

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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2021

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
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
001-37803	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-2598670
1-14174	Southern Company Gas (A Georgia Corporation) Ten Peachtree Place, N.E. Atlanta, Georgia 30309 (404) 584-4000	58-2210952

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
The Southern Company	Common Stock, par value \$5 per share	SO	New York Stock Exchange (NYSE)
The Southern Company	Series 2016A 5.25% Junior Subordinated Notes due 2076	SOJB	NYSE
The Southern Company	Series 2017B 5.25% Junior Subordinated Notes due 2077	SOJC	NYSE
The Southern Company	2019 Series A Corporate Units	SOLN	NYSE
The Southern Company	Series 2020A 4.95% Junior Subordinated Notes due 2080	SOJD	NYSE
The Southern Company	Series 2020C 4.20% Junior Subordinated Notes due 2060	SOJE	NYSE
Alabama Power Company	5.00% Series Class A Preferred Stock	ALP PR Q	NYSE
Georgia Power Company	Series 2017A 5.00% Junior Subordinated Notes due 2077	GPJA	NYSE
Southern Power Company	Series 2016A 1.000% Senior Notes due 2022	SO/22B	NYSE
Southern Power Company	Series 2016B 1.850% Senior Notes due 2026	SO/26A	NYSE

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

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Registrant	Description of Common Stock	Shares Outstanding at March 31, 2021
The Southern Company	Par Value \$5 Per Share	1,058,630,385
Alabama Power Company	Par Value \$40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000
Southern Company Gas	Par Value \$0.01 Per Share	100

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

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DEFINITIONS

<u>Term</u>	<u>Meaning</u>
2019 ARP	Alternate Rate Plan approved by the Georgia PSC in 2019 for Georgia Power for the years 2020 through 2022
AFUDC	Allowance for funds used during construction
Alabama Power	Alabama Power Company
Amended and Restated Loan Guarantee Agreement	Loan guarantee agreement entered into by Georgia Power with the DOE in 2014, as amended and restated in March 2019, under which the proceeds of borrowings may be used to reimburse Georgia Power for Eligible Project Costs incurred in connection with its construction of Plant Vogtle Units 3 and 4
ARO	Asset retirement obligation
Atlanta Gas Light	Atlanta Gas Light Company, a wholly-owned subsidiary of Southern Company Gas
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas held a 5% interest through March 24, 2020
Bechtel	Bechtel Power Corporation, the primary contractor for the remaining construction activities for Plant Vogtle Units 3 and 4
Bechtel Agreement	The 2017 construction completion agreement between the Vogtle Owners and Bechtel
CCR	Coal combustion residuals
Chattanooga Gas	Chattanooga Gas Company, a wholly-owned subsidiary of Southern Company Gas
COD	Commercial operation date
Contractor Settlement Agreement	The December 31, 2015 agreement between Westinghouse and the Vogtle Owners resolving disputes between the Vogtle Owners and the EPC Contractor under the Vogtle 3 and 4 Agreement
COVID-19	The novel coronavirus disease declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention in March 2020
CWIP	Construction work in progress
Dalton	City of Dalton, Georgia, an incorporated municipality in the State of Georgia, acting by and through its Board of Water, Light, and Sinking Fund Commissioners
Dalton Pipeline	A pipeline facility in Georgia in which Southern Company Gas has a 50% undivided ownership interest
DOE	U.S. Department of Energy
ECO Plan	Mississippi Power's environmental compliance overview plan
Eligible Project Costs	Certain costs of construction relating to Plant Vogtle Units 3 and 4 that are eligible for financing under the loan guarantee program established under Title XVII of the Energy Policy Act of 2005
EPA	U.S. Environmental Protection Agency
EPC Contractor	Westinghouse and its affiliate, WECTEC Global Project Services Inc.; the former engineering, procurement, and construction contractor for Plant Vogtle Units 3 and 4
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
FFB Credit Facilities	Note purchase agreements among the DOE, Georgia Power, and the FFB and related promissory notes which provide for two multi-advance term loan facilities
Fitch	Fitch Ratings, Inc.
Form 10-K	Annual Report on Form 10-K of Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas for the year ended December 31, 2020, as applicable
GAAP	U.S. generally accepted accounting principles
Georgia Power	Georgia Power Company
GRAM	Atlanta Gas Light's Georgia Rate Adjustment Mechanism
Guarantee Settlement Agreement	The June 9, 2017 settlement agreement between the Vogtle Owners and Toshiba related to certain payment obligations of the EPC Contractor guaranteed by Toshiba

DEFINITIONS (continued)

Term	Meaning
Gulf Power.....	Gulf Power Company, until January 1, 2019 a wholly-owned subsidiary of Southern Company; effective January 1, 2021, Gulf Power Company merged with and into Florida Power and Light Company, with Florida Power and Light Company remaining as the surviving company
Heating Degree Days.....	A measure of weather, calculated when the average daily temperatures are less than 65 degrees Fahrenheit
Heating Season.....	The period from November through March when Southern Company Gas' natural gas usage and operating revenues are generally higher
HLBV.....	Hypothetical liquidation at book value
IGCC.....	Integrated coal gasification combined cycle, the technology originally approved for Mississippi Power's Kemper County energy facility
IIC.....	Intercompany Interchange Contract
IRP.....	Integrated resource plan
ITAAC.....	Inspections, Tests, Analyses, and Acceptance Criteria, standards established by the NRC
ITC.....	Investment tax credit
JEA.....	Jacksonville Electric Authority
Jefferson Island.....	Jefferson Island Storage and Hub, L.L.C, which owns a natural gas storage facility in Louisiana consisting of two salt dome caverns; a subsidiary of Southern Company Gas through December 1, 2020
KWH.....	Kilowatt-hour
LIBOR.....	London Interbank Offered Rate
LIFO.....	Last-in, first-out
LOCOM.....	Lower of weighted average cost or current market price
LTSA.....	Long-term service agreement
Marketers.....	Marketers selling retail natural gas in Georgia and certificated by the Georgia PSC
MEAG Power.....	Municipal Electric Authority of Georgia
Mississippi Power.....	Mississippi Power Company
Mississippi Power Rate Case Settlement Agreement.....	Settlement agreement between Mississippi Power and the Mississippi Public Utilities Staff approved by the Mississippi PSC in March 2020 related to Mississippi Power's base rate case filed in 2019
mmBtu.....	Million British thermal units
Moody's.....	Moody's Investors Service, Inc.
MRA.....	Municipal and Rural Associations
MW.....	Megawatt
natural gas distribution utilities.....	Southern Company Gas' natural gas distribution utilities (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas)
NCCR.....	Georgia Power's Nuclear Construction Cost Recovery
Nicor Gas.....	Northern Illinois Gas Company, a wholly-owned subsidiary of Southern Company Gas
NRC.....	U.S. Nuclear Regulatory Commission
NYMEX.....	New York Mercantile Exchange, Inc.
OCI.....	Other comprehensive income
PennEast Pipeline.....	PennEast Pipeline Company, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas has a 20% ownership interest
PEP.....	Mississippi Power's Performance Evaluation Plan
Pivotal LNG.....	Pivotal LNG, Inc., through March 24, 2020, a wholly-owned subsidiary of Southern Company Gas
PowerSecure.....	PowerSecure, Inc., a wholly-owned subsidiary of Southern Company
PowerSouth.....	PowerSouth Energy Cooperative
PPA.....	Power purchase agreements, as well as, for Southern Power, contracts for differences that provide the owner of a renewable facility a certain fixed price for the electricity sold to the grid

DEFINITIONS (continued)

Term	Meaning
PSC.....	Public Service Commission
PTC.....	Production tax credit
Rate CNP.....	Alabama Power's Rate Certificated New Plant, consisting of Rate CNP New Plant, Rate CNP Compliance, and Rate CNP PPA
Rate ECR.....	Alabama Power's Rate Energy Cost Recovery
Rate RSE.....	Alabama Power's Rate Stabilization and Equalization
Registrants.....	Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power Company, and Southern Company Gas
ROE.....	Return on equity
S&P.....	S&P Global Ratings, a division of S&P Global Inc.
SCS.....	Southern Company Services, Inc., the Southern Company system service company and a wholly-owned subsidiary of Southern Company
SEC.....	U.S. Securities and Exchange Commission
SEGCO.....	Southern Electric Generating Company, 50% owned by each of Alabama Power and Georgia Power
Sequent.....	Sequent Energy Management, L.P. and Sequent Energy Canada Corp., wholly-owned subsidiaries of Southern Company Gas
SNG.....	Southern Natural Gas Company, L.L.C., a pipeline system in which Southern Company Gas has a 50% ownership interest
Southern Company.....	The Southern Company
Southern Company Gas.....	Southern Company Gas and its subsidiaries
Southern Company Gas Capital.....	Southern Company Gas Capital Corporation, a 100%-owned subsidiary of Southern Company Gas
Southern Company power pool.....	The operating arrangement whereby the integrated generating resources of the traditional electric operating companies and Southern Power (excluding subsidiaries) are subject to joint commitment and dispatch in order to serve their combined load obligations
Southern Company system.....	Southern Company, the traditional electric operating companies, Southern Power, Southern Company Gas, Southern Electric Generating Company, Southern Nuclear, SCS, Southern Communications Services, Inc., PowerSecure, and other subsidiaries
Southern Holdings.....	Southern Company Holdings, Inc., a wholly-owned subsidiary of Southern Company
Southern Nuclear.....	Southern Nuclear Operating Company, Inc., a wholly-owned subsidiary of Southern Company
Southern Power.....	Southern Power Company and its subsidiaries
SouthStar.....	SouthStar Energy Services, LLC (a Marketer), a wholly-owned subsidiary of Southern Company Gas
SP Solar.....	SP Solar Holdings I, LP, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, in which Southern Power has a 67% ownership interest
SP Wind.....	SP Wind Holdings II, LLC, a holding company owning a portfolio of eight operating wind facilities, in which Southern Power is the controlling partner in a tax equity arrangement
Subsidiary Registrants.....	Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas
Tax Reform.....	The impact of the Tax Cuts and Jobs Act, which became effective on January 1, 2018
Toshiba.....	Toshiba Corporation, the parent company of Westinghouse
traditional electric operating companies.....	Alabama Power, Georgia Power, and Mississippi Power
VCM.....	Vogtle Construction Monitoring
VIE.....	Variable interest entity
Virginia Natural Gas.....	Virginia Natural Gas, Inc., a wholly-owned subsidiary of Southern Company Gas
Vogtle 3 and 4 Agreement.....	Agreement entered into with the EPC Contractor in 2008 by Georgia Power, acting for itself and as agent for the Vogtle Owners, and rejected in bankruptcy in July 2017, pursuant to which the EPC Contractor agreed to design, engineer, procure, construct, and test Plant Vogtle Units 3 and 4

DEFINITIONS
(continued)

<u>Term</u>	<u>Meaning</u>
Vogtle Owners.....	Georgia Power, Oglethorpe Power Corporation, MEAG Power, and Dalton
Vogtle Services Agreement..	The June 2017 services agreement between the Vogtle Owners and the EPC Contractor, as amended and restated in July 2017, for the EPC Contractor to transition construction management of Plant Vogtle Units 3 and 4 to Southern Nuclear and to provide ongoing design, engineering, and procurement services to Southern Nuclear
WACOG.....	Weighted average cost of gas
Westinghouse.....	Westinghouse Electric Company LLC

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements include, among other things, statements concerning the potential and expected effects of the COVID-19 pandemic, regulated rates, the strategic goals for the business, customer and sales growth, economic conditions, cost recovery and other rate actions, projected equity ratios, current and proposed environmental regulations and related compliance plans and estimated expenditures, pending or potential litigation matters, access to sources of capital, financing activities, completion dates and costs of construction projects, matters related to the abandonment of the Kemper IGCC, completion of announced dispositions, filings with state and federal regulatory authorities, and estimated construction plans and expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory changes, including tax, environmental, and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- the potential effects of the continued COVID-19 pandemic, including, but not limited to, those described in Item 1A "Risk Factors" of the Form 10-K;
- the extent and timing of costs and legal requirements related to CCR;
- current and future litigation or regulatory investigations, proceedings, or inquiries, including litigation and other disputes related to the Kemper County energy facility;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate, including from the development and deployment of alternative energy sources;
- variations in demand for electricity and natural gas;
- available sources and costs of natural gas and other fuels;
- the ability to complete necessary or desirable pipeline expansion or infrastructure projects, limits on pipeline capacity, and operational interruptions to natural gas distribution and transmission activities;
- transmission constraints;
- effects of inflation;
- the ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of facilities or other projects, including Plant Vogtle Units 3 and 4 (which includes components based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale) and Plant Barry Unit 8, due to current and future challenges which include, but are not limited to, changes in labor costs, availability, and productivity; challenges with management of contractors or vendors; subcontractor performance; adverse weather conditions; shortages, delays, increased costs, or inconsistent quality of equipment, materials, and labor; contractor or supplier delay; delays due to judicial or regulatory action; nonperformance under construction, operating, or other agreements; operational readiness, including specialized operator training and required site safety programs; engineering or design problems; design and other licensing-based compliance matters, including, for nuclear units, inspections and the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel; challenges with start-up activities, including major equipment failure, or system integration; and/or operational performance; and challenges related to the COVID-19 pandemic;
- the ability to overcome or mitigate the current challenges at Plant Vogtle Units 3 and 4, as described in Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" in Item 1 herein, that could further impact the cost and schedule for the project;
- legal proceedings and regulatory approvals and actions related to construction projects, such as Plant Vogtle Units 3 and 4, Plant Barry Unit 8, and pipeline projects, including PSC approvals and FERC and NRC actions;
- under certain specified circumstances, a decision by holders of more than 10% of the ownership interests of Plant Vogtle Units 3 and 4 not to proceed with construction and the ability of other Vogtle Owners to tender a portion of their ownership interests to Georgia Power following certain construction cost increases;

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**(continued)**

- in the event Georgia Power becomes obligated to provide funding to MEAG Power with respect to the portion of MEAG Power's ownership interest in Plant Vogtle Units 3 and 4 involving JEA, any inability of Georgia Power to receive repayment of such funding;
- the ability to construct facilities in accordance with the requirements of permits and licenses (including satisfaction of NRC requirements), to satisfy any environmental performance standards and the requirements of tax credits and other incentives, and to integrate facilities into the Southern Company system upon completion of construction;
- investment performance of the employee and retiree benefit plans and nuclear decommissioning trust funds;
- advances in technology, including the pace and extent of development of low- to no-carbon energy technologies and negative carbon concepts;
- performance of counterparties under ongoing renewable energy partnerships and development agreements;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to ROE, equity ratios, additional generating capacity, and fuel and other cost recovery mechanisms;
- the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions;
- the inherent risks involved in operating and constructing nuclear generating facilities;
- the inherent risks involved in transporting and storing natural gas;
- the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities;
- internal restructuring or other restructuring options that may be pursued;
- potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with wholesale customers;
- the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or physical attack and the threat of physical attacks;
- interest rate fluctuations and financial market conditions and the results of financing efforts;
- access to capital markets and other financing sources;
- changes in Southern Company's and any of its subsidiaries' credit ratings;
- changes in the method of determining LIBOR or the replacement of LIBOR with an alternative reference rate;
- the ability of Southern Company's electric utilities to obtain additional generating capacity (or sell excess generating capacity) at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events, political unrest, or other similar occurrences;
- the direct or indirect effects on the Southern Company system's business resulting from incidents affecting the U.S. electric grid, natural gas pipeline infrastructure, or operation of generating or storage resources;
- impairments of goodwill or long-lived assets;
- the effect of accounting pronouncements issued periodically by standard-setting bodies; and
- other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed by the Registrants from time to time with the SEC.

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

PART I

Item 1. Financial Statements (Unaudited).

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

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Operating Revenues:		
Retail electric revenues	\$ 3,342	\$ 3,078
Wholesale electric revenues	545	418
Other electric revenues	170	151
Natural gas revenues (includes alternative revenue programs of \$2 and \$9, respectively)	1,694	1,249
Other revenues	159	122
Total operating revenues	5,910	5,018
Operating Expenses:		
Fuel	848	636
Purchased power	207	181
Cost of natural gas	583	439
Cost of other sales	82	55
Other operations and maintenance	1,372	1,296
Depreciation and amortization	871	857
Taxes other than income taxes	345	330
Estimated loss on Plant Vogtle Units 3 and 4	48	—
(Gain) loss on dispositions, net	(44)	(39)
Total operating expenses	4,312	3,755
Operating Income	1,598	1,263
Other Income and (Expense):		
Allowance for equity funds used during construction	46	34
Earnings from equity method investments	45	42
Interest expense, net of amounts capitalized	(450)	(456)
Other income (expense), net	58	103
Total other income and (expense)	(301)	(277)
Earnings Before Income Taxes	1,297	986
Income taxes	190	145
Consolidated Net Income	1,107	841
Dividends on preferred stock of subsidiaries	4	4
Net loss attributable to noncontrolling interests	(32)	(31)
Consolidated Net Income Attributable to Southern Company	\$ 1,135	\$ 868
Common Stock Data:		
Earnings per share -		
Basic	\$ 1.07	\$ 0.82
Diluted	\$ 1.06	\$ 0.81
Average number of shares of common stock outstanding (in millions)		
Basic	1,060	1,057
Diluted	1,066	1,067

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

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

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Consolidated Net Income	\$ 1,107	\$ 841
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of \$(10) and \$(30), respectively	(30)	(86)
Reclassification adjustment for amounts included in net income, net of tax of \$18 and \$13, respectively	55	38
Pension and other postretirement benefit plans:		
Reclassification adjustment for amounts included in net income, net of tax of \$1 and \$2, respectively	3	1
Total other comprehensive income (loss)	28	(47)
Comprehensive Income	1,135	794
Dividends on preferred stock of subsidiaries	4	4
Comprehensive loss attributable to noncontrolling interests	(32)	(31)
Consolidated Comprehensive Income Attributable to Southern Company	\$ 1,163	\$ 821

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

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

	For the Three Months Ended March 31,	
	2021	2020
	(in millions)	
Operating Activities:		
Consolidated net income	\$ 1,107	\$ 841
Adjustments to reconcile consolidated net income to net cash provided from operating activities —		
Depreciation and amortization, total	964	949
Deferred income taxes	140	(58)
Allowance for equity funds used during construction	(46)	(34)
Pension, postretirement, and other employee benefits	(78)	(67)
Settlement of asset retirement obligations	(109)	(86)
Stock based compensation expense	83	72
Estimated loss on Plant Vogtle Units 3 and 4	48	—
Storm damage accruals	54	56
(Gain) loss on dispositions, net	(41)	(38)
Natural gas cost under recovery – long-term	(185)	—
Other, net	114	55
Changes in certain current assets and liabilities —		
-Receivables	308	317
-Prepayments	(98)	(110)
-Natural gas for sale, net of temporary LIFO liquidation	456	246
-Natural gas cost under recovery	(487)	—
-Other current assets	63	(67)
-Accounts payable	(216)	(504)
-Accrued taxes	(212)	(102)
-Accrued compensation	(417)	(473)
-Accrued interest	(90)	(60)
-Customer refunds	—	(103)
-Other current liabilities	(116)	60
Net cash provided from operating activities	1,242	894
Investing Activities:		
Business acquisitions, net of cash acquired	(345)	—
Property additions	(1,678)	(1,560)
Nuclear decommissioning trust fund purchases	(550)	(254)
Nuclear decommissioning trust fund sales	546	249
Proceeds from dispositions	20	982
Cost of removal, net of salvage	(85)	(69)
Change in construction payables, net	(116)	(141)
Payments pursuant to LTSAs	(60)	(26)
Other investing activities	25	(70)
Net cash used for investing activities	(2,243)	(889)
Financing Activities:		
Increase (decrease) in notes payable, net	182	(685)
Proceeds —		
Long-term debt	2,150	2,653
Common stock	14	52
Short-term borrowings	325	565
Redemptions and repurchases —		
Long-term debt	(384)	(1,481)
Short-term borrowings	(25)	(100)
Capital contributions from noncontrolling interests	313	16
Distributions to noncontrolling interests	(46)	(48)
Payment of common stock dividends	(678)	(655)
Other financing activities	(117)	(132)
Net cash provided from financing activities	1,734	185
Net Change in Cash, Cash Equivalents, and Restricted Cash	733	190
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	1,068	1,978
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 1,801	\$ 2,168
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$21 and \$20 capitalized for 2021 and 2020, respectively)	\$ 519	\$ 490
Income taxes, net	(51)	(16)
Noncash transactions —		
Accrued property additions at end of period	872	733
Contributions from noncontrolling interests	89	—
Contributions of wind turbine equipment	82	17
Right-of-use assets obtained under leases	76	28

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

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

Assets	At March 31, 2021	At December 31, 2020
	(in millions)	
Current Assets:		
Cash and cash equivalents	\$ 1,770	\$ 1,065
Receivables —		
Customer accounts	1,716	1,753
Energy marketing	412	516
Unbilled revenues	544	672
Other accounts and notes	478	512
Accumulated provision for uncollectible accounts	(124)	(118)
Materials and supplies	1,504	1,478
Fossil fuel for generation	494	550
Natural gas for sale	197	460
Prepaid expenses	657	276
Assets from risk management activities, net of collateral	100	147
Regulatory assets – asset retirement obligations	214	214
Natural gas cost under recovery	487	—
Other regulatory assets	788	810
Other current assets	232	282
Total current assets	9,469	8,617
Property, Plant, and Equipment:		
In service	111,579	110,516
Less: Accumulated depreciation	32,887	32,397
Plant in service, net of depreciation	78,692	78,119
Nuclear fuel, at amortized cost	820	818
Construction work in progress	9,525	8,697
Total property, plant, and equipment	89,037	87,634
Other Property and Investments:		
Goodwill	5,280	5,280
Nuclear decommissioning trusts, at fair value	2,346	2,303
Equity investments in unconsolidated subsidiaries	1,368	1,362
Other intangible assets, net of amortization of \$339 and \$328, respectively	477	487
Leveraged leases	562	556
Miscellaneous property and investments	463	398
Total other property and investments	10,496	10,386
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,821	1,802
Deferred charges related to income taxes	803	796
Unamortized loss on reacquired debt	274	280
Regulatory assets – asset retirement obligations, deferred	4,966	4,934
Other regulatory assets, deferred	7,263	7,198
Other deferred charges and assets	1,264	1,288
Total deferred charges and other assets	16,391	16,298
Total Assets	\$ 125,393	\$ 122,935

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

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

Liabilities and Stockholders' Equity	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 3,535	\$ 3,507
Notes payable	1,092	609
Energy marketing trade payables	475	494
Accounts payable	2,058	2,312
Customer deposits	470	487
Accrued taxes —		
Accrued income taxes	71	130
Other accrued taxes	412	699
Accrued interest	423	513
Accrued compensation	584	1,025
Asset retirement obligations	642	585
Operating lease obligations	244	241
Other regulatory liabilities	462	509
Other current liabilities	1,118	968
Total current liabilities	11,586	12,079
Long-term Debt	46,727	45,073
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	8,839	8,175
Deferred credits related to income taxes	5,676	5,767
Accumulated deferred ITCs	2,214	2,235
Employee benefit obligations	2,091	2,213
Operating lease obligations, deferred	1,652	1,611
Asset retirement obligations, deferred	10,043	10,099
Accrued environmental remediation	208	216
Other cost of removal obligations	2,215	2,211
Other regulatory liabilities, deferred	226	251
Other deferred credits and liabilities	557	480
Total deferred credits and other liabilities	33,721	33,258
Total Liabilities	92,034	90,410
Redeemable Preferred Stock of Subsidiaries	291	291
Total Stockholders' Equity (See accompanying statements)	33,068	32,234
Total Liabilities and Stockholders' Equity	\$ 125,393	\$ 122,935

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

SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Southern Company Common Stockholders' Equity								
	Number of Common Shares		Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Issued	Treasury	Par Value	Paid-In Capital	Treasury				
(in millions)									
Balance at December 31, 2019	1,054	(1)	\$ 5,257	\$ 11,734	\$ (42)	\$ 10,877	\$ (321)	\$ 4,254	\$ 31,759
Consolidated net income (loss)	—	—	—	—	—	868	—	(31)	837
Other comprehensive income (loss)	—	—	—	—	—	—	(47)	—	(47)
Stock issued	3	—	9	43	—	—	—	—	52
Stock-based compensation	—	—	—	5	—	—	—	—	5
Cash dividends of \$0.62 per share	—	—	—	—	—	(655)	—	—	(655)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	—	16	16
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(48)	(48)
Other	—	—	—	—	(2)	(2)	1	—	(3)
Balance at March 31, 2020	1,057	(1)	\$ 5,266	\$ 11,782	\$ (44)	\$ 11,088	\$ (367)	\$ 4,191	\$ 31,916
Balance at December 31, 2020	1,058	(1)	\$ 5,268	\$ 11,834	\$ (46)	\$ 11,311	\$ (395)	\$ 4,262	\$ 32,234
Consolidated net income (loss)	—	—	—	—	—	1,135	—	(32)	1,103
Other comprehensive income	—	—	—	—	—	—	28	—	28
Stock issued	2	—	5	9	—	—	—	—	14
Stock-based compensation	—	—	—	9	—	—	—	—	9
Cash dividends of \$0.64 per share	—	—	—	—	—	(678)	—	—	(678)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	—	403	403
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(46)	(46)
Other	—	—	—	2	—	—	—	(1)	1
Balance at March 31, 2021	1,060	(1)	\$ 5,273	\$ 11,854	\$ (46)	\$ 11,768	\$ (367)	\$ 4,586	\$ 33,068

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

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

For the Three Months
Ended March 31,

2021 2020

(in millions)

Operating Revenues:		
Retail revenues	\$ 1,352	\$ 1,205
Wholesale revenues, non-affiliates	92	56
Wholesale revenues, affiliates	32	19
Other revenues	83	71
Total operating revenues	<u>1,559</u>	<u>1,351</u>
Operating Expenses:		
Fuel	291	215
Purchased power, non-affiliates	50	40
Purchased power, affiliates	30	18
Other operations and maintenance	361	350
Depreciation and amortization	211	200
Taxes other than income taxes	103	106
Total operating expenses	<u>1,046</u>	<u>929</u>
Operating Income	513	422
Other Income and (Expense):		
Allowance for equity funds used during construction	12	10
Interest expense, net of amounts capitalized	(84)	(88)
Other income (expense), net	32	24
Total other income and (expense)	<u>(40)</u>	<u>(54)</u>
Earnings Before Income Taxes	473	368
Income taxes	110	84
Net Income	363	284
Dividends on Preferred Stock	4	4
Net Income After Dividends on Preferred Stock	<u>\$ 359</u>	<u>\$ 280</u>

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the Three Months
Ended March 31,

2021 2020

(in millions)

Net Income	\$ 363	\$ 284
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)	<u>1</u>	<u>1</u>
Comprehensive Income	<u>\$ 364</u>	<u>\$ 285</u>

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

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months
Ended March 31,

2021 **2020**

(in millions)

Operating Activities:		
Net income	\$ 363	\$ 284
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	248	241
Deferred income taxes	33	10
Pension, postretirement, and other employee benefits	(29)	(25)
Settlement of asset retirement obligations	(49)	(46)
Other, net	(15)	10
Changes in certain current assets and liabilities —		
-Receivables	40	93
-Fossil fuel stock	38	(15)
-Prepayments	(73)	(80)
-Materials and supplies	(4)	(22)
-Other current assets	(11)	(14)
-Accounts payable	(299)	(305)
-Accrued taxes	104	100
-Accrued compensation	(105)	(111)
-Retail fuel cost over recovery	(18)	47
-Other current liabilities	(9)	(12)
Net cash provided from operating activities	<u>214</u>	<u>155</u>
Investing Activities:		
Property additions	(466)	(340)
Nuclear decommissioning trust fund purchases	(310)	(81)
Nuclear decommissioning trust fund sales	310	81
Cost of removal, net of salvage	(23)	(15)
Change in construction payables	32	(65)
Other investing activities	(9)	(4)
Net cash used for investing activities	<u>(466)</u>	<u>(424)</u>
Financing Activities:		
Redemptions — Pollution control revenue bonds	—	(87)
Capital contributions from parent company	600	610
Payment of common stock dividends	(246)	(239)
Other financing activities	(13)	(11)
Net cash provided from financing activities	<u>341</u>	<u>273</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	89	4
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	530	894
Cash, Cash Equivalents, and Restricted Cash at End of Period	<u>\$ 619</u>	<u>\$ 898</u>
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$3 capitalized for both 2021 and 2020)	\$ 93	\$ 92
Noncash transactions —		
Accrued property additions at end of period	198	135
Right-of-use assets obtained under leases	1	3

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

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 619	\$ 530
Receivables —		
Customer accounts	394	429
Unbilled revenues	124	152
Affiliated	35	31
Other accounts and notes	71	66
Accumulated provision for uncollectible accounts	(33)	(43)
Fossil fuel stock	197	235
Materials and supplies	550	546
Prepaid expenses	114	42
Other regulatory assets	224	226
Other current assets	43	33
Total current assets	2,338	2,247
Property, Plant, and Equipment:		
In service	32,015	31,816
Less: Accumulated provision for depreciation	10,123	10,009
Plant in service, net of depreciation	21,892	21,807
Nuclear fuel, at amortized cost	268	270
Construction work in progress	1,052	866
Total property, plant, and equipment	23,212	22,943
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,198	1,157
Equity investments in unconsolidated subsidiaries	63	63
Miscellaneous property and investments	128	131
Total other property and investments	1,389	1,351
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	140	151
Deferred charges related to income taxes	237	235
Regulatory assets – asset retirement obligations	1,446	1,441
Other regulatory assets, deferred	2,161	2,162
Other deferred charges and assets	282	273
Total deferred charges and other assets	4,266	4,262
Total Assets	\$ 31,205	\$ 30,803

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

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 815	\$ 311
Accounts payable —		
Affiliated	220	316
Other	392	545
Customer deposits	105	104
Accrued taxes	257	152
Accrued interest	75	90
Accrued compensation	113	212
Asset retirement obligations	275	254
Other regulatory liabilities	98	108
Other current liabilities	108	107
Total current liabilities	2,458	2,199
Long-term Debt	8,055	8,558
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,318	3,273
Deferred credits related to income taxes	2,006	2,016
Accumulated deferred ITCs	92	94
Employee benefit obligations	187	214
Operating lease obligations	112	119
Asset retirement obligations, deferred	3,688	3,720
Other cost of removal obligations	320	335
Other regulatory liabilities, deferred	98	124
Other deferred credits and liabilities	54	50
Total deferred credits and other liabilities	9,875	9,945
Total Liabilities	20,388	20,702
Redeemable Preferred Stock	291	291
Common Stockholder's Equity (See accompanying statements)	10,526	9,810
Total Liabilities and Stockholder's Equity	\$ 31,205	\$ 30,803

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

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY (UNAUDITED)

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
				(in millions)		
Balance at December 31, 2019	31	\$ 1,222	\$ 4,755	\$ 3,001	\$ (23)	\$ 8,955
Net income after dividends on preferred stock	—	—	—	280	—	280
Capital contributions from parent company	—	—	612	—	—	612
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(239)	—	(239)
Balance at March 31, 2020	31	\$ 1,222	\$ 5,367	\$ 3,042	\$ (22)	\$ 9,609
Balance at December 31, 2020	31	\$ 1,222	\$ 5,413	\$ 3,194	\$ (19)	\$ 9,810
Net income after dividends on preferred stock	—	—	—	359	—	359
Capital contributions from parent company	—	—	602	—	—	602
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(246)	—	(246)
Balance at March 31, 2021	31	\$ 1,222	\$ 6,015	\$ 3,307	\$ (18)	\$ 10,526

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

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

For the Three Months
Ended March 31,

2021 2020

(in millions)

Operating Revenues:		
Retail revenues	\$ 1,787	\$ 1,675
Wholesale revenues	43	26
Other revenues	140	124
Total operating revenues	<u>1,970</u>	<u>1,825</u>
Operating Expenses:		
Fuel	313	231
Purchased power, non-affiliates	144	129
Purchased power, affiliates	136	129
Other operations and maintenance	474	465
Depreciation and amortization	338	352
Taxes other than income taxes	116	113
Estimated loss on Plant Vogtle Units 3 and 4	48	—
Total operating expenses	<u>1,569</u>	<u>1,419</u>
Operating Income	401	406
Other Income and (Expense):		
Interest expense, net of amounts capitalized	(104)	(111)
Other income (expense), net	72	52
Total other income and (expense)	<u>(32)</u>	<u>(59)</u>
Earnings Before Income Taxes	369	347
Income taxes	18	16
Net Income	\$ 351	\$ 331

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the Three Months
Ended March 31,

2021 2020

(in millions)

Net Income	\$ 351	\$ 331
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of \$— and \$(1), respectively	—	(2)
Reclassification adjustment for amounts included in net income, net of tax of \$— and \$1, respectively	2	1
Total other comprehensive income (loss)	2	(1)
Comprehensive Income	\$ 353	\$ 330

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

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Three Months Ended March 31,	
	2021	2020
	(in millions)	
Operating Activities:		
Net income	\$ 351	\$ 331
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	384	396
Deferred income taxes	(86)	(73)
Pension, postretirement, and other employee benefits	(43)	(40)
Settlement of asset retirement obligations	(49)	(33)
Storm damage accruals	53	53
Retail fuel cost over recovery – long-term	—	90
Estimated loss on Plant Vogtle Units 3 and 4	48	—
Other, net	(19)	(52)
Changes in certain current assets and liabilities —		
-Receivables	176	22
-Fossil fuel stock	10	(42)
-Other current assets	(7)	(15)
-Accounts payable	(74)	(69)
-Accrued taxes	(110)	(156)
-Accrued compensation	(68)	(87)
-Customer refunds	—	(107)
-Other current liabilities	(77)	(5)
Net cash provided from operating activities	489	213
Investing Activities:		
Property additions	(775)	(849)
Nuclear decommissioning trust fund purchases	(241)	(173)
Nuclear decommissioning trust fund sales	236	167
Cost of removal, net of salvage	(40)	(34)
Change in construction payables, net of joint owner portion	(103)	(46)
Proceeds from dispositions	1	142
Other investing activities	9	(2)
Net cash used for investing activities	(913)	(795)
Financing Activities:		
Increase in notes payable, net	145	11
Proceeds —		
Senior notes	750	1,500
Pollution control revenue bonds	—	53
Short-term borrowings	—	200
Redemptions and repurchases —		
Senior notes	(325)	(950)
Pollution control revenue bonds	—	(148)
FFB loan	(25)	(16)
Capital contributions from parent company	330	500
Payment of common stock dividends	(412)	(385)
Other financing activities	(19)	(23)
Net cash provided from financing activities	444	742
Net Change in Cash, Cash Equivalents, and Restricted Cash	20	160
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	9	52
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 29	\$ 212
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$15 and \$11 capitalized for 2021 and 2020, respectively)	\$ 128	\$ 122
Noncash transactions —		
Accrued property additions at end of period	445	472
Right-of-use assets obtained under operating leases	3	10

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

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 29	\$ 9
Receivables —		
Customer accounts	532	621
Unbilled revenues	196	233
Joint owner accounts	124	123
Affiliated	22	21
Other accounts and notes	35	67
Accumulated provision for uncollectible accounts	(26)	(26)
Fossil fuel stock	268	278
Materials and supplies	610	592
Regulatory assets – storm damage	213	213
Regulatory assets – asset retirement obligations	175	166
Other regulatory assets	250	248
Other current assets	114	143
Total current assets	2,542	2,688
Property, Plant, and Equipment:		
In service	39,857	39,682
Less: Accumulated provision for depreciation	12,421	12,251
Plant in service, net of depreciation	27,436	27,431
Nuclear fuel, at amortized cost	553	548
Construction work in progress	7,394	6,857
Total property, plant, and equipment	35,383	34,836
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,149	1,145
Equity investments in unconsolidated subsidiaries	51	51
Miscellaneous property and investments	66	63
Total other property and investments	1,266	1,259
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,273	1,308
Deferred charges related to income taxes	532	527
Regulatory assets – asset retirement obligations, deferred	3,310	3,291
Other regulatory assets, deferred	2,609	2,692
Other deferred charges and assets	434	479
Total deferred charges and other assets	8,158	8,297
Total Assets	\$ 47,349	\$ 47,080

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

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 87	\$ 542
Notes payable	205	60
Accounts payable —		
Affiliated	472	597
Other	732	753
Customer deposits	272	276
Accrued taxes	239	407
Accrued interest	96	130
Accrued compensation	123	233
Operating lease obligations	151	151
Asset retirement obligations	304	287
Over recovered fuel clause revenues	83	113
Other regulatory liabilities	235	228
Other current liabilities	242	254
Total current liabilities	3,241	4,031
Long-term Debt	13,278	12,428
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,303	3,272
Deferred credits related to income taxes	2,517	2,588
Accumulated deferred ITCs	271	273
Employee benefit obligations	539	586
Operating lease obligations, deferred	1,149	1,156
Asset retirement obligations, deferred	5,971	5,978
Other deferred credits and liabilities	306	267
Total deferred credits and other liabilities	14,056	14,120
Total Liabilities	30,575	30,579
Common Stockholder's Equity (See accompanying statements)	16,774	16,501
Total Liabilities and Stockholder's Equity	\$ 47,349	\$ 47,080

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

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY (UNAUDITED)

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in millions)</i>						
Balance at December 31, 2019	9	\$ 398	\$ 10,962	\$ 3,756	\$ (51)	\$ 15,065
Net income	—	—	—	331	—	331
Capital contributions from parent company	—	—	502	—	—	502
Other comprehensive income (loss)	—	—	—	—	(1)	(1)
Cash dividends on common stock	—	—	—	(385)	—	(385)
Balance at March 31, 2020	9	\$ 398	\$ 11,464	\$ 3,702	\$ (52)	\$ 15,512
Balance at December 31, 2020	9	\$ 398	\$ 12,361	\$ 3,789	\$ (47)	\$ 16,501
Net income	—	—	—	351	—	351
Capital contributions from parent company	—	—	332	—	—	332
Other comprehensive income	—	—	—	—	2	2
Cash dividends on common stock	—	—	—	(412)	—	(412)
Balance at March 31, 2021	9	\$ 398	\$ 12,693	\$ 3,728	\$ (45)	\$ 16,774

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

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Operating Revenues:		
Retail revenues	\$ 204	\$ 199
Wholesale revenues, non-affiliates	63	51
Wholesale revenues, affiliates	33	21
Other revenues	7	6
Total operating revenues	307	277
Operating Expenses:		
Fuel	101	79
Purchased power	5	5
Other operations and maintenance	68	76
Depreciation and amortization	47	42
Taxes other than income taxes	31	29
Total operating expenses	252	231
Operating Income	55	46
Other Income and (Expense):		
Interest expense, net of amounts capitalized	(14)	(16)
Other income (expense), net	8	8
Total other income and (expense)	(6)	(8)
Earnings Before Income Taxes	49	38
Income taxes	4	6
Net Income and Comprehensive Income	\$ 45	\$ 32

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the Three Months
 Ended March 31,

2021 **2020**

(in millions)

Operating Activities:		
Net income	\$ 45	\$ 32
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	53	44
Other, net	(10)	(3)
Changes in certain current assets and liabilities —		
-Receivables	7	14
-Other current assets	1	(10)
-Accounts payable	(30)	(24)
-Accrued taxes	(75)	(54)
-Accrued compensation	(16)	(19)
-Other current liabilities	(13)	3
Net cash used for operating activities	(38)	(17)
Investing Activities:		
Property additions	(45)	(50)
Construction payables	(8)	(10)
Payments pursuant to LTSAs	(7)	(5)
Other investing activities	(7)	(6)
Net cash used for investing activities	(67)	(71)
Financing Activities:		
Increase in notes payable, net	29	—
Proceeds —		
Short-term borrowings	—	40
Other long-term debt	—	100
Redemptions — Senior notes	—	(275)
Capital contributions from parent company	100	75
Return of capital to parent company	—	(37)
Payment of common stock dividends	(39)	—
Other financing activities	—	(1)
Net cash provided from (used for) financing activities	90	(98)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(15)	(186)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	39	286
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 24	\$ 100
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$— and \$— capitalized for 2021 and 2020, respectively)	\$ 16	\$ 18
Noncash transactions — Accrued property additions at end of period	26	25

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

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Assets	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 24	\$ 39
Receivables —		
Customer accounts, net	50	34
Unbilled revenues	33	38
Affiliated	17	32
Other accounts and notes	29	32
Fossil fuel stock	17	24
Materials and supplies	67	65
Other regulatory assets	49	60
Other current assets	20	20
Total current assets	<u>306</u>	<u>344</u>
Property, Plant, and Equipment:		
In service	5,037	5,011
Less: Accumulated provision for depreciation	<u>1,579</u>	<u>1,545</u>
Plant in service, net of depreciation	3,458	3,466
Construction work in progress	163	146
Total property, plant, and equipment	<u>3,621</u>	<u>3,612</u>
Other Property and Investments	<u>149</u>	<u>151</u>
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	32	32
Regulatory assets – asset retirement obligations	211	201
Other regulatory assets, deferred	386	388
Accumulated deferred income taxes	126	129
Other deferred charges and assets	<u>64</u>	<u>55</u>
Total deferred charges and other assets	<u>819</u>	<u>805</u>
Total Assets	<u><u>\$ 4,895</u></u>	<u><u>\$ 4,912</u></u>

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

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 421	\$ 406
Notes payable	54	25
Accounts payable —		
Affiliated	50	63
Other	84	109
Accrued taxes	39	114
Accrued interest	14	15
Accrued compensation	18	34
Asset retirement obligations	40	27
Over recovered regulatory clause liabilities	26	34
Other regulatory liabilities	36	49
Other current liabilities	38	40
Total current liabilities	820	916
Long-term Debt	996	1,013
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	463	447
Deferred credits related to income taxes	285	287
Employee benefit obligations	107	113
Asset retirement obligations, deferred	134	150
Other cost of removal obligations	194	194
Other regulatory liabilities, deferred	14	15
Other deferred credits and liabilities	34	35
Total deferred credits and other liabilities	1,231	1,241
Total Liabilities	3,047	3,170
Common Stockholder's Equity (See accompanying statements)	1,848	1,742
Total Liabilities and Stockholder's Equity	\$ 4,895	\$ 4,912

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

MISSISSIPPI POWER COMPANY
CONDENSED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY (UNAUDITED)

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in millions)</i>						
Balance at December 31, 2019	1	\$ 38	\$ 4,449	\$ (2,832)	\$ (3)	\$ 1,652
Net income	—	—	—	32	—	32
Capital contributions from parent company	—	—	76	—	—	76
Return of capital to parent company	—	—	(37)	—	—	(37)
Other	—	—	(1)	—	—	(1)
Balance at March 31, 2020	1	\$ 38	\$ 4,487	\$ (2,800)	\$ (3)	\$ 1,722
Balance at December 31, 2020	1	\$ 38	\$ 4,460	\$ (2,754)	\$ (2)	\$ 1,742
Net income	—	—	—	45	—	45
Capital contributions from parent company	—	—	100	—	—	100
Cash dividends on common stock	—	—	—	(39)	—	(39)
Balance at March 31, 2021	1	\$ 38	\$ 4,560	\$ (2,748)	\$ (2)	\$ 1,848

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

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

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Operating Revenues:		
Wholesale revenues, non-affiliates	\$ 355	\$ 286
Wholesale revenues, affiliates	81	86
Other revenues	4	3
Total operating revenues	<u>440</u>	<u>375</u>
Operating Expenses:		
Fuel	141	107
Purchased power	20	14
Other operations and maintenance	101	79
Depreciation and amortization	119	117
Taxes other than income taxes	12	9
(Gain) loss on dispositions, net	(39)	(39)
Total operating expenses	<u>354</u>	<u>287</u>
Operating Income	<u>86</u>	<u>88</u>
Other Income and (Expense):		
Interest expense, net of amounts capitalized	(38)	(39)
Other income (expense), net	7	2
Total other income and (expense)	<u>(31)</u>	<u>(37)</u>
Earnings Before Income Taxes	<u>55</u>	<u>51</u>
Income taxes (benefit)	(10)	7
Net Income	<u>65</u>	<u>44</u>
Net loss attributable to noncontrolling interests	(32)	(31)
Net Income Attributable to Southern Power	<u>\$ 97</u>	<u>\$ 75</u>

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Net Income	\$ 65	\$ 44
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of \$(11) and \$(21), respectively	(33)	(62)
Reclassification adjustment for amounts included in net income, net of tax of \$15 and \$10, respectively	48	28
Pension and other postretirement benefit plans:		
Reclassification adjustment for amounts included in net income, net of tax of \$— and \$—, respectively	1	1
Total other comprehensive income (loss)	<u>16</u>	<u>(33)</u>
Comprehensive Income	<u>81</u>	<u>11</u>
Comprehensive loss attributable to noncontrolling interests	(32)	(31)
Comprehensive Income Attributable to Southern Power	<u>\$ 113</u>	<u>\$ 42</u>

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

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

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Operating Activities:		
Net income	\$ 65	\$ 44
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	125	123
Deferred income taxes	(8)	(36)
Amortization of investment tax credits	(15)	(14)
(Gain) loss on dispositions, net	(39)	(39)
Other, net	(4)	(10)
Changes in certain current assets and liabilities —		
-Receivables	23	5
-Prepaid income taxes	16	51
-Other current assets	3	(2)
-Accounts payable	19	(34)
-Accrued taxes	5	8
-Other current liabilities	(3)	(13)
Net cash provided from operating activities	187	83
Investing Activities:		
Business acquisitions, net of cash acquired	(345)	—
Property additions	(147)	(47)
Proceeds from dispositions	17	660
Change in construction payables	(7)	(15)
Payments pursuant to LTSAs	(27)	(15)
Other investing activities	5	17
Net cash provided from (used for) investing activities	(504)	600
Financing Activities:		
Increase (decrease) in notes payable, net	140	(449)
Proceeds — Senior notes	400	—
Redemptions — Short-term borrowings	—	(100)
Return of capital to parent company	(271)	—
Capital contributions from noncontrolling interests	313	16
Distributions to noncontrolling interests	(46)	(48)
Payment of common stock dividends	(51)	(50)
Other financing activities	(7)	(1)
Net cash provided from (used for) financing activities	478	(632)
Net Change in Cash, Cash Equivalents, and Restricted Cash	161	51
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	182	279
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 343	\$ 330
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$1 and \$4 capitalized for 2021 and 2020, respectively)	\$ 26	\$ 28
Income taxes, net	(2)	(5)
Noncash transactions —		
Contributions from noncontrolling interests	89	—
Contributions of wind turbine equipment	82	17
Accrued property additions at end of period	60	27
Right-of-use assets obtained under operating leases	65	—

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

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

Assets	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 314	\$ 182
Receivables —		
Customer accounts, net	123	125
Affiliated	17	37
Other	18	27
Materials and supplies	157	157
Prepaid income taxes	368	11
Other current assets	31	36
Total current assets	1,028	575
Property, Plant, and Equipment:		
In service	14,313	13,904
Less: Accumulated provision for depreciation	2,916	2,842
Plant in service, net of depreciation	11,397	11,062
Construction work in progress	219	127
Total property, plant, and equipment	11,616	11,189
Other Property and Investments:		
Intangible assets, net of amortization of \$94 and \$89, respectively	297	302
Equity investments in unconsolidated subsidiaries	84	19
Total other property and investments	381	321
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	478	415
Prepaid LTSAs	178	155
Accumulated deferred income taxes	—	262
Income taxes receivable, non-current	28	25
Other deferred charges and assets	286	293
Total deferred charges and other assets	970	1,150
Total Assets	\$ 13,995	\$ 13,235

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

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

Liabilities and Stockholders' Equity	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 300	\$ 299
Notes payable	315	175
Accounts payable —		
Affiliated	44	65
Other	127	92
Accrued taxes —		
Accrued income taxes	10	8
Other accrued taxes	15	22
Accrued interest	35	32
Other current liabilities	132	132
Total current liabilities	978	825
Long-term Debt	3,730	3,393
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	230	123
Accumulated deferred ITCs	1,658	1,672
Operating lease obligations	487	426
Other deferred credits and liabilities	168	165
Total deferred credits and other liabilities	2,543	2,386
Total Liabilities	7,251	6,604
Total Stockholders' Equity (See accompanying statements)	6,744	6,631
Total Liabilities and Stockholders' Equity	\$ 13,995	\$ 13,235

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

SOUTHERN POWER COMPANY AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Common Stockholders' Equity	Noncontrolling Interests	Total
<i>(in millions)</i>						
Balance at December 31, 2019	\$ 909	\$ 1,485	\$ (26)	\$ 2,368	\$ 4,254	\$ 6,622
Net income (loss)	—	75	—	75	(31)	44
Other comprehensive income (loss)	—	—	(33)	(33)	—	(33)
Cash dividends on common stock	—	(50)	—	(50)	—	(50)
Capital contributions from noncontrolling interests	—	—	—	—	16	16
Distributions to noncontrolling interests	—	—	—	—	(48)	(48)
Balance at March 31, 2020	\$ 909	\$ 1,510	\$ (59)	\$ 2,360	\$ 4,191	\$ 6,551
Balance at December 31, 2020	\$ 914	\$ 1,522	\$ (67)	\$ 2,369	\$ 4,262	\$ 6,631
Net income (loss)	—	97	—	97	(32)	65
Return of capital to parent company	(271)	—	—	(271)	—	(271)
Other comprehensive income	—	—	16	16	—	16
Cash dividends on common stock	—	(51)	—	(51)	—	(51)
Capital contributions from noncontrolling interests	—	—	—	—	403	403
Distributions to noncontrolling interests	—	—	—	—	(46)	(46)
Other	(2)	1	(1)	(2)	(1)	(3)
Balance at March 31, 2021	\$ 641	\$ 1,569	\$ (52)	\$ 2,158	\$ 4,586	\$ 6,744

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

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

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Operating Revenues:		
Natural gas revenues (includes revenue taxes of \$54 and \$47, respectively)	\$ 1,692	\$ 1,240
Alternative revenue programs	2	9
Total operating revenues	1,694	1,249
Operating Expenses:		
Cost of natural gas	583	439
Other operations and maintenance	299	258
Depreciation and amortization	130	120
Taxes other than income taxes	81	72
Total operating expenses	1,093	889
Operating Income	601	360
Other Income and (Expense):		
Earnings from equity method investments	41	43
Interest expense, net of amounts capitalized	(60)	(58)
Other income (expense), net	(63)	9
Total other income and (expense)	(82)	(6)
Earnings Before Income Taxes	519	354
Income taxes	121	79
Net Income	\$ 398	\$ 275

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Net Income	\$ 398	\$ 275
Other comprehensive income (loss):		
Qualifying hedges:		
Changes in fair value, net of tax of \$— and \$(7), respectively	1	(20)
Reclassification adjustment for amounts included in net income, net of tax of \$1 and \$2, respectively	3	5
Total other comprehensive income (loss)	4	(15)
Comprehensive Income	\$ 402	\$ 260

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

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

	For the Three Months Ended March 31,	
	2021	2020
	<i>(in millions)</i>	
Operating Activities:		
Net income	\$ 398	\$ 275
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	130	120
Deferred income taxes	160	22
Mark-to-market adjustments	64	13
Natural gas cost under recovery – long-term	(185)	—
Other, net	5	(19)
Changes in certain current assets and liabilities —		
-Receivables	74	112
-Natural gas for sale, net of temporary LIFO liquidation	456	246
-Natural gas cost under recovery	(487)	—
-Other current assets	(34)	33
-Accounts payable	(7)	(185)
-Accrued taxes	10	27
-Accrued compensation	—	(42)
-Other current liabilities	(34)	41
Net cash provided from operating activities	550	643
Investing Activities:		
Property additions	(251)	(261)
Cost of removal, net of salvage	(16)	(15)
Change in construction payables, net	(47)	(18)
Investment in unconsolidated subsidiaries	(1)	(77)
Proceeds from dispositions	—	178
Other investing activities	7	—
Net cash used for investing activities	(308)	(193)
Financing Activities:		
Decrease in notes payable, net	(127)	(39)
Proceeds — Short-term borrowings	300	—
Redemptions — Medium-term notes	(30)	—
Capital contributions from parent company	39	—
Payment of common stock dividends	(132)	(133)
Other financing activities	—	(13)
Net cash provided from (used for) financing activities	50	(185)
Net Change in Cash, Cash Equivalents, and Restricted Cash	292	265
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	19	49
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 311	\$ 314
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$2 capitalized for both 2021 and 2020)	\$ 52	\$ 49
Income taxes, net	(1)	(12)
Noncash transactions — Accrued property additions at end of period	95	104

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

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

Assets	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 309	\$ 17
Receivables —		
Energy marketing	412	516
Customer accounts	452	353
Unbilled revenues	161	219
Affiliated	2	4
Other accounts and notes	43	51
Accumulated provision for uncollectible accounts	(51)	(40)
Natural gas for sale	197	460
Prepaid expenses	97	48
Assets from risk management activities, net of collateral	68	118
Natural gas cost under recovery	487	—
Other regulatory assets	84	102
Other current assets	39	38
Total current assets	<u>2,300</u>	<u>1,886</u>
Property, Plant, and Equipment:		
In service	17,866	17,611
Less: Accumulated depreciation	4,893	4,821
Plant in service, net of depreciation	12,973	12,790
Construction work in progress	636	648
Total property, plant, and equipment	<u>13,609</u>	<u>13,438</u>
Other Property and Investments:		
Goodwill	5,015	5,015
Equity investments in unconsolidated subsidiaries	1,290	1,290
Other intangible assets, net of amortization of \$199 and \$195, respectively	47	51
Miscellaneous property and investments	20	19
Total other property and investments	<u>6,372</u>	<u>6,375</u>
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	80	81
Other regulatory assets, deferred	786	615
Other deferred charges and assets	230	235
Total deferred charges and other assets	<u>1,096</u>	<u>931</u>
Total Assets	<u><u>\$ 23,377</u></u>	<u><u>\$ 22,630</u></u>

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

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

Liabilities and Stockholder's Equity	At March 31, 2021	At December 31, 2020
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 302	\$ 333
Notes payable	497	324
Energy marketing trade payables	475	494
Accounts payable —		
Affiliated	49	56
Other	346	373
Customer deposits	76	90
Accrued taxes	94	83
Accrued interest	68	58
Accrued compensation	107	106
Other regulatory liabilities	92	122
Temporary LIFO liquidation	194	—
Other current liabilities	166	150
Total current liabilities	2,466	2,189
Long-term Debt	6,286	6,293
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,427	1,265
Deferred credits related to income taxes	839	847
Employee benefit obligations	273	283
Operating lease obligations	65	67
Other cost of removal obligations	1,668	1,649
Accrued environmental remediation	208	216
Other deferred credits and liabilities	51	54
Total deferred credits and other liabilities	4,531	4,381
Total Liabilities	13,283	12,863
Common Stockholder's Equity (See accompanying statements)	10,094	9,767
Total Liabilities and Stockholder's Equity	\$ 23,377	\$ 22,630

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

SOUTHERN COMPANY GAS AND SUBSIDIARY COMPANIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY (UNAUDITED)

	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in millions)</i>				
Balance at December 31, 2019	\$ 9,697	\$ (198)	\$ 7	\$ 9,506
Net income	—	275	—	275
Return of capital to parent company	(2)	—	—	(2)
Other comprehensive income (loss)	—	—	(15)	(15)
Cash dividends on common stock	—	(133)	—	(133)
Balance at March 31, 2020	\$ 9,695	\$ (56)	\$ (8)	\$ 9,631
Balance at December 31, 2020	\$ 9,930	\$ (141)	\$ (22)	\$ 9,767
Net income	—	398	—	398
Capital contributions from parent company	57	—	—	57
Other comprehensive income	—	—	4	4
Cash dividends on common stock	—	(132)	—	(132)
Balance at March 31, 2021	\$ 9,987	\$ 125	\$ (18)	\$ 10,094

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

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR
THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
ALABAMA POWER COMPANY
GEORGIA POWER COMPANY
MISSISSIPPI POWER COMPANY
SOUTHERN POWER COMPANY AND SUBSIDIARY COMPANIES
SOUTHERN COMPANY GAS AND SUBSIDIARY COMPANIES
(UNAUDITED)**

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INDEX TO APPLICABLE NOTES TO FINANCIAL STATEMENTS BY REGISTRANT

The following unaudited notes to the condensed financial statements are a combined presentation; however, information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf and each Registrant makes no representation as to information related to the other Registrants. The list below indicates the Registrants to which each footnote applies.

Registrant	Applicable Notes
Southern Company	A, B, C, D, E, F, G, H, I, J, K, L
Alabama Power	A, B, C, D, F, G, H, I, J
Georgia Power	A, B, C, D, F, G, H, I, J
Mississippi Power	A, B, C, D, F, G, H, I, J
Southern Power	A, C, D, E, F, G, H, I, J, K
Southern Company Gas	A, B, C, D, E, F, G, H, I, J, K, L

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(A) INTRODUCTION

The condensed quarterly financial statements of each Registrant included herein have been prepared by such Registrant, without audit, pursuant to the rules and regulations of the SEC. The Condensed Balance Sheets as of December 31, 2020 have been derived from the audited financial statements of each Registrant. In the opinion of each Registrant's management, the information regarding such Registrant furnished herein reflects all adjustments, which, except as otherwise disclosed, are of a normal recurring nature, necessary to present fairly the results of operations for the periods ended March 31, 2021 and 2020. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although each Registrant believes that the disclosures regarding such Registrant are adequate to make the information presented not misleading. Disclosures which would substantially duplicate the disclosures in the Form 10-K and details which have not changed significantly in amount or composition since the filing of the Form 10-K are generally omitted from this Quarterly Report on Form 10-Q unless specifically required by GAAP. Therefore, these Condensed Financial Statements should be read in conjunction with the financial statements and the notes thereto included in the Form 10-K. Due to the seasonal variations in the demand for energy and other factors, including the impacts of the COVID-19 pandemic, operating results for the periods presented are not necessarily indicative of the operating results to be expected for the full year.

Certain prior year data presented in the financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on the overall results of operations, financial position, or cash flows of any Registrant.

Goodwill and Other Intangible Assets

Goodwill at March 31, 2021 and December 31, 2020 was as follows:

	Goodwill	
	<i>(in millions)</i>	
Southern Company	\$	5,280
Southern Company Gas:		
Gas distribution operations	\$	4,034
Gas marketing services		981
Southern Company Gas total	\$	5,015

Goodwill is not amortized but is subject to an annual impairment test in the fourth quarter of the year and on an interim basis as events and changes in circumstances occur.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

Other intangible assets were as follows:

	At March 31, 2021				At December 31, 2020			
	Gross Carrying Amount	Accumulated Amortization	Other Intangible Assets, Net		Gross Carrying Amount	Accumulated Amortization	Other Intangible Assets, Net	
	(in millions)				(in millions)			
Southern Company								
Other intangible assets subject to amortization:								
Customer relationships	\$ 212	\$ (139)	\$ 73	\$ 212	\$ (135)	\$ 77		
Trade names	64	(33)	31	64	(31)	33		
Storage and transportation contracts	64	(64)	—	64	(64)	—		
PPA fair value adjustments	390	(94)	296	390	(89)	301		
Other	11	(9)	2	10	(9)	1		
Total other intangible assets subject to amortization	\$ 741	\$ (339)	\$ 402	\$ 740	\$ (328)	\$ 412		
Other intangible assets not subject to amortization:								
Federal Communications Commission licenses	75	—	75	75	—	75		
Total other intangible assets	\$ 816	\$ (339)	\$ 477	\$ 815	\$ (328)	\$ 487		
Southern Power								
Other intangible assets subject to amortization:								
PPA fair value adjustments	\$ 390	\$ (94)	\$ 296	\$ 390	\$ (89)	\$ 301		
Southern Company Gas								
Other intangible assets subject to amortization:								
Gas marketing services								
Customer relationships	\$ 156	\$ (122)	\$ 34	\$ 156	\$ (119)	\$ 37		
Trade names	26	(13)	13	26	(12)	14		
Wholesale gas services								
Storage and transportation contracts	64	(64)	—	64	(64)	—		
Total other intangible assets subject to amortization	\$ 246	\$ (199)	\$ 47	\$ 246	\$ (195)	\$ 51		

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

Amortization associated with other intangible assets was as follows:

	Three Months Ended March 31, 2021
	<i>(in millions)</i>
Southern Company ^(a)	\$ 11
Southern Power ^(b)	5
Southern Company Gas ^(c)	4

(a) Includes \$5 million recorded as a reduction to operating revenues.

(b) Recorded as a reduction to operating revenues.

(c) Relates to gas marketing services.

Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed balance sheets that total to the amount shown in the condensed statements of cash flows for the Registrants that had restricted cash at March 31, 2021 and/or December 31, 2020:

	Southern Company		Southern Power		Southern Company Gas	
	March 31, 2021	December 31, 2020	March 31, 2021	March 31, 2021	December 31, 2020	
	<i>(in millions)</i>		<i>(in millions)</i>		<i>(in millions)</i>	
Cash and cash equivalents	\$ 1,770	\$ 1,065	\$ 314	\$ 309	\$ 17	
Restricted cash ^(a) :						
Other current assets	2	2	—	2	2	
Other deferred charges and assets	29	—	29	—	—	
Total cash, cash equivalents, and restricted cash	\$ 1,801	\$ 1,068 ^(b)	\$ 343	\$ 311	\$ 19	

(a) For Southern Company Gas, reflects restricted cash held as collateral for workers' compensation, life insurance, and long-term disability insurance. For Southern Power, reflects restricted cash held for construction payables.

(b) Total does not add due to rounding.

Natural Gas for Sale

With the exception of Nicor Gas, Southern Company Gas' natural gas distribution utilities record natural gas inventories on a WACOG basis. For any declines in market prices below the WACOG considered to be other than temporary, an adjustment is recorded to reduce the value of natural gas inventories to market value. Nicor Gas' natural gas inventory is carried at cost on a LIFO basis. Inventory decrements occurring during the year that are restored prior to year end are charged to cost of natural gas at the estimated annual replacement cost. Inventory decrements that are not restored prior to year end are charged to cost of natural gas at the actual LIFO cost of the inventory layers liquidated.

Southern Company Gas recorded no material adjustments to natural gas inventories for either period presented. Nicor Gas' inventory decrement at March 31, 2021 is expected to be restored prior to year end.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

(B) REGULATORY MATTERS

See Note 2 to the financial statements in Item 8 of the Form 10-K for additional information relating to regulatory matters.

The recovery balances for certain retail regulatory clauses of the traditional electric operating companies and Southern Company Gas at March 31, 2021 and December 31, 2020 were as follows:

Regulatory Clause	Balance Sheet Line Item	March 31, 2021	December 31, 2020
<i>(in millions)</i>			
Alabama Power			
Rate CNP Compliance	Other regulatory liabilities, current	\$ 33	\$ 28
Rate CNP PPA	Other regulatory assets, deferred	58	58
Retail Energy Cost Recovery	Other regulatory liabilities, current	—	18
	Other regulatory assets, deferred	15	—
Natural Disaster Reserve	Other regulatory liabilities, deferred	52	77
Georgia Power			
Fuel Cost Recovery	Over recovered fuel clause revenues	\$ 83	\$ 113
Mississippi Power			
Fuel Cost Recovery	Over recovered regulatory clause liabilities	\$ 18	\$ 24
Ad Valorem Tax	Other regulatory assets, current	12	11
	Other regulatory assets, deferred	45	41
Property Damage Reserve	Other regulatory liabilities, deferred	—	4
	Other regulatory assets, deferred	1	—
Southern Company Gas			
Natural Gas Cost Recovery ^(*)	Other regulatory liabilities	\$ 12	\$ 88
	Natural gas cost under recovery	487	—
	Other regulatory assets, deferred	185	—

(*) The significant change during the three months ended March 31, 2021 was primarily driven by an increase in the cost of gas purchased in February 2021 resulting from Winter Storm Uri.

Alabama Power

Certificate of Convenience and Necessity

Energy Alabama, Gasp, Inc., and the Sierra Club filed requests for reconsideration and rehearing with the Alabama PSC regarding the certificate of convenience and necessity (CCN) issued to Alabama Power in August 2020, which authorized, among other things, the construction of Plant Barry Unit 8 and the acquisition of the Central Alabama Generating Station. In December 2020, the Alabama PSC issued an order denying the requests. On January 7, 2021, Energy Alabama and Gasp, Inc. filed judicial appeals regarding both the Alabama PSC's August 2020 CCN order and the December 2020 order denying reconsideration and rehearing. On February 23, 2021, Alabama Power filed a motion to intervene in the appeal and, on March 9, 2021, the Circuit Court of Montgomery County, Alabama granted the motion. At March 31, 2021, expenditures associated with the construction of Plant Barry Unit 8 included in CWIP totaled approximately \$161 million. The ultimate outcome of this matter cannot be determined at this time.

Plant Greene County

Alabama Power jointly owns Plant Greene County with an affiliate, Mississippi Power. See Note 5 under "Joint Ownership Agreements" in Item 8 of the Form 10-K for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

On April 15, 2021, Mississippi Power filed its 2021 IRP with the Mississippi PSC, which includes a schedule to retire its 40% ownership interest in Plant Greene County Units 1 and 2 in December 2025 and 2026, respectively, consistent with each unit's remaining useful life. Mississippi Power's IRP is subject to a review period during which the Mississippi PSC may note any deficiencies which could require re-evaluation or resubmission of the IRP. If no deficiencies are noted, the Mississippi PSC's review will conclude on August 13, 2021.

The Plant Greene County unit retirements identified by Mississippi Power require the completion of transmission and system reliability improvements, as well as agreement by Alabama Power. Alabama Power will continue to monitor the status of Mississippi Power's IRP and associated regulatory processes, as well as the transmission and system reliability improvements. Currently, Alabama Power plans to retire Plant Greene County Units 1 and 2 at the dates indicated. The ultimate outcome of this matter cannot be determined at this time.

Georgia Power

Rate Plan

Effective January 1, 2021, Georgia Power reduced its amortization of costs associated with CCR AROs by approximately \$90 million as approved by the Georgia PSC in conjunction with Georgia Power's annual compliance filings.

In February 2020, the Georgia PSC denied a motion for reconsideration filed by the Sierra Club regarding the Georgia PSC's decision in the 2019 ARP allowing Georgia Power to recover compliance costs for CCR AROs, and, in December 2020, the Superior Court of Fulton County affirmed the decision of the Georgia PSC. On January 5, 2021, the Sierra Club filed a notice of appeal with the Georgia Court of Appeals. The ultimate outcome of this matter cannot be determined at this time.

See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information regarding Georgia Power's AROs.

Nuclear Construction

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

certain breaches of the Bechtel Agreement by the Vogtle Owners, Vogtle Owner insolvency, and certain other events.

See Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings" in Item 8 of the Form 10-K for information on the Amended and Restated Loan Guarantee Agreement, including applicable covenants, events of default, mandatory prepayment events, and conditions to borrowing.

Cost and Schedule

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

	<i>(in millions)</i>
Base project capital cost forecast ^{(a)(b)}	\$ 8,619
Construction contingency estimate	136
Total project capital cost forecast ^{(a)(b)}	8,755
Net investment as of March 31, 2021 ^(b)	(7,560)
Remaining estimate to complete^(a)	\$ 1,195

(a) Excludes financing costs expected to be capitalized through AFUDC of approximately \$250 million, of which \$118 million had been accrued through March 31, 2021.

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

Georgia Power estimates that its financing costs for construction of Plant Vogtle Units 3 and 4 will total approximately \$3.0 billion, of which \$2.7 billion had been incurred through March 31, 2021.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of engineering support, commodity installation, system turnovers and related test results, and workforce statistics. Southern Nuclear establishes aggressive target values for monthly construction production and system turnover activities as part of a strategy that was designed to maintain margin to the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. Since March 2020, the number of active cases at the site has fluctuated and impacted productivity levels and pace of activity completion. The lower productivity levels and slower pace of activity completion contributed to a backlog to the aggressive site work plan established at the beginning of 2020. Georgia Power estimates the productivity impacts of the COVID-19 pandemic have consumed approximately three to four months of schedule margin previously embedded in the site work plan for Unit 3 and Unit 4. In addition, the project continued to face challenges including, but not limited to, higher than expected absenteeism; overall construction and subcontractor labor productivity; system turnover and testing activities; and electrical equipment and commodity installation. As a result of these factors, in January 2021, Southern Nuclear further extended certain milestone dates, including the start of hot functional testing and fuel load for Unit 3, from those established in October 2020.

Following the January 2021 milestone extensions, Southern Nuclear has been performing additional construction remediation work, primarily related to electrical commodity installations, necessary to ensure quality and design standards are met as system turnovers are completed to support hot functional testing and fuel load for Unit 3. Hot functional testing commenced in late April 2021 and the site work plan currently targets fuel load for Unit 3 in the third quarter 2021 and an in-service date of December 2021. As the site work plan includes minimal margin to these milestone dates, any delay could result in an in-service date in the first quarter 2022 for Unit 3. Achievement of the

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

extended milestone dates established in January 2021 for Unit 4, which are expected to support a regulatory-approved in-service date of November 2022, primarily depends on overall construction productivity and production levels significantly improving as well as appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, being added and maintained.

Considering the factors above, during the first quarter 2021, approximately \$84 million of the construction contingency established in the fourth quarter 2020 was assigned to the base capital cost forecast for costs primarily associated with the schedule extension for Unit 3 to December 2021, construction productivity, support resources, and construction remediation work. Georgia Power increased its total capital cost forecast as of March 31, 2021 by adding \$48 million to the remaining construction contingency.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded a pre-tax charge to income of \$48 million (\$36 million after tax) for the increase in the total project capital cost forecast as of March 31, 2021. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction and testing activities at Plant Vogtle Units 3 and 4. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$150 million and \$190 million and is included in the total project capital cost forecast. Estimated costs associated with near-term COVID-19 mitigation actions and related impacts on construction productivity are also included in the total project capital cost forecast described above.

As construction, including subcontract work, continues and testing and system turnover activities increase, challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of plant systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues could arise and change the projected schedule and estimated cost.

There have been technical and procedural challenges to the construction and licensing of Plant Vogtle Units 3 and 4 at the federal and state level and additional challenges may arise. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, including inspections by Southern Nuclear and the NRC that occur throughout construction. In connection with the additional construction remediation work described above, Southern Nuclear reviewed the project's construction quality programs and, where needed, is implementing improvement plans consistent with these processes. Findings resulting from such inspections could require additional remediation and/or further NRC oversight. In addition, certain license amendment requests have been filed and approved or are pending before the NRC. On March 15, 2021, the NRC issued an appealable order denying the Blue Ridge Environmental Defense League's (BREDL) December 2020 motion to reopen proceedings on BREDL's petition challenging a license amendment request. The staff of the NRC has issued the requested amendment.

In September 2020, Southern Nuclear notified the NRC of its intent to load fuel for Unit 3 in 2021. Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues, including inspections and ITAACs, are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

The ultimate outcome of these matters cannot be determined at this time. However, any extension of the in-service date beyond December 2021 for Unit 3 or November 2022 for Unit 4 is currently estimated to result in additional base capital costs for Georgia Power of approximately \$25 million per month for Unit 3 and approximately \$15 million per month for Unit 4, as well as the related AFUDC. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Joint Owner Contracts

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

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

Amendments to the Vogtle Joint Ownership Agreements

In connection with the vote to continue construction, Georgia Power entered into (i) a binding term sheet (Vogtle Owner Term Sheet) with the other Vogtle Owners and MEAG Power's wholly-owned subsidiaries MEAG Power SPVJ, LLC (MEAG SPVJ), MEAG Power SPVM, LLC (MEAG SPVM), and MEAG Power SPVP, LLC (MEAG SPVP) to take certain actions which partially mitigate potential financial exposure for the other Vogtle Owners, including additional amendments to the Vogtle Joint Ownership Agreements and the purchase of PTCs from the other Vogtle Owners at pre-established prices, and (ii) a term sheet (MEAG Term Sheet) with MEAG Power and MEAG SPVJ to provide up to \$300 million of funding with respect to MEAG SPVJ's ownership interest in Plant Vogtle Units 3 and 4 under certain circumstances. In January 2019, Georgia Power, MEAG Power, and MEAG SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet. In February 2019, Georgia Power, the other Vogtle Owners, and MEAG Power's wholly-owned subsidiaries MEAG SPVJ, MEAG SPVM, and MEAG SPVP entered into certain amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).

As previously disclosed, pursuant to the Global Amendments: (i) each Vogtle Owner must pay its proportionate share of qualifying construction costs for Plant Vogtle Units 3 and 4 based on its ownership percentage up to the estimated cost at completion (EAC) for Plant Vogtle Units 3 and 4 which formed the basis of Georgia Power's forecast of \$8.4 billion in the nineteenth VCM plus \$800 million; (ii) Georgia Power will be responsible for 55.7% of actual qualifying construction costs between \$800 million and \$1.6 billion over the EAC in the nineteenth VCM (resulting in \$80 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 44.3% of such costs pro rata in accordance with their respective ownership interests; and (iii) Georgia Power will be responsible for 65.7% of qualifying construction costs between \$1.6 billion and \$2.1 billion over the EAC in the nineteenth VCM (resulting in a further \$100 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 34.3% of such costs pro rata in accordance with their respective ownership interests. If the EAC is revised and exceeds the EAC in the nineteenth VCM by more than \$2.1 billion, each of the other Vogtle Owners will have a one-time option at the time the project budget forecast is

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

so revised to tender a portion of its ownership interest to Georgia Power in exchange for Georgia Power's agreement to pay 100% of such Vogtle Owner's remaining share of total construction costs in excess of the EAC in the nineteenth VCM plus \$2.1 billion.

In addition, pursuant to the Global Amendments, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain adverse events occur, including, among other events: (i) the bankruptcy of Toshiba; (ii) the termination or rejection in bankruptcy of certain agreements, including the Vogtle Services Agreement, the Bechtel Agreement, or the agency agreement with Southern Nuclear; (iii) Georgia Power's public announcement of its intention not to submit for rate recovery any portion of its investment in Plant Vogtle Units 3 and 4 or the Georgia PSC determines that any of Georgia Power's costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates, excluding any additional amounts paid by Georgia Power on behalf of the other Vogtle Owners pursuant to the Global Amendments described above and the first 6% of costs during any six-month VCM reporting period that are disallowed by the Georgia PSC for recovery, or for which Georgia Power elects not to seek cost recovery, through retail rates; and (iv) an incremental extension of one year or more over the most recently approved schedule.

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

Regulatory Matters

In 2009, the Georgia PSC voted to certify construction of Plant Vogtle Units 3 and 4 with a certified capital cost of \$4.418 billion. In addition, in 2009 the Georgia PSC approved inclusion of the Plant Vogtle Units 3 and 4 related CWIP accounts in rate base, and the State of Georgia enacted the Georgia Nuclear Energy Financing Act, which allows Georgia Power to recover financing costs for Plant Vogtle Units 3 and 4. Financing costs are recovered on all applicable certified costs through annual adjustments to the NCCR tariff up to the certified capital cost of \$4.418 billion. At March 31, 2021, Georgia Power had recovered approximately \$2.6 billion of financing costs. Financing costs related to capital costs above \$4.418 billion are being recognized through AFUDC and are expected to be recovered through retail rates over the life of Plant Vogtle Units 3 and 4; however, Georgia Power will not record AFUDC related to any capital costs in excess of the total deemed reasonable by the Georgia PSC (currently \$7.3 billion) and not requested for rate recovery. In November 2020, the Georgia PSC approved Georgia Power's request to decrease the NCCR tariff by \$142 million annually, effective January 1, 2021.

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

In 2016, the Georgia PSC voted to approve a settlement agreement (Vogtle Cost Settlement Agreement) resolving certain prudency matters in connection with the fifteenth VCM report. In December 2017, the Georgia PSC voted to approve (and issued its related order on January 11, 2018) Georgia Power's seventeenth VCM report and modified the Vogtle Cost Settlement Agreement. The Vogtle Cost Settlement Agreement, as modified by the January 11, 2018 order, resolved the following regulatory matters related to Plant Vogtle Units 3 and 4: (i) none of the \$3.3 billion of costs incurred through December 31, 2015 and reflected in the fourteenth VCM report should be disallowed from rate base on the basis of imprudence; (ii) the Contractor Settlement Agreement was reasonable and prudent and none of the \$0.3 billion paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) (a) capital costs incurred up to \$5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs, (b) Georgia Power would have the burden to show that any capital costs above \$5.68 billion were prudent, and (c) a revised capital cost forecast of \$7.3 billion (after reflecting the impact of payments received under the Guarantee Settlement Agreement and related customer refunds) was found reasonable; (iv) construction of Plant Vogtle Units 3 and 4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (v) approved and deemed reasonable Georgia Power's revised schedule placing Plant Vogtle Units 3 and 4 in service in November 2021 and November 2022, respectively; (vi) confirmed that the revised cost forecast does not represent a cost cap

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; (vii) reduced the ROE used to calculate the NCCR tariff (a) from 10.95% (the ROE rate setting point authorized by the Georgia PSC in the 2013 alternate rate plan) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%, effective January 1, 2020, and (c) from 8.30% to 5.30%, effective January 1, 2021 (provided that the ROE in no case will be less than Georgia Power's average cost of long-term debt); (viii) reduced the ROE used for AFUDC equity for Plant Vogtle Units 3 and 4 from 10.00% to Georgia Power's average cost of long-term debt, effective January 1, 2018; and (ix) agreed that upon Unit 3 reaching commercial operation, retail base rates would be adjusted to include the costs related to Unit 3 and common facilities deemed prudent in the Vogtle Cost Settlement Agreement. The January 11, 2018 order also stated that if Plant Vogtle Units 3 and 4 are not commercially operational by June 1, 2021 and June 1, 2022, respectively, the ROE used to calculate the NCCR tariff will be further reduced by 10 basis points each month (but not lower than Georgia Power's average cost of long-term debt) until the respective Unit is commercially operational. The ROE reductions negatively impacted earnings by approximately \$150 million in 2020 and are estimated to have negative earnings impacts of approximately \$265 million and \$200 million in 2021 and 2022, respectively. In its January 11, 2018 order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

The Georgia PSC has approved 23 VCM reports covering periods through June 30, 2020, including total construction capital costs incurred through that date of \$8.1 billion (before \$1.7 billion of payments received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds). The Georgia PSC's order approving the twenty-third VCM report also instructed Georgia Power and the staff of the Georgia PSC to develop a mutually-agreeable recommendation to the Georgia PSC by the end of March 2021 regarding the procedure for and the timing, form, and substance of the rate adjustment filing related to the Unit 3 and common facility costs. On March 31, 2021, the staff of the Georgia PSC, on behalf of itself and Georgia Power, requested an extension through April 30, 2021. Georgia Power filed its twenty-fourth VCM report with the Georgia PSC on February 18, 2021, covering the period from July 1, 2020 through December 31, 2020, requesting approval of \$670 million of construction capital costs incurred during that period.

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

Mississippi Power***Performance Evaluation Plan***

On March 15, 2021, Mississippi Power submitted its annual retail PEP filing for 2021 to the Mississippi PSC, which requested a 1.8%, or approximately \$16 million, annual increase in revenues, primarily due to increased investment and amortization and lower sales. In accordance with the PEP rate schedule, the rate increase became effective with the first billing cycle of April 2021, subject to refund. The ultimate outcome of this matter cannot be determined at this time.

Integrated Resource Plan

In December 2020, the Mississippi PSC issued an order in the Reserve Margin Plan docket requiring Mississippi Power to incorporate into its 2021 IRP a schedule reflecting the retirement of 950 MWs of fossil-steam generation by year-end 2027 to reduce Mississippi Power's excess reserve margin. On April 15, 2021, Mississippi Power filed its 2021 IRP with the Mississippi PSC. The filing includes a schedule to retire Plant Watson Unit 4 (268 MWs) and Mississippi Power's 40% ownership interest in Plant Greene County Units 1 and 2 (103 MWs each) in December 2023, 2025, and 2026, respectively, consistent with each unit's remaining useful life in the most recent approved depreciation studies. In addition, the schedule reflects the early retirement of Mississippi Power's 50% undivided ownership interest in Plant Daniel Units 1 and 2 (502 MWs) by the end of 2027. The Plant Greene County unit retirements require the completion by Alabama Power of transmission and system reliability improvements, as well as agreement by Alabama Power.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

The remaining net book value of Plant Daniel Units 1 and 2 was approximately \$531 million at March 31, 2021. Mississippi Power expects to reclassify the net book value remaining at retirement to a regulatory asset to be amortized over a period to be determined by the Mississippi PSC in future proceedings, consistent with the December 2020 order. The Plant Watson and Greene County units are expected to be fully depreciated upon retirement.

The 2021 IRP is subject to a review period during which the Mississippi PSC may note any deficiencies which could require re-evaluation or resubmission of the IRP. If no deficiencies are noted, the Mississippi PSC's review will conclude on August 13, 2021.

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

Ad Valorem Tax Adjustment

On April 6, 2021, the Mississippi PSC approved Mississippi Power's annual ad valorem tax adjustment filing for 2021, which requested an annual increase in revenues of approximately \$28 million, including approximately \$19 million of ad valorem taxes previously recovered through PEP in accordance with the Mississippi Power Rate Case Settlement Agreement. The rate became effective with the first billing cycle of May 2021.

Southern Company Gas

Infrastructure Replacement Programs and Capital Projects

Capital expenditures incurred under specific infrastructure replacement programs during the first three months of 2021 were as follows:

Utility	Program	Three Months Ended March 31, 2021	
		<i>(in millions)</i>	
Nicor Gas	Investing in Illinois	\$	45
Virginia Natural Gas	Steps to Advance Virginia's Energy		9
Total		\$	54

Atlanta Gas Light

On April 28, 2021, Atlanta Gas Light filed its first Integrated Capacity and Delivery Plan (i-CDP) with the Georgia PSC, which includes a series of ongoing and proposed pipeline safety, reliability, and growth programs for the next 10 years (2022 through 2031), as well as the required capital investments and related costs to implement the programs. The i-CDP reflects capital investments totaling approximately \$0.5 billion to \$0.6 billion annually.

Recovery of the related revenue requirements will be included in either subsequent annual GRAM filings or the new System Reinforcement Rider for authorized large pressure improvement and system reliability projects. The i-CDP is subject to a five-month review period, which may be extended. The ultimate outcome of this matter cannot be determined at this time.

Virginia Natural Gas

On April 6, 2021, the Virginia State Corporation Commission approved a motion filed by Virginia Natural Gas to withdraw the application for its 9.5-mile interconnect project due to a change in the capacity needs of one of the project's customers. No further action is necessary and this matter is now concluded.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

Deferral of Incremental COVID-19 Costs

Nicor Gas

On March 18, 2021, the Illinois Commission approved a phased-in schedule for disconnections related to non-payment. Nicor Gas began certain disconnections in late April 2021 and will resume normal disconnections in June 2021. Nicor Gas will continue certain flexible credit and collection procedures until mid-2021.

(C) CONTINGENCIES

See Note 3 to the financial statements in Item 8 of the Form 10-K for information relating to various lawsuits and other contingencies.

General Litigation Matters

The Registrants are involved in various matters being litigated and regulatory matters. The ultimate outcome of such pending or potential litigation or regulatory matters against each Registrant and any subsidiaries cannot be determined at this time; however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on such Registrant's financial statements.

The Registrants believe the pending legal challenges discussed below have no merit; however, the ultimate outcome of these matters cannot be determined at this time.

Southern Company

In February 2017, Jean Vineyard and Judy Mesirov each filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of Georgia. Each of these lawsuits names as defendants Southern Company, certain of its directors, certain of its current and former officers, and certain former Mississippi Power officers. In 2017, these two shareholder derivative lawsuits were consolidated in the U.S. District Court for the Northern District of Georgia. The complaints allege that the defendants caused Southern Company to make false or misleading statements regarding the Kemper County energy facility cost and schedule. Further, the complaints allege that the defendants were unjustly enriched and caused the waste of corporate assets and also allege that the individual defendants violated their fiduciary duties.

In May 2017, Helen E. Piper Survivor's Trust filed a shareholder derivative lawsuit in the Superior Court of Gwinnett County, Georgia that names as defendants Southern Company, certain of its directors, certain of its current and former officers, and certain former Mississippi Power officers. The complaint alleges that the individual defendants, among other things, breached their fiduciary duties in connection with schedule delays and cost overruns associated with the construction of the Kemper County energy facility. The complaint further alleges that the individual defendants authorized or failed to correct false and misleading statements regarding the Kemper County energy facility schedule and cost and failed to implement necessary internal controls to prevent harm to Southern Company. In August 2019, the court granted a motion filed by the plaintiff in July 2019 to substitute a new named plaintiff, Martin J. Kobuck, in place of Helen E. Piper Survivor's Trust.

The plaintiffs in each of these cases seek to recover, on behalf of Southern Company, unspecified actual damages and, on each plaintiff's own behalf, attorneys' fees and costs in bringing the lawsuit. The plaintiffs also seek certain changes to Southern Company's corporate governance and internal processes. In 2018, the court in each case entered an order staying each lawsuit until 30 days after the settlement of a securities class action filed in January 2017 against Southern Company, certain of its current and former officers, and certain former Mississippi Power officers. In September 2020, the plaintiffs in each case filed a status report noting the settlement of the securities class action and informing the court that the parties had scheduled mediation, which occurred in November 2020. The parties in each case did not reach settlement but continue to explore possible resolution. Each case is stayed while the parties discuss potential resolution.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Georgia Power

In 2011, plaintiffs filed a putative class action against Georgia Power in the Superior Court of Fulton County, Georgia alleging that Georgia Power's collection in rates of amounts for municipal franchise fees (which fees are paid to municipalities) exceeded the amounts allowed in orders of the Georgia PSC and alleging certain state law claims. This case has been ruled upon and appealed numerous times over the last several years. In one recent appeal, the Georgia Supreme Court remanded the case and noted that the trial court could refer the matter to the Georgia PSC to interpret its tariffs. Following a motion by Georgia Power, in February 2019, the Superior Court of Fulton County ordered the parties to submit petitions to the Georgia PSC for a declaratory ruling and also conditionally certified the proposed class. In March 2019, Georgia Power and the plaintiffs filed petitions with the Georgia PSC seeking confirmation of the proper application of the municipal franchise fee schedule pursuant to the Georgia PSC's orders. Also in March 2019, Georgia Power appealed the class certification decision to the Georgia Court of Appeals. In October 2019, the Georgia PSC issued an order that found Georgia Power has appropriately implemented the municipal franchise fee schedule. In March 2020, the Georgia Court of Appeals vacated the Superior Court of Fulton County's February 2019 order granting conditional class certification and remanded the case to the Superior Court of Fulton County for further proceedings. In September 2020, the plaintiffs and Georgia Power each filed motions for summary judgment and the plaintiffs renewed their motion for class certification. On March 16, 2021, the Superior Court of Fulton County granted class certification and Georgia Power's motion for summary judgment. On March 22, 2021, the plaintiffs filed a notice of appeal, and, on April 2, 2021, Georgia Power filed a notice of cross appeal on the issue of class certification. The amount of any possible losses cannot be estimated at this time because, among other factors, it is unknown whether any losses would be subject to recovery from any municipalities.

In July 2020, a group of individual plaintiffs filed a complaint in the Superior Court of Fulton County, Georgia against Georgia Power alleging that releases from Plant Scherer have impacted groundwater, surface water, and air, resulting in alleged personal injuries and property damage. The plaintiffs seek an unspecified amount of monetary damages including punitive damages, a medical monitoring fund, and injunctive relief. In September 2020, Georgia Power filed a motion to dismiss. The amount of any possible losses cannot be estimated at this time.

Mississippi Power

In 2018, Ray C. Turnage and 10 other individual plaintiffs filed a putative class action complaint against Mississippi Power and the three then-serving members of the Mississippi PSC in the U.S. District Court for the Southern District of Mississippi. Mississippi Power received Mississippi PSC approval in 2013 to charge a mirror CWIP rate premised upon including in its rate base pre-construction and construction costs for the Kemper IGCC prior to placing the Kemper IGCC into service. The Mississippi Supreme Court reversed that approval and ordered Mississippi Power to refund the amounts paid by customers under the previously-approved mirror CWIP rate. The plaintiffs allege that the initial approval process, and the amount approved, were improper. They also allege that Mississippi Power underpaid customers by up to \$23.5 million in the refund process by applying an incorrect interest rate. The plaintiffs seek to recover, on behalf of themselves and their putative class, actual damages, punitive damages, pre-judgment interest, post-judgment interest, attorney's fees, and costs. In response to Mississippi Power and the Mississippi PSC each filing a motion to dismiss, the plaintiffs filed an amended complaint in March 2019. The amended complaint included four additional plaintiffs and additional claims for gross negligence, reckless conduct, and intentional wrongdoing. Mississippi Power and the Mississippi PSC each filed a motion to dismiss the amended complaint, which occurred in May 2020 and March 2020, respectively. Also in March 2020, the plaintiffs filed a motion seeking to name the new members of the Mississippi PSC, the Mississippi Development Authority, and Southern Company as additional defendants and add a cause of action against all defendants based on a dormant commerce clause theory under the U.S. Constitution. In July 2020, the plaintiffs filed a motion for leave to file a third amended complaint, which included the same federal claims as the proposed second amended complaint, as well as several additional state law claims based on the allegation that Mississippi Power failed to disclose the annual percentage rate of interest applicable to refunds. In November 2020, the court denied each of the plaintiffs' pending motions and entered final judgment in favor of Mississippi Power. On January 22, 2021, the court denied further motions by the plaintiffs to vacate the judgment and to file a revised second

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

amended complaint. On February 19, 2021, the plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Fifth Circuit. An adverse outcome in this proceeding could have a material impact on Mississippi Power's financial statements.

See Note 3 to the financial statements under "Other Matters – Mississippi Power – Kemper County Energy Facility" in Item 8 of the Form 10-K for additional information.

Environmental Remediation

The Southern Company system must comply with environmental laws and regulations governing the handling and disposal of waste and releases of hazardous substances. Under these various laws and regulations, the Southern Company system could incur substantial costs to clean up affected sites. The traditional electric operating companies and the natural gas distribution utilities in Illinois and Georgia have each received authority from their respective state PSCs or other applicable state regulatory agencies to recover approved environmental remediation costs through regulatory mechanisms. These regulatory mechanisms are adjusted annually or as necessary within limits approved by the state PSCs or other applicable state regulatory agencies.

Georgia Power's environmental remediation liability was \$16 million and \$15 million at March 31, 2021 and December 31, 2020, respectively. Georgia Power has been designated or identified as a potentially responsible party at sites governed by the Georgia Hazardous Site Response Act and/or by the federal Comprehensive Environmental Response, Compensation, and Liability Act, and assessment and potential cleanup of such sites is expected.

Southern Company Gas' environmental remediation liability was \$240 million and \$245 million as of March 31, 2021 and December 31, 2020, respectively, based on the estimated cost of environmental investigation and remediation associated with known former manufactured gas plant operating sites.

The ultimate outcome of these matters cannot be determined at this time; however, as a result of the regulatory treatment for environmental remediation expenses described above, the final disposition of these matters is not expected to have a material impact on the financial statements of the applicable Registrants.

Other Matters

Southern Company Gas

PennEast Pipeline Project

Work continues with state and federal agencies to obtain the required permits to begin construction of the PennEast Pipeline. Expected project costs for Southern Company Gas total approximately \$300 million, excluding financing costs. The ultimate outcome of the PennEast Pipeline construction project cannot be determined at this time; however, any work delays, whether caused by judicial or regulatory action, abnormal weather, or other conditions, may result in additional cost or schedule modifications or, ultimately, in project cancellation, any of which could result in impairment of Southern Company Gas' investment (\$93 million at March 31, 2021) and could have a significant impact on Southern Company's financial statements and a material impact on Southern Company Gas' financial statements. See Note (E) under "Southern Company Gas" for additional information.

SNG

As a 50% equity investor in SNG, Southern Company Gas is required to make additional capital contributions as necessary pursuant to the terms of its operating agreement with SNG. SNG has \$300 million of debt maturing in June 2021 that it anticipates refinancing prior to its maturity. If SNG is unable to refinance or otherwise satisfy this debt obligation, Southern Company Gas has committed to fund up to \$150 million as a contingent capital contribution. See Note (E) under "Southern Company Gas" for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

(D) REVENUE FROM CONTRACTS WITH CUSTOMERS AND LEASE INCOME

Revenue from Contracts with Customers

The Registrants generate revenues from a variety of sources, some of which are not accounted for as revenue from contracts with customers, such as leases, derivatives, and certain cost recovery mechanisms. See Note 1 to the financial statements under "Revenues" in Item 8 of the Form 10-K for additional information on the revenue policies of the Registrants. See "Lease Income" herein and Note (J) for additional information on revenue accounted for under lease and derivative accounting guidance, respectively.

The following table disaggregates revenue from contracts with customers for the three months ended March 31, 2021 and 2020:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Three Months Ended March 31, 2021						
Operating revenues						
Retail electric revenues						
Residential	\$ 1,468	\$ 628	\$ 776	\$ 64	\$ —	\$ —
Commercial	1,117	372	686	59	—	—
Industrial	668	320	284	64	—	—
Other	24	5	17	2	—	—
Total retail electric revenues	3,277	1,325	1,763	189	—	—
Natural gas distribution revenues						
Residential	614	—	—	—	—	614
Commercial	170	—	—	—	—	170
Transportation	288	—	—	—	—	288
Industrial	16	—	—	—	—	16
Other	97	—	—	—	—	97
Total natural gas distribution revenues	1,185	—	—	—	—	1,185
Wholesale electric revenues						
PPA energy revenues	212	43	13	4	156	—
PPA capacity revenues	119	29	13	3	75	—
Non-PPA revenues	67	32	9	88	61	—
Total wholesale electric revenues	398	104	35	95	292	—
Other natural gas revenues						
Wholesale gas services	1,590	—	—	—	—	1,590
Gas marketing services	194	—	—	—	—	194
Other natural gas revenues	7	—	—	—	—	7
Total natural gas revenues	1,791	—	—	—	—	1,791
Other revenues	249	46	113	8	4	—
Total revenue from contracts with customers	6,900	1,475	1,911	292	296	2,976
Other revenue sources ^(a)	1,306	84	59	15	144	1,014
Other adjustments ^(b)	(2,296)	—	—	—	—	(2,296)
Total operating revenues	\$ 5,910	\$ 1,559	\$ 1,970	\$ 307	\$ 440	\$ 1,694

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Three Months Ended March 31, 2020						
Operating revenues						
Retail electric revenues						
Residential	\$ 1,370	\$ 553	\$ 760	\$ 57	\$ —	\$ —
Commercial	1,146	364	720	62	—	—
Industrial	680	321	281	78	—	—
Other	23	5	16	2	—	—
Total retail electric revenues	3,219	1,243	1,777	199	—	—
Natural gas distribution revenues						
Residential	496	—	—	—	—	496
Commercial	130	—	—	—	—	130
Transportation	264	—	—	—	—	264
Industrial	12	—	—	—	—	12
Other	97	—	—	—	—	97
Total natural gas distribution revenues	999	—	—	—	—	999
Wholesale electric revenues						
PPA energy revenues	159	27	9	2	125	—
PPA capacity revenues	105	27	12	1	66	—
Non-PPA revenues	51	19	2	69	58	—
Total wholesale electric revenues	315	73	23	72	249	—
Other natural gas revenues						
Wholesale gas services	396	—	—	—	—	396
Gas marketing services	163	—	—	—	—	163
Other natural gas revenues	7	—	—	—	—	7
Total natural gas revenues	566	—	—	—	—	566
Other revenues	192	37	95	5	3	—
Total revenue from contracts with customers	5,291	1,353	1,895	276	252	1,565
Other revenue sources ^(a)	868	(2)	(70)	1	123	825
Other adjustments ^(b)	(1,141)	—	—	—	—	(1,141)
Total operating revenues	\$ 5,018	\$ 1,351	\$ 1,825	\$ 277	\$ 375	\$ 1,249

(a) Other revenue sources relate to revenues from customers accounted for as derivatives and leases, alternative revenue programs at Southern Company Gas, and cost recovery mechanisms and revenues that meet other scope exceptions for revenues from contracts with customers at the traditional electric operating companies.

(b) Other adjustments relate to the cost of Southern Company Gas' energy and risk management activities. Wholesale gas services revenues are presented net of the related costs of those activities on the statement of income. See Note (L) under "Southern Company Gas" for additional information on the components of wholesale gas services' operating revenues.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Contract Balances

The following table reflects the closing balances of receivables, contract assets, and contract liabilities related to revenues from contracts with customers at March 31, 2021 and December 31, 2020:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Accounts Receivable						
As of March 31, 2021	\$ 2,375	\$ 567	\$ 679	\$ 87	\$ 85	\$ 778
As of December 31, 2020	2,614	632	806	77	112	788
Contract Assets						
As of March 31, 2021	\$ 106	\$ 1	\$ 47	\$ —	\$ —	\$ —
As of December 31, 2020	158	2	71	—	—	—
Contract Liabilities						
As of March 31, 2021	\$ 75	\$ 4	\$ 34	\$ 1	\$ 1	\$ 1
As of December 31, 2020	61	6	27	1	1	1

As of March 31, 2021 and December 31, 2020, Georgia Power had contract assets primarily related to unregulated service agreements, where payment is contingent on project completion, and fixed retail customer bill programs, where the payment is contingent upon Georgia Power's continued performance and the customer's continued participation in the program over a one-year contract term. Contract liabilities for Georgia Power relate to cash collections recognized in advance of revenue for certain unregulated service agreements. Alabama Power had contract liabilities for outstanding performance obligations primarily related to pole attachment and extended service agreements. Southern Company's unregulated distributed generation business had \$55 million and \$81 million of contract assets and \$34 million and \$27 million of contract liabilities at March 31, 2021 and December 31, 2020, respectively, for outstanding performance obligations.

Revenues recognized in the three months ended March 31, 2021, which were included in contract liabilities at December 31, 2020, were immaterial for all Registrants.

Remaining Performance Obligations

The traditional electric operating companies and Southern Power have long-term contracts with customers in which revenues are recognized as performance obligations are satisfied over the contract term. These contracts primarily relate to PPAs whereby the traditional electric operating companies and Southern Power provide electricity and generation capacity to a customer. The revenue recognized for the delivery of electricity is variable; however, certain PPAs include a fixed payment for fixed generation capacity over the term of the contract. Southern Company's unregulated distributed generation business also has partially satisfied performance obligations related to certain fixed price contracts. Revenues from contracts with customers related to these performance obligations remaining at March 31, 2021 are expected to be recognized as follows:

	2021 (remaining)	2022	2023	2024	2025	Thereafter
<i>(in millions)</i>						
Southern Company	\$ 485	\$ 408	\$ 340	\$ 327	\$ 307	\$ 2,666
Alabama Power	24	31	24	7	5	—
Georgia Power	57	51	36	24	21	41
Southern Power	213	287	280	296	280	2,644

Revenue expected to be recognized for performance obligations remaining at March 31, 2021 was immaterial for Mississippi Power and Southern Company Gas.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Lease Income

Lease income for the three months ended March 31, 2021 and 2020 is as follows:

	Southern Company		Alabama Power		Georgia Power		Mississippi Power		Southern Power		Southern Company Gas	
(in millions)												
For the Three Months Ended March 31, 2021												
Lease income - interest income on sales-type leases	\$	3	\$	—	\$	—	\$	3	\$	—	\$	—
Lease income - operating leases		55		21		10		—		21		9
Variable lease income		84		—		—		—		90		—
Total lease income	\$	142	\$	21	\$	10	\$	3	\$	111	\$	9
For the Three Months Ended March 31, 2020												
Lease income - interest income on sales-type leases	\$	3	\$	—	\$	—	\$	3	\$	—	\$	—
Lease income - operating leases		51		6		16		—		24		9
Variable lease income		74		—		—		—		80		—
Total lease income	\$	128	\$	6	\$	16	\$	3	\$	104	\$	9

Lease payments received under tolling arrangements and PPAs consist of either scheduled payments or variable payments based on the amount of energy produced by the underlying electric generating units. Lease income for Alabama Power and Southern Power is included in wholesale revenues.

(E) CONSOLIDATED ENTITIES AND EQUITY METHOD INVESTMENTS

See Note 7 to the financial statements in Item 8 of the Form 10-K for additional information.

Southern Power

Variable Interest Entities

Southern Power has certain subsidiaries that are determined to be VIEs. Southern Power is considered the primary beneficiary of these VIEs because it controls the most significant activities of the VIEs, including operating and maintaining the respective assets, and has the obligation to absorb expected losses of these VIEs to the extent of its equity interests.

SP Solar and SP Wind

At March 31, 2021 and December 31, 2020, SP Solar had total assets of \$6.1 billion, total liabilities of \$377 million and \$387 million, respectively, and noncontrolling interests of \$1.1 billion. Cash distributions from SP Solar are allocated 67% to Southern Power and 33% to Global Atlantic in accordance with their partnership interest percentage. Under the terms of the limited partnership agreement, distributions without limited partner consent are limited to available cash and SP Solar is obligated to distribute all such available cash to its partners each quarter. Available cash includes all cash generated in the quarter subject to the maintenance of appropriate operating reserves.

At March 31, 2021 and December 31, 2020, SP Wind had total assets of \$2.4 billion, total liabilities of \$171 million and \$138 million, respectively, and noncontrolling interests of \$42 million and \$43 million, respectively. Under the terms of the limited liability agreement, distributions without Class A member consent are limited to available cash and SP Wind is obligated to distribute all such available cash to its members each quarter. Available cash includes all cash generated in the quarter subject to the maintenance of appropriate operating reserves. Cash distributions from SP Wind are generally allocated 60% to Southern Power and 40% to the three financial investors in accordance with the limited liability agreement.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

Southern Power consolidates both SP Solar and SP Wind, as the primary beneficiary, since it controls the most significant activities of each entity, including operating and maintaining their assets. Certain transfers and sales of the assets in the VIEs are subject to partner consent and the liabilities are non-recourse to the general credit of Southern Power. Liabilities consist of customary working capital items and do not include any long-term debt.

Other Variable Interest Entities

Southern Power has other consolidated VIEs that relate to certain subsidiaries that have either sold noncontrolling interests to tax-equity investors or acquired less than a 100% interest from facility developers. These entities are considered VIEs because the arrangements are structured similar to a limited partnership and the noncontrolling members do not have substantive kick-out rights.

At March 31, 2021 and December 31, 2020, the other VIEs had total assets of \$1.9 billion and \$1.1 billion, respectively, total liabilities of \$260 million and \$110 million, respectively, and noncontrolling interests of \$926 million and \$454 million, respectively. Under the terms of the partnership agreements, distributions of all available cash are required each month or quarter and additional distributions require partner consent.

Equity Method Investments

At March 31, 2021 and December 31, 2020, Southern Power had equity method investments in wind and battery storage projects totaling \$84 million and \$19 million, respectively.

Southern Company Gas

Equity Method Investments

The carrying amounts of Southern Company Gas' equity method investments as of March 31, 2021 and December 31, 2020 and related income from those investments for the three months ended March 31, 2021 and 2020 were as follows:

Investment Balance	March 31, 2021	December 31, 2020
	<i>(in millions)</i>	
SNG	\$ 1,164	\$ 1,167
PennEast Pipeline ^(*)	93	91
Other	33	32
Total	\$ 1,290	\$ 1,290

(*) See Note (C) under "Other Matters – Southern Company Gas" for additional information.

Earnings from Equity Method Investments	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	<i>(in millions)</i>	
SNG	\$ 38	\$ 37
PennEast Pipeline ^(a)	2	2
Other ^{(a)(b)}	1	4
Total	\$ 41	\$ 43

(a) Earnings primarily result from AFUDC equity recorded by the project entity.

(b) On March 24, 2020, Southern Company Gas completed the sale of its interests in Atlantic Coast Pipeline and Pivotal LNG. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

(F) FINANCING

Bank Credit Arrangements

See Note 8 to the financial statements under "Bank Credit Arrangements" in Item 8 of the Form 10-K for additional information.

At March 31, 2021, committed credit arrangements with banks were as follows:

Company	Expires				Total	Unused	Due within One Year
	2021	2022	2023	2024			
(in millions)							
Southern Company parent	\$ —	\$ —	\$ —	\$ 2,000	\$ 2,000	\$ 1,999	\$ —
Alabama Power	3	525	—	800	1,328	1,328	3
Georgia Power	—	—	—	1,750	1,750	1,728	—
Mississippi Power	—	150	125	—	275	250	—
Southern Power ^(a)	—	—	—	600	600	568	—
Southern Company Gas ^(b)	—	—	—	1,750	1,750	1,745	—
SEGCO	30	—	—	—	30	30	30
Southern Company	\$ 33	\$ 675	\$ 125	\$ 6,900	\$ 7,733	\$ 7,648	\$ 33

(a) Does not include Southern Power Company's \$75 million and \$60 million continuing letter of credit facilities for standby letters of credit expiring in 2023, of which \$12 million and \$1 million, respectively, was unused at March 31, 2021. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(b) Southern Company Gas, as the parent entity, guarantees the obligations of Southern Company Gas Capital, which is the borrower of \$1.05 billion of this arrangement. Southern Company Gas' committed credit arrangement also includes \$700 million for which Nicor Gas is the borrower and which is restricted for working capital needs of Nicor Gas. Pursuant to this multi-year credit arrangement, the allocations between Southern Company Gas Capital and Nicor Gas may be adjusted.

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

These bank credit arrangements, as well as the term loan arrangements of the Registrants, Nicor Gas, and SEGCO, contain covenants that limit debt levels and contain cross-acceleration or, in the case of Southern Power, cross-default provisions to other indebtedness (including guarantee obligations) that are restricted only to the indebtedness of the individual company. Such cross-default provisions to other indebtedness would trigger an event of default if Southern Power defaulted on indebtedness or guarantee obligations over a specified threshold. Such cross-acceleration provisions to other indebtedness would trigger an event of default if the applicable borrower defaulted on indebtedness, the payment of which was then accelerated. At March 31, 2021, the Registrants, Nicor Gas, and SEGCO were in compliance with all such covenants. None of the bank credit arrangements contain material adverse change clauses at the time of borrowings.

A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants and Nicor Gas. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at March 31, 2021 was approximately \$1.4 billion (comprised of approximately \$854 million at Alabama Power, \$550 million at Georgia Power, and \$34 million at Mississippi Power). In addition, at March 31, 2021, Georgia Power and Mississippi Power had approximately \$174 million and \$50 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Earnings per Share

For Southern Company, the only differences in computing basic and diluted earnings per share are attributable to awards outstanding under stock-based compensation plans and the equity units issued in 2019. Earnings per share dilution resulting from stock-based compensation plans and the equity units issuance is determined using the treasury stock method. See Note 8 to the financial statements under "Equity Units" in Item 8 of the Form 10-K for information on the equity units and Note 12 to the financial statements in Item 8 of the Form 10-K for information on stock-based compensation plans. Shares used to compute diluted earnings per share were as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	<i>(in millions)</i>	
As reported shares	1,060	1,057
Effect of stock-based compensation	6	7
Effect of equity units	—	3
Diluted shares	1,066	1,067

An immaterial number of stock-based compensation awards was not included in the diluted earnings per share calculation because the awards were anti-dilutive for the three months ended March 31, 2021 and 2020.

(G) INCOME TAXES

See Note 10 to the financial statements in Item 8 of the Form 10-K for additional tax information.

Current and Deferred Income Taxes

Tax Credit and Net Operating Loss Carryforwards

The utilization of each Registrant's estimated tax credit and state net operating loss carryforwards and related valuation allowances could be impacted by numerous factors, including the acquisition of additional renewable projects, the purchase of rights to additional PTCs of Plant Vogtle Units 3 and 4 pursuant to certain joint ownership agreements, potential impacts of the COVID-19 pandemic, changes in taxable income projections, and potential income tax rate changes. See Note (B) and Note 2 to the financial statements in Item 8 of the Form 10-K under "Georgia Power – Nuclear Construction" for additional information on Plant Vogtle Units 3 and 4.

Effective Tax Rate

Southern Company's effective tax rate is typically lower than the statutory rate due to employee stock plans' dividend deduction, non-taxable AFUDC equity at the traditional electric operating companies, flowback of excess deferred income taxes at the regulated utilities, and federal income tax benefits from ITCs and PTCs primarily at Southern Power.

Details of significant changes in the effective tax rate for the applicable Registrants are provided herein.

Mississippi Power

Mississippi Power's effective tax rate was 8.4% for the three months ended March 31, 2021 compared to 16.2% for the corresponding period in 2020. The effective tax rate decrease was primarily due to an increase in the flowback of excess deferred income taxes beginning in April 2020 as authorized in the Mississippi Power Rate Case Settlement Agreement. See Note 2 to the financial statements under "Mississippi Power – 2019 Base Rate Case" in Item 8 of the Form 10-K for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

Southern Power

Southern Power's effective tax benefit rate was (17.3)% for the three months ended March 31, 2021 compared to an effective tax rate of 13.5% for the corresponding period in 2020. The effective tax rate decrease was primarily due to changes in state apportionment methodology resulting from tax legislation enacted by the State of Alabama in February 2021, as well as the tax impact from the sale of Plant Mankato in January 2020. See Note 15 to the financial statements under "Southern Power" in Item 8 of the Form 10-K for additional information.

(H) RETIREMENT BENEFITS

The Southern Company system has a qualified defined benefit, trustee, pension plan covering substantially all employees, with the exception of employees at PowerSecure. The qualified pension plan is funded in accordance with requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). No mandatory contributions to the qualified pension plan are anticipated for the year ending December 31, 2021. The Southern Company system also provides certain non-qualified defined benefits for a select group of management and highly compensated employees, which are funded on a cash basis. In addition, the Southern Company system provides certain medical care and life insurance benefits for retired employees through other postretirement benefit plans. The traditional electric operating companies fund other postretirement trusts to the extent required by their respective regulatory commissions. Southern Company Gas has a separate unfunded supplemental retirement health care plan that provides medical care and life insurance benefits to employees of discontinued businesses.

See Note 11 to the financial statements in Item 8 of the Form 10-K for additional information.

On each Registrant's condensed statements of income, the service cost component of net periodic benefit costs is included in other operations and maintenance expenses and all other components of net periodic benefit costs are included in other income (expense), net. Components of the net periodic benefit costs for the three months ended March 31, 2021 and 2020 are presented in the following tables.

Three Months Ended March 31, 2021	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Pension Plans						
Service cost	\$ 109	\$ 26	\$ 28	\$ 4	\$ 2	\$ 9
Interest cost	87	20	26	4	1	6
Expected return on plan assets	(298)	(72)	(94)	(14)	(3)	(21)
Amortization:						
Prior service costs	—	—	—	—	—	(1)
Regulatory asset	—	—	—	—	—	4
Net (gain)/loss	78	21	25	4	1	3
Net periodic pension cost (income)	\$ (24)	\$ (5)	\$ (15)	\$ (2)	\$ 1	\$ —
Postretirement Benefits						
Service cost	\$ 6	\$ 1	\$ 2	\$ —	\$ —	\$ —
Interest cost	8	2	3	—	—	1
Expected return on plan assets	(19)	(7)	(7)	—	—	(2)
Amortization:						
Regulatory asset	—	—	—	—	—	2
Net (gain)/loss	1	—	1	—	—	(1)
Net periodic postretirement benefit cost (income)	\$ (4)	\$ (4)	\$ (1)	\$ —	\$ —	\$ —

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

Three Months Ended March 31, 2020	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Pension Plans						
Service cost	\$ 94	\$ 22	\$ 24	\$ 4	\$ 2	\$ 8
Interest cost	108	25	33	5	1	8
Expected return on plan assets	(275)	(66)	(87)	(13)	(3)	(19)
Amortization:						
Prior service costs	1	—	—	—	—	(1)
Regulatory asset	—	—	—	—	—	4
Net (gain)/loss	67	18	22	3	1	2
Net periodic pension cost (income)	\$ (5)	\$ (1)	\$ (8)	\$ (1)	\$ 1	\$ 2
Postretirement Benefits						
Service cost	\$ 5	\$ 2	\$ 1	\$ —	\$ —	\$ —
Interest cost	13	3	5	—	—	2
Expected return on plan assets	(18)	(7)	(7)	—	—	(2)
Amortization:						
Regulatory asset	—	—	—	—	—	2
Net (gain)/loss	1	—	1	—	—	(1)
Net periodic postretirement benefit cost (income)	\$ 1	\$ (2)	\$ —	\$ —	\$ —	\$ 1

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

(I) FAIR VALUE MEASUREMENTS

As of March 31, 2021, assets and liabilities measured at fair value on a recurring basis during the period, together with their associated level of the fair value hierarchy, were as follows:

As of March 31, 2021:	Fair Value Measurements Using:				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
(in millions)					
Southern Company					
Assets:					
Energy-related derivatives ^(a)	\$ 372	\$ 179	\$ 34	\$ —	\$ 585
Interest rate derivatives	—	10	—	—	10
Foreign currency derivatives	—	41	—	—	41
Investments in trusts: ^{(b)(c)}					
Domestic equity	782	214	—	—	996
Foreign equity	145	197	—	—	342
U.S. Treasury and government agency securities	—	325	—	—	325
Municipal bonds	—	45	—	—	45
Pooled funds – fixed income	—	18	—	—	18
Corporate bonds	5	436	—	—	441
Mortgage and asset backed securities	—	81	—	—	81
Private equity	—	—	—	83	83
Other	50	7	—	—	57
Cash equivalents	1,121	11	—	—	1,132
Other investments	9	33	—	—	42
Total	\$ 2,484	\$ 1,597	\$ 34	\$ 83	\$ 4,198
Liabilities:					
Energy-related derivatives ^(a)	\$ 359	\$ 158	\$ 6	\$ —	\$ 523
Foreign currency derivatives	—	23	—	—	23
Contingent consideration	—	—	16	—	16
Total	\$ 359	\$ 181	\$ 22	\$ —	\$ 562

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)

As of March 31, 2021:	Fair Value Measurements Using:				Total					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)						
(in millions)										
Alabama Power										
Assets:										
Energy-related derivatives	\$	—	\$	12	\$	—	\$	—	\$	12
Nuclear decommissioning trusts: ^(b)										
Domestic equity		448		205		—		—		653
Foreign equity		145		15		—		—		160
U.S. Treasury and government agency securities		—		20		—		—		20
Municipal bonds		—		1		—		—		1
Corporate bonds		5		235		—		—		240
Mortgage and asset backed securities		—		26		—		—		26
Private equity		—		—		—		83		83
Other		27		—		—		—		27
Cash equivalents		401		11		—		—		412
Other investments		—		33		—		—		33
Total	\$	1,026	\$	558	\$	—	\$	83	\$	1,667
Liabilities:										
Energy-related derivatives	\$	—	\$	4	\$	—	\$	—	\$	4
Georgia Power										
Assets:										
Energy-related derivatives	\$	—	\$	17	\$	—	\$	—	\$	17
Nuclear decommissioning trusts: ^{(b)(c)}										
Domestic equity		334		1		—		—		335
Foreign equity		—		179		—		—		179
U.S. Treasury and government agency securities		—		305		—		—		305
Municipal bonds		—		44		—		—		44
Corporate bonds		—		201		—		—		201
Mortgage and asset backed securities		—		55		—		—		55
Other		23		7		—		—		30
Total	\$	357	\$	809	\$	—	\$	—	\$	1,166
Liabilities:										
Energy-related derivatives	\$	—	\$	8	\$	—	\$	—	\$	8

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

As of March 31, 2021:	Fair Value Measurements Using:				Total					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)						
(in millions)										
Mississippi Power										
Assets:										
Energy-related derivatives	\$	—	\$	11	\$	—	\$	—	\$	11
Liabilities:										
Energy-related derivatives	\$	—	\$	6	\$	—	\$	—	\$	6
Southern Power										
Assets:										
Energy-related derivatives	\$	—	\$	1	\$	—	\$	—	\$	1
Foreign currency derivatives		—		41		—		—		41
Cash equivalents		115		—		—		—		115
Total	\$	115	\$	42	\$	—	\$	—	\$	157
Liabilities:										
Energy-related derivatives	\$	—	\$	1	\$	—	\$	—	\$	1
Foreign currency derivatives		—		23		—		—		23
Contingent consideration		—		—		16		—		16
Total	\$	—	\$	24	\$	16	\$	—	\$	40
Southern Company Gas										
Assets:										
Energy-related derivatives ^(a)	\$	372	\$	138	\$	34	\$	—	\$	544
Non-qualified deferred compensation trusts:										
Domestic equity		—		8		—		—		8
Foreign equity		—		3		—		—		3
Pooled funds – fixed income		—		18		—		—		18
Cash equivalents and restricted cash		284		—		—		—		284
Total	\$	656	\$	167	\$	34	\$	—	\$	857
Liabilities:										
Energy-related derivatives ^(a)	\$	359	\$	139	\$	6	\$	—	\$	504

(a) Excludes cash collateral of \$27 million.

(b) Excludes receivables related to investment income, pending investment sales, payables related to pending investment purchases, and currencies. See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information.

(c) Includes investment securities pledged to creditors and collateral received and excludes payables related to the securities lending program. As of March 31, 2021, approximately \$34 million of the fair market value of Georgia Power's nuclear decommissioning trust funds' securities were on loan to creditors under the funds' managers' securities lending program. See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

Southern Company, Alabama Power, and Georgia Power continue to elect the option to fair value investment securities held in the nuclear decommissioning trust funds. The fair value of the funds, including reinvested interest and dividends and excluding the funds' expenses, increased (decreased) by the amounts shown in the table below for the three months ended March 31, 2021 and 2020. The changes were recorded as a change to the regulatory assets and liabilities related to AROs for Georgia Power and Alabama Power, respectively.

Fair value increases (decreases)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	<i>(in millions)</i>	
Southern Company	\$ 39	\$ (247)
Alabama Power	41	(167)
Georgia Power	(2)	(80)

Valuation Methodologies

The energy-related derivatives primarily consist of exchange-traded and over-the-counter financial products for natural gas and physical power products, including, from time to time, basis swaps. These are standard products used within the energy industry and are valued using the market approach. The inputs used are mainly from observable market sources, such as forward natural gas prices, power prices, implied volatility, and overnight index swap interest rates. Interest rate derivatives are also standard over-the-counter products that are valued using observable market data and assumptions commonly used by market participants. The fair value of interest rate derivatives reflects the net present value of expected payments and receipts under the swap agreement based on the market's expectation of future interest rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk, and occasionally, implied volatility of interest rate options. The fair value of cross-currency swaps reflects the net present value of expected payments and receipts under the swap agreement based on the market's expectation of future foreign currency exchange rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk, and discount rates. The interest rate derivatives and cross-currency swaps are categorized as Level 2 under Fair Value Measurements as these inputs are based on observable data and valuations of similar instruments. See Note (J) for additional information on how these derivatives are used.

For fair value measurements of the investments within the nuclear decommissioning trusts and the non-qualified deferred compensation trusts, external pricing vendors are designated for each asset class with each security specifically assigned a primary pricing source. For investments held within commingled funds, fair value is determined at the end of each business day through the net asset value, which is established by obtaining the underlying securities' individual prices from the primary pricing source. A market price secured from the primary source vendor is then evaluated by management in its valuation of the assets within the trusts. As a general approach, fixed income market pricing vendors gather market data (including indices and market research reports) and integrate relative credit information, observed market movements, and sector news into proprietary pricing models, pricing systems, and mathematical tools. Dealer quotes and other market information, including live trading levels and pricing analysts' judgments, are also obtained when available.

The NRC requires licensees of commissioned nuclear power reactors to establish a plan for providing reasonable assurance of funds for future decommissioning. See Note 6 to the financial statements under "Nuclear Decommissioning" in Item 8 of the Form 10-K for additional information.

Southern Power has contingent payment obligations related to certain acquisitions whereby it is primarily obligated to make generation-based payments to the seller, which commenced at the commercial operation of the respective facility and continue through 2026. The obligations are categorized as Level 3 under Fair Value Measurements as the fair value is determined using significant unobservable inputs for the forecasted facility generation in MW-hours, as well as other inputs such as a fixed dollar amount per MW-hour, and a discount rate. The fair value of

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

contingent consideration reflects the net present value of expected payments and any periodic change arising from forecasted generation is expected to be immaterial.

"Other investments" include investments traded in the open market that have maturities greater than 90 days, which are categorized as Level 2 under Fair Value Measurements and are comprised of corporate bonds, bank certificates of deposit, treasury bonds, and/or agency bonds.

At March 31, 2021, the fair value measurements of private equity investments held in Alabama Power's nuclear decommissioning trusts that are calculated at net asset value per share (or its equivalent) as a practical expedient totaled \$83 million and unfunded commitments related to the private equity investments totaled \$68 million. Private equity investments include high-quality private equity funds across several market sectors and funds that invest in real estate assets. Private equity funds do not have redemption rights. Distributions from these funds will be received as the underlying investments in the funds are liquidated.

At March 31, 2021, other financial instruments for which the carrying amount did not equal fair value were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas ^(*)
	(in millions)					
Long-term debt, including securities due within one year:						
Carrying amount	\$ 50,035	\$ 8,866	\$ 13,220	\$ 1,398	\$ 4,030	\$ 6,588
Fair value	54,113	9,821	14,291	1,507	4,347	7,264

(*) The long-term debt of Southern Company Gas is recorded at amortized cost, including the fair value adjustments at the effective date of the 2016 merger with Southern Company. Southern Company Gas amortizes the fair value adjustments over the remaining lives of the respective bonds, the latest being through 2043.

The fair values are determined using Level 2 measurements and are based on quoted market prices for the same or similar issues or on the current rates available to the Registrants.

Commodity Contracts with Level 3 Valuation Inputs

As of March 31, 2021, the fair value of Southern Company Gas' Level 3 physical natural gas forward contracts was \$28 million. Since commodity contracts classified as Level 3 typically include a combination of observable and unobservable components, the changes in fair value may include amounts due in part to observable market factors, or changes to assumptions on the unobservable components. The following table includes transfers to Level 3, which represent the fair value of Southern Company Gas' commodity derivative contracts that include a significant unobservable component for the first time during the period.

	Three Months Ended March 31, 2021
	<i>(in millions)</i>
Beginning balance	\$ 28
Instruments realized or otherwise settled during period	(2)
Changes in fair value	2
Ending balance	\$ 28

Changes in fair value of Level 3 instruments represent changes in gains and losses for the periods that are reported on Southern Company Gas' statements of income in natural gas revenues.

The valuation of certain commodity contracts requires the use of certain unobservable inputs. All forward pricing used in the valuation of such contracts is directly based on third-party market data, such as broker quotes and exchange settlements, when that data is available. If third-party market data is not available, then industry standard

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
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methodologies are used to develop inputs that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Observable inputs, including some forward prices used for determining fair value, reflect the best available market information. Unobservable inputs are updated using industry standard techniques such as extrapolation, combining observable forward inputs supplemented by historical market and other relevant data. Level 3 physical natural gas forward contracts include unobservable forward price inputs (ranging from \$(0.07) to \$0.30 per mmBtu). Forward price increases (decreases) as of March 31, 2021 would have resulted in higher (lower) values on a net basis.

(J) DERIVATIVES

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas are exposed to market risks, including commodity price risk, interest rate risk, weather risk, and occasionally foreign currency exchange rate risk. To manage the volatility attributable to these exposures, each company nets its exposures, where possible, to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to each company's policies in areas such as counterparty exposure and risk management practices. Southern Company Gas' wholesale gas operations use various contracts in its commercial activities that generally meet the definition of derivatives. For the traditional electric operating companies, Southern Power, and Southern Company Gas' other businesses, each company'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. Derivative instruments are recognized at fair value in the balance sheets as either assets or liabilities and are presented on a net basis. See Note (I) for additional fair value information. In the statements of cash flows, any cash impacts of settled energy-related and interest rate derivatives are recorded as operating activities. Any cash impacts of settled foreign currency derivatives are classified as operating or financing activities to correspond with the classification of the hedged interest or principal, respectively. See Note 1 to the financial statements under "Financial Instruments" in Item 8 of the Form 10-K for additional information.

Energy-Related Derivatives

The traditional electric operating companies, Southern Power, and Southern Company Gas enter into energy-related derivatives to hedge exposures to electricity, natural gas, and other fuel price changes. However, due to cost-based rate regulations and other various cost recovery mechanisms, the traditional electric operating companies and the natural gas distribution utilities have limited exposure to market volatility in energy-related commodity prices. Each of the traditional electric operating companies and certain of the natural gas distribution utilities of Southern Company Gas manage fuel-hedging programs, implemented per the guidelines of their respective state PSCs or other applicable state regulatory agencies, through the use of financial derivative contracts, which are expected to continue to mitigate price volatility. The traditional electric operating companies (with respect to wholesale generating capacity) and Southern Power have limited exposure to market volatility in energy-related commodity prices because their long-term sales contracts shift substantially all fuel cost responsibility to the purchaser. However, the traditional electric operating companies and Southern Power may be exposed to market volatility in energy-related commodity prices to the extent any uncontracted capacity is used to sell electricity. Southern Company Gas retains exposure to price changes that can, in a volatile energy market, be material and can adversely affect its results of operations.

Southern Company Gas also enters into weather derivative contracts as economic hedges of operating margins in the event of warmer-than-normal weather. Exchange-traded options are carried at fair value, with changes reflected in operating revenues. Non-exchange-traded options are accounted for using the intrinsic value method. Changes in the intrinsic value for non-exchange-traded contracts are reflected in operating revenues.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Energy-related derivative contracts are accounted for under one of three methods:

- *Regulatory Hedges* – Energy-related derivative contracts designated as regulatory hedges relate primarily to the traditional electric operating companies' and the natural gas distribution utilities' fuel-hedging programs, where gains and losses are initially recorded as regulatory liabilities and assets, respectively, and then are included in fuel expense as the underlying fuel is used in operations and ultimately recovered through an approved cost recovery mechanism.
- *Cash Flow Hedges* – Gains and losses on energy-related derivatives designated as cash flow hedges (which are mainly used to hedge anticipated purchases and sales) are initially deferred in accumulated OCI before being recognized in the statements of income in the same period and in the same income statement line item as the earnings effect of the hedged transactions.
- *Not Designated* – 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.

Some energy-related derivative contracts require physical delivery as opposed to financial settlement, and this type of derivative is both common and prevalent within the electric and natural gas industries. When an energy-related derivative contract is settled physically, any cumulative unrealized gain or loss is reversed and the contract price is recognized in the respective line item representing the actual price of the underlying goods being delivered.

At March 31, 2021, the net volume of energy-related derivative contracts for natural gas positions, together with the longest hedge date over which the respective entity is hedging its exposure to the variability in future cash flows for forecasted transactions and the longest non-hedge date for derivatives not designated as hedges, were as follows:

	Net Purchased mmBtu	Longest Hedge Date	Longest Non-Hedge Date
	(in millions)		
Southern Company ^(*)	907	2030	2031
Alabama Power	73	2024	—
Georgia Power	125	2024	—
Mississippi Power	85	2024	—
Southern Power	9	2030	2021
Southern Company Gas ^(*)	615	2023	2031

(*) Southern Company Gas' derivative instruments include both long and short natural gas positions. A long position is a contract to purchase natural gas and a short position is a contract to sell natural gas. Southern Company Gas' volume represents the net of long natural gas positions of 4.4 billion mmBtu and short natural gas positions of 3.8 billion mmBtu as of March 31, 2021, which is also included in Southern Company's total volume.

In addition to the volumes discussed above, the traditional electric operating companies and Southern Power enter into physical natural gas supply contracts that provide the option to sell back excess natural gas due to operational constraints. The maximum expected volume of natural gas subject to such a feature is 39 million mmBtu for Southern Company, which includes 10 million mmBtu for Alabama Power, 12 million mmBtu for Georgia Power, 5 million mmBtu for Mississippi Power, and 12 million mmBtu for Southern Power.

For cash flow hedges of energy-related derivatives, the estimated pre-tax gains (losses) expected to be reclassified from accumulated OCI to earnings for the 12-month period ending March 31, 2022 are immaterial for all Registrants.

Interest Rate Derivatives

Southern Company and certain subsidiaries may enter into interest rate derivatives to hedge exposure to changes in interest rates. The derivatives employed as hedging instruments are structured to minimize ineffectiveness. Derivatives related to existing variable rate securities or forecasted transactions are accounted for as cash flow

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

hedges where the derivatives' fair value gains or losses are recorded in OCI and are reclassified into earnings at the same time and presented on the same income statement line item as the earnings effect of the hedged transactions. Derivatives related to existing fixed rate securities are accounted for as fair value hedges, where the derivatives' fair value gains or losses and hedged items' fair value gains or losses are both recorded directly to earnings on the same income statement line item. Fair value gains or losses on derivatives that are not designated or fail to qualify as hedges are recognized in the statements of income as incurred.

At March 31, 2021, the following interest rate derivatives were outstanding:

	Notional Amount	Interest Rate Received	Weighted Average Interest Rate Paid	Hedge Maturity Date	Fair Value Gain (Loss) at March 31, 2021
	<i>(in millions)</i>				<i>(in millions)</i>
Cash Flow Hedges of Existing Debt					
Mississippi Power	\$ 60	1-month LIBOR	0.58%	December 2021	\$ —
Fair Value Hedges of Existing Debt					
Southern Company parent	1,500	2.35%	1-month LIBOR + 0.87%	July 2021	10
Southern Company	\$ 1,560				\$ 10

For cash flow hedge interest rate derivatives, the estimated pre-tax gains (losses) expected to be reclassified from accumulated OCI to interest expense for the 12-month period ending March 31, 2022 total \$(25) million for Southern Company and are immaterial for all other Registrants. Deferred gains and losses related to interest rate derivatives are expected to be amortized into earnings through 2046 for the Southern Company parent entity, 2035 for Alabama Power, 2044 for Georgia Power, 2028 for Mississippi Power, and 2046 for Southern Company Gas.

Foreign Currency Derivatives

Southern Company and certain subsidiaries, including Southern Power, may enter into foreign currency derivatives to hedge exposure to changes in foreign currency exchange rates, such as that arising from the issuance of debt denominated in a currency other than U.S. dollars. Derivatives related to forecasted transactions are accounted for as cash flow hedges where the derivatives' fair value gains or losses are recorded in OCI and are reclassified into earnings at the same time and on the same income statement line as the earnings effect of the hedged transactions, including foreign currency gains or losses arising from changes in the U.S. currency exchange rates. The derivatives employed as hedging instruments are structured to minimize ineffectiveness.

At March 31, 2021, the following foreign currency derivatives were outstanding:

	Pay Notional	Pay Rate	Receive Notional	Receive Rate	Hedge Maturity Date	Fair Value Gain (Loss) at March 31, 2021
	<i>(in millions)</i>		<i>(in millions)</i>			<i>(in millions)</i>
Cash Flow Hedges of Existing Debt						
Southern Power	\$ 677	2.95%	€ 600	1.00%	June 2022	\$ 9
Southern Power	564	3.78%	500	1.85%	June 2026	9
Total	\$ 1,241		€ 1,100			\$ 18

The estimated pre-tax gains (losses) related to Southern Power's foreign currency derivatives expected to be reclassified from accumulated OCI to earnings for the 12-month period ending March 31, 2022 are \$2 million.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

Derivative Financial Statement Presentation and Amounts

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas enter into derivative contracts that may contain certain provisions that permit intra-contract netting of derivative receivables and payables for routine billing and offsets related to events of default and settlements. Southern Company and certain subsidiaries also utilize master netting agreements to mitigate exposure to counterparty credit risk. These agreements may contain provisions that permit netting across product lines and against cash collateral. The fair value amounts of derivative assets and liabilities on the balance sheet are presented net to the extent that there are netting arrangements or similar agreements with the counterparties.

The fair value of energy-related derivatives, interest rate derivatives, and foreign currency derivatives was reflected in the balance sheets as follows:

Derivative Category and Balance Sheet Location	As of March 31, 2021		As of December 31, 2020					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Southern Company								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Assets from risk management activities/Other current liabilities	\$	30	\$	4	\$	24	\$	11
Other deferred charges and assets/Other deferred credits and liabilities		16		15		18		19
Total derivatives designated as hedging instruments for regulatory purposes	\$	46	\$	19	\$	42	\$	30
Derivatives designated as hedging instruments in cash flow and fair value hedges								
Energy-related derivatives:								
Assets from risk management activities/Other current liabilities	\$	2	\$	1	\$	3	\$	5
Interest rate derivatives:								
Assets from risk management activities/Other current liabilities		10		—		20		—
Foreign currency derivatives:								
Assets from risk management activities/Other current liabilities		—		23		—		23
Other deferred charges and assets/Other deferred credits and liabilities		41		—		87		—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	53	\$	24	\$	110	\$	28
Derivatives not designated as hedging instruments								
Energy-related derivatives:								
Assets from risk management activities/Other current liabilities	\$	265	\$	265	\$	388	\$	331
Other deferred charges and assets/Other deferred credits and liabilities		272		237		270		232
Total derivatives not designated as hedging instruments	\$	537	\$	502	\$	658	\$	563
Gross amounts recognized	\$	636	\$	545	\$	810	\$	621
Gross amounts offset ^(a)		(450)		(477)		(529)		(557)
Net amounts recognized in the Balance Sheets ^(b)	\$	186	\$	68	\$	281	\$	64

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
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Derivative Category and Balance Sheet Location	As of March 31, 2021		As of December 31, 2020					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Alabama Power								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	7	\$	—	\$	7	\$	2
Other deferred charges and assets/Other deferred credits and liabilities		5		4		5		5
Total derivatives designated as hedging instruments for regulatory purposes	\$	12	\$	4	\$	12	\$	7
Gross amounts recognized	\$	12	\$	4	\$	12	\$	7
Gross amounts offset		(4)		(4)		(7)		(7)
Net amounts recognized in the Balance Sheets	\$	8	\$	—	\$	5	\$	—
Georgia Power								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	11	\$	2	\$	7	\$	5
Other deferred charges and assets/Other deferred credits and liabilities		6		6		8		8
Total derivatives designated as hedging instruments for regulatory purposes	\$	17	\$	8	\$	15	\$	13
Gross amounts recognized	\$	17	\$	8	\$	15	\$	13
Gross amounts offset		(7)		(7)		(12)		(12)
Net amounts recognized in the Balance Sheets	\$	10	\$	1	\$	3	\$	1
Mississippi Power								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	6	\$	1	\$	4	\$	3
Other deferred charges and assets/Other deferred credits and liabilities		5		5		5		6
Total derivatives designated as hedging instruments for regulatory purposes	\$	11	\$	6	\$	9	\$	9
Gross amounts recognized	\$	11	\$	6	\$	9	\$	9
Gross amounts offset		(5)		(5)		(7)		(7)
Net amounts recognized in the Balance Sheets	\$	6	\$	1	\$	2	\$	2

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
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Derivative Category and Balance Sheet Location	As of March 31, 2021		As of December 31, 2020					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Southern Power								
Derivatives designated as hedging instruments in cash flow and fair value hedges								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	1	\$	—	\$	2	\$	2
Foreign currency derivatives:								
Other current assets/Other current liabilities		—		23		—		23
Other deferred charges and assets/Other deferred credits and liabilities		41		—		87		—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	42	\$	23	\$	89	\$	25
Derivatives not designated as hedging instruments								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	—	\$	—	\$	—	\$	1
Total derivatives not designated as hedging instruments	\$	—	\$	—	\$	—	\$	1
Net amounts recognized in the Balance Sheets	\$	42	\$	23	\$	89	\$	26
Southern Company Gas								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Assets from risk management activities/Other current liabilities	\$	6	\$	1	\$	6	\$	1
Total derivatives designated as hedging instruments for regulatory purposes	\$	6	\$	1	\$	6	\$	1
Derivatives designated as hedging instruments in cash flow and fair value hedges								
Energy-related derivatives:								
Assets from risk management activities/Other current liabilities	\$	1	\$	1	\$	1	\$	3
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	1	\$	1	\$	1	\$	3
Derivatives not designated as hedging instruments								
Energy-related derivatives:								
Assets from risk management activities/Other current liabilities	\$	265	\$	265	\$	388	\$	330
Other deferred charges and assets/Other deferred credits and liabilities		272		237		270		232
Total derivatives not designated as hedging instruments	\$	537	\$	502	\$	658	\$	562
Gross amounts of recognized	\$	544	\$	504	\$	665	\$	566
Gross amounts offset ^(a)		(434)		(461)		(503)		(531)
Net amounts recognized in the Balance Sheets ^(b)	\$	110	\$	43	\$	162	\$	35

(a) Gross amounts offset include cash collateral held on deposit in broker margin accounts of \$27 million and \$28 million as of March 31, 2021 and December 31, 2020, respectively.

(b) Net amounts of derivative instruments outstanding exclude immaterial premium and intrinsic value associated with weather derivatives for both periods presented.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

The traditional electric operating companies had immaterial energy-related derivatives not designated as hedging instruments at March 31, 2021 and no such instruments at December 31, 2020.

At March 31, 2021 and December 31, 2020, the pre-tax effects of unrealized derivative gains (losses) arising from energy-related derivative instruments designated as regulatory hedging instruments and deferred were as follows:

Regulatory Hedge Unrealized Gain (Loss) Recognized in the Balance Sheet

Derivative Category and Balance Sheet Location	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
At March 31, 2021:					
Energy-related derivatives:					
Other regulatory assets, deferred	\$ (2)	\$ —	\$ (1)	\$ (1)	\$ —
Other regulatory liabilities, current	24	7	9	5	3
Other regulatory liabilities, deferred	3	1	1	1	—
Total energy-related derivative gains (losses)	\$ 25	\$ 8	\$ 9	\$ 5	\$ 3
At December 31, 2020:					
Energy-related derivatives:					
Other regulatory assets, deferred	\$ (2)	\$ —	\$ (1)	\$ (1)	\$ —
Other regulatory liabilities, current	12	5	2	1	4
Other regulatory liabilities, deferred	2	1	1	—	—
Total energy-related derivative gains (losses)	\$ 12	\$ 6	\$ 2	\$ —	\$ 4

For the three months ended March 31, 2021 and 2020, the pre-tax effects of cash flow hedge accounting on accumulated OCI were as follows:

Gain (Loss) Recognized in OCI on Derivative	For the Three Months Ended March 31,	
	2021	2020
<i>(in millions)</i>		
Southern Company		
Energy-related derivatives	\$ 5	\$ (4)
Interest rate derivatives	3	(26)
Foreign currency derivatives	(47)	(83)
Total	\$ (39)	\$ (113)
Southern Power		
Energy-related derivatives	\$ 4	\$ —
Foreign currency derivatives	(47)	(83)
Total	\$ (43)	\$ (83)
Southern Company Gas		
Energy-related derivatives	\$ 1	\$ (4)
Interest rate derivatives	—	(23)
Total	\$ 1	\$ (27)

For the three months ended March 31, 2021 and 2020, the pre-tax effects of energy-related derivatives and interest rate derivatives designated as cash flow hedging instruments on accumulated OCI were immaterial for the other Registrants.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

For the three months ended March 31, 2021 and 2020, the pre-tax effects of cash flow and fair value hedge accounting on income were as follows:

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow and Fair Value Hedging Relationships	For the Three Months Ended March 31,	
	2021	2020
	(in millions)	
Southern Company		
Total cost of natural gas	\$ 583	\$ 439
Gain (loss) on energy-related cash flow hedges ^(a)	(3)	(7)
Total depreciation and amortization	871	857
Gain (loss) on energy-related cash flow hedges ^(a)	3	(1)
Total interest expense, net of amounts capitalized	(450)	(456)
Gain (loss) on interest rate cash flow hedges ^(a)	(7)	(6)
Gain (loss) on foreign currency cash flow hedges ^(a)	(6)	(6)
Gain (loss) on interest rate fair value hedges ^(b)	(10)	29
Total other income (expense), net	58	103
Gain (loss) on foreign currency cash flow hedges ^{(a)(c)}	(60)	(31)
Southern Power		
Total depreciation and amortization	\$ 119	\$ 117
Gain (loss) on energy-related cash flow hedges ^(a)	3	(1)
Total interest expense, net of amounts capitalized	(38)	(39)
Gain (loss) on foreign currency cash flow hedges ^(a)	(6)	(6)
Total other income (expense), net	7	2
Gain (loss) on foreign currency cash flow hedges ^{(a)(c)}	(60)	(31)

(a) Reclassified from accumulated OCI into earnings.

(b) For fair value hedges, changes in the fair value of the derivative contracts are generally equal to changes in the fair value of the underlying debt and have no material impact on income.

(c) The reclassification from accumulated OCI into other income (expense), net completely offsets currency gains and losses arising from changes in the U.S. currency exchange rates used to record the euro-denominated notes.

For the three months ended March 31, 2021 and 2020, the pre-tax effects of cash flow and fair value hedge accounting on income for energy-related derivatives and interest rate derivatives were immaterial for the traditional electric operating companies and Southern Company Gas.

As of March 31, 2021 and December 31, 2020, the following amounts were recorded on the balance sheets related to cumulative basis adjustments for fair value hedges:

Balance Sheet Location of Hedged Items	Carrying Amount of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment included in Carrying Amount of the Hedged Item	
	As of March 31, 2021	As of December 31, 2020	As of March 31, 2021	As of December 31, 2020
	(in millions)		(in millions)	
Southern Company				
Securities due within one year	\$ (1,505)	\$ (1,509)	\$ (5)	\$ (10)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) **(UNAUDITED)**

For the three months ended March 31, 2021 and 2020, the pre-tax effects of energy-related derivatives not designated as hedging instruments on the statements of income of Southern Company and Southern Company Gas were as follows:

Derivatives in Non-Designated Hedging Relationships	Statements of Income Location	Gain (Loss)	
		Three Months Ended March 31,	
		2021	2020
		<i>(in millions)</i>	
Energy-related derivatives:	Natural gas revenues ^(*)	\$ (17)	\$ 70
	Cost of natural gas	7	7
Total derivatives in non-designated hedging relationships		\$ (10)	\$ 77

(*) Excludes immaterial gains (losses) recorded in natural gas revenues associated with weather derivatives for all periods presented.

For the three months ended March 31, 2021 and 2020, the pre-tax effects of energy-related derivatives not designated as hedging instruments were immaterial for all other Registrants.

Contingent Features

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas 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 derivatives that could require collateral, but not accelerated payment, in the event of various credit rating changes of certain Southern Company subsidiaries. At March 31, 2021, the Registrants had no collateral posted with derivative counterparties to satisfy these arrangements.

At March 31, 2021, the Registrants had no interest rate derivative liabilities with contingent features. At March 31, 2021, the fair value of energy-related derivative liabilities with contingent features and the maximum potential collateral requirements arising from the credit-risk-related contingent features, at a rating below BBB- and/or Baa3, were immaterial for all Registrants. The maximum potential collateral requirements arising from the credit-risk-related contingent features for the traditional electric operating companies and Southern Power include certain agreements that could require collateral in the event that one or more Southern Company power pool participants has a credit rating change to below investment grade. Following the sale of Gulf Power to NextEra Energy, Inc., Gulf Power is continuing to participate in the Southern Company power pool for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024.

Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. If collateral is required, fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral are not offset against fair value amounts recognized for derivatives executed with the same counterparty.

Alabama Power and Southern Power maintain accounts with certain regional transmission organizations to facilitate financial derivative transactions and they may be required to post collateral based on the value of the positions in these accounts and the associated margin requirements. At March 31, 2021, cash collateral posted in these accounts was immaterial. Southern Company Gas maintains accounts with brokers or the clearing houses of certain exchanges to facilitate financial derivative transactions. Based on the value of the positions in these accounts and the associated margin requirements, Southern Company Gas may be required to deposit cash into these accounts. At March 31, 2021, cash collateral held on deposit in broker margin accounts was \$27 million.

The Registrants are exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Registrants only enter into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's and S&P or with counterparties who have posted collateral to cover potential credit exposure. The Registrants have also established risk management policies and controls to determine and monitor the creditworthiness of counterparties in order to mitigate their exposure to counterparty credit risk.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Southern Company Gas uses established credit policies to determine and monitor the creditworthiness of counterparties, including requirements to post collateral or other credit security, as well as the quality of pledged collateral. Collateral or credit security is most often in the form of cash or letters of credit from an investment-grade financial institution, but may also include cash or U.S. government securities held by a trustee. Prior to entering a physical transaction, Southern Company Gas assigns its counterparties an internal credit rating and credit limit based on the counterparties' Moody's, S&P, and Fitch ratings, commercially available credit reports, and audited financial statements. Southern Company Gas may require counterparties to pledge additional collateral when deemed necessary.

Southern Company Gas utilizes netting agreements whenever possible to mitigate exposure to counterparty credit risk. Netting agreements enable Southern Company Gas to net certain assets and liabilities by counterparty across product lines and against cash collateral, provided the netting and cash collateral agreements include such provisions. While the amounts due from, or owed to, counterparties are settled net, they are recorded on a gross basis on the balance sheet as energy marketing receivables and energy marketing payables.

The Registrants do not anticipate a material adverse effect on their respective financial statements as a result of counterparty nonperformance.

(K) ACQUISITIONS AND DISPOSITIONS

See Note 15 to the financial statements in Item 8 of the Form 10-K for additional information.

Southern Company

The following table provides Southern Company's major classes of assets classified as held for sale at March 31, 2021 and December 31, 2020:

	Southern Company	
	At March 31, 2021	At December 31, 2020
<i>(in millions)</i>		
Assets Held for Sale:		
Total property, plant, and equipment	\$ 7	\$ 8
Leveraged leases	52	52
Total Assets Held for Sale	\$ 59	\$ 60

Southern Company's asset sales, both individually and combined, do not represent a strategic shift in operations that has, or is expected to have, a major effect on operations and financial results; therefore, none of the assets have been classified as discontinued operations for any of the periods presented.

Southern Power

Asset Acquisition

During the three months ended March 31, 2021, Southern Power acquired a controlling membership interest in the wind facility listed below. Acquisition-related costs were expensed as incurred and were not material.

Project Facility	Resource	Seller	Approximate Nameplate Capacity (MW)	Location	Southern Power Ownership Percentage	COD	PPA Contract Period
Deuel Harvest ^(*)	Wind	Invenergy Renewables, LLC	300	Deuel County, SD	100% of Class B	February 2021	25 years and 15 years

(*) On March 26, 2021, Southern Power acquired a controlling interest in the facility and consolidates the project's operating results in its financial statements. On March 30, 2021, Southern Power completed a tax equity transaction whereby it received \$220 million. The tax equity partner, which is the Class A member, and Invenergy Renewables, LLC each own a noncontrolling interest.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Construction Projects

During the three months ended March 31, 2021, Southern Power continued construction of the Garland and Tranquillity battery energy storage facilities and the Glass Sands wind facility. Total aggregate construction costs, excluding acquisition costs, are expected to be between \$392 million and \$460 million for the facilities under construction. At March 31, 2021, total costs of construction incurred for these projects were \$158 million and are included in CWIP. The ultimate outcome of these matters cannot be determined at this time.

Project Facility	Resource	Approximate Nameplate Capacity (MW)	Location	Actual/Expected COD	PPA Contract Period
Projects Under Construction at March 31, 2021					
Garland Solar Storage ^(a)	Battery energy storage system	88	Kern County, CA	Third quarter 2021	20 years
Tranquillity Solar Storage ^(a)	Battery energy storage system	72	Fresno County, CA	Fourth quarter 2021	20 years
Glass Sands ^(b)	Wind	118	Murray County, OK	Fourth quarter 2021	12 years

(a) In December 2020, Southern Power restructured its ownership of the project by contributing the Class A membership interests to an existing partnership and selling 100% of the Class B membership interests while retaining the controlling interest. Prior to commercial operation, Southern Power may restructure the project ownership again and enter into additional partnerships, but expects to retain the controlling interest. The ultimate outcome of this matter cannot be determined at this time.

(b) In December 2020, Southern Power purchased 100% of the membership interests of the Glass Sands facility.

Development Projects

Southern Power continues to evaluate and refine the deployment of the remaining wind turbine equipment purchased in 2016 and 2017 to development and construction projects. During the three months ended March 31, 2021, gains on wind turbine equipment contributed to various equity method investments totaled approximately \$37 million.

Southern Company Gas

Sale of Sequent

On April 28, 2021, certain affiliates of Southern Company Gas entered into an agreement for the sale of Sequent for a purchase price of \$50 million, plus working capital and certain other adjustments. The net book value of Sequent at March 31, 2021, excluding working capital, was \$46 million; however, any potential gain or loss on the sale will be based, in large part, on the fair value of the open derivative positions as of the date of closing. See Notes (I) and (J) for information on fair value and derivatives outstanding at March 31, 2021.

Southern Company Gas has existing agreements in place in which it guarantees the payment performance of Sequent. Southern Company Gas will continue to guarantee payment performance for Sequent after the transaction closes for a period of time as the buyer obtains releases from these obligations. As of March 31, 2021, the obligations subject to the payment performance guarantee totaled \$279 million. Changes in the price of natural gas, market conditions, and the number of open contracts will change the amount that Southern Company Gas is required to guarantee for Sequent each month. The maximum potential exposure over the period of the payment performance guarantee generally is capped at \$1 billion. At closing, the buyer (an investment-grade entity) will issue a payment performance guarantee to Southern Company Gas, equal to the outstanding guarantee obligation throughout this period. Further, Southern Company Gas will retain responsibility for certain potential obligations that may arise from transactions during Winter Storm Uri. The completion of the transaction is subject to the satisfaction or waiver of certain conditions, including, among other customary closing conditions, the expiration or termination of any applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976. The transaction is expected to be completed during the third quarter 2021; however, the ultimate outcome of this matter cannot be determined at this time.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)
(UNAUDITED)***Sale of Pivotal LNG***

In connection with its March 2020 sale of Pivotal LNG, Southern Company Gas was entitled to two \$5 million payments contingent upon Dominion Modular LNG Holdings, Inc. meeting certain milestones related to Pivotal LNG. Southern Company Gas received the first payment on April 22, 2021 and expects to receive the second payment in August 2021.

(L) SEGMENT AND RELATED INFORMATION**Southern Company**

The primary businesses of the Southern Company system are electricity sales by the traditional electric operating companies and Southern Power and the distribution of natural gas by Southern Company Gas. The traditional electric operating companies – Alabama Power, Georgia Power, and Mississippi Power – are vertically integrated utilities providing electric service in three Southeastern states. Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy and battery energy storage projects, and sells electricity at market-based rates in the wholesale market. Southern Company Gas distributes natural gas through its natural gas distribution utilities and is involved in several other complementary businesses including gas pipeline investments, wholesale gas services, and gas marketing services.

Southern Company's reportable business segments are the sale of electricity by the traditional electric operating companies, the sale of electricity in the competitive wholesale market by Southern Power, and the sale of natural gas and other complementary products and services by Southern Company Gas. Revenues from sales by Southern Power to the traditional electric operating companies were \$81 million for the three months ended March 31, 2021 and \$86 million for the three months ended March 31, 2020. Revenues from sales of natural gas from Southern Company Gas to the traditional electric operating companies were immaterial for the three months ended March 31, 2021 and 2020. Revenues from sales of natural gas from Southern Company Gas to Southern Power were \$12 million for the three months ended March 31, 2021 and \$10 million for the three months ended March 31, 2020. The "All Other" column includes the Southern Company parent entity, which does not allocate operating expenses to business segments. Also, this category includes segments below the quantitative threshold for separate disclosure. These segments include providing energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency, as well as investments in telecommunications and leveraged lease projects. All other inter-segment revenues are not material.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

Financial data for business segments and products and services for the three months ended March 31, 2021 and 2020 was as follows:

	Electric Utilities							
	Traditional Electric Operating Companies	Southern Power	Eliminations	Total	Southern Company Gas	All Other	Eliminations	Consolidated
<i>(in millions)</i>								
Three Months Ended March 31, 2021								
Operating revenues	\$ 3,764	\$ 440	\$ (87)	\$ 4,117	\$ 1,694	\$ 134	\$ (35)	\$ 5,910
Segment net income (loss) ^{(a)(b)(c)}	756	97	—	853	398	(108)	(8)	1,135
At March 31, 2021								
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 263	\$ —	\$ 5,280
Total assets	86,053	13,995	(637)	99,411	23,377	3,392	(787)	125,393
Three Months Ended March 31, 2020								
Operating revenues	\$ 3,407	\$ 375	\$ (87)	\$ 3,695	\$ 1,249	\$ 114	\$ (40)	\$ 5,018
Segment net income (loss) ^{(a)(d)}	642	75	—	717	275	(121)	(3)	868
At December 31, 2020								
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 263	\$ —	\$ 5,280
Total assets	85,486	13,235	(680)	98,041	22,630	3,168	(904)	122,935

(a) Attributable to Southern Company.

(b) For the traditional electric operating companies, includes a \$48 million pre-tax charge (\$36 million after tax) at Georgia Power for estimated loss on Plant Vogtle Units 3 and 4. See Note (B) under "Georgia Power – Nuclear Construction" for additional information.

(c) For Southern Power, includes gains on wind turbine equipment contributed to various equity method investments totaling approximately \$37 million pre-tax (\$28 million after tax). See Notes (E) and (K) under "Southern Power" for additional information.

(d) For Southern Power, includes a \$39 million pre-tax gain (\$23 million gain after tax) on the sale of Plant Mankato. See Note 15 to the financial statements in Item 8 of the Form 10-K under "Southern Power" for additional information.

Products and Services

	Electric Utilities' Revenues			
	Retail	Wholesale	Other	Total
<i>(in millions)</i>				
Three Months Ended March 31, 2021	\$ 3,342	\$ 545	\$ 230	\$ 4,117
Three Months Ended March 31, 2020	3,078	418	199	3,695

	Southern Company Gas' Revenues				
	Gas Distribution Operations	Wholesale Gas Services ^(*)	Gas Marketing Services	Other	Total
<i>(in millions)</i>					
Three Months Ended March 31, 2021	\$ 1,192	\$ 298	\$ 195	\$ 9	\$ 1,694
Three Months Ended March 31, 2020	1,013	51	177	8	1,249

(*) The revenues for wholesale gas services are netted with costs associated with its energy and risk management activities. See "Southern Company Gas" herein for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued) (UNAUDITED)

Southern Company Gas

Southern Company Gas manages its business through four reportable segments – gas distribution operations, gas pipeline investments, wholesale gas services, and gas marketing services. The non-reportable segments are combined and presented as all other. See Note 15 to the financial statements in Item 8 of the Form 10-K under "Southern Company Gas" for additional information on the disposition activities described herein.

Gas distribution operations is the largest component of Southern Company Gas' business and includes natural gas local distribution utilities that construct, manage, and maintain intrastate natural gas pipelines and gas distribution facilities in four states.

Gas pipeline investments consists of joint ventures in natural gas pipeline investments including a 50% interest in SNG, a 20% ownership interest in the PennEast Pipeline project, and a 50% joint ownership interest in the Dalton Pipeline. These natural gas pipelines enable the provision of diverse sources of natural gas supplies to the customers of Southern Company Gas. Gas pipeline investments also included a 5% ownership interest in the Atlantic Coast Pipeline construction project prior to its sale on March 24, 2020.

Wholesale gas services provides natural gas asset management and/or related logistics services for each of Southern Company Gas' utilities except Nicor Gas as well as for non-affiliated companies. The Virginia Natural Gas asset management agreement ended on March 31, 2021 and was not extended. Additionally, wholesale gas services engages in natural gas storage and gas pipeline arbitrage and related activities. See Note (K) under "Southern Company Gas" for information regarding the sale of Sequent, which is expected to be completed during the third quarter 2021.

Gas marketing services provides natural gas marketing to end-use customers primarily in Georgia and Illinois through SouthStar.

The all other column includes segments and subsidiaries that fall below the quantitative threshold for separate disclosure, including storage and fuels operations. The all other column included Jefferson Island through its sale on December 1, 2020 and Pivotal LNG through its sale on March 24, 2020.

Business segment financial data for the three months ended March 31, 2021 and 2020 was as follows:

	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services ^(*)	Gas Marketing Services	Total	All Other	Eliminations	Consolidated
<i>(in millions)</i>								
Three Months Ended March 31, 2021								
Operating revenues	\$ 1,200	\$ 8	\$ 298	\$ 195	\$ 1,701	\$ 7	\$ (14)	\$ 1,694
Segment net income (loss)	183	29	126	56	394	4	—	398
Total assets at March 31, 2021	20,161	1,596	939	1,553	24,249	11,477	(12,349)	23,377
Three Months Ended March 31, 2020								
Operating revenues	\$ 1,020	\$ 8	\$ 51	\$ 177	\$ 1,256	\$ 8	\$ (15)	\$ 1,249
Segment net income (loss)	164	30	23	57	274	1	—	275
Total assets at December 31, 2020	19,090	1,597	850	1,503	23,040	11,336	(11,746)	22,630

(*) The revenues for wholesale gas services are netted with costs associated with its energy and risk management activities. A reconciliation of operating revenues and intercompany revenues is shown in the following table.

	Third Party Gross Revenues	Intercompany Revenues	Total Gross Revenues	Less Gross Gas Costs	Operating Revenues
<i>(in millions)</i>					
Three Months Ended March 31, 2021	\$ 2,588	\$ 63	\$ 2,651	\$ 2,353	\$ 298
Three Months Ended March 31, 2020	1,185	29	1,214	1,163	51

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

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The following Management's Discussion and Analysis of Financial Condition and Results of Operations is a combined presentation; however, information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf and each Registrant makes no representation as to information related to the other Registrants.

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

OVERVIEW

Southern Company is a holding company that owns all of the common stock of three traditional electric operating companies (Alabama Power, Georgia Power, and Mississippi Power), as well as Southern Power and Southern Company Gas, and owns other direct and indirect subsidiaries. The primary businesses of the Southern Company system are electricity sales by the traditional electric operating companies and Southern Power and the distribution of natural gas by Southern Company Gas. Southern Company's reportable segments are the sale of electricity by the traditional electric operating companies, the sale of electricity in the competitive wholesale market by Southern Power, and the sale of natural gas and other complementary products and services by Southern Company Gas. Southern Company Gas' reportable segments are gas distribution operations, gas pipeline investments, wholesale gas services, and gas marketing services. See Note (L) to the Condensed Financial Statements herein for additional information on segment reporting. For additional information on the Registrants' primary business activities, see BUSINESS – "The Southern Company System" in Item 1 of the Form 10-K.

The Registrants continue to focus on several key performance indicators. For the traditional electric operating companies and Southern Company Gas, these indicators include, but are not limited to, customer satisfaction, plant availability, electric and natural gas system reliability, and execution of major construction projects. For Southern Power, these indicators include, but are not limited to, the equivalent forced outage rate and contract availability to evaluate operating results and help ensure its ability to meet its contractual commitments to customers. In addition, Southern Company and the Subsidiary Registrants focus on earnings per share and net income, respectively, as a key performance indicator.

Recent Developments

Georgia Power

Plant Vogtle Units 3 and 4 Status

Construction continues on Plant Vogtle Units 3 and 4 (with electric generating capacity of approximately 1,100 MWs each), in which Georgia Power holds a 45.7% ownership interest. Georgia Power's share of the total project capital cost forecast to complete Plant Vogtle Units 3 and 4 by December 2021 and November 2022, respectively, is \$8.76 billion.

Georgia Power estimates the productivity impacts of the COVID-19 pandemic have consumed approximately three to four months of schedule margin previously embedded in the site work plan for Unit 3 and Unit 4. In addition, throughout 2020, the project continued to face challenges as described in Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein. As a result of these factors, in January 2021, Southern Nuclear further extended certain milestone dates, including the start of hot functional testing and fuel load for Unit 3, from those established in October 2020.

Following the January 2021 milestone extensions, Southern Nuclear has been performing additional construction remediation work, primarily related to electrical commodity installations, necessary to ensure quality and design standards are met as system turnovers are completed to support hot functional testing and fuel load for Unit 3. Hot functional testing commenced in late April 2021 and the site work plan currently targets fuel load for Unit 3 in the third quarter 2021 and an in-service date of December 2021. As the site work plan includes minimal margin to these milestone dates, any delay could result in an in-service date in the first quarter 2022 for Unit 3. Achievement of the extended milestone dates established in January 2021 for Unit 4, which are expected to support a regulatory-approved in-service date of November 2022, primarily depends on overall construction productivity and production levels significantly improving as well as appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, being added and maintained.

Considering the factors above, during the first quarter 2021, approximately \$84 million of the construction contingency established in the fourth quarter 2020 was assigned to the base capital cost forecast for costs primarily associated with the schedule extension for Unit 3 to December 2021, construction productivity, support resources,

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

and construction remediation work. Georgia Power increased its total capital cost forecast as of March 31, 2021 by adding \$48 million to the remaining construction contingency.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded a pre-tax charge to income of \$48 million (\$36 million after tax) for the increase in the total project capital cost forecast as of March 31, 2021. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

The ultimate impact of the COVID-19 pandemic and other factors on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information.

Mississippi Power

On March 15, 2021, Mississippi Power submitted its annual retail PEP filing for 2021 to the Mississippi PSC, which requested a 1.8%, or approximately \$16 million, annual increase in revenues. In accordance with the PEP rate schedule, the rate increase became effective with the first billing cycle of April 2021, subject to refund. The Mississippi PSC is expected to rule on this request later in the second quarter 2021. The ultimate outcome of this matter cannot be determined at this time.

On April 6, 2021, the Mississippi PSC approved Mississippi Power's annual ad valorem tax adjustment filing for 2021, which requested an annual increase in revenues of approximately \$28 million. The rate became effective with the first billing cycle of May 2021.

On April 15, 2021, Mississippi Power filed its 2021 IRP with the Mississippi PSC. The filing includes a schedule to retire Plant Watson Unit 4 (268 MWs) and Mississippi Power's 40% ownership interest in Plant Greene County Units 1 and 2 (103 MWs each) in December 2023, 2025, and 2026, respectively, consistent with each unit's remaining useful life in the most recent approved depreciation studies. In addition, the schedule reflects the early retirement of Mississippi Power's 50% undivided ownership interest in Plant Daniel Units 1 and 2 (502 MWs) by the end of 2027. The ultimate outcome of this matter cannot be determined at this time.

See Note (B) to the Condensed Financial Statements under "Mississippi Power" herein for additional information.

Southern Power

During the three months ended March 31, 2021, Southern Power continued construction of the 88-MW Garland and 72-MW Tranquillity battery energy storage facilities and the 118-MW Glass Sands wind facility. On March 26, 2021, Southern Power purchased a controlling membership interest in the approximately 300-MW Deuel Harvest wind facility located in Deuel County, South Dakota from Invenergy Renewables, LLC. See Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

At March 31, 2021, Southern Power's average investment coverage ratio for its generating assets, including those owned with various partners, based on the ratio of investment under contract to total investment using the respective generation facilities' net book value (or expected in-service value for facilities under construction) as the investment amount was 93% through 2025 and 90% through 2030, with an average remaining contract duration of approximately 14 years.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Company Gas

On April 28, 2021, Atlanta Gas Light filed its first Integrated Capacity and Delivery Plan (i-CDP) with the Georgia PSC, which includes a series of ongoing and proposed pipeline safety, reliability, and growth programs for the next 10 years, as well as the required capital investments and related costs to implement the programs. The i-CDP is subject to a five-month review period, which may be extended. See Note (B) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

Also on April 28, 2021, certain affiliates of Southern Company Gas entered into an agreement for the sale of Sequent. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

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

RESULTS OF OPERATIONS

Southern Company

Net Income

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$267	30.8

Consolidated net income attributable to Southern Company was \$1.1 billion (\$1.07 per share) in the first quarter 2021 compared to \$0.9 billion (\$0.82 per share) for the corresponding period in 2020. The increase was primarily due to increases in both natural gas revenues and retail electric revenues primarily associated with colder weather in the first quarter 2021 as compared to the first quarter 2020, partially offset by higher cost of natural gas.

Retail Electric Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$264	8.6

In the first quarter 2021, retail electric revenues were \$3.3 billion compared to \$3.1 billion for the corresponding period in 2020.

Details of the changes in retail electric revenues were as follows:

First Quarter 2021		
	<i>(in millions)</i>	<i>(% change)</i>
Retail electric – prior year	\$ 3,078	
Estimated change resulting from –		
Rates and pricing	25	0.8 %
Sales decline	(15)	(0.5)
Weather	89	2.9
Fuel and other cost recovery	165	5.4
Retail electric – current year	\$ 3,342	8.6 %

Revenues associated with changes in rates and pricing increased in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to an increase in Alabama Power's Rate RSE effective January 1, 2021, partially offset by decreases in Georgia Power's NCCR tariff effective January 1, 2021 and in Mississippi Power's base rates effective in April 2020. See Note 2 to the financial statements under "Alabama Power – Rate RSE" and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

"Mississippi Power – 2019 Base Rate Case" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction – Regulatory Matters" herein for additional information.

Revenues attributable to changes in sales decreased in the first quarter 2021 when compared to the corresponding period in 2020 primarily driven by continued impacts of the COVID-19 pandemic. Weather-adjusted residential KWH sales increased 1.1% in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to customer growth. Weather-adjusted commercial KWH sales decreased 3.1% in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to lower customer usage resulting from changes in consumer and business behavior in response to the COVID-19 pandemic. Industrial KWH sales decreased 3.0% in the first quarter 2021 when compared to the corresponding period in 2020 primarily as a result of disruptions in supply chain and business operations related to the COVID-19 pandemic, non-pandemic related customer closures, and maintenance outages.

Fuel and other cost recovery revenues increased \$165 million in the first quarter 2021 compared to the corresponding period in 2020 primarily due to higher fuel and purchased power costs. Electric rates for the traditional electric operating companies include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of PPA costs, and do not affect net income. The traditional electric operating companies each have one or more regulatory mechanisms to recover other costs such as environmental and other compliance costs, storm damage, new plants, and PPA capacity costs.

Wholesale Electric Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$127	30.4

Wholesale electric revenues consist of revenues from PPAs and short-term opportunity sales. Wholesale electric revenues from PPAs (other than solar and wind PPAs) have both capacity and energy components. Capacity revenues generally represent the greatest contribution to net income and are designed to provide recovery of fixed costs plus a return on investment. Energy revenues will vary depending on fuel prices, the market prices of wholesale energy compared to the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. Energy sales from solar and wind PPAs do not have a capacity charge and customers either purchase the energy output of a dedicated renewable facility through an energy charge or through a fixed price related to the energy. As a result, the ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors. Wholesale electric revenues at Mississippi Power include FERC-regulated municipal and rural association sales under cost-based tariffs as well as market-based sales. Short-term opportunity sales are made at market-based rates that generally provide a margin above the Southern Company system's variable cost to produce the energy.

In the first quarter 2021, wholesale electric revenues were \$545 million compared to \$418 million for the corresponding period in 2020. The increase reflects an increase of \$102 million in energy revenues primarily resulting from higher natural gas prices when compared to the corresponding period in 2020. In addition, an increase in capacity revenues of \$25 million was primarily due to a power sales agreement at Alabama Power which began in September 2020 and new natural gas PPAs at Southern Power.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Other Electric Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$19	12.6

In the first quarter 2021, other electric revenues were \$170 million compared to \$151 million for the corresponding period in 2020. The increase was primarily due to increases of \$9 million in transmission services, \$3 million in customer fees at the traditional electric operating companies, and \$3 million in outdoor lighting at Georgia Power.

Natural Gas Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$445	35.6

In the first quarter 2021, natural gas revenues were \$1.7 billion compared to \$1.2 billion for the corresponding period in 2020.

Details of the changes in natural gas revenues were as follows:

First Quarter 2021		
	<i>(in millions)</i>	<i>(% change)</i>
Natural gas revenues – prior year	\$ 1,249	
Estimated change resulting from –		
Infrastructure replacement programs and base rate changes	38	3.0 %
Gas costs and other cost recovery	152	12.2
Wholesale gas services	247	19.8
Other	8	0.6
Natural gas revenues – current year	\$ 1,694	35.6 %

Revenues from infrastructure replacement programs and base rate changes at the natural gas distribution utilities increased in the first quarter 2021 compared to the corresponding period in 2020 primarily due to rate increases at Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas and continued investment in infrastructure replacement. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" in Item 8 of the Form 10-K for additional information.

Revenues associated with gas costs and other cost recovery increased in the first quarter 2021 compared to the corresponding period in 2020 primarily due to higher volumes sold and higher gas cost recovery. Natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities.

Revenues from Southern Company Gas' wholesale gas services business increased in the first quarter 2021 compared to the corresponding period in 2020 due to higher commercial activities as a result of Winter Storm Uri, partially offset by derivative losses. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for information regarding the sale of Sequent, which is expected to be completed during the third quarter 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Other Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$37	30.3

In the first quarter 2021, other revenues were \$159 million compared to \$122 million for the corresponding period in 2020. The increase primarily relates to a \$24 million increase in distributed infrastructure and energy efficiency projects at PowerSecure and an increase of \$10 million in unregulated sales associated with power delivery construction and maintenance contracts at Georgia Power.

Fuel and Purchased Power Expenses

First Quarter 2021 vs. First Quarter 2020

	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ 212	33.3
Purchased power	26	14.4
Total fuel and purchased power expenses	\$ 238	

In the first quarter 2021, total fuel and purchased power expenses were \$1.1 billion compared to \$0.8 billion for the corresponding period in 2020. The increase was primarily the result of a \$159 million increase in the average cost of fuel and purchased power and a \$79 million net increase in the volume of KWHs generated and purchased.

Fuel and purchased power energy transactions at the traditional electric operating companies are generally offset by fuel revenues and do not have a significant impact on net income. See Note 2 to the financial statements in Item 8 of the Form 10-K for additional information. Fuel expenses incurred under Southern Power's PPAs are generally the responsibility of the counterparties and do not significantly impact net income.

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

	First Quarter 2021	First Quarter 2020
Total generation <i>(in billions of KWHs)</i> ^(a)	43	42
Total purchased power <i>(in billions of KWHs)</i>	4	5
Sources of generation <i>(percent)</i> ^(a) —		
Gas	46	53
Coal	24	14
Nuclear	17	18
Hydro	5	8
Wind, Solar, and Other	8	7
Cost of fuel, generated <i>(in cents per net KWH)</i> —		
Gas ^(a)	2.55	1.95
Nuclear	0.75	0.78
Coal	2.82	2.88
Average cost of fuel, generated <i>(in cents per net KWH)</i> ^(a)	2.26	1.86
Average cost of purchased power <i>(in cents per net KWH)</i> ^(b)	5.10	3.90

(a) First quarter 2021 excludes Central Alabama Generating Station KWHs and associated cost of fuel as its fuel is provided by the purchaser under a power sales agreement. See Note 15 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Fuel

In the first quarter 2021, fuel expense was \$848 million compared to \$636 million for the corresponding period in 2020. The increase was primarily due to a 79.2% increase in the volume of KWHs generated by coal, a 43.4% decrease in the volume of KWHs generated by hydro, and a 30.8% increase in the average cost of natural gas per KWH generated, partially offset by a 9.1% decrease in the volume of KWHs generated by natural gas and a 2.1% decrease in the average cost of coal per KWH generated.

Purchased Power

In the first quarter 2021, purchased power expense was \$207 million compared to \$181 million for the corresponding period in 2020. The increase was primarily due to a 30.8% increase in the average cost per KWH purchased primarily due to higher natural gas prices, partially offset by an 8.4% decrease in the volume of KWHs purchased.

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

Cost of Natural Gas

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$144	32.8

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities. Cost of natural gas at the natural gas distribution utilities represented 86% of total cost of natural gas for the first quarter 2021.

In the first quarter 2021, cost of natural gas was \$583 million compared to \$439 million for the corresponding period in 2020. The increase reflects higher volumes sold due to colder weather and higher gas cost recovery in the first quarter 2021 compared to the corresponding period in 2020. The increase also reflects a 38% increase in natural gas prices in the first quarter 2021 compared to the corresponding period in 2020.

Cost of Other Sales

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$27	49.1

In the first quarter 2021, cost of other sales was \$82 million compared to \$55 million for the corresponding period in 2020. The increase primarily relates to a \$14 million increase in distributed infrastructure and energy efficiency projects at PowerSecure and an increase of \$8 million in unregulated power delivery construction and maintenance contracts at Georgia Power.

Other Operations and Maintenance Expenses

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$76	5.9

In the first quarter 2021, other operations and maintenance expenses were \$1.37 billion compared to \$1.30 billion for the corresponding period in 2020. The increase reflects a \$55 million increase in employee compensation and

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

benefit expenses, primarily at Southern Company Gas, and a \$15 million decrease in nuclear property insurance refunds at Alabama Power and Georgia Power.

Depreciation and Amortization

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$14	1.6

In the first quarter 2021, depreciation and amortization was \$871 million compared to \$857 million for the corresponding period in 2020. The increase primarily reflects a \$37 million increase in depreciation associated with additional plant in service, partially offset by decreased amortization of regulatory assets related to CCR AROs of \$22 million under the terms of Georgia Power's 2019 ARP. See Note (B) to the Condensed Financial Statements under "Georgia Power – Rate Plan" herein and Note 2 to the financial statements under "Georgia Power – Rate Plans – 2019 ARP" in Item 8 of the Form 10-K for additional information regarding Georgia Power's recovery of costs associated with CCR AROs.

Taxes Other Than Income Taxes

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$15	4.5

In the first quarter 2021, taxes other than income taxes were \$345 million compared to \$330 million for the corresponding period in 2020. The increase primarily reflects increased property taxes and an increase in revenue tax expenses as a result of higher natural gas revenues at Southern Company Gas.

Estimated Loss on Plant Vogtle Units 3 and 4

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$48	N/M

N/M - Not meaningful

In the first quarter 2021, an estimated probable loss of \$48 million was recorded at Georgia Power to reflect its revised total project capital cost forecast to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information.

(Gain) Loss on Dispositions, Net

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$5	12.8

In the first quarter 2021, (gain) loss on dispositions, net was \$44 million compared to \$39 million for the corresponding period in 2020. The first quarter 2021 amount includes \$39 million in gains at Southern Power, primarily from contributions of wind turbine equipment to various equity method investments, and \$4 million in gains from property sales at Alabama Power. In the first quarter 2020, Southern Power recorded a \$39 million gain related to the sale of Plant Mankato. See Notes (E) and (K) to the Condensed Financial Statements under "Southern Power" herein and Note 15 to the financial statements under "Southern Power – Sales of Natural Gas and Biomass Plants" in Item 8 of the Form 10-K for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Allowance for Equity Funds Used During Construction

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$12	35.3

In the first quarter 2021, allowance for equity funds used during construction was \$46 million compared to \$34 million for the corresponding period in 2020. The increase was primarily due to an increase in AFUDC equity associated with the construction of Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Other Income (Expense), Net

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$(45)	(43.7)

In the first quarter 2021, other income (expense), net was \$58 million compared to \$103 million for the corresponding period in 2020. The decrease was primarily due to \$75 million in charitable contributions at Southern Company Gas in the first quarter 2021, partially offset by a \$27 million increase in non-service cost-related retirement benefits income. See Note (H) to the Condensed Financial Statements herein for additional information.

Income Taxes

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$45	31.0

In the first quarter 2021, income taxes were \$190 million compared to \$145 million for the corresponding period in 2020. The increase was primarily due to higher pre-tax earnings, partially offset by \$16 million in tax benefits resulting from new legislation that changed Southern Power's state apportionment methodology. See Note (G) to the Condensed Financial Statements herein and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters – Alabama State Tax Reform Legislation" in Item 7 of the Form 10-K for additional information.

Alabama Power

Net Income

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$79	28.2

Alabama Power's net income after dividends on preferred stock for the first quarter 2021 was \$359 million compared to \$280 million for the corresponding period in 2020. The increase was primarily due to an increase in retail revenues associated with an increase in Rate RSE effective in January 2021 and colder weather in Alabama Power's service territory in the first quarter 2021 compared to the corresponding period in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Retail Revenues

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$147	12.2

In the first quarter 2021, retail revenues were \$1.35 billion compared to \$1.21 billion for the corresponding period in 2020.

Details of the changes in retail revenues were as follows:

	First Quarter 2021	
	(in millions)	(% change)
Retail – prior year	\$ 1,205	
Estimated change resulting from –		
Rates and pricing	50	4.1 %
Sales decline	(4)	(0.3)
Weather	39	3.2
Fuel and other cost recovery	62	5.2
Retail – current year	\$ 1,352	12.2 %

Revenues associated with changes in rates and pricing increased in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to a Rate RSE increase effective January 1, 2021. See Note 2 to the financial statements under "Alabama Power – Rate RSE" in Item 8 of the Form 10-K for additional information.

Revenues attributable to changes in sales decreased in the first quarter 2021 when compared to the corresponding period in 2020. Weather-adjusted residential KWH sales were relatively flat in the first quarter 2021 when compared to the corresponding period in 2020. Weather-adjusted commercial KWH sales decreased 2.1% in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to changes in consumer and business behavior in response to the COVID-19 pandemic. Industrial KWH sales decreased 5.4% in the first quarter 2021 when compared to the corresponding period in 2020 primarily as a result of customer closures and maintenance outages, as well as continued consumer responses to the COVID-19 pandemic.

Fuel and other cost recovery revenues increased in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to increases in generation and the average cost of fuel. Electric rates include provisions to recognize the recovery of fuel costs, purchased power costs, PPAs certificated by the Alabama PSC, and costs associated with the natural disaster reserve. Under these provisions, fuel and other cost recovery revenues generally equal fuel and other cost recovery expenses and do not affect net income. See Note 2 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

Wholesale Revenues – Non-Affiliates

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$36	64.3

Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Alabama Power's and the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not affect net income. Short-term opportunity energy sales are also included in wholesale energy sales to non-affiliates. These opportunity sales are made at market-based rates that generally provide a margin above Alabama Power's variable cost to produce the energy.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In the first quarter 2021, wholesale revenues from sales to non-affiliates were \$92 million compared to \$56 million for the corresponding period in 2020. The increase consisted of a \$19 million increase in energy revenues primarily due to higher natural gas prices and a \$17 million increase in capacity revenues primarily related to a power sales agreement that began in September 2020.

Wholesale Revenues – Affiliates

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$13	68.4

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

In the first quarter 2021, wholesale revenues from sales to affiliates were \$32 million compared to \$19 million for the corresponding period in 2020. The increase was primarily due to a 40.5% increase in the price of energy and an 18.7% increase in KWH sales due to increased coal generation as the result of higher natural gas prices in the first quarter 2021 compared to the corresponding period in 2020.

Other Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$12	16.9

In the first quarter 2021, other revenues were \$83 million compared to \$71 million for the corresponding period in 2020. The increase was primarily due to increases of \$7 million in transmission and energy service revenues and \$2 million in customer fees.

Fuel and Purchased Power Expenses

First Quarter 2021 vs. First Quarter 2020

	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ 76	35.3
Purchased power – non-affiliates	10	25.0
Purchased power – affiliates	12	66.7
Total fuel and purchased power expenses	\$ 98	

In the first quarter 2021, total fuel and purchased power expenses were \$371 million compared to \$273 million for the corresponding period in 2020. The increase was primarily due to a \$59 million increase related to the volume of KWHs generated and purchased and a \$39 million increase in the average cost of fuel and purchased power.

Fuel and purchased power energy transactions do not have a significant impact on earnings, since energy expenses are generally offset by energy revenues through Alabama Power's energy cost recovery clause. See Note 2 to the financial statements under "Alabama Power – Rate ECR" in Item 8 of the Form 10-K for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

	First Quarter 2021	First Quarter 2020
Total generation (in billions of KWHs) ^(a)	15	14
Total purchased power (in billions of KWHs)	1	1
Sources of generation (percent) ^(a) —		
Coal	46	34
Nuclear	25	28
Gas	19	20
Hydro	10	18
Cost of fuel, generated (in cents per net KWH) —		
Coal	2.75	2.64
Nuclear	0.72	0.76
Gas ^(a)	2.51	2.19
Average cost of fuel, generated (in cents per net KWH) ^(a)	2.14	1.88
Average cost of purchased power (in cents per net KWH) ^(b)	6.52	4.86

(a) First quarter 2021 excludes Central Alabama Generating Station KWHs and associated cost of fuel as its fuel is provided by the purchaser under a power sales agreement. See Note 15 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

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

Fuel

In the first quarter 2021, fuel expense was \$291 million compared to \$215 million for the corresponding period in 2020. The increase was primarily due to a 44.6% increase in the volume of KWHs generated by coal, a 44.0% decrease in the volume of KWHs generated by hydro, and a 14.6% increase in the average cost of KWHs generated by natural gas, which excludes tolling agreements.

Purchased Power – Non-Affiliates

In the first quarter 2021, purchased power expense from non-affiliates was \$50 million compared to \$40 million for the corresponding period in 2020. The increase was primarily due to a 31.1% increase in the average cost per KWH purchased as a result of higher natural gas prices and a 12.9% increase in the volume of KWHs purchased due to a PPA which began in September 2020.

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 electric service territory, and the availability of the Southern Company system's generation.

Purchased Power – Affiliates

In the first quarter 2021, purchased power expense from affiliates was \$30 million compared to \$18 million for the corresponding period in 2020. The increase was primarily due to a 39.9% increase in the average cost per KWH purchased as a result of higher natural gas prices and a 17.9% increase in the volume of KWHs purchased due to colder weather in the first quarter 2021 when compared to the corresponding period in 2020.

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.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Other Operations and Maintenance Expenses

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$11	3.1

In the first quarter 2021, other operations and maintenance expenses were \$361 million compared to \$350 million for the corresponding period in 2020. The increase was primarily due to an increase of \$10 million related to reliability NDR credits applied in 2020 and a \$6 million reduction in nuclear property insurance refunds. These increases were partially offset by a \$3 million decrease in Rate CNP Compliance-related expenses. See Note 2 to the financial statements under "Alabama Power – Rate NDR" and " – Rate CNP Compliance" in Item 8 of the Form 10-K for additional information.

Depreciation and Amortization

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$11	5.5

In the first quarter 2021, depreciation and amortization was \$211 million compared to \$200 million for the corresponding period in 2020. The increase was primarily due to additional plant in service, including the purchase of the Central Alabama Generating Station in August 2020. See Note 15 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

Other Income (Expense), Net

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$8	33.3

In the first quarter 2021, other income (expense), net was \$32 million compared to \$24 million for the corresponding period in 2020. The increase was primarily due to an increase in non-service cost-related retirement benefits income. See Note (H) to the Condensed Financial Statements herein for additional information.

Income Taxes

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$26	31.0

In the first quarter 2021, income taxes were \$110 million compared to \$84 million for the corresponding period in 2020. The increase was primarily due to higher pre-tax earnings.

Georgia Power

Net Income

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$20	6.0

Georgia Power's net income for the first quarter 2021 was \$351 million compared to \$331 million for the corresponding period in 2020. The increase was primarily due to higher retail revenues associated with colder weather in the first quarter 2021 compared to the corresponding period in 2020, partially offset by a \$36 million after-tax charge in the first quarter 2021 related to the construction of Plant Vogtle Units 3 and 4. See Note (B) to

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Retail Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$112	6.7

In the first quarter 2021, retail revenues were \$1.79 billion compared to \$1.68 billion for the corresponding period in 2020.

Details of the changes in retail revenues were as follows:

	First Quarter 2021	
	<i>(in millions)</i>	<i>(% change)</i>
Retail – prior year	\$ 1,675	
Estimated change resulting from –		
Rates and pricing	(18)	(1.1)%
Sales decline	(6)	(0.4)
Weather	42	2.5
Fuel cost recovery	94	5.7
Retail – current year	\$ 1,787	6.7 %

Revenues associated with changes in rates and pricing decreased in the first quarter 2021 when compared to the corresponding period in 2020. The decrease was primarily due to a decrease in the NCCR tariff effective January 1, 2021. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction – Regulatory Matters" herein for additional information.

Revenues attributable to changes in sales decreased in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to continued impacts of the COVID-19 pandemic, partially offset by customer growth. Weather-adjusted residential KWH sales increased 2.0% in the first quarter 2021 when compared to corresponding period in 2020 primarily due to customer growth. Weather-adjusted commercial KWH sales decreased 3.3% in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to lower customer usage resulting from changes in consumer and business behavior in response to the COVID-19 pandemic, partially offset by customer growth. Weather-adjusted industrial KWH sales increased 1.1% in the first quarter 2021 when compared to the corresponding period in 2020 primarily as a result of increases in the pipeline and lumber segments, partially offset by reductions in the textiles, transportation, and chemicals segments as a result of disruptions in supply chain and business operations related to the COVID-19 pandemic.

Fuel revenues and costs are allocated between retail and wholesale jurisdictions. Retail fuel cost recovery revenues increased in the first quarter 2021 when compared to the corresponding period in 2020 due to higher fuel and purchased power 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 Note 2 to the financial statements under "Georgia Power – Fuel Cost Recovery" in Item 8 of the Form 10-K for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Wholesale Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$17	65.4

Wholesale revenues from sales to non-affiliates consist of PPAs and short-term opportunity sales. Wholesale revenues from PPAs have both capacity and energy components. Wholesale capacity revenues from PPAs are recognized in amounts billable under the contract terms and provide for recovery of fixed costs and a return on investment. Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Georgia Power's and the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. Short-term opportunity sales are made at market-based rates that generally provide a margin above Georgia Power's variable cost of energy.

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.

In the first quarter 2021, wholesale revenues were \$43 million compared to \$26 million for the corresponding period in 2020. The increase was primarily due to higher natural gas prices.

Other Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$16	12.9

In the first quarter 2021, other revenues were \$140 million compared to \$124 million for the corresponding period in 2020. The increase was primarily due to an increase of \$13 million in unregulated sales associated with power delivery construction and maintenance contracts and outdoor lighting.

Fuel and Purchased Power Expenses

First Quarter 2021 vs. First Quarter 2020

	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ 82	35.5
Purchased power – non-affiliates	15	11.6
Purchased power – affiliates	7	5.4
Total fuel and purchased power expenses	\$ 104	

In the first quarter 2021, total fuel and purchased power expenses were \$593 million compared to \$489 million for the corresponding period in 2020. The increase was due to a \$77 million increase related to the average cost of fuel and purchased power and a \$27 million net increase related to the volume of KWHs generated and purchased.

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 Note 2 to the financial statements under "Georgia Power – Fuel Cost Recovery" in Item 8 of the Form 10-K for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

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

	First Quarter 2021	First Quarter 2020
Total generation <i>(in billions of KWHs)</i>	14	13
Total purchased power <i>(in billions of KWHs)</i>	7	9
Sources of generation <i>(percent)</i> —		
Gas	47	58
Nuclear	27	27
Coal	22	8
Hydro and other	4	7
Cost of fuel, generated <i>(in cents per net KWH)</i> —		
Gas	2.58	2.12
Nuclear	0.78	0.80
Coal	2.91	3.83
Average cost of fuel, generated <i>(in cents per net KWH)</i>	2.15	1.87
Average cost of purchased power <i>(in cents per net KWH)</i> ^(*)	4.22	3.17

(*) 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 2021, fuel expense was \$313 million compared to \$231 million for the corresponding period in 2020. The increase was primarily due to an increase of 232.9% in the volume of KWHs generated by coal and an increase of 21.7% in the average cost of natural gas per KWH generated.

Purchased Power – Non-Affiliates

In the first quarter 2021, purchased power expense from non-affiliates was \$144 million compared to \$129 million in the corresponding period in 2020. The increase was primarily due to a 24.1% increase in the average cost per KWH purchased primarily due to higher natural gas prices, partially offset by a 9.8% decrease in the volume of KWHs purchased as Georgia Power units generally dispatched at a lower cost than available market resources.

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 electric service territory, and the availability of the Southern Company system's generation.

Other Operations and Maintenance Expenses

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$9	1.9

In the first quarter 2021, other operations and maintenance expenses were \$474 million compared to \$465 million for the corresponding period in 2020. The increase was primarily due to a \$9 million decrease in nuclear property insurance refunds and an increase in expenses of \$8 million related to unregulated power delivery construction and maintenance contracts, partially offset by a decrease of \$9 million in non-outage generation maintenance costs primarily associated with coal generation and the timing of maintenance activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Depreciation and Amortization

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$ (14)	(4.0)

In the first quarter 2021, depreciation and amortization was \$338 million compared to \$352 million for the corresponding period in 2020. The decrease primarily reflects decreased amortization of regulatory assets related to CCR AROs of \$22 million under the terms of the 2019 ARP, partially offset by a \$10 million increase in depreciation associated with additional plant in service. See Note (B) to the Condensed Financial Statements under "Georgia Power – Rate Plan" herein and Note 2 to the financial statements under "Georgia Power – Rate Plans – 2019 ARP" in Item 8 of the Form 10-K for additional information regarding recovery of costs associated with CCR AROs.

Estimated Loss on Plant Vogtle Units 3 and 4

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$48	N/M

N/M - Not meaningful

In the first quarter 2021, an estimated probable loss of \$48 million was recorded to reflect Georgia Power's revised total project capital cost forecast to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information.

Other Income (Expense), Net

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$20	38.5

In the first quarter 2021, other income (expense), net was \$72 million compared to \$52 million for the corresponding period in 2020. The increase was primarily due to an increase of \$12 million in non-service cost-related retirement benefits income and an increase of \$7 million in AFUDC equity associated with the construction of Plant Vogtle Units 3 and 4. See Note (H) to the Condensed Financial Statements herein for additional information on retirement benefits and Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Mississippi Power

Net Income

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$13	40.6

In the first quarter 2021, net income was \$45 million compared to \$32 million for the corresponding period in 2020. The increase was primarily due to an increase in base revenues primarily due to colder weather in the first quarter 2021 compared to the corresponding period in 2020, partially offset by decreased customer usage as a result of the COVID-19 pandemic, and a decrease in operations and maintenance expenses, partially offset by an increase in depreciation and amortization.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Retail Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$5	2.5

In the first quarter 2021, retail revenues were \$204 million compared to \$199 million for the corresponding period in 2020.

Details of the changes in retail revenues were as follows:

	First Quarter 2021	
	<i>(in millions)</i>	<i>(% change)</i>
Retail – prior year	\$ 199	
Estimated change resulting from –		
Rates and pricing	(7)	(3.5)%
Sales decline	(5)	(2.5)
Weather	8	4.0
Fuel and other cost recovery	9	4.5
Retail – current year	\$ 204	2.5 %

Revenues associated with changes in rates and pricing decreased in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to decreases in base rates that became effective in April 2020 in accordance with the Mississippi Power Rate Case Settlement Agreement. See Note 2 to the financial statements under "Mississippi Power – 2019 Base Rate Case" in Item 8 of the Form 10-K for additional information.

Revenues attributable to changes in sales decreased in the first quarter 2021 when compared to the corresponding period in 2020 primarily due to continued impacts of the COVID-19 pandemic. Weather-adjusted residential KWH sales decreased 0.7% in the first quarter 2021 primarily due to decreased customer usage. Weather-adjusted commercial KWH sales decreased 4.3% in the first quarter 2021 primarily due to lower customer usage resulting from changes in consumer and business behavior in response to the COVID-19 pandemic. Industrial KWH sales decreased 10.7% in the first quarter 2021 as a result of disruptions in supply chain and business operations driven by the COVID-19 pandemic and non-pandemic related customer outages.

Fuel and other cost recovery revenues increased in the first quarter 2021 when compared to the corresponding period in 2020 primarily as a result of higher recoverable fuel costs. Recoverable fuel costs include fuel and purchased power expenses reduced by the fuel portion of wholesale revenues from energy sold to customers outside Mississippi Power's service territory. Electric rates include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of purchased power costs, and do not affect net income.

Wholesale Revenues – Non-Affiliates

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$12	23.5

Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Mississippi Power's and the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. In addition, Mississippi Power provides service under long-term contracts with rural electric cooperative associations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

and municipalities located in southeastern Mississippi under cost-based electric tariffs which are subject to regulation by the FERC. See Note 2 to the financial statements under "Mississippi Power" in Item 8 of the Form 10-K for additional information.

In the first quarter 2021, wholesale revenues from sales to non-affiliates were \$63 million compared to \$51 million for the corresponding period in 2020. The increase was primarily due to increases in revenue from MRA customers as a result of colder weather and higher fuel costs in the first quarter 2021 compared to the corresponding period in 2020, partially offset by decreased customer usage as a result of the COVID-19 pandemic.

Wholesale Revenues – Affiliates

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$12	57.1

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

In the first quarter 2021, wholesale revenues from sales to affiliates were \$33 million compared to \$21 million for the corresponding period in 2020. The increase was primarily associated with an increase in the average cost of fuel.

Fuel and Purchased Power Expenses

First Quarter 2021 vs. First Quarter 2020

	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ 22	27.8
Purchased power	—	—
Total fuel and purchased power expenses	\$ 22	

In the first quarter 2021, total fuel and purchased power expenses were \$106 million compared to \$84 million for the corresponding period in 2020. The increase was primarily due to a higher average cost of fuel and an increase associated with the volume of KWHs generated.

Fuel and purchased power energy transactions do not have a significant impact on earnings since energy expenses are generally offset by energy revenues through Mississippi Power's fuel cost recovery clause.

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

	First Quarter 2021	First Quarter 2020
Total generation <i>(in millions of KWHs)</i>	4,324	4,167
Total purchased power <i>(in millions of KWHs)</i>	121	188
Sources of generation <i>(percent) –</i>		
Coal	9	3
Gas	91	97
Cost of fuel, generated <i>(in cents per net KWH) –</i>		
Coal	3.17	4.30
Gas	2.41	1.95
Average cost of fuel, generated <i>(in cents per net KWH)</i>	2.49	2.02
Average cost of purchased power <i>(in cents per net KWH)</i>	4.08	2.64

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Fuel

In the first quarter 2021, fuel expense was \$101 million compared to \$79 million for the corresponding period in 2020. The increase was due to a 225.3% increase in the volume of KWHs generated by coal and a 23.6% increase in the average cost of natural gas per KWH generated, partially offset by a 26.3% decrease in the average cost of coal per KWH generated and a 3.4% decrease in the volume of KWHs generated by natural gas.

Other Operations and Maintenance Expenses

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$ (8)	(10.5)

In the first quarter 2021, other operations and maintenance expenses were \$68 million compared to \$76 million for the corresponding period in 2020. The decrease was primarily due to decreases of \$6 million related to planned generation outage costs and \$4 million associated with the Kemper County energy facility primarily related to an increase in salvage proceeds and a decrease in ongoing period costs.

Depreciation and Amortization

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$5	11.9

In the first quarter 2021, depreciation and amortization was \$47 million compared to \$42 million for the corresponding period in 2020. The increase was primarily due to a \$3 million increase in depreciation related to additional plant in service and an increase in depreciation rates in accordance with the Mississippi Power Rate Case Settlement Agreement and a \$2 million increase due to amortization of a regulatory asset associated with an ARO in accordance with the Mississippi Power Rate Case Settlement Agreement. See Note 2 to the financial statements under "Mississippi Power – 2019 Base Rate Case" in Item 8 of the Form 10-K for additional information.

Southern Power

Net Income Attributable to Southern Power

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$22	29.3

Net income attributable to Southern Power in the first quarter 2021 was \$97 million compared to \$75 million for the corresponding period in 2020. The increase was primarily due to a \$16 million tax benefit due to changes in state apportionment methodology resulting from tax legislation enacted by the State of Alabama in February 2021.

Operating Revenues

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$65	17.3

Total operating revenues include PPA capacity revenues, which are derived primarily from long-term contracts involving natural gas facilities, and PPA energy revenues from Southern Power's generation facilities. To the extent Southern Power has capacity not contracted under a PPA, it may sell power into an accessible wholesale market, or, to the extent those generation assets are part of the FERC-approved IIC, it may sell power into the Southern Company power pool.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Natural Gas Capacity and Energy Revenue

Capacity revenues generally represent the greatest contribution to operating income and are designed to provide recovery of fixed costs plus a return on investment.

Energy is generally sold at variable cost or is indexed to published natural gas indices. Energy revenues will vary depending on the energy demand of Southern Power's customers and their generation capacity, as well as the market prices of wholesale energy compared to the cost of Southern Power's energy. Energy revenues also include fees for support services, fuel storage, and unit start charges. Increases and decreases in energy revenues under PPAs that are driven by fuel or purchased power prices are accompanied by an increase or decrease in fuel and purchased power costs and do not have a significant impact on net income.

Solar and Wind Energy Revenue

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

See FUTURE EARNINGS POTENTIAL – "Southern Power's Power Sales Agreements" in Item 7 of the Form 10-K for additional information regarding Southern Power's PPAs.

Operating Revenues Details

Details of Southern Power's operating revenues were as follows:

	First Quarter 2021	First Quarter 2020
	<i>(in millions)</i>	
PPA capacity revenues	\$ 96	\$ 90
PPA energy revenues	245	205
Total PPA revenues	341	295
Non-PPA revenues	95	77
Other revenues	4	3
Total operating revenues	\$ 440	\$ 375

In the first quarter 2021, total operating revenues were \$440 million, reflecting a \$65 million, or 17%, increase from the corresponding period in 2020. The increase in operating revenues was primarily due to the following:

- PPA capacity revenues increased \$6 million, or 7%, primarily due to new natural gas PPAs and increased capacity on existing contracts, partially offset by the disposition of Plant Mankato in the first quarter 2020 and the contractual expiration of a natural gas PPA in November 2020.
- PPA energy revenues increased \$40 million, or 20%, primarily due to a \$35 million increase in sales from natural gas facilities resulting from a \$42 million increase in the price of fuel and purchased power, partially offset by a \$7 million decrease in the volume of KWHs sold. In addition, the increase reflects \$6 million in sales from new wind facilities placed in service subsequent to the first quarter 2020.
- Non-PPA revenues increased \$18 million, or 23%, due to a \$38 million increase in the market price of energy, partially offset by a \$20 million decrease in the volume of KWHs sold through short-term sales.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Fuel and Purchased Power Expenses

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

	First Quarter 2021	First Quarter 2020
	<i>(in billions of KWHs)</i>	
Generation	9.4	10.7
Purchased power	0.6	0.7
Total generation and purchased power	10	11.4
Total generation and purchased power, excluding solar, wind, and tolling agreements	6.1	7.2

Southern Power's PPAs for natural gas generation generally provide that the purchasers are responsible for either procuring the fuel (tolling agreements) or reimbursing Southern Power for substantially all of the cost of fuel relating to the energy delivered under such PPAs. Consequently, changes in such fuel costs are generally accompanied by a corresponding change in related fuel revenues and do not have a significant impact on net income. Southern Power is responsible for the cost of fuel for generating units that are not covered under PPAs. Power from these generating units is sold into the wholesale market or into the Southern Company power pool for capacity owned directly by Southern Power.

Purchased power expenses will vary depending on demand, availability, and the cost of generating resources throughout the Southern Company system and other contract resources. Load requirements are submitted to the Southern Company power pool on an hourly basis and are fulfilled with the lowest cost alternative, whether that is generation owned by Southern Power, an affiliate company, or external parties. Such purchased power costs are generally recovered through PPA revenues.

Details of Southern Power's fuel and purchased power expenses were as follows:

	First Quarter 2021 vs. First Quarter 2020	
	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ 34	31.8
Purchased power	6	42.9
Total fuel and purchased power expenses	\$ 40	

In the first quarter 2021, total fuel and purchased power expenses increased \$40 million, or 33%, compared to the corresponding period in 2020. Fuel expense increased \$34 million due to a \$50 million increase in the average cost of fuel per KWH generated, partially offset by a \$16 million decrease associated with the volume of KWHs generated. Purchased power expense increased \$6 million due to an \$8 million increase associated with the average cost of purchased power, partially offset by a \$2 million decrease associated with the volume of KWHs purchased.

Other Operations and Maintenance Expenses

	First Quarter 2021 vs. First Quarter 2020
	<i>(change in millions)</i>
	\$22
	<i>(% change)</i>
	27.8

In the first quarter 2021, other operations and maintenance expenses were \$101 million compared to \$79 million for the corresponding period in 2020. The increase was primarily due to an \$8 million increase in scheduled outage and maintenance expenses, \$6 million in expenses related to the allocation of uncollected settlements by the Energy Reliability Council of Texas market as a result of Winter Storm Uri, and \$2 million in expenses associated with new wind facilities placed in service subsequent to the first quarter 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

(Gain) Loss on Dispositions, Net

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$—	—

In the first quarter 2021, gains on dispositions totaled \$39 million primarily from contributions of wind turbine equipment to various equity method investments. A \$39 million gain was also recorded in the first quarter 2020 related to the sale of Plant Mankato. See Notes (E) and (K) to the Condensed Financial Statements under "Southern Power" herein and Note 15 to the financial statements under "Southern Power – Sales of Natural Gas and Biomass Plants" in Item 8 of the Form 10-K for additional information.

Income Taxes (Benefit)

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$(17)	(242.9)

In the first quarter 2021, income tax benefit was \$10 million compared to income tax expense of \$7 million for the corresponding period in 2020. The change was primarily due to changes in state apportionment methodology resulting from tax legislation enacted by the State of Alabama in February 2021, as well as the tax impact from the sale of Plant Mankato in January 2020. See Note (G) to the Condensed Financial Statements herein, MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters – Alabama State Tax Reform Legislation" in Item 7 of the Form 10-K, and Note 15 to the financial statements under "Southern Power" in Item 8 of the Form 10-K for additional information.

Southern Company Gas

Operating Metrics

Southern Company Gas continues to focus on several operating metrics, including Heating Degree Days, customer count, and volumes of natural gas sold.

Southern Company Gas measures weather and the effect on its business using Heating Degree Days. Generally, increased Heating Degree Days result in higher demand for natural gas on Southern Company Gas' distribution system. Southern Company Gas has various regulatory mechanisms, such as weather and revenue normalization and straight-fixed-variable rate design, which limit its exposure to weather changes within typical ranges in each of its utility's respective service territory. Southern Company Gas also utilizes weather hedges to limit the negative income impacts in the event of warmer-than-normal weather.

The number of customers served by gas distribution operations and gas marketing services can be impacted by natural gas prices, economic conditions, and competition from alternative fuels. Gas distribution operations and gas marketing services' customers are primarily located in Georgia and Illinois.

Southern Company Gas' natural gas volume metrics for gas distribution operations and gas marketing services illustrate the effects of weather and customer demand for natural gas. Wholesale gas services' physical sales volumes represent the daily average natural gas volumes sold to its customers.

Seasonality of Results

During the Heating Season, natural gas usage and operating revenues are generally higher as more customers are connected to the gas distribution systems and natural gas usage is higher in periods of colder weather. Occasionally in the summer, wholesale gas services' operating revenues are impacted due to peak usage by power generators in response to summer energy demands. Southern Company Gas' base operating expenses, excluding cost of natural gas, bad debt expense, and certain incentive compensation costs, are incurred relatively evenly throughout the year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Seasonality also affects the comparison of certain balance sheet items across quarters, including receivables, unbilled revenues, natural gas for sale, and notes payable. However, these items are comparable when reviewing Southern Company Gas' annual results. Thus, Southern Company Gas' operating results for the interim periods presented are not necessarily indicative of annual results and can vary significantly from quarter to quarter.

Net Income

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$123	44.7

In the first quarter 2021, net income was \$398 million compared to \$275 million for the corresponding period in 2020. The increase was primarily due to a \$103 million increase at wholesale gas services primarily due to higher commercial activities as a result of Winter Storm Uri and a \$19 million increase at gas distribution operations primarily due to base rate increases and continued investment in infrastructure replacement. See Note 2 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

Natural Gas Revenues, including Alternative Revenue Programs

First Quarter 2021 vs. First Quarter 2020

<i>(change in millions)</i>	<i>(% change)</i>
\$445	35.6

In the first quarter 2021, natural gas revenues, including alternative revenue programs, were \$1.7 billion compared to \$1.2 billion for the corresponding period in 2020.

Details of the changes in natural gas revenues, including alternative revenue programs, were as follows:

	First Quarter 2021	
	<i>(in millions)</i>	<i>(% change)</i>
Natural gas revenues – prior year	\$ 1,249	
Estimated change resulting from –		
Infrastructure replacement programs and base rate changes	38	3.0 %
Gas costs and other cost recovery	152	12.2
Wholesale gas services	247	19.8
Other	8	0.6
Natural gas revenues – current year	\$ 1,694	35.6 %

Revenues from infrastructure replacement programs and base rate changes increased in the first quarter 2021 compared to the corresponding period in 2020 primarily due to rate increases at Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas and continued investment in infrastructure replacement. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" in Item 8 of the Form 10-K for additional information.

Revenues associated with gas costs and other cost recovery increased in the first quarter 2021 compared to the corresponding period in 2020 primarily due to higher volumes sold and higher gas cost recovery. See "Cost of Natural Gas" herein for additional information. Revenue impacts from weather and customer growth are described further below.

Revenues from wholesale gas services increased in the first quarter 2021 compared to the corresponding period in 2020 due to higher commercial activities as a result of Winter Storm Uri, partially offset by derivative losses. See "Segment Information – Wholesale Gas Services" herein for additional information. Also see Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for information regarding the sale of Sequent, which is expected to be completed during the third quarter 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Company Gas' natural gas distribution utilities have various regulatory mechanisms that limit their exposure to weather changes. Southern Company Gas also uses hedges for any remaining exposure to warmer-than-normal weather in Illinois for gas distribution operations and in Illinois and Georgia for gas marketing services; therefore, weather typically does not have a significant net income impact. The following table presents Heating Degree Days information for Illinois and Georgia, the primary locations where Southern Company Gas' operations are impacted by weather.

	First Quarter			2021 vs. normal	2021 vs. 2020
	Normal ^(*)	2021	2020	colder (warmer)	colder (warmer)
<i>(in thousands)</i>					
Illinois	3,024	2,947	2,759	(2.5)%	6.8 %
Georgia	1,326	1,254	1,091	(5.4)%	14.9 %

(*) Normal represents the 10-year average from January 1, 2011 through March 31, 2020 for Illinois at Chicago Midway International Airport and for Georgia at Atlanta Hartsfield-Jackson International Airport, based on information obtained from the National Oceanic and Atmospheric Administration, National Climatic Data Center.

The following table provides the number of customers served by Southern Company Gas at March 31, 2021 and 2020:

	March 31,		2021 vs. 2020
	2021	2020	
<i>(in thousands, except market share %)</i>			<i>(% change)</i>
Gas distribution operations	4,335	4,298	0.9 %
Gas marketing services			
Energy customers ^(*)	667	638	4.5 %
Market share of energy customers in Georgia	28.9 %	28.8 %	0.3 %

(*) Gas marketing services' customers are primarily located in Georgia and Illinois. March 31, 2021 also includes approximately 50,000 customers in Ohio contracted through an annual auction process to serve for 12 months beginning April 1, 2020.

Southern Company Gas anticipates continued customer growth as it expects continued low natural gas prices. Southern Company Gas uses a variety of targeted marketing programs to attract new customers and to retain existing customers.

Cost of Natural Gas

First Quarter 2021 vs. First Quarter 2020	
<i>(change in millions)</i>	<i>(% change)</i>
\$144	32.8

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from gas distribution operations. Cost of natural gas at gas distribution operations represented 86% of total cost of natural gas for the first quarter 2021. See MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATIONS – "Southern Company Gas – Cost of Natural Gas" in Item 7 of the Form 10-K and "Natural Gas Revenues, including Alternative Revenue Programs" herein for additional information.

In the first quarter 2021, cost of natural gas was \$583 million compared to \$439 million for the corresponding period in 2020. The increase reflects higher volumes sold due to colder weather and higher gas cost recovery in the first quarter 2021 compared to the corresponding period in 2020. The increase also reflects a 38% increase in natural gas prices in the first quarter 2021 compared to the corresponding period in 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The following table details the volumes of natural gas sold during all periods presented.

	First Quarter		
	2021	2020	2021 vs. 2020
Gas distribution operations (<i>mmBtu in millions</i>)			
Firm	288	258	11.6 %
Interruptible	26	24	8.3
Total	314	282	11.3 %
Wholesale gas services (<i>mmBtu in millions/day</i>)			
Daily physical sales	7.1	6.9	2.9 %
Gas marketing services (<i>mmBtu in millions</i>)			
Firm:			
Georgia	19	14	35.7 %
Illinois	4	5	(20.0)
Other	6	5	20.0
Interruptible large commercial and industrial	4	4	—
Total	33	28	17.9 %

Other Operations and Maintenance Expenses

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$41	15.9

In the first quarter 2021, other operations and maintenance expenses were \$299 million compared to \$258 million for the corresponding period in 2020. The increase was primarily due to higher compensation expense at wholesale gas services.

Depreciation and Amortization

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$10	8.3

In the first quarter 2021, depreciation and amortization was \$130 million compared to \$120 million for the corresponding period in 2020. The increase was primarily due to continued infrastructure investments at the natural gas distribution utilities.

Taxes Other Than Income Taxes

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$9	12.5

In the first quarter 2021, taxes other than income taxes were \$81 million compared to \$72 million for the corresponding period in 2020. The increase primarily reflects an increase in revenue tax expenses as a result of higher natural gas revenues at Nicor Gas. These revenue tax expenses are passed directly to customers and have no impact on net income.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Other Income (Expense), Net

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$(72)	(800.0)

In the first quarter 2021, other income (expense), net was \$63 million of expense compared to \$9 million of income for the corresponding period in 2020. The increase in other expense was primarily due to \$75 million in charitable contributions in the first quarter 2021.

Income Taxes

First Quarter 2021 vs. First Quarter 2020

(change in millions)	(% change)
\$42	53.2

In the first quarter 2021, income taxes were \$121 million compared to \$79 million for the corresponding period in 2020. The increase was primarily due to higher pre-tax earnings at wholesale gas services and gas distribution operations.

Performance and Non-GAAP Measures

Adjusted operating margin is a non-GAAP measure that is calculated as operating revenues less cost of natural gas, cost of other sales, and revenue tax expense. Adjusted operating margin excludes other operations and maintenance expenses, depreciation and amortization, and taxes other than income taxes, which are included in the calculation of operating income as calculated in accordance with GAAP and reflected in the statements of income. The presentation of adjusted operating margin is believed to provide useful information regarding the contribution resulting from base rate changes, infrastructure replacement programs and capital projects, and customer growth at gas distribution operations since the cost of natural gas and revenue tax expense can vary significantly and are generally billed directly to customers. Southern Company Gas further believes that utilizing adjusted operating margin at gas pipeline investments, wholesale gas services, and gas marketing services allows it to focus on a direct measure of performance before overhead costs. The applicable reconciliation of operating income to adjusted operating margin is provided herein.

Adjusted operating margin should not be considered an alternative to, or a more meaningful indicator of, Southern Company Gas' operating performance than operating income as determined in accordance with GAAP. In addition, Southern Company Gas' adjusted operating margin may not be comparable to similarly titled measures of other companies.

Detailed variance explanations of Southern Company Gas' financial performance are provided herein.

Reconciliations of operating income to adjusted operating margin are as follows:

	First Quarter 2021	First Quarter 2020
	(in millions)	
Operating Income	\$ 601	\$ 360
Other operating expenses ^(a)	510	450
Revenue taxes ^(b)	(53)	(45)
Adjusted Operating Margin	\$ 1,058	\$ 765

(a) Includes other operations and maintenance, depreciation and amortization, and taxes other than income taxes.

(b) Nicor Gas' revenue tax expenses, which are passed through directly to customers.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Segment Information

Adjusted operating margin, operating expenses, and net income for each segment are provided in the table below. See Note (L) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

	First Quarter 2021			First Quarter 2020		
	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)
	(in millions)			(in millions)		
Gas distribution operations	\$ 644	\$ 357	\$ 183	\$ 595	\$ 340	\$ 164
Gas pipeline investments	8	3	29	8	3	30
Wholesale gas services	297	55	126	50	17	23
Gas marketing services	104	29	56	107	30	57
All other	7	15	4	6	16	1
Intercompany eliminations	(2)	(2)	—	(1)	(1)	—
Consolidated	\$ 1,058	\$ 457	\$ 398	\$ 765	\$ 405	\$ 275

(*) Adjusted operating margin and operating expenses are adjusted for Nicor Gas' revenue tax expenses, which are passed through directly to customers.

Gas Distribution Operations

Gas distribution operations is the largest component of Southern Company Gas' business and is subject to regulation and oversight by regulatory agencies in each of the states it serves. These agencies approve natural gas rates designed to provide Southern Company Gas with the opportunity to generate revenues to recover the cost of natural gas delivered to its customers and its fixed and variable costs, including depreciation, interest expense, operations and maintenance, taxes, and overhead costs, and to earn a reasonable return on its investments.

With the exception of Atlanta Gas Light, Southern Company Gas' second largest utility that operates in a deregulated natural gas market and has a straight-fixed-variable rate design that minimizes the variability of its revenues based on consumption, the earnings of the natural gas distribution utilities can be affected by customer consumption patterns that are a function of weather conditions, price levels for natural gas, and general economic conditions that may impact customers' ability to pay for natural gas consumed. Southern Company Gas has various regulatory and other mechanisms, such as weather and revenue normalization mechanisms and weather derivative instruments, that limit its exposure to changes in customer consumption, including weather changes within typical ranges in its natural gas distribution utilities' service territories.

In the first quarter 2021, net income increased \$19 million, or 11.6%, compared to the corresponding period in 2020. The \$49 million increase in adjusted operating margin primarily reflects rate increases for Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas and continued investment in infrastructure replacement. The \$17 million increase in operating expenses includes higher depreciation primarily due to additional assets placed in service and higher compensation expenses. The \$5 million increase in interest expense net of amounts capitalized is primarily due to additional debt issued to finance continued investments. The \$6 million increase in income tax expense is primarily due to higher pre-tax earnings. See Note 2 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

Gas Pipeline Investments

Gas pipeline investments consists primarily of joint ventures in natural gas pipeline investments including SNG, PennEast Pipeline, Dalton Pipeline, and Atlantic Coast Pipeline (until its sale on March 24, 2020). See Note (E) to the Condensed Financial Statements under "Southern Company Gas" herein and Note 15 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Wholesale Gas Services

Wholesale gas services is involved in asset management and optimization, storage, transportation, producer and peaking services, natural gas supply, natural gas services, and wholesale gas marketing. Southern Company Gas has positioned the business to generate positive economic earnings on an annual basis even under low volatility market conditions that can result from a number of factors. When market price volatility increases, wholesale gas services is well positioned to capture significant value and generate stronger results. Operating expenses primarily reflect employee compensation and benefits.

In the first quarter 2021, net income increased \$103 million, or 447.8%, compared to the corresponding period in 2020. The increase primarily relates to a \$247 million increase in adjusted operating margin, partially offset by a \$38 million increase in operating expenses primarily related to an increase in variable compensation. The increase was also partially offset by a \$75 million increase in other income (expenses) related to higher charitable contributions and a \$31 million increase in income tax expense due to higher pre-tax earnings.

Details of the changes in adjusted operating margin are provided in the table below.

	First Quarter 2021	First Quarter 2020
	<i>(in millions)</i>	
Commercial activity recognized	\$ 315	\$ (20)
Gain (loss) on storage derivatives	(2)	(6)
Gain (loss) on transportation and forward commodity derivatives	(15)	77
LOCOM adjustments, net of current period recoveries	(1)	(1)
Adjusted operating margin	\$ 297	\$ 50

Change in Commercial Activity

The commercial activity at wholesale gas services includes recognition of storage and transportation values that were generated in prior periods, which reflect the impact of prior period hedge gains and losses as associated physical transactions occur. The increase in commercial activity in the first quarter 2021 compared to the corresponding period in 2020 was primarily due to natural gas price volatility that was generated by cold weather, particularly in the Midwest and Texas, resulting in wider transportation spreads.

Change in Storage and Transportation Derivatives

Volatility in the natural gas market arises from a number of factors, such as weather fluctuations or changes in supply or demand for natural gas in different regions of the U.S. The volatility of natural gas commodity prices has a significant impact on Southern Company Gas' customer rates, long-term competitive position against other energy sources, and the ability of wholesale gas services to capture value from locational and seasonal spreads. Forward storage or time spreads applicable to the locations of wholesale gas services' specific storage positions in 2021 resulted in storage derivative losses. Transportation and forward commodity derivative losses in the first quarter 2021 are a result of widening transportation spreads.

Withdrawal Schedule and Physical Transportation Transactions

The expected natural gas withdrawals from storage and expected offset to prior hedge losses/gains associated with the transportation portfolio of wholesale gas services are presented in the following table, along with the net operating revenues expected at the time of withdrawal from storage and the physical flow of natural gas between contracted transportation receipt and delivery points. Wholesale gas services' expected net operating revenues exclude storage and transportation demand charges, as well as other variable fuel, withdrawal, receipt, and delivery charges, and exclude estimated profit sharing under asset management agreements. Further, the amounts that are realizable in future periods are based on the inventory withdrawal schedule, planned physical flow of natural gas between the transportation receipt and delivery points, and forward natural gas prices at March 31, 2021. A portion

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

of wholesale gas services' storage inventory and transportation capacity is economically hedged with futures contracts, which results in the realization of substantially fixed net operating revenues.

	Storage withdrawal schedule		
	Total storage^(a)	Expected net operating gains (losses)^(b)	Physical transportation transactions – expected net operating gains (losses)^(c)
	<i>(in mmBtu in millions)</i>	<i>(in millions)</i>	<i>(in millions)</i>
2021	11	\$ 6	\$ —
2022 and thereafter	6	5	15
Total at March 31, 2021	17	\$ 11	\$ 15

(a) At March 31, 2021, the WACOG of wholesale gas services' expected natural gas withdrawals from storage was \$1.85 per mmBtu.

(b) Represents expected operating gains from planned storage withdrawals associated with existing inventory positions and could change as wholesale gas services adjusts its daily injection and withdrawal plans in response to changes in future market conditions and forward NYMEX price fluctuations.

(c) Represents the expected net gains during the periods in which the derivatives will be settled and the physical transportation transactions will occur that offset the derivative gains and losses previously recognized.

The unrealized storage and transportation derivative gains do not change the underlying economic value of wholesale gas services' storage and transportation positions and will be reversed when the related transactions occur and are recognized. For more information on wholesale gas services' energy marketing and risk management activities, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" in Item 7 of the Form 10-K.

Gas Marketing Services

Gas marketing services provides energy-related products and services to natural gas markets and participants in customer choice programs that were approved in various states to increase competition. These programs allow customers to choose their natural gas supplier while the local distribution utility continues to provide distribution and transportation services. Gas marketing services is weather sensitive and uses a variety of hedging strategies, such as weather derivative instruments and other risk management tools, to partially mitigate potential weather impacts.

All Other

All other includes natural gas storage businesses, including Jefferson Island through its sale on December 1, 2020, fuels operations through the sale of Southern Company Gas' interest in Pivotal LNG on March 24, 2020, AGL Services Company, and Southern Company Gas Capital, as well as various corporate operating expenses that are not allocated to the reportable segments and interest income (expense) associated with affiliate financing arrangements. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information on the sale of its interest in Pivotal LNG and the sale of Jefferson Island.

Segment Reconciliations

Reconciliations of operating income to adjusted operating margin for the first quarter 2021 and 2020 are reflected in the following tables. See Note (L) to the Condensed Financial Statements herein for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

First Quarter 2021							
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
<i>(in millions)</i>							
Operating Income (Loss)	\$ 287	\$ 5	\$ 242	\$ 75	\$ (8)	\$ —	\$ 601
Other operating expenses ^(a)	410	3	55	29	15	(2)	510
Revenue tax expense ^(b)	(53)	—	—	—	—	—	(53)
Adjusted Operating Margin	\$ 644	\$ 8	\$ 297	\$ 104	\$ 7	\$ (2)	\$ 1,058

First Quarter 2020							
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
<i>(in millions)</i>							
Operating Income (Loss)	\$ 255	\$ 5	\$ 33	\$ 77	\$ (10)	\$ —	\$ 360
Other operating expenses ^(a)	385	3	17	30	16	(1)	450
Revenue tax expense ^(b)	(45)	—	—	—	—	—	(45)
Adjusted Operating Margin	\$ 595	\$ 8	\$ 50	\$ 107	\$ 6	\$ (1)	\$ 765

(a) Includes other operations and maintenance, depreciation and amortization, and taxes other than income taxes.

(b) Nicor Gas' revenue tax expenses, which are passed through directly to customers.

FUTURE EARNINGS POTENTIAL

Each Registrant's results of operations are not necessarily indicative of its future earnings potential. The level of the Registrants' future earnings depends on numerous factors that affect the opportunities, challenges, and risks of the Registrants' primary businesses of selling electricity and/or distributing natural gas, as described further herein.

For the traditional electric operating companies, these factors include the ability to maintain constructive regulatory environments that allow for the timely recovery of prudently-incurred costs during a time of increasing costs, continued customer growth, and the trend of reduced electricity usage per customer, especially in residential and commercial markets. For Georgia Power, completing construction of Plant Vogtle Units 3 and 4 and related cost recovery proceedings is another major factor.

Earnings in the electricity business will also depend upon maintaining and growing sales, considering, among other things, the adoption and/or penetration rates of increasingly energy-efficient technologies and increasing volumes of electronic commerce transactions, which could contribute to a net reduction in customer usage.

Global and U.S. economic conditions have been significantly affected by a series of demand and supply shocks that caused a global and national economic recession in 2020. Most prominently, the COVID-19 pandemic has negatively impacted global supply chains and business operations as suppliers continue to experience difficulties keeping up with strong demand for factory goods, which is being driven by low business inventories. The combination of rising inoculation rates in the U.S. population and the recent federal COVID-19 relief package is expected to help boost economic recovery in 2021. The drivers, speed, and depth of the 2020 economic contraction were unprecedented and have reduced energy demand across the Southern Company system's service territory, primarily in the commercial and industrial classes. The negative impacts, which started in late-March 2020, of the COVID-19 pandemic and related recession on the Southern Company system's retail electric sales began to improve in the middle of May 2020; however, retail electric revenues in the first quarter 2021 continued to be negatively impacted by the COVID-19 pandemic. Recovery is expected to continue into the second half of 2021, but responses to the COVID-19 pandemic by both customers and governments could significantly affect the pace of recovery. The ultimate extent of the negative impact on revenues depends on the depth and duration of the economic contraction in

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

the Southern Company system's service territory and cannot be determined at this time. See RESULTS OF OPERATIONS herein for information on COVID-19-related impacts on energy demand in the Southern Company system's service territory during the first quarter 2021.

The level of future earnings for Southern Power's competitive wholesale electric business depends on numerous factors including Southern Power's ability to execute its growth strategy through the development or acquisition of renewable facilities and other energy projects while containing costs, as well as regulatory matters, creditworthiness of customers, total electric generating capacity available in Southern Power's market areas, and Southern Power's ability to successfully remarket capacity as current contracts expire. In addition, renewable portfolio standards, availability of tax credits, transmission constraints, cost of generation from units within the Southern Company power pool, and operational limitations could influence Southern Power's future earnings.

The level of future earnings for Southern Company Gas' primary business of distributing natural gas and its complementary businesses in the gas pipeline investments, wholesale gas services, and gas marketing services sectors depends on numerous factors. These factors include the natural gas distribution utilities' ability to maintain constructive regulatory environments that allow for the timely recovery of prudently-incurred costs, the completion and subsequent operation of ongoing infrastructure and other construction projects, creditworthiness of customers, and Southern Company Gas' ability to optimize its transportation and storage positions and to re-contract storage rates at favorable prices. The volatility of natural gas prices has an impact on Southern Company Gas' customer rates, its long-term competitive position against other energy sources, and the ability of Southern Company Gas' gas marketing services and wholesale gas services businesses to capture value from locational and seasonal spreads. Additionally, changes in commodity prices subject a portion of Southern Company Gas' operations to earnings variability. Over the longer term, volatility is expected to be low to moderate and locational and/or transportation spreads are expected to decrease as new pipelines are built to reduce the existing supply constraints in the shale areas of the Northeast U.S. To the extent these pipelines are delayed or not built, volatility could increase. See Note 3 to the financial statements in Item 8 of the Form 10-K and Note (C) to the Condensed Financial Statements herein under "Other Matters – Southern Company Gas" for additional information on permitting challenges experienced by the PennEast Pipeline. Additional economic factors may contribute to this environment, including a significant drop in oil and natural gas prices, which could lead to consolidation of natural gas producers or reduced levels of natural gas production. In addition, if the COVID-19 pandemic results in continued economic uncertainty for a sustained period, demand for natural gas may decrease, resulting in further downward pressure on natural gas prices and lower volatility in the natural gas markets on a longer-term basis.

Earnings for both the electricity and natural gas businesses are subject to a variety of other factors. These factors include weather, competition, developing new and maintaining existing energy contracts and associated load requirements with wholesale customers, energy conservation practiced by customers, the use of alternative energy sources by customers, government incentives to reduce overall energy usage, the prices of electricity and natural gas, and the price elasticity of demand. Demand for electricity and natural gas in the Registrants' service territories is primarily driven by the pace of economic growth or decline that may be affected by changes in regional and global economic conditions, which may impact future earnings.

As part of its ongoing effort to adapt to changing market conditions, Southern Company continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, partnerships, and acquisitions involving other utility or non-utility businesses or properties, disposition of certain assets or businesses, internal restructuring, or some combination thereof. Furthermore, Southern Company may engage in new business ventures that arise from competitive and regulatory changes in the utility industry. Pursuit of any of the above strategies, or any combination thereof, may significantly affect the business operations, risks, and financial condition of Southern Company. In addition, Southern Power and Southern Company Gas regularly consider and evaluate joint development arrangements as well as acquisitions and dispositions of businesses and assets as part of their business strategies. See Note 15 to the financial statements in Item 8 of the Form 10-K and Note (K) to the Condensed Financial Statements herein for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

For additional information relating to these issues, see RISK FACTORS in Item 1A and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL in Item 7 of the Form 10-K.

Environmental Matters

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" in Item 7 and Note 3 to the financial statements under "Environmental Remediation" in Item 8 of the Form 10-K, as well as Note (C) to the Condensed Financial Statements under "Environmental Remediation" herein, for additional information.

Environmental Laws and Regulations

Water Quality

Alabama Power is assessing the viability of complying with the EPA's steam electric effluent limitations guidelines (ELG) rule (finalized in 2015) and the ELG reconsideration rule (finalized in October 2020) (ELG rules) for certain of its coal units (totaling approximately 2,000 MWs) due to the timing and anticipated cost to comply with the ELG rules. The results of the assessment could accelerate a determination to discontinue or modify operation of the units. Alabama Power will review all of the facts and circumstances and evaluate all alternatives prior to reaching a final determination. The units under evaluation have net book values totaling approximately \$2.3 billion at March 31, 2021. Additionally, net capitalized asset retirement costs associated with these facilities totaled approximately \$900 million at March 31, 2021. Alabama Power is authorized to establish a regulatory asset to record the unrecovered investment costs, including the plant asset balance and the costs associated with site removal and closure, associated with future unit retirements caused by environmental regulations. The regulatory asset would be amortized and recovered over an affected unit's remaining useful life, as established prior to the decision regarding early retirement, through Rate CNP Compliance. See Note 2 to the financial statements under "Alabama Power – Rate CNP Compliance" and " – Environmental Accounting Order" in Item 8 of the Form 10-K for additional information. The ultimate outcome of this matter cannot be determined at this time.

Regulatory Matters

See OVERVIEW – "Recent Developments" and Note 2 to the financial statements in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein for a discussion of regulatory matters related to Alabama Power, Georgia Power, Mississippi Power, and Southern Company Gas, including items that could impact the applicable registrants' future earnings, cash flows, and/or financial condition.

Construction Programs

The Subsidiary Registrants are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. The Southern Company system intends to continue its strategy of developing and constructing new electric generating facilities, expanding and improving the electric transmission and electric and natural gas distribution systems, and undertaking projects to comply with environmental laws and regulations.

For the traditional electric operating companies, major generation construction projects are subject to state PSC approval in order to be included in retail rates. The largest construction project currently underway in the Southern Company system is Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information. Also see Note 2 to the financial statements in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein under "Alabama Power" for information regarding Alabama Power's construction of Plant Barry Unit 8.

See Note 15 to the financial statements in Item 8 of the Form 10-K and Note (K) to the Condensed Financial Statements herein under "Southern Power" for additional information about costs relating to Southern Power's acquisitions that involve construction of renewable energy facilities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Company Gas is engaged in various infrastructure improvement programs designed to update or expand the natural gas distribution systems of the natural gas distribution utilities to improve reliability and meet operational flexibility and growth. The natural gas distribution utilities recover their investment and a return associated with these infrastructure programs through their regulated rates. See Notes 2 and 3 to the financial statements in Item 8 of the Form 10-K and Notes (B) and (C) to the Condensed Financial Statements herein under "Southern Company Gas" and "Other Matters – Southern Company Gas – PennEast Pipeline Project," respectively, for additional information on Southern Company Gas' construction program.

See FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements" herein for additional information regarding the Registrants' capital requirements for their construction programs.

General Litigation and Other Matters

The Registrants are involved in various matters being litigated and/or regulatory and other matters that could affect future earnings, cash flows, and/or financial condition. The ultimate outcome of such pending or potential litigation against each Registrant and any subsidiaries or regulatory and other matters cannot be determined at this time; however, for current proceedings and/or matters not specifically reported herein or in Notes (B) and (C) to the Condensed Financial Statements herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings and/or matters would have a material effect on such Registrant's financial statements. See Notes (B) and (C) to the Condensed Financial Statements for a discussion of various contingencies, including matters being litigated, regulatory matters, and other matters which may affect future earnings potential.

Alabama Power

On March 10, 2021, Alabama Power executed a coordinated planning and operations agreement with PowerSouth, with a minimum term of 10 years. The agreement, which includes combined operations (including joint commitment and dispatch), is expected to create energy cost savings and enhanced system reliability for both parties. Projected revenues are expected to offset any increased administrative costs incurred by Alabama Power; therefore, no material impact to net income is expected. Alabama Power has the right to participate in a portion of PowerSouth's future incremental load growth. Implementation of the agreement is subject to certain regulatory approvals, including approvals of the Rural Utilities Service, the SERC Reliability Corporation, and the FERC, and is expected to be completed by March 2022. The ultimate outcome of this matter cannot be determined at this time.

ACCOUNTING POLICIES

See MANAGEMENT'S DISCUSSION AND ANALYSIS – ACCOUNTING POLICIES in Item 7 of the Form 10-K for a complete discussion of the Registrants' critical accounting policies and estimates, as well as recently issued accounting standards.

Application of Critical Accounting Policies and Estimates

The Registrants prepare their financial statements in accordance with GAAP. Significant accounting policies are described in the notes to the financial statements 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 the Registrants' results of operations and related disclosures. Different assumptions and measurements could produce estimates that are significantly different from those recorded in the financial statements.

Estimated Cost, Schedule, and Rate Recovery for the Construction of Plant Vogtle Units 3 and 4 (Southern Company and Georgia Power)

Following milestone extensions in January 2021, Southern Nuclear has been performing additional construction remediation work, primarily related to electrical commodity installations, necessary to ensure quality and design standards are met as system turnovers are completed to support hot functional testing and fuel load for Unit 3. Hot functional testing commenced in late April 2021 and the site work plan currently targets fuel load for Unit 3 in the third quarter 2021 and an in-service date of December 2021. As the site work plan includes minimal margin to these

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

milestone dates, any delay could result in an in-service date in the first quarter 2022 for Unit 3. Achievement of the extended milestone dates established in January 2021 for Unit 4, which are expected to support a regulatory-approved in-service date of November 2022, primarily depends on overall construction productivity and production levels significantly improving as well as appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, being added and maintained.

Considering the factors above, during the first quarter 2021, approximately \$84 million of the construction contingency established in the fourth quarter 2020 was assigned to the base capital cost forecast for costs primarily associated with the schedule extension for Unit 3 to December 2021, construction productivity, support resources, and construction remediation work. Georgia Power increased its total capital cost forecast as of March 31, 2021 by adding \$48 million to the remaining construction contingency. Georgia Power's revised base capital cost forecast and contingency to complete construction and start-up of Plant Vogtle Units 3 and 4 is \$8.62 billion and \$0.14 billion, respectively, for a total capital cost forecast of \$8.76 billion (net of \$1.7 billion received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds).

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded a pre-tax charge to income of \$48 million (\$36 million after tax) for the increase in the total project capital cost forecast as of March 31, 2021. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

The ultimate impact of these matters on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" in Item 7 of the Form 10-K for additional information. The financial condition of each Registrant remained stable at March 31, 2021. The Registrants intend to continue to monitor their access to short-term and long-term capital markets as well as their bank credit arrangements to meet future capital and liquidity needs. See "Cash Requirements," "Sources of Capital," and "Financing Activities" herein and Note (K) to the Condensed Financial Statements herein for additional information.

At the end of the first quarter 2021, the market price of Southern Company's common stock was \$62.16 per share (based on the closing price as reported on the NYSE) and the book value was \$26.90 per share, representing a market-to-book ratio of 231%, compared to \$61.43, \$26.48, and 232%, respectively, at the end of 2020. Southern Company's common stock dividend for the first quarter 2021 was \$0.64 per share compared to \$0.62 per share in the first quarter 2020.

Cash Requirements

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements" in Item 7 of the Form 10-K for a description of the Registrants' significant cash requirements.

The Registrants' significant cash requirements include estimated capital expenditures associated with their construction programs. The construction programs are subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. These factors include: changes in business conditions; changes in load projections; changes in environmental laws and regulations; the outcome of any legal challenges to environmental rules; changes in electric generating plants, including unit retirements and replacements and adding or changing fuel sources at existing electric generating units, to meet regulatory requirements; changes in FERC rules and regulations; state regulatory agency approvals; changes in the expected

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

environmental compliance program; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; abnormal weather; delays in construction due to judicial or regulatory action; storm impacts; and the cost of capital. The continued COVID-19 pandemic could also impair the ability to develop, construct, and operate facilities, as discussed further in Item 1A of the Form 10-K. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. Additionally, expenditures associated with Southern Power's planned acquisitions may vary due to market opportunities and the execution of its growth strategy. See Note 15 to the financial statements in Item 8 of the Form 10-K and Note (K) to the Condensed Financial Statements herein under "Southern Power" for additional information regarding Southern Power's plant acquisitions and construction projects.

The construction program of Georgia Power includes Plant Vogtle Units 3 and 4, which includes components based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale and which may be subject to additional revised cost estimates during construction. See Note 2 to the financial statements in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein under "Georgia Power – Nuclear Construction" for information regarding Plant Vogtle Units 3 and 4 and additional factors that may impact construction expenditures.

Long-term debt maturities and the interest payable on long-term debt each represent a significant cash requirement for the Registrants. See "Financing Activities" herein for information on changes in the Registrants' long-term debt balances since December 31, 2020.

Sources of Capital

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" in Item 7 of the Form 10-K for additional information. Southern Company intends to meet its future capital needs through operating cash flows, borrowings from financial institutions, and debt and equity issuances in the capital markets. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings. Southern Company does not expect to issue any equity in the capital markets through 2025. See Note 8 to the financial statements under "Equity Units" in Item 8 of the Form 10-K for information on stock purchase contracts associated with Southern Company's equity units.

The Subsidiary Registrants plan to obtain the funds to meet their future capital needs from sources similar to those they used in the past, which were primarily from operating cash flows, external securities issuances, borrowings from financial institutions, and equity contributions from Southern Company. In addition, Georgia Power plans to utilize borrowings from the FFB (as discussed further in Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings" in Item 8 of the Form 10-K) and Southern Power plans to utilize tax equity partnership contributions (as discussed further herein).

The amount, type, and timing of any financings in 2021, as well as in subsequent years, will be contingent on investment opportunities and the Registrants' capital requirements and will depend upon prevailing market conditions, regulatory approvals (for certain of the Subsidiary Registrants), and other factors. See "Cash Requirements" and "Financing Activities" herein for additional information.

Southern Power utilizes tax equity partnerships as one of its financing sources, where the tax partner takes significantly all of the federal tax benefits. These tax equity partnerships are consolidated in Southern Power's financial statements and are accounted for using HLBV methodology to allocate partnership gains and losses. In March 2021, Southern Power obtained tax equity funding for the Deuel Harvest wind facility and received proceeds of \$220 million. In addition, during the first three months of 2021, Southern Power received tax equity funding totaling \$17 million from existing partnerships. See Note 1 to the financial statements under "General" in Item 8 of the Form 10-K and Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

By regulation, Nicor Gas is restricted, to the extent of its retained earnings balance, in the amount it can dividend or loan to affiliates and is not permitted to make money pool loans to affiliates. At March 31, 2021, the amount of subsidiary retained earnings restricted to dividend totaled \$1.1 billion. This restriction did not impact Southern

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Company Gas' ability to meet its cash obligations, nor does management expect such restriction to materially impact Southern Company Gas' ability to meet its currently anticipated cash obligations.

Certain Registrants' current liabilities frequently exceed their current assets because of long-term debt maturities and the periodic use of short-term debt as a funding source, as well as significant seasonal fluctuations in cash needs. The Registrants generally plan to refinance long-term debt as it matures. The following table shows the amount by which current liabilities exceeded current assets at March 31, 2021 for the applicable Registrants:

At March 31, 2021	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
Current liabilities in excess of current assets	\$ 2,117	\$ 120	\$ 699	\$ 514	\$ 166

The Registrants believe the need for working capital can be adequately met by utilizing operating cash flows, as well as commercial paper, lines of credit, and short-term bank notes, as market conditions permit. In addition, under certain circumstances, the Subsidiary Registrants may utilize equity contributions and/or loans from Southern Company.

Bank Credit Arrangements

At March 31, 2021, the Registrants' unused committed credit arrangements with banks were as follows:

At March 31, 2021	Southern Company parent	Alabama Power	Georgia Power	Mississippi Power	Southern Power ^(a)	Southern Company Gas ^(b)	SEGCO	Southern Company
<i>(in millions)</i>								
Unused committed credit	\$ 1,999	\$ 1,328	\$ 1,728	\$ 250	\$ 568	\$ 1,745	\$ 30	\$ 7,648

(a) At March 31, 2021, Southern Power also had two continuing letters of credit facilities for standby letters of credit, of which \$13 million was unused. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(b) Includes \$1.045 billion and \$700 million at Southern Company Gas Capital and Nicor Gas, respectively.

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

A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at March 31, 2021 was approximately \$1.4 billion (comprised of approximately \$854 million at Alabama Power, \$550 million at Georgia Power, and \$34 million at Mississippi Power). In addition, at March 31, 2021, Georgia Power and Mississippi Power had approximately \$174 million and \$50 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Short-term Borrowings

The Registrants, Nicor Gas, and SEGCO make short-term borrowings primarily through commercial paper programs that have the liquidity support of the committed bank credit arrangements described above. Southern Power's subsidiaries are not issuers or obligors under its commercial paper program. Commercial paper and short-term bank term loans are included in notes payable in the balance sheets. Details of the Registrants' short-term borrowings were as follows:

	Short-term Debt at March 31, 2021		Short-term Debt During the Period ^(*)		
	Amount Outstanding	Weighted Average Interest Rate	Average Amount Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)		(in millions)		(in millions)
Southern Company	\$ 1,092	0.3 %	\$ 998	0.2 %	\$ 1,520
Alabama Power	—	—	46	0.1	200
Georgia Power	205	0.2	51	0.2	230
Mississippi Power	54	0.2	20	0.2	64
Southern Power	315	0.2	147	0.2	520
Southern Company Gas:					
Southern Company Gas Capital	\$ —	— %	\$ 221	0.2 %	\$ 345
Nicor Gas	497	0.5	120	0.3	520
Southern Company Gas Total	\$ 497	0.5 %	\$ 341	0.3 %	

(*) Average and maximum amounts are based upon daily balances during the three-month period ended March 31, 2021.

Analysis of Cash Flows

Net cash flows provided from (used for) operating, investing, and financing activities for the three months ended March 31, 2021 and 2020 are presented in the following table:

Net cash provided from (used for):	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
(in millions)						
Three Months Ended March 31, 2021						
Operating activities	\$ 1,242	\$ 214	\$ 489	\$ (38)	\$ 187	\$ 550
Investing activities	(2,243)	(466)	(913)	(67)	(504)	(308)
Financing activities	1,734	341	444	90	478	50
Three Months Ended March 31, 2020						
Operating activities	\$ 894	\$ 155	\$ 213	\$ (17)	\$ 83	\$ 643
Investing activities	(889)	(424)	(795)	(71)	600	(193)
Financing activities	185	273	742	(98)	(632)	(185)

Fluctuations in cash flows from financing activities vary from year to year based on capital needs and the maturity or redemption of securities.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Company

Net cash provided from operating activities increased \$0.3 billion for the three months ended March 31, 2021 as compared to the corresponding period in 2020 primarily due to the timing of vendor payments and customer bill credits issued in February 2020 at Georgia Power associated with Tax Reform, partially offset by under recovered natural gas costs at Southern Company Gas resulting from Winter Storm Uri.

The net cash used for investing activities for the three months ended March 31, 2021 was primarily related to the Subsidiary Registrants' construction programs.

The net cash provided from financing activities for the three months ended March 31, 2021 was primarily related to net issuances of long-term debt, short-term bank loans, and commercial paper, partially offset by common stock dividend payments.

Alabama Power

Net cash provided from operating activities increased \$59 million for the three months ended March 31, 2021 as compared to the corresponding period in 2020 primarily due to an increase in retail revenues associated with an increase in Rate RSE effective in January 2021 and colder weather in Alabama Power's service territory in the first quarter 2021 compared to the corresponding period in 2020, as well as the timing of fossil fuel stock and materials and supplies purchases, partially offset by lower fuel cost recovery and the timing of receivable collections.

The net cash used for investing activities for the three months ended March 31, 2021 was primarily related to gross property additions.

The net cash provided from financing activities for the three months ended March 31, 2021 was primarily related to a capital contribution from Southern Company, partially offset by common stock dividend payments.

Georgia Power

Net cash provided from operating activities increased \$276 million for the three months ended March 31, 2021 as compared to the corresponding period in 2020 primarily due to the timing of customer receivable collections, as well as customer bill credits issued in February 2020 associated with Tax Reform.

The net cash used for investing activities for the three months ended March 31, 2021 was primarily related to gross property additions, including a total of approximately \$350 million related to the construction of Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information on construction of Plant Vogtle Units 3 and 4.

The net cash provided from financing activities for the three months ended March 31, 2021 was primarily related to net issuances of senior notes, capital contributions from Southern Company, and an increase in notes payable, partially offset by common stock dividend payments.

Mississippi Power

Net cash used for operating activities increased \$21 million for the three months ended March 31, 2021 as compared to the corresponding period in 2020 primarily due to the timing of ad valorem tax payments.

The net cash used for investing activities for the three months ended March 31, 2021 was primarily related to gross property additions.

The net cash provided from financing activities for the three months ended March 31, 2021 was primarily related to capital contributions from Southern Company and an increase in commercial paper borrowings, partially offset by common stock dividend payments.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Power

Net cash provided from operating activities increased \$104 million for the three months ended March 31, 2021 as compared to the corresponding period in 2020 primarily due to the timing of payments to PPA counterparties and the timing of receipts from affiliated companies.

The net cash used for investing activities for the three months ended March 31, 2021 was primarily related to the acquisition of the Deuel Harvest wind facility and ongoing construction activities. See Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

The net cash provided from financing activities for the three months ended March 31, 2021 was primarily related to the issuance of senior notes, net capital contributions from noncontrolling interests, and an increase in commercial paper borrowings, partially offset by a return of capital to Southern Company and common stock dividend payments.

Southern Company Gas

Net cash provided from operating activities decreased \$93 million for the three months ended March 31, 2021 as compared to the corresponding period in 2020 primarily due to natural gas cost under recovery, reflecting an increase in the cost of gas purchased during Winter Storm Uri, and the timing of customer receivable collections, partially offset by temporary LIFO liquidation, and the timing of vendor payments.

The net cash used for investing activities for the three months ended March 31, 2021 was primarily related to construction of transportation and distribution assets recovered through base rates and infrastructure investment recovered through replacement programs at gas distribution operations.

The net cash provided from financing activities for the three months ended March 31, 2021 was primarily related to the issuance of short-term debt and capital contributions from Southern Company, partially offset by common stock dividend payments and repayments of commercial paper borrowings.

Significant Balance Sheet Changes

Southern Company

Significant balance sheet changes for the three months ended March 31, 2021 included:

- an increase of \$1.7 billion in long-term debt (including amounts due within one year) related to new issuances;
- an increase of \$1.4 billion in total property, plant, and equipment primarily related to the Subsidiary Registrants' construction programs, as well as Southern Power's acquisition of the Deuel Harvest wind facility;
- an increase of \$0.8 billion in total stockholders' equity primarily related to net income, partially offset by common stock dividend payments;
- an increase of \$0.7 billion in accumulated deferred income taxes primarily related to the expected utilization of tax credits in 2021;
- an increase of \$0.7 billion in cash and cash equivalents, as discussed further under "Analysis of Cash Flows – Southern Company" herein;
- an increase of \$0.5 billion in natural gas cost under recovery, which was impacted by an increase in Southern Company Gas' cost of gas purchased during Winter Storm Uri; and
- an increase of \$0.5 billion in notes payable related to net issuances of short-term bank debt and commercial paper.

See "Financing Activities" herein and Notes (B) and (K) to the Condensed Financial Statements herein for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Alabama Power

Significant balance sheet changes for the three months ended March 31, 2021 included:

- an increase of \$716 million in common stockholder's equity primarily due to capital contributions from Southern Company;
- an increase of \$269 million in total property, plant, and equipment primarily related to construction of distribution and transmission facilities and the installation of equipment to comply with environmental standards; and
- a decrease of \$153 million in other accounts payable primarily due to the timing of vendor payments.

Georgia Power

Significant balance sheet changes for the three months ended March 31, 2021 included:

- an increase of \$547 million in total property, plant, and equipment primarily related to the construction of generation, transmission, and distribution facilities, including \$291 million for Plant Vogtle Units 3 and 4 (net of a pre-tax charge of \$48 million for an estimated probable loss);
- an increase of \$395 million in long-term debt (including securities due within one year) primarily due to a net increase in outstanding senior notes; and
- an increase of \$273 million in common stockholder's equity primarily due to capital contributions from Southern Company.

See "Financing Activities – Georgia Power" herein and Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information.

Mississippi Power

Significant balance sheet changes for the three months ended March 31, 2021 included:

- an increase of \$106 million in common stockholder's equity primarily from capital contributions from Southern Company and
- a decrease of \$75 million in accrued taxes primarily due to the payment of ad valorem taxes.

Southern Power

Significant balance sheet changes for the three months ended March 31, 2021 included:

- an increase of \$409 million in property, plant, and equipment in service primarily due to the acquisition of the Deuel Harvest wind facility;
- an increase of \$357 million in prepaid income taxes, a decrease of \$262 million in accumulated deferred income tax assets, and a \$107 million increase in accumulated deferred income tax liabilities primarily related to the expected utilization of ITCs in 2021; and
- an increase of \$337 million in long-term debt primarily related to the issuance of senior notes.

See "Financing Activities – Southern Power" herein and Note (K) to the Condensed Financial Statements herein for additional information.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Company Gas

Significant balance sheet changes for the three months ended March 31, 2021 included:

- increases of \$487 million in natural gas cost under recovery, \$171 million in other regulatory assets, deferred, and \$162 million in accumulated deferred income taxes, all primarily related to natural gas cost under recovery, reflecting an increase in the cost of gas purchased during Winter Storm Uri;
- an increase of \$327 million in common stockholder's equity primarily related to net income and capital contributions from Southern Company, partially offset by dividends paid to Southern Company;
- an increase of \$292 million in cash and cash equivalents, as discussed further under "Analysis of Cash Flows – Southern Company Gas" herein;
- a decrease of \$263 million in natural gas for sale due to higher volumes of natural gas sold;
- an increase of \$194 million in temporary LIFO liquidation due to higher natural gas prices during Winter Storm Uri;
- an increase of \$173 million in notes payable due to issuances of short-term borrowings; and
- an increase of \$171 million in total property, plant, and equipment primarily related to the construction of transportation and distribution assets recovered through base rates and infrastructure investment recovered through replacement programs.

See "Financing Activities – Southern Company Gas" herein and Note (B) to the Condensed Financial Statements herein for additional information.

Financing Activities

The following table outlines the Registrants' long-term debt financing activities for the first three months of 2021:

Company	Senior Notes		Other Long-Term Debt Redemptions and Maturities ^(*)
	Issuances	Maturities, Redemptions, and Repurchases	
		(in millions)	
Southern Company parent	\$ 1,000	\$ —	\$ —
Georgia Power	750	325	26
Southern Power	400	—	—
Southern Company Gas	—	—	30
Other	—	—	3
Southern Company	\$ 2,150	\$ 325	\$ 59

(*) Includes reductions in finance lease obligations resulting from cash payments under finance leases and, for Georgia Power, principal amortization payments for FFB borrowings.

Except as otherwise described herein, the Registrants used the proceeds of debt issuances for their redemptions and maturities shown in the table above, to repay short-term indebtedness, and for general corporate purposes, including working capital. The Subsidiary Registrants also used the proceeds for their construction programs.

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

Southern Company

During the first three months of 2021, Southern Company issued approximately 2.2 million shares of common stock primarily through employee equity compensation plans and received proceeds of approximately \$14 million.

In January 2021, Southern Company borrowed \$25 million pursuant to a short-term uncommitted bank credit arrangement, which it repaid in March 2021.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

In February 2021, Southern Company issued \$600 million aggregate principal amount of Series 2021A 0.60% Senior Notes due February 26, 2024 and \$400 million aggregate principal amount of Series 2021B 1.75% Senior Notes due March 15, 2028.

Alabama Power

In March 2021, Alabama Power extended the maturity dates from March 2021 to March 2026 on its three bank term loan agreements with an aggregate principal amount of \$45 million, bearing interest based on three-month LIBOR.

Georgia Power

In February 2021, Georgia Power issued \$750 million aggregate principal amount of Series 2021A 3.25% Senior Notes due March 15, 2051. An amount equal to the net proceeds of the senior notes is being allocated to finance or refinance, in whole or in part, one or more renewable energy projects and/or expenditures and programs related to enabling opportunities for diverse and small businesses/suppliers.

In March 2021, Georgia Power redeemed all \$325 million aggregate principal amount of its Series 2016B 2.40% Senior Notes due April 1, 2021.

Also in March 2021, Georgia Power extended the maturity date of its \$125 million term loan from June 2021 to June 2022.

During the three months ended March 31, 2021, Georgia Power made principal amortization payments of \$25 million under the FFB Credit Facilities. At March 31, 2021, the outstanding principal balance under the FFB Credit Facilities was \$4.6 billion. See Note 8 to the financial statements under "Long-Term Debt – DOE Loan Guarantee Borrowings" in Item 8 of the Form 10-K for additional information.

Southern Power

In January 2021, Southern Power issued \$400 million aggregate principal amount of Series 2021A 0.90% Senior Notes due January 15, 2026. An amount equal to the net proceeds of the senior notes is being allocated to finance or refinance, in whole or in part, one or more renewable energy projects.

Southern Company Gas

In February 2021, Atlanta Gas Light repaid at maturity \$30 million aggregate principal amount of 9.1% medium-term notes.

In March 2021, Nicor Gas entered into three short-term floating rate bank loans in an aggregate principal amount of \$300 million, each bearing interest based on one-month LIBOR.

Credit Rating Risk

At March 31, 2021, the Registrants did 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 Registrants to BBB and/or Baa2 or below. These contracts are primarily for physical electricity and natural gas purchases and sales, fuel purchases, fuel transportation and storage, energy price risk management, transmission, interest rate management, and, for Georgia Power, construction of new generation at Plant Vogtle Units 3 and 4.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

The maximum potential collateral requirements under these contracts at March 31, 2021 were as follows:

Credit Ratings	Southern Company ^(*)	Alabama Power	Georgia Power	Mississippi Power	Southern Power ^(*)	Southern Company Gas
<i>(in millions)</i>						
At BBB and/or Baa2	\$ 38	\$ 1	\$ —	\$ —	\$ 37	\$ —
At BBB- and/or Baa3	433	2	61	1	371	—
At BB+ and/or Ba1 or below	1,938	366	965	308	1,210	10

(*) Southern Power has PPAs that could require collateral, but not accelerated payment, in the event of a downgrade of Southern Power's credit. The PPAs require credit assurances without stating a specific credit rating. The amount of collateral required would depend upon actual losses resulting from a credit downgrade. Southern Power had \$105 million of cash collateral posted related to PPA requirements at March 31, 2021.

The amounts in the previous table for the traditional electric operating companies and Southern Power include certain agreements that could require collateral if either Alabama Power or Georgia Power has a credit rating change to below investment grade. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, a credit rating downgrade could impact the ability of the Registrants to access capital markets and would be likely to impact the cost at which they do so.

Market Price Risk

Other than the Southern Company Gas items discussed below, there were no material changes to the Registrants' disclosures about market price risk during the first quarter 2021. For an in-depth discussion of Southern Company Gas' market price risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" in Item 7 of the Form 10-K. Also see Notes (I) and (J) to the Condensed Financial Statements herein for information relating to derivative instruments.

Southern Company Gas is exposed to market risks, including commodity price risk, interest rate risk, and weather risk. Due to various cost recovery mechanisms, the natural gas distribution utilities that sell natural gas directly to end-use customers continue to have limited exposure to market volatility of natural gas prices. Certain of the natural gas distribution utilities manage fuel-hedging programs implemented per the guidelines of their respective state regulatory agencies to hedge the impact of market fluctuations in natural gas prices for customers. In addition, certain of Southern Company Gas' non-regulated operations routinely utilize various types of derivative instruments to economically hedge certain commodity price and weather risks inherent in the natural gas industry. These instruments include a variety of exchange-traded and over-the-counter energy contracts, such as forward contracts, futures contracts, options contracts, and swap agreements. Some of these economic hedge activities may not qualify, or may not be designated, for hedge accounting treatment.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

For the periods presented below, the changes in net fair value of Southern Company Gas' energy-related derivative contracts were as follows:

		First Quarter 2021	First Quarter 2020
		<i>(in millions)</i>	
Contracts outstanding at beginning of period, assets (liabilities), net	\$	101	\$ 70
Contracts realized or otherwise settled		(48)	(91)
Current period changes ^(*)		(13)	59
Contracts outstanding at the end of period, assets (liabilities), net	\$	40	\$ 38
Netting of cash collateral		27	128
Cash collateral and net fair value of contracts outstanding at end of period	\$	67	\$ 166

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

The maturities of Southern Company Gas' derivative contracts at March 31, 2021 were as follows:

Fair Value Measurements of Contracts at March 31, 2021					
	Total Fair Value	Maturity			
		2021	2022 – 2023	2024 – 2025	
		<i>(in millions)</i>			
Level 1 ^(a)	\$ 13	\$ 11	\$ (12)	\$ 14	
Level 2 ^(b)	(1)	(1)	(2)	2	
Level 3 ^(c)	28	9	8	11	
Fair value of contracts outstanding at end of period ^(d)	\$ 40	\$ 19	\$ (6)	\$ 27	

(a) Valued using NYMEX futures prices.

(b) Valued using basis transactions that represent the cost to transport natural gas from a NYMEX delivery point to the contract delivery point. These transactions are based on quotes obtained either through electronic trading platforms or directly from brokers.

(c) Valued using a combination of observable and unobservable inputs.

(d) Excludes cash collateral of \$27 million.

Southern Company Gas Value at Risk (VaR)

VaR is the maximum potential loss in portfolio value over a specified time period that is not expected to be exceeded within a given degree of probability. Southern Company Gas' VaR may not be comparable to that of other companies due to differences in the factors used to calculate VaR. Southern Company Gas' VaR is determined on a 95% confidence interval and a one-day holding period, which means that 95% of the time, the risk of loss in a day from a portfolio of positions is expected to be less than or equal to the amount of VaR calculated. The open exposure of Southern Company Gas is managed in accordance with established policies that limit market risk and require daily reporting of potential financial exposure to senior management. Because Southern Company Gas generally manages physical gas assets and economically protects its positions by hedging in the futures markets, Southern Company Gas' open exposure is generally mitigated. Southern Company Gas employs daily risk testing, using both VaR and stress testing, to evaluate the risk of its positions.

Southern Company Gas actively monitors open commodity positions and the resulting VaR and maintains a relatively small risk exposure as total buy volume is close to sell volume, with minimal open natural gas price risk. Based on a 95% confidence interval and employing a one-day holding period, SouthStar's portfolio of positions for all periods presented was immaterial.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Southern Company Gas' wholesale gas services segment had the following VaRs at March 31:

		2021		2020
			<i>(in millions)</i>	
Period end ^(*)	\$	1.1	\$	4.2
Average		3.2		2.1
High ^(*)		55.3		4.2
Low		0.9		1.3

(*) The VaR at March 31, 2021 reflects significant natural gas price increases in Sequent's key markets driven by a disruption in natural gas supplies and an increase in usage due to Winter Storm Uri that extended from the Gulf Coast to across the mid-west. VaR returned to typical levels as temperatures and natural gas supplies normalized.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the three months ended March 31, 2021, there were no material changes to Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, and Southern Power's disclosures about market risk. For additional market risk disclosures relating to Southern Company Gas, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" herein. For an in-depth discussion of each Registrant's market risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" in Item 7 of the Form 10-K and Note 1 to the financial statements under "Financial Instruments" and Notes 13 and 14 to the financial statements in Item 8 of the Form 10-K, as well as Notes (I) and (J) to the Condensed Financial Statements herein.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas 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, as amended). Based upon these evaluations, the Chief Executive Officer and the Chief Financial Officer, in each case, concluded that the disclosure controls and procedures are effective.

(b) Changes in internal controls over financial reporting.

There have been no changes in Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, Southern Power's, or Southern Company Gas' 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, as amended) during the first quarter 2021 that have materially affected or are reasonably likely to materially affect Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, Southern Power's, or Southern Company Gas' internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

See the Notes to the Condensed Financial Statements herein for information regarding certain legal and administrative proceedings in which the Registrants are involved. The Registrants' threshold for disclosing material environmental legal proceedings involving a governmental authority where potential monetary sanctions are involved is \$1 million.

Item 1A. Risk Factors.

See RISK FACTORS in Item 1A of the Form 10-K for a discussion of the risk factors of the Registrants. There have been no material changes to these risk factors from those previously disclosed in the Form 10-K.

Item 6. Exhibits.

The exhibits below with an asterisk (*) preceding the exhibit number are filed herewith. The remaining exhibits have previously been filed with the SEC and are incorporated herein by reference. The exhibits marked with a pound sign (#) are management contracts or compensatory plans or arrangements.

(4) Instruments Describing Rights of Security Holders, Including Indentures

Southern Company

- (a)1 - Twenty-Second Supplemental Indenture to Senior Note Indenture dated as of February 26, 2021, providing for amendments to the Senior Note Indenture and for the issuance of the Series 2021A 0.60% Senior Notes due February 26, 2024. ([Designated in Form 8-K dated February 23, 2021, File No. 1-3526, as Exhibit 4.4\(a\)](#))
- (a)2 - Twenty-Third Supplemental Indenture to Senior Note Indenture dated as of February 26, 2021, providing for the issuance of the Series 2021B 1.75% Senior Notes due March 15, 2028. ([Designated in Form 8-K dated February 23, 2021, File No. 1-3526, as Exhibit 4.4\(b\)](#))

Georgia Power

- (b) - Sixty-Third Supplemental Indenture to Senior Note Indenture dated as of February 26, 2021, providing for amendments to the Senior Note Indenture and for the issuance of the Series 2021A 3.25% Senior Notes due March 15, 2051. ([Designated in Form 8-K dated February 22, 2021, File No. 1-6468, as Exhibit 4.2](#))

(10) Material Contracts

Southern Company

- # * (a) - [Amendment No. 2 to The Southern Company Change in Control Benefits Protection Plan, effective as of February 26, 2021.](#)

Alabama Power

- # (b) - Amendment No. 2 to The Southern Company Change in Control Benefits Protection Plan, effective as of February 26, 2021. See Exhibit 10(a) herein.

(24) Power of Attorney and Resolutions

Southern Company

- (a) - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 1-3526 as Exhibit 24\(a\).](#))

Alabama Power

- (b) - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 1-3164 as Exhibit 24\(b\).](#))

Georgia Power

- (c)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 1-6468 as Exhibit 24\(c\)1.](#))
- (c)2 - Power of Attorney of Daniel S. Tucker. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 1-6468 as Exhibit 24\(c\)2.](#))

Mississippi Power

- (d)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 001-11229 as Exhibit 24\(d\)1.](#))

Southern Power

- (e)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 001-37803 as Exhibit 24\(e\)1.](#))

Southern Company Gas

- (f)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 1-14174 as Exhibit 24\(f\)1.](#))
- (f)2 - Power of Attorney of David P. Poroch. ([Designated in the Form 10-K for the year ended December 31, 2020, File No. 1-14174 as Exhibit 24\(f\)2.](#))

(31) Section 302 Certifications**Southern Company**

- * (a)1 - [Certificate of Southern Company's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (a)2 - [Certificate of Southern Company's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Alabama Power

- * (b)1 - [Certificate of Alabama Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (b)2 - [Certificate of Alabama Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Georgia Power

- * (c)1 - [Certificate of Georgia Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (c)2 - [Certificate of Georgia Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Mississippi Power

- * (d)1 - [Certificate of Mississippi Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (d)2 - [Certificate of Mississippi Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Southern Power

- * (e)1 - [Certificate of Southern Power Company's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (e)2 - [Certificate of Southern Power Company's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Southern Company Gas

- * (f)1 - [Certificate of Southern Company Gas' Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (f)2 - [Certificate of Southern Company Gas' Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

(32) Section 906 Certifications**Southern Company**

- * (a) - [Certificate of Southern Company's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Alabama Power

- * (b) - [Certificate of Alabama Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Georgia Power

- * (c) - [Certificate of Georgia Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Mississippi Power

- * (d) - [Certificate of Mississippi Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Southern Power

- * (e) - [Certificate of Southern Power Company's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Southern Company Gas

- * (f) - [Certificate of Southern Company Gas' Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

(101) Interactive Data Files

- * INS - XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
- * SCH - XBRL Taxonomy Extension Schema Document
- * CAL - XBRL Taxonomy Calculation Linkbase Document
- * DEF - XBRL Definition Linkbase Document
- * LAB - XBRL Taxonomy Label Linkbase Document
- * PRE - XBRL Taxonomy Presentation Linkbase Document

(104) Cover Page Interactive Data File

- * Formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.

THE SOUTHERN COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

THE SOUTHERN COMPANY

By *Thomas A. Fanning*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Andrew W. Evans*
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: April 28, 2021

ALABAMA POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

ALABAMA POWER COMPANY

By *Mark A. Crosswhite*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Philip C. Raymond*
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By /s/ Melissa K. Caen
(Melissa K. Caen, Attorney-in-fact)

Date: April 28, 2021

GEORGIA POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

GEORGIA POWER COMPANY

By *W. Paul Bowers*
Chairman and Chief Executive Officer
(Principal Executive Officer)

By *Daniel S. Tucker*
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: April 28, 2021

MISSISSIPPI POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

MISSISSIPPI POWER COMPANY

By *Anthony L. Wilson*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Moses H. Feagin*
Senior Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: April 28, 2021

SOUTHERN POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

SOUTHERN POWER COMPANY

By *Christopher Cummiskey*
Chairman and Chief Executive Officer
(Principal Executive Officer)

By *Elliott L. Spencer*
Senior Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: April 28, 2021

SOUTHERN COMPANY GAS**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

SOUTHERN COMPANY GAS

By *Kimberly S. Greene*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *David P. Poroch*
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: April 28, 2021