2014 to fund maturities of long-term debt.

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

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Sources of Capital

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

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

At March 31, 2013, Alabama Power had approximately $65 million of cash and cash equivalents. Committed credit arrangements with banks at March 31, 2013 were as follows:

Expires[(a)]					Executable Term Loans		Due Within One Year	
2013	2014	2018	Total	Unused	One Year	Two Years	Term Out	No Term Out
(in millions)			(in millions)		(in millions)		(in millions)	
$156	$151	$1,000	$1,307	$1,307	$56	$—	$56	$102

(a) No credit arrangements expire in 2015, 2016, or 2017.

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

These credit arrangements provide liquidity support to Alabama Power's commercial paper borrowings and variable rate pollution control revenue bonds. The amount of variable rate pollution control revenue bonds outstanding requiring liquidity support as of March 31, 2013 was approximately $793 million. In addition, Alabama Power has substantial cash flow from operating activities and access to capital markets, including a commercial paper program, to meet liquidity needs.

In February 2013, Alabama Power amended an $800 million multi-year credit arrangement, which extended the maturity date from 2016 to 2018. In addition, in March 2013, Alabama Power amended a $200 million credit arrangement, which extended the maturity date from 2014 to 2018.

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

Most of these arrangements contain covenants that limit debt levels and contain cross default provisions that are restricted only to the indebtedness (including guarantee obligations) of Alabama Power. Alabama Power is currently in compliance with all such covenants. Alabama Power expects to renew its credit arrangements, as needed, prior to expiration.

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Details of short-term borrowings were as follows:

	Short-term Debt at March 31, 2013		Short-term Debt During the Period[(a)]		
	Amount Outstanding	Weighted Average Interest Rate	Average Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)		(in millions)		(in millions)
Commercial paper	$45	0.2%	$18	0.2%	$85

(a) Average and maximum amounts are based upon daily balances during the three-month period ended March 31, 2013.

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

Credit Rating Risk

Alabama Power does not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain contracts that could require collateral, but not accelerated payment, in the event of a credit rating change to below BBB- and/or Baa3. These contracts are primarily for physical electricity purchases, fuel purchases, fuel transportation and storage, and energy price risk management. At March 31, 2013, the maximum potential collateral requirements under these contracts at a rating below BBB- and/or Baa3 were approximately $268 million. Included in these amounts are certain agreements that could require collateral in the event that one or more Power Pool participant has a credit rating change to below investment grade. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, any credit rating downgrade could impact Alabama Power's ability to access capital markets, particularly the short-term debt market.

Market Price Risk

Alabama Power's market risk exposure relative to interest rate changes for the first quarter 2013 has not changed materially compared to the December 31, 2012 reporting period. Since a significant portion of outstanding indebtedness is at fixed rates, Alabama Power is not aware of any facts or circumstances that would significantly affect exposures on existing indebtedness in the near term. However, the impact on future financing costs cannot now be determined.

Due to cost-based rate regulation and other various cost recovery mechanisms, Alabama Power continues to have limited exposure to market volatility in interest rates, commodity fuel prices, and prices of electricity. To mitigate residual risks relative to movements in electricity prices, Alabama Power enters into physical fixed-price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, financial hedge contracts for natural gas purchases. Alabama Power continues to manage a retail fuel-hedging program implemented per the guidelines of the Alabama PSC. As a result, Alabama Power had no material change in market risk exposure for the first quarter 2013 when compared with the December 31, 2012 reporting period.

The changes in fair value of energy-related derivative contracts, substantially all of which are composed of regulatory hedges, for the three months ended March 31, 2013 were as follows:

	First Quarter 2013 Changes Fair Value (in millions)
Contracts outstanding at the beginning of the period, assets (liabilities), net	$(13)
Contracts realized or settled	6
Current period changes[a]	12
Contracts outstanding at the end of the period, assets (liabilities), net	$5

(a) Current period changes also include the changes in fair value of new contracts entered into during the period, if any.

The changes in the fair value positions of the energy-related derivative contracts, which are substantially all attributable to both the volume and the price of natural gas, for the three months ended March 31, 2013 were as follows:

	First Quarter 2013 Changes Fair Value (in millions)
Natural gas swaps	$15
Natural gas options	3
Total changes	$18

The net hedge volumes of energy-related derivative contracts were as follows:

	March 31, 2013	December 31, 2012
	mmBtu Volume (in millions)	
Commodity – Natural gas swaps	47	45
Commodity – Natural gas options	10	12
Total hedge volume	57	57

The weighted average swap contract cost below market prices was approximately $0.04 per mmBtu as of March 31, 2013. The weighted average swap contract cost above market prices was approximately $0.30 per mmBtu as of December 31, 2012. The change in option fair value is primarily attributable to the volatility of the market and the underlying change in the natural gas price. The majority of the natural gas hedge gains and losses are recovered through Alabama Power's retail fuel cost recovery clause.

Regulatory hedges relate to Alabama Power's fuel hedging program where gains and losses are initially recorded as regulatory liabilities and assets, respectively, and then are included in fuel expense as they are recovered through Alabama Power's energy recovery clause.

Unrealized pre-tax gains and losses recognized in income for the three months ended March 31, 2013 and 2012 for energy-related derivative contracts that are not hedges were not material.

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Alabama Power uses over-the-counter contracts that are not exchange traded but are fair valued using prices which are market observable, and thus fall into Level 2. See Note (C) to the Condensed Financial Statements herein for further discussion on fair value measurements. The maturities of the energy-related derivative contracts, which are all Level 2 of the fair value hierarchy, at March 31, 2013 were as follows:

	March 31, 2013 Fair Value Measurements			
	Total	Maturity		
	Fair Value	Year 1	Years 2&3	Years 4&5
	(in millions)			
Level 1	$—	$—	$—	$—
Level 2	5	2	3	—
Level 3	—	—	—	—
Fair value of contracts outstanding at end of period	$5	$2	$3	$—

For additional information, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" of Alabama Power in Item 7 and Note 1 under "Financial Instruments" and Note 11 to the financial statements of Alabama Power in Item 8 of the Form 10-K and Note (H) to the Condensed Financial Statements herein.

Financing Activities

Alabama Power did not issue or redeem any securities during the three months ended March 31, 2013.

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

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GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Operating Revenues:		
Retail revenues	$1,729	$1,594
Wholesale revenues, non-affiliates	62	66
Wholesale revenues, affiliates	6	3
Other revenues	85	82
Total operating revenues	1,882	1,745
Operating Expenses:		
Fuel	519	440
Purchased power, non-affiliates	50	93
Purchased power, affiliates	175	159
Other operations and maintenance	431	434
Depreciation and amortization	200	188
Taxes other than income taxes	95	87
Total operating expenses	1,470	1,401
Operating Income	412	344
Other Income and (Expense):		
Allowance for equity funds used during construction	6	13
Interest expense, net of amounts capitalized	(91)	(91)
Other income (expense), net	(2)	(3)
Total other income and (expense)	(87)	(81)
Earnings Before Income Taxes	325	263
Income taxes	124	92
Net Income	201	171
Dividends on Preferred and Preference Stock	4	4
Net Income After Dividends on Preferred and Preference Stock	$197	$167

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Net Income	$201	$171
Other comprehensive income (loss):		
Qualifying hedges:		
Reclassification adjustment for amounts included in net income, net of tax of $- and $-, respectively	1	1
Total other comprehensive income (loss)	1	1
Comprehensive Income	$202	$172

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

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GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31,	
	2013	2012
	(in millions)	
Operating Activities:		
Net income	$201	$171
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	239	229
Deferred income taxes	59	38
Allowance for equity funds used during construction	(6)	(13)
Retail fuel cost over recovery—long-term	(58)	—
Deferred expenses	31	23
Other, net	(27)	10
Changes in certain current assets and liabilities —		
-Receivables	40	258
-Fossil fuel stock	(4)	(122)
-Prepaid income taxes	11	10
-Other current assets	42	(4)
-Accounts payable	78	(62)
-Accrued taxes	(127)	(206)
-Accrued compensation	(66)	(80)
-Retail fuel cost over recovery—short-term	10	22
-Other current liabilities	5	38
Net cash provided from operating activities	428	312
Investing Activities:		
Property additions	(419)	(476)
Investment in restricted cash from pollution control bonds	(18)	—
Nuclear decommissioning trust fund purchases	(205)	(287)
Nuclear decommissioning trust fund sales	204	285
Cost of removal, net of salvage	(17)	(15)
Change in construction payables, net of joint owner portion	(25)	(203)
Other investing activities	1	15
Net cash used for investing activities	(479)	(681)
Financing Activities:		
Increase in notes payable, net	300	99
Proceeds —		
Capital contributions from parent company	11	9
Pollution control revenue bonds issuances	18	—
Senior notes issuances	650	750
Redemptions —		
Senior notes	(650)	—
Other long-term debt	—	(250)
Payment of preferred and preference stock dividends	(4)	(4)
Payment of common stock dividends	(227)	(227)
Other financing activities	(13)	(8)
Net cash provided from financing activities	85	369

Net Change in Cash and Cash Equivalents	34	—
Cash and Cash Equivalents at Beginning of Period	45	13
Cash and Cash Equivalents at End of Period	$79	$13
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of $3 and $6 capitalized for 2013 and 2012, respectively)	$72	$58
Income taxes, net	3	28
Noncash transactions—accrued property additions at end of period	212	178

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

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GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At March 31, 2013	At December 31, 2012
	(in millions)	
Current Assets:		
Cash and cash equivalents	$79	$45
Restricted cash and cash equivalents	18	—
Receivables —		
Customer accounts receivable	500	484
Unbilled revenues	187	217
Joint owner accounts receivable	52	51
Other accounts and notes receivable	53	68
Affiliated companies	25	23
Accumulated provision for uncollectible accounts	(6)	(6)
Fossil fuel stock, at average cost	996	992
Materials and supplies, at average cost	409	452
Vacation pay	86	85
Prepaid income taxes	151	164
Other regulatory assets, current	48	72
Other current assets	48	104
Total current assets	2,646	2,751
Property, Plant, and Equipment:		
In service	29,462	29,244
Less accumulated provision for depreciation	10,574	10,431
Plant in service, net of depreciation	18,888	18,813
Other utility plant, net	266	263
Nuclear fuel, at amortized cost	506	497
Construction work in progress	3,079	2,893
Total property, plant, and equipment	22,739	22,466
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	46	45
Nuclear decommissioning trusts, at fair value	723	698
Miscellaneous property and investments	42	44
Total other property and investments	811	787
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	726	733
Other regulatory assets, deferred	1,794	1,798
Other deferred charges and assets	279	268
Total deferred charges and other assets	2,799	2,799
Total Assets	$28,995	$28,803

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

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GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At March 31, 2013	At December 31, 2012
	(in millions)	
Current Liabilities:		
Securities due within one year	$1,047	$1,680
Notes payable	302	2
Accounts payable —		
Affiliated	419	417
Other	503	436
Customer deposits	241	237
Accrued taxes —		
Accrued income taxes	43	6
Other accrued taxes	96	260
Accrued interest	113	100
Accrued vacation pay	60	61
Accrued compensation	48	113
Liabilities from risk management activities	17	30
Other regulatory liabilities, current	56	73
Over recovered regulatory clause revenues, current	117	107
Other current liabilities	119	146
Total current liabilities	3,181	3,668
Long-term Debt	8,641	7,994
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	4,914	4,861
Deferred credits related to income taxes	113	115
Accumulated deferred investment tax credits	206	208
Employee benefit obligations	945	950
Asset retirement obligations	1,148	1,097
Other cost of removal obligations	63	63
Other deferred credits and liabilities	260	308
Total deferred credits and other liabilities	7,649	7,602
Total Liabilities	19,471	19,264
Preferred Stock	45	45
Preference Stock	221	221
Common Stockholder's Equity:		
Common stock, without par value —		
Authorized — 20,000,000 shares		
Outstanding — 9,261,500 shares	398	398
Paid-in capital	5,599	5,585
Retained earnings	3,267	3,297
Accumulated other comprehensive loss	(6)	(7)
Total common stockholder's equity	9,258	9,273
Total Liabilities and Stockholder's Equity	$28,995	$28,803

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

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

FIRST QUARTER 2013 vs. FIRST QUARTER 2012

OVERVIEW

Georgia Power operates as a vertically integrated utility providing electricity to retail customers within its traditional service area located within the State of Georgia and to wholesale customers in the Southeast. Many factors affect the opportunities, challenges, and risks of Georgia Power's business of selling electricity. These factors include the ability to maintain a constructive regulatory environment, to maintain and grow energy sales given economic conditions, and to effectively manage and secure timely recovery of costs. These costs include those related to projected long-term demand growth, increasingly stringent environmental standards, reliability, and fuel. In addition, Georgia Power is currently constructing Plant Vogtle Units 3 and 4 to increase its generation diversity. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge Georgia Power for the foreseeable future. Georgia Power is scheduled to file its next base rate case by July 1, 2013, which will determine whether the 2010 ARP should be continued, modified, or discontinued.

Georgia Power continues to focus on several key performance indicators. These indicators include customer satisfaction, plant availability, system reliability, and net income after dividends on preferred and preference stock. For additional information on these indicators, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Key Performance Indicators" of Georgia Power in Item 7 of the Form 10-K. See FUTURE EARNINGS POTENTIAL – "Other Matters" herein for information regarding an explosion at Plant Bowen in April 2013 that is expected to negatively impact Georgia Power's actual performance on its peak season equivalent forced outage rate, one of its key performance indicators, for 2013, as compared to the target.

RESULTS OF OPERATIONS

Net Income

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$30	18.0

Georgia Power's net income after dividends on preferred and preference stock for the first quarter 2013 was $197 million compared to $167 million for the corresponding period in 2012. The increase was primarily due to an increase in retail base revenues as authorized under the 2010 ARP and the NCCR tariff and more favorable weather in the first quarter 2013 as compared to the corresponding period in 2012, partially offset by higher income taxes and an increase in depreciation related to new generating units at Plant McDonough-Atkinson.

Retail Revenues

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$135	8.5

In the first quarter 2013, retail revenues were $1.73 billion compared to $1.59 billion for the corresponding period in 2012.

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Details of the change to retail revenues were as follows:

	First Quarter 2013 (in millions)	(% change)	
Retail – prior year	$1,594		
Estimated change in –			
Rates and pricing	45	2.8	
Sales growth (decline)	2	0.1	
Weather	20	1.3	
Fuel cost recovery	68	4.3	
Retail – current year	$1,729	8.5	%

Revenues associated with changes in rates and pricing increased in the first quarter 2013 when compared to the corresponding period in 2012 primarily due to base tariff increases effective April 2012 and January 1, 2013, as approved by the Georgia PSC, related to placing new generating units at Plant McDonough-Atkinson in service, the financing costs related to the construction of Plant Vogtle Units 3 and 4, and demand-side management costs, partially offset by the pricing effect of increased customer demand.

Revenues attributable to changes in sales increased slightly in the first quarter 2013 when compared to the corresponding period in 2012. Weather-adjusted residential KWH sales increased 0.7%, weather-adjusted commercial KWH sales increased 1.0%, and weather-adjusted industrial KWH sales decreased 3.0% in the first quarter 2013 when compared to the corresponding period in 2012. Decreased demand in the chemicals, paper, and primary metals sectors was the main contributor to the decreases in weather-adjusted industrial KWH sales. In addition, an extra day of sales as a result of the leap year in 2012 negatively impacted KWH sales in all customer classes in 2013.

In the first quarter 2012, Georgia Power began using new actual advanced meter data to compute unbilled revenues. The weather-adjusted KWH sales variances shown above reflect an adjustment to the estimated allocation of Georgia Power's unbilled January 2012 KWH sales among customer classes that is consistent with the actual allocation in 2013. Without this adjustment, first quarter 2013 residential and industrial weather-adjusted KWH sales decreased 1.3% and 3.1%, respectively, as compared to the corresponding period in 2012 and commercial weather-adjusted KWH sales increased 2.8% as compared to the corresponding period in 2012.

Revenues resulting from changes in weather increased in the first quarter 2013 when compared to the corresponding period in 2012 due to more favorable weather in the first quarter 2013 as compared to the corresponding period in 2012.

Fuel revenues and costs are allocated between retail and wholesale jurisdictions. Retail fuel cost recovery revenues increased $68 million in the first quarter 2013 when compared to the corresponding period in 2012 due to increased KWH energy sales and higher fuel costs.

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

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

Fuel and Purchased Power Expenses

	First Quarter 2013 vs. First Quarter 2012 (change in millions)	(% change)
Fuel	$79	18.0
Purchased power — non-affiliates	(43)	(46.2)
Purchased power — affiliates	16	10.1
Total fuel and purchased power expenses	$52	

In the first quarter 2013, total fuel and purchased power expenses were $744 million compared to $692 million in the corresponding period in 2012. The increase was primarily due to a $62 million increase in the average cost of fuel and purchased power due to higher fuel prices and a $65 million increase in the volume of KWHs generated as a result of higher customer demand, partially offset by a $75 million decrease in the volume of KWHs purchased as the market cost of available energy was higher than Georgia Power-owned generation.

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

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

	First Quarter 2013	First Quarter 2012
Total generation (billions of KWHs)	15	13
Total purchased power (billions of KWHs)	6	8
Sources of generation (percent) —		
Coal	29	42
Nuclear	22	30
Gas	46	26
Hydro	3	2
Cost of fuel, generated (cents per net KWH) —		
Coal	5.28	4.67
Nuclear	0.90	0.86
Gas	3.14	3.16
Average cost of fuel, generated (cents per net KWH)	3.28	3.10
Average cost of purchased power (cents per net KWH)[a]	4.44	3.86

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

Fuel

In the first quarter 2013, fuel expense was $519 million compared to $440 million in the corresponding period in 2012. The increase was primarily due to a 16.8% increase in the volume of KWHs generated as a result of higher KWH demand and a 5.8% increase in the average cost of fuel per KWH generated primarily due to higher coal and nuclear fuel prices.

Purchased Power – Non-Affiliates

In the first quarter 2013, purchased power expense from non-affiliates was $50 million compared to $93 million in the corresponding period in 2012. The decrease was due to a 68.3% decrease in the volume of KWHs purchased as the cost of Georgia Power-owned generation was lower than the market cost of available energy, partially offset by an increase of 70.8% in the average cost per KWH purchased primarily due to fixed capacity payment provisions in the PPAs.

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

Purchased Power – Affiliates

In the first quarter 2013, purchased power expense from affiliates was $175 million compared to $159 million in the corresponding period in 2012. The increase was due to a 16.4% increase in the average cost per KWH purchased, reflecting higher fuel prices, partially offset by a 12.3% decrease in the volume of KWHs purchased as Georgia Power units generally dispatched at a lower cost than other Southern Company system resources.

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

Other Operations and Maintenance Expenses

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$(3)	(0.7)

In the first quarter 2013, other operations and maintenance expenses were $431 million compared to $434 million in the corresponding period in 2012. The decrease was primarily due to a $10 million decrease in fossil generating maintenance due to timing of plant outages and a $2 million decrease in uncollectible account expense, partially offset by a $10 million increase in pension and other employee benefit-related expenses.

Depreciation and Amortization

First Quarter 2013 vs. First Quarter 2012	
(change in millions)	(% change)
$12	6.4

In the first quarter 2013, depreciation and amortization was $200 million compared to $188 million in the corresponding period in 2012. The increase was primarily due to an increase of $23 million in depreciation as a result of additional plant in service primarily due to the completion of Plant McDonough-Atkinson Units 5 and 6 in April 2012 and October 2012, respectively, partially offset by $9 million in amortization of the regulatory liability previously established for state income tax credits, as authorized by the Georgia PSC. See Note 1 to the financial statements of Georgia Power under "Regulatory Assets and Liabilities" in Item 8 of the Form 10-K for additional information.

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Taxes Other Than Income Taxes

First Quarter 2013 vs. First Quarter 2012

(change in millions)	(% change)
$8	9.2

In the first quarter 2013, taxes other than income taxes were $95 million compared to $87 million in the corresponding period in 2012. The increase was due to a $4 million increase in property taxes and a $4 million increase in municipal franchise fees related to higher retail revenues in 2013.

Allowance for Equity Funds Used During Construction