

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

---

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended September 30, 2023**  
**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

| <b>Commission<br/>File Number</b> | <b>Registrant,<br/>State of Incorporation,<br/>Address and Telephone Number</b>                                                               | <b>I.R.S. Employer<br/>Identification No.</b> |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 1-3526                            | <b>The Southern Company</b><br>(A Delaware Corporation)<br>30 Ivan Allen Jr. Boulevard, N.W.<br>Atlanta, Georgia 30308<br>(404) 506-5000      | 58-0690070                                    |
| 1-3164                            | <b>Alabama Power Company</b><br>(An Alabama Corporation)<br>600 North 18th Street<br>Birmingham, Alabama 35203<br>(205) 257-1000              | 63-0004250                                    |
| 1-6468                            | <b>Georgia Power Company</b><br>(A Georgia Corporation)<br>241 Ralph McGill Boulevard, N.E.<br>Atlanta, Georgia 30308<br>(404) 506-6526       | 58-0257110                                    |
| 001-11229                         | <b>Mississippi Power Company</b><br>(A Mississippi Corporation)<br>2992 West Beach Boulevard<br>Gulfport, Mississippi 39501<br>(228) 864-1211 | 64-0205820                                    |
| 001-37803                         | <b>Southern Power Company</b><br>(A Delaware Corporation)<br>30 Ivan Allen Jr. Boulevard, N.W.<br>Atlanta, Georgia 30308<br>(404) 506-5000    | 58-2598670                                    |
| 1-14174                           | <b>Southern Company Gas</b><br>(A Georgia Corporation)<br>Ten Peachtree Place, N.E.<br>Atlanta, Georgia 30309<br>(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 2017B 5.25% Junior Subordinated Notes due 2077                            | SOJC              | 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                                      |
| The Southern Company   | Series 2021B 1.875% Fixed-to-Fixed Reset Rate Junior Subordinated Notes due 2081 | SO 81             | NYSE                                      |
| Georgia Power Company  | Series 2017A 5.00% Junior Subordinated Notes due 2077                            | GPJA              | 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 September 30, 2023 |
|---------------------------|-----------------------------|------------------------------------------|
| The Southern Company      | Par Value \$5 Per Share     | 1,090,619,349                            |
| 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.

## TABLE OF CONTENTS

|                                            |                                                                                                             | <b><u>Page</u></b>  |
|--------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------|
|                                            | <a href="#">Definitions</a> .....                                                                           | <a href="#">4</a>   |
|                                            | <a href="#">Cautionary Statement Regarding Forward-Looking Information</a> .....                            | <a href="#">8</a>   |
| <b><u>PART I—FINANCIAL INFORMATION</u></b> |                                                                                                             |                     |
| Item 1.                                    | <a href="#">Financial Statements (Unaudited)</a> .....                                                      | <a href="#">10</a>  |
| Item 2.                                    | <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a> ..... | <a href="#">100</a> |
| Item 3.                                    | <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a> .....                            | <a href="#">160</a> |
| Item 4.                                    | <a href="#">Controls and Procedures</a> .....                                                               | <a href="#">160</a> |
| <b><u>PART II—OTHER INFORMATION</u></b>    |                                                                                                             |                     |
| Item 1.                                    | <a href="#">Legal Proceedings</a> .....                                                                     | <a href="#">161</a> |
| Item 1A.                                   | <a href="#">Risk Factors</a> .....                                                                          | <a href="#">161</a> |
| Item 2.                                    | Unregistered Sales of Equity Securities and Use of Proceeds .....                                           | Inapplicable        |
| Item 3.                                    | Defaults Upon Senior Securities .....                                                                       | Inapplicable        |
| Item 4.                                    | Mine Safety Disclosures .....                                                                               | Inapplicable        |
| Item 5.                                    | <a href="#">Other Information</a> .....                                                                     | <a href="#">161</a> |
| Item 6.                                    | <a href="#">Exhibits</a> .....                                                                              | <a href="#">161</a> |
|                                            | <a href="#">Signatures</a> .....                                                                            | <a href="#">164</a> |

**DEFINITIONS**

| <b><u>Term</u></b>                                  | <b><u>Meaning</u></b>                                                                                                                                                                                                                                                                                   |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2022 ARP .....                                      | Alternate Rate Plan approved by the Georgia PSC in 2022 for Georgia Power for the years 2023 through 2025                                                                                                                                                                                               |
| 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                                                                                                                                                                                                                                                                             |
| ASU .....                                           | Accounting Standards Update                                                                                                                                                                                                                                                                             |
| Atlanta Gas Light .....                             | Atlanta Gas Light Company, a wholly-owned subsidiary of Southern Company Gas                                                                                                                                                                                                                            |
| 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                                                                                                                                                                                                                                                                               |
| CCR Rule .....                                      | Disposal of Coal Combustion Residuals from Electric Utilities final rule published by the EPA in 2015                                                                                                                                                                                                   |
| Chattanooga Gas .....                               | Chattanooga Gas Company, a wholly-owned subsidiary of Southern Company Gas                                                                                                                                                                                                                              |
| Clean Air Act .....                                 | Clean Air Act Amendments of 1990                                                                                                                                                                                                                                                                        |
| COD .....                                           | Commercial operation date                                                                                                                                                                                                                                                                               |
| Contractor Settlement Agreement .....               | The December 31, 2015 agreement between Westinghouse and the Vogtle Owners resolving disputes between the Vogtle Owners and the EPC Contractor under the Vogtle 3 and 4 Agreement                                                                                                                       |
| Cooperative Energy .....                            | Electric generation and transmission cooperative in Mississippi                                                                                                                                                                                                                                         |
| 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                                                                                                                                                                                                                                              |
| ELG .....                                           | Effluent limitations guidelines                                                                                                                                                                                                                                                                         |
| 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                                                                                                                                    |
| FASB .....                                          | Financial Accounting Standards Board                                                                                                                                                                                                                                                                    |
| FCC .....                                           | Federal Communications Commission                                                                                                                                                                                                                                                                       |
| FERC .....                                          | Federal Energy Regulatory Commission                                                                                                                                                                                                                                                                    |
| FFB .....                                           | Federal Financing Bank                                                                                                                                                                                                                                                                                  |
| First Solar .....                                   | First Solar Electric, LLC                                                                                                                                                                                                                                                                               |
| 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, 2022, as applicable                                                                                                           |
| GAAP .....                                          | U.S. generally accepted accounting principles                                                                                                                                                                                                                                                           |

## DEFINITIONS (continued)

| <b><u>Term</u></b>                       | <b><u>Meaning</u></b>                                                                                                                                                                                                                                                |
|------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Georgia Power .....                      | Georgia Power Company                                                                                                                                                                                                                                                |
| GHG .....                                | Greenhouse gas                                                                                                                                                                                                                                                       |
| 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                                                                                                       |
| 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                                                                                                                                                                                                                                    |
| Illinois Commission .....                | Illinois Commerce Commission                                                                                                                                                                                                                                         |
| IRP .....                                | Integrated resource plan                                                                                                                                                                                                                                             |
| ITAAC .....                              | Inspections, Tests, Analyses, and Acceptance Criteria, standards established by the NRC                                                                                                                                                                              |
| ITC .....                                | Investment tax credit                                                                                                                                                                                                                                                |
| JEA .....                                | Jacksonville Electric Authority                                                                                                                                                                                                                                      |
| KWH .....                                | Kilowatt-hour                                                                                                                                                                                                                                                        |
| LIBOR .....                              | London Interbank Offered Rate                                                                                                                                                                                                                                        |
| LIFO .....                               | Last-in, first-out                                                                                                                                                                                                                                                   |
| LTSA .....                               | Long-term service agreement                                                                                                                                                                                                                                          |
| MEAG Power .....                         | Municipal Electric Authority of Georgia                                                                                                                                                                                                                              |
| Mississippi Power .....                  | Mississippi Power Company                                                                                                                                                                                                                                            |
| mmBtu .....                              | Million British thermal units                                                                                                                                                                                                                                        |
| Moody's .....                            | Moody's Investors Service, Inc.                                                                                                                                                                                                                                      |
| 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 tariff                                                                                                                                                                                                            |
| NDR .....                                | Alabama Power's Natural Disaster Reserve                                                                                                                                                                                                                             |
| Nicor Gas .....                          | Northern Illinois Gas Company, a wholly-owned subsidiary of Southern Company Gas                                                                                                                                                                                     |
| N/M .....                                | Not meaningful                                                                                                                                                                                                                                                       |
| NRC .....                                | U.S. Nuclear Regulatory Commission                                                                                                                                                                                                                                   |
| OCI .....                                | Other comprehensive income                                                                                                                                                                                                                                           |
| OPC .....                                | Oglethorpe Power Corporation (an electric membership corporation)                                                                                                                                                                                                    |
| PEP .....                                | Mississippi Power's Performance Evaluation Plan                                                                                                                                                                                                                      |
| PowerSecure .....                        | PowerSecure, Inc., a wholly-owned subsidiary of Southern Company                                                                                                                                                                                                     |
| 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                                                                       |
| 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, Rate CNP PPA, and Rate CNP Depreciation                                                                                                                          |
| Rate ECR .....                           | Alabama Power's Rate Energy Cost Recovery                                                                                                                                                                                                                            |

## DEFINITIONS (continued)

| <b><u>Term</u></b>                             | <b><u>Meaning</u></b>                                                                                                                                                                                                                                                                            |
|------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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.                                                                                                                                                                                                                                                |
| SAVE .....                                     | Steps to Advance Virginia's Energy, an infrastructure replacement program at Virginia Natural Gas                                                                                                                                                                                                |
| 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                                                                                                                                                                                                       |
| SNG .....                                      | Southern Natural Gas Company, L.L.C., a pipeline system in which Southern Company Gas has a 50% ownership interest                                                                                                                                                                               |
| SOFR .....                                     | Secured Overnight Financing Rate                                                                                                                                                                                                                                                                 |
| 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, SEGCO, 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 Linc .....                            | Southern Communications Services, Inc., a wholly-owned subsidiary of Southern Company, doing business as Southern Linc                                                                                                                                                                           |
| 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 and battery energy storage 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                                                                                                                |
| SRR .....                                      | Mississippi Power's System Restoration Rider, a tariff for retail property damage cost recovery and reserve                                                                                                                                                                                      |
| Subsidiary Registrants .....                   | Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas                                                                                                                                                                                                        |
| 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 Commission .....                      | Virginia State Corporation Commission                                                                                                                                                                                                                                                            |
| Virginia Natural Gas .....                     | Virginia Natural Gas, Inc., a wholly-owned subsidiary of Southern Company Gas                                                                                                                                                                                                                    |
| Vogtle 3 and 4 Agreement .....                 | Agreement entered into with the EPC Contractor in 2008 by Georgia Power, acting for itself and as agent for the Vogtle Owners, and rejected in bankruptcy in July 2017, pursuant to which the EPC Contractor agreed to design, engineer, procure, construct, and test Plant Vogtle Units 3 and 4 |

**DEFINITIONS**  
**(continued)**

| <b><u>Term</u></b>           | <b><u>Meaning</u></b>                                                                                                                                                                                                                                                                                                            |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Vogtle Owners .....          | Georgia Power, OPC, 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 regulated rates, the strategic goals for the business, customer and sales growth, economic conditions, including inflation, cost recovery and other rate actions, 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, 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 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 and Plant Vogtle Units 3 and 4;
- 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 and commodities;
- the ability to complete necessary or desirable pipeline expansion or infrastructure projects, limits on pipeline capacity, public and policymaker support for such projects, and operational interruptions to natural gas distribution and transmission activities;
- transmission constraints;
- 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 Unit 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), due to current and/or future challenges which include, but are not limited to, changes in labor costs, availability, and productivity; challenges with the 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; the impacts of inflation; 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 or any remediation related thereto; design and other licensing-based compliance matters; challenges with start-up activities, including major equipment failure, or system integration; and/or operational performance; continued challenges related to the COVID-19 pandemic or future pandemic health events; continued public and policymaker support for projects; environmental and geological conditions; delays or increased costs to interconnect facilities to transmission grids; and increased financing costs as a result of changes in market interest rates or as a result of project delays;
- the ability to overcome or mitigate the current challenges, or challenges yet to be identified, at Plant Vogtle Unit 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 past and ongoing construction projects, such as Plant Vogtle Units 3 and 4, 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 Unit 4 not to proceed with construction;
- 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;

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

- 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 and battery energy storage 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 traditional electric operating companies' and SEGCO's generation, transmission, and distribution facilities, Southern Power's generation 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 cyber and physical attacks;
- global and U.S. economic conditions, including impacts from recession, inflation, interest rate fluctuations, and financial market conditions, and the results of financing efforts;
- access to capital markets and other financing sources;
- changes in Southern Company's and any of its subsidiaries' credit ratings;
- the ability of the traditional electric operating companies 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, wars, or other similar occurrences;
- the potential effects of COVID-19, including, but not limited to, those described in Item 1A "Risk Factors" of the Form 10-K;
- 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).

|                                                                                 | <b><u>Page</u></b>        |
|---------------------------------------------------------------------------------|---------------------------|
| <b><u>The Southern Company and Subsidiary Companies:</u></b>                    |                           |
| <a href="#">Condensed Consolidated Statements of Income</a> .....               | <a href="#">11</a>        |
| <a href="#">Condensed Consolidated Statements of Comprehensive Income</a> ..... | <a href="#">12</a>        |
| <a href="#">Condensed Consolidated Statements of Cash Flows</a> .....           | <a href="#">13</a>        |
| <a href="#">Condensed Consolidated Balance Sheets</a> .....                     | <a href="#">14</a>        |
| <a href="#">Condensed Consolidated Statements of Stockholders' Equity</a> ..... | <a href="#">16</a>        |
| <b><u>Alabama Power Company:</u></b>                                            |                           |
| <a href="#">Condensed Statements of Income</a> .....                            | <a href="#">18</a>        |
| <a href="#">Condensed Statements of Comprehensive Income</a> .....              | <a href="#">18</a>        |
| <a href="#">Condensed Statements of Cash Flows</a> .....                        | <a href="#">19</a>        |
| <a href="#">Condensed Balance Sheets</a> .....                                  | <a href="#">20</a>        |
| <a href="#">Condensed Statements of Common Stockholder's Equity</a> .....       | <a href="#">22</a>        |
| <b><u>Georgia Power Company:</u></b>                                            |                           |
| <a href="#">Condensed Statements of Income</a> .....                            | <a href="#">23</a>        |
| <a href="#">Condensed Statements of Comprehensive Income</a> .....              | <a href="#">23</a>        |
| <a href="#">Condensed Statements of Cash Flows</a> .....                        | <a href="#">24</a>        |
| <a href="#">Condensed Balance Sheets</a> .....                                  | <a href="#">25</a>        |
| <a href="#">Condensed Statements of Common Stockholder's Equity</a> .....       | <a href="#">27</a>        |
| <b><u>Mississippi Power Company:</u></b>                                        |                           |
| <a href="#">Condensed Statements of Income and Comprehensive Income</a> .....   | <a href="#">28</a>        |
| <a href="#">Condensed Statements of Cash Flows</a> .....                        | <a href="#">29</a>        |
| <a href="#">Condensed Balance Sheets</a> .....                                  | <a href="#">30</a>        |
| <a href="#">Condensed Statements of Common Stockholder's Equity</a> .....       | <a href="#">32</a>        |
| <b><u>Southern Power Company and Subsidiary Companies:</u></b>                  |                           |
| <a href="#">Condensed Consolidated Statements of Income</a> .....               | <a href="#">33</a>        |
| <a href="#">Condensed Consolidated Statements of Comprehensive Income</a> ..... | <a href="#">33</a>        |
| <a href="#">Condensed Consolidated Statements of Cash Flows</a> .....           | <a href="#">34</a>        |
| <a href="#">Condensed Consolidated Balance Sheets</a> .....                     | <a href="#">35</a>        |
| <a href="#">Condensed Consolidated Statements of Stockholders' Equity</a> ..... | <a href="#">37</a>        |
| <b><u>Southern Company Gas and Subsidiary Companies:</u></b>                    |                           |
| <a href="#">Condensed Consolidated Statements of Income</a> .....               | <a href="#">38</a>        |
| <a href="#">Condensed Consolidated Statements of Comprehensive Income</a> ..... | <a href="#">38</a>        |
| <a href="#">Condensed Consolidated Statements of Cash Flows</a> .....           | <a href="#">39</a>        |
| <a href="#">Condensed Consolidated Balance Sheets</a> .....                     | <a href="#">40</a>        |
| <a href="#">Condensed Consolidated Statements of Stockholder's Equity</a> ..... | <a href="#">42</a>        |
| <b><u>Combined Notes to the Condensed Financial Statements</u></b> .....        | <b><a href="#">43</a></b> |

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

|                                                                                                            | For the Three Months<br>Ended September 30, |          | For the Nine Months<br>Ended September 30, |           |
|------------------------------------------------------------------------------------------------------------|---------------------------------------------|----------|--------------------------------------------|-----------|
|                                                                                                            | 2023                                        | 2022     | 2023                                       | 2022      |
|                                                                                                            | <i>(in millions)</i>                        |          | <i>(in millions)</i>                       |           |
| <b>Operating Revenues:</b>                                                                                 |                                             |          |                                            |           |
| Retail electric revenues                                                                                   | \$ 5,139                                    | \$ 5,961 | \$ 12,597                                  | \$ 14,363 |
| Wholesale electric revenues                                                                                | 727                                         | 1,197    | 1,930                                      | 2,798     |
| Other electric revenues                                                                                    | 203                                         | 185      | 602                                        | 554       |
| Natural gas revenues (includes alternative revenue programs of<br>\$—, \$(1), \$11, and \$—, respectively) | 689                                         | 857      | 3,417                                      | 3,998     |
| Other revenues                                                                                             | 222                                         | 178      | 662                                        | 519       |
| Total operating revenues                                                                                   | 6,980                                       | 8,378    | 19,208                                     | 22,232    |
| <b>Operating Expenses:</b>                                                                                 |                                             |          |                                            |           |
| Fuel                                                                                                       | 1,367                                       | 2,423    | 3,376                                      | 5,249     |
| Purchased power                                                                                            | 207                                         | 645      | 680                                        | 1,285     |
| Cost of natural gas                                                                                        | 102                                         | 294      | 1,199                                      | 1,840     |
| Cost of other sales                                                                                        | 126                                         | 92       | 381                                        | 275       |
| Other operations and maintenance                                                                           | 1,424                                       | 1,527    | 4,352                                      | 4,568     |
| Depreciation and amortization                                                                              | 1,143                                       | 922      | 3,365                                      | 2,728     |
| Taxes other than income taxes                                                                              | 341                                         | 352      | 1,076                                      | 1,073     |
| Estimated loss on Plant Vogtle Units 3 and 4                                                               | 160                                         | (70)     | 160                                        | (18)      |
| Total operating expenses                                                                                   | 4,870                                       | 6,185    | 14,589                                     | 17,000    |
| <b>Operating Income</b>                                                                                    | 2,110                                       | 2,193    | 4,619                                      | 5,232     |
| <b>Other Income and (Expense):</b>                                                                         |                                             |          |                                            |           |
| Allowance for equity funds used during construction                                                        | 66                                          | 59       | 200                                        | 163       |
| Earnings from equity method investments                                                                    | 32                                          | 28       | 110                                        | 109       |
| Interest expense, net of amounts capitalized                                                               | (620)                                       | (511)    | (1,812)                                    | (1,461)   |
| Other income (expense), net                                                                                | 141                                         | 132      | 428                                        | 414       |
| Total other income and (expense)                                                                           | (381)                                       | (292)    | (1,074)                                    | (775)     |
| <b>Earnings Before Income Taxes</b>                                                                        | 1,729                                       | 1,901    | 3,545                                      | 4,457     |
| Income taxes                                                                                               | 297                                         | 414      | 492                                        | 891       |
| <b>Consolidated Net Income</b>                                                                             | 1,432                                       | 1,487    | 3,053                                      | 3,566     |
| Dividends on preferred stock of subsidiaries                                                               | —                                           | 3        | —                                          | 10        |
| Net income (loss) attributable to noncontrolling interests                                                 | 10                                          | 12       | (68)                                       | (55)      |
| <b>Consolidated Net Income Attributable to<br/>Southern Company</b>                                        | \$ 1,422                                    | \$ 1,472 | \$ 3,121                                   | \$ 3,611  |
| <b>Common Stock Data:</b>                                                                                  |                                             |          |                                            |           |
| Earnings per share -                                                                                       |                                             |          |                                            |           |
| Basic                                                                                                      | \$ 1.30                                     | \$ 1.36  | \$ 2.86                                    | \$ 3.38   |
| Diluted                                                                                                    | \$ 1.29                                     | \$ 1.35  | \$ 2.84                                    | \$ 3.36   |
| Average number of shares of common stock outstanding (in millions)                                         |                                             |          |                                            |           |
| Basic                                                                                                      | 1,092                                       | 1,082    | 1,092                                      | 1,070     |
| Diluted                                                                                                    | 1,099                                       | 1,088    | 1,098                                      | 1,076     |

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<br>Ended September 30, |                 | For the Nine Months<br>Ended September 30, |                 |
|--------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-----------------|--------------------------------------------|-----------------|
|                                                                                                                          | <b>2023</b>                                 | 2022            | <b>2023</b>                                | 2022            |
|                                                                                                                          | <i>(in millions)</i>                        |                 | <i>(in millions)</i>                       |                 |
| <b>Consolidated Net Income</b>                                                                                           | <b>\$ 1,432</b>                             | <b>\$ 1,487</b> | <b>\$ 3,053</b>                            | <b>\$ 3,566</b> |
| Other comprehensive income:                                                                                              |                                             |                 |                                            |                 |
| Qualifying hedges:                                                                                                       |                                             |                 |                                            |                 |
| Changes in fair value, net of tax of<br>\$3, \$2, \$(11), and \$(5), respectively                                        | <b>2</b>                                    | —               | <b>(34)</b>                                | (27)            |
| Reclassification adjustment for amounts included in net income,<br>net of tax of \$12, \$8, \$25, and \$32, respectively | <b>36</b>                                   | 26              | <b>70</b>                                  | 100             |
| Pension and other postretirement benefit plans:                                                                          |                                             |                 |                                            |                 |
| Reclassification adjustment for amounts included in net income,<br>net of tax of \$—, \$1, \$—, and \$3, respectively    | —                                           | 2               | <b>1</b>                                   | 8               |
| Total other comprehensive income                                                                                         | <b>38</b>                                   | 28              | <b>37</b>                                  | 81              |
| <b>Comprehensive Income</b>                                                                                              | <b>1,470</b>                                | 1,515           | <b>3,090</b>                               | 3,647           |
| Dividends on preferred stock of subsidiaries                                                                             | —                                           | 3               | —                                          | 10              |
| Comprehensive income (loss) attributable to noncontrolling interests                                                     | <b>10</b>                                   | 12              | <b>(68)</b>                                | (55)            |
| <b>Consolidated Comprehensive Income Attributable to<br/>Southern Company</b>                                            | <b>\$ 1,460</b>                             | <b>\$ 1,500</b> | <b>\$ 3,158</b>                            | <b>\$ 3,692</b> |

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 Nine Months  
Ended September 30,  
**2023**      2022  
*(in millions)*

|                                                                                                   |                        |                        |
|---------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>Operating Activities:</b>                                                                      |                        |                        |
| Consolidated net income                                                                           | \$ 3,053               | \$ 3,566               |
| Adjustments to reconcile consolidated net income to net cash provided from operating activities — |                        |                        |
| Depreciation and amortization, total                                                              | 3,699                  | 3,084                  |
| Deferred income taxes                                                                             | (52)                   | 608                    |
| Utilization of federal investment tax credits                                                     | 195                    | 266                    |
| Allowance for equity funds used during construction                                               | (200)                  | (163)                  |
| Pension, postretirement, and other employee benefits                                              | (397)                  | (322)                  |
| Settlement of asset retirement obligations                                                        | (444)                  | (314)                  |
| Stock based compensation expense                                                                  | 119                    | 116                    |
| Estimated loss on Plant Vogtle Units 3 and 4                                                      | 160                    | (18)                   |
| Storm damage accruals                                                                             | 41                     | 160                    |
| Natural gas cost under recovery – long-term                                                       | —                      | 207                    |
| Retail fuel cost under recovery – long-term                                                       | (157)                  | (1,701)                |
| Other, net                                                                                        | (67)                   | (119)                  |
| Changes in certain current assets and liabilities —                                               |                        |                        |
| -Receivables                                                                                      | 524                    | (316)                  |
| -Retail fuel cost under recovery                                                                  | 513                    | (104)                  |
| -Fossil fuel for generation                                                                       | (254)                  | (76)                   |
| -Materials and supplies                                                                           | (271)                  | (138)                  |
| -Natural gas cost under recovery                                                                  | 108                    | (124)                  |
| -Other current assets                                                                             | (32)                   | (310)                  |
| -Accounts payable                                                                                 | (1,031)                | 805                    |
| -Accrued taxes                                                                                    | 376                    | 167                    |
| -Accrued compensation                                                                             | (197)                  | (123)                  |
| -Customer refunds                                                                                 | (177)                  | (52)                   |
| -Natural gas cost over recovery                                                                   | 165                    | —                      |
| -Other current liabilities                                                                        | 66                     | (82)                   |
| Net cash provided from operating activities                                                       | <u>5,740</u>           | <u>5,017</u>           |
| <b>Investing Activities:</b>                                                                      |                        |                        |
| Property additions                                                                                | (6,561)                | (5,502)                |
| Nuclear decommissioning trust fund purchases                                                      | (885)                  | (858)                  |
| Nuclear decommissioning trust fund sales                                                          | 879                    | 854                    |
| Proceeds from dispositions                                                                        | 165                    | 120                    |
| Cost of removal, net of salvage                                                                   | (421)                  | (518)                  |
| Change in construction payables, net                                                              | 241                    | 15                     |
| Other investing activities                                                                        | (139)                  | (63)                   |
| Net cash used for investing activities                                                            | <u>(6,721)</u>         | <u>(5,952)</u>         |
| <b>Financing Activities:</b>                                                                      |                        |                        |
| Decrease in notes payable, net                                                                    | (298)                  | (349)                  |
| Proceeds —                                                                                        |                        |                        |
| Long-term debt                                                                                    | 7,812                  | 3,800                  |
| Short-term borrowings                                                                             | 250                    | 1,200                  |
| Common stock                                                                                      | 26                     | 1,803                  |
| Redemptions and repurchases —                                                                     |                        |                        |
| Long-term debt                                                                                    | (3,567)                | (1,932)                |
| Short-term borrowings                                                                             | (850)                  | (900)                  |
| Capital contributions from noncontrolling interests                                               | 21                     | 73                     |
| Distributions to noncontrolling interests                                                         | (148)                  | (175)                  |
| Payment of common stock dividends                                                                 | (2,271)                | (2,166)                |
| Other financing activities                                                                        | (141)                  | (235)                  |
| Net cash provided from financing activities                                                       | <u>834</u>             | <u>1,119</u>           |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                                  | <u>(147)</u>           | <u>184</u>             |
| <b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Period</b>                         | <u>2,037</u>           | <u>1,829</u>           |
| <b>Cash, Cash Equivalents, and Restricted Cash at End of Period</b>                               | <u><u>\$ 1,890</u></u> | <u><u>\$ 2,013</u></u> |
| <b>Supplemental Cash Flow Information:</b>                                                        |                        |                        |
| Cash paid during the period for —                                                                 |                        |                        |
| Interest (net of \$97 and \$74 capitalized for 2023 and 2022, respectively)                       | \$ 1,694               | \$ 1,425               |
| Income taxes, net                                                                                 | 11                     | 160                    |
| Noncash transactions —                                                                            |                        |                        |
| Accrued property additions at end of period                                                       | 1,224                  | 872                    |
| Right-of-use assets obtained under operating leases                                               | 76                     | 27                     |
| Right-of-use assets obtained under finance leases                                                 | 3                      | 114                    |
| Reassessment of right-of-use assets under operating leases                                        | —                      | 40                     |

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 September 30,<br>2023 | At December 31,<br>2022 |
|-------------------------------------------------------------------------------|--------------------------|-------------------------|
|                                                                               | <i>(in millions)</i>     |                         |
| <b>Current Assets:</b>                                                        |                          |                         |
| Cash and cash equivalents                                                     | \$ 1,676                 | \$ 1,917                |
| Receivables —                                                                 |                          |                         |
| Customer accounts                                                             | 2,230                    | 2,128                   |
| Unbilled revenues                                                             | 547                      | 1,012                   |
| Under recovered fuel clause revenues                                          | 757                      | 10                      |
| Other accounts and notes                                                      | 553                      | 637                     |
| Accumulated provision for uncollectible accounts                              | (78)                     | (71)                    |
| Materials and supplies                                                        | 1,913                    | 1,664                   |
| Fossil fuel for generation                                                    | 829                      | 575                     |
| Natural gas for sale                                                          | 406                      | 438                     |
| Prepaid expenses                                                              | 321                      | 347                     |
| Assets from risk management activities, net of collateral                     | 36                       | 115                     |
| Regulatory assets – asset retirement obligations                              | 358                      | 332                     |
| Other regulatory assets                                                       | 996                      | 968                     |
| Other current assets                                                          | 544                      | 344                     |
| <b>Total current assets</b>                                                   | <b>11,088</b>            | <b>10,416</b>           |
| <b>Property, Plant, and Equipment:</b>                                        |                          |                         |
| In service                                                                    | 125,573                  | 117,529                 |
| Less: Accumulated depreciation                                                | 37,199                   | 35,297                  |
| Plant in service, net of depreciation                                         | 88,374                   | 82,232                  |
| Other utility plant, net                                                      | 522                      | 599                     |
| Nuclear fuel, at amortized cost                                               | 862                      | 843                     |
| Construction work in progress                                                 | 8,496                    | 10,896                  |
| <b>Total property, plant, and equipment</b>                                   | <b>98,254</b>            | <b>94,570</b>           |
| <b>Other Property and Investments:</b>                                        |                          |                         |
| Goodwill                                                                      | 5,161                    | 5,161                   |
| Nuclear decommissioning trusts, at fair value                                 | 2,207                    | 2,145                   |
| Equity investments in unconsolidated subsidiaries                             | 1,376                    | 1,443                   |
| Other intangible assets, net of amortization of \$367 and \$340, respectively | 377                      | 406                     |
| Miscellaneous property and investments                                        | 651                      | 602                     |
| <b>Total other property and investments</b>                                   | <b>9,772</b>             | <b>9,757</b>            |
| <b>Deferred Charges and Other Assets:</b>                                     |                          |                         |
| Operating lease right-of-use assets, net of amortization                      | 1,467                    | 1,531                   |
| Deferred charges related to income taxes                                      | 889                      | 866                     |
| Prepaid pension costs                                                         | 2,574                    | 2,290                   |
| Unamortized loss on reacquired debt                                           | 224                      | 238                     |
| Deferred under recovered fuel clause revenues                                 | 1,279                    | 2,056                   |
| Regulatory assets – asset retirement obligations, deferred                    | 5,629                    | 5,764                   |
| Other regulatory assets, deferred                                             | 5,666                    | 5,918                   |
| Other deferred charges and assets                                             | 1,479                    | 1,485                   |
| <b>Total deferred charges and other assets</b>                                | <b>19,207</b>            | <b>20,148</b>           |
| <b>Total Assets</b>                                                           | <b>\$ 138,321</b>        | <b>\$ 134,891</b>       |

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)**

| <b>Liabilities and Stockholders' Equity</b>                     | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|-----------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                 | <i>(in millions)</i>             |                                 |
| <b>Current Liabilities:</b>                                     |                                  |                                 |
| Securities due within one year                                  | \$ 3,076                         | \$ 4,285                        |
| Notes payable                                                   | 1,726                            | 2,609                           |
| Accounts payable                                                | 2,942                            | 3,525                           |
| Customer deposits                                               | 511                              | 502                             |
| Accrued taxes —                                                 |                                  |                                 |
| Accrued income taxes                                            | 177                              | 60                              |
| Other accrued taxes                                             | 862                              | 764                             |
| Accrued interest                                                | 573                              | 614                             |
| Accrued compensation                                            | 936                              | 1,127                           |
| Asset retirement obligations                                    | 727                              | 694                             |
| Liabilities from risk management activities, net of collateral  | 232                              | 178                             |
| Operating lease obligations                                     | 181                              | 197                             |
| Natural gas cost over recovery                                  | 165                              | —                               |
| Other regulatory liabilities                                    | 163                              | 382                             |
| Other current liabilities                                       | 943                              | 787                             |
| <b>Total current liabilities</b>                                | <b>13,214</b>                    | <b>15,724</b>                   |
| <b>Long-term Debt</b>                                           | <b>56,003</b>                    | <b>50,656</b>                   |
| <b>Deferred Credits and Other Liabilities:</b>                  |                                  |                                 |
| Accumulated deferred income taxes                               | 10,774                           | 10,036                          |
| Deferred credits related to income taxes                        | 4,813                            | 5,235                           |
| Accumulated deferred ITCs                                       | 2,071                            | 2,133                           |
| Employee benefit obligations                                    | 1,184                            | 1,238                           |
| Operating lease obligations, deferred                           | 1,320                            | 1,388                           |
| Asset retirement obligations, deferred                          | 9,872                            | 10,146                          |
| Other cost of removal obligations                               | 1,940                            | 1,903                           |
| Other regulatory liabilities, deferred                          | 660                              | 733                             |
| Other deferred credits and liabilities                          | 1,166                            | 1,167                           |
| <b>Total deferred credits and other liabilities</b>             | <b>33,800</b>                    | <b>33,979</b>                   |
| <b>Total Liabilities</b>                                        | <b>103,017</b>                   | <b>100,359</b>                  |
| <b>Total Stockholders' Equity</b> (See accompanying statements) | <b>35,304</b>                    | <b>34,532</b>                   |
| <b>Total Liabilities and Stockholders' Equity</b>               | <b>\$ 138,321</b>                | <b>\$ 134,891</b>               |

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<br>Common Shares                   |          | Common Stock |                    |          | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Noncontrolling<br>Interests | Total     |
|                                                     | Issued                                       | Treasury | Par Value    | Paid-In<br>Capital | Treasury |                      |                                                           |                             |           |
| (in millions)                                       |                                              |          |              |                    |          |                      |                                                           |                             |           |
| Balance at December 31, 2021                        | 1,061                                        | (1)      | \$ 5,279     | \$ 11,950          | \$ (47)  | \$ 10,929            | \$ (237)                                                  | \$ 4,402                    | \$ 32,276 |
| Consolidated net income (loss)                      | —                                            | —        | —            | —                  | —        | 1,032                | —                                                         | (45)                        | 987       |
| Other comprehensive income                          | —                                            | —        | —            | —                  | —        | —                    | 42                                                        | —                           | 42        |
| Stock issued                                        | 3                                            | —        | 7            | 31                 | —        | —                    | —                                                         | —                           | 38        |
| Stock-based compensation                            | —                                            | —        | —            | 6                  | —        | —                    | —                                                         | —                           | 6         |
| Cash dividends of \$0.66 per share                  | —                                            | —        | —            | —                  | —        | (702)                | —                                                         | —                           | (702)     |
| Capital contributions from noncontrolling interests | —                                            | —        | —            | —                  | —        | —                    | —                                                         | 73                          | 73        |
| Distributions to noncontrolling interests           | —                                            | —        | —            | —                  | —        | —                    | —                                                         | (98)                        | (98)      |
| Other                                               | —                                            | —        | —            | 7                  | (2)      | 2                    | —                                                         | —                           | 7         |
| Balance at March 31, 2022                           | 1,064                                        | (1)      | 5,286        | 11,994             | (49)     | 11,261               | (195)                                                     | 4,332                       | 32,629    |
| Consolidated net income (loss)                      | —                                            | —        | —            | —                  | —        | 1,107                | —                                                         | (22)                        | 1,085     |
| Other comprehensive income                          | —                                            | —        | —            | —                  | —        | —                    | 11                                                        | —                           | 11        |
| Stock issued                                        | —                                            | —        | 2            | 21                 | —        | —                    | —                                                         | —                           | 23        |
| Stock-based compensation                            | —                                            | —        | —            | 14                 | —        | —                    | —                                                         | —                           | 14        |
| Cash dividends of \$0.68 per share                  | —                                            | —        | —            | —                  | —        | (723)                | —                                                         | —                           | (723)     |
| Distributions to noncontrolling interests           | —                                            | —        | —            | —                  | —        | —                    | —                                                         | (28)                        | (28)      |
| Other                                               | —                                            | —        | —            | 4                  | (2)      | —                    | —                                                         | —                           | 2         |
| Balance at June 30, 2022                            | 1,064                                        | (1)      | 5,288        | 12,033             | (51)     | 11,645               | (184)                                                     | 4,282                       | 33,013    |
| Consolidated net income                             | —                                            | —        | —            | —                  | —        | 1,472                | —                                                         | 12                          | 1,484     |
| Other comprehensive income                          | —                                            | —        | —            | —                  | —        | —                    | 28                                                        | —                           | 28        |
| Stock issued                                        | 26                                           | —        | 129          | 1,613              | —        | —                    | —                                                         | —                           | 1,742     |
| Stock-based compensation                            | —                                            | —        | —            | 15                 | —        | —                    | —                                                         | —                           | 15        |
| Cash dividends of \$0.68 per share                  | —                                            | —        | —            | —                  | —        | (741)                | —                                                         | —                           | (741)     |
| Distributions to noncontrolling interests           | —                                            | —        | —            | —                  | —        | —                    | —                                                         | (57)                        | (57)      |
| Other                                               | —                                            | —        | —            | (4)                | (1)      | (2)                  | (1)                                                       | —                           | (8)       |
| Balance at September 30, 2022                       | 1,090                                        | (1)      | \$ 5,417     | \$ 13,657          | \$ (52)  | \$ 12,374            | \$ (157)                                                  | \$ 4,237                    | \$ 35,476 |

| Southern Company Common Stockholders' Equity        |                            |          |              |                    |          |                      |                                                           |                             |           |
|-----------------------------------------------------|----------------------------|----------|--------------|--------------------|----------|----------------------|-----------------------------------------------------------|-----------------------------|-----------|
|                                                     | Number of<br>Common Shares |          | Common Stock |                    |          | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Noncontrolling<br>Interests | Total     |
|                                                     | Issued                     | Treasury | Par Value    | Paid-In<br>Capital | Treasury |                      |                                                           |                             |           |
| (in millions)                                       |                            |          |              |                    |          |                      |                                                           |                             |           |
| Balance at December 31, 2022                        | 1,090                      | (1)      | \$ 5,417     | \$ 13,673          | \$ (53)  | \$ 11,538            | \$ (167)                                                  | \$ 4,124                    | \$ 34,532 |
| Consolidated net income (loss)                      | —                          | —        | —            | —                  | —        | 862                  | —                                                         | (63)                        | 799       |
| Other comprehensive income (loss)                   | —                          | —        | —            | —                  | —        | —                    | (44)                                                      | —                           | (44)      |
| Stock issued                                        | 2                          | —        | 4            | 11                 | —        | —                    | —                                                         | —                           | 15        |
| Stock-based compensation                            | —                          | —        | —            | 29                 | —        | —                    | —                                                         | —                           | 29        |
| Cash dividends of \$0.68 per share                  | —                          | —        | —            | —                  | —        | (742)                | —                                                         | —                           | (742)     |
| Capital contributions from noncontrolling interests | —                          | —        | —            | —                  | —        | —                    | —                                                         | 21                          | 21        |
| Distributions to noncontrolling interests           | —                          | —        | —            | —                  | —        | —                    | —                                                         | (48)                        | (48)      |
| Other                                               | —                          | —        | —            | 2                  | (2)      | —                    | —                                                         | —                           | —         |
| Balance at March 31, 2023                           | 1,092                      | (1)      | 5,421        | 13,715             | (55)     | 11,658               | (211)                                                     | 4,034                       | 34,562    |
| Consolidated net income (loss)                      | —                          | —        | —            | —                  | —        | 838                  | —                                                         | (15)                        | 823       |
| Other comprehensive income                          | —                          | —        | —            | —                  | —        | —                    | 43                                                        | —                           | 43        |
| Stock issued                                        | —                          | —        | 1            | 6                  | —        | —                    | —                                                         | —                           | 7         |
| Stock-based compensation                            | —                          | —        | —            | 19                 | —        | —                    | —                                                         | —                           | 19        |
| Cash dividends of \$0.70 per share                  | —                          | —        | —            | —                  | —        | (764)                | —                                                         | —                           | (764)     |
| Distributions to noncontrolling interests           | —                          | —        | —            | —                  | —        | —                    | —                                                         | (42)                        | (42)      |
| Other                                               | —                          | —        | —            | 2                  | (1)      | —                    | —                                                         | (1)                         | —         |
| Balance at June 30, 2023                            | 1,092                      | (1)      | 5,422        | 13,742             | (56)     | 11,732               | (168)                                                     | 3,976                       | 34,648    |
| Consolidated net income                             | —                          | —        | —            | —                  | —        | 1,422                | —                                                         | 10                          | 1,432     |
| Other comprehensive income                          | —                          | —        | —            | —                  | —        | —                    | 38                                                        | —                           | 38        |
| Stock issued                                        | —                          | —        | —            | 4                  | —        | —                    | —                                                         | —                           | 4         |
| Stock-based compensation                            | —                          | —        | —            | 7                  | —        | —                    | —                                                         | —                           | 7         |
| Cash dividends of \$0.70 per share                  | —                          | —        | —            | —                  | —        | (765)                | —                                                         | —                           | (765)     |
| Distributions to noncontrolling interests           | —                          | —        | —            | —                  | —        | —                    | —                                                         | (59)                        | (59)      |
| Other                                               | —                          | —        | —            | (2)                | (1)      | 2                    | —                                                         | —                           | (1)       |
| Balance at September 30, 2023                       | 1,092                      | (1)      | \$ 5,422     | \$ 13,751          | \$ (57)  | \$ 12,391            | \$ (130)                                                  | \$ 3,927                    | \$ 35,304 |

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<br>Ended September 30, |          | For the Nine Months<br>Ended September 30, |          |
|------------------------------------------------------|---------------------------------------------|----------|--------------------------------------------|----------|
|                                                      | 2023                                        | 2022     | 2023                                       | 2022     |
|                                                      | (in millions)                               |          | (in millions)                              |          |
| <b>Operating Revenues:</b>                           |                                             |          |                                            |          |
| Retail revenues                                      | \$ 1,860                                    | \$ 2,008 | \$ 4,708                                   | \$ 5,015 |
| Wholesale revenues, non-affiliates                   | 106                                         | 250      | 358                                        | 522      |
| Wholesale revenues, affiliates                       | 14                                          | 70       | 43                                         | 170      |
| Other revenues                                       | 103                                         | 116      | 311                                        | 316      |
| Total operating revenues                             | 2,083                                       | 2,444    | 5,420                                      | 6,023    |
| <b>Operating Expenses:</b>                           |                                             |          |                                            |          |
| Fuel                                                 | 402                                         | 666      | 1,013                                      | 1,399    |
| Purchased power, non-affiliates                      | 42                                          | 185      | 197                                        | 347      |
| Purchased power, affiliates                          | 80                                          | 113      | 193                                        | 260      |
| Other operations and maintenance                     | 411                                         | 418      | 1,275                                      | 1,270    |
| Depreciation and amortization                        | 351                                         | 220      | 1,045                                      | 652      |
| Taxes other than income taxes                        | 110                                         | 106      | 333                                        | 309      |
| Total operating expenses                             | 1,396                                       | 1,708    | 4,056                                      | 4,237    |
| <b>Operating Income</b>                              | 687                                         | 736      | 1,364                                      | 1,786    |
| <b>Other Income and (Expense):</b>                   |                                             |          |                                            |          |
| Allowance for equity funds used during construction  | 23                                          | 18       | 65                                         | 51       |
| Interest expense, net of amounts capitalized         | (104)                                       | (98)     | (311)                                      | (278)    |
| Other income (expense), net                          | 38                                          | 38       | 117                                        | 101      |
| Total other income and (expense)                     | (43)                                        | (42)     | (129)                                      | (126)    |
| <b>Earnings Before Income Taxes</b>                  | 644                                         | 694      | 1,235                                      | 1,660    |
| Income taxes                                         | 79                                          | 166      | 103                                        | 394      |
| <b>Net Income</b>                                    | 565                                         | 528      | 1,132                                      | 1,266    |
| <b>Dividends on Preferred Stock</b>                  | —                                           | 3        | —                                          | 10       |
| <b>Net Income After Dividends on Preferred Stock</b> | \$ 565                                      | \$ 525   | \$ 1,132                                   | \$ 1,256 |

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

|                                                                                                                       | For the Three Months<br>Ended September 30, |        | For the Nine Months<br>Ended September 30, |          |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------|--------------------------------------------|----------|
|                                                                                                                       | 2023                                        | 2022   | 2023                                       | 2022     |
|                                                                                                                       | (in millions)                               |        | (in millions)                              |          |
| <b>Net Income</b>                                                                                                     | \$ 565                                      | \$ 528 | \$ 1,132                                   | \$ 1,266 |
| Other comprehensive income:                                                                                           |                                             |        |                                            |          |
| Qualifying hedges:                                                                                                    |                                             |        |                                            |          |
| Changes in fair value, net of tax of<br>\$—, \$—, \$—, and \$—, respectively                                          | —                                           | 1      | 1                                          | (1)      |
| Reclassification adjustment for amounts included in net income,<br>net of tax of \$—, \$—, \$—, and \$1, respectively | 1                                           | 1      | 1                                          | 3        |
| <b>Total other comprehensive income</b>                                                                               | 1                                           | 2      | 2                                          | 2        |
| <b>Comprehensive Income</b>                                                                                           | \$ 566                                      | \$ 530 | \$ 1,134                                   | \$ 1,268 |

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 Nine Months<br>Ended September 30, |                 |
|--------------------------------------------------------------------------------------|--------------------------------------------|-----------------|
|                                                                                      | 2023                                       | 2022            |
|                                                                                      | (in millions)                              |                 |
| <b>Operating Activities:</b>                                                         |                                            |                 |
| Net income                                                                           | \$ 1,132                                   | \$ 1,266        |
| Adjustments to reconcile net income to net cash provided from operating activities — |                                            |                 |
| Depreciation and amortization, total                                                 | 1,158                                      | 817             |
| Deferred income taxes                                                                | (210)                                      | 210             |
| Pension, postretirement, and other employee benefits                                 | (148)                                      | (85)            |
| Settlement of asset retirement obligations                                           | (188)                                      | (139)           |
| Retail fuel cost under recovery – long-term                                          | —                                          | (413)           |
| Other, net                                                                           | (21)                                       | (98)            |
| Changes in certain current assets and liabilities —                                  |                                            |                 |
| -Receivables                                                                         | (108)                                      | (296)           |
| -Fossil fuel stock                                                                   | (113)                                      | (40)            |
| -Retail fuel cost under recovery                                                     | 334                                        | (93)            |
| -Other current assets                                                                | (124)                                      | (75)            |
| -Accounts payable                                                                    | (358)                                      | (22)            |
| -Accrued taxes                                                                       | 271                                        | 110             |
| -Other current liabilities                                                           | (103)                                      | (70)            |
| Net cash provided from operating activities                                          | 1,522                                      | 1,072           |
| <b>Investing Activities:</b>                                                         |                                            |                 |
| Property additions                                                                   | (1,377)                                    | (1,483)         |
| Nuclear decommissioning trust fund purchases                                         | (226)                                      | (273)           |
| Nuclear decommissioning trust fund sales                                             | 226                                        | 273             |
| Cost of removal, net of salvage                                                      | (128)                                      | (163)           |
| Change in construction payables                                                      | (68)                                       | 36              |
| Other investing activities                                                           | 27                                         | (31)            |
| Net cash used for investing activities                                               | (1,546)                                    | (1,641)         |
| <b>Financing Activities:</b>                                                         |                                            |                 |
| Proceeds —                                                                           |                                            |                 |
| Senior notes                                                                         | 200                                        | 1,700           |
| Revenue bonds                                                                        | 326                                        | —               |
| Other long-term debt                                                                 | 28                                         | —               |
| Redemptions — Senior notes                                                           | —                                          | (550)           |
| Capital contributions from parent company                                            | 380                                        | 660             |
| Payment of common stock dividends                                                    | (856)                                      | (762)           |
| Other financing activities                                                           | (12)                                       | (81)            |
| Net cash provided from financing activities                                          | 66                                         | 967             |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                     | <b>42</b>                                  | <b>398</b>      |
| <b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Period</b>            | <b>687</b>                                 | <b>1,060</b>    |
| <b>Cash, Cash Equivalents, and Restricted Cash at End of Period</b>                  | <b>\$ 729</b>                              | <b>\$ 1,458</b> |
| <b>Supplemental Cash Flow Information:</b>                                           |                                            |                 |
| Cash paid during the period for —                                                    |                                            |                 |
| Interest (net of \$21 and \$14 capitalized for 2023 and 2022, respectively)          | \$ 329                                     | \$ 278          |
| Income taxes, net                                                                    | 152                                        | 178             |
| Noncash transactions —                                                               |                                            |                 |
| Accrued property additions at end of period                                          | 114                                        | 186             |
| Right-of-use assets obtained under operating leases                                  | 28                                         | 7               |
| Right-of-use assets obtained under finance leases                                    | 3                                          | 2               |

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 September 30,<br>2023 | At December 31,<br>2022 |
|----------------------------------------------------------|--------------------------|-------------------------|
|                                                          | <i>(in millions)</i>     |                         |
| <b>Current Assets:</b>                                   |                          |                         |
| Cash and cash equivalents                                | \$ 621                   | \$ 687                  |
| Receivables —                                            |                          |                         |
| Customer accounts                                        | 624                      | 431                     |
| Unbilled revenues                                        | 162                      | 174                     |
| Affiliated                                               | 113                      | 101                     |
| Other accounts and notes                                 | 114                      | 153                     |
| Accumulated provision for uncollectible accounts         | (16)                     | (14)                    |
| Fossil fuel stock                                        | 342                      | 229                     |
| Materials and supplies                                   | 624                      | 557                     |
| Prepaid expenses                                         | 72                       | 65                      |
| Other regulatory assets                                  | 549                      | 474                     |
| Other current assets                                     | 171                      | 67                      |
| Total current assets                                     | 3,376                    | 2,924                   |
| <b>Property, Plant, and Equipment:</b>                   |                          |                         |
| In service                                               | 34,313                   | 33,472                  |
| Less: Accumulated provision for depreciation             | 11,042                   | 10,470                  |
| Plant in service, net of depreciation                    | 23,271                   | 23,002                  |
| Other utility plant, net                                 | 522                      | 599                     |
| Nuclear fuel, at amortized cost                          | 240                      | 239                     |
| Construction work in progress                            | 1,759                    | 1,526                   |
| Total property, plant, and equipment                     | 25,792                   | 25,366                  |
| <b>Other Property and Investments:</b>                   |                          |                         |
| Nuclear decommissioning trusts, at fair value            | 1,165                    | 1,127                   |
| Equity investments in unconsolidated subsidiaries        | 53                       | 57                      |
| Miscellaneous property and investments                   | 156                      | 124                     |
| Total other property and investments                     | 1,374                    | 1,308                   |
| <b>Deferred Charges and Other Assets:</b>                |                          |                         |
| Operating lease right-of-use assets, net of amortization | 88                       | 71                      |
| Deferred charges related to income taxes                 | 263                      | 250                     |
| Prepaid pension and other postretirement benefit costs   | 735                      | 657                     |
| Regulatory assets – asset retirement obligations         | 1,881                    | 1,845                   |
| Other regulatory assets, deferred                        | 1,706                    | 2,107                   |
| Other deferred charges and assets                        | 455                      | 442                     |
| Total deferred charges and other assets                  | 5,128                    | 5,372                   |
| <b>Total Assets</b>                                      | <b>\$ 35,670</b>         | <b>\$ 34,970</b>        |

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)**

| <b>Liabilities and Stockholder's Equity</b>                      | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|------------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                  | <i>(in millions)</i>             |                                 |
| <b>Current Liabilities:</b>                                      |                                  |                                 |
| Securities due within one year                                   | \$ 522                           | \$ 301                          |
| Accounts payable —                                               |                                  |                                 |
| Affiliated                                                       | 305                              | 443                             |
| Other                                                            | 377                              | 641                             |
| Customer deposits                                                | 105                              | 106                             |
| Accrued taxes                                                    | 305                              | 57                              |
| Accrued interest                                                 | 84                               | 120                             |
| Accrued compensation                                             | 193                              | 229                             |
| Asset retirement obligations                                     | 342                              | 330                             |
| Other regulatory liabilities                                     | 28                               | 96                              |
| Other current liabilities                                        | 158                              | 91                              |
| <b>Total current liabilities</b>                                 | <b>2,419</b>                     | <b>2,414</b>                    |
| <b>Long-term Debt</b>                                            | <b>10,661</b>                    | <b>10,329</b>                   |
| <b>Deferred Credits and Other Liabilities:</b>                   |                                  |                                 |
| Accumulated deferred income taxes                                | 4,082                            | 3,981                           |
| Deferred credits related to income taxes                         | 1,626                            | 1,925                           |
| Accumulated deferred ITCs                                        | 76                               | 81                              |
| Employee benefit obligations                                     | 146                              | 145                             |
| Operating lease obligations                                      | 81                               | 67                              |
| Asset retirement obligations, deferred                           | 3,859                            | 3,957                           |
| Other regulatory liabilities, deferred                           | 284                              | 315                             |
| Other deferred credits and liabilities                           | 85                               | 69                              |
| <b>Total deferred credits and other liabilities</b>              | <b>10,239</b>                    | <b>10,540</b>                   |
| <b>Total Liabilities</b>                                         | <b>23,319</b>                    | <b>23,283</b>                   |
| <b>Common Stockholder's Equity</b> (See accompanying statements) | <b>12,351</b>                    | <b>11,687</b>                   |
| <b>Total Liabilities and Stockholder's Equity</b>                | <b>\$ 35,670</b>                 | <b>\$ 34,970</b>                |

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)**

|                                               | <b>Number of<br/>Common<br/>Shares<br/>Issued</b> | <b>Common<br/>Stock</b> | <b>Paid-In<br/>Capital</b> | <b>Retained<br/>Earnings</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Total</b> |
|-----------------------------------------------|---------------------------------------------------|-------------------------|----------------------------|------------------------------|------------------------------------------------------------------|--------------|
| <i>(in millions)</i>                          |                                                   |                         |                            |                              |                                                                  |              |
| <b>Balance at December 31, 2021</b>           | 31                                                | \$ 1,222                | \$ 6,056                   | \$ 3,448                     | \$ (13)                                                          | \$ 10,713    |
| Net income after dividends on preferred stock | —                                                 | —                       | —                          | 347                          | —                                                                | 347          |
| Capital contributions from parent company     | —                                                 | —                       | 626                        | —                            | —                                                                | 626          |
| Cash dividends on common stock                | —                                                 | —                       | —                          | (254)                        | —                                                                | (254)        |
| <b>Balance at March 31, 2022</b>              | 31                                                | 1,222                   | 6,682                      | 3,541                        | (13)                                                             | 11,432       |
| Net income after dividends on preferred stock | —                                                 | —                       | —                          | 383                          | —                                                                | 383          |
| Capital contributions from parent company     | —                                                 | —                       | 32                         | —                            | —                                                                | 32           |
| Other comprehensive income                    | —                                                 | —                       | —                          | —                            | 1                                                                | 1            |
| Cash dividends on common stock                | —                                                 | —                       | —                          | (254)                        | —                                                                | (254)        |
| <b>Balance at June 30, 2022</b>               | 31                                                | 1,222                   | 6,714                      | 3,670                        | (12)                                                             | 11,594       |
| Net income after dividends on preferred stock | —                                                 | —                       | —                          | 525                          | —                                                                | 525          |
| Capital contributions from parent company     | —                                                 | —                       | 7                          | —                            | —                                                                | 7            |
| Other comprehensive income                    | —                                                 | —                       | —                          | —                            | 2                                                                | 2            |
| Cash dividends on common stock                | —                                                 | —                       | —                          | (254)                        | —                                                                | (254)        |
| <b>Balance at September 30, 2022</b>          | 31                                                | \$ 1,222                | \$ 6,721                   | \$ 3,941                     | \$ (10)                                                          | \$ 11,874    |
| <b>Balance at December 31, 2022</b>           | 31                                                | \$ 1,222                | \$ 6,710                   | \$ 3,764                     | \$ (9)                                                           | \$ 11,687    |
| Net income after dividends on preferred stock | —                                                 | —                       | —                          | 255                          | —                                                                | 255          |
| Capital contributions from parent company     | —                                                 | —                       | 330                        | —                            | —                                                                | 330          |
| Cash dividends on common stock                | —                                                 | —                       | —                          | (285)                        | —                                                                | (285)        |
| <b>Balance at March 31, 2023</b>              | 31                                                | 1,222                   | 7,040                      | 3,734                        | (9)                                                              | 11,987       |
| Net income after dividends on preferred stock | —                                                 | —                       | —                          | 312                          | —                                                                | 312          |
| Capital contributions from parent company     | —                                                 | —                       | 29                         | —                            | —                                                                | 29           |
| Cash dividends on common stock                | —                                                 | —                       | —                          | (286)                        | —                                                                | (286)        |
| <b>Balance at June 30, 2023</b>               | 31                                                | 1,222                   | 7,069                      | 3,760                        | (9)                                                              | 12,042       |
| Net income after dividends on preferred stock | —                                                 | —                       | —                          | 565                          | —                                                                | 565          |
| Capital contributions from parent company     | —                                                 | —                       | 28                         | —                            | —                                                                | 28           |
| Other comprehensive income                    | —                                                 | —                       | —                          | —                            | 1                                                                | 1            |
| Cash dividends on common stock                | —                                                 | —                       | —                          | (285)                        | —                                                                | (285)        |
| <b>Balance at September 30, 2023</b>          | 31                                                | \$ 1,222                | \$ 7,097                   | \$ 4,040                     | \$ (8)                                                           | \$ 12,351    |

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<br>Ended September 30, |               | For the Nine Months<br>Ended September 30, |                 |
|-----------------------------------------------------|---------------------------------------------|---------------|--------------------------------------------|-----------------|
|                                                     | 2023                                        | 2022          | 2023                                       | 2022            |
|                                                     | <i>(in millions)</i>                        |               | <i>(in millions)</i>                       |                 |
| <b>Operating Revenues:</b>                          |                                             |               |                                            |                 |
| Retail revenues                                     | \$ 2,996                                    | \$ 3,703      | \$ 7,142                                   | \$ 8,629        |
| Wholesale revenues                                  | 69                                          | 56            | 147                                        | 186             |
| Other revenues                                      | 172                                         | 130           | 516                                        | 403             |
| Total operating revenues                            | 3,237                                       | 3,889         | 7,805                                      | 9,218           |
| <b>Operating Expenses:</b>                          |                                             |               |                                            |                 |
| Fuel                                                | 576                                         | 841           | 1,392                                      | 1,887           |
| Purchased power, non-affiliates                     | 131                                         | 304           | 397                                        | 700             |
| Purchased power, affiliates                         | 221                                         | 571           | 579                                        | 1,100           |
| Other operations and maintenance                    | 512                                         | 595           | 1,505                                      | 1,686           |
| Depreciation and amortization                       | 429                                         | 359           | 1,248                                      | 1,066           |
| Taxes other than income taxes                       | 144                                         | 155           | 406                                        | 420             |
| Estimated loss on Plant Vogtle Units 3 and 4        | 160                                         | (70)          | 160                                        | (18)            |
| Total operating expenses                            | 2,173                                       | 2,755         | 5,687                                      | 6,841           |
| <b>Operating Income</b>                             | <b>1,064</b>                                | <b>1,134</b>  | <b>2,118</b>                               | <b>2,377</b>    |
| <b>Other Income and (Expense):</b>                  |                                             |               |                                            |                 |
| Allowance for equity funds used during construction | 37                                          | 37            | 121                                        | 102             |
| Interest expense, net of amounts capitalized        | (166)                                       | (123)         | (472)                                      | (347)           |
| Other income (expense), net                         | 45                                          | 36            | 125                                        | 140             |
| Total other income and (expense)                    | (84)                                        | (50)          | (226)                                      | (105)           |
| <b>Earnings Before Income Taxes</b>                 | <b>980</b>                                  | <b>1,084</b>  | <b>1,892</b>                               | <b>2,272</b>    |
| Income taxes                                        | 200                                         | 226           | 345                                        | 421             |
| <b>Net Income</b>                                   | <b>\$ 780</b>                               | <b>\$ 858</b> | <b>\$ 1,547</b>                            | <b>\$ 1,851</b> |

**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

|                                                                                                                       | For the Three Months<br>Ended September 30, |               | For the Nine Months<br>Ended September 30, |                 |
|-----------------------------------------------------------------------------------------------------------------------|---------------------------------------------|---------------|--------------------------------------------|-----------------|
|                                                                                                                       | 2023                                        | 2022          | 2023                                       | 2022            |
|                                                                                                                       | <i>(in millions)</i>                        |               | <i>(in millions)</i>                       |                 |
| <b>Net Income</b>                                                                                                     | <b>\$ 780</b>                               | <b>\$ 858</b> | <b>\$ 1,547</b>                            | <b>\$ 1,851</b> |
| Other comprehensive income:                                                                                           |                                             |               |                                            |                 |
| Qualifying hedges:                                                                                                    |                                             |               |                                            |                 |
| Changes in fair value, net of tax of<br>\$—, \$—, \$(1), and \$8, respectively                                        | —                                           | —             | (1)                                        | 23              |
| Reclassification adjustment for amounts included in net income,<br>net of tax of \$—, \$—, \$1, and \$1, respectively | 1                                           | 1             | 3                                          | 4               |
| <b>Total other comprehensive income</b>                                                                               | <b>1</b>                                    | <b>1</b>      | <b>2</b>                                   | <b>27</b>       |
| <b>Comprehensive Income</b>                                                                                           | <b>\$ 781</b>                               | <b>\$ 859</b> | <b>\$ 1,549</b>                            | <b>\$ 1,878</b> |

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 Nine Months<br>Ended September 30, |              |
|--------------------------------------------------------------------------------------|--------------------------------------------|--------------|
|                                                                                      | 2023                                       | 2022         |
|                                                                                      | (in millions)                              |              |
| <b>Operating Activities:</b>                                                         |                                            |              |
| Net income                                                                           | \$ 1,547                                   | \$ 1,851     |
| Adjustments to reconcile net income to net cash provided from operating activities — |                                            |              |
| Depreciation and amortization, total                                                 | 1,411                                      | 1,211        |
| Deferred income taxes                                                                | 102                                        | 266          |
| Allowance for equity funds used during construction                                  | (121)                                      | (102)        |
| Pension, postretirement, and other employee benefits                                 | (207)                                      | (178)        |
| Settlement of asset retirement obligations                                           | (228)                                      | (149)        |
| Storm damage accruals                                                                | 24                                         | 160          |
| Retail fuel cost under recovery – long-term                                          | (157)                                      | (1,287)      |
| Estimated loss on Plant Vogtle Units 3 and 4                                         | 160                                        | (18)         |
| Other, net                                                                           | (12)                                       | (22)         |
| Changes in certain current assets and liabilities —                                  |                                            |              |
| -Receivables                                                                         | (311)                                      | (321)        |
| -Retail fuel cost under recovery                                                     | 204                                        | —            |
| -Fossil fuel stock                                                                   | (138)                                      | (23)         |
| -Materials and supplies                                                              | (135)                                      | (67)         |
| -Contract assets                                                                     | (57)                                       | (51)         |
| -Other current assets                                                                | 16                                         | (72)         |
| -Accounts payable                                                                    | (142)                                      | 211          |
| -Accrued taxes                                                                       | 118                                        | 151          |
| -Customer refunds                                                                    | (121)                                      | 1            |
| -Other current liabilities                                                           | 16                                         | (79)         |
| Net cash provided from operating activities                                          | 1,969                                      | 1,482        |
| <b>Investing Activities:</b>                                                         |                                            |              |
| Property additions                                                                   | (3,501)                                    | (2,556)      |
| Nuclear decommissioning trust fund purchases                                         | (659)                                      | (585)        |
| Nuclear decommissioning trust fund sales                                             | 654                                        | 581          |
| Cost of removal, net of salvage                                                      | (191)                                      | (250)        |
| Change in construction payables, net of joint owner portion                          | 338                                        | 148          |
| Proceeds from dispositions                                                           | 59                                         | 56           |
| Other investing activities                                                           | (76)                                       | (47)         |
| Net cash used for investing activities                                               | (3,376)                                    | (2,653)      |
| <b>Financing Activities:</b>                                                         |                                            |              |
| Increase in notes payable, net                                                       | 50                                         | 415          |
| Proceeds —                                                                           |                                            |              |
| Senior notes                                                                         | 1,750                                      | 1,500        |
| Short-term borrowings                                                                | 250                                        | 650          |
| Revenue bonds                                                                        | 229                                        | —            |
| Redemptions and repurchases —                                                        |                                            |              |
| Senior notes                                                                         | (800)                                      | (400)        |
| Short-term borrowings                                                                | (650)                                      | (250)        |
| FFB loan                                                                             | (64)                                       | (66)         |
| Revenue bonds                                                                        | —                                          | (53)         |
| Other long-term debt                                                                 | —                                          | (125)        |
| Capital contributions from parent company                                            | 1,837                                      | 813          |
| Payment of common stock dividends                                                    | (1,392)                                    | (1,268)      |
| Other financing activities                                                           | (27)                                       | (45)         |
| Net cash provided from financing activities                                          | 1,183                                      | 1,171        |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                     | <b>(224)</b>                               | <b>—</b>     |
| <b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Period</b>            | <b>480</b>                                 | <b>33</b>    |
| <b>Cash, Cash Equivalents, and Restricted Cash at End of Period</b>                  | <b>\$ 256</b>                              | <b>\$ 33</b> |
| <b>Supplemental Cash Flow Information:</b>                                           |                                            |              |
| Cash paid during the period for —                                                    |                                            |              |
| Interest (net of \$63 and \$52 capitalized for 2023 and 2022, respectively)          | \$ 439                                     | \$ 332       |
| Income taxes, net                                                                    | 74                                         | 151          |
| Noncash transactions —                                                               |                                            |              |
| Accrued property additions at end of period                                          | 942                                        | 609          |
| Right-of-use assets obtained under operating leases                                  | 17                                         | 7            |
| Right-of-use assets obtained under finance leases                                    | 18                                         | 112          |

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 September 30,<br>2023 | At December 31,<br>2022 |
|------------------------------------------------------------|--------------------------|-------------------------|
|                                                            | <i>(in millions)</i>     |                         |
| <b>Current Assets:</b>                                     |                          |                         |
| Cash and cash equivalents                                  | \$ 173                   | \$ 364                  |
| Receivables —                                              |                          |                         |
| Customer accounts, net                                     | 1,056                    | 735                     |
| Unbilled revenues                                          | 250                      | 309                     |
| Under recovered fuel clause revenues                       | 730                      | —                       |
| Joint owner accounts                                       | 157                      | 128                     |
| Affiliated                                                 | 75                       | 53                      |
| Other accounts and notes                                   | 70                       | 62                      |
| Fossil fuel stock                                          | 429                      | 291                     |
| Materials and supplies                                     | 856                      | 729                     |
| Regulatory assets – asset retirement obligations           | 183                      | 158                     |
| Other regulatory assets                                    | 379                      | 324                     |
| Other current assets                                       | 266                      | 246                     |
| Total current assets                                       | 4,624                    | 3,399                   |
| <b>Property, Plant, and Equipment:</b>                     |                          |                         |
| In service                                                 | 48,083                   | 41,879                  |
| Less: Accumulated provision for depreciation               | 13,771                   | 13,115                  |
| Plant in service, net of depreciation                      | 34,312                   | 28,764                  |
| Nuclear fuel, at amortized cost                            | 622                      | 604                     |
| Construction work in progress                              | 5,055                    | 8,103                   |
| Total property, plant, and equipment                       | 39,989                   | 37,471                  |
| <b>Other Property and Investments:</b>                     |                          |                         |
| Nuclear decommissioning trusts, at fair value              | 1,042                    | 1,018                   |
| Equity investments in unconsolidated subsidiaries          | 47                       | 51                      |
| Miscellaneous property and investments                     | 131                      | 107                     |
| Total other property and investments                       | 1,220                    | 1,176                   |
| <b>Deferred Charges and Other Assets:</b>                  |                          |                         |
| Operating lease right-of-use assets, net of amortization   | 914                      | 1,007                   |
| Deferred charges related to income taxes                   | 595                      | 583                     |
| Prepaid pension costs                                      | 839                      | 738                     |
| Deferred under recovered fuel clause revenues              | 1,279                    | 2,056                   |
| Regulatory assets – asset retirement obligations, deferred | 3,508                    | 3,671                   |
| Other regulatory assets, deferred                          | 2,685                    | 2,522                   |
| Other deferred charges and assets                          | 496                      | 540                     |
| Total deferred charges and other assets                    | 10,316                   | 11,117                  |
| <b>Total Assets</b>                                        | <b>\$ 56,149</b>         | <b>\$ 53,163</b>        |

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)**

| <b>Liabilities and Stockholder's Equity</b>                      | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|------------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                  | <i>(in millions)</i>             |                                 |
| <b>Current Liabilities:</b>                                      |                                  |                                 |
| Securities due within one year                                   | \$ 503                           | \$ 901                          |
| Notes payable                                                    | 1,250                            | 1,600                           |
| Accounts payable —                                               |                                  |                                 |
| Affiliated                                                       | 770                              | 928                             |
| Other                                                            | 1,632                            | 1,076                           |
| Customer deposits                                                | 251                              | 252                             |
| Accrued taxes                                                    | 620                              | 508                             |
| Accrued interest                                                 | 178                              | 157                             |
| Accrued compensation                                             | 205                              | 254                             |
| Operating lease obligations                                      | 134                              | 151                             |
| Asset retirement obligations                                     | 328                              | 295                             |
| Other regulatory liabilities                                     | 22                               | 170                             |
| Other current liabilities                                        | 421                              | 286                             |
| <b>Total current liabilities</b>                                 | <b>6,314</b>                     | <b>6,578</b>                    |
| <b>Long-term Debt</b>                                            | <b>15,522</b>                    | <b>14,009</b>                   |
| <b>Deferred Credits and Other Liabilities:</b>                   |                                  |                                 |
| Accumulated deferred income taxes                                | 3,914                            | 3,707                           |
| Deferred credits related to income taxes                         | 2,171                            | 2,244                           |
| Accumulated deferred ITCs                                        | 311                              | 319                             |
| Employee benefit obligations                                     | 291                              | 318                             |
| Operating lease obligations, deferred                            | 744                              | 851                             |
| Asset retirement obligations, deferred                           | 5,567                            | 5,739                           |
| Other deferred credits and liabilities                           | 458                              | 540                             |
| <b>Total deferred credits and other liabilities</b>              | <b>13,456</b>                    | <b>13,718</b>                   |
| <b>Total Liabilities</b>                                         | <b>35,292</b>                    | <b>34,305</b>                   |
| <b>Common Stockholder's Equity</b> (See accompanying statements) | <b>20,857</b>                    | <b>18,858</b>                   |
| <b>Total Liabilities and Stockholder's Equity</b>                | <b>\$ 56,149</b>                 | <b>\$ 53,163</b>                |

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<br>Common<br>Shares<br>Issued | Common<br>Stock | Paid-In<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total     |
|-------------------------------------------|-----------------------------------------|-----------------|--------------------|----------------------|--------------------------------------------------------|-----------|
| <i>(in millions)</i>                      |                                         |                 |                    |                      |                                                        |           |
| <b>Balance at December 31, 2021</b>       | 9                                       | \$ 398          | \$ 14,153          | \$ 2,724             | \$ (41)                                                | \$ 17,234 |
| Net income                                | —                                       | —               | —                  | 385                  | —                                                      | 385       |
| Capital contributions from parent company | —                                       | —               | 443                | —                    | —                                                      | 443       |
| Other comprehensive income                | —                                       | —               | —                  | —                    | 10                                                     | 10        |
| Cash dividends on common stock            | —                                       | —               | —                  | (423)                | —                                                      | (423)     |
| <b>Balance at March 31, 2022</b>          | 9                                       | 398             | 14,596             | 2,686                | (31)                                                   | 17,649    |
| Net income                                | —                                       | —               | —                  | 608                  | —                                                      | 608       |
| Capital contributions from parent company | —                                       | —               | 46                 | —                    | —                                                      | 46        |
| Other comprehensive income                | —                                       | —               | —                  | —                    | 16                                                     | 16        |
| Cash dividends on common stock            | —                                       | —               | —                  | (422)                | —                                                      | (422)     |
| <b>Balance at June 30, 2022</b>           | 9                                       | 398             | 14,642             | 2,872                | (15)                                                   | 17,897    |
| Net income                                | —                                       | —               | —                  | 858                  | —                                                      | 858       |
| Capital contributions from parent company | —                                       | —               | 324                | —                    | —                                                      | 324       |
| Other comprehensive income                | —                                       | —               | —                  | —                    | 1                                                      | 1         |
| Cash dividends on common stock            | —                                       | —               | —                  | (423)                | —                                                      | (423)     |
| <b>Balance at September 30, 2022</b>      | 9                                       | \$ 398          | \$ 14,966          | \$ 3,307             | \$ (14)                                                | \$ 18,657 |
| <b>Balance at December 31, 2022</b>       | 9                                       | \$ 398          | \$ 15,626          | \$ 2,846             | \$ (12)                                                | \$ 18,858 |
| Net income                                | —                                       | —               | —                  | 296                  | —                                                      | 296       |
| Capital contributions from parent company | —                                       | —               | 752                | —                    | —                                                      | 752       |
| Cash dividends on common stock            | —                                       | —               | —                  | (464)                | —                                                      | (464)     |
| Other                                     | —                                       | —               | —                  | 1                    | —                                                      | 1         |
| <b>Balance at March 31, 2023</b>          | 9                                       | 398             | 16,378             | 2,679                | (12)                                                   | 19,443    |
| Net income                                | —                                       | —               | —                  | 471                  | —                                                      | 471       |
| Capital contributions from parent company | —                                       | —               | 33                 | —                    | —                                                      | 33        |
| Other comprehensive income                | —                                       | —               | —                  | —                    | 1                                                      | 1         |
| Cash dividends on common stock            | —                                       | —               | —                  | (464)                | —                                                      | (464)     |
| <b>Balance at June 30, 2023</b>           | 9                                       | 398             | 16,411             | 2,686                | (11)                                                   | 19,484    |
| Net income                                | —                                       | —               | —                  | 780                  | —                                                      | 780       |
| Capital contributions from parent company | —                                       | —               | 1,056              | —                    | —                                                      | 1,056     |
| Other comprehensive income                | —                                       | —               | —                  | —                    | 1                                                      | 1         |
| Cash dividends on common stock            | —                                       | —               | —                  | (464)                | —                                                      | (464)     |
| <b>Balance at September 30, 2023</b>      | 9                                       | \$ 398          | \$ 17,467          | \$ 3,002             | \$ (10)                                                | \$ 20,857 |

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<br>Ended September 30, |              | For the Nine Months<br>Ended September 30, |               |
|----------------------------------------------|---------------------------------------------|--------------|--------------------------------------------|---------------|
|                                              | 2023                                        | 2022         | 2023                                       | 2022          |
|                                              | (in millions)                               |              | (in millions)                              |               |
| <b>Operating Revenues:</b>                   |                                             |              |                                            |               |
| Retail revenues                              | \$ 284                                      | \$ 250       | \$ 747                                     | \$ 718        |
| Wholesale revenues, non-affiliates           | 77                                          | 60           | 201                                        | 191           |
| Wholesale revenues, affiliates               | 65                                          | 187          | 158                                        | 336           |
| Other revenues                               | 10                                          | 13           | 31                                         | 34            |
| Total operating revenues                     | 436                                         | 510          | 1,137                                      | 1,279         |
| <b>Operating Expenses:</b>                   |                                             |              |                                            |               |
| Fuel and purchased power                     | 169                                         | 262          | 416                                        | 601           |
| Other operations and maintenance             | 84                                          | 86           | 258                                        | 252           |
| Depreciation and amortization                | 48                                          | 45           | 139                                        | 135           |
| Taxes other than income taxes                | 32                                          | 32           | 92                                         | 93            |
| Total operating expenses                     | 333                                         | 425          | 905                                        | 1,081         |
| <b>Operating Income</b>                      | <b>103</b>                                  | <b>85</b>    | <b>232</b>                                 | <b>198</b>    |
| <b>Other Income and (Expense):</b>           |                                             |              |                                            |               |
| Interest expense, net of amounts capitalized | (19)                                        | (15)         | (53)                                       | (42)          |
| Other income (expense), net                  | 9                                           | 9            | 29                                         | 32            |
| Total other income and (expense)             | (10)                                        | (6)          | (24)                                       | (10)          |
| <b>Earnings Before Income Taxes</b>          | <b>93</b>                                   | <b>79</b>    | <b>208</b>                                 | <b>188</b>    |
| Income taxes                                 | 18                                          | 17           | 35                                         | 38            |
| <b>Net Income and Comprehensive Income</b>   | <b>\$ 75</b>                                | <b>\$ 62</b> | <b>\$ 173</b>                              | <b>\$ 150</b> |

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

**MISSISSIPPI POWER COMPANY**  
**CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)**

For the Nine Months  
 Ended September 30,

**2023**      **2022**

(in millions)

|                                                                                      |                     |                     |
|--------------------------------------------------------------------------------------|---------------------|---------------------|
| <b>Operating Activities:</b>                                                         |                     |                     |
| Net income                                                                           | \$ 173              | \$ 150              |
| Adjustments to reconcile net income to net cash provided from operating activities — |                     |                     |
| Depreciation and amortization, total                                                 | 171                 | 164                 |
| Deferred income taxes                                                                | (10)                | (4)                 |
| Pension, postretirement, and other employee benefits                                 | (15)                | (12)                |
| Settlement of asset retirement obligations                                           | (12)                | (15)                |
| Other, net                                                                           | 12                  | 36                  |
| Changes in certain current assets and liabilities —                                  |                     |                     |
| -Receivables                                                                         | 55                  | (49)                |
| -Retail fuel cost under recovery                                                     | (24)                | (9)                 |
| -Other current assets                                                                | 14                  | (17)                |
| -Accounts payable                                                                    | (83)                | 41                  |
| -Accrued taxes                                                                       | (16)                | (3)                 |
| -Accrued compensation                                                                | (5)                 | (5)                 |
| -Other current liabilities                                                           | —                   | 2                   |
| Net cash provided from operating activities                                          | <u>260</u>          | <u>279</u>          |
| <b>Investing Activities:</b>                                                         |                     |                     |
| Property additions                                                                   | (231)               | (165)               |
| Cost of removal, net of salvage                                                      | (21)                | (20)                |
| Construction payables                                                                | (5)                 | (9)                 |
| Payments pursuant to LTSAs                                                           | (21)                | (23)                |
| Other investing activities                                                           | (2)                 | (2)                 |
| Net cash used for investing activities                                               | <u>(280)</u>        | <u>(219)</u>        |
| <b>Financing Activities:</b>                                                         |                     |                     |
| Increase in notes payable, net                                                       | 20                  | —                   |
| Proceeds — Senior notes                                                              | 100                 | —                   |
| Capital contributions from parent company                                            | 8                   | 55                  |
| Payment of common stock dividends                                                    | (139)               | (128)               |
| Other financing activities                                                           | (1)                 | 1                   |
| Net cash used for financing activities                                               | <u>(12)</u>         | <u>(72)</u>         |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                     | <b>(32)</b>         | <b>(12)</b>         |
| <b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Period</b>            | <b>59</b>           | <b>61</b>           |
| <b>Cash, Cash Equivalents, and Restricted Cash at End of Period</b>                  | <b><u>\$ 27</u></b> | <b><u>\$ 49</u></b> |
| <b>Supplemental Cash Flow Information:</b>                                           |                     |                     |
| Cash paid during the period for —                                                    |                     |                     |
| Interest                                                                             | \$ 53               | \$ 49               |
| Income taxes, net                                                                    | 33                  | 18                  |
| Noncash transactions —                                                               |                     |                     |
| Accrued property additions at end of period                                          | 20                  | 16                  |
| Right-of-use assets obtained under operating leases                                  | 1                   | —                   |

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 September 30,<br>2023 | At December 31,<br>2022 |
|--------------------------------------------------|--------------------------|-------------------------|
|                                                  | <i>(in millions)</i>     |                         |
| <b>Current Assets:</b>                           |                          |                         |
| Cash and cash equivalents                        | \$ 27                    | \$ 59                   |
| Receivables —                                    |                          |                         |
| Customer accounts, net                           | 78                       | 47                      |
| Unbilled revenues                                | 41                       | 47                      |
| Affiliated                                       | 38                       | 82                      |
| Other accounts and notes                         | 22                       | 35                      |
| Fossil fuel stock                                | 37                       | 44                      |
| Materials and supplies                           | 85                       | 80                      |
| Other regulatory assets                          | 54                       | 72                      |
| Other current assets                             | 10                       | 38                      |
| Total current assets                             | 392                      | 504                     |
| <b>Property, Plant, and Equipment:</b>           |                          |                         |
| In service                                       | 5,473                    | 5,254                   |
| Less: Accumulated provision for depreciation     | 1,763                    | 1,689                   |
| Plant in service, net of depreciation            | 3,710                    | 3,565                   |
| Construction work in progress                    | 183                      | 208                     |
| Total property, plant, and equipment             | 3,893                    | 3,773                   |
| <b>Other Property and Investments</b>            | 160                      | 167                     |
| <b>Deferred Charges and Other Assets:</b>        |                          |                         |
| Deferred charges related to income taxes         | 29                       | 30                      |
| Prepaid pension costs                            | 123                      | 109                     |
| Regulatory assets – asset retirement obligations | 241                      | 239                     |
| Other regulatory assets, deferred                | 246                      | 249                     |
| Accumulated deferred income taxes                | 95                       | 107                     |
| Other deferred charges and assets                | 79                       | 94                      |
| Total deferred charges and other assets          | 813                      | 828                     |
| <b>Total Assets</b>                              | <b>\$ 5,258</b>          | <b>\$ 5,272</b>         |

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)**

| <b>Liabilities and Stockholder's Equity</b>                      | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|------------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                  | <i>(in millions)</i>             |                                 |
| <b>Current Liabilities:</b>                                      |                                  |                                 |
| Securities due within one year                                   | \$ 201                           | \$ 1                            |
| Notes payable                                                    | 20                               | —                               |
| Accounts payable —                                               |                                  |                                 |
| Affiliated                                                       | 79                               | 121                             |
| Other                                                            | 61                               | 106                             |
| Accrued taxes                                                    | 108                              | 124                             |
| Accrued compensation                                             | 32                               | 37                              |
| Asset retirement obligations                                     | 26                               | 37                              |
| Other regulatory liabilities                                     | 30                               | 43                              |
| Other current liabilities                                        | 74                               | 85                              |
| Total current liabilities                                        | 631                              | 554                             |
| <b>Long-term Debt</b>                                            | <b>1,443</b>                     | <b>1,544</b>                    |
| <b>Deferred Credits and Other Liabilities:</b>                   |                                  |                                 |
| Accumulated deferred income taxes                                | 466                              | 466                             |
| Deferred credits related to income taxes                         | 229                              | 253                             |
| Employee benefit obligations                                     | 67                               | 69                              |
| Asset retirement obligations, deferred                           | 145                              | 142                             |
| Other cost of removal obligations                                | 192                              | 196                             |
| Other regulatory liabilities, deferred                           | 81                               | 96                              |
| Other deferred credits and liabilities                           | 30                               | 21                              |
| Total deferred credits and other liabilities                     | 1,210                            | 1,243                           |
| <b>Total Liabilities</b>                                         | <b>3,284</b>                     | <b>3,341</b>                    |
| <b>Common Stockholder's Equity</b> (See accompanying statements) | <b>1,974</b>                     | <b>1,931</b>                    |
| <b>Total Liabilities and Stockholder's Equity</b>                | <b>\$ 5,258</b>                  | <b>\$ 5,272</b>                 |

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<br>Common<br>Shares<br>Issued | Common<br>Stock | Paid-In<br>Capital | Retained<br>Earnings<br>(Accumulated<br>Deficit) | Total    |
|-------------------------------------------|-----------------------------------------|-----------------|--------------------|--------------------------------------------------|----------|
| <i>(in millions)</i>                      |                                         |                 |                    |                                                  |          |
| <b>Balance at December 31, 2021</b>       | 1                                       | \$ 38           | \$ 4,582           | \$ (2,753)                                       | \$ 1,867 |
| Net income                                | —                                       | —               | —                  | 42                                               | 42       |
| Capital contributions from parent company | —                                       | —               | 51                 | —                                                | 51       |
| Cash dividends on common stock            | —                                       | —               | —                  | (43)                                             | (43)     |
| <b>Balance at March 31, 2022</b>          | 1                                       | 38              | 4,633              | (2,754)                                          | 1,917    |
| Net income                                | —                                       | —               | —                  | 45                                               | 45       |
| Capital contributions from parent company | —                                       | —               | 1                  | —                                                | 1        |
| Cash dividends on common stock            | —                                       | —               | —                  | (42)                                             | (42)     |
| <b>Balance at June 30, 2022</b>           | 1                                       | 38              | 4,634              | (2,751)                                          | 1,921    |
| Net income                                | —                                       | —               | —                  | 62                                               | 62       |
| Capital contributions from parent company | —                                       | —               | 5                  | —                                                | 5        |
| Cash dividends on common stock            | —                                       | —               | —                  | (42)                                             | (42)     |
| <b>Balance at September 30, 2022</b>      | 1                                       | \$ 38           | \$ 4,639           | \$ (2,731)                                       | \$ 1,946 |
| <b>Balance at December 31, 2022</b>       | 1                                       | \$ 38           | \$ 4,652           | \$ (2,759)                                       | \$ 1,931 |
| Net income                                | —                                       | —               | —                  | 58                                               | 58       |
| Cash dividends on common stock            | —                                       | —               | —                  | (46)                                             | (46)     |
| <b>Balance at March 31, 2023</b>          | 1                                       | 38              | 4,652              | (2,747)                                          | 1,943    |
| Net income                                | —                                       | —               | —                  | 40                                               | 40       |
| Capital contributions from parent company | —                                       | —               | 12                 | —                                                | 12       |
| Cash dividends on common stock            | —                                       | —               | —                  | (47)                                             | (47)     |
| <b>Balance at June 30, 2023</b>           | 1                                       | 38              | 4,664              | (2,754)                                          | 1,948    |
| Net income                                | —                                       | —               | —                  | 75                                               | 75       |
| Return of capital to parent company       | —                                       | —               | (3)                | —                                                | (3)      |
| Cash dividends on common stock            | —                                       | —               | —                  | (46)                                             | (46)     |
| <b>Balance at September 30, 2023</b>      | 1                                       | \$ 38           | \$ 4,661           | \$ (2,725)                                       | \$ 1,974 |

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<br>Ended September 30, |        | For the Nine Months<br>Ended September 30, |          |
|------------------------------------------------------------|---------------------------------------------|--------|--------------------------------------------|----------|
|                                                            | 2023                                        | 2022   | 2023                                       | 2022     |
|                                                            | <i>(in millions)</i>                        |        | <i>(in millions)</i>                       |          |
| <b>Operating Revenues:</b>                                 |                                             |        |                                            |          |
| Wholesale revenues, non-affiliates                         | \$ 479                                      | \$ 835 | \$ 1,234                                   | \$ 1,918 |
| Wholesale revenues, affiliates                             | 156                                         | 336    | 406                                        | 673      |
| Other revenues                                             | 18                                          | 9      | 46                                         | 27       |
| Total operating revenues                                   | 653                                         | 1,180  | 1,686                                      | 2,618    |
| <b>Operating Expenses:</b>                                 |                                             |        |                                            |          |
| Fuel                                                       | 196                                         | 605    | 526                                        | 1,274    |
| Purchased power                                            | 33                                          | 144    | 87                                         | 233      |
| Other operations and maintenance                           | 104                                         | 113    | 327                                        | 332      |
| Depreciation and amortization                              | 130                                         | 133    | 380                                        | 384      |
| Taxes other than income taxes                              | 13                                          | 13     | 38                                         | 38       |
| Gain on dispositions, net                                  | —                                           | —      | (20)                                       | (2)      |
| Total operating expenses                                   | 476                                         | 1,008  | 1,338                                      | 2,259    |
| <b>Operating Income</b>                                    | 177                                         | 172    | 348                                        | 359      |
| <b>Other Income and (Expense):</b>                         |                                             |        |                                            |          |
| Interest expense, net of amounts capitalized               | (32)                                        | (32)   | (98)                                       | (105)    |
| Other income (expense), net                                | 4                                           | 3      | 8                                          | 5        |
| Total other income and (expense)                           | (28)                                        | (29)   | (90)                                       | (100)    |
| <b>Earnings Before Income Taxes</b>                        | 149                                         | 143    | 258                                        | 259      |
| Income taxes                                               | 39                                          | 36     | 38                                         | 49       |
| <b>Net Income</b>                                          | 110                                         | 107    | 220                                        | 210      |
| Net income (loss) attributable to noncontrolling interests | 10                                          | 12     | (68)                                       | (55)     |
| <b>Net Income Attributable to Southern Power</b>           | \$ 100                                      | \$ 95  | \$ 288                                     | \$ 265   |

**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

|                                                                                                                        | For the Three Months<br>Ended September 30, |        | For the Nine Months<br>Ended September 30, |        |
|------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|--------|--------------------------------------------|--------|
|                                                                                                                        | 2023                                        | 2022   | 2023                                       | 2022   |
|                                                                                                                        | <i>(in millions)</i>                        |        | <i>(in millions)</i>                       |        |
| <b>Net Income</b>                                                                                                      | \$ 110                                      | \$ 107 | \$ 220                                     | \$ 210 |
| Other comprehensive income (loss):                                                                                     |                                             |        |                                            |        |
| Qualifying hedges:                                                                                                     |                                             |        |                                            |        |
| Changes in fair value, net of tax of<br>\$(2), \$(11), \$(3), and \$(35), respectively                                 | (13)                                        | (35)   | (17)                                       | (106)  |
| Reclassification adjustment for amounts included in net income,<br>net of tax of \$4, \$9, \$6, and \$35, respectively | 17                                          | 28     | 24                                         | 106    |
| Pension and other postretirement benefit plans:                                                                        |                                             |        |                                            |        |
| Reclassification adjustment for amounts included in net income,<br>net of tax of \$—, \$—, \$—, and \$—, respectively  | —                                           | —      | —                                          | 1      |
| Total other comprehensive income (loss)                                                                                | 4                                           | (7)    | 7                                          | 1      |
| <b>Comprehensive Income</b>                                                                                            | 114                                         | 100    | 227                                        | 211    |
| Comprehensive income (loss) attributable to noncontrolling interests                                                   | 10                                          | 12     | (68)                                       | (55)   |
| <b>Comprehensive Income Attributable to Southern Power</b>                                                             | \$ 104                                      | \$ 88  | \$ 295                                     | \$ 266 |

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 Nine Months  
Ended September 30,

**2023**      2022

(in millions)

|                                                                                      |                      |                      |
|--------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Operating Activities:</b>                                                         |                      |                      |
| Net income                                                                           | \$ 220               | \$ 210               |
| Adjustments to reconcile net income to net cash provided from operating activities — |                      |                      |
| Depreciation and amortization, total                                                 | 395                  | 404                  |
| Deferred income taxes                                                                | 1                    | 21                   |
| Utilization of federal investment tax credits                                        | 179                  | 218                  |
| Amortization of investment tax credits                                               | (44)                 | (44)                 |
| Gain on dispositions, net                                                            | (20)                 | (2)                  |
| Other, net                                                                           | 4                    | 1                    |
| Changes in certain current assets and liabilities —                                  |                      |                      |
| -Receivables                                                                         | 100                  | (124)                |
| -Prepaid income taxes                                                                | 31                   | 22                   |
| -Other current assets                                                                | (14)                 | (15)                 |
| -Accounts payable                                                                    | (70)                 | 95                   |
| -Accrued taxes                                                                       | 9                    | 55                   |
| -Other current liabilities                                                           | 8                    | (14)                 |
| Net cash provided from operating activities                                          | <u>799</u>           | <u>827</u>           |
| <b>Investing Activities:</b>                                                         |                      |                      |
| Acquisitions, net of cash acquired                                                   | (181)                | —                    |
| Property additions                                                                   | (40)                 | (64)                 |
| Proceeds from dispositions                                                           | 59                   | 48                   |
| Change in construction payables                                                      | (18)                 | (60)                 |
| Payments pursuant to LTSAs                                                           | (49)                 | (52)                 |
| Other investing activities                                                           | 5                    | —                    |
| Net cash used for investing activities                                               | <u>(224)</u>         | <u>(128)</u>         |
| <b>Financing Activities:</b>                                                         |                      |                      |
| Increase (decrease) in notes payable, net                                            | 136                  | (5)                  |
| Redemptions — Senior notes                                                           | (290)                | (677)                |
| Capital contributions from parent company                                            | 16                   | 330                  |
| Capital contributions from noncontrolling interests                                  | 21                   | 73                   |
| Distributions to noncontrolling interests                                            | (148)                | (175)                |
| Payment of common stock dividends                                                    | (189)                | (148)                |
| Other financing activities                                                           | 3                    | (1)                  |
| Net cash used for financing activities                                               | <u>(451)</u>         | <u>(603)</u>         |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                     | <b>124</b>           | <b>96</b>            |
| <b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Period</b>            | <b>133</b>           | <b>135</b>           |
| <b>Cash, Cash Equivalents, and Restricted Cash at End of Period</b>                  | <b><u>\$ 257</u></b> | <b><u>\$ 231</u></b> |
| <b>Supplemental Cash Flow Information:</b>                                           |                      |                      |
| Cash paid (received) during the period for —                                         |                      |                      |
| Interest (net of \$1 and \$— capitalized for 2023 and 2022, respectively)            | \$ 103               | \$ 120               |
| Income taxes, net                                                                    | (124)                | (202)                |
| Noncash transactions —                                                               |                      |                      |
| Accrued property additions at end of period                                          | 23                   | 30                   |
| Right-of-use assets obtained under operating leases                                  | 7                    | —                    |
| Reassessment of right-of-use assets under operating leases                           | —                    | 40                   |

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)**

| <b>Assets</b>                                                           | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|-------------------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                         | <i>(in millions)</i>             |                                 |
| <b>Current Assets:</b>                                                  |                                  |                                 |
| Cash and cash equivalents                                               | \$ 236                           | \$ 131                          |
| Receivables —                                                           |                                  |                                 |
| Customer accounts, net                                                  | 164                              | 226                             |
| Affiliated                                                              | 60                               | 51                              |
| Other                                                                   | 44                               | 70                              |
| Materials and supplies                                                  | 84                               | 88                              |
| Prepaid income taxes                                                    | 130                              | 5                               |
| Other current assets                                                    | 71                               | 50                              |
| Total current assets                                                    | 789                              | 621                             |
| <b>Property, Plant, and Equipment:</b>                                  |                                  |                                 |
| In service                                                              | 14,678                           | 14,658                          |
| Less: Accumulated provision for depreciation                            | 4,001                            | 3,661                           |
| Plant in service, net of depreciation                                   | 10,677                           | 10,997                          |
| Construction work in progress                                           | 224                              | 41                              |
| Total property, plant, and equipment                                    | 10,901                           | 11,038                          |
| <b>Other Property and Investments:</b>                                  |                                  |                                 |
| Intangible assets, net of amortization of \$143 and \$129, respectively | 248                              | 263                             |
| Equity investments in unconsolidated subsidiaries                       | —                                | 49                              |
| Net investment in sales-type leases                                     | 150                              | 154                             |
| Total other property and investments                                    | 398                              | 466                             |
| <b>Deferred Charges and Other Assets:</b>                               |                                  |                                 |
| Operating lease right-of-use assets, net of amortization                | 490                              | 489                             |
| Prepaid LTSAs                                                           | 225                              | 193                             |
| Other deferred charges and assets                                       | 287                              | 274                             |
| Total deferred charges and other assets                                 | 1,002                            | 956                             |
| <b>Total Assets</b>                                                     | <b>\$ 13,090</b>                 | <b>\$ 13,081</b>                |

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)**

| <b>Liabilities and Stockholders' Equity</b>                     | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|-----------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                 | <i>(in millions)</i>             |                                 |
| <b>Current Liabilities:</b>                                     |                                  |                                 |
| Securities due within one year                                  | \$ —                             | \$ 290                          |
| Notes payable                                                   | 359                              | 225                             |
| Accounts payable —                                              |                                  |                                 |
| Affiliated                                                      | 80                               | 139                             |
| Other                                                           | 43                               | 67                              |
| Accrued taxes                                                   | 33                               | 24                              |
| Accrued interest                                                | 22                               | 28                              |
| Other current liabilities                                       | 117                              | 111                             |
| Total current liabilities                                       | 654                              | 884                             |
| <b>Long-term Debt</b>                                           | 2,687                            | 2,689                           |
| <b>Deferred Credits and Other Liabilities:</b>                  |                                  |                                 |
| Accumulated deferred income taxes                               | 619                              | 279                             |
| Accumulated deferred ITCs                                       | 1,512                            | 1,556                           |
| Operating lease obligations                                     | 516                              | 514                             |
| Other deferred credits and liabilities                          | 259                              | 243                             |
| Total deferred credits and other liabilities                    | 2,906                            | 2,592                           |
| <b>Total Liabilities</b>                                        | 6,247                            | 6,165                           |
| <b>Total Stockholders' Equity</b> (See accompanying statements) | 6,843                            | 6,916                           |
| <b>Total Liabilities and Stockholders' Equity</b>               | \$ 13,090                        | \$ 13,081                       |

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<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Total<br>Common<br>Stockholders'<br>Equity | Noncontrolling<br>Interests | Total    |
|-----------------------------------------------------|--------------------|----------------------|--------------------------------------------------------|--------------------------------------------|-----------------------------|----------|
| <i>(in millions)</i>                                |                    |                      |                                                        |                                            |                             |          |
| <b>Balance at December 31, 2021</b>                 | \$ 638             | \$ 1,585             | \$ (27)                                                | \$ 2,196                                   | \$ 4,402                    | \$ 6,598 |
| Net income (loss)                                   | —                  | 72                   | —                                                      | 72                                         | (45)                        | 27       |
| Other comprehensive income                          | —                  | —                    | 5                                                      | 5                                          | —                           | 5        |
| Cash dividends on common stock                      | —                  | (49)                 | —                                                      | (49)                                       | —                           | (49)     |
| Capital contributions from noncontrolling interests | —                  | —                    | —                                                      | —                                          | 73                          | 73       |
| Distributions to noncontrolling interests           | —                  | —                    | —                                                      | —                                          | (98)                        | (98)     |
| <b>Balance at March 31, 2022</b>                    | 638                | 1,608                | (22)                                                   | 2,224                                      | 4,332                       | 6,556    |
| Net income (loss)                                   | —                  | 98                   | —                                                      | 98                                         | (22)                        | 76       |
| Capital contributions from parent company           | 322                | —                    | —                                                      | 322                                        | —                           | 322      |
| Other comprehensive income                          | —                  | —                    | 3                                                      | 3                                          | —                           | 3        |
| Cash dividends on common stock                      | —                  | (50)                 | —                                                      | (50)                                       | —                           | (50)     |
| Distributions to noncontrolling interests           | —                  | —                    | —                                                      | —                                          | (28)                        | (28)     |
| <b>Balance at June 30, 2022</b>                     | 960                | 1,656                | (19)                                                   | 2,597                                      | 4,282                       | 6,879    |
| Net income                                          | —                  | 95                   | —                                                      | 95                                         | 12                          | 107      |
| Capital contributions from parent company           | 9                  | —                    | —                                                      | 9                                          | —                           | 9        |
| Other comprehensive income (loss)                   | —                  | —                    | (7)                                                    | (7)                                        | —                           | (7)      |
| Cash dividends on common stock                      | —                  | (49)                 | —                                                      | (49)                                       | —                           | (49)     |
| Distributions to noncontrolling interests           | —                  | —                    | —                                                      | —                                          | (57)                        | (57)     |
| Other                                               | —                  | (1)                  | (1)                                                    | (2)                                        | —                           | (2)      |
| <b>Balance at September 30, 2022</b>                | \$ 969             | \$ 1,701             | \$ (27)                                                | \$ 2,643                                   | \$ 4,237                    | \$ 6,880 |
| <b>Balance at December 31, 2022</b>                 | \$ 1,069           | \$ 1,741             | \$ (18)                                                | \$ 2,792                                   | \$ 4,124                    | \$ 6,916 |
| Net income (loss)                                   | —                  | 102                  | —                                                      | 102                                        | (63)                        | 39       |
| Other comprehensive income (loss)                   | —                  | —                    | (7)                                                    | (7)                                        | —                           | (7)      |
| Cash dividends on common stock                      | —                  | (63)                 | —                                                      | (63)                                       | —                           | (63)     |
| Capital contributions from noncontrolling interests | —                  | —                    | —                                                      | —                                          | 21                          | 21       |
| Distributions to noncontrolling interests           | —                  | —                    | —                                                      | —                                          | (48)                        | (48)     |
| <b>Balance at March 31, 2023</b>                    | 1,069              | 1,780                | (25)                                                   | 2,824                                      | 4,034                       | 6,858    |
| Net income (loss)                                   | —                  | 85                   | —                                                      | 85                                         | (15)                        | 70       |
| Capital contributions from parent company           | 14                 | —                    | —                                                      | 14                                         | —                           | 14       |
| Other comprehensive income                          | —                  | —                    | 10                                                     | 10                                         | —                           | 10       |
| Cash dividends on common stock                      | —                  | (63)                 | —                                                      | (63)                                       | —                           | (63)     |
| Distributions to noncontrolling interests           | —                  | —                    | —                                                      | —                                          | (42)                        | (42)     |
| Other                                               | —                  | —                    | 1                                                      | 1                                          | (1)                         | —        |
| <b>Balance at June 30, 2023</b>                     | 1,083              | 1,802                | (14)                                                   | 2,871                                      | 3,976                       | 6,847    |
| Net income                                          | —                  | 100                  | —                                                      | 100                                        | 10                          | 110      |
| Capital contributions from parent company           | 3                  | —                    | —                                                      | 3                                          | —                           | 3        |
| Other comprehensive income                          | —                  | —                    | 4                                                      | 4                                          | —                           | 4        |
| Cash dividends on common stock                      | —                  | (63)                 | —                                                      | (63)                                       | —                           | (63)     |
| Distributions to noncontrolling interests           | —                  | —                    | —                                                      | —                                          | (59)                        | (59)     |
| Other                                               | 1                  | —                    | —                                                      | 1                                          | —                           | 1        |
| <b>Balance at September 30, 2023</b>                | \$ 1,087           | \$ 1,839             | \$ (10)                                                | \$ 2,916                                   | \$ 3,927                    | \$ 6,843 |

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<br>Ended September 30, |        | For the Nine Months<br>Ended September 30, |          |
|---------------------------------------------------------------------------------------------|---------------------------------------------|--------|--------------------------------------------|----------|
|                                                                                             | 2023                                        | 2022   | 2023                                       | 2022     |
|                                                                                             | <i>(in millions)</i>                        |        | <i>(in millions)</i>                       |          |
| <b>Operating Revenues:</b>                                                                  |                                             |        |                                            |          |
| Natural gas revenues (includes revenue taxes of \$11, \$15, \$103, and \$118, respectively) | \$ 689                                      | \$ 857 | \$ 3,417                                   | \$ 3,998 |
| Total operating revenues                                                                    | 689                                         | 857    | 3,417                                      | 3,998    |
| <b>Operating Expenses:</b>                                                                  |                                             |        |                                            |          |
| Cost of natural gas                                                                         | 102                                         | 294    | 1,199                                      | 1,840    |
| Other operations and maintenance                                                            | 264                                         | 252    | 879                                        | 824      |
| Depreciation and amortization                                                               | 145                                         | 140    | 429                                        | 414      |
| Taxes other than income taxes                                                               | 42                                          | 45     | 203                                        | 208      |
| Total operating expenses                                                                    | 553                                         | 731    | 2,710                                      | 3,286    |
| <b>Operating Income</b>                                                                     | 136                                         | 126    | 707                                        | 712      |
| <b>Other Income and (Expense):</b>                                                          |                                             |        |                                            |          |
| Earnings from equity method investments                                                     | 32                                          | 34     | 104                                        | 105      |
| Interest expense, net of amounts capitalized                                                | (77)                                        | (65)   | (226)                                      | (187)    |
| Other income (expense), net                                                                 | 19                                          | 15     | 50                                         | 47       |
| Total other income and (expense)                                                            | (26)                                        | (16)   | (72)                                       | (35)     |
| <b>Earnings Before Income Taxes</b>                                                         | 110                                         | 110    | 635                                        | 677      |
| Income taxes                                                                                | 28                                          | 27     | 160                                        | 161      |
| <b>Net Income</b>                                                                           | \$ 82                                       | \$ 83  | \$ 475                                     | \$ 516   |

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

|                                                                                                                         | For the Three Months<br>Ended September 30, |       | For the Nine Months<br>Ended September 30, |        |
|-------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------|--------------------------------------------|--------|
|                                                                                                                         | 2023                                        | 2022  | 2023                                       | 2022   |
|                                                                                                                         | <i>(in millions)</i>                        |       | <i>(in millions)</i>                       |        |
| <b>Net Income</b>                                                                                                       | \$ 82                                       | \$ 83 | \$ 475                                     | \$ 516 |
| Other comprehensive income:                                                                                             |                                             |       |                                            |        |
| Qualifying hedges:                                                                                                      |                                             |       |                                            |        |
| Changes in fair value, net of tax of \$(2), \$8, \$(11), and \$16, respectively                                         | (6)                                         | 19    | (30)                                       | 39     |
| Reclassification adjustment for amounts included in net income, net of tax of \$7, \$(2), \$15, and \$(7), respectively | 16                                          | (5)   | 37                                         | (17)   |
| <b>Total other comprehensive income</b>                                                                                 | 10                                          | 14    | 7                                          | 22     |
| <b>Comprehensive Income</b>                                                                                             | \$ 92                                       | \$ 97 | \$ 482                                     | \$ 538 |

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 Nine Months<br>Ended September 30, |                |
|--------------------------------------------------------------------------------------|--------------------------------------------|----------------|
|                                                                                      | 2023                                       | 2022           |
|                                                                                      | <i>(in millions)</i>                       |                |
| <b>Operating Activities:</b>                                                         |                                            |                |
| Net income                                                                           | \$ 475                                     | \$ 516         |
| Adjustments to reconcile net income to net cash provided from operating activities — |                                            |                |
| Depreciation and amortization, total                                                 | 429                                        | 414            |
| Deferred income taxes                                                                | 75                                         | 109            |
| Natural gas cost under recovery – long-term                                          | —                                          | 207            |
| Other, net                                                                           | (15)                                       | (12)           |
| Changes in certain current assets and liabilities —                                  |                                            |                |
| -Receivables                                                                         | 776                                        | 301            |
| -Natural gas for sale, net of temporary LIFO liquidation                             | 31                                         | (136)          |
| -Prepaid income taxes                                                                | 12                                         | (77)           |
| -Natural gas cost under recovery                                                     | 108                                        | (124)          |
| -Other current assets                                                                | (32)                                       | 7              |
| -Accounts payable                                                                    | (346)                                      | 342            |
| -Natural gas cost over recovery                                                      | 165                                        | —              |
| -Other current liabilities                                                           | (34)                                       | (15)           |
| Net cash provided from operating activities                                          | <u>1,644</u>                               | <u>1,532</u>   |
| <b>Investing Activities:</b>                                                         |                                            |                |
| Property additions                                                                   | (1,151)                                    | (1,063)        |
| Cost of removal, net of salvage                                                      | (82)                                       | (84)           |
| Change in construction payables, net                                                 | (38)                                       | (103)          |
| Other investing activities                                                           | 45                                         | 11             |
| Net cash used for investing activities                                               | <u>(1,226)</u>                             | <u>(1,239)</u> |
| <b>Financing Activities:</b>                                                         |                                            |                |
| Decrease in notes payable, net                                                       | (493)                                      | (749)          |
| Proceeds —                                                                           |                                            |                |
| Senior notes                                                                         | 500                                        | 500            |
| First mortgage bonds                                                                 | 125                                        | 100            |
| Short-term borrowings                                                                | —                                          | 50             |
| Other long-term debt                                                                 | 29                                         | —              |
| Redemptions —                                                                        |                                            |                |
| Short-term borrowings                                                                | (200)                                      | (150)          |
| Medium-term notes                                                                    | —                                          | (46)           |
| Capital contributions from parent company                                            | 377                                        | 357            |
| Payment of common stock dividends                                                    | (439)                                      | (389)          |
| Other financing activities                                                           | (1)                                        | 14             |
| Net cash used for financing activities                                               | <u>(102)</u>                               | <u>(313)</u>   |
| <b>Net Change in Cash, Cash Equivalents, and Restricted Cash</b>                     | <u>316</u>                                 | <u>(20)</u>    |
| <b>Cash, Cash Equivalents, and Restricted Cash at Beginning of Period</b>            | <u>83</u>                                  | <u>48</u>      |
| <b>Cash, Cash Equivalents, and Restricted Cash at End of Period</b>                  | <u>\$ 399</u>                              | <u>\$ 28</u>   |
| <b>Supplemental Cash Flow Information:</b>                                           |                                            |                |
| Cash paid during the period for —                                                    |                                            |                |
| Interest (net of \$12 and \$7 capitalized for 2023 and 2022, respectively)           | \$ 214                                     | \$ 186         |
| Income taxes, net                                                                    | 70                                         | 193            |
| Noncash transactions —                                                               |                                            |                |
| Accrued property additions at end of period                                          | 139                                        | 10             |
| Right-of-use assets obtained under operating leases                                  | 3                                          | —              |

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 September 30,<br>2023 | At December 31,<br>2022 |
|-------------------------------------------------------------------------------|--------------------------|-------------------------|
|                                                                               | <i>(in millions)</i>     |                         |
| <b>Current Assets:</b>                                                        |                          |                         |
| Cash and cash equivalents                                                     | \$ 397                   | \$ 81                   |
| Receivables —                                                                 |                          |                         |
| Customer accounts                                                             | 242                      | 616                     |
| Unbilled revenues                                                             | 74                       | 453                     |
| Other accounts and notes                                                      | 52                       | 76                      |
| Accumulated provision for uncollectible accounts                              | (53)                     | (50)                    |
| Natural gas for sale                                                          | 406                      | 438                     |
| Prepaid expenses                                                              | 92                       | 93                      |
| Natural gas cost under recovery                                               | —                        | 108                     |
| Other regulatory assets                                                       | 144                      | 119                     |
| Other current assets                                                          | 108                      | 104                     |
| <b>Total current assets</b>                                                   | <b>1,462</b>             | <b>2,038</b>            |
| <b>Property, Plant, and Equipment:</b>                                        |                          |                         |
| In service                                                                    | 20,459                   | 19,723                  |
| Less: Accumulated depreciation                                                | 5,454                    | 5,276                   |
| Plant in service, net of depreciation                                         | 15,005                   | 14,447                  |
| Construction work in progress                                                 | 1,158                    | 909                     |
| <b>Total property, plant, and equipment</b>                                   | <b>16,163</b>            | <b>15,356</b>           |
| <b>Other Property and Investments:</b>                                        |                          |                         |
| Goodwill                                                                      | 5,015                    | 5,015                   |
| Equity investments in unconsolidated subsidiaries                             | 1,243                    | 1,276                   |
| Other intangible assets, net of amortization of \$163 and \$156, respectively | 19                       | 26                      |
| Miscellaneous property and investments                                        | 24                       | 28                      |
| <b>Total other property and investments</b>                                   | <b>6,301</b>             | <b>6,345</b>            |
| <b>Deferred Charges and Other Assets:</b>                                     |                          |                         |
| Operating lease right-of-use assets, net of amortization                      | 47                       | 57                      |
| Prepaid pension costs                                                         | 205                      | 183                     |
| Other regulatory assets, deferred                                             | 483                      | 497                     |
| Other deferred charges and assets                                             | 162                      | 145                     |
| <b>Total deferred charges and other assets</b>                                | <b>897</b>               | <b>882</b>              |
| <b>Total Assets</b>                                                           | <b>\$ 24,823</b>         | <b>\$ 24,621</b>        |

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)**

| <b>Liabilities and Stockholder's Equity</b>                      | <b>At September 30,<br/>2023</b> | <b>At December 31,<br/>2022</b> |
|------------------------------------------------------------------|----------------------------------|---------------------------------|
|                                                                  | <i>(in millions)</i>             |                                 |
| <b>Current Liabilities:</b>                                      |                                  |                                 |
| Securities due within one year                                   | \$ 400                           | \$ 400                          |
| Notes payable                                                    | 75                               | 768                             |
| Accounts payable —                                               |                                  |                                 |
| Affiliated                                                       | 62                               | 104                             |
| Other                                                            | 374                              | 701                             |
| Customer deposits                                                | 133                              | 125                             |
| Accrued taxes                                                    | 75                               | 77                              |
| Accrued interest                                                 | 79                               | 67                              |
| Accrued compensation                                             | 85                               | 105                             |
| Natural gas cost over recovery                                   | 165                              | —                               |
| Other regulatory liabilities                                     | 44                               | 36                              |
| Other current liabilities                                        | 146                              | 187                             |
| Total current liabilities                                        | 1,638                            | 2,570                           |
| <b>Long-term Debt</b>                                            | 7,657                            | 7,042                           |
| <b>Deferred Credits and Other Liabilities:</b>                   |                                  |                                 |
| Accumulated deferred income taxes                                | 1,629                            | 1,560                           |
| Deferred credits related to income taxes                         | 766                              | 788                             |
| Employee benefit obligations                                     | 108                              | 120                             |
| Operating lease obligations                                      | 40                               | 51                              |
| Other cost of removal obligations                                | 1,748                            | 1,707                           |
| Accrued environmental remediation                                | 202                              | 207                             |
| Other deferred credits and liabilities                           | 202                              | 179                             |
| Total deferred credits and other liabilities                     | 4,695                            | 4,612                           |
| <b>Total Liabilities</b>                                         | 13,990                           | 14,224                          |
| <b>Common Stockholder's Equity</b> (See accompanying statements) | 10,833                           | 10,397                          |
| <b>Total Liabilities and Stockholder's Equity</b>                | \$ 24,823                        | \$ 24,621                       |

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)**

|                                           | <b>Paid-In<br/>Capital</b> | <b>Retained<br/>Earnings<br/>(Accumulated<br/>Deficit)</b> | <b>Accumulated<br/>Other<br/>Comprehensive<br/>Income (Loss)</b> | <b>Total</b> |
|-------------------------------------------|----------------------------|------------------------------------------------------------|------------------------------------------------------------------|--------------|
| <i>(in millions)</i>                      |                            |                                                            |                                                                  |              |
| <b>Balance at December 31, 2021</b>       | \$ 10,024                  | \$ (132)                                                   | \$ 24                                                            | \$ 9,916     |
| Net income                                | —                          | 319                                                        | —                                                                | 319          |
| Capital contributions from parent company | 50                         | —                                                          | —                                                                | 50           |
| Other comprehensive income                | —                          | —                                                          | 20                                                               | 20           |
| Cash dividends on common stock            | —                          | (130)                                                      | —                                                                | (130)        |
| <b>Balance at March 31, 2022</b>          | 10,074                     | 57                                                         | 44                                                               | 10,175       |
| Net income                                | —                          | 115                                                        | —                                                                | 115          |
| Capital contributions from parent company | 312                        | —                                                          | —                                                                | 312          |
| Other comprehensive income (loss)         | —                          | —                                                          | (12)                                                             | (12)         |
| Cash dividends on common stock            | —                          | (130)                                                      | —                                                                | (130)        |
| <b>Balance at June 30, 2022</b>           | 10,386                     | 42                                                         | 32                                                               | 10,460       |
| Net income                                | —                          | 83                                                         | —                                                                | 83           |
| Capital contributions from parent company | 11                         | —                                                          | —                                                                | 11           |
| Other comprehensive income                | —                          | —                                                          | 14                                                               | 14           |
| Cash dividends on common stock            | —                          | (130)                                                      | —                                                                | (130)        |
| <b>Balance at September 30, 2022</b>      | \$ 10,397                  | \$ (5)                                                     | \$ 46                                                            | \$ 10,438    |
| <b>Balance at December 31, 2022</b>       | \$ 10,445                  | \$ (79)                                                    | \$ 31                                                            | \$ 10,397    |
| Net income                                | —                          | 309                                                        | —                                                                | 309          |
| Capital contributions from parent company | 203                        | —                                                          | —                                                                | 203          |
| Other comprehensive income (loss)         | —                          | —                                                          | (10)                                                             | (10)         |
| Cash dividends on common stock            | —                          | (146)                                                      | —                                                                | (146)        |
| Other                                     | 1                          | (1)                                                        | —                                                                | —            |
| <b>Balance at March 31, 2023</b>          | 10,649                     | 83                                                         | 21                                                               | 10,753       |
| Net income                                | —                          | 85                                                         | —                                                                | 85           |
| Capital contributions from parent company | 40                         | —                                                          | —                                                                | 40           |
| Other comprehensive income                | —                          | —                                                          | 7                                                                | 7            |
| Cash dividends on common stock            | —                          | (147)                                                      | —                                                                | (147)        |
| <b>Balance at June 30, 2023</b>           | 10,689                     | 21                                                         | 28                                                               | 10,738       |
| Net income                                | —                          | 82                                                         | —                                                                | 82           |
| Capital contributions from parent company | 149                        | —                                                          | —                                                                | 149          |
| Other comprehensive income                | —                          | —                                                          | 10                                                               | 10           |
| Cash dividends on common stock            | —                          | (146)                                                      | —                                                                | (146)        |
| <b>Balance at September 30, 2023</b>      | \$ 10,838                  | \$ (43)                                                    | \$ 38                                                            | \$ 10,833    |

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)**

**INDEX TO THE NOTES TO THE CONDENSED FINANCIAL STATEMENTS**

| <b>Note</b> |                                                                              | <b>Page</b>        |
|-------------|------------------------------------------------------------------------------|--------------------|
| A           | <a href="#">Introduction</a> .....                                           | <a href="#">44</a> |
| B           | <a href="#">Regulatory Matters</a> .....                                     | <a href="#">49</a> |
| C           | <a href="#">Contingencies</a> .....                                          | <a href="#">60</a> |
| D           | <a href="#">Revenue from Contracts with Customers and Lease Income</a> ..... | <a href="#">65</a> |
| E           | <a href="#">Consolidated Entities and Equity Method Investments</a> .....    | <a href="#">71</a> |
| F           | <a href="#">Financing and Leases</a> .....                                   | <a href="#">73</a> |
| G           | <a href="#">Income Taxes</a> .....                                           | <a href="#">76</a> |
| H           | <a href="#">Retirement Benefits</a> .....                                    | <a href="#">77</a> |
| I           | <a href="#">Fair Value Measurements</a> .....                                | <a href="#">80</a> |
| J           | <a href="#">Derivatives</a> .....                                            | <a href="#">84</a> |
| K           | <a href="#">Acquisitions and Dispositions</a> .....                          | <a href="#">96</a> |
| L           | <a href="#">Segment and Related Information</a> .....                        | <a href="#">96</a> |

**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.

| <b>Registrant</b>    | <b>Applicable Notes</b>            |
|----------------------|------------------------------------|
| 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 at December 31, 2022 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 September 30, 2023 and 2022. 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, 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.

### Recently Adopted Accounting Standards

In March 2020 and December 2022, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* and ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, respectively, providing temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR through December 31, 2024. See Note 1 to the financial statements under "Recently Adopted Accounting Standards" in Item 8 of the Form 10-K for additional information on the temporary guidance.

Certain provisions in PPAs at Southern Power include references to LIBOR. Contract amendments have been executed to change to a SOFR-based interest rate. Southern Power adopted and applied the practical expedients guidance to these PPAs. Additionally, the Registrants referenced LIBOR for certain debt and hedging arrangements. As of July 1, 2023, all of the debt and hedging arrangements of the Registrants have transitioned to a SOFR-based interest rate based on the terms of the agreements. There were no material impacts from the transition to SOFR and no impacts to any existing accounting conclusions. See Note (J) under "Interest Rate Derivatives" for additional information.

### Goodwill and Other Intangible Assets

Goodwill at September 30, 2023 and December 31, 2022 was as follows:

|                                   | <b>Goodwill</b>      |              |
|-----------------------------------|----------------------|--------------|
|                                   | <i>(in millions)</i> |              |
| Southern Company                  | \$                   | 5,161        |
| Southern Company Gas:             |                      |              |
| Gas distribution operations       | \$                   | 4,034        |
| Gas marketing services            |                      | 981          |
| <b>Southern Company Gas total</b> | <b>\$</b>            | <b>5,015</b> |

Goodwill is not amortized, but is subject to an annual impairment test during the fourth quarter of each year, or more frequently if goodwill impairment indicators arise.

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

Other intangible assets were as follows:

|                                     | At September 30, 2023       |                             |                                       | At December 31, 2022        |                             |                                       |
|-------------------------------------|-----------------------------|-----------------------------|---------------------------------------|-----------------------------|-----------------------------|---------------------------------------|
|                                     | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Other<br>Intangible<br>Assets,<br>Net | Gross<br>Carrying<br>Amount | Accumulated<br>Amortization | Other<br>Intangible<br>Assets,<br>Net |
|                                     | (in millions)               |                             |                                       | (in millions)               |                             |                                       |
| Southern Company                    |                             |                             |                                       |                             |                             |                                       |
| Subject to amortization:            |                             |                             |                                       |                             |                             |                                       |
| Customer relationships              | \$ 211                      | \$ (169)                    | \$ 42                                 | \$ 212                      | \$ (162)                    | \$ 50                                 |
| Trade names                         | 63                          | (50)                        | 13                                    | 64                          | (44)                        | 20                                    |
| PPA fair value adjustments          | 390                         | (143)                       | 247                                   | 390                         | (129)                       | 261                                   |
| Other                               | 5                           | (5)                         | —                                     | 5                           | (5)                         | —                                     |
| Total subject to amortization       | \$ 669                      | \$ (367)                    | \$ 302                                | \$ 671                      | \$ (340)                    | \$ 331                                |
| Not subject to amortization:        |                             |                             |                                       |                             |                             |                                       |
| FCC licenses                        | 75                          | —                           | 75                                    | 75                          | —                           | 75                                    |
| Total other intangible assets       | \$ 744                      | \$ (367)                    | \$ 377                                | \$ 746                      | \$ (340)                    | \$ 406                                |
| Southern Power <sup>(*)</sup>       |                             |                             |                                       |                             |                             |                                       |
| PPA fair value adjustments          | \$ 390                      | \$ (143)                    | \$ 247                                | \$ 390                      | \$ (129)                    | \$ 261                                |
| Southern Company Gas <sup>(*)</sup> |                             |                             |                                       |                             |                             |                                       |
| Gas marketing services              |                             |                             |                                       |                             |                             |                                       |
| Customer relationships              | \$ 156                      | \$ (143)                    | \$ 13                                 | \$ 156                      | \$ (139)                    | \$ 17                                 |
| Trade names                         | 26                          | (20)                        | 6                                     | 26                          | (17)                        | 9                                     |
| Total other intangible assets       | \$ 182                      | \$ (163)                    | \$ 19                                 | \$ 182                      | \$ (156)                    | \$ 26                                 |

(\*) All subject to amortization.

Amortization associated with other intangible assets was as follows:

|                                 | Three Months Ended |    | Nine Months Ended |    | Three Months Ended |    | Nine Months Ended |    |
|---------------------------------|--------------------|----|-------------------|----|--------------------|----|-------------------|----|
|                                 | September 30, 2023 |    |                   |    | September 30, 2022 |    |                   |    |
|                                 | (in millions)      |    |                   |    |                    |    |                   |    |
| Southern Company <sup>(a)</sup> | \$                 | 10 | \$                | 27 | \$                 | 11 | \$                | 30 |
| Southern Power <sup>(b)</sup>   |                    | 5  |                   | 14 |                    | 5  |                   | 15 |
| Southern Company Gas            |                    | 3  |                   | 7  |                    | 4  |                   | 9  |

(a) Includes \$5 million, \$14 million, \$5 million, and \$15 million for the three and nine months ended September 30, 2023 and 2022, respectively, recorded as a reduction to operating revenues.

(b) Recorded as a reduction to operating revenues.

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

## Cash, Cash Equivalents, and 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 applicable Registrants:

|                                                                  | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|------------------------------------------------------------------|---------------------|------------------|------------------|-------------------|----------------------------|
| <i>(in millions)</i>                                             |                     |                  |                  |                   |                            |
| <b>At September 30, 2023</b>                                     |                     |                  |                  |                   |                            |
| Cash and cash equivalents                                        | \$ 1,676            | \$ 621           | \$ 173           | \$ 236            | \$ 397                     |
| Restricted cash <sup>(a)</sup> :                                 |                     |                  |                  |                   |                            |
| Other current assets                                             | 176                 | 108              | 48               | 18                | 2                          |
| Other deferred charges and assets                                | 38                  | —                | 35               | 3                 | —                          |
| Total cash, cash equivalents, and restricted cash <sup>(b)</sup> | \$ 1,890            | \$ 729           | \$ 256           | \$ 257            | \$ 399                     |
| <b>At December 31, 2022</b>                                      |                     |                  |                  |                   |                            |
| Cash and cash equivalents                                        | \$ 1,917            | \$ 687           | \$ 364           | \$ 131            | \$ 81                      |
| Restricted cash <sup>(a)</sup> :                                 |                     |                  |                  |                   |                            |
| Other current assets                                             | 62                  | —                | 60               | —                 | 2                          |
| Other deferred charges and assets                                | 58                  | —                | 56               | 3                 | —                          |
| Total cash, cash equivalents, and restricted cash <sup>(b)</sup> | \$ 2,037            | \$ 687           | \$ 480           | \$ 133            | \$ 83                      |

(a) For Alabama Power, balance at September 30, 2023 reflects proceeds from the issuance of solid waste disposal facility revenue bonds in 2023. For Georgia Power, reflects proceeds from the issuance of solid waste disposal facility revenue bonds in 2022. For Southern Power, reflects \$18 million at September 30, 2023 resulting from an arbitration interim award held to fund future replacement costs and \$3 million at both September 30, 2023 and December 31, 2022 held to fund estimated construction completion costs at the Deuel Harvest wind facility. See Note (C) under "General Litigation Matters – Southern Power" for additional information. For Southern Company Gas, reflects collateral for workers' compensation, life insurance, and long-term disability insurance.

(b) Total may not add due to rounding.

## Natural Gas for Sale

With the exception of Nicor Gas, Southern Company Gas records 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 September 30, 2023 is expected to be restored prior to year-end.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

#### Storm Damage Reserves

See Note 1 to the financial statements in Item 8 of the Form 10-K under "Storm Damage and Reliability Reserves" for additional information.

Storm damage reserve activity for the traditional electric operating companies during the nine months ended September 30, 2023 was as follows:

|                               | Southern<br>Company <sup>(*)</sup> | Alabama<br>Power | Georgia<br>Power <sup>(*)</sup> | Mississippi<br>Power |
|-------------------------------|------------------------------------|------------------|---------------------------------|----------------------|
|                               | <i>(in millions)</i>               |                  |                                 |                      |
| Balance at December 31, 2022  | \$ 216                             | \$ 97            | \$ 83                           | \$ 36                |
| Accrual                       | 42                                 | 9                | 24                              | 9                    |
| Weather-related damages       | (242)                              | (35)             | (204)                           | (3)                  |
| Balance at September 30, 2023 | \$ 16                              | \$ 71            | \$ (97)                         | \$ 42                |

(\*) See Note (B) under "Georgia Power – Storm Damage Recovery" for additional information.

#### Asset Retirement Obligations

See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information.

Following initial criticality on March 6, 2023, Georgia Power recorded AROs of approximately \$90 million related to Plant Vogtle Unit 3. See Note (B) under "Georgia Power – Nuclear Construction" for additional information on Plant Vogtle Units 3 and 4.

In September 2023, Georgia Power recorded a net decrease of approximately \$175 million to its AROs related to the CCR Rule and the related state rule resulting from changes in estimates, including lower future inflation rates and the timing of closure activities.

In June 2023, Alabama Power completed an updated decommissioning cost site study for Plant Farley. The estimated cost of decommissioning based on the study resulted in a decrease in Alabama Power's ARO liability of approximately \$15 million. See "Nuclear Decommissioning" herein for additional information.

#### Nuclear Decommissioning

See Note 6 to the financial statements in Item 8 of the Form 10-K under "Nuclear Decommissioning" for additional information. Site study cost is the estimate to decommission a specific facility as of the site study year. The decommissioning cost estimates are based on removal of the plant from service and prompt dismantlement. The actual decommissioning costs may vary from these estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making these estimates.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

The estimated costs of decommissioning Plant Farley based on Alabama Power's June 2023 site study are as follows:

|                          | <b>Plant Farley</b>  |
|--------------------------|----------------------|
| Decommissioning periods: |                      |
| Beginning year           | 2037                 |
| Completion year          | 2087                 |
|                          | <i>(in millions)</i> |
| Site study costs:        |                      |
| Radiated structures      | \$ 1,402             |
| Spent fuel management    | 513                  |
| Non-radiated structures  | 133                  |
| Total site study costs   | \$ 2,048             |

For ratemaking purposes, Alabama Power's decommissioning costs are based on the site study. Significant assumptions used to determine these costs for ratemaking were an estimated inflation rate of 4.5% and an estimated trust earnings rate of 7.0%.

Amounts previously contributed to the external trust funds are currently projected to be adequate to meet the updated decommissioning obligations. Alabama Power's site-specific estimates of decommissioning costs for Plant Farley are updated every five years. The next site study for Alabama Power is expected to be completed in 2028. Projections of funds are reviewed with the Alabama PSC to ensure that, over time, the deposits and earnings of the funds in the external trust will provide adequate funding to cover the site-specific costs. If necessary, Alabama Power would seek the Alabama PSC's approval to address any changes in a manner consistent with NRC and other applicable requirements.

### Income Taxes

In the third quarter 2023, Georgia Power started generating advanced nuclear PTCs for Plant Vogtle Unit 3 beginning on the in-service date of July 31, 2023. PTCs are recognized as an income tax benefit based on KWH production. In addition, pursuant to the Global Amendments to the Vogtle Joint Ownership Agreements (as defined in Note (B) under "Georgia Power – Nuclear Construction – Joint Owner Contracts"), Georgia Power is purchasing advanced nuclear PTCs for Plant Vogtle Unit 3 from certain other Vogtle Owners. The gain recognized on the purchase of the joint owner PTCs is recognized as an income tax benefit. See Note 1 to the financial statements under "Income Taxes" in Item 8 of the Form 10-K for additional information regarding accounting policies related to income taxes. See Note (B) under "Georgia Power – Nuclear Construction" for additional information regarding Plant Vogtle Units 3 and 4. Also see Note (G) under "Current and Deferred Income Taxes" for additional information.

# **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 September 30, 2023 and December 31, 2022 were as follows:

| Regulatory Clause                 | Balance Sheet Line Item                            | September 30,<br>2023 | December 31,<br>2022 |
|-----------------------------------|----------------------------------------------------|-----------------------|----------------------|
| (in millions)                     |                                                    |                       |                      |
| Alabama Power                     |                                                    |                       |                      |
| Rate CNP Compliance               | Other regulatory liabilities, deferred             | \$ 3                  | \$ —                 |
|                                   | Other regulatory assets, current                   | —                     | 47                   |
| Rate CNP PPA                      | Other regulatory assets, current                   | 17                    | 18                   |
|                                   | Other regulatory assets, deferred                  | 90                    | 102                  |
| Retail Energy Cost Recovery       | Other regulatory assets, current                   | 208                   | 102                  |
|                                   | Other regulatory assets, deferred                  | 80                    | 520                  |
| Georgia Power                     |                                                    |                       |                      |
| Fuel Cost Recovery <sup>(*)</sup> | Receivables – under recovered fuel clause revenues | \$ 730                | \$ —                 |
|                                   | Deferred under recovered fuel clause revenues      | 1,279                 | 2,056                |
| Mississippi Power                 |                                                    |                       |                      |
| Fuel Cost Recovery                | Receivables – customer accounts, net               | \$ 25                 | \$ 1                 |
| Ad Valorem Tax                    | Other regulatory assets, current                   | 3                     | 12                   |
|                                   | Other regulatory assets, deferred                  | 11                    | 19                   |
| Southern Company Gas              |                                                    |                       |                      |
| Natural Gas Cost Recovery         | Natural gas cost under recovery                    | \$ —                  | \$ 108               |
|                                   | Natural gas cost over recovery                     | 165                   | —                    |

(\*) See "Georgia Power – Fuel Cost Recovery" herein for additional information.

## **Alabama Power**

### ***Certificates of Convenience and Necessity***

In 2020, the Alabama PSC approved a certificate of convenience and necessity authorizing Alabama Power's construction of Plant Barry Unit 8 and the recovery of estimated in-service costs of \$652 million. At September 30, 2023, project expenditures associated with Plant Barry Unit 8 totaled approximately \$583 million, of which \$578 million and \$5 million was included in CWIP and property, plant, and equipment in service, respectively. On November 1, 2023, the unit was placed in service. The ultimate outcome of this matter cannot be determined at this time.

### ***Excess Accumulated Deferred Income Tax Accounting Order***

On October 3, 2023, the Alabama PSC issued an order modifying its December 2022 order and authorizing Alabama Power to (i) flow back in 2023 approximately \$24 million of certain federal excess accumulated deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and (ii) make available any remaining balance of excess accumulated deferred income taxes at the end of 2023 for the benefit of customers in 2024 and/or 2025. The ultimate outcome of this matter cannot be determined at this time.

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

### **(UNAUDITED)**

#### ***Rate CNP New Plant***

On March 24, 2023, Alabama Power filed Rate CNP New Plant with the Alabama PSC to recover costs associated with the acquisition of the Central Alabama Generating Station. The filing reflected an annual increase in retail revenues of \$78 million effective with June 2023 billings. Through May 2023, Alabama Power recovered substantially all costs associated with the Central Alabama Generating Station through Rate RSE, offset by revenues from a power sales agreement. On May 24, 2023, the Central Alabama Generating Station was placed into retail service. See Note 15 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

#### ***Renewable Generation Certificate***

Through the issuance of a Renewable Generation Certificate (RGC), Alabama Power is authorized by the Alabama PSC to procure renewable capacity and energy and to market the related energy and environmental attributes to customers and other third parties. On April 4, 2023, the Alabama PSC approved two new solar PPAs totaling 160 MWs. Upon approval of these PPAs, Alabama Power had procured solar capacity totaling approximately 490 MWs under the RGC's original 500-MW limit.

On June 14, 2023, the Alabama PSC issued an order approving modifications to Alabama Power's RGC. The modifications authorized Alabama Power to procure an additional 2,400 MWs of renewable capacity and energy by June 14, 2029 and to market the related energy and environmental attributes to customers and other third parties. The modifications also increased the size of allowable renewable projects from 80 MWs to 200 MWs and increased the annual approval limit from 160 MWs to 400 MWs.

#### ***Reliability Reserve Accounting Order***

On July 11, 2023, the Alabama PSC issued an order authorizing Alabama Power to expand the existing authority of its reliability reserve to include certain production-related expenses that are intended to maintain reliability in between scheduled generating unit maintenance outages.

On August 18, 2023, Alabama Power notified the Alabama PSC of its intent to use a portion of its \$166 million reliability reserve balance during 2023. The ultimate outcome of this matter cannot be determined at this time.

### **Georgia Power**

#### ***Rate Plans***

In accordance with the terms of the 2022 ARP, on October 2, 2023, Georgia Power filed the following tariff adjustments to become effective January 1, 2024 pending approval by the Georgia PSC:

- increase traditional base tariffs by approximately \$275 million;
- decrease the Environmental Compliance Cost Recovery tariff by approximately \$99 million;
- increase the Demand-Side Management tariffs by approximately \$10 million; and
- increase the Municipal Franchise Fee tariffs by approximately \$5 million.

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

#### ***Plant Vogtle Unit 3 and Common Facilities Rate Proceeding***

In compliance with a Georgia PSC order approved in November 2021, Georgia Power increased annual retail base rates by \$318 million effective August 1, 2023 based on the in-service date of July 31, 2023 for Plant Vogtle Unit 3. See "Plant Vogtle Units 3 and 4 Prudency Proceeding" and "Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

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

### **(UNAUDITED)**

#### ***Plant Vogtle Units 3 and 4 Prudency Proceeding***

On August 30, 2023, as provided for in the December 2017 Georgia PSC approval of the seventeenth VCM report, Georgia Power filed with the Georgia PSC an application to adjust rates to include reasonable and prudent Plant Vogtle Units 3 and 4 costs (Application). The Application provides the necessary support to justify the reasonableness, prudence, and recovery of \$8.826 billion in total construction and capital costs, \$1.07 billion in associated retail rate base items, and the operating costs related to the full operation and output of Plant Vogtle Units 3 and 4. Through the VCM process, the Georgia PSC has verified and approved all expenditures up to the revised approved construction and capital cost of \$7.3 billion and has reviewed, but not verified and approved, all expenditures through December 31, 2022 above that amount.

Also on August 30, 2023, the staff of the Georgia PSC filed a stipulated agreement (Prudency Stipulation) among Georgia Power, the staff of the Georgia PSC, and certain intervenors. The Prudency Stipulation is intended to resolve all issues for determination by the Georgia PSC regarding the reasonableness, prudence, and cost recovery for the remaining costs not already in retail base rates, after considering many of the issues raised by the staff of the Georgia PSC and intervenors in prior VCM proceedings, including the extended construction time, required rework, scheduling of activities, and challenges with testing and productivity. If the Prudency Stipulation is approved, Georgia Power will recover \$7.562 billion in total construction and capital costs and associated retail rate base items of \$1.02 billion, which includes AFUDC financing costs above \$4.418 billion (the Georgia PSC-certified amount) up to \$7.562 billion.

The Prudency Stipulation also provides for the recovery of projected operations and maintenance expenses, depreciation expense, nuclear decommissioning accruals, and property taxes, net of projected production tax credits. After considering construction and capital costs already in retail base rates of \$2.1 billion and \$362 million of associated retail rate base items (approved by the Georgia PSC in November 2021), and upon achieving commercial operation of Unit 4, Georgia Power will include in retail rate base the remaining \$5.462 billion of construction and capital costs as well as \$656 million of associated retail rate base items.

Under the terms of the Prudency Stipulation, when the rate adjustment occurs, Georgia Power's NCCR tariff will cease to be collected and financing costs will be included in Georgia Power's general revenue requirements. Additionally, if commercial operation for Unit 4 is not achieved by March 31, 2024, Georgia Power's ROE used to determine the NCCR tariff and calculate AFUDC will be reduced to zero, which would result in an estimated negative impact to earnings of approximately \$12 million per month until commercial operation for Unit 4 is achieved. The Prudency Stipulation also provides that as of each Unit's respective first refueling outage, if the respective Unit's performance has materially deviated from expected performance, the Georgia PSC may order Georgia Power to credit customers for operations and maintenance expenses or disallow costs associated with the repair or replacement of any system, structure, or component found to have caused the material deviation in performance if proven to be the result of imprudent engineering, construction, procurement, testing, or start-up.

If the Prudency Stipulation is approved by the Georgia PSC, annual retail base revenues will increase approximately \$729 million and the average retail base rates will be adjusted by approximately 5% (net of the elimination of the NCCR tariff described above) effective the first day of the month after Unit 4 achieves commercial operation.

Georgia Power expects the Georgia PSC to render a final decision on these matters on December 19, 2023. The ultimate outcome of these matters cannot be determined at this time. See "Plant Vogtle Unit 3 and Common Facilities Rate Proceeding" and "Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

#### ***Fuel Cost Recovery***

On May 16, 2023, the Georgia PSC approved a stipulation agreement between Georgia Power and the staff of the Georgia PSC to increase annual fuel billings by 54%, or approximately \$1.1 billion, effective June 1, 2023. The increase includes a three-year recovery period for \$2.2 billion of Georgia Power's under recovered fuel balance at May 31, 2023. Under the approved stipulation agreement, Georgia Power is allowed to adjust its fuel cost recovery rates under an interim fuel rider prior to the next fuel case, subject to a maximum 40% cumulative change, if its

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

### **(UNAUDITED)**

under or over recovered fuel balance accumulated since May 31, 2023 exceeds \$200 million. Georgia Power is scheduled to file its next fuel case no later than February 28, 2026. Changes in fuel rates have no significant effect on Southern Company's or Georgia Power's net income but do impact the related operating cash flows.

#### ***Integrated Resource Plans***

In August 2022, Restore Chattooga Gorge Coalition (RCG) filed a petition in the Superior Court of Fulton County, Georgia against Georgia Power and the Georgia PSC. The petition challenges Georgia Power's plan to expend \$115 million to modernize Plant Tugalo (a hydro facility), as approved in the 2019 IRP, and seeks judicial review of the Georgia PSC's order in the 2022 IRP proceeding with respect to the denial of RCG's challenge to the modernization plan. On October 23, 2023, the court granted Georgia Power's and the Georgia PSC's motions to dismiss the RCG petition. RCG has until November 22, 2023 to file a notice of appeal.

On October 27, 2023, Georgia Power filed an updated IRP (2023 IRP Update) with the Georgia PSC, which sets forth a plan to support the recent increase in the state of Georgia's projected energy needs since the 2022 IRP. In the 2023 IRP Update, Georgia Power requested the following:

- Authority to develop, own, and operate up to 1,400 MWs from three simple cycle combustion turbines at Plant Yates.
- Approval to pursue potential acquisition of an additional ownership interest in an existing generation asset within the Southern Company system's retail electric service territory.
- Certification of an affiliate PPA with Mississippi Power for 750 MWs starting January 2024 through December 2028.
- Certification of a non-affiliate PPA for 230 MWs starting the month after conclusion of the 2023 IRP Update proceeding continuing through December 2028.
- Authority to develop, own, and operate up to 1,000 MWs of battery energy storage facilities collocated with existing and new Georgia Power-owned solar facilities.
- Approval of transmission projects necessary to support the generation resources requested in the 2023 IRP Update.

The schedule for the Georgia PSC to consider the 2023 IRP Update has not been determined. Georgia Power has requested that the Georgia PSC evaluate the 2023 IRP Update by the end of April 2024.

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

#### ***Storm Damage Recovery***

Georgia Power is recovering \$31 million annually under the 2022 ARP for incremental operating and maintenance costs of damage from major storms to its transmission and distribution facilities. During August 2023, Hurricane Idalia caused significant damage to Georgia Power's transmission and distribution facilities. The incremental restoration costs related to this hurricane deferred in the regulatory asset for storm damage totaled approximately \$110 million. At September 30, 2023, Georgia Power's regulatory asset balance related to storm damage was \$97 million. The rate of storm damage cost recovery is expected to be adjusted in future regulatory proceedings as necessary. As a result of this regulatory treatment, costs related to storms are not expected to have a material impact on Southern Company's or Georgia Power's net income but do impact the related operating cash flows.

#### ***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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

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

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, and mandatory prepayment events.

#### *Cost and Schedule*

Georgia Power's approximate proportionate share of the remaining estimated capital cost to complete Plant Vogtle Units 3 and 4, including contingency, through July 2023 and March 2024, respectively, is as follows:

|                                                       | <i>(in millions)</i> |
|-------------------------------------------------------|----------------------|
| Base project capital cost forecast <sup>(a)(b)</sup>  | \$ 10,736            |
| Construction contingency estimate                     | 17                   |
| Total project capital cost forecast <sup>(a)(b)</sup> | 10,753               |
| Net investment at September 30, 2023 <sup>(b)</sup>   | (10,495)             |
| <b>Remaining estimate to complete</b>                 | <b>\$ 258</b>        |

(a) Includes approximately \$610 million of costs that are not shared with the other Vogtle Owners, including \$33 million of construction monitoring costs approved for recovery by the Georgia PSC in its nineteenth VCM order, and approximately \$567 million of incremental costs under the cost-sharing provisions of the joint ownership agreements described below. Excludes financing costs expected to be capitalized through AFUDC of approximately \$420 million, of which \$385 million had been accrued through September 30, 2023.

(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 \$3.5 billion, of which \$3.4 billion had been incurred through September 30, 2023.

Georgia Power placed Unit 3 in service on July 31, 2023. See "Plant Vogtle Unit 3 and Common Facilities Rate Proceeding" herein for additional information.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts for Unit 4 on a regular basis to incorporate current information available, particularly in the areas of start-up testing and related test results, engineering support, system turnovers, and workforce statistics. Southern Nuclear establishes aggressive target values for monthly testing and system turnover activities, which are reflected in the site work plan for Unit 4.

Since March 2020, the number of active COVID-19 cases at the site has fluctuated consistent with the surrounding area and impacted productivity levels and pace of activity completion, with the site experiencing peaks in the

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

number of active cases in January 2021, August 2021, and January 2022. 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 plans. As of September 30, 2023, Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is estimated to be approximately \$200 million and is included in the total project capital cost forecast.

During the first nine months of 2023, established construction contingency totaling \$43 million was assigned to the base capital cost forecast for costs primarily associated with the Unit 3 schedule extension and completion of start-up and pre-operational testing, including continued need of support resources for Unit 3 testing, as well as additional craft and support resources and subcontract work for Unit 4.

Hot functional testing for Unit 4 was completed on May 1, 2023. On July 20, 2023, Southern Nuclear announced that all Unit 4 ITAACs had been submitted to the NRC, and, on July 28, 2023, the NRC published its 103(g) finding that the accepted criteria in the combined license for Unit 4 had been met, which allowed nuclear fuel to be loaded and start-up testing to begin. Fuel load for Unit 4 was completed on August 19, 2023. On October 6, 2023, Georgia Power announced that during the start-up and pre-operational testing for Plant Vogtle Unit 4, Southern Nuclear identified a motor fault in one of four reactor coolant pumps (RCPs) and has started the process to replace this RCP with an on-site spare RCP from inventory. Considering this remediation and the remaining pre-operational testing, Unit 4 is projected to be placed in service during the first quarter 2024.

With Unit 3's four RCPs operating as designed, Southern Nuclear believes that the motor fault on this single Unit 4 RCP is an isolated event. However, any findings related to the root cause of the motor fault on the single Unit 4 RCP could require engineering changes or remediation related to the other seven Unit 3 and Unit 4 RCPs. The projected schedule for Unit 4 significantly depends on the pace and success of replacing the RCP, which involves removing and re-installing commodities around the RCP. As Unit 4 completes the RCP replacement, including any associated repairs to other RCPs, and transitions further into testing, ongoing and potential future challenges include the management of contractors and vendors, subcontractor performance, the availability of materials and parts, and/or related cost escalation; the pace of remaining work package closures; the availability of craft, supervisory, and technical support resources; and the timeframe and duration of final component and pre-operational testing. New challenges also may continue to arise as Unit 4 moves further into testing and start-up, which may result in required engineering changes or remediation related to 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). These challenges may result in further schedule delays and/or cost increases.

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 ensure 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. With the receipt of the NRC's 103(g) findings for Units 3 and 4 in August 2022 and July 2023, respectively, the site is subject to the NRC's operating reactor oversight process and must meet applicable technical and operational requirements contained in its operating license. Various design and other licensing-based compliance matters may result in additional license amendment requests or require other resolution. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the Unit 4 project schedule that could result in increased costs.

The ultimate outcome of these matters cannot be determined at this time. However, any extension of the in-service date beyond March 2024 for Unit 4, including the joint owner cost sharing impacts described below, is estimated to result in additional base capital costs for Georgia Power of up to \$25 million per month, as well as the related AFUDC and any additional related construction, support resources, or testing costs. Pursuant to Georgia Power's Application and the Prudency Stipulation (as discussed under "Plant Vogtle Units 3 and 4 Prudency Proceeding" herein), any further changes to the capital cost forecast are not expected to be recoverable through regulated rates and will be required to be charged to income. Such charges could be material.

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

### *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.

### Amendments to the Vogtle Joint Ownership Agreements

In connection with a September 2018 vote by the Vogtle Owners 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).

Pursuant to the Global Amendments: (i) each Vogtle Owner paid 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, of which Georgia Power's share is \$8.4 billion (VCM 19 Forecast Amount), plus \$800 million; (ii) Georgia Power was responsible for 55.7% of actual qualifying construction costs between \$800 million and \$1.6 billion over the VCM 19 Forecast Amount (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 was responsible for 65.7% of qualifying construction costs between \$1.6 billion and \$2.1 billion over the VCM 19 Forecast Amount (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. The Global Amendments provide that if the EAC was revised and exceeded the VCM 19 Forecast Amount by more than \$2.1 billion, each of the other Vogtle Owners had a one-time option at the time the project budget cost forecast was 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 VCM 19 Forecast Amount 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 (Project 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 from the seventeenth VCM report estimated in-

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

service dates of November 2021 and November 2022 for Units 3 and 4, respectively. The schedule extension announced in February 2022 triggered the requirement for a vote to continue construction and all the Vogtle Owners voted to continue construction. The filing of the Application with the Georgia PSC, which included Georgia Power's public announcement of its intention not to submit for rate recovery an amount that is greater than the first 6% of costs during any six-month VCM reporting period, triggered the requirement for a vote to continue construction and all the Vogtle Owners voted to continue construction. See "Plant Vogtle Units 3 and 4 Prudency Proceeding" herein for additional information on Georgia Power's prudency application filing.

Georgia Power and the other Vogtle Owners did not agree on either the starting dollar amount for the determination of cost increases subject to the cost-sharing and tender provisions of the Global Amendments or the extent to which COVID-19-related costs impact those provisions. The other Vogtle Owners notified Georgia Power that they believed the project capital cost forecast approved by the Vogtle Owners in February 2022 triggered the tender provisions. In June 2022 and July 2022, OPC and Dalton, respectively, notified Georgia Power of their purported exercises of their tender options. Georgia Power did not accept these purported tender exercises.

In June 2022, OPC and MEAG Power each filed a separate lawsuit against Georgia Power in the Superior Court of Fulton County, Georgia seeking a declaratory judgment that the starting dollar amount is \$17.1 billion and that the cost-sharing and tender provisions had been triggered. The lawsuits also assert other claims, including breach of contract allegations, and seek, among other remedies, damages and injunctive relief requiring Georgia Power to track and allocate construction costs consistent with MEAG Power's and OPC's interpretations of the Global Amendments. In July 2022, Georgia Power filed its answers in the lawsuits filed by MEAG Power and OPC and included counterclaims seeking a declaratory judgment that the starting dollar amount is \$18.38 billion and that costs related to force majeure events are excluded prior to calculating the cost-sharing and tender provisions and when calculating Georgia Power's related financial obligations. In September 2022, Dalton filed complaints in each of these lawsuits.

Also in September 2022, Georgia Power and MEAG Power reached an agreement to resolve their dispute regarding the proper interpretation of the cost-sharing and tender provisions of the Global Amendments. Under the terms of the agreement, among other items, (i) MEAG Power will not exercise its tender option and will retain its full ownership interest in Plant Vogtle Units 3 and 4; (ii) Georgia Power will reimburse a portion of MEAG Power's costs of construction for Plant Vogtle Units 3 and 4 as such costs are incurred and with no further adjustment for force majeure costs, which payments will total approximately \$92 million based on the current project capital cost forecast; and (iii) Georgia Power will reimburse 20% of MEAG Power's costs of construction with respect to any amounts over the current project capital cost forecast, with no further adjustment for force majeure costs. In addition, MEAG Power agreed to vote to continue construction upon occurrence of a Project Adverse Event unless the commercial operation date of either of Plant Vogtle Unit 3 or Unit 4 is not projected to occur by December 31, 2025. In October 2022, MEAG Power and Georgia Power filed a notice of settlement and voluntary dismissal of their pending litigation, including Georgia Power's counterclaim, and Dalton dismissed its related complaint.

On October 5, 2023 and October 17, 2023, Georgia Power reached agreements with OPC and Dalton, respectively, to resolve its respective dispute with each of OPC and Dalton regarding the proper interpretation of the cost-sharing and tender provisions of the joint ownership agreements relating to the Global Amendments. Under the terms of the agreements with OPC and Dalton, among other items, (i) each of OPC and Dalton retracted its exercise of the tender option and will retain its full ownership interest in Plant Vogtle Units 3 and 4, (ii) Georgia Power made payments immediately after execution of the agreements of \$308 million and \$17 million to OPC and Dalton, respectively, representing payment for a portion of each of OPC's and Dalton's costs of construction for Plant Vogtle Units 3 and 4 previously incurred, (iii) Georgia Power will pay a portion of each of OPC's and Dalton's further costs of construction for Plant Vogtle Units 3 and 4 as such costs are incurred and with no further adjustment for force majeure costs, which payments will be in an aggregate amount of approximately \$105 million and \$6 million for OPC and Dalton, respectively, based on the current project capital cost forecast, and (iv) Georgia Power will pay 66% of each of OPC's and Dalton's costs of construction with respect to any amounts above the current project capital cost forecast, with no further adjustment for force majeure costs. On October 23, 2023, OPC, Dalton, and

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

### **(UNAUDITED)**

Georgia Power filed a stipulation of dismissal with prejudice of their litigation described above, including Georgia Power's counterclaims.

Georgia Power recorded pre-tax charges to income through the fourth quarter 2022 of \$407 million (\$304 million after tax) associated with the cost-sharing provisions of the Global Amendments, including the settlement with MEAG Power. Based on the current project capital cost forecast and the settlements with OPC and Dalton described above, Georgia Power recorded a pre-tax charge to income of approximately \$160 million (\$120 million after tax) in the third quarter 2023. These charges are included in the total project capital cost forecast and will not be recovered from retail customers.

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 September 30, 2023, Georgia Power had recovered approximately \$3.0 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 is not recording 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 December 2022, the Georgia PSC approved Georgia Power's filing to increase the NCCR tariff by \$36 million annually, effective January 1, 2023. On November 1, 2023, Georgia Power filed a request to continue the current NCCR tariff for 2024, pending Georgia PSC approval. See "Plant Vogtle Units 3 and 4 Prudency Proceeding" herein for additional information on the NCCR tariff following commercial operation of Unit 4.

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 and that a prudency proceeding on cost recovery will occur following Unit 4 fuel load, 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 at that time) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%,

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

### **(UNAUDITED)**

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 effective the first month after Unit 3 reaches 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. On July 31, 2023, Georgia Power notified the Georgia PSC that Unit 3 had reached commercial operation, and, effective August 1, 2023, Georgia Power adjusted retail base rates for Unit 3 and the common facilities shared between Units 3 and 4 (see "Plant Vogtle Unit 3 and Common Facilities Rate Proceeding" herein for additional information). On August 19, 2023, fuel load for Unit 4 was completed, and, on August 30, 2023, Georgia Power filed an application to adjust rates to include reasonable and prudent Plant Vogtle Units 3 and 4 costs (see "Plant Vogtle Units 3 and 4 Prudency Proceeding" herein for additional information).

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 \$300 million in 2022 and are estimated to have negative earnings impacts of approximately \$290 million in 2023 and \$60 million in 2024. 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. See "Plant Vogtle Units 3 and 4 Prudency Proceeding" herein for additional information on impacts to the NCCR tariff if commercial operation for Unit 4 is not achieved by March 31, 2024.

In the August 2021 order approving the twenty-fourth VCM report, the Georgia PSC approved a stipulation addressing the following matters: (i) beginning with its twenty-fifth VCM report, Georgia Power will continue to report to the Georgia PSC all costs incurred during the period for review and will request for approval costs up to the \$7.3 billion determined to be reasonable in the Georgia PSC's seventeenth VCM order and (ii) Georgia Power will not seek rate recovery of the \$0.7 billion increase to the base capital cost forecast included in the nineteenth VCM report and charged to income by Georgia Power in the second quarter 2018. In addition, the August 2021 stipulation confirmed that Georgia Power may request verification and approval of costs above \$7.3 billion for inclusion in rate base at a later time, but no earlier than the prudence review contemplated by the seventeenth VCM order described previously. See "Plant Vogtle Units 3 and 4 Prudency Proceeding" herein for additional information on Georgia Power's request for verification and approval of costs above \$7.3 billion for inclusion in rate base.

The Georgia PSC approved 25 VCM reports covering periods through June 30, 2021. These reports reflect total construction capital costs incurred of \$7.9 billion (net of \$1.7 billion of payments received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds), of which the Georgia PSC has verified and approved \$7.3 billion as described above. The Georgia PSC also has reviewed three additional VCM reports, which reflected \$1.6 billion of additional construction capital costs incurred through December 31, 2022. Georgia Power filed its twenty-ninth VCM report with the Georgia PSC on August 30, 2023, which reflects the revised capital cost forecast as of June 30, 2023 of \$10.6 billion and \$390 million of construction capital costs incurred from January 1, 2023 through June 30, 2023.

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

### **Mississippi Power**

#### ***Performance Evaluation Plan***

On June 13, 2023, the Mississippi PSC approved Mississippi Power's annual retail PEP filing for 2023 indicating no change in retail rates.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

#### *Ad Valorem Tax Adjustment*

On May 2, 2023, the Mississippi PSC approved Mississippi Power's annual ad valorem tax adjustment filing for 2023, resulting in a \$7 million annual decrease in revenues effective with the first billing cycle of June 2023.

Mississippi Power's operating revenues are adjusted for differences in actual recoverable ad valorem taxes and amounts billed in accordance with the currently approved cost recovery rate. Accordingly, changes in the billing factor should have no significant effect on Mississippi Power's revenues or net income but will affect operating cash flows.

#### *Environmental Compliance Overview Plan*

On April 4, 2023, the Mississippi PSC approved Mississippi Power's annual ECO Plan filing for 2023, resulting in a \$3 million annual increase in revenues effective with the first billing cycle of May 2023.

#### *System Restoration Rider*

On April 4, 2023, the Mississippi PSC approved Mississippi Power's annual SRR filing, which indicated no change in retail rates. Mississippi Power's minimum annual SRR accrual was increased from \$8 million to \$12 million.

#### *Municipal and Rural Associations Tariff*

On October 27, 2023, the FERC approved a settlement agreement filed by Mississippi Power and Cooperative Energy on July 31, 2023 related to Mississippi Power's July 2022 request for a \$23 million increase in annual wholesale base revenues under the MRA tariff. The settlement agreement provides for a \$16 million increase in annual wholesale base revenues, effective September 14, 2022, and a refund to customers of approximately \$6 million primarily related to the difference between the approved rates and interim rates.

#### *Integrated Resource Plans*

In October 2023, Mississippi Power signed an affiliate PPA with Georgia Power for 750 MWs of capacity and energy starting January 2024 through December 2028. In order to fulfill this agreement and serve the interests of customers, Mississippi Power will need to delay the anticipated retirement of certain electric generating units, as identified in its 2021 IRP. Mississippi Power is expected to file its next IRP in April 2024 in accordance with the rules and orders of the Mississippi PSC.

#### **Southern Company Gas**

#### *Infrastructure Replacement Programs and Capital Projects*

Capital expenditures incurred under specific infrastructure replacement programs and capital projects during the first nine months of 2023 were as follows:

| Utility              | Program                      | Nine Months<br>Ended<br>September 30,<br>2023 |
|----------------------|------------------------------|-----------------------------------------------|
| <i>(in millions)</i> |                              |                                               |
| Nicor Gas            | Investing in Illinois        | \$ 320                                        |
| Virginia Natural Gas | SAVE                         | 56                                            |
| Atlanta Gas Light    | System Reinforcement Rider   | 84                                            |
| Chattanooga Gas      | Pipeline Replacement Program | 7                                             |
| <b>Total</b>         |                              | <b>\$ 467</b>                                 |

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

On June 15, 2023, the Illinois Commission concluded its review of the Qualifying Infrastructure Plant (QIP) capital investments by Nicor Gas for calendar year 2019 under the QIP Rider, also referred to as Investing in Illinois, program. The Illinois Commission disallowed \$32 million of the \$415 million of capital investments commissioned in 2019, together with the related return on investment. Nicor Gas recorded a pre-tax charge to income in the second quarter 2023 of \$38 million (\$28 million after tax) associated with the disallowance of capital investments. The disallowance is reflected on the statement of income as an \$8 million reduction to revenues and a \$30 million increase in operating expenses. On August 3, 2023, the Illinois Commission denied a rehearing request filed by Nicor Gas. On August 24, 2023, Nicor Gas filed a notice of appeal with the Illinois Appellate Court. Nicor Gas defends these investments in infrastructure as prudently incurred. The Illinois Commission has not yet conducted its review for calendar years 2020 through 2022 or the nine months ended September 30, 2023. Any further disallowance by the Illinois Commission could be material. The ultimate outcome of these matters cannot be determined at this time.

***Rate Proceedings****Atlanta Gas Light*

On July 14, 2023, Atlanta Gas Light filed its annual GRAM update with the Georgia PSC. The filing requests an annual base rate increase of \$53 million based on the projected 12-month period beginning January 1, 2024. Resolution of the GRAM filing is expected by December 31, 2023, with new rates effective January 1, 2024. The ultimate outcome of this matter cannot be determined at this time.

*Virginia Natural Gas*

On August 28, 2023, the Virginia Commission approved a stipulation agreement related to Virginia Natural Gas' August 2022 general base rate case filing. The approved agreement provides for a \$48 million increase in annual base rate revenues, including the recovery of investments under the SAVE program, an ROE of 9.70%, and an equity ratio of 49.06%. Interim rates became effective January 1, 2023, subject to refund, based on Virginia Natural Gas' original requested increase of approximately \$69 million. Refunds to customers related to the difference between the approved rates effective September 1, 2023 and the interim rates will be completed later in the fourth quarter 2023.

**(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.

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

### **(UNAUDITED)**

#### ***Southern Company and Mississippi Power***

In 2010, the DOE, through a cooperative agreement with SCS, agreed to fund \$270 million of the Kemper County energy facility through the grants awarded to the project by the DOE under the Clean Coal Power Initiative Round 2. In 2016, additional DOE grants in the amount of \$137 million were awarded to the Kemper County energy facility. In 2018, Mississippi Power filed with the DOE its request for property closeout certification under the contract related to the \$387 million of total grants received. In 2020, Mississippi Power and Southern Company executed an agreement with the DOE completing Mississippi Power's request, which enabled Mississippi Power to proceed with full dismantlement of the abandoned gasifier-related assets and site restoration activities. In connection with the DOE closeout discussions, in 2019, the Civil Division of the Department of Justice informed Southern Company and Mississippi Power of a civil investigation related to the DOE grants. On August 4, 2023, the U.S. District Court for the Northern District of Georgia unsealed a civil action in which defendants Southern Company, SCS, and Mississippi Power are alleged to have violated certain provisions of the False Claims Act by fraudulently inducing the DOE to disburse funds pursuant to the grants. The federal government declined to intervene in the action. On October 30, 2023, the plaintiff, a former SCS employee, filed an amended complaint, again alleging certain violations of the False Claims Act. The plaintiff seeks to recover all damages incurred personally and on behalf of the government caused by the defendants' alleged violations, as well as treble damages and attorneys' fees, among other relief. The ultimate outcome of this matter cannot be determined at this time; however, an adverse outcome could have a material impact on Southern Company's and Mississippi Power's financial statements.

#### ***Alabama Power***

In September 2022, Mobile Baykeeper filed a citizen suit in the U.S. District Court for the Southern District of Alabama alleging that Alabama Power's plan to close the Plant Barry ash pond utilizing a closure-in-place methodology violates the Resource Conservation and Recovery Act (RCRA) and regulations governing CCR. Among other relief requested, Mobile Baykeeper seeks a declaratory judgment that the RCRA and regulations governing CCR are being violated, preliminary and injunctive relief to prevent implementation of Alabama Power's closure plan and the development of a closure plan that satisfies regulations governing CCR requirements. On December 19, 2022, Alabama Power filed a motion to dismiss the case. On September 30, 2023, the magistrate judge issued a report and recommendation to deny Alabama Power's motion to dismiss, to which Alabama Power has filed objections.

On January 31, 2023, the EPA issued a Notice of Potential Violations associated with Alabama Power's plan to close the Plant Barry ash pond. Alabama Power has affirmed to the EPA its position that it is in compliance with CCR requirements.

The ultimate outcome of these matters cannot be determined at this time but could have a material impact on Alabama Power's ARO estimates and cash flows. See Note 6 to the financial statements in Item 8 of the Form 10-K for a discussion of Alabama Power's ARO liabilities.

#### ***Georgia Power***

##### ***Municipal Franchise Fees***

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 2019, the Georgia PSC issued an order that found Georgia Power has appropriately implemented the municipal franchise fee schedule. In March 2021, the Superior Court of Fulton County granted class certification and Georgia Power's motion for summary judgment and the plaintiffs filed a notice of appeal. In April 2021, Georgia Power filed a notice of cross appeal on the issue of class certification. In December 2021, the Georgia Court of Appeals affirmed the Superior Court's ruling that granted summary judgment to Georgia Power and dismissed Georgia Power's cross appeal on the

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

### **(UNAUDITED)**

issue of class certification as moot. Also in December 2021, the plaintiffs filed a petition for writ of certiorari to the Georgia Supreme Court, which was denied on January 27, 2023. On February 6, 2023, the plaintiffs filed a motion for reconsideration with the Georgia Supreme Court, which was denied on February 16, 2023. This matter is now concluded.

#### *Plant Scherer*

In July 2020, a group of individual plaintiffs filed a complaint, which was amended in December 2022, in the Superior Court of Fulton County, Georgia against Georgia Power alleging that the construction and operation of Plant Scherer has impacted groundwater 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 December 2022, the Superior Court of Fulton County, Georgia granted Georgia Power's motion to transfer the case to the Superior Court of Monroe County, Georgia. On May 9, 2023, the Superior Court of Monroe County, Georgia denied Georgia Power's motion to dismiss the case for lack of subject matter jurisdiction. On July 27, 2023, the Superior Court of Monroe County, Georgia denied the remaining motions to dismiss certain claims and plaintiffs that Georgia Power filed at the outset of the case.

In October 2021, February 2022, and January 2023, a total of eight additional complaints were filed in the Superior Court of Monroe County, Georgia against Georgia Power alleging that releases from Plant Scherer have impacted groundwater and air, resulting in alleged personal injuries and property damage. The plaintiffs sought an unspecified amount of monetary damages including punitive damages. After Georgia Power removed these cases to the U.S. District Court for the Middle District of Georgia, the plaintiffs voluntarily dismissed their complaints without prejudice in November 2022 and January 2023. On May 12, 2023, the plaintiffs in the cases originally filed in October 2021, February 2022, and January 2023 refiled their eight complaints in the Superior Court of Monroe County, Georgia. Also on May 12, 2023, a new complaint was filed in the Superior Court of Monroe County, Georgia against Georgia Power alleging that the construction and operation of Plant Scherer have impacted groundwater and air, resulting in alleged personal injuries. The plaintiff seeks an unspecified amount of monetary damages, including punitive damages. On May 18, 2023, Georgia Power removed all of these cases to the U.S. District Court for the Middle District of Georgia. The plaintiffs are requesting the court remand the cases back to the Superior Court of Monroe County, Georgia.

The amount of possible loss, if any, from these matters 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, which was amended in March 2019 to include four additional plaintiffs. 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 and make claims for gross negligence, reckless conduct, and intentional wrongdoing. 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. The district court dismissed the amended complaint; however, 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 district court denied each of the plaintiffs' pending

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

motions and entered final judgment in favor of Mississippi Power. In January 2021, the district court denied further motions by the plaintiffs to vacate the judgment and to file a revised second amended complaint. In February 2021, the plaintiffs filed a notice of appeal with the U.S. Court of Appeals for the Fifth Circuit. In March 2022, the U.S. Court of Appeals for the Fifth Circuit issued an opinion affirming the dismissal of the claims against the Mississippi PSC defendants but reversing the dismissal of the claims against Mississippi Power. In May 2022, the U.S. Court of Appeals for the Fifth Circuit denied a petition by Mississippi Power for a rehearing en banc and remanded the case to the U.S. District Court for the Southern District of Mississippi for further proceedings. In June 2022, Mississippi Power filed with the trial court a motion to dismiss the complaint with prejudice, which was granted on March 15, 2023. On March 28, 2023, 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.

***Southern Power***

In July 2021, Southern Power and certain of its subsidiaries filed an arbitration demand with the American Arbitration Association against First Solar for defective design of actuators on trackers and inverters installed by First Solar under the engineering, procurement, and construction agreements associated with five solar projects owned by Southern Power and partners and managed by Southern Power. In February 2023, arbitration hearings concluded. In July 2023, an interim award of approximately \$36 million was entered in favor of Southern Power and was subsequently received in September 2023. The interim award included \$18 million representing recovery of losses associated with replacement costs, penalty payments, and lost revenues previously incurred. This recovery is reflected in Southern Power's third quarter and year-to-date 2023 statements of income as an \$11 million reduction to other operations and maintenance expense and a \$7 million increase in other revenues, with \$6 million allocated through noncontrolling interests to Southern Power's partners. The remaining \$18 million in award proceeds received in excess of the losses incurred is recognized on the balance sheet at September 30, 2023 as restricted cash and a liability to fund future replacement costs. The parties are awaiting issuance of a final award. The ultimate outcome of this matter cannot be determined at this time.

**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 \$14 million and \$15 million at September 30, 2023 and December 31, 2022, 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 \$234 million and \$256 million at September 30, 2023 and December 31, 2022, 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.

**NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)**  
**(UNAUDITED)****Other Matters*****Traditional Electric Operating Companies***

In April 2019, BellSouth Telecommunications d/b/a AT&T Alabama (AT&T) filed a complaint against Alabama Power with the FCC alleging that the pole rental rate AT&T is required to pay pursuant to the parties' joint use agreement is unjust and unreasonable under federal law. The complaint sought a new rate and approximately \$87 million in refunds of alleged overpayments for the preceding six years. In August 2019, the FCC stayed the case in favor of arbitration, which AT&T has not pursued. The ultimate outcome of this matter cannot be determined at this time, but an adverse outcome could have a material impact on the financial statements of Southern Company and Alabama Power. Georgia Power and Mississippi Power have joint use agreements with other AT&T affiliates.

***Mississippi Power***

In August 2022, the Mississippi Department of Revenue (Mississippi DOR) completed an audit of sales and use taxes paid by Mississippi Power from 2016 to 2019 and entered a final assessment, indicating a total amount due of \$28 million, including associated penalties and interest. In October 2022, Mississippi Power filed an administrative appeal with the Mississippi DOR contesting the assessment. On October 2, 2023, Mississippi Power and the Mississippi DOR reached a settlement agreement on an assessment of approximately \$11 million including associated penalties and interest, \$7 million of which was previously paid by Mississippi Power. On October 5, 2023, Mississippi Power made a final \$4 million payment and considers this matter closed.

Pursuant to an accounting order approved by the Mississippi PSC in December 2022, Mississippi Power deferred \$3 million of the agreed upon assessment related to taxes and associated interest to a regulatory asset for disposition in a future rate proceeding.

# **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 and nine months ended September 30, 2023 and 2022:

|                                                    | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|----------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                               |                     |                  |                  |                      |                   |                            |
| <b>Three Months Ended September 30, 2023</b>       |                     |                  |                  |                      |                   |                            |
| <b>Operating revenues</b>                          |                     |                  |                  |                      |                   |                            |
| Retail electric revenues                           |                     |                  |                  |                      |                   |                            |
| Residential                                        | \$ 2,543            | \$ 969           | \$ 1,473         | \$ 101               | \$ —              | \$ —                       |
| Commercial                                         | 1,845               | 599              | 1,151            | 95                   | —                 | —                          |
| Industrial                                         | 1,116               | 498              | 528              | 90                   | —                 | —                          |
| Other                                              | 30                  | 3                | 25               | 2                    | —                 | —                          |
| <b>Total retail electric revenues</b>              | <b>5,534</b>        | <b>2,069</b>     | <b>3,177</b>     | <b>288</b>           | <b>—</b>          | <b>—</b>                   |
| Natural gas distribution revenues                  |                     |                  |                  |                      |                   |                            |
| Residential                                        | 217                 | —                | —                | —                    | —                 | 217                        |
| Commercial                                         | 56                  | —                | —                | —                    | —                 | 56                         |
| Transportation                                     | 275                 | —                | —                | —                    | —                 | 275                        |
| Industrial                                         | 4                   | —                | —                | —                    | —                 | 4                          |
| Other                                              | 60                  | —                | —                | —                    | —                 | 60                         |
| <b>Total natural gas distribution revenues</b>     | <b>612</b>          | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>612</b>                 |
| Wholesale electric revenues                        |                     |                  |                  |                      |                   |                            |
| PPA energy revenues                                | 317                 | 66               | 31               | 2                    | 226               | —                          |
| PPA capacity revenues                              | 151                 | 26               | 13               | 3                    | 110               | —                          |
| Non-PPA revenues                                   | 101                 | 15               | 21               | 137                  | 126               | —                          |
| <b>Total wholesale electric revenues</b>           | <b>569</b>          | <b>107</b>       | <b>65</b>        | <b>142</b>           | <b>462</b>        | <b>—</b>                   |
| Other natural gas revenues                         |                     |                  |                  |                      |                   |                            |
| Gas marketing services                             | 54                  | —                | —                | —                    | —                 | 54                         |
| Other natural gas revenues                         | 8                   | —                | —                | —                    | —                 | 8                          |
| <b>Total natural gas revenues</b>                  | <b>62</b>           | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>62</b>                  |
| Other revenues                                     | 330                 | 54               | 146              | 10                   | 18                | —                          |
| <b>Total revenue from contracts with customers</b> | <b>7,107</b>        | <b>2,230</b>     | <b>3,388</b>     | <b>440</b>           | <b>480</b>        | <b>674</b>                 |
| Other revenue sources <sup>(*)</sup>               | (127)               | (147)            | (151)            | (4)                  | 173               | 15                         |
| <b>Total operating revenues</b>                    | <b>\$ 6,980</b>     | <b>\$ 2,083</b>  | <b>\$ 3,237</b>  | <b>\$ 436</b>        | <b>\$ 653</b>     | <b>\$ 689</b>              |

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

|                                                    | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|----------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                               |                     |                  |                  |                      |                   |                            |
| <b>Nine Months Ended September 30, 2023</b>        |                     |                  |                  |                      |                   |                            |
| <b>Operating revenues</b>                          |                     |                  |                  |                      |                   |                            |
| Retail electric revenues                           |                     |                  |                  |                      |                   |                            |
| Residential                                        | \$ 5,717            | \$ 2,277         | \$ 3,202         | \$ 238               | \$ —              | \$ —                       |
| Commercial                                         | 4,464               | 1,493            | 2,733            | 238                  | —                 | —                          |
| Industrial                                         | 2,770               | 1,324            | 1,195            | 251                  | —                 | —                          |
| Other                                              | 84                  | 10               | 68               | 6                    | —                 | —                          |
| <b>Total retail electric revenues</b>              | <b>13,035</b>       | <b>5,104</b>     | <b>7,198</b>     | <b>733</b>           | <b>—</b>          | <b>—</b>                   |
| Natural gas distribution revenues                  |                     |                  |                  |                      |                   |                            |
| Residential                                        | 1,443               | —                | —                | —                    | —                 | 1,443                      |
| Commercial                                         | 370                 | —                | —                | —                    | —                 | 370                        |
| Transportation                                     | 878                 | —                | —                | —                    | —                 | 878                        |
| Industrial                                         | 33                  | —                | —                | —                    | —                 | 33                         |
| Other                                              | 228                 | —                | —                | —                    | —                 | 228                        |
| <b>Total natural gas distribution revenues</b>     | <b>2,952</b>        | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>2,952</b>               |
| Wholesale electric revenues                        |                     |                  |                  |                      |                   |                            |
| PPA energy revenues                                | 853                 | 196              | 66               | 8                    | 601               | —                          |
| PPA capacity revenues                              | 490                 | 130              | 38               | 36                   | 289               | —                          |
| Non-PPA revenues                                   | 199                 | 49               | 30               | 315                  | 312               | —                          |
| <b>Total wholesale electric revenues</b>           | <b>1,542</b>        | <b>375</b>       | <b>134</b>       | <b>359</b>           | <b>1,202</b>      | <b>—</b>                   |
| Other natural gas revenues                         |                     |                  |                  |                      |                   |                            |
| Gas marketing services                             | 358                 | —                | —                | —                    | —                 | 358                        |
| Other natural gas revenues                         | 28                  | —                | —                | —                    | —                 | 28                         |
| <b>Total natural gas revenues</b>                  | <b>386</b>          | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>386</b>                 |
| Other revenues                                     | 971                 | 159              | 422              | 31                   | 46                | —                          |
| <b>Total revenue from contracts with customers</b> | <b>18,886</b>       | <b>5,638</b>     | <b>7,754</b>     | <b>1,123</b>         | <b>1,248</b>      | <b>3,338</b>               |
| Other revenue sources <sup>(*)</sup>               | 322                 | (218)            | 51               | 14                   | 438               | 79                         |
| <b>Total operating revenues</b>                    | <b>\$ 19,208</b>    | <b>\$ 5,420</b>  | <b>\$ 7,805</b>  | <b>\$ 1,137</b>      | <b>\$ 1,686</b>   | <b>\$ 3,417</b>            |

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

|                                                    | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|----------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                               |                     |                  |                  |                      |                   |                            |
| <b>Three Months Ended September 30, 2022</b>       |                     |                  |                  |                      |                   |                            |
| <b>Operating revenues</b>                          |                     |                  |                  |                      |                   |                            |
| Retail electric revenues                           |                     |                  |                  |                      |                   |                            |
| Residential                                        | \$ 2,104            | \$ 799           | \$ 1,212         | \$ 93                | \$ —              | \$ —                       |
| Commercial                                         | 1,637               | 499              | 1,051            | 87                   | —                 | —                          |
| Industrial                                         | 1,183               | 452              | 642              | 89                   | —                 | —                          |
| Other                                              | 27                  | 3                | 22               | 2                    | —                 | —                          |
| <b>Total retail electric revenues</b>              | <b>4,951</b>        | <b>1,753</b>     | <b>2,927</b>     | <b>271</b>           | <b>—</b>          | <b>—</b>                   |
| Natural gas distribution revenues                  |                     |                  |                  |                      |                   |                            |
| Residential                                        | 331                 | —                | —                | —                    | —                 | 331                        |
| Commercial                                         | 93                  | —                | —                | —                    | —                 | 93                         |
| Transportation                                     | 259                 | —                | —                | —                    | —                 | 259                        |
| Industrial                                         | 12                  | —                | —                | —                    | —                 | 12                         |
| Other                                              | 49                  | —                | —                | —                    | —                 | 49                         |
| <b>Total natural gas distribution revenues</b>     | <b>744</b>          | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>744</b>                 |
| Wholesale electric revenues                        |                     |                  |                  |                      |                   |                            |
| PPA energy revenues                                | 812                 | 187              | 40               | 4                    | 591               | —                          |
| PPA capacity revenues                              | 175                 | 56               | 12               | 1                    | 107               | —                          |
| Non-PPA revenues                                   | 58                  | 67               | 4                | 242                  | 303               | —                          |
| <b>Total wholesale electric revenues</b>           | <b>1,045</b>        | <b>310</b>       | <b>56</b>        | <b>247</b>           | <b>1,001</b>      | <b>—</b>                   |
| Other natural gas revenues                         |                     |                  |                  |                      |                   |                            |
| Gas marketing services                             | 84                  | —                | —                | —                    | —                 | 84                         |
| Other natural gas revenues                         | 15                  | —                | —                | —                    | —                 | 15                         |
| <b>Total natural gas revenues</b>                  | <b>99</b>           | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>99</b>                  |
| Other revenues                                     | 277                 | 65               | 110              | 13                   | 9                 | —                          |
| <b>Total revenue from contracts with customers</b> | <b>7,116</b>        | <b>2,128</b>     | <b>3,093</b>     | <b>531</b>           | <b>1,010</b>      | <b>843</b>                 |
| Other revenue sources <sup>(*)</sup>               | 1,262               | 316              | 796              | (21)                 | 170               | 14                         |
| <b>Total operating revenues</b>                    | <b>\$ 8,378</b>     | <b>\$ 2,444</b>  | <b>\$ 3,889</b>  | <b>\$ 510</b>        | <b>\$ 1,180</b>   | <b>\$ 857</b>              |

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

|                                                    | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|----------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                               |                     |                  |                  |                      |                   |                            |
| <b>Nine Months Ended September 30, 2022</b>        |                     |                  |                  |                      |                   |                            |
| <b>Operating revenues</b>                          |                     |                  |                  |                      |                   |                            |
| Retail electric revenues                           |                     |                  |                  |                      |                   |                            |
| Residential                                        | \$ 5,282            | \$ 2,049         | \$ 2,995         | \$ 238               | \$ —              | \$ —                       |
| Commercial                                         | 4,202               | 1,285            | 2,688            | 229                  | —                 | —                          |
| Industrial                                         | 2,914               | 1,143            | 1,529            | 242                  | —                 | —                          |
| Other                                              | 79                  | 10               | 62               | 7                    | —                 | —                          |
| <b>Total retail electric revenues</b>              | <b>12,477</b>       | <b>4,487</b>     | <b>7,274</b>     | <b>716</b>           | <b>—</b>          | <b>—</b>                   |
| Natural gas distribution revenues                  |                     |                  |                  |                      |                   |                            |
| Residential                                        | 1,821               | —                | —                | —                    | —                 | 1,821                      |
| Commercial                                         | 493                 | —                | —                | —                    | —                 | 493                        |
| Transportation                                     | 872                 | —                | —                | —                    | —                 | 872                        |
| Industrial                                         | 60                  | —                | —                | —                    | —                 | 60                         |
| Other                                              | 244                 | —                | —                | —                    | —                 | 244                        |
| <b>Total natural gas distribution revenues</b>     | <b>3,490</b>        | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>3,490</b>               |
| Wholesale electric revenues                        |                     |                  |                  |                      |                   |                            |
| PPA energy revenues                                | 1,739               | 354              | 112              | 11                   | 1,285             | —                          |
| PPA capacity revenues                              | 443                 | 135              | 35               | 4                    | 273               | —                          |
| Non-PPA revenues                                   | 182                 | 166              | 19               | 511                  | 572               | —                          |
| <b>Total wholesale electric revenues</b>           | <b>2,364</b>        | <b>655</b>       | <b>166</b>       | <b>526</b>           | <b>2,130</b>      | <b>—</b>                   |
| Other natural gas revenues                         |                     |                  |                  |                      |                   |                            |
| Gas marketing services                             | 417                 | —                | —                | —                    | —                 | 417                        |
| Other natural gas revenues                         | 41                  | —                | —                | —                    | —                 | 41                         |
| <b>Total natural gas revenues</b>                  | <b>458</b>          | <b>—</b>         | <b>—</b>         | <b>—</b>             | <b>—</b>          | <b>458</b>                 |
| Other revenues                                     | 810                 | 173              | 327              | 34                   | 27                | —                          |
| <b>Total revenue from contracts with customers</b> | <b>19,599</b>       | <b>5,315</b>     | <b>7,767</b>     | <b>1,276</b>         | <b>2,157</b>      | <b>3,948</b>               |
| Other revenue sources <sup>(*)</sup>               | 2,633               | 708              | 1,451            | 3                    | 461               | 50                         |
| <b>Total operating revenues</b>                    | <b>\$ 22,232</b>    | <b>\$ 6,023</b>  | <b>\$ 9,218</b>  | <b>\$ 1,279</b>      | <b>\$ 2,618</b>   | <b>\$ 3,998</b>            |

(\*) 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 (including those related to fuel costs) that meet other scope exceptions for revenues from contracts with customers at the traditional electric operating companies.

# **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 September 30, 2023 and December 31, 2022:

|                             | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|-----------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>        |                     |                  |                  |                      |                   |                            |
| <b>Accounts Receivable</b>  |                     |                  |                  |                      |                   |                            |
| At September 30, 2023       | \$ 2,680            | \$ 858           | \$ 1,175         | \$ 106               | \$ 138            | \$ 331                     |
| At December 31, 2022        | 3,123               | 696              | 922              | 92                   | 237               | 1,107                      |
| <b>Contract Assets</b>      |                     |                  |                  |                      |                   |                            |
| At September 30, 2023       | \$ 267              | \$ 6             | \$ 146           | \$ —                 | \$ —              | \$ 41                      |
| At December 31, 2022        | 156                 | 2                | 89               | —                    | —                 | —                          |
| <b>Contract Liabilities</b> |                     |                  |                  |                      |                   |                            |
| At September 30, 2023       | \$ 62               | \$ —             | \$ 8             | \$ 2                 | \$ 8              | \$ —                       |
| At December 31, 2022        | 45                  | 4                | 9                | —                    | 1                 | —                          |

Contract assets for Georgia Power primarily relate to retail customer fixed 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, and unregulated service agreements, where payment is contingent on project completion. Contract liabilities for Georgia Power primarily relate to cash collections recognized in advance of revenue for unregulated service agreements. At September 30, 2023, Southern Company Gas' contract assets relate to work performed on an energy efficiency enhancement and upgrade contract with the U.S. General Services Administration. Southern Company Gas receives cash advances from a third-party financial institution to fund work performed, of which approximately \$51 million had been received at September 30, 2023. These advances have been accounted for as long-term debt on the balance sheets. See Note 1 to the financial statements under "Affiliate Transactions" in Item 8 of the Form 10-K for additional information regarding the construction contract. At September 30, 2023 and December 31, 2022, Southern Company's unregulated distributed generation business had contract assets of \$75 million and \$65 million, respectively, and contract liabilities of \$47 million and \$32 million, respectively, for outstanding performance obligations.

Revenues recognized in the three and nine months ended September 30, 2023, which were included in contract liabilities at December 31, 2022, were immaterial for the applicable Registrants. Contract liabilities are primarily classified as current on the balance sheets as the corresponding revenues are generally expected to be recognized within one year.

## **Remaining Performance Obligations**

The Subsidiary Registrants may enter into long-term contracts with customers in which revenues are recognized as performance obligations are satisfied over the contract term. For Alabama Power, Georgia Power, and Southern Power, these contracts primarily relate to PPAs whereby electricity and generation capacity are provided 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. For Southern Company Gas, these contracts primarily relate to the U.S. General Services Administration contract described above. Southern Company's unregulated distributed generation business also has partially satisfied performance obligations related to certain

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

fixed price contracts. Revenues from contracts with customers related to these performance obligations remaining at September 30, 2023 are expected to be recognized as follows:

|                      | 2023<br>(remaining) | 2024   | 2025   | 2026   | 2027   | Thereafter |
|----------------------|---------------------|--------|--------|--------|--------|------------|
| <i>(in millions)</i> |                     |        |        |        |        |            |
| Southern Company     | \$ 166              | \$ 599 | \$ 359 | \$ 318 | \$ 319 | \$ 2,245   |
| Alabama Power        | 10                  | 24     | 8      | —      | —      | —          |
| Georgia Power        | 23                  | 66     | 34     | 14     | 14     | 23         |
| Southern Power       | 84                  | 356    | 302    | 303    | 310    | 2,233      |
| Southern Company Gas | 4                   | 29     | —      | —      | —      | —          |

## **Lease Income**

Lease income for the three and nine months ended September 30, 2023 and 2022 is as follows:

|                                                      | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|------------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                                 |                     |                  |                  |                      |                   |                            |
| <b>For the Three Months Ended September 30, 2023</b> |                     |                  |                  |                      |                   |                            |
| Lease income - interest income on sales-type leases  | \$ 6                | \$ —             | \$ —             | \$ 4                 | \$ 2              | \$ —                       |
| Lease income - operating leases                      | 36                  | 3                | 7                | —                    | 21                | 9                          |
| Variable lease income                                | 134                 | —                | —                | —                    | 144               | —                          |
| Total lease income                                   | \$ 176              | \$ 3             | \$ 7             | \$ 4                 | \$ 167            | \$ 9                       |
| <b>For the Nine Months Ended September 30, 2023</b>  |                     |                  |                  |                      |                   |                            |
| Lease income - interest income on sales-type leases  | \$ 18               | \$ —             | \$ —             | \$ 11                | \$ 7              | \$ —                       |
| Lease income - operating leases                      | 129                 | 32               | 22               | 2                    | 64                | 27                         |
| Variable lease income                                | 327                 | 1                | —                | —                    | 351               | —                          |
| Total lease income                                   | \$ 474              | \$ 33            | \$ 22            | \$ 13                | \$ 422            | \$ 27                      |
| <b>For the Three Months Ended September 30, 2022</b> |                     |                  |                  |                      |                   |                            |
| Lease income - interest income on sales-type leases  | \$ 7                | \$ —             | \$ —             | \$ 4                 | \$ 3              | \$ —                       |
| Lease income - operating leases                      | 50                  | 19               | 8                | 1                    | 21                | 9                          |
| Variable lease income                                | 139                 | —                | —                | —                    | 145               | —                          |
| Total lease income                                   | \$ 196              | \$ 19            | \$ 8             | \$ 5                 | \$ 169            | \$ 9                       |
| <b>For the Nine Months Ended September 30, 2022</b>  |                     |                  |                  |                      |                   |                            |
| Lease income - interest income on sales-type leases  | \$ 19               | \$ —             | \$ —             | \$ 11                | \$ 8              | \$ —                       |
| Lease income - operating leases                      | 149                 | 58               | 24               | 1                    | 64                | 27                         |
| Variable lease income                                | 355                 | 1                | —                | —                    | 372               | —                          |
| Total lease income                                   | \$ 523              | \$ 59            | \$ 24            | \$ 12                | \$ 444            | \$ 27                      |

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.

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

### (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 Company**

At September 30, 2023 and December 31, 2022, Southern Holdings had equity method investments totaling \$126 million and \$112 million, respectively, primarily related to investments in venture capital funds focused on energy and utility investments. Earnings from these investments were immaterial for all periods presented.

#### **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 September 30, 2023 and December 31, 2022, SP Solar had total assets of \$5.8 billion and \$5.9 billion, respectively, total liabilities of \$0.4 billion, and noncontrolling interests of \$1.1 billion. Cash distributions from SP Solar are allocated 67% to Southern Power and 33% to the limited partner 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 September 30, 2023 and December 31, 2022, SP Wind had total assets of \$2.2 billion, total liabilities of \$184 million and \$169 million, respectively, and noncontrolling interests of \$38 million and \$39 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.

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 September 30, 2023 and December 31, 2022, the other VIEs had total assets of \$1.7 billion and \$1.8 billion, respectively, total liabilities of \$0.2 billion, and noncontrolling interests of \$0.8 billion. Under the terms of the partnership agreements, distributions of all available cash are required each month or quarter and additional distributions require partner consent.

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

## ***Equity Method Investments***

At December 31, 2022, Southern Power had equity method investments in wind and battery energy storage projects totaling \$49 million. During the first quarter 2023, Southern Power sold its remaining equity method investments in the projects and received proceeds of \$50 million. Earnings (loss) from these investments, including the gains associated with the sales, were immaterial for all periods presented.

## **Southern Company Gas**

## ***Equity Method Investments***

The carrying amounts of Southern Company Gas' equity method investments at September 30, 2023 and December 31, 2022 and related earnings from those investments for the three and nine months ended September 30, 2023 and 2022 were as follows:

| Investment Balance | September 30, 2023 | December 31, 2022 |
|--------------------|--------------------|-------------------|
|                    | (in millions)      |                   |
| SNG                | \$ 1,210           | \$ 1,243          |
| Other              | 33                 | 33                |
| Total              | \$ 1,243           | \$ 1,276          |

| <b>Earnings from Equity Method Investments</b> | <b>Three Months Ended<br/>September 30,</b> |             | <b>Nine Months Ended<br/>September 30,</b> |             |
|------------------------------------------------|---------------------------------------------|-------------|--------------------------------------------|-------------|
|                                                | <b>2023</b>                                 | <b>2022</b> | <b>2023</b>                                | <b>2022</b> |
|                                                | <i>(in millions)</i>                        |             |                                            |             |
| SNG                                            | \$                                          | 32          | \$                                         | 34          |
| Other                                          |                                             | —           |                                            | —           |
| <b>Total</b>                                   | <b>\$</b>                                   | <b>32</b>   | <b>\$</b>                                  | <b>104</b>  |

# NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

## (UNAUDITED)

### (F) FINANCING AND LEASES

#### 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 September 30, 2023, committed credit arrangements with banks were as follows:

| Company                                | Expires              |        |        |          | Total    | Unused   | Expires within One Year |
|----------------------------------------|----------------------|--------|--------|----------|----------|----------|-------------------------|
|                                        | 2024                 | 2025   | 2026   | 2028     |          |          |                         |
|                                        | <i>(in millions)</i> |        |        |          |          |          |                         |
| Southern Company parent <sup>(a)</sup> | \$ 150               | \$ —   | \$ —   | \$ 1,850 | \$ 2,000 | \$ 1,998 | \$ 150                  |
| Alabama Power                          | —                    | —      | 650    | 700      | 1,350    | 1,350    | —                       |
| Georgia Power                          | —                    | —      | —      | 1,750    | 1,750    | 1,726    | —                       |
| Mississippi Power                      | —                    | 125    | 150    | —        | 275      | 275      | —                       |
| Southern Power <sup>(a)(b)</sup>       | —                    | —      | —      | 600      | 600      | 589      | —                       |
| Southern Company Gas <sup>(c)</sup>    | 100                  | —      | —      | 1,500    | 1,600    | 1,598    | 100                     |
| SEGCO                                  | 30                   | —      | —      | —        | 30       | 30       | 30                      |
| Southern Company                       | \$ 280               | \$ 125 | \$ 800 | \$ 6,400 | \$ 7,605 | \$ 7,566 | \$ 280                  |

- (a) Arrangement expiring in 2028 represents a \$2.45 billion combined arrangement for Southern Company and Southern Power as borrowers. Pursuant to the combined facility, the allocations between Southern Company and Southern Power may be adjusted.
- (b) Does not include Southern Power Company's \$75 million and \$100 million continuing letter of credit facilities for standby letters of credit, expiring in 2025 and 2026, respectively, of which \$9 million and \$16 million, respectively, was unused at September 30, 2023. In March 2023, Southern Power amended the \$100 million letter of credit facility, which, among other things, extended the expiration date from 2025 to 2026 and increased the amount from \$75 million. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.
- (c) Southern Company Gas, as the parent entity, guarantees the obligations of Southern Company Gas Capital, which is the borrower of \$800 million of the credit arrangement expiring in 2028. Southern Company Gas' committed credit arrangement expiring in 2028 also includes \$700 million for which Nicor Gas is the borrower and which is restricted for working capital needs of Nicor Gas. Pursuant to the multi-year credit arrangement expiring in 2028, the allocations between Southern Company Gas Capital and Nicor Gas may be adjusted. Nicor Gas is also the borrower under a \$100 million credit arrangement expiring in 2024.

As reflected in the table above, in May 2023, Southern Company and Southern Power combined and extended their multi-year credit arrangements previously maturing in 2026, resulting in a single aggregate \$2.45 billion facility (currently allocated \$1.85 billion for Southern Company and \$600 million for Southern Power) maturing in 2028. Pursuant to the combined facility, the allocations between Southern Company and Southern Power may be adjusted. Alabama Power, Georgia Power, and Southern Company Gas Capital, along with Nicor Gas, amended and restated certain of their multi-year credit arrangements, which, among other things, extended the maturity dates from 2026 to 2028. Mississippi Power amended and restated certain of its multi-year credit arrangements aggregating \$150 million, which, among other things, extended the maturity dates from 2024 to 2026. Nicor Gas also entered into a \$100 million credit arrangement maturing in 2024 to replace its \$250 million credit arrangement that expired in 2023. In June 2023, Southern Company also entered into a new \$150 million credit arrangement maturing in 2024. In August 2023, Alabama Power amended and restated one of its multi-year credit arrangements, which, among other things, extended the maturity date from 2024 to 2026 and increased the borrowing capacity from \$550 million to \$650 million.

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

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 provisions to other indebtedness (including guarantee obligations) that are restricted only to the indebtedness of the individual company. The 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 September 30, 2023, 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 certain revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. At September 30, 2023, outstanding variable rate demand revenue bonds of the traditional electric operating companies with allocated liquidity support totaled approximately \$1.7 billion (comprised of approximately \$818 million at Alabama Power, \$819 million at Georgia Power, and \$69 million at Mississippi Power). In addition, at September 30, 2023, Alabama Power and Georgia Power had approximately \$120 million and \$325 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months. The variable rate demand revenue bonds and fixed rate revenue bonds required to be remarketed within the next 12 months are classified as long-term debt on the balance sheets as a result of available long-term committed credit.

**Convertible Senior Notes**

In February 2023, Southern Company issued \$1.5 billion aggregate principal amount of Series 2023A 3.875% Convertible Senior Notes due December 15, 2025 (Series 2023A Convertible Senior Notes). In March 2023, Southern Company issued an additional \$225 million aggregate principal amount of the Series 2023A Convertible Senior Notes upon the exercise by the initial purchasers of their over-allotment option.

Interest on the Series 2023A Convertible Senior Notes is payable semiannually, which began on June 15, 2023. The Series 2023A Convertible Senior Notes will mature on December 15, 2025, unless earlier converted or repurchased, but are not redeemable at the option of Southern Company. The Series 2023A Convertible Senior Notes are direct, unsecured, and unsubordinated obligations of Southern Company, ranking equally with all of Southern Company's other unsecured and unsubordinated indebtedness from time to time outstanding, and are effectively subordinated to all secured indebtedness of Southern Company.

Holders may convert their Series 2023A Convertible Senior Notes at their option prior to the close of business on the business day preceding September 15, 2025, but only under the following circumstances:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of Southern Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day as determined by Southern Company;
- during the five business day period after any 10 consecutive trading day period (Measurement Period) in which the trading price per \$1,000 principal amount of Series 2023A Convertible Senior Notes for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the common stock and the conversion rate on each such trading day; or
- upon the occurrence of certain corporate events specified in the indenture governing the Series 2023A Convertible Senior Notes.

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

On or after September 15, 2025, a holder may convert all or any portion of its Series 2023A Convertible Senior Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions.

Southern Company will settle conversions of the Series 2023A Convertible Senior Notes by paying cash up to the aggregate principal amount of the Series 2023A Convertible Senior Notes to be converted and paying or delivering, as the case may be, cash, shares of common stock or a combination of cash and shares of common stock, at Southern Company's election, in respect of the remainder, if any, of Southern Company's conversion obligation in excess of the aggregate principal amount of the Series 2023A Convertible Senior Notes being converted. The Series 2023A Convertible Senior Notes are initially convertible at a rate of 11.8818 shares of common stock per \$1,000 principal amount converted, which is approximately equal to \$84.16 per share of common stock. The conversion rate will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the indenture governing the Series 2023A Convertible Senior Notes), Southern Company will, in certain circumstances, increase the conversion rate by a number of additional shares of common stock for conversions in connection with the make-whole fundamental change.

Upon the occurrence of a fundamental change (as defined in the indenture governing the Series 2023A Convertible Senior Notes), holders of the Series 2023A Convertible Senior Notes may require Southern Company to purchase all or a portion of their Series 2023A Convertible Senior Notes, in principal amounts equal to \$1,000 or an integral multiple thereof, for cash at a price equal to 100% of the principal amount of the Series 2023A Convertible Senior Notes to be purchased plus any accrued and unpaid interest.

### Earnings per Share

For Southern Company, the only difference in computing basic and diluted earnings per share (EPS) is attributable to awards outstanding under stock-based compensation plans and the Series 2023A Convertible Senior Notes. EPS dilution resulting from stock-based compensation plans is determined using the treasury stock method and EPS dilution resulting from the Series 2023A Convertible Senior Notes is determined using the net share settlement method. See Note 12 to the financial statements in Item 8 of the Form 10-K and "Convertible Senior Notes" herein for additional information. Shares used to compute diluted EPS were as follows:

|                                    | Three Months Ended<br>September 30, |       | Nine Months Ended<br>September 30, |       |
|------------------------------------|-------------------------------------|-------|------------------------------------|-------|
|                                    | 2023                                | 2022  | 2023                               | 2022  |
|                                    | <i>(in millions)</i>                |       |                                    |       |
| As reported shares                 | 1,092                               | 1,082 | 1,092                              | 1,070 |
| Effect of stock-based compensation | 7                                   | 6     | 6                                  | 6     |
| Diluted shares                     | 1,099                               | 1,088 | 1,098                              | 1,076 |

For all periods presented, an immaterial number of stock-based compensation awards was excluded from the diluted EPS calculation because the awards were anti-dilutive.

For all periods presented, there was no dilution resulting from the Series 2023A Convertible Senior Notes.

### Southern Company Leveraged Lease

See Note 9 to the financial statements in Item 8 of the Form 10-K for information on a leveraged lease agreement related to energy generation. In June 2022, the Southern Holdings subsidiary operating the generating plant for the lessee provided notice to the lessee to terminate the related operating and maintenance agreement effective June 30, 2023. Subsequently, the lessee failed to make the semi-annual lease payment due in December 2022. As a result, the Southern Holdings subsidiary was unable to make its corresponding payment to the holders of the underlying non-recourse debt related to the generation assets. The parties to the lease entered into forbearance agreements which suspended the related contractual rights of the parties while they continued restructuring negotiations, during which

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

### **(UNAUDITED)**

the termination date for the operating and maintenance agreement was delayed until July 31, 2023. The negotiations were completed on July 14, 2023, resulting in the Southern Holdings subsidiary agreeing to continue operating the plant for the lessee until the lessee's associated power off-take agreement ends in 2032, subject to certain terms and conditions. The restructuring had no material impact on Southern Company's financial statements. Southern Company will continue to monitor the operational performance of the underlying assets and evaluate the ability of the lessee to continue to meet its obligations, including those associated with a future closure or retirement of the generation assets and associated properties, including the dry ash landfill.

### **(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***

Southern Company had federal ITC and PTC carryforwards (primarily related to Southern Power) totaling \$1.0 billion and \$1.1 billion at September 30, 2023 and December 31, 2022, respectively.

Southern Company's federal PTC and ITC carryforwards begin expiring in 2031, but are expected to be fully utilized by 2028. 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, changes in taxable income projections, transfer of eligible credits, and potential income tax rate changes. In the third quarter 2023, Georgia Power started generating advanced nuclear PTCs for Plant Vogtle Unit 3 beginning on the in-service date of July 31, 2023. In addition, pursuant to the Global Amendments to the Vogtle Joint Ownership Agreements (as defined in Note (B) under "Georgia Power – Nuclear Construction – Joint Owner Contracts"), Georgia Power is purchasing advanced nuclear PTCs for Plant Vogtle Unit 3 from certain other Vogtle Owners. 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.

#### ***Southern Company***

Southern Company's effective tax rate was 13.9% for the nine months ended September 30, 2023 compared to 20.0% for the corresponding period in 2022. The effective tax rate decrease was primarily due to an increase in the flowback of certain excess deferred income taxes at Alabama Power in 2023, lower pre-tax earnings in 2023, and an adjustment related to state tax credit carryforwards and the related valuation allowance at Georgia Power in 2022 and 2023, partially offset by the flowback of certain excess deferred income taxes ending in 2022 at Georgia Power.

#### ***Alabama Power***

Alabama Power's effective tax rate was 8.3% for the nine months ended September 30, 2023 compared to 23.7% for the corresponding period in 2022. The effective tax rate decrease was primarily due to an increase in the flowback of certain excess deferred income taxes in 2023. See Note 2 to the financial statements under "Alabama Power – Excess Accumulated Deferred Income Tax Accounting Order" in Item 8 of the Form 10-K for additional information.

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

Georgia Power's effective tax rate was 18.2% for the nine months ended September 30, 2023 compared to 18.5% for the corresponding period in 2022. The effective tax rate decrease was primarily due to an adjustment related to state tax credit carryforwards in 2022, a decrease in a valuation allowance on certain state tax credit carryforwards in 2023, and lower pre-tax earnings in 2023, largely offset by the flowback of certain excess deferred income taxes ending in 2022.

***Mississippi Power***

Mississippi Power's effective tax rate was 16.9% for the nine months ended September 30, 2023 compared to 20.1% for the corresponding period in 2022. The effective tax rate decrease was primarily due to an increase in the flowback of certain excess deferred income taxes in 2023.

***Southern Power***

Southern Power's effective tax rate was 14.8% for the nine months ended September 30, 2023 compared to 18.8% for the corresponding period in 2022. The effective tax rate decrease was primarily due to changes in state apportionment methodology resulting from tax legislation enacted by the State of Tennessee in May 2023.

**Unrecognized Tax Benefits**

Southern Company's and Georgia Power's unrecognized tax positions balances at September 30, 2023 were \$167 million and \$86 million, respectively, compared to \$80 million for Southern Company at December 31, 2022. The increases from prior periods are primarily related to the amendment of certain 2019 through 2021 state tax filing positions related to tax credit utilization. If effective settlement of the positions is favorable, these positions would decrease Southern Company's and Georgia Power's effective tax rates. The ultimate outcome of this unrecognized tax benefit, of which a portion is expected to be resolved within the next 12 months, is dependent on acceptance by the state or expiration of related statute of limitations.

Subsequent to September 30, 2023, a statute of limitations expired related to a 2019 state tax filing position to exclude certain gains from 2019 dispositions from taxation in a certain unitary state. This \$44 million tax position and related interest will be recognized in the fourth quarter 2023 and will decrease Southern Company's annual effective tax rate.

**(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, 2023. 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 and nine months ended September 30, 2023 and 2022 are presented in the following tables.

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

|                                                   | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|---------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                              |                     |                  |                  |                      |                   |                            |
| <b>Three Months Ended September 30, 2023</b>      |                     |                  |                  |                      |                   |                            |
| <b><i>Pension Plans</i></b>                       |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 69               | \$ 16            | \$ 17            | \$ 2                 | \$ 2              | \$ 6                       |
| Interest cost                                     | 156                 | 37               | 48               | 7                    | 2                 | 11                         |
| Expected return on plan assets                    | (307)               | (75)             | (97)             | (13)                 | (4)               | (22)                       |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | —                   | —                | —                | —                    | —                 | (1)                        |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 4                          |
| Net (gain) loss                                   | 8                   | 2                | 4                | 1                    | —                 | (1)                        |
| Net periodic pension income                       | \$ (74)             | \$ (20)          | \$ (28)          | \$ (3)               | \$ —              | \$ (3)                     |
| <b><i>Postretirement Benefits</i></b>             |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 4                | \$ 1             | \$ 1             | \$ —                 | \$ —              | \$ —                       |
| Interest cost                                     | 18                  | 5                | 6                | 1                    | —                 | 2                          |
| Expected return on plan assets                    | (21)                | (9)              | (7)              | (1)                  | —                 | (2)                        |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | —                   | —                | 1                | —                    | —                 | —                          |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 2                          |
| Net gain                                          | (4)                 | (1)              | (1)              | —                    | —                 | (1)                        |
| Net periodic postretirement benefit cost (income) | \$ (3)              | \$ (4)           | \$ —             | \$ —                 | \$ —              | \$ 1                       |
| <b>Nine Months Ended September 30, 2023</b>       |                     |                  |                  |                      |                   |                            |
| <b><i>Pension Plans</i></b>                       |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 207              | \$ 48            | \$ 51            | \$ 8                 | \$ 5              | \$ 18                      |
| Interest cost                                     | 469                 | 109              | 143              | 21                   | 6                 | 32                         |
| Expected return on plan assets                    | (922)               | (223)            | (289)            | (41)                 | (12)              | (65)                       |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | —                   | —                | 1                | —                    | —                 | (2)                        |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 11                         |
| Net (gain) loss                                   | 24                  | 7                | 10               | 1                    | —                 | (3)                        |
| Net periodic pension income                       | \$ (222)            | \$ (59)          | \$ (84)          | \$ (11)              | \$ (1)            | \$ (9)                     |
| <b><i>Postretirement Benefits</i></b>             |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 11               | \$ 3             | \$ 3             | \$ —                 | \$ —              | \$ 1                       |
| Interest cost                                     | 53                  | 13               | 19               | 2                    | —                 | 6                          |
| Expected return on plan assets                    | (62)                | (26)             | (22)             | (1)                  | —                 | (5)                        |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | 1                   | —                | 1                | —                    | —                 | —                          |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 5                          |
| Net gain                                          | (10)                | (2)              | (3)              | —                    | —                 | (3)                        |
| Net periodic postretirement benefit cost (income) | \$ (7)              | \$ (12)          | \$ (2)           | \$ 1                 | \$ —              | \$ 4                       |

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

|                                                   | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|---------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
| <i>(in millions)</i>                              |                     |                  |                  |                      |                   |                            |
| <b>Three Months Ended September 30, 2022</b>      |                     |                  |                  |                      |                   |                            |
| <b><i>Pension Plans</i></b>                       |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 103              | \$ 25            | \$ 26            | \$ 5                 | \$ 2              | \$ 9                       |
| Interest cost                                     | 102                 | 24               | 31               | 5                    | 2                 | 7                          |
| Expected return on plan assets                    | (316)               | (77)             | (99)             | (15)                 | (4)               | (22)                       |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | —                   | —                | —                | —                    | —                 | (1)                        |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 3                          |
| Net loss                                          | 60                  | 16               | 18               | 2                    | 1                 | 2                          |
| Net periodic pension cost (income)                | \$ (51)             | \$ (12)          | \$ (24)          | \$ (3)               | \$ 1              | \$ (2)                     |
| <b><i>Postretirement Benefits</i></b>             |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 6                | \$ 2             | \$ 2             | \$ 1                 | \$ 1              | \$ —                       |
| Interest cost                                     | 10                  | 3                | 4                | —                    | —                 | 1                          |
| Expected return on plan assets                    | (20)                | (9)              | (8)              | —                    | —                 | (2)                        |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | (1)                 | —                | —                | —                    | —                 | —                          |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 2                          |
| Net (gain)/loss                                   | 1                   | —                | —                | —                    | —                 | (1)                        |
| Net periodic postretirement benefit cost (income) | \$ (4)              | \$ (4)           | \$ (2)           | \$ 1                 | \$ 1              | \$ —                       |
| <b>Nine Months Ended September 30, 2022</b>       |                     |                  |                  |                      |                   |                            |
| <b><i>Pension Plans</i></b>                       |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 309              | \$ 74            | \$ 78            | \$ 13                | \$ 7              | \$ 26                      |
| Interest cost                                     | 306                 | 72               | 92               | 14                   | 5                 | 21                         |
| Expected return on plan assets                    | (949)               | (229)            | (298)            | (44)                 | (12)              | (68)                       |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | —                   | —                | 1                | —                    | —                 | (2)                        |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 11                         |
| Net loss                                          | 180                 | 47               | 55               | 9                    | 2                 | 5                          |
| Net periodic pension cost (income)                | \$ (154)            | \$ (36)          | \$ (72)          | \$ (8)               | \$ 2              | \$ (7)                     |
| <b><i>Postretirement Benefits</i></b>             |                     |                  |                  |                      |                   |                            |
| Service cost                                      | \$ 17               | \$ 5             | \$ 5             | \$ 1                 | \$ 1              | \$ 1                       |
| Interest cost                                     | 31                  | 8                | 11               | 1                    | —                 | 4                          |
| Expected return on plan assets                    | (60)                | (25)             | (21)             | (1)                  | —                 | (6)                        |
| Amortization:                                     |                     |                  |                  |                      |                   |                            |
| Prior service costs                               | (1)                 | —                | —                | —                    | —                 | —                          |
| Regulatory asset                                  | —                   | —                | —                | —                    | —                 | 5                          |
| Net (gain) loss                                   | 1                   | —                | 1                | —                    | —                 | (2)                        |
| Net periodic postretirement benefit cost (income) | \$ (12)             | \$ (12)          | \$ (4)           | \$ 1                 | \$ 1              | \$ 2                       |

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

## **(I) FAIR VALUE MEASUREMENTS**

At September 30, 2023, 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:

| At September 30, 2023                          | Fair Value Measurements Using:                                                |                                                           |                                                    |                                                            | Total    |
|------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|----------|
|                                                | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Net Asset<br>Value as a<br>Practical<br>Expedient<br>(NAV) |          |
| (in millions)                                  |                                                                               |                                                           |                                                    |                                                            |          |
| Southern Company                               |                                                                               |                                                           |                                                    |                                                            |          |
| Assets:                                        |                                                                               |                                                           |                                                    |                                                            |          |
| Energy-related derivatives <sup>(a)</sup>      | \$ 7                                                                          | \$ 73                                                     | \$ —                                               | \$ —                                                       | \$ 80    |
| Investments in trusts: <sup>(b)</sup>          |                                                                               |                                                           |                                                    |                                                            |          |
| Domestic equity                                | 692                                                                           | 196                                                       | —                                                  | —                                                          | 888      |
| Foreign equity                                 | 131                                                                           | 154                                                       | —                                                  | —                                                          | 285      |
| U.S. Treasury and government agency securities | —                                                                             | 337                                                       | —                                                  | —                                                          | 337      |
| Municipal bonds                                | —                                                                             | 42                                                        | —                                                  | —                                                          | 42       |
| Pooled funds – fixed income                    | —                                                                             | 6                                                         | —                                                  | —                                                          | 6        |
| Corporate bonds                                | —                                                                             | 368                                                       | —                                                  | —                                                          | 368      |
| Mortgage and asset backed securities           | —                                                                             | 85                                                        | —                                                  | —                                                          | 85       |
| Private equity                                 | —                                                                             | —                                                         | —                                                  | 169                                                        | 169      |
| Cash and cash equivalents                      | 3                                                                             | —                                                         | —                                                  | —                                                          | 3        |
| Other                                          | 33                                                                            | 3                                                         | —                                                  | 8                                                          | 44       |
| Cash equivalents and restricted cash           | 919                                                                           | 11                                                        | —                                                  | —                                                          | 930      |
| Other investments                              | 9                                                                             | 34                                                        | 8                                                  | —                                                          | 51       |
| Total                                          | \$ 1,794                                                                      | \$ 1,309                                                  | \$ 8                                               | \$ 177                                                     | \$ 3,288 |
| Liabilities:                                   |                                                                               |                                                           |                                                    |                                                            |          |
| Energy-related derivatives <sup>(a)</sup>      | \$ 34                                                                         | \$ 217                                                    | \$ —                                               | \$ —                                                       | \$ 251   |
| Interest rate derivatives                      | —                                                                             | 351                                                       | —                                                  | —                                                          | 351      |
| Foreign currency derivatives                   | —                                                                             | 192                                                       | —                                                  | —                                                          | 192      |
| Contingent consideration                       | 5                                                                             | —                                                         | 19                                                 | —                                                          | 24       |
| Other                                          | —                                                                             | 13                                                        | —                                                  | —                                                          | 13       |
| Total                                          | \$ 39                                                                         | \$ 773                                                    | \$ 19                                              | \$ —                                                       | \$ 831   |

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

| At September 30, 2023                          | Fair Value Measurements Using:                                                |                                                           |                                                    |                                                            | Total    |
|------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|----------|
|                                                | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Net Asset<br>Value as a<br>Practical<br>Expedient<br>(NAV) |          |
| (in millions)                                  |                                                                               |                                                           |                                                    |                                                            |          |
| Alabama Power                                  |                                                                               |                                                           |                                                    |                                                            |          |
| Assets:                                        |                                                                               |                                                           |                                                    |                                                            |          |
| Energy-related derivatives                     | \$ —                                                                          | \$ 26                                                     | \$ —                                               | \$ —                                                       | \$ 26    |
| Nuclear decommissioning trusts: <sup>(b)</sup> |                                                                               |                                                           |                                                    |                                                            |          |
| Domestic equity                                | 404                                                                           | 188                                                       | —                                                  | —                                                          | 592      |
| Foreign equity                                 | 131                                                                           | —                                                         | —                                                  | —                                                          | 131      |
| U.S. Treasury and government agency securities | —                                                                             | 20                                                        | —                                                  | —                                                          | 20       |
| Municipal bonds                                | —                                                                             | 1                                                         | —                                                  | —                                                          | 1        |
| Corporate bonds                                | —                                                                             | 215                                                       | —                                                  | —                                                          | 215      |
| Mortgage and asset backed securities           | —                                                                             | 22                                                        | —                                                  | —                                                          | 22       |
| Private equity                                 | —                                                                             | —                                                         | —                                                  | 169                                                        | 169      |
| Other                                          | 10                                                                            | —                                                         | —                                                  | 8                                                          | 18       |
| Cash equivalents and restricted cash           | 489                                                                           | 11                                                        | —                                                  | —                                                          | 500      |
| Other investments                              | —                                                                             | 34                                                        | —                                                  | —                                                          | 34       |
| Total                                          | \$ 1,034                                                                      | \$ 517                                                    | \$ —                                               | \$ 177                                                     | \$ 1,728 |
| Liabilities:                                   |                                                                               |                                                           |                                                    |                                                            |          |
| Energy-related derivatives                     | \$ —                                                                          | \$ 75                                                     | \$ —                                               | \$ —                                                       | \$ 75    |
| Georgia Power                                  |                                                                               |                                                           |                                                    |                                                            |          |
| Assets:                                        |                                                                               |                                                           |                                                    |                                                            |          |
| Energy-related derivatives                     | \$ —                                                                          | \$ 14                                                     | \$ —                                               | \$ —                                                       | \$ 14    |
| Nuclear decommissioning trusts: <sup>(b)</sup> |                                                                               |                                                           |                                                    |                                                            |          |
| Domestic equity                                | 288                                                                           | 1                                                         | —                                                  | —                                                          | 289      |
| Foreign equity                                 | —                                                                             | 153                                                       | —                                                  | —                                                          | 153      |
| U.S. Treasury and government agency securities | —                                                                             | 317                                                       | —                                                  | —                                                          | 317      |
| Municipal bonds                                | —                                                                             | 41                                                        | —                                                  | —                                                          | 41       |
| Corporate bonds                                | —                                                                             | 153                                                       | —                                                  | —                                                          | 153      |
| Mortgage and asset backed securities           | —                                                                             | 63                                                        | —                                                  | —                                                          | 63       |
| Other                                          | 23                                                                            | 3                                                         | —                                                  | —                                                          | 26       |
| Total                                          | \$ 311                                                                        | \$ 745                                                    | \$ —                                               | \$ —                                                       | \$ 1,056 |
| Liabilities:                                   |                                                                               |                                                           |                                                    |                                                            |          |
| Energy-related derivatives                     | \$ —                                                                          | \$ 83                                                     | \$ —                                               | \$ —                                                       | \$ 83    |

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

| At September 30, 2023                       | Fair Value Measurements Using:                                                |                                                           |                                                    |                                                            | Total  |
|---------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------|--------|
|                                             | Quoted Prices<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) | Net Asset<br>Value as a<br>Practical<br>Expedient<br>(NAV) |        |
| (in millions)                               |                                                                               |                                                           |                                                    |                                                            |        |
| Mississippi Power                           |                                                                               |                                                           |                                                    |                                                            |        |
| Assets:                                     |                                                                               |                                                           |                                                    |                                                            |        |
| Energy-related derivatives                  | \$ —                                                                          | \$ 24                                                     | \$ —                                               | \$ —                                                       | \$ 24  |
| Cash equivalents                            | 3                                                                             | —                                                         | —                                                  | —                                                          | 3      |
| Total                                       | \$ 3                                                                          | \$ 24                                                     | \$ —                                               | \$ —                                                       | \$ 27  |
| Liabilities:                                |                                                                               |                                                           |                                                    |                                                            |        |
| Energy-related derivatives                  | \$ —                                                                          | \$ 44                                                     | \$ —                                               | \$ —                                                       | \$ 44  |
| Southern Power                              |                                                                               |                                                           |                                                    |                                                            |        |
| Assets:                                     |                                                                               |                                                           |                                                    |                                                            |        |
| Energy-related derivatives                  | \$ —                                                                          | \$ 5                                                      | \$ —                                               | \$ —                                                       | \$ 5   |
| Cash equivalents                            | 23                                                                            | —                                                         | —                                                  | —                                                          | 23     |
| Total                                       | \$ 23                                                                         | \$ 5                                                      | \$ —                                               | \$ —                                                       | \$ 28  |
| Liabilities:                                |                                                                               |                                                           |                                                    |                                                            |        |
| Energy-related derivatives                  | \$ —                                                                          | \$ 6                                                      | \$ —                                               | \$ —                                                       | \$ 6   |
| Foreign currency derivatives                | —                                                                             | 42                                                        | —                                                  | —                                                          | 42     |
| Contingent consideration                    | 5                                                                             | —                                                         | 19                                                 | —                                                          | 24     |
| Other                                       | —                                                                             | 13                                                        | —                                                  | —                                                          | 13     |
| Total                                       | \$ 5                                                                          | \$ 61                                                     | \$ 19                                              | \$ —                                                       | \$ 85  |
| Southern Company Gas                        |                                                                               |                                                           |                                                    |                                                            |        |
| Assets:                                     |                                                                               |                                                           |                                                    |                                                            |        |
| Energy-related derivatives <sup>(a)</sup>   | \$ 7                                                                          | \$ 4                                                      | \$ —                                               | \$ —                                                       | \$ 11  |
| Non-qualified deferred compensation trusts: |                                                                               |                                                           |                                                    |                                                            |        |
| Domestic equity                             | —                                                                             | 7                                                         | —                                                  | —                                                          | 7      |
| Foreign equity                              | —                                                                             | 1                                                         | —                                                  | —                                                          | 1      |
| Pooled funds – fixed income                 | —                                                                             | 6                                                         | —                                                  | —                                                          | 6      |
| Cash equivalents                            | 3                                                                             | —                                                         | —                                                  | —                                                          | 3      |
| Cash equivalents                            | 294                                                                           | —                                                         | —                                                  | —                                                          | 294    |
| Total                                       | \$ 304                                                                        | \$ 18                                                     | \$ —                                               | \$ —                                                       | \$ 322 |
| Liabilities:                                |                                                                               |                                                           |                                                    |                                                            |        |
| Energy-related derivatives <sup>(a)</sup>   | \$ 34                                                                         | \$ 9                                                      | \$ —                                               | \$ —                                                       | \$ 43  |
| Interest rate derivatives                   | —                                                                             | 99                                                        | —                                                  | —                                                          | 99     |
| Total                                       | \$ 34                                                                         | \$ 108                                                    | \$ —                                               | \$ —                                                       | \$ 142 |

(a) Excludes cash collateral of \$49 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.

# **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 and nine months ended September 30, 2023 and 2022. 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    |                       | Nine Months Ended     |                       |
|----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
|                                  | September 30,<br>2023 | September 30,<br>2022 | September 30,<br>2023 | September 30,<br>2022 |
|                                  | <i>(in millions)</i>  |                       |                       |                       |
| <b>Southern Company</b>          | \$ (4)                | \$ (106)              | \$ 211                | \$ (486)              |
| <b>Alabama Power</b>             | (36)                  | (53)                  | 54                    | (245)                 |
| <b>Georgia Power</b>             | 32                    | (53)                  | 157                   | (241)                 |

## **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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

Southern Power has contingent payment obligations related to two of its acquisitions whereby it is primarily obligated to make generation-based payments to the seller, commencing at the commercial operation of each facility and continuing through 2026 and 2035, respectively. The obligations are primarily categorized as Level 3 under Fair Value Measurements as the fair value is determined using significant unobservable inputs for the forecasted facility's 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 contingent consideration reflects the net present value of expected payments and any periodic change arising from forecasted generation is expected to be immaterial.

Southern Power also has payment obligations through 2040 whereby it must reimburse the transmission owners for interconnection facilities and network upgrades constructed to support connection of a Southern Power generating facility to the transmission system. The obligations are categorized as Level 2 under Fair Value Measurements as the fair value is determined using observable inputs for the contracted amounts and reimbursement period, as well as a discount rate. The fair value of the obligations reflects the net present value of expected payments.

"Other investments" primarily includes 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 September 30, 2023, the fair value measurements of private market 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 \$177 million and unfunded commitments related to the private market investments totaled \$72 million. Private market investments include high-quality private equity funds across several market sectors, funds that invest in real estate assets, and a private credit fund. Private market funds do not have redemption rights. Distributions from these funds will be received as the underlying investments in the funds are liquidated.

At September 30, 2023, other financial instruments for which the carrying amount did not equal fair value were as follows:

|                                                                  | Southern<br>Company <sup>(*)</sup> | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas <sup>(*)</sup> |
|------------------------------------------------------------------|------------------------------------|------------------|------------------|----------------------|-------------------|-------------------------------------------|
| <i>(in billions)</i>                                             |                                    |                  |                  |                      |                   |                                           |
| <b>Long-term debt, including securities due within one year:</b> |                                    |                  |                  |                      |                   |                                           |
| Carrying amount                                                  | \$ 58.8                            | \$ 11.2          | \$ 15.8          | \$ 1.6               | \$ 2.7            | \$ 8.1                                    |
| Fair value                                                       | 50.8                               | 9.4              | 13.4             | 1.3                  | 2.4               | 6.5                                       |

(\*) The carrying amount of Southern Company Gas' long-term debt includes fair value adjustments from 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.

### (J) DERIVATIVES

The Registrants 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. 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.

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

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 Subsidiary Registrants 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 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.

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.

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

At September 30, 2023, 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:

|                                     | <b>Net<br/>Purchased<br/>mmBtu</b> | <b>Longest<br/>Hedge<br/>Date</b> | <b>Longest<br/>Non-Hedge<br/>Date</b> |
|-------------------------------------|------------------------------------|-----------------------------------|---------------------------------------|
|                                     | <i>(in millions)</i>               |                                   |                                       |
| Southern Company <sup>(*)</sup>     | 422                                | 2030                              | 2028                                  |
| Alabama Power                       | 109                                | 2026                              | —                                     |
| Georgia Power                       | 104                                | 2026                              | —                                     |
| Mississippi Power                   | 80                                 | 2027                              | —                                     |
| Southern Power                      | 8                                  | 2030                              | 2024                                  |
| Southern Company Gas <sup>(*)</sup> | 121                                | 2027                              | 2028                                  |

(\*) 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 135.5 million mmBtu long natural gas positions and 14.2 million mmBtu short natural gas positions at September 30, 2023, 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 14 million mmBtu for Southern Company, which includes 4 million mmBtu for Alabama Power, 5 million mmBtu for Georgia Power, 2 million mmBtu for Mississippi Power, and 3 million mmBtu for Southern Power.

For cash flow hedges of energy-related derivatives, the estimated pre-tax losses expected to be reclassified from accumulated OCI to earnings for the 12-month period ending September 30, 2024 are \$30 million for Southern Company, \$25 million for Southern Company Gas, and immaterial for Southern Power.

## **Interest Rate Derivatives**

Southern Company and certain subsidiaries may enter into interest rate derivatives to hedge exposure to changes in interest rates. Derivatives related to existing variable rate securities or 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 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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

At September 30, 2023, the following interest rate derivatives were outstanding:

|                                           | Notional<br>Amount | Weighted<br>Average Interest<br>Rate Paid | Interest<br>Rate<br>Received | Hedge<br>Maturity<br>Date | Fair Value<br>Gain (Loss) at<br>September 30,<br>2023 |
|-------------------------------------------|--------------------|-------------------------------------------|------------------------------|---------------------------|-------------------------------------------------------|
|                                           | (in millions)      |                                           |                              |                           | (in millions)                                         |
| <b>Fair Value Hedges of Existing Debt</b> |                    |                                           |                              |                           |                                                       |
| Southern Company parent                   | \$ 400             | 1-month SOFR +<br>0.80%                   | 1.75%                        | March<br>2028             | \$ (56)                                               |
| Southern Company parent                   | 1,000              | 1-month SOFR +<br>2.48%                   | 3.70%                        | April<br>2030             | (196)                                                 |
| Southern Company Gas                      | 500                | 1-month SOFR +<br>0.49%                   | 1.75%                        | January<br>2031           | (99)                                                  |
| <b>Southern Company</b>                   | <b>\$ 1,900</b>    |                                           |                              |                           | <b>\$ (351)</b>                                       |

For cash flow hedges of interest rate derivatives, the estimated pre-tax losses expected to be reclassified from accumulated OCI to interest expense for the 12-month period ending September 30, 2024 are \$19 million for Southern Company and immaterial for the traditional electric operating companies and Southern Company Gas. Deferred gains and losses related to interest rate derivatives are expected to be amortized into earnings through 2052 for Southern Company, Alabama Power, and 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. 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, including foreign currency gains or losses arising from changes in the U.S. currency exchange rates. Southern Company has elected to exclude the cross-currency basis spread from the assessment of effectiveness in the fair value hedges of its foreign currency risk and record any difference between the change in the fair value of the excluded components and the amounts recognized in earnings as a component of OCI.

At September 30, 2023, the following foreign currency derivatives were outstanding:

|                                           | Pay<br>Notional | Pay<br>Rate | Receive<br>Notional | Receive<br>Rate | Hedge<br>Maturity Date | Fair Value<br>Gain (Loss) at<br>September 30,<br>2023 |
|-------------------------------------------|-----------------|-------------|---------------------|-----------------|------------------------|-------------------------------------------------------|
|                                           | (in millions)   |             | (in millions)       |                 |                        | (in millions)                                         |
| <b>Cash Flow Hedges of Existing Debt</b>  |                 |             |                     |                 |                        |                                                       |
| Southern Power                            | \$ 564          | 3.78%       | € 500               | 1.85%           | June 2026              | \$ (42)                                               |
| <b>Fair Value Hedges of Existing Debt</b> |                 |             |                     |                 |                        |                                                       |
| Southern Company parent                   | 1,476           | 3.39%       | 1,250               | 1.88%           | September 2027         | (150)                                                 |
| <b>Southern Company</b>                   | <b>\$ 2,040</b> |             | <b>€ 1,750</b>      |                 |                        | <b>\$ (192)</b>                                       |

For cash flow hedges of foreign currency derivatives, the estimated pre-tax losses expected to be reclassified from accumulated OCI to earnings for the 12-month period ending September 30, 2024 are \$10 million for Southern Power.

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

## **Derivative Financial Statement Presentation and Amounts**

The Registrants 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 sheets 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                                         | At September 30, 2023 |             | At December 31, 2022 |             |    |      |    |       |
|----------------------------------------------------------------------------------------|-----------------------|-------------|----------------------|-------------|----|------|----|-------|
|                                                                                        | Assets                | Liabilities | Assets               | Liabilities |    |      |    |       |
|                                                                                        | (in millions)         |             | (in millions)        |             |    |      |    |       |
| Southern Company                                                                       |                       |             |                      |             |    |      |    |       |
| Energy-related derivatives designated as hedging instruments for regulatory purposes   |                       |             |                      |             |    |      |    |       |
| Assets from risk management activities/Liabilities from risk management activities     | \$                    | 34          | \$                   | 134         | \$ | 123  | \$ | 121   |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | 36          |                      | 77          |    | 52   |    | 44    |
| Total derivatives designated as hedging instruments for regulatory purposes            |                       | 70          |                      | 211         |    | 175  |    | 165   |
| Derivatives designated as hedging instruments in cash flow and fair value hedges       |                       |             |                      |             |    |      |    |       |
| Energy-related derivatives:                                                            |                       |             |                      |             |    |      |    |       |
| Assets from risk management activities/Liabilities from risk management activities     |                       | —           |                      | 28          |    | 3    |    | 27    |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | 4           |                      | 2           |    | 6    |    | 4     |
| Interest rate derivatives:                                                             |                       |             |                      |             |    |      |    |       |
| Assets from risk management activities/Liabilities from risk management activities     |                       | —           |                      | 80          |    | 12   |    | 62    |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | —           |                      | 271         |    | —    |    | 240   |
| Foreign currency derivatives:                                                          |                       |             |                      |             |    |      |    |       |
| Assets from risk management activities/Liabilities from risk management activities     |                       | —           |                      | 35          |    | —    |    | 34    |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | —           |                      | 157         |    | —    |    | 182   |
| Total derivatives designated as hedging instruments in cash flow and fair value hedges |                       | 4           |                      | 573         |    | 21   |    | 549   |
| Energy-related derivatives not designated as hedging instruments                       |                       |             |                      |             |    |      |    |       |
| Assets from risk management activities/Liabilities from risk management activities     |                       | 5           |                      | 8           |    | 13   |    | 13    |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | 1           |                      | 2           |    | 2    |    | 1     |
| Total derivatives not designated as hedging instruments                                |                       | 6           |                      | 10          |    | 15   |    | 14    |
| Gross amounts recognized                                                               |                       | 80          |                      | 794         |    | 211  |    | 728   |
| Gross amounts offset <sup>(a)</sup>                                                    |                       | (37)        |                      | (86)        |    | (70) |    | (111) |
| Net amounts recognized in the Balance Sheets <sup>(b)</sup>                            | \$                    | 43          | \$                   | 708         | \$ | 141  | \$ | 617   |

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

| Derivative Category and Balance Sheet Location                                       | At September 30, 2023 |             | At December 31, 2022 |             |    |      |    |      |
|--------------------------------------------------------------------------------------|-----------------------|-------------|----------------------|-------------|----|------|----|------|
|                                                                                      | Assets                | Liabilities | Assets               | Liabilities |    |      |    |      |
|                                                                                      | (in millions)         |             | (in millions)        |             |    |      |    |      |
| Alabama Power <sup>(c)</sup>                                                         |                       |             |                      |             |    |      |    |      |
| Energy-related derivatives designated as hedging instruments for regulatory purposes |                       |             |                      |             |    |      |    |      |
| Other current assets/Other current liabilities                                       | \$                    | 15          | \$                   | 46          | \$ | 42   | \$ | 21   |
| Other deferred charges and assets/Other deferred credits and liabilities             |                       | 11          |                      | 29          |    | 20   |    | 18   |
| Total derivatives designated as hedging instruments for regulatory purposes          |                       | 26          |                      | 75          |    | 62   |    | 39   |
| Gross amounts offset                                                                 |                       | (17)        |                      | (17)        |    | (24) |    | (24) |
| Net amounts recognized in the Balance Sheets                                         | \$                    | 9           | \$                   | 58          | \$ | 38   | \$ | 15   |
| Georgia Power                                                                        |                       |             |                      |             |    |      |    |      |
| Energy-related derivatives designated as hedging instruments for regulatory purposes |                       |             |                      |             |    |      |    |      |
| Other current assets/Other current liabilities                                       | \$                    | 4           | \$                   | 57          | \$ | 36   | \$ | 43   |
| Other deferred charges and assets/Other deferred credits and liabilities             |                       | 10          |                      | 26          |    | 6    |    | 18   |
| Total derivatives designated as hedging instruments for regulatory purposes          |                       | 14          |                      | 83          |    | 42   |    | 61   |
| Energy-related derivatives not designated as hedging instruments                     |                       |             |                      |             |    |      |    |      |
| Other current assets/Other current liabilities                                       |                       | —           |                      | —           |    | —    |    | 1    |
| Gross amounts recognized                                                             |                       | 14          |                      | 83          |    | 42   |    | 62   |
| Gross amounts offset                                                                 |                       | (11)        |                      | (11)        |    | (21) |    | (21) |
| Net amounts recognized in the Balance Sheets                                         | \$                    | 3           | \$                   | 72          | \$ | 21   | \$ | 41   |
| Mississippi Power <sup>(c)</sup>                                                     |                       |             |                      |             |    |      |    |      |
| Energy-related derivatives designated as hedging instruments for regulatory purposes |                       |             |                      |             |    |      |    |      |
| Other current assets/Other current liabilities                                       | \$                    | 9           | \$                   | 22          | \$ | 33   | \$ | 24   |
| Other deferred charges and assets/Other deferred credits and liabilities             |                       | 15          |                      | 22          |    | 26   |    | 8    |
| Total derivatives designated as hedging instruments for regulatory purposes          |                       | 24          |                      | 44          |    | 59   |    | 32   |
| Gross amounts offset                                                                 |                       | (17)        |                      | (17)        |    | (17) |    | (17) |
| Net amounts recognized in the Balance Sheets                                         | \$                    | 7           | \$                   | 27          | \$ | 42   | \$ | 15   |

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

| Derivative Category and Balance Sheet Location                                         | At September 30, 2023 |             | At December 31, 2022 |             |     |      |    |      |    |    |    |     |  |
|----------------------------------------------------------------------------------------|-----------------------|-------------|----------------------|-------------|-----|------|----|------|----|----|----|-----|--|
|                                                                                        | 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                                         | \$                    | —           | \$                   | 5           | \$  | —    | \$ | 12   |    |    |    |     |  |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | 4           |                      | —           |     | 5    |    | —    |    |    |    |     |  |
| Foreign currency derivatives:                                                          |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Other current assets/Other current liabilities                                         |                       | —           |                      | 11          |     | —    |    | 11   |    |    |    |     |  |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | —           |                      | 31          |     | —    |    | 36   |    |    |    |     |  |
| Total derivatives designated as hedging instruments in cash flow and fair value hedges |                       |             |                      |             | 4   | 47   | 5  | 59   |    |    |    |     |  |
| Energy-related derivatives not designated as hedging instruments                       |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Other current assets/Other current liabilities                                         |                       | 1           |                      | 1           |     | 2    |    | —    |    |    |    |     |  |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | —           |                      | —           |     | 1    |    | —    |    |    |    |     |  |
| Total derivatives not designated as hedging instruments                                |                       |             |                      |             | 1   | 1    | 3  | —    |    |    |    |     |  |
| Gross amounts recognized                                                               |                       |             |                      |             | 5   | 48   | 8  | 59   |    |    |    |     |  |
| Gross amounts offset                                                                   |                       |             |                      |             | (1) | (1)  | —  | —    |    |    |    |     |  |
| Net amounts recognized in the Balance Sheets                                           |                       |             |                      |             | \$  | 4    | \$ | 47   | \$ | 8  | \$ | 59  |  |
| Southern Company Gas                                                                   |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Energy-related derivatives designated as hedging instruments for regulatory purposes   |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Other current assets/Other current liabilities                                         | \$                    | 6           | \$                   | 9           | \$  | 12   | \$ | 33   |    |    |    |     |  |
| Derivatives designated as hedging instruments in cash flow and fair value hedges       |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Energy-related derivatives:                                                            |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Other current assets/Other current liabilities                                         |                       | —           |                      | 23          |     | 3    |    | 15   |    |    |    |     |  |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | —           |                      | 2           |     | 1    |    | 4    |    |    |    |     |  |
| Interest rate derivatives:                                                             |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Other current assets/Other current liabilities                                         |                       | —           |                      | 21          |     | —    |    | 14   |    |    |    |     |  |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | —           |                      | 78          |     | —    |    | 72   |    |    |    |     |  |
| Total derivatives designated as hedging instruments in cash flow and fair value hedges |                       |             |                      |             | —   | 124  | 4  | 105  |    |    |    |     |  |
| Energy-related derivatives not designated as hedging instruments                       |                       |             |                      |             |     |      |    |      |    |    |    |     |  |
| Other current assets/Other current liabilities                                         |                       | 4           |                      | 7           |     | 11   |    | 12   |    |    |    |     |  |
| Other deferred charges and assets/Other deferred credits and liabilities               |                       | 1           |                      | 2           |     | 1    |    | 1    |    |    |    |     |  |
| Total derivatives not designated as hedging instruments                                |                       |             |                      |             | 5   | 9    | 12 | 13   |    |    |    |     |  |
| Gross amounts recognized                                                               |                       |             |                      |             | 11  | 142  | 28 | 151  |    |    |    |     |  |
| Gross amounts offset <sup>(a)</sup>                                                    |                       |             |                      |             | 9   | (40) | —  | (41) |    |    |    |     |  |
| Net amounts recognized in the Balance Sheets <sup>(b)</sup>                            |                       |             |                      |             | \$  | 20   | \$ | 102  | \$ | 28 | \$ | 110 |  |

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

- (a) Gross amounts offset includes cash collateral held on deposit in broker margin accounts of \$49 million and \$41 million at September 30, 2023 and December 31, 2022, respectively.
- (b) Net amounts of derivative instruments outstanding exclude immaterial premium and intrinsic value associated with weather derivatives for both periods presented.
- (c) Energy-related derivatives not designated as hedging instruments were immaterial for Alabama Power and Mississippi Power at December 31, 2022. There were no such instruments for Alabama Power and Mississippi Power at September 30, 2023.

At September 30, 2023 and December 31, 2022, 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:

| <b>Regulatory Hedge Unrealized Gain (Loss) Recognized in the Balance Sheet</b> |                         |                      |                      |                          |                             |
|--------------------------------------------------------------------------------|-------------------------|----------------------|----------------------|--------------------------|-----------------------------|
| <b>Derivative Category and Balance Sheet Location</b>                          | <b>Southern Company</b> | <b>Alabama Power</b> | <b>Georgia Power</b> | <b>Mississippi Power</b> | <b>Southern Company Gas</b> |
| <i>(in millions)</i>                                                           |                         |                      |                      |                          |                             |
| <b>At September 30, 2023:</b>                                                  |                         |                      |                      |                          |                             |
| Energy-related derivatives:                                                    |                         |                      |                      |                          |                             |
| Other regulatory assets, current                                               | \$ (113)                | \$ (39)              | \$ (54)              | \$ (16)                  | (4)                         |
| Other regulatory assets, deferred                                              | (48)                    | (19)                 | (18)                 | (11)                     | —                           |
| Other regulatory liabilities, current                                          | 23                      | 8                    | 1                    | 4                        | 10                          |
| Other regulatory liabilities, deferred                                         | 6                       | 1                    | 2                    | 3                        | —                           |
| <b>Total energy-related derivative gains (losses)</b>                          | <b>\$ (132)</b>         | <b>\$ (49)</b>       | <b>\$ (69)</b>       | <b>\$ (20)</b>           | <b>6</b>                    |
| <b>At December 31, 2022:</b>                                                   |                         |                      |                      |                          |                             |
| Energy-related derivatives:                                                    |                         |                      |                      |                          |                             |
| Other regulatory assets, current                                               | \$ (71)                 | \$ (8)               | \$ (26)              | \$ (13)                  | (24)                        |
| Other regulatory assets, deferred                                              | (23)                    | (7)                  | (14)                 | (2)                      | —                           |
| Other regulatory liabilities, current                                          | 72                      | 29                   | 19                   | 22                       | 2                           |
| Other regulatory liabilities, deferred                                         | 31                      | 9                    | 2                    | 20                       | —                           |
| <b>Total energy-related derivative gains (losses)</b>                          | <b>\$ 9</b>             | <b>\$ 23</b>         | <b>\$ (19)</b>       | <b>\$ 27</b>             | <b>(22)</b>                 |

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

For the three and nine months ended September 30, 2023 and 2022, the pre-tax effects of cash flow and fair value hedge accounting on accumulated OCI for the applicable Registrants were as follows:

| Gain (Loss) Recognized in OCI on Derivatives | For the Three Months Ended<br>September 30, |         | For the Nine Months Ended<br>September 30, |          |
|----------------------------------------------|---------------------------------------------|---------|--------------------------------------------|----------|
|                                              | 2023                                        | 2022    | 2023                                       | 2022     |
|                                              | (in millions)                               |         | (in millions)                              |          |
| Southern Company                             |                                             |         |                                            |          |
| Cash flow hedges:                            |                                             |         |                                            |          |
| Energy-related derivatives                   | \$ (4)                                      | \$ 11   | \$ (55)                                    | \$ 51    |
| Interest rate derivatives                    | (3)                                         | 6       | (12)                                       | 36       |
| Foreign currency derivatives                 | (15)                                        | (35)    | (6)                                        | (137)    |
| Fair value hedges <sup>(*)</sup> :           |                                             |         |                                            |          |
| Foreign currency derivatives                 | 27                                          | 20      | 28                                         | 18       |
| Total                                        | \$ 5                                        | \$ 2    | \$ (45)                                    | \$ (32)  |
| Georgia Power                                |                                             |         |                                            |          |
| Cash flow hedges:                            |                                             |         |                                            |          |
| Interest rate derivatives                    | \$ —                                        | \$ —    | \$ (3)                                     | \$ 31    |
| Southern Power                               |                                             |         |                                            |          |
| Cash flow hedges:                            |                                             |         |                                            |          |
| Energy-related derivatives                   | \$ —                                        | \$ (11) | \$ (14)                                    | \$ (4)   |
| Foreign currency derivatives                 | (15)                                        | (35)    | (6)                                        | (137)    |
| Total                                        | \$ (15)                                     | \$ (46) | \$ (20)                                    | \$ (141) |
| Southern Company Gas                         |                                             |         |                                            |          |
| Cash flow hedges:                            |                                             |         |                                            |          |
| Energy-related derivatives                   | \$ (4)                                      | \$ 22   | \$ (41)                                    | \$ 55    |
| Interest rate derivatives                    | (4)                                         | 5       | —                                          | —        |
| Total                                        | \$ (8)                                      | \$ 27   | \$ (41)                                    | \$ 55    |

(\*) Represents amounts excluded from the assessment of effectiveness for which the difference between changes in fair value and periodic amortization is recorded in OCI.

For the three and nine months ended September 30, 2022, the pre-tax effects of interest rate derivatives designated as cash flow hedging instruments on accumulated OCI were immaterial for Alabama Power and there were no such effects in 2023.

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

For the three and nine months ended September 30, 2023 and 2022, 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<br>Income on Cash Flow and Fair Value Hedging<br>Relationships | For the Three Months Ended<br>September 30, |       | For the Nine Months Ended<br>September 30, |       |    |         |    |         |
|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------|-------|--------------------------------------------|-------|----|---------|----|---------|
|                                                                                                                 | 2023                                        | 2022  | 2023                                       | 2022  |    |         |    |         |
|                                                                                                                 | (in millions)                               |       | (in millions)                              |       |    |         |    |         |
| Southern Company                                                                                                |                                             |       |                                            |       |    |         |    |         |
| Total cost of natural gas                                                                                       | \$                                          | 102   | \$                                         | 294   | \$ | 1,199   | \$ | 1,840   |
| Gain (loss) on energy-related cash flow hedges <sup>(a)</sup>                                                   |                                             | (4)   |                                            | 9     |    | (32)    |    | 28      |
| Total other operations and maintenance                                                                          |                                             | 1,424 |                                            | 1,527 |    | 4,352   |    | 4,568   |
| Gain (loss) on energy-related cash flow hedges <sup>(a)</sup>                                                   |                                             | (1)   |                                            | —     |    | (2)     |    | —       |
| Total depreciation and amortization                                                                             |                                             | 1,143 |                                            | 922   |    | 3,365   |    | 2,728   |
| Gain (loss) on energy-related cash flow hedges <sup>(a)</sup>                                                   |                                             | (5)   |                                            | (1)   |    | (18)    |    | 5       |
| Total interest expense, net of amounts capitalized                                                              |                                             | (620) |                                            | (511) |    | (1,812) |    | (1,461) |
| Gain (loss) on interest rate cash flow hedges <sup>(a)</sup>                                                    |                                             | (22)  |                                            | (7)   |    | (31)    |    | (19)    |
| Gain (loss) on foreign currency cash flow hedges <sup>(a)</sup>                                                 |                                             | (3)   |                                            | (3)   |    | (8)     |    | (16)    |
| Gain (loss) on interest rate fair value hedges <sup>(b)</sup>                                                   |                                             | (47)  |                                            | (102) |    | (50)    |    | (300)   |
| Total other income (expense), net                                                                               |                                             | 141   |                                            | 132   |    | 428     |    | 414     |
| Gain (loss) on foreign currency cash flow hedges <sup>(a)(c)</sup>                                              |                                             | (14)  |                                            | (32)  |    | (4)     |    | (129)   |
| Gain (loss) on foreign currency fair value hedges                                                               |                                             | (7)   |                                            | (59)  |    | 19      |    | (180)   |
| Amount excluded from effectiveness testing recognized<br>in earnings                                            |                                             | (27)  |                                            | (21)  |    | (28)    |    | (17)    |
| Southern Power                                                                                                  |                                             |       |                                            |       |    |         |    |         |
| Total depreciation and amortization                                                                             | \$                                          | 130   | \$                                         | 133   | \$ | 380     | \$ | 384     |
| Gain (loss) on energy-related cash flow hedges <sup>(a)</sup>                                                   |                                             | (5)   |                                            | (1)   |    | (18)    |    | 5       |
| Total interest expense, net of amounts capitalized                                                              |                                             | (32)  |                                            | (32)  |    | (98)    |    | (105)   |
| Gain (loss) on foreign currency cash flow hedges <sup>(a)</sup>                                                 |                                             | (3)   |                                            | (3)   |    | (8)     |    | (16)    |
| Total other income (expense), net                                                                               |                                             | 4     |                                            | 3     |    | 8       |    | 5       |
| Gain (loss) on foreign currency cash flow hedges <sup>(a)(c)</sup>                                              |                                             | (14)  |                                            | (32)  |    | (4)     |    | (129)   |
| Southern Company Gas                                                                                            |                                             |       |                                            |       |    |         |    |         |
| Total cost of natural gas                                                                                       | \$                                          | 102   | \$                                         | 294   | \$ | 1,199   | \$ | 1,840   |
| Gain (loss) on energy-related cash flow hedges <sup>(a)</sup>                                                   |                                             | (4)   |                                            | 9     |    | (32)    |    | 28      |
| Total other operations and maintenance                                                                          |                                             | 264   |                                            | 252   |    | 879     |    | 824     |
| Gain (loss) on energy-related cash flow hedges <sup>(a)</sup>                                                   |                                             | (1)   |                                            | —     |    | (2)     |    | —       |
| Total interest expense, net of amounts capitalized                                                              |                                             | (77)  |                                            | (65)  |    | (226)   |    | (187)   |
| Gain (loss) on interest rate cash flow hedges <sup>(a)</sup>                                                    |                                             | (18)  |                                            | (2)   |    | (18)    |    | (3)     |
| Gain (loss) on interest rate fair value hedges <sup>(b)</sup>                                                   |                                             | (11)  |                                            | (30)  |    | (14)    |    | (87)    |

(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.

The pre-tax effects of cash flow and fair value hedge accounting on income for interest rate derivatives were immaterial for the traditional electric operating companies for all periods presented.

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

At September 30, 2023 and December 31, 2022, 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 |                      |
|----------------------------------------|------------------------------------|----------------------|---------------------------------------------------------------------------------------------------|----------------------|
|                                        | At September 30, 2023              | At December 31, 2022 | At September 30, 2023                                                                             | At December 31, 2022 |
|                                        | (in millions)                      |                      | (in millions)                                                                                     |                      |
| Southern Company                       |                                    |                      |                                                                                                   |                      |
| Long-term debt                         | \$ (2,873)                         | \$ (2,927)           | \$ 328                                                                                            | \$ 282               |
| Southern Company Gas                   |                                    |                      |                                                                                                   |                      |
| Long-term debt                         | \$ (402)                           | \$ (415)             | \$ 95                                                                                             | \$ 81                |

For the three and nine months ended September 30, 2023 and 2022, 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:

|                                                           |                                     | Gain (Loss)                      |      |                                 |         |
|-----------------------------------------------------------|-------------------------------------|----------------------------------|------|---------------------------------|---------|
|                                                           |                                     | Three Months Ended September 30, |      | Nine Months Ended September 30, |         |
| Derivatives in Non-Designated Hedging Relationships       | Statements of Income Location       | 2023                             | 2022 | 2023                            | 2022    |
|                                                           |                                     | <i>(in millions)</i>             |      | <i>(in millions)</i>            |         |
| Energy-related derivatives:                               | Natural gas revenues <sup>(*)</sup> | \$ —                             | \$ 3 | \$ —                            | \$ (10) |
|                                                           | Cost of natural gas                 | 7                                | (2)  | 36                              | (7)     |
| Total derivatives in non-designated hedging relationships |                                     | \$ 7                             | \$ 1 | \$ 36                           | \$ (17) |

(\*) Excludes \$14 million of gains for the nine months ended September 30, 2023, and immaterial amounts for all other periods presented, recorded in natural gas revenues associated with weather derivatives.

For the three and nine months ended September 30, 2023 and 2022, the pre-tax effects of energy-related derivatives not designated as hedging instruments were immaterial for the other Registrants.

## Contingent Features

The Registrants 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. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. At September 30, 2023, the Registrants had no collateral posted with derivative counterparties to satisfy these arrangements.

For Southern Company, the fair value of foreign currency derivative liabilities and interest rate 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, was \$78 million at September 30, 2023. For Southern Power, the fair value of foreign currency 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, was \$20 million at September 30, 2023. For the traditional electric operating companies and Southern Power, 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 at September 30, 2023. 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

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

require collateral in the event that one or more Southern Company power pool participants has a credit rating change to below investment grade.

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 September 30, 2023, cash collateral posted in these accounts was \$18 million for Southern Power and immaterial for Alabama Power. 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 September 30, 2023, cash collateral held on deposit in broker margin accounts was \$49 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.

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.

## NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

### (UNAUDITED)

#### (K) ACQUISITIONS AND DISPOSITIONS

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

#### Southern Power

##### *Asset Acquisitions*

Southern Power's asset acquisitions during the nine months ended September 30, 2023 are detailed in the following table:

| Project Facility              | Resource | Seller                      | Approximate<br>Nameplate<br>Capacity<br>(MW) | Location              | Southern<br>Power<br>Ownership<br>Percentage | Expected<br>COD        | PPA<br>Contract<br>Period |
|-------------------------------|----------|-----------------------------|----------------------------------------------|-----------------------|----------------------------------------------|------------------------|---------------------------|
| Millers Branch <sup>(*)</sup> | Solar    | EDF<br>Renewables, Inc.     | 200                                          | Haskell<br>County, TX | 100%                                         | Fourth quarter<br>2025 | 20 years                  |
| South Cheyenne                | Solar    | Hanwha Q Cells<br>USA Corp. | 150                                          | Laramie<br>County, WY | 100%                                         | First quarter<br>2024  | 20 years                  |

(\*) The project includes an option to expand capacity up to an additional 300 MWs.

The aggregate purchase price for the two projects was \$193 million, which is primarily recorded within construction work in progress on the balance sheet.

#### Southern Company Gas

On September 22, 2023, Southern Company Gas completed the sale of its California natural gas storage facility, resulting in an immaterial loss.

#### (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 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 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 \$156 million and \$406 million for the three and nine months ended September 30, 2023, respectively, and \$336 million and \$673 million for the three and nine months ended September 30, 2022, respectively. Revenues from sales of natural gas from Southern Company Gas to the traditional electric operating companies and Southern Power were immaterial for all periods presented. 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 distributed energy and resilience solutions and deploying microgrids for commercial, industrial, governmental, and utility customers, as well as investments in telecommunications. 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 and nine months ended September 30, 2023 and 2022 was as follows:

|                                                   | Electric Utilities                                |                   |              |           |                            |              |              |              |
|---------------------------------------------------|---------------------------------------------------|-------------------|--------------|-----------|----------------------------|--------------|--------------|--------------|
|                                                   | Traditional<br>Electric<br>Operating<br>Companies | Southern<br>Power | Eliminations | Total     | Southern<br>Company<br>Gas | All<br>Other | Eliminations | Consolidated |
| <i>(in millions)</i>                              |                                                   |                   |              |           |                            |              |              |              |
| <b>Three Months Ended September 30, 2023</b>      |                                                   |                   |              |           |                            |              |              |              |
| Operating revenues                                | \$ 5,674                                          | \$ 653            | \$ (160)     | \$ 6,167  | \$ 689                     | \$ 154       | \$ (30)      | \$ 6,980     |
| Segment net income (loss) <sup>(a)(b)(c)</sup>    | 1,419                                             | 100               | —            | 1,519     | 82                         | (179)        | —            | 1,422        |
| <b>Nine Months Ended September 30, 2023</b>       |                                                   |                   |              |           |                            |              |              |              |
| Operating revenues                                | \$ 14,145                                         | \$ 1,686          | \$ (417)     | \$ 15,414 | \$ 3,417                   | \$ 499       | \$ (122)     | \$ 19,208    |
| Segment net income (loss) <sup>(a)(b)(c)(d)</sup> | 2,852                                             | 288               | —            | 3,140     | 475                        | (490)        | (4)          | 3,121        |
| <b>At September 30, 2023</b>                      |                                                   |                   |              |           |                            |              |              |              |
| Goodwill                                          | \$ —                                              | \$ 2              | \$ —         | \$ 2      | \$ 5,015                   | \$ 144       | \$ —         | \$ 5,161     |
| Total assets                                      | 99,464                                            | 13,090            | (568)        | 111,986   | 24,823                     | 2,370        | (858)        | 138,321      |
| <b>Three Months Ended September 30, 2022</b>      |                                                   |                   |              |           |                            |              |              |              |
| Operating revenues                                | \$ 6,938                                          | \$ 1,180          | \$ (691)     | \$ 7,427  | \$ 857                     | \$ 135       | \$ (41)      | \$ 8,378     |
| Segment net income (loss) <sup>(a)(b)</sup>       | 1,445                                             | 95                | —            | 1,540     | 83                         | (152)        | 1            | 1,472        |
| <b>Nine Months Ended September 30, 2022</b>       |                                                   |                   |              |           |                            |              |              |              |
| Operating revenues                                | \$ 16,716                                         | \$ 2,618          | \$ (1,391)   | \$ 17,943 | \$ 3,998                   | \$ 418       | \$ (127)     | \$ 22,232    |
| Segment net income (loss) <sup>(a)(b)</sup>       | 3,256                                             | 265               | —            | 3,521     | 516                        | (415)        | (11)         | 3,611        |
| <b>At December 31, 2022</b>                       |                                                   |                   |              |           |                            |              |              |              |
| Goodwill                                          | \$ —                                              | \$ 2              | \$ —         | \$ 2      | \$ 5,015                   | \$ 144       | \$ —         | \$ 5,161     |
| Total assets                                      | 95,861                                            | 13,081            | (659)        | 108,283   | 24,621                     | 2,665        | (678)        | 134,891      |

(a) Attributable to Southern Company.

(b) For the traditional electric operating companies, includes pre-tax charges (credits) to income at Georgia Power for the estimated probable loss associated with the construction of Plant Vogtle Units 3 and 4 of \$160 million (\$120 million after tax) for the three and nine months ended September 30, 2023 and \$(70) million (\$52) million after tax) and \$(18) million (\$13) million after tax) for the three and nine months ended September 30, 2022, respectively. 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.

(c) For Southern Power, includes an \$18 million pre-tax loss recovery (\$9 million after tax and partnership allocations) for the three and nine months ended September 30, 2023 related to an arbitration interim award and a \$16 million pre-tax gain (\$12 million after tax) on the sale of spare parts for the nine months ended September 30, 2023. See Note (C) under "General Litigation Matters – Southern Power" for additional information.

(d) For Southern Company Gas, includes a pre-tax charge of approximately \$38 million (\$28 million after tax) associated with the disallowance of certain capital expenditures at Nicor Gas. See Note (B) under "Southern Company Gas" for additional information.

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

***Products and Services***

|                                              | Electric Utilities' Revenues |                 |               |                  |
|----------------------------------------------|------------------------------|-----------------|---------------|------------------|
|                                              | Retail                       | Wholesale       | Other         | Total            |
|                                              | <i>(in millions)</i>         |                 |               |                  |
| <b>Three Months Ended September 30, 2023</b> | <b>\$ 5,139</b>              | <b>\$ 727</b>   | <b>\$ 301</b> | <b>\$ 6,167</b>  |
| Three Months Ended September 30, 2022        | 5,961                        | 1,197           | 269           | 7,427            |
| <b>Nine Months Ended September 30, 2023</b>  | <b>\$ 12,597</b>             | <b>\$ 1,930</b> | <b>\$ 887</b> | <b>\$ 15,414</b> |
| Nine Months Ended September 30, 2022         | 14,363                       | 2,798           | 782           | 17,943           |

|                                              | Southern Company Gas' Revenues |                        |              |                 |
|----------------------------------------------|--------------------------------|------------------------|--------------|-----------------|
|                                              | Gas Distribution Operations    | Gas Marketing Services | Other        | Total           |
|                                              | <i>(in millions)</i>           |                        |              |                 |
| <b>Three Months Ended September 30, 2023</b> | <b>\$ 617</b>                  | <b>\$ 56</b>           | <b>\$ 16</b> | <b>\$ 689</b>   |
| Three Months Ended September 30, 2022        | 748                            | 85                     | 24           | 857             |
| <b>Nine Months Ended September 30, 2023</b>  | <b>\$ 2,989</b>                | <b>\$ 376</b>          | <b>\$ 52</b> | <b>\$ 3,417</b> |
| Nine Months Ended September 30, 2022         | 3,513                          | 420                    | 65           | 3,998           |

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

## **Southern Company Gas**

Southern Company Gas manages its business through three reportable segments – gas distribution operations, gas pipeline investments, and gas marketing services. The non-reportable segments are combined and presented as all other.

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 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. See Note 7 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

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 a natural gas storage facility in Texas through its sale in November 2022 and a natural gas storage facility in California through its sale in September 2023. See Note 15 to the financial statements in Item 8 of the Form 10-K and Note (K) under "Southern Company Gas" for additional information.

Business segment financial data for the three months ended September 30, 2023 and 2022 was as follows:

|                                              | Gas<br>Distribution<br>Operations | Gas<br>Pipeline<br>Investments | Gas<br>Marketing<br>Services | Total         | All Other    | Eliminations    | Consolidated  |
|----------------------------------------------|-----------------------------------|--------------------------------|------------------------------|---------------|--------------|-----------------|---------------|
| <i>(in millions)</i>                         |                                   |                                |                              |               |              |                 |               |
| <b>Three Months Ended September 30, 2023</b> |                                   |                                |                              |               |              |                 |               |
| Operating revenues                           | \$ 619                            | \$ 8                           | \$ 56                        | \$ 683        | \$ 8         | \$(2)           | \$ 689        |
| Segment net income (loss)                    | 70                                | 24                             | 2                            | 96            | (14)         | —               | 82            |
| <b>Nine Months Ended September 30, 2023</b>  |                                   |                                |                              |               |              |                 |               |
| Operating revenues                           | \$ 3,002                          | \$ 24                          | \$ 376                       | \$ 3,402      | \$ 30        | \$(15)          | \$ 3,417      |
| Segment net income <sup>(*)</sup>            | 352                               | 73                             | 59                           | 484           | (9)          | —               | 475           |
| <b>Total assets at September 30, 2023</b>    | <b>22,625</b>                     | <b>1,542</b>                   | <b>1,519</b>                 | <b>25,686</b> | <b>9,795</b> | <b>(10,658)</b> | <b>24,823</b> |
| <b>Three Months Ended September 30, 2022</b> |                                   |                                |                              |               |              |                 |               |
| Operating revenues                           | \$ 751                            | \$ 8                           | \$ 85                        | \$ 844        | \$ 16        | \$(3)           | \$ 857        |
| Segment net income (loss)                    | 59                                | 24                             | (2)                          | 81            | 2            | —               | 83            |
| <b>Nine Months Ended September 30, 2022</b>  |                                   |                                |                              |               |              |                 |               |
| Operating revenues                           | \$ 3,533                          | \$ 24                          | \$ 420                       | \$ 3,977      | \$ 43        | \$(22)          | \$ 3,998      |
| Segment net income                           | 365                               | 76                             | 65                           | 506           | 10           | —               | 516           |
| <b>Total assets at December 31, 2022</b>     | <b>22,040</b>                     | <b>1,577</b>                   | <b>1,616</b>                 | <b>25,233</b> | <b>8,943</b> | <b>(9,555)</b>  | <b>24,621</b> |

(\*) For gas distribution operations, includes a pre-tax charge of approximately \$38 million (\$28 million after tax) associated with the disallowance of certain capital expenditures at Nicor Gas. See Note (B) under "Southern Company Gas" for additional information.

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

|                                                                                                | <b><u>Page</u></b>  |
|------------------------------------------------------------------------------------------------|---------------------|
| Combined Management's Discussion and Analysis of Financial Condition and Results of Operations |                     |
| <a href="#">Overview</a>                                                                       | <a href="#">101</a> |
| <a href="#">Results of Operations</a>                                                          | <a href="#">106</a> |
| <a href="#">Southern Company</a>                                                               | <a href="#">106</a> |
| <a href="#">Alabama Power</a>                                                                  | <a href="#">115</a> |
| <a href="#">Georgia Power</a>                                                                  | <a href="#">121</a> |
| <a href="#">Mississippi Power</a>                                                              | <a href="#">127</a> |
| <a href="#">Southern Power</a>                                                                 | <a href="#">132</a> |
| <a href="#">Southern Company Gas</a>                                                           | <a href="#">136</a> |
| <a href="#">Future Earnings Potential</a>                                                      | <a href="#">142</a> |
| <a href="#">Accounting Policies</a>                                                            | <a href="#">147</a> |
| <a href="#">Financial Condition and Liquidity</a>                                              | <a href="#">148</a> |

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), 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, and gas marketing services. See Note (L) to the Condensed Financial Statements herein for additional information on segment reporting. Alabama Power, Georgia Power, and Mississippi Power each operate with one reportable business segment, since substantially all of their business is providing electric service to customers. Southern Power also operates its business with one reportable business segment, the sale of electricity in the competitive wholesale market. 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

#### *Alabama Power*

On March 24, 2023, Alabama Power filed Rate CNP New Plant with the Alabama PSC to recover costs associated with the acquisition of the Central Alabama Generating Station. The filing reflected an annual increase in retail revenues of \$78 million effective with June 2023 billings. Through May 2023, Alabama Power recovered substantially all costs associated with the Central Alabama Generating Station through Rate RSE, offset by revenues from a power sales agreement. On May 24, 2023, the Central Alabama Generating Station was placed into retail service.

On June 14, 2023, the Alabama PSC issued an order approving modifications to Alabama Power's Renewable Generation Certificate. The modifications authorized Alabama Power to procure an additional 2,400 MWs of renewable capacity and energy by June 14, 2029 and to market the related energy and environmental attributes to customers and other third parties. The modifications also increased the size of allowable renewable projects from 80 MWs to 200 MWs and increased the annual approval limit from 160 MWs to 400 MWs.

On July 11, 2023, the Alabama PSC issued an order authorizing Alabama Power to expand the existing authority of its reliability reserve to include certain production-related expenses that are intended to maintain reliability in periods between scheduled generating unit outages.

On August 18, 2023, Alabama Power notified the Alabama PSC of its intent to use a portion of its \$166 million reliability reserve balance during 2023. The ultimate outcome of this matter cannot be determined at this time.

On October 3, 2023, the Alabama PSC issued an order modifying its December 2022 order and authorizing Alabama Power to (i) flow back in 2023 approximately \$24 million of certain federal excess accumulated deferred income taxes resulting from the Tax Cuts and Jobs Act of 2017 and (ii) make available any remaining balance of excess accumulated deferred income taxes at the end of 2023 for the benefit of customers in 2024 and/or 2025. The ultimate outcome of this matter cannot be determined at this time.

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

On November 1, 2023, Alabama Power placed Plant Barry Unit 8 in service. At September 30, 2023, project expenditures associated with Plant Barry Unit 8 totaled approximately \$583 million.

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

### **Georgia Power**

#### *Plant Vogtle Units 3 and 4 Construction and Start-Up Status*

Georgia Power placed Plant Vogtle Unit 3 in service on July 31, 2023 and continues construction on Plant Vogtle Unit 4 (each with electric generating capacity of approximately 1,100 MWs), in which it 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, including contingency, through July 2023 and March 2024, respectively, is \$10.8 billion.

Hot functional testing for Unit 4 was completed on May 1, 2023. On July 20, 2023, Southern Nuclear announced that all Unit 4 ITAACs had been submitted to the NRC, and, on July 28, 2023, the NRC published its 103(g) finding that the accepted criteria in the combined license for Unit 4 had been met, which allowed nuclear fuel to be loaded and start-up testing to begin. Fuel load for Unit 4 was completed on August 19, 2023. On October 6, 2023, Georgia Power announced that during the start-up and pre-operational testing for Plant Vogtle Unit 4, Southern Nuclear identified a motor fault in one of four reactor coolant pumps (RCPs) and has started the process to replace this RCP with an on-site spare RCP from inventory. Considering this remediation and the remaining pre-operational testing, Unit 4 is projected to be placed in service during the first quarter 2024. The projected schedule for Unit 4 significantly depends on the pace and success of replacing the RCP, which involves removing and re-installing commodities around the RCP. In addition, any findings related to the root cause of the motor fault on the single Unit 4 RCP could require engineering changes or remediation related to the other seven Unit 3 and Unit 4 RCPs. Any further delays could result in a later in-service date and cost increases.

During the first nine months of 2023, established construction contingency totaling \$43 million was assigned to the base capital cost forecast for costs primarily associated with the Unit 3 schedule extension and completion of start-up and pre-operational testing, including continued need of support resources for Unit 3 testing, as well as additional craft and support resources and subcontract work for Unit 4.

Georgia Power and the other Vogtle Owners did not agree on the starting dollar amount for the determination of cost increases subject to the cost-sharing and tender provisions of the Global Amendments (as defined in Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction – Joint Owner Contracts" herein). The other Vogtle Owners notified Georgia Power that they believed the project capital cost forecast approved by the Vogtle Owners in February 2022 triggered the tender provisions.

In June 2022 and July 2022, OPC and Dalton, respectively, notified Georgia Power of their purported exercises of their tender options. Georgia Power did not accept these purported tender exercises. In June 2022, OPC and MEAG Power each filed a separate lawsuit against Georgia Power in the Superior Court of Fulton County, Georgia seeking a declaratory judgment that the starting dollar amount is \$17.1 billion and that the cost-sharing and tender provisions had been triggered. In July 2022, Georgia Power filed its answers in the lawsuits filed by MEAG Power and OPC and included counterclaims seeking a declaratory judgment that the starting dollar amount is \$18.38 billion and that costs related to force majeure events are excluded prior to calculating the cost-sharing and tender provisions and when calculating Georgia Power's related financial obligations. In September 2022, Dalton filed complaints in each of these lawsuits.

Also in September 2022, Georgia Power and MEAG Power reached an agreement to resolve their dispute regarding the proper interpretation of the cost-sharing and tender provisions of the Global Amendments. Under the terms of the agreement, among other items, (i) MEAG Power will not exercise its tender option and will retain its full ownership interest in Plant Vogtle Units 3 and 4; (ii) Georgia Power will reimburse a portion of MEAG Power's costs of construction for Plant Vogtle Units 3 and 4 as such costs are incurred and with no further adjustment for force majeure costs, which payments will total approximately \$92 million based on the current project capital cost forecast; and (iii) Georgia Power will reimburse 20% of MEAG Power's costs of construction with respect to any

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

amounts over the current project capital cost forecast, with no further adjustment for force majeure costs. In October 2022, MEAG Power and Georgia Power filed a notice of settlement and voluntary dismissal of the pending litigation described above, including Georgia Power's counterclaim, and Dalton dismissed its related complaint.

On October 5, 2023 and October 17, 2023, Georgia Power reached agreements with OPC and Dalton, respectively, to resolve its respective dispute with each of OPC and Dalton regarding the proper interpretation of the cost-sharing and tender provisions of the joint ownership agreements relating to the Global Amendments. Under the terms of the agreements with OPC and Dalton, among other items, (i) each of OPC and Dalton retracted its exercise of the tender option and will retain its full ownership interest in Plant Vogtle Units 3 and 4, (ii) Georgia Power made payments immediately after execution of the agreements of \$308 million and \$17 million to OPC and Dalton, respectively, representing payment for a portion of each of OPC's and Dalton's costs of construction for Plant Vogtle Units 3 and 4 previously incurred, (iii) Georgia Power will pay a portion of each of OPC's and Dalton's further costs of construction for Plant Vogtle Units 3 and 4 as such costs are incurred and with no further adjustment for force majeure costs, which payments will be in an aggregate amount of approximately \$105 million and \$6 million for OPC and Dalton, respectively, based on the current project capital cost forecast, and (iv) Georgia Power will pay 66% of each of OPC's and Dalton's costs of construction with respect to any amounts above the current project capital cost forecast, with no further adjustment for force majeure costs. On October 23, 2023, OPC, Dalton, and Georgia Power filed a stipulation of dismissal with prejudice of their litigation described above, including Georgia Power's counterclaims.

Georgia Power recorded pre-tax charges to income through the fourth quarter 2022 of \$407 million (\$304 million after tax) associated with the cost-sharing provisions of the Global Amendments, including the settlement with MEAG Power. Based on the current project capital cost forecast and the settlements with OPC and Dalton described above, Georgia Power recorded a pre-tax charge to income of approximately \$160 million (\$120 million after tax) in the third quarter 2023. These charges are included in the total project capital cost forecast and will not be recovered from retail customers.

The ultimate impact of these matters on the construction schedule and project capital cost forecast and related cost recovery 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.

### *Plant Vogtle Unit 3 and Common Facilities Rate Proceeding*

In compliance with a Georgia PSC order approved in November 2021, Georgia Power increased annual retail base rates by \$318 million effective August 1, 2023 based on the in-service date of July 31, 2023 for Plant Vogtle Unit 3. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

### *Plant Vogtle Units 3 and 4 Prudency Proceeding*

On August 30, 2023, as provided for in the December 2017 Georgia PSC approval of the seventeenth VCM report, Georgia Power filed with the Georgia PSC an application to adjust rates to include reasonable and prudent Plant Vogtle Units 3 and 4 costs (Application). The Application provides the necessary support to justify the reasonableness, prudence, and recovery of \$8.826 billion in total construction and capital costs, \$1.07 billion in associated retail rate base items, and the operating costs related to the full operation and output of Plant Vogtle Units 3 and 4.

Also on August 30, 2023, the staff of the Georgia PSC filed a stipulated agreement (Prudency Stipulation) among Georgia Power, the staff of the Georgia PSC, and certain intervenors. If the Prudency Stipulation is approved, Georgia Power will recover \$7.562 billion in total construction and capital costs and associated retail rate base items of \$1.02 billion, which includes AFUDC financing costs above \$4.418 billion (the Georgia PSC-certified amount) up to \$7.562 billion.

The Prudency Stipulation also provides for the recovery of projected operations and maintenance expenses, depreciation expense, nuclear decommissioning accruals, and property taxes, net of projected production tax credits.

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

After considering construction and capital costs already in retail base rates of \$2.1 billion and \$362 million of associated retail rate base items (approved by the Georgia PSC in November 2021), and upon achieving commercial operation of Unit 4, Georgia Power will include in retail rate base the remaining \$5.462 billion of construction and capital costs as well as \$656 million of associated retail rate base items.

If the Prudency Stipulation is approved by the Georgia PSC, annual retail base revenues will increase approximately \$729 million and the average retail base rates will be adjusted by approximately 5% effective the first day of the month after Unit 4 achieves commercial operation.

Georgia Power expects the Georgia PSC to render a final decision on these matters on December 19, 2023. The ultimate outcome of these matters cannot be determined at this time. See Note (B) to the Condensed Financial Statements under "Georgia Power – Plant Vogtle Units 3 and 4 Prudency Proceeding" herein for additional information.

### *Rate Plans*

In accordance with the terms of the 2022 ARP, on October 2, 2023, Georgia Power filed tariff adjustments to become effective January 1, 2024 that would result in a net increase in rates of \$191 million pending approval by the Georgia PSC. The ultimate outcome of this matter cannot be determined at this time. See Note (B) to the Condensed Financial Statements under "Georgia Power – Rate Plans" herein for additional information.

### *Fuel Cost Recovery*

On May 16, 2023, the Georgia PSC approved a stipulation agreement between Georgia Power and the staff of the Georgia PSC to increase annual fuel billings by 54%, or approximately \$1.1 billion, effective June 1, 2023. The increase reflects a three-year recovery period for \$2.2 billion of Georgia Power's under recovered fuel balance at May 31, 2023. Changes in fuel rates have no significant effect on Southern Company's or Georgia Power's net income but do impact the related operating cash flows. See Note (B) to the Condensed Financial Statements under "Georgia Power – Fuel Cost Recovery" herein for additional information.

### *Integrated Resource Plan*

On October 27, 2023, Georgia Power filed an updated IRP (2023 IRP Update) with the Georgia PSC, which sets forth a plan to support the recent increase in the state of Georgia's projected energy needs since the 2022 IRP. The schedule for the Georgia PSC to consider the 2023 IRP Update has not been determined. Georgia Power has requested that the Georgia PSC evaluate the 2023 IRP Update by the end of April 2024. The ultimate outcome of this matter cannot be determined at this time. See Note (B) to the Condensed Financial Statements under "Georgia Power – Integrated Resource Plans" herein for additional information.

### *Mississippi Power*

On October 27, 2023, the FERC approved a settlement agreement filed by Mississippi Power and Cooperative Energy on July 31, 2023 related to Mississippi Power's July 2022 request for a \$23 million increase in annual wholesale base revenues under the MRA tariff. The settlement agreement provides for a \$16 million increase in annual wholesale base revenues, effective September 14, 2022, and a refund to customers of approximately \$6 million primarily related to the difference between the approved rates and interim rates.

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

### ***Southern Power***

On September 20, 2023, Southern Power acquired 100% of the membership interests in the 200-MW Millers Branch solar project located in Haskell County, Texas from EDF Renewables Development, Inc. and is continuing development and construction. The facility's output is contracted under a 20-year PPA and commercial operation is expected to occur in the fourth quarter 2025. The project includes an option to expand capacity up to an additional 300 MWs.

On September 22, 2023, Southern Power acquired 100% of the membership interests in the 150-MW South Cheyenne solar project located in Laramie County, Wyoming from Hanwha Q Cells USA Corp. and is continuing construction. The facility's output is contracted under a 20-year PPA and commercial operation is expected to occur in the first quarter 2024.

The ultimate outcome of these matters cannot be determined at this time. See Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

At September 30, 2023, 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 facilities' net book value (or expected in-service value for facilities under construction) as the investment amount was 97% through 2027 and 91% through 2032, with an average remaining contract duration of approximately 13 years.

### ***Southern Company Gas***

On July 14, 2023, Atlanta Gas Light filed its annual GRAM update with the Georgia PSC. The filing requests an annual base rate increase of \$53 million based on the projected 12-month period beginning January 1, 2024. Resolution of the GRAM filing is expected by December 31, 2023, with new rates effective January 1, 2024.

On August 28, 2023, the Virginia Commission approved a stipulation agreement related to Virginia Natural Gas' August 2022 general base rate case filing. The approved agreement provides for a \$48 million increase in annual base rate revenues, including the recovery of investments under the SAVE program, an ROE of 9.70%, and an equity ratio of 49.06%. Interim rates became effective January 1, 2023, subject to refund, based on Virginia Natural Gas' original requested increase of approximately \$69 million. Refunds to customers related to the difference between the approved rates effective September 1, 2023 and the interim rates will be completed later in the fourth quarter 2023.

On June 15, 2023, the Illinois Commission concluded its review of the Qualifying Infrastructure Plant (QIP) capital investments by Nicor Gas for calendar year 2019 under the QIP Rider, also referred to as Investing in Illinois, program. The Illinois Commission disallowed \$32 million of the \$415 million of capital investments commissioned in 2019, together with the related return on investment. Nicor Gas recorded a pre-tax charge to income in the second quarter 2023 of \$38 million (\$28 million after tax) associated with the disallowance of capital investments. The disallowance is reflected on the statement of income as an \$8 million reduction to revenues and a \$30 million increase in operating expenses. On August 3, 2023, the Illinois Commission denied a rehearing request filed by Nicor Gas. On August 24, 2023, Nicor Gas filed a notice of appeal with the Illinois Appellate Court. Nicor Gas defends these investments in infrastructure as prudently incurred. The Illinois Commission has not yet conducted its review for calendar years 2020 through 2022 or the nine months ended September 30, 2023. Any further disallowance by the Illinois Commission could be material.

The ultimate outcome of these matters cannot be determined at this time. See Note (B) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

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

### RESULTS OF OPERATIONS

#### Southern Company

##### *Net Income*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (50)                                   | (3.4)             | \$ (490)                                | (13.6)            |

Consolidated net income attributable to Southern Company in the third quarter 2023 was \$1.4 billion (\$1.30 per share) compared to \$1.5 billion (\$1.36 per share) for the corresponding period in 2022. The decrease was primarily due to an increase of \$172 million in after-tax charges related to the construction of Plant Vogtle Units 3 and 4, higher depreciation and amortization, and higher interest expense, partially offset by an increase in retail electric revenues associated with warmer weather and rates and pricing, lower non-fuel operations and maintenance costs, a decrease in income tax expense, and an increase in other revenues.

Consolidated net income attributable to Southern Company for year-to-date 2023 was \$3.1 billion (\$2.86 per share) compared to \$3.6 billion (\$3.38 per share) for the corresponding period in 2022. The decrease was primarily due to an increase of \$133 million in after-tax charges related to the construction of Plant Vogtle Units 3 and 4, higher depreciation and amortization, higher interest expense, and a decrease in retail electric revenues associated with milder weather in the first and second quarters of 2023 compared to the corresponding periods in 2022, partially offset by lower non-fuel operations and maintenance costs, an increase in other revenues, an increase in natural gas revenues from rate increases and continued infrastructure replacement, and a decrease in income tax expense.

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" for additional information.

##### *Retail Electric Revenues*

In the third quarter 2023, retail electric revenues were \$5.1 billion compared to \$6.0 billion for the corresponding period in 2022. For year-to-date 2023, retail electric revenues were \$12.6 billion compared to \$14.4 billion for the corresponding period in 2022. Details of the changes in retail electric revenues were as follows:

|                              | Third Quarter 2023 vs.<br>Third Quarter 2022 |                   | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |                   |
|------------------------------|----------------------------------------------|-------------------|--------------------------------------------|-------------------|
|                              | <i>(change<br/>in millions)</i>              | <i>(% change)</i> | <i>(change<br/>in millions)</i>            | <i>(% change)</i> |
| Rates and pricing            | \$ 76                                        | 1.3 %             | \$ 63                                      | 0.4 %             |
| Sales decline                | (28)                                         | (0.5)             | (48)                                       | (0.3)             |
| Weather                      | 132                                          | 2.2               | (194)                                      | (1.4)             |
| Fuel and other cost recovery | (1,002)                                      | (16.8)            | (1,587)                                    | (11.0)            |
| Retail electric revenues     | \$ (822)                                     | (13.8)%           | \$ (1,766)                                 | (12.3)%           |

Revenues associated with changes in rates and pricing increased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022 primarily due to base tariff increases in accordance with Georgia Power's 2022 ARP and an increase in Rate CNP Compliance revenues at Alabama Power, partially offset by lower contributions from commercial and industrial customers with variable demand-driven pricing and a decrease in the revenues recognized under the NCCR tariff, both at Georgia Power. In addition, in the third quarter and year-to-date 2023, revenues associated with Rate CNP Depreciation increased \$94 million and \$234 million, respectively, and were fully offset by customer bill credits related to the flowback of excess accumulated deferred income taxes at Alabama Power. See Note 2 to the financial statements under "Alabama Power" and "Georgia Power" in Item 8 of the Form 10-K for additional information.

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

Revenues attributable to changes in sales decreased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022. Weather-adjusted residential KWH sales decreased 1.8% and 0.4% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 primarily due to decreased customer usage, partially offset by customer growth. Weather-adjusted commercial KWH sales increased 1.3% in both the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022 primarily due to increased customer usage and customer growth. Industrial KWH sales decreased 2.3% and 2.1% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 primarily due to a decrease in the chemicals and forest products sectors. Also contributing to the year-to-date 2023 industrial KWH sales decrease was a decrease in the textiles sector.

Fuel and other cost recovery revenues decreased \$1.0 billion and \$1.6 billion in the third quarter and year-to-date 2023, respectively, compared to the corresponding periods in 2022 primarily due to lower 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. See Note 2 to the financial statements in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein for additional information.

### *Wholesale Electric Revenues*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (470)                                  | (39.3)            | \$ (868)                                | (31.0)            |

In the third quarter 2023, wholesale electric revenues were \$0.7 billion compared to \$1.2 billion for the corresponding period in 2022. The decrease was primarily due to a decrease of \$452 million in energy revenues as a result of fuel and purchased power price decreases when compared to the corresponding period in 2022 and a net decrease in the volume of KWHs sold primarily associated with natural gas PPAs at Southern Power. In addition, a decrease in capacity revenues of \$18 million primarily resulted from power sales agreements that ended in May 2023 at Alabama Power, partially offset by an increase related to new capacity contracts at Georgia Power.

For year-to-date 2023, wholesale electric revenues were \$1.9 billion compared to \$2.8 billion for the corresponding period in 2022. The decrease was primarily due to a decrease of \$892 million in energy revenues as a result of fuel and purchased power price decreases when compared to the corresponding period in 2022 and a net decrease in the volume of KWHs sold primarily associated with natural gas PPAs at Southern Power. The decrease in energy revenues was partially offset by an increase in capacity revenues of \$24 million primarily resulting from a net increase in capacity sales from natural gas PPAs at Southern Power and an increase related to new capacity contracts at Georgia Power.

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.

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

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.

### Other Electric Revenues

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$18                                      | 9.7        | \$48                                    | 8.7        |

In the third quarter 2023, other electric revenues were \$203 million compared to \$185 million for the corresponding period in 2022. The increase was primarily due to increases of \$10 million resulting from receipts of liquidated damages associated with generation facility production guarantees and an arbitration interim award at Southern Power, \$10 million in retail solar program fees at Georgia Power, and \$9 million in transmission revenues primarily associated with open access transmission tariff sales, partially offset by a decrease of \$11 million in cogeneration steam revenue primarily associated with lower natural gas prices at Alabama Power.

For year-to-date 2023, other electric revenues were \$602 million compared to \$554 million for the corresponding period in 2022. The increase was primarily due to increases of \$19 million resulting from receipts of liquidated damages associated with generation facility production guarantees and an arbitration interim award at Southern Power, \$18 million in transmission revenues primarily associated with open access transmission tariff sales, \$18 million in realized gains associated with price stability products for retail customers on variable demand-driven pricing tariffs at Georgia Power, and \$18 million in outdoor lighting sales at Georgia Power, partially offset by a decrease of \$23 million in cogeneration steam revenue primarily associated with lower natural gas prices at Alabama Power.

See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein for additional information.

### Natural Gas Revenues

In the third quarter 2023, natural gas revenues were \$0.7 billion compared to \$0.9 billion for the corresponding period in 2022. For year-to-date 2023, natural gas revenues were \$3.4 billion compared to \$4.0 billion for the corresponding period in 2022. Details of the changes in natural gas revenues were as follows:

|                                                      | Third Quarter 2023 vs.<br>Third Quarter 2022 |            | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |            |
|------------------------------------------------------|----------------------------------------------|------------|--------------------------------------------|------------|
|                                                      | (change in<br>millions)                      | (% change) | (change in<br>millions)                    | (% change) |
| Infrastructure replacement programs and rate changes | \$ 9                                         | 1.1 %      | \$ 97                                      | 2.4 %      |
| Gas costs and other cost recovery                    | (181)                                        | (21.1)     | (645)                                      | (16.1)     |
| Gas marketing services                               | (22)                                         | (2.6)      | (44)                                       | (1.1)      |
| Other                                                | 26                                           | 3.0        | 11                                         | 0.3        |
| Natural gas revenues                                 | \$ (168)                                     | (19.6)%    | \$ (581)                                   | (14.5)%    |

Revenues from infrastructure replacement programs and rate changes at the natural gas distribution utilities increased in the third quarter and year-to-date 2023 compared to the corresponding periods in 2022 primarily due to rate increases at the natural gas distribution utilities and continued investment in infrastructure replacement. The year-to-date 2023 increase was partially offset by a regulatory disallowance at Nicor Gas. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" herein for additional information.

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

Revenues from gas costs and other cost recovery decreased in the third quarter and year-to-date 2023 compared to the corresponding periods in 2022 primarily due to lower natural gas cost recovery associated with lower natural gas prices, the timing of natural gas purchases, and the recovery of those costs from 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.

Revenues from gas marketing services decreased in the third quarter and year-to-date 2023 compared to the corresponding periods in 2022 primarily due to lower natural gas prices and lower variable price spreads.

### ***Other Revenues***

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$44                                      | 24.7              | \$143                                   | 27.6              |

In the third quarter 2023, other revenues were \$222 million compared to \$178 million for the corresponding period in 2022. For year-to-date 2023, other revenues were \$662 million compared to \$519 million for the corresponding period in 2022. The increases in the third quarter and year-to-date 2023 were primarily due to increases of \$9 million and \$41 million, respectively, in power delivery construction and maintenance projects at Georgia Power, \$12 million and \$40 million, respectively, related to distributed infrastructure projects at PowerSecure, \$9 million and \$26 million, respectively, primarily related to sales associated with commercial customers at Southern Linc, \$4 million and \$20 million, respectively, in unregulated sales of products and services at Alabama Power, and \$11 million and \$16 million, respectively, associated with energy conservation projects at Georgia Power.

### ***Fuel and Purchased Power Expenses***

|                                                | Third Quarter 2023 vs.<br>Third Quarter 2022 |                   | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |                   |
|------------------------------------------------|----------------------------------------------|-------------------|--------------------------------------------|-------------------|
|                                                | <i>(change in millions)</i>                  | <i>(% change)</i> | <i>(change in millions)</i>                | <i>(% change)</i> |
| Fuel                                           | \$ (1,056)                                   | (43.6)            | \$ (1,873)                                 | (35.7)            |
| Purchased power                                | (438)                                        | (67.9)            | (605)                                      | (47.1)            |
| <b>Total fuel and purchased power expenses</b> | <b>\$ (1,494)</b>                            |                   | <b>\$ (2,478)</b>                          |                   |

In the third quarter 2023, total fuel and purchased power expenses were \$1.6 billion compared to \$3.1 billion for the corresponding period in 2022. The decrease was due to a \$1.2 billion decrease in the average cost of fuel and purchased power and a \$262 million net decrease in the volume of KWHs generated and purchased.

For year-to-date 2023, total fuel and purchased power expenses were \$4.1 billion compared to \$6.5 billion for the corresponding period in 2022. The decrease was due to a \$2.1 billion decrease in the average cost of fuel and purchased power and a \$349 million net decrease in the volume of KWHs generated and purchased.

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

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

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

|                                                                                 | Third<br>Quarter<br>2023 | Third<br>Quarter<br>2022 | Year-To-Date<br>2023 | Year-To-Date<br>2022 |
|---------------------------------------------------------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| Total generation <i>(in billions of KWHs)</i> <sup>(a)(b)</sup>                 | 53                       | 50                       | 141                  | 141                  |
| Total purchased power <i>(in billions of KWHs)</i>                              | 5                        | 9                        | 14                   | 20                   |
| Sources of generation <i>(percent)</i> <sup>(a)</sup> —                         |                          |                          |                      |                      |
| Gas                                                                             | 54                       | 54                       | 54                   | 50                   |
| Coal                                                                            | 21                       | 21                       | 18                   | 22                   |
| Nuclear <sup>(b)</sup>                                                          | 16                       | 16                       | 17                   | 16                   |
| Hydro                                                                           | 2                        | 2                        | 3                    | 4                    |
| Wind, Solar, and Other                                                          | 7                        | 7                        | 8                    | 8                    |
| Cost of fuel, generated <i>(in cents per net KWH)</i> —                         |                          |                          |                      |                      |
| Gas <sup>(a)</sup>                                                              | 2.80                     | 6.75                     | 2.78                 | 5.42                 |
| Coal                                                                            | 4.52                     | 4.12                     | 4.40                 | 3.58                 |
| Nuclear <sup>(b)</sup>                                                          | 0.79                     | 0.71                     | 0.74                 | 0.72                 |
| Average cost of fuel, generated <i>(in cents per net KWH)</i> <sup>(a)(b)</sup> | 2.84                     | 5.05                     | 2.71                 | 4.07                 |
| Average cost of purchased power <i>(in cents per net KWH)</i> <sup>(c)</sup>    | 4.80                     | 8.94                     | 5.08                 | 7.84                 |

(a) Excludes Central Alabama Generating Station KWHs and associated cost of fuel through July 12, 2022 as its fuel was previously 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) Excludes KWHs generated from test period energy at Plant Vogtle Unit 3 prior to its in-service date. The related fuel costs are charged to CWIP in accordance with FERC guidance. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

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

### Fuel

In the third quarter 2023, fuel expense was \$1.4 billion compared to \$2.4 billion for the corresponding period in 2022. The decrease was primarily due to a 58.5% decrease in the average cost of natural gas per KWH generated, partially offset by a 10.0% increase in the volume of KWHs generated by nuclear, a 9.7% increase in the average cost of coal per KWH generated, a 6.4% increase in the volume of KWHs generated by coal, and a 6.0% increase in the volume of KWHs generated by natural gas.

For year-to-date 2023, fuel expense was \$3.4 billion compared to \$5.2 billion for the corresponding period in 2022. The decrease was primarily due to a 48.7% decrease in the average cost of natural gas per KWH generated and a 20.4% decrease in the volume of KWHs generated by coal, partially offset by a 22.9% increase in the average cost of coal per KWH generated, an 11.0% decrease in the volume of KWHs generated by hydro, and a 9.0% increase in the volume of KWHs generated by natural gas.

### Purchased Power

In the third quarter 2023, purchased power expense was \$207 million compared to \$645 million for the corresponding period in 2022. For year-to-date 2023, purchased power expense was \$0.7 billion compared to \$1.3 billion for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of 46.3% and 35.2%, respectively, in the average cost per KWH purchased primarily due to a decrease in natural gas prices and decreases of 48.1% and 29.0%, respectively, in the volume of KWHs purchased.

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

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*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (192)                                  | (65.3)            | \$ (641)                                | (34.8)            |

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 76% and 84% of the total cost of natural gas in the third quarter and year-to-date 2023, respectively.

In the third quarter 2023, cost of natural gas was \$102 million compared to \$294 million for the corresponding period in 2022. For year-to-date 2023, cost of natural gas was \$1.2 billion compared to \$1.8 billion for the corresponding period in 2022. The decreases reflect lower gas cost recovery as a result of decreases of 69% and 60% in natural gas prices in the third quarter and year-to-date 2023, respectively, compared to the corresponding periods in 2022.

### *Cost of Other Sales*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$34                                      | 37.0              | \$106                                   | 38.5              |

In the third quarter 2023, cost of other sales was \$126 million compared to \$92 million for the corresponding period in 2022. The increase was primarily due to increases of \$12 million from unregulated power delivery construction and maintenance projects at Georgia Power, \$7 million at Southern Linc primarily related to sales associated with commercial customers, \$6 million related to distributed infrastructure projects at PowerSecure, and \$5 million related to energy service contracts at Southern Company Gas.

For year-to-date 2023, cost of other sales was \$381 million compared to \$275 million for the corresponding period in 2022. The increase was primarily due to increases of \$35 million from unregulated power delivery construction and maintenance projects at Georgia Power, \$23 million at Southern Linc primarily related to sales associated with commercial customers, \$21 million related to distributed infrastructure projects at PowerSecure, \$20 million related to energy service contracts at Southern Company Gas, and \$10 million in expenses related to unregulated products and services at Alabama Power.

### *Other Operations and Maintenance Expenses*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (103)                                  | (6.7)             | \$ (216)                                | (4.7)             |

In the third quarter 2023, other operations and maintenance expenses were \$1.4 billion compared to \$1.5 billion for the corresponding period in 2022. The decrease was primarily due to decreases of \$88 million in transmission and distribution expenses primarily related to line maintenance, \$45 million in storm damage recovery as authorized in Georgia Power's 2022 ARP, \$22 million in technology infrastructure and application production costs, and \$14 million in generation non-outage maintenance expenses and planned outages, partially offset by a \$23 million

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

increase in generation environmental projects primarily at Georgia Power and a \$14 million gain recorded in the third quarter 2022 as a result of the early termination of the transition services agreement related to the 2019 sale of Gulf Power.

For year-to-date 2023, other operations and maintenance expenses were \$4.4 billion compared to \$4.6 billion for the corresponding period in 2022. The decrease was primarily due to decreases of \$147 million in transmission and distribution expenses primarily related to line maintenance, \$136 million in storm damage recovery as authorized in Georgia Power's 2022 ARP, \$91 million in generation non-outage maintenance expenses and planned outages, and \$32 million in expenses passed through to customers primarily related to bad debt and energy efficiency programs at Southern Company Gas, partially offset by a \$47 million increase in technology infrastructure and application production costs, a \$43 million increase in generation environmental projects primarily at Georgia Power, \$30 million related to a regulatory disallowance at Nicor Gas, a \$25 million decrease in nuclear property insurance refunds at Georgia Power and Alabama Power, a \$16 million increase in employee compensation and benefits, and a \$14 million gain recorded in the third quarter 2022 as a result of the early termination of the transition services agreement related to the 2019 sale of Gulf Power.

See Note (B) to the Condensed Financial Statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" herein for additional information on the regulatory disallowance at Nicor Gas and Note 2 to the financial statements under "Georgia Power – Storm Damage Recovery" in Item 8 of the Form 10-K for additional information.

### ***Depreciation and Amortization***

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$221                                     | 24.0              | \$637                                   | 23.4              |

In the third quarter 2023, depreciation and amortization was \$1.1 billion compared to \$0.9 billion for the corresponding period in 2022. For year-to-date 2023, depreciation and amortization was \$3.4 billion compared to \$2.7 billion for the corresponding period in 2022. The increases in the third quarter and year-to-date 2023 were primarily due to increases of \$181 million and \$544 million, respectively, resulting from higher depreciation rates at Alabama Power and Georgia Power and increases of \$28 million and \$74 million, respectively, from additional plant in service. See Notes 2 and 5 to the financial statements under "Alabama Power" and "Depreciation and Amortization," respectively, in Item 8 of the Form 10-K for additional information.

### ***Taxes Other Than Income Taxes***

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$(11)                                    | (3.1)             | \$3                                     | 0.3               |

In the third quarter 2023, taxes other than income taxes were \$341 million compared to \$352 million for the corresponding period in 2022. The decrease was primarily due to decreases of \$15 million in municipal franchise fees resulting from lower retail revenues at Georgia Power, partially offset by an increase of \$4 million in property taxes primarily at Georgia Power resulting from an increase in the assessed value of property.

For year-to-date 2023, taxes other than income taxes were \$1.08 billion compared to \$1.07 billion for the corresponding period in 2022. The increase was primarily due to increases of \$26 million in property taxes primarily at Georgia Power resulting from an increase in the assessed value of property, \$18 million in utility license taxes at Alabama Power, and \$8 million in payroll taxes primarily at Southern Company Gas, largely offset by decreases of \$33 million in municipal franchise fees resulting from lower retail revenues at Georgia Power and \$15 million in revenue tax expenses at Southern Company Gas.

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

### *Estimated Loss on Plant Vogtle Units 3 and 4*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$230                                     | N/M        | \$178                                   | N/M        |

Georgia Power recorded pre-tax charges (credits) to income for the estimated probable loss on Plant Vogtle Units 3 and 4 totaling \$160 million and \$(70) million in the third quarter 2023 and 2022, respectively, and \$160 million and \$(18) million for year-to-date 2023 and 2022, respectively. The charges (credits) reflected revisions to the 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 herein and Note 2 to the financial statements in Item 8 of the Form 10-K under "Georgia Power – Nuclear Construction" for additional information.

### *Allowance for Equity Funds Used During Construction*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$7                                       | 11.9       | \$37                                    | 22.7       |

In the third quarter 2023, allowance for equity funds used during construction was \$66 million compared to \$59 million for the corresponding period in 2022. For year-to-date 2023, allowance for equity funds used during construction was \$200 million compared to \$163 million for the corresponding period in 2022. The increases were primarily associated with an increase in capital expenditures related to Plant Barry Unit 8 construction, as well as an increase in capital expenditures related to hydro production, both at Alabama Power. Also contributing to the increase for year-to-date 2023 was an increase in capital expenditures subject to AFUDC at Georgia Power. 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 – Certificates of Convenience and Necessity" for additional information.

### *Interest Expense, Net of Amounts Capitalized*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$109                                     | 21.3       | \$351                                   | 24.0       |

In the third quarter 2023, interest expense, net of amounts capitalized was \$620 million compared to \$511 million for the corresponding period in 2022. For year-to-date 2023, interest expense, net of amounts capitalized was \$1.8 billion compared to \$1.5 billion for the corresponding period in 2022. The increases in the third quarter and year-to-date 2023 primarily reflect approximately \$63 million and \$222 million, respectively, related to higher interest rates and \$48 million and \$134 million, respectively, related to higher average outstanding borrowings. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein for additional information on borrowings.

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

## *Other Income (Expense), Net*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$9                                       | 6.8        | \$14                                    | 3.4        |

For year-to-date 2023, other income (expense), net was \$428 million compared to \$414 million for the corresponding period in 2022. The increase was primarily due to a \$29 million increase in interest income, a \$13 million decrease in non-operating benefit-related expenses at Alabama Power, an \$8 million gain on investments at Southern Holdings, and a \$6 million decrease in non-operating marketing expenses at Georgia Power, partially offset by decreases of \$30 million in non-service cost-related retirement benefits income and \$13 million in customer charges related to contributions in aid of construction at Georgia Power. See Note (H) to the Condensed Financial Statements herein for additional information.

## *Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(117)                                   | (28.3)     | \$(399)                                 | (44.8)     |

In the third quarter 2023, income taxes were \$297 million compared to \$414 million for the corresponding period in 2022. For year-to-date 2023, income taxes were \$492 million compared to \$891 million for the corresponding period in 2022. The decreases were primarily due to lower pre-tax earnings, an increase in the flowback of certain excess deferred income taxes at Alabama Power, and a decrease in a valuation allowance on certain state tax credit carryforwards at Georgia Power in 2023, partially offset by a decrease in the flowback of certain excess deferred income taxes at Georgia Power that ended in 2022. Also contributing to the year-to-date 2023 decrease was an adjustment in the second quarter 2022 related to a prior year state tax credit carryforward at Georgia Power. See Note (G) to the Condensed Financial Statements herein for additional information.

## *Net Income (Loss) Attributable to Noncontrolling Interests*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(2)                                     | (16.7)     | \$(13)                                  | (23.6)     |

Substantially all noncontrolling interests relate to renewable projects at Southern Power. In the third quarter 2023, net income attributable to noncontrolling interests was \$10 million compared to \$12 million for the corresponding period in 2022. The decrease was primarily due to \$7 million in higher HLBV loss allocations to Southern Power's wind tax equity partners, largely offset by an allocation of \$6 million to Southern Power's equity partners related to an arbitration interim award.

For year-to-date 2023, net loss attributable to noncontrolling interests was \$68 million compared to \$55 million for the corresponding period in 2022. The increase was primarily due to \$16 million in higher HLBV loss allocations to Southern Power's wind tax equity partners and \$12 million in lower income allocations to Southern Power's equity partners, partially offset by \$15 million in lower loss allocations to Southern Power's battery energy storage partners.

See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein for additional information.

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

### Alabama Power

#### Net Income

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$40                                      | 7.6        | \$(124)                                 | (9.9)      |

Alabama Power's net income after dividends on preferred stock in the third quarter 2023 was \$565 million compared to \$525 million for the corresponding period in 2022. The increase was primarily due to a decrease in income tax expense and an increase in retail revenues associated with Rate CNP Compliance and warmer weather in Alabama Power's service territory in the third quarter 2023 compared to the corresponding period in 2022. These increases to income were partially offset by an increase in depreciation and amortization associated with a change in depreciation rates effective January 2023.

Alabama Power's net income after dividends on preferred stock for year-to-date 2023 was \$1.13 billion compared to \$1.26 billion for the corresponding period in 2022. The decrease was primarily due to an increase in depreciation rates effective January 2023, a decrease in retail revenues associated with milder weather in Alabama Power's service territory in the first and second quarters of 2023 compared to the corresponding periods in 2022, and an increase in capacity-related expenses. These decreases to income were partially offset by a decrease in income tax expense and an increase in Rate CNP Compliance revenues.

See Note 2 to the financial statements in Item 8 of the Form 10-K under "Alabama Power" for additional information.

#### Retail Revenues

In the third quarter 2023, retail revenues were \$1.86 billion compared to \$2.01 billion for the corresponding period in 2022. For year-to-date 2023, retail revenues were \$4.71 billion compared to \$5.02 billion for the corresponding period in 2022. Details of the changes in retail revenues were as follows:

|                              | Third Quarter 2023 vs.<br>Third Quarter 2022 |            | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |            |
|------------------------------|----------------------------------------------|------------|--------------------------------------------|------------|
|                              | (change in millions)                         | (% change) | (change in millions)                       | (% change) |
| Rates and pricing            | \$ 62                                        | 3.1 %      | \$ 178                                     | 3.5 %      |
| Sales decline                | (2)                                          | (0.1)      | (36)                                       | (0.7)      |
| Weather                      | 35                                           | 1.7        | (84)                                       | (1.7)      |
| Fuel and other cost recovery | (243)                                        | (12.1)     | (365)                                      | (7.3)      |
| Retail revenues              | \$ (148)                                     | (7.4)%     | \$ (307)                                   | (6.2)%     |

Revenues associated with changes in rates and pricing increased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022 primarily due to an increase in Rate CNP Compliance revenues. In addition, in the third quarter and year-to-date 2023, revenues associated with Rate CNP Depreciation increased \$94 million and \$234 million, respectively, and were fully offset by customer bill credits related to the flowback of excess accumulated deferred income taxes. See Note 2 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

Revenues attributable to changes in sales decreased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022. Weather-adjusted residential KWH sales decreased 0.8% in the third quarter 2023 compared to the corresponding period in 2022 primarily due to decreased customer usage and remained flat for year-to-date 2023 when compared to the corresponding period in 2022. Weather-adjusted commercial KWH sales increased 1.1% and 0.8% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 primarily due to increases in customer usage and customer growth. Industrial KWH sales decreased 4.8% and 3.9% in the third quarter and year-to-date 2023, respectively, primarily due to decreases in

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

the chemicals and forest products sectors. Also contributing to the industrial KWH sales decrease in the third quarter 2023 was a decrease in the primary metals sector.

Fuel and other cost recovery revenues decreased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022 primarily as a result of lower fuel and purchased power costs.

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 NDR. 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***

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (144)                                  | (57.6)            | \$ (164)                                | (31.4)            |

In the third quarter 2023, wholesale revenues from sales to non-affiliates were \$106 million compared to \$250 million for the corresponding period in 2022. The decrease was primarily due to a 47.0% decrease in the volume of KWHs sold as a result of power sales agreements that ended in May 2023 and a 19.8% decrease in the price of energy primarily as a result of lower natural gas prices in the third quarter 2023 compared to the corresponding period in 2022.

For year-to-date 2023, wholesale revenues from sales to non-affiliates were \$358 million compared to \$522 million for the corresponding period in 2022. The decrease was primarily due to a 20.4% decrease in the price of energy primarily as a result of lower natural gas prices and a 13.8% decrease in the volume of KWHs sold due to lower customer demand as a result of milder weather in 2023 compared to the corresponding period in 2022.

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.

### ***Wholesale Revenues – Affiliates***

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (56)                                   | (80.0)            | \$ (127)                                | (74.7)            |

In the third quarter 2023, wholesale revenues from sales to affiliates were \$14 million compared to \$70 million for the corresponding period in 2022. For year-to-date 2023, wholesale revenues from sales to affiliates were \$43 million compared to \$170 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of 60.6% and 45.6%, respectively, in the price of energy due to lower natural gas prices and 51.2% and 53.5%, respectively, in the volume of KWH sales due to lower customer demand as a result of milder weather in 2023 compared to the corresponding periods in 2022.

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. Energy revenues related to 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.

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

## Other Revenues

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(13)                                    | (11.2)     | \$(5)                                   | (1.6)      |

In the third quarter 2023, other revenues were \$103 million compared to \$116 million for the corresponding period in 2022. For year-to-date 2023, other revenues were \$311 million compared to \$316 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of \$11 million and \$23 million, respectively, in cogeneration steam revenue primarily associated with lower natural gas prices. The decrease for year-to-date 2023 was largely offset by a \$20 million increase in unregulated sales of products and services.

## Fuel and Purchased Power Expenses

|                                         | Third Quarter 2023 vs.<br>Third Quarter 2022 |            | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |            |
|-----------------------------------------|----------------------------------------------|------------|--------------------------------------------|------------|
|                                         | (change in millions)                         | (% change) | (change in millions)                       | (% change) |
| Fuel                                    | \$ (264)                                     | (39.6)     | \$ (386)                                   | (27.6)     |
| Purchased power – non-affiliates        | (143)                                        | (77.3)     | (150)                                      | (43.2)     |
| Purchased power – affiliates            | (33)                                         | (29.2)     | (67)                                       | (25.8)     |
| Total fuel and purchased power expenses | \$ (440)                                     |            | \$ (603)                                   |            |

In the third quarter 2023, total fuel and purchased power expenses were \$524 million compared to \$964 million for the corresponding period in 2022. For year-to-date 2023, total fuel and purchased power expenses were \$1.40 billion compared to \$2.01 billion for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were due to decreases of \$301 million and \$540 million, respectively, in the average cost of fuel and purchased power and decreases of \$139 million and \$63 million, respectively, related to the volume of KWHs generated and purchased.

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

|                                                                       | Third<br>Quarter<br>2023 | Third<br>Quarter<br>2022 | Year-To-Date<br>2023 | Year-To-Date<br>2022 |
|-----------------------------------------------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| Total generation (in billions of KWHs) <sup>(a)</sup>                 | 15                       | 16                       | 43                   | 45                   |
| Total purchased power (in billions of KWHs)                           | 3                        | 4                        | 8                    | 9                    |
| Sources of generation (percent) <sup>(a)</sup> —                      |                          |                          |                      |                      |
| Coal                                                                  | 40                       | 47                       | 35                   | 45                   |
| Gas                                                                   | 31                       | 28                       | 30                   | 23                   |
| Nuclear                                                               | 26                       | 22                       | 27                   | 24                   |
| Hydro                                                                 | 3                        | 3                        | 8                    | 8                    |
| Cost of fuel, generated (in cents per net KWH) —                      |                          |                          |                      |                      |
| Coal                                                                  | 3.57                     | 3.89                     | 3.48                 | 3.40                 |
| Gas <sup>(a)</sup>                                                    | 3.07                     | 6.55                     | 3.05                 | 5.20                 |
| Nuclear                                                               | 0.68                     | 0.67                     | 0.68                 | 0.67                 |
| Average cost of fuel, generated (in cents per net KWH) <sup>(a)</sup> | 2.64                     | 3.91                     | 2.51                 | 3.13                 |
| Average cost of purchased power (in cents per net KWH) <sup>(b)</sup> | 4.57                     | 8.55                     | 4.97                 | 8.33                 |

(a) Excludes Central Alabama Generating Station KWHs and associated cost of fuel through July 12, 2022 as its fuel was previously 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 third quarter 2023, fuel expense was \$402 million compared to \$666 million for the corresponding period in 2022. The decrease was primarily due to a 53.1% decrease in the average cost of natural gas per KWH generated, which excludes tolling agreements, and an 18.9% decrease in the volume of KWHs generated by coal.

For year-to-date 2023, fuel expense was \$1.01 billion compared to \$1.40 billion for the corresponding period in 2022. The decrease was primarily due to a 41.3% decrease in the average cost of natural gas per KWH generated, which excludes tolling agreements, and a 25.3% decrease in the volume of KWHs generated by coal, partially offset by a 23.4% increase in the volume of KWHs generated by natural gas and a 10.6% decrease in the volume of KWHs generated by hydro facilities as a result of less rainfall for year-to-date 2023 compared to the corresponding period in 2022.

## Purchased Power – Non-Affiliates

In the third quarter 2023, purchased power expense from non-affiliates was \$42 million compared to \$185 million for the corresponding period in 2022. For year-to-date 2023, purchased power expense from non-affiliates was \$197 million compared to \$347 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of 41.0% and 37.6%, respectively, in the average cost per KWH purchased due to lower purchase prices as a result of lower natural gas prices and decreases of 64.2% and 21.8%, respectively, in the volume of KWHs purchased due to a new PPA that began in July 2022 and ended in May 2023.

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 third quarter 2023, purchased power expense from affiliates was \$80 million compared to \$113 million for the corresponding period in 2022. For year-to-date 2023, purchased power expense from affiliates was \$193 million

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

compared to \$260 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of 65.8% and 51.3%, respectively, in the average cost per KWH purchased due to lower purchase prices as a result of lower natural gas prices, partially offset by increases of 107.6% and 52.6%, respectively, in the volume of KWHs purchased due to the availability of lower cost gas generation in the Southern Company system.

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

### *Other Operations and Maintenance Expenses*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$ (7)                                    | (1.7)      | \$ 5                                    | 0.4        |

In the third quarter 2023, other operations and maintenance expenses were \$411 million compared to \$418 million for the corresponding period in 2022. The decrease was primarily due to decreases of \$15 million in transmission and distribution expenses related to line maintenance, \$9 million in technology infrastructure and application production costs, and \$9 million in certain employee compensation and benefit expenses. The decreases were largely offset by an increase of \$26 million in planned outages and generation non-outage maintenance expenses.

For year-to-date 2023, other operations and maintenance expenses were \$1.28 billion compared to \$1.27 billion for the corresponding period in 2022. The increase was primarily due to a \$14 million decrease in nuclear property insurance refunds and increases of \$19 million in expenses related to unregulated products and services, \$9 million in technology infrastructure and application production costs, and \$9 million in customer accounts expenses primarily associated with bad debt expense. The increases were largely offset by decreases of \$21 million in generation expenses primarily associated with planned outages and generation non-outage maintenance expenses, \$15 million in certain employee compensation and benefit expenses, and \$10 million in transmission and distribution related to line maintenance.

### *Depreciation and Amortization*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$131                                     | 59.5       | \$393                                   | 60.3       |

In the third quarter 2023, depreciation and amortization was \$351 million compared to \$220 million for the corresponding period in 2022. For year-to-date 2023, depreciation and amortization was \$1.05 billion compared to \$652 million for the corresponding period in 2022. The increases were primarily due to an increase in depreciation rates effective in 2023. See Notes 2 and 5 to the financial statements under "Alabama Power" and "Depreciation and Amortization," respectively, in Item 8 of the Form 10-K for additional information.

### *Taxes Other Than Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$4                                       | 3.8        | \$24                                    | 7.8        |

In the third quarter 2023, taxes other than income taxes were \$110 million compared to \$106 million for the corresponding period in 2022. For year-to-date 2023, taxes other than income taxes were \$333 million compared to \$309 million for the corresponding period in 2022. The increases were primarily due to an increase in utility license taxes.

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

## *Allowance for Equity Funds Used During Construction*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$5                                       | 27.8       | \$14                                    | 27.5       |

In the third quarter 2023, allowance for equity funds used during construction was \$23 million compared to \$18 million for the corresponding period in 2022. For year-to-date 2023, allowance for equity funds used during construction was \$65 million compared to \$51 million for the corresponding period in 2022. The increases were primarily due to an increase in capital expenditures related to Plant Barry Unit 8 construction, as well as an increase in capital expenditures related to hydro production. See Note (B) to the Condensed Financial Statements under "Alabama Power – Certificates of Convenience and Necessity" herein for additional information.

## *Interest Expense, Net of Amounts Capitalized*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$6                                       | 6.1        | \$33                                    | 11.9       |

In the third quarter 2023, interest expense, net of amounts capitalized was \$104 million compared to \$98 million for the corresponding period in 2022. For year-to-date 2023, interest expense, net of amounts capitalized was \$311 million compared to \$278 million for the corresponding period in 2022. The increases for the third quarter and year-to-date 2023 were primarily associated with increases of approximately \$5 million and \$25 million, respectively, related to higher average outstanding borrowings and \$4 million and \$15 million, respectively, related to higher interest rates. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" herein for additional information on borrowings.

## *Other Income (Expense), Net*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$—                                       | —          | \$16                                    | 15.8       |

For year-to-date 2023, other income (expense), net was \$117 million compared to \$101 million for the corresponding period in 2022. The increase was primarily due to a decrease in non-operating benefit-related expenses and an increase in interest income, partially offset by a decrease in non-service cost-related retirement benefits income. See Note (H) to the Condensed Financial Statements herein for additional information.

## *Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(87)                                    | (52.4)     | \$(291)                                 | (73.9)     |

In the third quarter 2023, income taxes were \$79 million compared to \$166 million for the corresponding period in 2022. For year-to-date 2023, income taxes were \$103 million compared to \$394 million for the corresponding period in 2022. The decreases were primarily due to an increase in the flowback of certain excess deferred income taxes and lower pre-tax earnings. See Note 2 to the financial statements under "Alabama Power – Excess Accumulated Deferred Income Tax Accounting Order" in Item 8 of the Form 10-K and Note (G) to the Condensed Financial Statements herein for additional information.

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

## Georgia Power

### Net Income

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(78)                                    | (9.1)      | \$(304)                                 | (16.4)     |

Georgia Power's net income in the third quarter 2023 was \$780 million compared to \$858 million for the corresponding period in 2022. The decrease was primarily due to an increase of \$172 million in after-tax charges related to the construction of Plant Vogtle Units 3 and 4, as well as higher interest expense, partially offset by an increase in retail revenues associated with warmer weather in the third quarter 2023 compared to the corresponding period in 2022 and lower non-fuel operations and maintenance costs. Also partially offsetting the net income reductions were the impacts of the 2022 ARP effective January 1, 2023, including increased retail rates, largely offset by higher depreciation and amortization.

For year-to-date 2023, net income was \$1.55 billion compared to \$1.85 billion for the corresponding period in 2022. The decrease was primarily due to a decrease in retail revenues associated with lower contributions from variable demand-driven pricing and milder weather in the first and second quarters of 2023 compared to the corresponding periods in 2022, an increase of \$133 million in after-tax charges related to the construction of Plant Vogtle Units 3 and 4, and higher interest expense, partially offset by lower non-fuel operations and maintenance costs. Also partially offsetting the net income reductions were the impacts of the 2022 ARP effective January 1, 2023, including increased retail rates, largely offset by higher depreciation and amortization.

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" for additional information.

### Retail Revenues

In the third quarter 2023, retail revenues were \$3.00 billion compared to \$3.70 billion for the corresponding period in 2022. For year-to-date 2023, retail revenues were \$7.14 billion compared to \$8.63 billion for the corresponding period in 2022. Details of the changes in retail revenues were as follows:

|                    | Third Quarter 2023 vs.<br>Third Quarter 2022 |            | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |            |
|--------------------|----------------------------------------------|------------|--------------------------------------------|------------|
|                    | (change in millions)                         | (% change) | (change in millions)                       | (% change) |
| Rates and pricing  | \$ 17                                        | 0.4 %      | \$ (115)                                   | (1.3)%     |
| Sales decline      | (31)                                         | (0.8)      | (17)                                       | (0.2)      |
| Weather            | 88                                           | 2.4        | (109)                                      | (1.3)      |
| Fuel cost recovery | (781)                                        | (21.1)     | (1,246)                                    | (14.4)     |
| Retail revenues    | \$ (707)                                     | (19.1)%    | \$ (1,487)                                 | (17.2)%    |

Revenues associated with changes in rates and pricing increased in the third quarter 2023 when compared to the corresponding period in 2022 primarily due to base tariff increases in accordance with the 2022 ARP, partially offset by lower contributions from commercial and industrial customers with variable demand-driven pricing and a decrease in revenues recognized under the NCCR tariff. Revenues associated with changes in rates and pricing decreased for year-to-date 2023 when compared to the corresponding period in 2022 primarily due to lower contributions from commercial and industrial customers with variable demand-driven pricing and a decrease in revenues recognized under the NCCR tariff, partially offset by base tariff increases in accordance with the 2022 ARP. See Note 2 to the financial statements under "Georgia Power – Rate Plans" and " – Nuclear Construction" in Item 8 of the Form 10-K for additional information.

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

Revenues attributable to changes in sales decreased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022. Weather-adjusted residential KWH sales decreased 2.6% and 0.7% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 primarily due to decreased customer usage, partially offset by customer growth. Weather-adjusted commercial KWH sales increased 0.4% and 1.1% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 primarily due to customer growth. The increase in weather-adjusted commercial KWH sales in the third quarter 2023 was partially offset by decreased customer usage. Weather-adjusted industrial KWH sales decreased 1.3% in the third quarter 2023 when compared to the corresponding period in 2022 primarily due to decreases in the pipeline and chemicals sectors, partially offset by an increase in the paper sector. Weather-adjusted industrial KWH sales decreased 1.0% for year-to-date 2023 when compared to the corresponding period in 2022 primarily due to decreases in the textile and mining sectors, partially offset by increases in the paper and electronics sectors.

Fuel revenues and costs are allocated between retail and wholesale jurisdictions. Retail fuel cost recovery revenues decreased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022 due to lower 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 (B) to the Condensed Financial Statements herein and Note 2 to the financial statements in Item 8 of the Form 10-K under "Georgia Power – Fuel Cost Recovery" for additional information.

### Wholesale Revenues

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$13                                      | 23.2              | \$(39)                                  | (21.0)            |

In the third quarter 2023, wholesale revenues were \$69 million compared to \$56 million for the corresponding period in 2022. The increase was primarily due to a \$22 million increase related to the volume of KWH sales associated with higher market demand and a \$17 million increase related to new capacity contracts, partially offset by a \$26 million decrease related to the average cost per KWH sold due to lower Southern Company system fuel and purchased power costs.

For year-to-date 2023, wholesale revenues were \$147 million compared to \$186 million for the corresponding period in 2022. The decrease was primarily due to a \$41 million decrease related to the average cost per KWH sold due to lower Southern Company system fuel and purchased power costs and a \$13 million decrease related to the volume of KWH sales associated with lower market demand, partially offset by a \$19 million increase related to new capacity contracts.

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

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

the FERC. Energy revenues related to these transactions do not have a significant impact on earnings since this energy is generally sold at marginal cost.

### **Other Revenues**

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$42                                      | 32.3              | \$113                                   | 28.0              |

In the third quarter 2023, other revenues were \$172 million compared to \$130 million for the corresponding period in 2022. For year-to-date 2023, other revenues were \$516 million compared to \$403 million for the corresponding period in 2022. The increases for the third quarter and year-to-date 2023 were primarily due to increases of \$27 million and \$78 million, respectively, in unregulated sales associated with power delivery construction and maintenance, outdoor lighting, and energy conservation projects, net increases of \$7 million and \$18 million, respectively, in realized gains associated with price stability products for retail customers on variable demand-driven pricing tariffs, and increases of \$10 million in retail solar program fees. Also contributing to the increase for year-to-date 2023 was an \$11 million increase in open access transmission tariff sales.

### **Fuel and Purchased Power Expenses**

|                                         | Third Quarter 2023 vs.<br>Third Quarter 2022 |                   | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |                   |
|-----------------------------------------|----------------------------------------------|-------------------|--------------------------------------------|-------------------|
|                                         | <i>(change in millions)</i>                  | <i>(% change)</i> | <i>(change in millions)</i>                | <i>(% change)</i> |
| Fuel                                    | \$ (265)                                     | (31.5)            | \$ (495)                                   | (26.2)            |
| Purchased power – non-affiliates        | (173)                                        | (56.9)            | (303)                                      | (43.3)            |
| Purchased power – affiliates            | (350)                                        | (61.3)            | (521)                                      | (47.4)            |
| Total fuel and purchased power expenses | \$ (788)                                     |                   | \$ (1,319)                                 |                   |

In the third quarter 2023, total fuel and purchased power expenses were \$0.9 billion compared to \$1.7 billion for the corresponding period in 2022. For year-to-date 2023, total fuel and purchased power expenses were \$2.4 billion compared to \$3.7 billion for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were due to decreases of \$689 million and \$1.0 billion, respectively, related to the average cost of fuel and purchased power and net decreases of \$99 million and \$293 million, respectively, 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 (B) to the Condensed Financial Statements herein and Note 2 to the financial statements in Item 8 of the Form 10-K under "Georgia Power – Fuel Cost Recovery" 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:

|                                                                              | Third<br>Quarter<br>2023 | Third<br>Quarter<br>2022 | Year-To-Date<br>2023 | Year-To-Date<br>2022 |
|------------------------------------------------------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| Total generation <i>(in billions of KWHs)</i> <sup>(a)</sup>                 | 18                       | 15                       | 46                   | 45                   |
| Total purchased power <i>(in billions of KWHs)</i>                           | 9                        | 11                       | 23                   | 27                   |
| Sources of generation <i>(percent)</i> —                                     |                          |                          |                      |                      |
| Gas                                                                          | 47                       | 53                       | 51                   | 48                   |
| Nuclear <sup>(a)</sup>                                                       | 26                       | 28                       | 27                   | 26                   |
| Coal                                                                         | 25                       | 16                       | 19                   | 22                   |
| Hydro and other                                                              | 2                        | 3                        | 3                    | 4                    |
| Cost of fuel, generated <i>(in cents per net KWH)</i> —                      |                          |                          |                      |                      |
| Gas                                                                          | 2.99                     | 6.10                     | 3.07                 | 4.99                 |
| Nuclear <sup>(a)</sup>                                                       | 0.87                     | 0.75                     | 0.79                 | 0.76                 |
| Coal                                                                         | 5.69                     | 4.73                     | 5.80                 | 3.84                 |
| Average cost of fuel, generated <i>(in cents per net KWH)</i> <sup>(a)</sup> | 3.11                     | 4.32                     | 2.98                 | 3.56                 |
| Average cost of purchased power <i>(in cents per net KWH)</i> <sup>(b)</sup> | 4.55                     | 10.14                    | 4.64                 | 8.00                 |

(a) Excludes KWHs generated from test period energy at Plant Vogtle Unit 3 prior to its in-service date. The related fuel costs are charged to CWIP in accordance with FERC guidance. See Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

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

### Fuel

In the third quarter 2023, fuel expense was \$576 million compared to \$841 million for the corresponding period in 2022. The decrease was primarily due to a decrease of 51.0% in the average cost per KWH generated by natural gas, partially offset by increases of 78.6% in the volume of KWHs generated by coal, 20.3% in the average cost per KWH generated by coal, 16.0% in the average cost per KWH generated by nuclear, 8.8% in the volume of KWHs generated by nuclear, and 3.0% in the volume of KWHs generated by natural gas.

For year-to-date 2023, fuel expense was \$1.39 billion compared to \$1.89 billion for the corresponding period in 2022. The decrease was primarily due to decreases of 38.5% in the average cost per KWH generated by natural gas and 10.2% in the volume of KWHs generated by coal, partially offset by increases of 51.0% in the average cost per KWH generated by coal and 7.0% in the volume of KWHs generated by natural gas.

### Purchased Power – Non-Affiliates

In the third quarter 2023, purchased power expense from non-affiliates was \$131 million compared to \$304 million for the corresponding period in 2022. For year-to-date 2023, purchased power expense from non-affiliates was \$397 million compared to \$700 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of 38.1% and 37.8%, respectively, in the volume of KWHs purchased as Georgia Power and other Southern Company system units generally dispatched at a lower cost than available market resources and 45.1% and 24.1%, respectively, in the average cost per KWH purchased primarily due to lower natural gas prices.

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

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

### *Purchased Power – Affiliates*

In the third quarter 2023, purchased power expense from affiliates was \$221 million compared to \$571 million for the corresponding period in 2022. For year-to-date 2023, purchased power expense from affiliates was \$579 million compared to \$1.1 billion for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 reflect decreases of 60.0% and 49.8%, respectively, in the average cost per KWH purchased primarily due to lower natural gas prices. Also contributing to the decrease in the third quarter 2023 was a 5.5% decrease in the volume of KWHs purchased.

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

### *Other Operations and Maintenance Expenses*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (83)                                   | (13.9)            | \$ (181)                                | (10.7)            |

In the third quarter 2023, other operations and maintenance expenses were \$512 million compared to \$595 million for the corresponding period in 2022. The decrease was primarily due to decreases of \$64 million in transmission and distribution expenses primarily associated with line maintenance, \$45 million in storm damage recovery as authorized in the 2022 ARP, and \$25 million in generation non-outage maintenance expenses. These decreases were partially offset by increases of \$21 million in generation environmental projects and \$20 million from unregulated power delivery construction and maintenance and energy conservation projects.

For year-to-date 2023, other operations and maintenance expenses were \$1.51 billion compared to \$1.69 billion for the corresponding period in 2022. The decrease was primarily due to decreases of \$136 million in storm damage recovery as authorized in the 2022 ARP, \$121 million in transmission and distribution expenses primarily associated with line maintenance, \$74 million in generation non-outage maintenance expenses, and \$14 million in certain employee compensation and benefit expenses. These decreases were partially offset by increases of \$48 million from unregulated power delivery construction and maintenance and energy conservation projects, \$41 million in generation environmental projects, and \$39 million in technology infrastructure and application production costs, as well as a \$12 million decrease in nuclear property insurance refunds.

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

### *Depreciation and Amortization*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$70                                      | 19.5              | \$182                                   | 17.1              |

In the third quarter 2023, depreciation and amortization was \$429 million compared to \$359 million for the corresponding period in 2022. For year-to-date 2023, depreciation and amortization was \$1.25 billion compared to \$1.07 billion for the corresponding period in 2022. The increases for the third quarter and year-to-date 2023 were primarily due to increases of \$48 million and \$142 million, respectively, resulting from higher depreciation rates as authorized in the 2022 ARP and \$21 million and \$51 million, respectively, associated with additional plant in service. Partially offsetting the increase for year-to-date 2023 was a decrease of \$11 million in amortization of regulatory assets related to the retirement of certain generating units that ended in 2022.

See Note 5 to the financial statements under "Depreciation and Amortization" in Item 8 of the Form 10-K for additional information.

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

### *Taxes Other Than Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(11)                                    | (7.1)      | \$(14)                                  | (3.3)      |

In the third quarter 2023, taxes other than income taxes were \$144 million compared to \$155 million for the corresponding period in 2022. For year-to-date 2023, taxes other than income taxes were \$406 million compared to \$420 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were due to decreases of \$15 million and \$33 million, respectively, in municipal franchise fees resulting from lower retail revenues, partially offset by increases of \$3 million and \$21 million, respectively, in property taxes primarily resulting from an increase in the assessed value of property.

### *Estimated Loss on Plant Vogtle Units 3 and 4*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$230                                     | N/M        | \$178                                   | N/M        |

Georgia Power recorded pre-tax charges (credits) to income for the estimated probable loss on Plant Vogtle Units 3 and 4 totaling \$160 million and \$(70) million in the third quarter 2023 and 2022, respectively, and \$160 million and \$(18) million for year-to-date 2023 and 2022, respectively. The charges (credits) reflected revisions to the 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 herein and Note 2 to the financial statements in Item 8 of the Form 10-K under "Georgia Power – Nuclear Construction" for additional information.

### *Allowance for Equity Funds Used During Construction*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$—                                       | —          | \$19                                    | 18.6       |

For year-to-date 2023, allowance for equity funds used during construction was \$121 million compared to \$102 million for the corresponding period in 2022. The increase was primarily due to an increase in capital expenditures subject to AFUDC.

### *Interest Expense, Net of Amounts Capitalized*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$43                                      | 35.0       | \$125                                   | 36.0       |

In the third quarter 2023, interest expense, net of amounts capitalized was \$166 million compared to \$123 million for the corresponding period in 2022. For year-to-date 2023, interest expense, net of amounts capitalized was \$472 million compared to \$347 million for the corresponding period in 2022. The increases for the third quarter and year-to-date 2023 were primarily associated with increases of approximately \$20 million and \$64 million, respectively, related to higher average outstanding borrowings and \$19 million and \$59 million, respectively, related to higher interest rates. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein for additional information on borrowings.

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

### *Other Income (Expense), Net*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$9                                       | 25.0       | \$(15)                                  | (10.7)     |

In the third quarter 2023, other income (expense), net was \$45 million compared to \$36 million for the corresponding period in 2022. The increase was primarily due to a \$6 million decrease in non-operating marketing expenses.

For year-to-date 2023, other income (expense), net was \$125 million compared to \$140 million for the corresponding period in 2022. The decrease was primarily due to a decrease of \$13 million in customer charges related to contributions in aid of construction and a \$7 million charge in the second quarter 2023 under a stipulation agreement approved by the Georgia PSC related to Georgia Power's fuel cost recovery case, partially offset by a \$6 million decrease in non-operating marketing expenses. See Note (B) to the Condensed Financial Statements herein under "Georgia Power – Fuel Cost Recovery" for additional information.

### *Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(26)                                    | (11.5)     | \$(76)                                  | (18.1)     |

In the third quarter 2023, income taxes were \$200 million compared to \$226 million for the corresponding period in 2022. For year-to-date 2023, income taxes were \$345 million compared to \$421 million for the corresponding period in 2022. The decreases were primarily due to lower pre-tax earnings largely resulting from higher charges associated with the construction of Plant Vogtle Units 3 and 4 and a decrease in a valuation allowance on certain state tax credit carryforwards in 2023, partially offset by the flowback of certain excess deferred income taxes that ended in 2022. Also contributing to the year-to-date 2023 decrease was an adjustment in the second quarter 2022 related to a prior year state tax credit carryforward. See Note (G) to the Condensed Financial Statements herein for additional information.

### **Mississippi Power**

#### *Net Income*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$13                                      | 21.0       | \$23                                    | 15.3       |

Mississippi Power's net income for the third quarter 2023 was \$75 million compared to \$62 million for the corresponding period in 2022. The increase was primarily due to an increase in revenues due to warmer weather in the third quarter 2023 when compared to the corresponding period in 2022.

Mississippi Power's net income for year-to-date 2023 was \$173 million compared to \$150 million for the corresponding period in 2022. The increase was primarily due to an increase in affiliate wholesale capacity revenues, partially offset by an increase in interest expense.

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

### Retail Revenues

In the third quarter 2023, retail revenues were \$284 million compared to \$250 million for the corresponding period in 2022. For year-to-date 2023, retail revenues were \$747 million compared to \$718 million for the corresponding period in 2022. Details of the changes in retail revenues were as follows:

|                              | Third Quarter 2023 vs.<br>Third Quarter 2022 |            | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |            |
|------------------------------|----------------------------------------------|------------|--------------------------------------------|------------|
|                              | (change in millions)                         | (% change) | (change in millions)                       | (% change) |
| Rates and pricing            | \$ (3)                                       | (1.2)%     | \$ 2                                       | 0.2 %      |
| Sales growth                 | 5                                            | 2.0        | 4                                          | 0.6        |
| Weather                      | 9                                            | 3.6        | (1)                                        | (0.1)      |
| Fuel and other cost recovery | 23                                           | 9.2        | 24                                         | 3.3        |
| Retail revenues              | \$ 34                                        | 13.6 %     | \$ 29                                      | 4.0 %      |

Revenues associated with changes in rates and pricing decreased in the third quarter 2023 and increased year-to-date 2023 when compared to the corresponding periods in 2022. The third quarter 2023 decrease was primarily due to lower contributions from commercial and industrial customers with variable demand-driven pricing and the expiration of a PEP surcharge at the end of 2022 that became effective for the first billing cycle of April 2022, partially offset by higher revenues associated with a tolling arrangement accounted for as a sales-type lease. The year-to-date 2023 increase was primarily due to ECO Plan rates that became effective in May 2022 and higher revenues associated with a tolling arrangement accounted for as a sales-type lease, partially offset by the expiration of the PEP surcharge at the end of 2022 that became effective for the first billing cycle of April 2022. See Notes 2 and 9 to the financial statements under "Mississippi Power" and "Lessor," respectively, in Item 8 of the Form 10-K and Note (D) to the Condensed Financial Statements under "Lease Income" herein for additional information.

Revenues attributable to changes in sales increased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022. Weather-adjusted residential KWH sales increased 0.9% in the third quarter 2023 when compared to the corresponding period in 2022 due to an increase in customer usage. Weather-adjusted residential KWH sales decreased 0.3% year-to-date 2023 when compared to the corresponding period in 2022 due to a decrease in customer usage. Weather-adjusted commercial KWH sales increased 11.8% and 6.4% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 due to sales growth associated with new commercial contracts. Industrial KWH sales increased 1.1% and 1.3% in the third quarter and year-to-date 2023, respectively, when compared to the corresponding periods in 2022 primarily due to an increase in the non-manufacturing sector, partially offset by a decrease in the chemicals sector.

Fuel and other cost recovery revenues increased in the third quarter and year-to-date 2023 when compared to the corresponding periods in 2022 primarily as a result of higher recoverable fuel costs. Recoverable fuel costs include fuel and purchased power expenses reduced by the fuel and emissions 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. See Note 2 to the financial statements in Item 8 of the Form 10-K for additional information.

### Wholesale Revenues – Non-Affiliates

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$17                                      | 28.3       | \$10                                    | 5.2        |

In the third quarter 2023, wholesale revenues from sales to non-affiliates were \$77 million compared to \$60 million for the corresponding period in 2022. The increase was primarily due to an \$11 million increase associated with

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

MRA customers and a \$6 million increase associated with opportunity sales. The increase from MRA customers was primarily due to higher recoverable fuel costs and an increase in demand as a result of weather impacts.

For year-to-date 2023, wholesale revenues from sales to non-affiliates were \$201 million compared to \$191 million for the corresponding period in 2022. The increase was due to a \$6 million increase associated with MRA customers and a \$4 million increase associated with opportunity sales. The increase from MRA customers was primarily due to a rate increase under the MRA tariff effective September 2022 and higher recoverable fuel costs, partially offset by a decrease in demand as a result of weather impacts.

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 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. See Note (B) to the Condensed Financial Statements under "Mississippi Power – Municipal and Rural Associations Tariff" herein for additional information.

### ***Wholesale Revenues – Affiliates***

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (122)                                  | (65.2)            | \$ (178)                                | (53.0)            |

In the third quarter 2023, wholesale revenues from sales to affiliates were \$65 million compared to \$187 million for the corresponding period in 2022. The decrease was primarily due to a \$141 million decrease associated with lower natural gas prices, partially offset by a \$19 million increase associated with higher KWH sales.

For year-to-date 2023, wholesale revenues from sales to affiliates were \$158 million compared to \$336 million for the corresponding period in 2022. The decrease was primarily due to a \$216 million decrease associated with lower natural gas prices, partially offset by a \$29 million increase in capacity revenues resulting from an increase in pricing and volume of generation reserves and a \$9 million increase associated with higher KWH sales.

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. Energy revenues related to these transactions do not have a significant impact on earnings since this energy is generally sold at marginal cost.

### ***Fuel and Purchased Power Expenses***

|                                         | Third Quarter 2023 vs.<br>Third Quarter 2022 |                   | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |                   |
|-----------------------------------------|----------------------------------------------|-------------------|--------------------------------------------|-------------------|
|                                         | <i>(change in millions)</i>                  | <i>(% change)</i> | <i>(change in millions)</i>                | <i>(% change)</i> |
| Fuel                                    | \$ (80)                                      | (33.1)            | \$ (167)                                   | (29.6)            |
| Purchased power                         | (13)                                         | (65.0)            | (18)                                       | (50.0)            |
| Total fuel and purchased power expenses | \$ (93)                                      |                   | \$ (185)                                   |                   |

In the third quarter 2023, total fuel and purchased power expenses were \$169 million compared to \$262 million for the corresponding period in 2022. For year-to-date 2023, total fuel and purchased power expenses were \$416 million compared to \$601 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of \$122 million and \$203 million, respectively, related to the

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

average cost of fuel and purchased power, partially offset by net increases of \$29 million and \$18 million, respectively, related to the volume of KWHs generated and purchased.

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

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

|                                                        | Third<br>Quarter<br>2023 | Third<br>Quarter<br>2022 | Year-To-Date<br>2023 | Year-To-Date<br>2022 |
|--------------------------------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| Total generation (in millions of KWHs)                 | 5,783                    | 5,093                    | 14,123               | 13,650               |
| Total purchased power (in millions of KWHs)            | 153                      | 241                      | 427                  | 527                  |
| Sources of generation (percent) –                      |                          |                          |                      |                      |
| Gas                                                    | 87                       | 89                       | 92                   | 89                   |
| Coal                                                   | 13                       | 11                       | 8                    | 11                   |
| Cost of fuel, generated (in cents per net KWH) –       |                          |                          |                      |                      |
| Gas                                                    | 2.52                     | 5.10                     | 2.72                 | 4.43                 |
| Coal                                                   | 5.49                     | 4.50                     | 5.64                 | 4.12                 |
| Average cost of fuel, generated (in cents per net KWH) | 2.92                     | 5.02                     | 2.97                 | 4.40                 |
| Average cost of purchased power (in cents per net KWH) | 4.61                     | 8.15                     | 4.27                 | 6.83                 |

### Fuel

In the third quarter 2023, fuel expense was \$162 million compared to \$242 million for the corresponding period in 2022. The decrease was due to a 50.6% decrease in the average cost of natural gas per KWH generated, partially offset by a 28.5% increase in the volume of KWHs generated by coal, a 22.0% increase in the average cost of coal per KWH generated, and a 13.5% increase in the volume of KWHs generated by natural gas.

For year-to-date 2023, fuel expense was \$398 million compared to \$565 million for the corresponding period in 2022. The decrease was due to a 38.6% decrease in the average cost of natural gas per KWH generated and a 21.7% decrease in the volume of KWHs generated by coal, partially offset by a 36.9% increase in the average cost of coal per KWH generated and a 7.5% increase in the volume of KWHs generated by natural gas.

### Purchased Power

In the third quarter 2023, purchased power expense was \$7 million compared to \$20 million for the corresponding period in 2022. For year-to-date 2023, purchased power expense was \$18 million compared to \$36 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were due to decreases of 43.4% and 37.5%, respectively, in the average cost per KWH purchased primarily due to lower natural gas prices and decreases of 36.4% and 18.9%, respectively, in the volume of KWHs purchased.

### Other Operations and Maintenance Expenses

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(2)                                     | (2.3)      | \$6                                     | 2.4        |

For year-to-date 2023, other operations and maintenance expenses were \$258 million compared to \$252 million for the corresponding period in 2022. The increase was primarily due to increases of \$5 million in generation expenses and \$4 million in storm reserve accruals, partially offset by a decrease of \$5 million in sales and use taxes associated with the Kemper County energy facility.

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

See Notes 2 and 3 to the financial statements under "Mississippi Power – System Restoration Rider" and "Other Matters – Mississippi Power," respectively, in Item 8 of the Form 10-K and Notes (B) and (C) to the Condensed Financial Statements under "Mississippi Power – System Restoration Rider" and "Other Matters – Mississippi Power," respectively, herein for additional information.

### *Interest Expense, Net of Amounts Capitalized*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$4                                       | 26.7       | \$11                                    | 26.2       |

In the third quarter 2023, interest expense, net of amounts capitalized was \$19 million compared to \$15 million for the corresponding period in 2022. For year-to-date 2023, interest expense, net of amounts capitalized was \$53 million compared to \$42 million for the corresponding period in 2022. The increases for the third quarter and year-to-date 2023 were associated with increases of approximately \$2 million and \$8 million, respectively, related to higher interest rates and \$2 million and \$4 million, respectively, related to higher average outstanding borrowings. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein for additional information on borrowings.

### *Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$1                                       | 5.9        | \$(3)                                   | (7.9)      |

For year-to-date 2023, income taxes were \$35 million compared to \$38 million for the corresponding period in 2022. The decrease was primarily due to a decrease of \$7 million associated with the flowback of certain excess deferred income taxes, largely offset by an increase of \$5 million associated with higher pre-tax earnings. See Note (G) to the Condensed Financial Statements herein for additional information.

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

## Southern Power

### *Net Income Attributable to Southern Power*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$5                                       | 5.3        | \$23                                    | 8.7        |

Net income attributable to Southern Power in the third quarter 2023 was \$100 million compared to \$95 million for the corresponding period in 2022. The increase was primarily due to an arbitration interim award received for losses previously incurred, higher HLBV income associated with tax equity partnerships, and receipts of liquidated damages associated with generation facility production guarantees, partially offset by lower revenues driven by lower market prices of energy.

Net income attributable to Southern Power for year-to-date 2023 was \$288 million compared to \$265 million for the corresponding period in 2022. The increase was primarily due to an arbitration interim award received for losses previously incurred, a gain on the sale of spare parts, higher HLBV income associated with tax equity partnerships, and receipts of liquidated damages and insurance proceeds related to generation facility production and equipment, as well as changes in state apportionment methodology related to tax legislation enacted by the State of Tennessee. These increases were largely offset by lower revenues driven by lower market prices of energy.

See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein for additional information.

### *Operating Revenues*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(527)                                   | (44.7)     | \$(932)                                 | (35.6)     |

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.

### *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

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

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:

|                          | Third<br>Quarter<br>2023 | Third<br>Quarter<br>2022 | Year-To-Date<br>2023 | Year-To-Date<br>2022 |
|--------------------------|--------------------------|--------------------------|----------------------|----------------------|
| <i>(in millions)</i>     |                          |                          |                      |                      |
| PPA capacity revenues    | \$ 134                   | \$ 131                   | \$ 360               | \$ 344               |
| PPA energy revenues      | 370                      | 736                      | 953                  | 1,657                |
| Total PPA revenues       | 504                      | 867                      | 1,313                | 2,001                |
| Non-PPA revenues         | 131                      | 304                      | 327                  | 590                  |
| Other revenues           | 18                       | 9                        | 46                   | 27                   |
| Total operating revenues | \$ 653                   | \$ 1,180                 | \$ 1,686             | \$ 2,618             |

In the third quarter 2023, total operating revenues were \$653 million, reflecting a \$527 million, or 44.7%, decrease from the corresponding period in 2022. The change in operating revenues was primarily due to the following:

- PPA energy revenues decreased \$366 million, or 49.7%, primarily due to a \$378 million decrease in sales under natural gas PPAs resulting from a \$304 million decrease in the price of fuel and purchased power and a \$75 million decrease in the volume of KWHs sold.
- Non-PPA revenues decreased \$173 million, or 56.9%, primarily due to a \$252 million decrease in the market price of energy, partially offset by a \$76 million increase in the volume of KWHs sold through short-term sales.
- Other revenues increased \$9 million, or 100.0%, primarily due to an arbitration interim award received for losses previously incurred. See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein for additional information.

For year-to-date 2023, total operating revenues were \$1.7 billion, reflecting a \$932 million, or 35.6%, decrease from the corresponding period in 2022. The change in operating revenues was primarily due to the following:

- PPA capacity revenues increased \$16 million, or 4.7%, primarily due to a net increase in MW capacity under contract from natural gas PPAs and an increase associated with a change in rates from natural gas PPAs.
- PPA energy revenues decreased \$704 million, or 42.5%, primarily due to a \$706 million decrease in sales under natural gas PPAs resulting from a \$577 million decrease in the price of fuel and purchased power and a \$129 million decrease in the volume of KWHs sold.
- Non-PPA revenues decreased \$263 million, or 44.6%, primarily due to a \$522 million decrease in the market price of energy, partially offset by a \$255 million increase in the volume of KWHs sold through short-term sales.
- Other revenues increased \$19 million, or 70.4%, primarily due to receipts of liquidated damages associated with generation facility production guarantees, an arbitration interim award received for losses previously incurred, and business interruption insurance proceeds for damaged generation equipment. See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein for additional information.

# 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:

|                                                                                                     | Third<br>Quarter<br>2023 | Third<br>Quarter<br>2022 | Year-To-Date<br>2023 | Year-To-Date<br>2022 |
|-----------------------------------------------------------------------------------------------------|--------------------------|--------------------------|----------------------|----------------------|
| <i>(in billions of KWHs)</i>                                                                        |                          |                          |                      |                      |
| Generation                                                                                          | 12.9                     | 12.8                     | 36.9                 | 36.7                 |
| Purchased power                                                                                     | 0.8                      | 1.2                      | 2.4                  | 2.3                  |
| Total generation and purchased power                                                                | 13.7                     | 14.0                     | 39.3                 | 39.0                 |
| Total generation and purchased power<br>(excluding solar, wind, fuel cells, and tolling agreements) | 8.5                      | 8.8                      | 24.7                 | 23.2                 |

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:

|                                         | Third Quarter 2023 vs.<br>Third Quarter 2022 |                   | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |                   |
|-----------------------------------------|----------------------------------------------|-------------------|--------------------------------------------|-------------------|
|                                         | <i>(change in millions)</i>                  | <i>(% change)</i> | <i>(change in millions)</i>                | <i>(% change)</i> |
| Fuel                                    | \$ (409)                                     | (67.6)            | \$ (748)                                   | (58.7)            |
| Purchased power                         | (111)                                        | (77.1)            | (146)                                      | (62.7)            |
| Total fuel and purchased power expenses | \$ (520)                                     |                   | \$ (894)                                   |                   |

In the third quarter 2023, total fuel and purchased power expenses decreased \$520 million, or 69.4%, compared to the corresponding period in 2022. Fuel expense decreased \$409 million primarily due to a \$421 million decrease associated with the average cost of fuel. Purchased power expense decreased \$111 million due to a \$61 million decrease associated with the average cost of purchased power and a \$50 million decrease associated with the volume of KWHs purchased.

For year-to-date 2023, total fuel and purchased power expenses decreased \$894 million, or 59.3%, compared to the corresponding period in 2022. Fuel expense decreased \$748 million due to an \$835 million decrease associated with the average cost of fuel, partially offset by an \$87 million increase associated with the volume of KWHs generated. Purchased power expense decreased \$146 million primarily due to a \$152 million decrease associated with the average cost of purchased power.

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

### *Other Operations and Maintenance Expenses*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$ (9)                                    | (8.0)      | \$ (5)                                  | (1.5)      |

In the third quarter 2023, other operations and maintenance expenses were \$104 million compared to \$113 million for the corresponding period in 2022. For year-to-date 2023, other operations and maintenance expenses were \$327 million compared to \$332 million for the corresponding period in 2022. The decreases were primarily due to \$11 million from an arbitration interim award received for losses previously incurred. The year-to-date 2023 decrease was largely offset by an increase in generation maintenance expenses. See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein for additional information.

### *Gain on Dispositions, Net*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$—                                       | —          | \$18                                    | N/M        |

For year-to-date 2023, gain on dispositions, net was \$20 million compared to \$2 million for the corresponding period in 2022. The increase was primarily due to a \$16 million gain on the sale of spare parts in 2023.

### *Interest Expense, Net of Amounts Capitalized*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$—                                       | —          | \$ (7)                                  | (6.7)      |

For year-to-date 2023, interest expense, net of amounts capitalized was \$98 million compared to \$105 million for the corresponding period in 2022. The decrease was primarily due to lower average outstanding borrowings.

### *Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$3                                       | 8.3        | \$ (11)                                 | (22.4)     |

For year-to-date 2023, income tax expense was \$38 million compared to \$49 million for the corresponding period in 2022. The decrease was primarily due to a change in state apportionment methodology resulting from tax legislation enacted by the State of Tennessee in the second quarter 2023, partially offset by higher pre-tax earnings. See Note (G) to the Condensed Financial Statements herein for additional information.

### *Net Income (Loss) Attributable to Noncontrolling Interests*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$ (2)                                    | (16.7)     | \$ (13)                                 | (23.6)     |

In the third quarter 2023, net income attributable to noncontrolling interests was \$10 million compared to \$12 million for the corresponding period in 2022. The decrease was primarily due to \$7 million in higher HLBV loss allocations to wind tax equity partners, largely offset by an allocation of \$6 million to equity partners related to an arbitration interim award received for losses previously incurred.

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

For year-to-date 2023, net loss attributable to noncontrolling interests was \$68 million compared to \$55 million for the corresponding period in 2022. The increase was primarily due to \$16 million in higher HLBV loss allocations to wind tax equity partners and \$12 million in lower income allocations to equity partners, partially offset by \$15 million in lower loss allocations to battery energy storage partners.

See Note (C) to the Condensed Financial Statements under "General Litigation Matters – Southern Power" herein 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.

#### *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. Southern Company Gas' base operating expenses, excluding cost of natural gas and bad debt expense, are incurred relatively evenly throughout the year. 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*

| Third Quarter 2023 vs. Third Quarter 2022 |                   | Year-To-Date 2023 vs. Year-To-Date 2022 |                   |
|-------------------------------------------|-------------------|-----------------------------------------|-------------------|
| <i>(change in millions)</i>               | <i>(% change)</i> | <i>(change in millions)</i>             | <i>(% change)</i> |
| \$ (1)                                    | (1.2)             | \$ (41)                                 | (7.9)             |

Southern Company Gas' net income for year-to-date 2023 was \$475 million compared to \$516 million for the corresponding period in 2022. The decrease was primarily due to lower net income at gas distribution operations primarily as a result of a \$28 million regulatory disallowance at Nicor Gas and a \$6 million decrease in net income at gas marketing services primarily related to hedge losses. See Note (B) to the Condensed Financial Statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" herein for additional information.

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

## Natural Gas Revenues

In the third quarter 2023, natural gas revenues were \$0.7 billion compared to \$0.9 billion for the corresponding period in 2022. For year-to-date 2023, natural gas revenues were \$3.4 billion compared to \$4.0 billion for the corresponding period in 2022. Details of the changes in natural gas revenues were as follows:

|                                                      | Third Quarter 2023 vs.<br>Third Quarter 2022 |            | Year-To-Date 2023 vs.<br>Year-To-Date 2022 |            |
|------------------------------------------------------|----------------------------------------------|------------|--------------------------------------------|------------|
|                                                      | (change in millions)                         | (% change) | (change in millions)                       | (% change) |
| Infrastructure replacement programs and rate changes | \$ 9                                         | 1.1 %      | \$ 97                                      | 2.4 %      |
| Gas costs and other cost recovery                    | (181)                                        | (21.1)     | (645)                                      | (16.1)     |
| Gas marketing services                               | (22)                                         | (2.6)      | (44)                                       | (1.1)      |
| Other                                                | 26                                           | 3.0        | 11                                         | 0.3        |
| Natural gas revenues                                 | \$ (168)                                     | (19.6)%    | \$ (581)                                   | (14.5)%    |

Revenues from infrastructure replacement programs and rate changes increased in the third quarter and year-to-date 2023 compared to the corresponding periods in 2022 primarily due to rate increases at the natural gas distribution utilities and continued investment in infrastructure replacement. The year-to-date 2023 increase was partially offset by a regulatory disallowance at Nicor Gas. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" herein for additional information.

Revenues from gas costs and other cost recovery decreased in the third quarter and year-to-date 2023 compared to the corresponding periods in 2022 primarily due to lower natural gas cost recovery associated with lower natural gas prices, the timing of natural gas purchases, and the recovery of those costs from customers. See "Cost of Natural Gas" herein for additional information. Revenue impacts from weather and customer growth are described further below.

Revenues from gas marketing services decreased in the third quarter and year-to-date 2023 compared to the corresponding periods in 2022 primarily due to lower natural gas prices and lower variable price spreads.

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 the majority of 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:

|          | Third Quarter         |      |      |                    |                  | Year-to-Date          |       |       |                    |                  |
|----------|-----------------------|------|------|--------------------|------------------|-----------------------|-------|-------|--------------------|------------------|
|          | Normal <sup>(*)</sup> | 2023 | 2022 | 2023 vs.<br>normal | 2023 vs.<br>2022 | Normal <sup>(*)</sup> | 2023  | 2022  | 2023 vs.<br>normal | 2023 vs.<br>2022 |
|          | (in thousands)        |      |      |                    |                  | (in thousands)        |       |       |                    |                  |
| Illinois | 40                    | 18   | 56   | (55.0)%            | (67.9)%          | 3,755                 | 3,216 | 3,683 | (14.4)%            | (12.7)%          |
| Georgia  | 3                     | —    | —    | — %                | — %              | 1,461                 | 1,029 | 1,361 | (29.6)%            | (24.4)%          |

(\*) Normal represents the 10-year average from January 1, 2013 through September 30, 2022 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.

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

The following table provides the number of customers served by Southern Company Gas at September 30, 2023 and 2022:

|                                             | September 30,                                 |        | 2023 vs. 2022<br>(% change) |
|---------------------------------------------|-----------------------------------------------|--------|-----------------------------|
|                                             | 2023<br>(in thousands, except market share %) | 2022   |                             |
| Gas distribution operations                 | 4,316                                         | 4,300  | 0.4 %                       |
| Gas marketing services                      |                                               |        |                             |
| Energy customers <sup>(*)</sup>             | 656                                           | 598    | 9.7 %                       |
| Market share of energy customers in Georgia | 29.9 %                                        | 28.3 % |                             |

(\*) Gas marketing services' customers are primarily located in Georgia, Ohio, and Illinois.

Southern Company Gas anticipates customer growth and uses a variety of targeted marketing programs to attract new customers and to retain existing customers.

### Cost of Natural Gas

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(192)                                   | (65.3)     | \$(641)                                 | (34.8)     |

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 76% and 84% of the total cost of natural gas in the third quarter and year-to-date 2023, respectively. 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" herein for additional information.

In the third quarter 2023, cost of natural gas was \$102 million compared to \$294 million for the corresponding period in 2022. For year-to-date 2023, cost of natural gas was \$1.2 billion compared to \$1.8 billion for the corresponding period in 2022. The decreases reflect lower gas cost recovery as a result of decreases of 69% and 60% in natural gas prices in the third quarter and year-to-date 2023, respectively, compared to the corresponding periods in 2022.

The following table details the volumes of natural gas sold during both periods presented:

|                                                 | Third Quarter |      |                  | Year-to-Date |      |                  |
|-------------------------------------------------|---------------|------|------------------|--------------|------|------------------|
|                                                 | 2023          | 2022 | 2023 vs.<br>2022 | 2023         | 2022 | 2023 vs.<br>2022 |
| Gas distribution operations (mmBtu in millions) |               |      |                  |              |      |                  |
| Firm                                            | 71            | 70   | 1.4 %            | 429          | 485  | (11.5)%          |
| Interruptible                                   | 22            | 22   | —                | 70           | 69   | 1.4              |
| Total                                           | 93            | 92   | 1.1 %            | 499          | 554  | (9.9)%           |
| Gas marketing services (mmBtu in millions)      |               |      |                  |              |      |                  |
| Firm:                                           |               |      |                  |              |      |                  |
| Georgia                                         | 3             | 3    | — %              | 21           | 24   | (12.5)%          |
| Illinois                                        | 1             | —    | 100.0            | 5            | 4    | 25.0             |
| Other                                           | 3             | 2    | 50.0             | 9            | 8    | 12.5             |
| Interruptible large commercial and industrial   | 2             | 3    | (33.3)           | 10           | 11   | (9.1)            |
| Total                                           | 9             | 8    | 12.5 %           | 45           | 47   | (4.3)%           |

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

### *Other Operations and Maintenance Expenses*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$12                                      | 4.8        | \$55                                    | 6.7        |

In the third quarter 2023, other operations and maintenance expenses were \$264 million compared to \$252 million for the corresponding period in 2022. The increase for the third quarter 2023 was primarily due to increases of \$8 million in compensation and benefits, \$5 million related to energy service contracts, and \$4 million at gas marketing services primarily related to customer service and information. The increases were partially offset by a decrease of \$12 million in expenses passed through to customers primarily related to bad debt and energy efficiency programs at gas distribution operations.

For year-to-date 2023, other operations and maintenance expenses were \$879 million compared to \$824 million for the corresponding period in 2022. The increase was primarily due to increases of \$52 million in compensation and benefits, \$30 million related to a regulatory disallowance at Nicor Gas, and an increase of \$20 million related to energy service contracts, partially offset by a decrease of \$32 million in expenses passed through to customers primarily related to bad debt and energy efficiency programs at gas distribution operations. See Note (B) to the Condensed Financial Statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" herein for additional information on the regulatory disallowance.

### *Depreciation and Amortization*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$5                                       | 3.6        | \$15                                    | 3.6        |

In the third quarter 2023, depreciation and amortization was \$145 million compared to \$140 million for the corresponding period in 2022. For year-to-date 2023, depreciation and amortization was \$429 million compared to \$414 million for the corresponding period in 2022. The increases were primarily due to continued infrastructure investments at the natural gas distribution utilities.

### *Taxes Other Than Income Taxes*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$(3)                                     | (6.7)      | \$(5)                                   | (2.4)      |

In the third quarter 2023, taxes other than income taxes was \$42 million compared to \$45 million for the corresponding period in 2022. For year-to-date 2023, taxes other than income taxes was \$203 million compared to \$208 million for the corresponding period in 2022. The decreases for the third quarter and year-to-date 2023 were primarily due to decreases of \$3 million and \$15 million, respectively, in revenue taxes. The year-to-date 2023 decrease was largely offset by increases of \$8 million and \$2 million in payroll and property taxes, respectively.

### *Interest Expense, Net of Amounts Capitalized*

| Third Quarter 2023 vs. Third Quarter 2022 |            | Year-To-Date 2023 vs. Year-To-Date 2022 |            |
|-------------------------------------------|------------|-----------------------------------------|------------|
| (change in millions)                      | (% change) | (change in millions)                    | (% change) |
| \$12                                      | 18.5       | \$39                                    | 20.9       |

In the third quarter 2023, interest expense, net of amounts capitalized was \$77 million compared to \$65 million for the corresponding period in 2022. For year-to-date 2023, interest expense, net of amounts capitalized was \$226 million compared to \$187 million for the corresponding period in 2022. The increases for the third quarter and year-to-date 2023 were primarily associated with increases of approximately \$8 million and \$31 million, respectively,

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

related to higher interest rates and approximately \$3 million and \$7 million, respectively, related to higher outstanding debt. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein for additional information on borrowings.

### Segment Information

Operating revenues, 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.

|                             | 2023               |                    |                   | 2022               |                    |                   |
|-----------------------------|--------------------|--------------------|-------------------|--------------------|--------------------|-------------------|
|                             | Operating Revenues | Operating Expenses | Net Income (Loss) | Operating Revenues | Operating Expenses | Net Income (Loss) |
|                             | (in millions)      |                    |                   | (in millions)      |                    |                   |
| Third Quarter               |                    |                    |                   |                    |                    |                   |
| Gas distribution operations | \$ 619             | \$ 485             | \$ 70             | \$ 751             | \$ 629             | \$ 59             |
| Gas pipeline investments    | 8                  | 2                  | 24                | 8                  | 3                  | 24                |
| Gas marketing services      | 56                 | 53                 | 2                 | 85                 | 87                 | (2)               |
| All other                   | 8                  | 12                 | (14)              | 16                 | 12                 | 2                 |
| Intercompany eliminations   | (2)                | 1                  | —                 | (3)                | —                  | —                 |
| Consolidated                | \$ 689             | \$ 553             | \$ 82             | \$ 857             | \$ 731             | \$ 83             |
| Year-to-Date                |                    |                    |                   |                    |                    |                   |
| Gas distribution operations | \$ 3,002           | \$ 2,386           | \$ 352            | \$ 3,533           | \$ 2,922           | \$ 365            |
| Gas pipeline investments    | 24                 | 7                  | 73                | 24                 | 8                  | 76                |
| Gas marketing services      | 376                | 292                | 59                | 420                | 327                | 65                |
| All other                   | 30                 | 30                 | (9)               | 43                 | 48                 | 10                |
| Intercompany eliminations   | (15)               | (5)                | —                 | (22)               | (19)               | —                 |
| Consolidated                | \$ 3,417           | \$ 2,710           | \$ 475            | \$ 3,998           | \$ 3,286           | \$ 516            |

### 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. See Note 2 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

In the third quarter 2023, net income increased \$11 million, or 18.6%, when compared to the corresponding period in 2022, as described further below:

- Operating revenues decreased \$132 million primarily due to lower gas cost recovery, partially offset by rate increases and continued investment in infrastructure replacement. Gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas.

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

- Operating expenses decreased \$144 million primarily due to a \$152 million decrease in cost of natural gas as a result of lower gas prices compared to 2022, partially offset by higher depreciation resulting from additional assets placed in service and an increase related to energy service contracts. The decrease in operating expenses also includes costs passed through directly to customers, primarily related to bad debt expenses, energy efficiency programs, and revenue taxes.
- Interest expense, net of amounts capitalized increased \$7 million primarily due to higher interest rates and higher average outstanding debt.

For year-to-date 2023, net income decreased \$13 million, or 3.6%, when compared to the corresponding period in 2022, as described further below:

- Operating revenues decreased \$531 million primarily due to lower gas cost recovery, partially offset by rate increases and continued investment in infrastructure replacement. Gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas.
- Operating expenses decreased \$536 million primarily due to a \$599 million decrease in cost of natural gas as a result of lower gas prices and lower volumes sold compared to 2022, partially offset by higher depreciation resulting from additional assets placed in service, higher compensation and benefits, \$30 million related to the regulatory disallowance at Nicor Gas, and a \$20 million increase related to energy service contracts. The decrease in operating expenses also includes costs passed through directly to customers, primarily related to bad debt expenses, energy efficiency programs, and revenue taxes.
- Interest expense, net of amounts capitalized increased \$32 million primarily due to higher interest rates and higher average outstanding debt.
- Income taxes decreased \$13 million primarily as a result of the tax benefit resulting from the regulatory disallowance at Nicor Gas.

See Note (B) to the Condensed Financial Statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" herein for additional information.

### *Gas Pipeline Investments*

Gas pipeline investments consists primarily of joint ventures in natural gas pipeline investments including SNG and Dalton Pipeline. See Note (E) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

### *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.

In the third quarter 2023, net income increased \$4 million, when compared to the corresponding period in 2022 primarily due to a \$39 million decrease in cost of gas, largely offset by a \$29 million decrease in operating revenue primarily due to lower price spreads and lower gas prices and a \$4 million increase in operations and maintenance expenses primarily related to customer service and information.

For year-to-date 2023, net income decreased \$6 million, or 9.2%, when compared to the corresponding period in 2022 primarily due to a \$44 million decrease in operating revenue, primarily due to lower price spreads, lower gas prices, and lower volumes sold, as well as a \$9 million increase in operations and maintenance expenses, largely offset by a \$44 million decrease in cost of gas.

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

### *All Other*

All other includes natural gas storage businesses, a renewable natural gas business, 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. All other included a natural gas storage facility in Texas through its sale in November 2022 and a natural gas storage facility in California through its sale in September 2023. 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 Company Gas" for additional information.

In the third quarter 2023, net income decreased \$16 million when compared to the corresponding period in 2022, primarily due to a decrease in operating revenue and increases in operating expenses, interest expenses, and income taxes.

For year-to-date 2023, net income decreased \$19 million when compared to the corresponding period in 2022. The decrease was primarily related to a decrease in operating revenue and increases in interest expenses and income taxes, partially offset by a decrease in operating expenses primarily related to lower depreciation in 2023, lower cost of gas, and lower taxes other than income taxes.

### **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, including those related to projected long-term demand growth, stringent environmental standards, including CCR rules, safety, system reliability and resiliency, fuel, restoration following major storms, and capital expenditures, including constructing new electric generating plants and expanding and improving the transmission and distribution systems; continued customer growth; and the trends of higher inflation and reduced electricity usage per customer, especially in residential and commercial markets. For Georgia Power, other major factors are completing construction and start-up of Plant Vogtle Unit 4, meeting the related cost and schedule projections, and completing the related cost recovery proceedings for Plant Vogtle Units 3 and 4.

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 continue to be significantly affected by a series of demand and supply shocks that caused a global and national economic recession in 2020 and have been further impacted by the invasion of Ukraine and significant declines in labor force participation rates. The confluence of these disruptions has resulted in the highest levels of inflation globally in 40 years and driven a significant policy response by central banks across the global economy. The U.S. Federal Reserve has increased interest rates faster than any rate increase cycle in the last 40 years and to levels high enough to slow economic activity and reduce inflation rates, although target inflation levels have not yet been achieved. These actions and impacts, including increased costs for goods and services and borrowing costs, have led to a slowing of some economic activity and an increased risk of recession. Additionally, inflation remains elevated in part due to continued supply chain and labor market constraints. Electricity sales across all classes have recovered to pre-COVID-19 pandemic levels and customer growth at both the traditional electric operating companies and natural gas distribution utilities has remained strong. However, weakening economic activity increases the risk of slowing to declining energy sales. Additionally, the current economic environment has increased the uncertainty of future energy demand and operating costs. See RESULTS OF OPERATIONS herein for information on energy sales in the Southern Company system's service territory during the first nine months of 2023.

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

The level of future earnings for Southern Power's competitive wholesale electric business depends on numerous factors including the parameters of the wholesale market and the efficient operation of its wholesale generating assets; Southern Power's ability to execute its growth strategy through the development, construction, or acquisition of renewable facilities and other energy projects while containing costs; regulatory matters; customer creditworthiness; total electric generating capacity available in Southern Power's market areas; Southern Power's ability to successfully remarket capacity as current contracts expire; renewable portfolio standards; continued availability of federal and state ITCs and PTCs, which could be impacted by future tax legislation; transmission constraints; cost of generation from units within the Southern Company power pool; and operational limitations. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters" in Item 7 of the Form 10-K for information regarding the Inflation Reduction Act's expansion of the availability of federal ITCs and PTCs and Note (K) to the Condensed Financial Statements under "Southern Power" herein for information regarding acquisitions.

The level of future earnings for Southern Company Gas' primary business of distributing natural gas and its complementary businesses in the gas pipeline investments 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, including those related to projected long-term demand growth, safety, system reliability and resiliency, natural gas, and capital expenditures, including expanding and improving the natural gas distribution systems; the completion and subsequent operation of ongoing infrastructure and other construction projects; customer creditworthiness; and certain policies to limit the use of natural gas, such as the potential across certain parts of the U.S. for state or municipal bans on the use of natural gas or policies designed to promote electrification. 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 business to capture value from locational and seasonal spreads. Additionally, changes in commodity prices, primarily driven by tight gas supplies, geopolitical events, and diminished gas production, subject a portion of Southern Company Gas' operations to earnings variability and may result in higher natural gas prices. Additional economic factors may contribute to this environment. The demand for natural gas may increase, which may cause natural gas prices to rise and drive higher volatility in the natural gas markets on a longer-term basis. Alternatively, a significant drop in oil and natural gas prices could lead to a consolidation of natural gas producers or reduced levels of natural gas production.

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; customer energy conservation practices; the use of alternative energy sources by customers; government incentives to reduce overall energy usage; fuel, labor, and material prices in an environment of heightened inflation and material and labor supply chain disruptions; 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, or the sale of interests in, 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.

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.

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

### 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 "General Litigation Matters" and "Environmental Remediation" herein, for additional information.

### *Environmental Laws and Regulations*

#### *Air Quality*

On February 13, 2023, the EPA published a final rule disapproving 19 state implementation plans (SIPs), including the States of Alabama and Mississippi, under the interstate transport (good neighbor) provisions of the Clean Air Act for the 2015 Ozone National Ambient Air Quality Standards (NAAQS). On March 14, 2023 and March 15, 2023, the State of Mississippi and Mississippi Power, respectively, challenged the EPA's disapproval of the Mississippi SIP in the U.S. Court of Appeals for the Fifth Circuit. On May 11, 2023, the State of Mississippi and Mississippi Power filed a joint motion for stay of the EPA's disapproval of the Mississippi SIP, which was granted on June 8, 2023. On April 13, 2023 and April 14, 2023, the State of Alabama, Alabama Power, and PowerSouth Energy Cooperative challenged the EPA's disapproval of the Alabama SIP in the U.S. Court of Appeals for the Eleventh Circuit. On June 13, 2023, the State of Alabama, Alabama Power, and PowerSouth Energy Cooperative filed a joint motion for stay of the EPA's disapproval of the Alabama SIP, which was granted on August 17, 2023.

On June 5, 2023, the EPA published the 2015 Ozone NAAQS Good Neighbor federal implementation plans (FIP), which became effective on August 4, 2023. On June 16, 2023 and June 27, 2023, the State of Mississippi and Mississippi Power, respectively, challenged the FIP for Mississippi in the U.S. Court of Appeals for the Fifth Circuit. On June 30, 2023, the State of Mississippi and Mississippi Power filed in the U.S. Court of Appeals for the Fifth Circuit a joint motion for stay of the FIP for Mississippi and a request to hold the case in abeyance pending resolution of the Mississippi SIP disapproval case. On July 20, 2023, the U.S. Court of Appeals for the Fifth Circuit denied the motion for stay but granted the motion to hold the case in abeyance. On August 4, 2023, the State of Alabama, Alabama Power, and PowerSouth Energy Cooperative challenged the FIP for Alabama in the U.S. Court of Appeals for the Eleventh Circuit. On August 16, 2023, the State of Alabama, Alabama Power, and PowerSouth Energy Cooperative filed in the U.S. Court of Appeals for the Eleventh Circuit a joint motion requesting an abeyance of the case pending resolution of the Alabama SIP disapproval case, which was granted on August 30, 2023.

On July 31, 2023, the EPA published an Interim Final Rule that stays the implementation of the FIPs for states with judicially stayed SIP disapprovals, including Mississippi. On September 29, 2023, the EPA published an updated Interim Final Rule addressing judicial stays of states' interstate transport SIP disapprovals, including Alabama. The Interim Final Rule revises the existing regulations to maintain currently applicable trading programs for those states.

The ultimate impact of the rule and associated legal matters cannot be determined at this time; however, implementation of the FIPs will likely result in increased compliance costs for the traditional electric operating companies.

#### *Water Quality*

On March 29, 2023, the EPA published a proposed ELG Supplemental Rule revising certain effluent limits of the 2020 and 2015 ELG rules. The proposal imposes more stringent requirements for flue gas desulfurization wastewater, bottom ash transport water, and combustion residual leachate to be met no later than December 31, 2029. The EPA is also proposing that a limited number of facilities already achieving compliance with the 2020 ELG Reconsideration Rule be allowed to elect retirement or repowering by December 31, 2032 as opposed to meeting the new more stringent requirements. The proposal maintains the 2020 ELG Reconsideration Rule's permanent cessation of coal combustion subcategory allowing units to continue to operate until the end of 2028 without having to install additional technologies. A final rule is anticipated in 2024. The ultimate impact of this proposal cannot be determined at this time; however, it may result in significant compliance costs.

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

In 2021, Alabama Power submitted its notice of planned participation (NOPP) to the Alabama Department of Environmental Management (ADEM), which included plans to retire Plant Barry Unit 5. Alabama Power subsequently indicated that it expected to retire Plant Barry Unit 5 in late 2023 or early 2024 subject to certain operating conditions. Alabama Power has continued to evaluate operating conditions relevant to the expected retirement of Plant Barry Unit 5 in late 2023 or early 2024 and now expects the unit to remain in service beyond these periods. Alabama Power plans to retire the unit on or before the NOPP compliance date of December 31, 2028. The ultimate impact of this matter cannot be determined at this time.

### *Coal Combustion Residuals*

On May 18, 2023, the EPA published a proposal to establish two new categories of federally regulated CCR, legacy surface impoundments and CCR management units (CCRMUs). The EPA is proposing to define a legacy surface impoundment as a CCR surface impoundment that no longer receives CCR but contained both CCR and liquids on or after October 19, 2015 and that is located at an inactive electric generating facility. The EPA is proposing that owners and operators of legacy surface impoundments comply with all of the existing CCR Rule requirements with the exception of location restrictions and liner demonstrations. The proposal establishes accelerated compliance deadlines for legacy surface impoundments to meet regulatory requirements, including a requirement to initiate closure within 12 months after the effective date of the final rule. The EPA is also proposing to define CCRMUs as any area of land on which any non-containerized accumulation of CCR is received, placed, or otherwise managed at any time, that is not a CCR unit, including inactive CCR landfills and CCR units that closed prior to October 17, 2015. The EPA's proposal would require evaluations to be completed at both active facilities and inactive facilities with one or more legacy surface impoundment. CCRMUs must comply with the CCR Rule's provisions for groundwater monitoring, corrective action, closure, and post-closure activities. A final rule is anticipated in 2024. The ultimate impact of this proposal cannot be determined at this time; however, it may result in significant compliance costs.

On August 14, 2023, the EPA published a proposal to deny the ADEM's CCR permit program application. Alabama Power's permits to close its CCR facilities remain valid under state law. In the absence of an EPA-approved state permit program, CCR facilities in Alabama will remain subject to both the federal and state CCR rules.

Based on requirements for closure and monitoring of landfills and ash ponds pursuant to the CCR Rule and applicable state rules, the traditional electric operating companies have periodically updated, and expect to continue periodically updating, their related cost estimates and ARO liabilities for each CCR unit as additional information related to closure methodologies, schedules, and/or costs becomes available. Some of these updates have been, and future updates may be, material. Additionally, the closure designs and plans in the States of Alabama and Georgia are subject to approval by environmental regulatory agencies. Absent continued recovery of ARO costs through regulated rates, results of operations, cash flows, and financial condition for Southern Company and the traditional electric operating companies could be materially impacted. See Note 6 to the financial statements in Item 8 of the Form 10-K and Notes (A) and (C) to the Condensed Financial Statements under "Asset Retirement Obligations" and "General Litigation Matters – Alabama Power," respectively, herein for additional information.

### *Greenhouse Gases*

On May 23, 2023, the EPA published the proposed GHG standards and state plan guidelines for fossil fuel-fired power plants. The proposal includes GHG limits for both new and existing units based on technologies such as carbon capture and sequestration, low-GHG hydrogen co-firing, and natural gas co-firing. The proposed standards for new combustion turbines include subcategories for different operational uses including peaking, intermediate, and base load. Compliance with new source standards, once finalized, begins when the unit comes online. The EPA proposes a phased approach for intermediate and base load units that increases in stringency over time. The proposed state plan guidelines for existing units include subcategories based on unit type, retirement date, size, and capacity factor. The EPA is proposing a 24-month state plan submission deadline for the existing unit implementation and proposes to potentially allow some limited form of trading and averaging for the state plans. Existing source compliance is proposed to begin as early as January 1, 2030, depending on the unit type and

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

subcategory. The EPA also proposes to simultaneously repeal the Affordable Clean Energy rule. A final rule is anticipated in 2024. The ultimate impact of this proposal cannot be determined at this time; however, it may result in significant compliance costs.

### Regulatory Matters

See Note 2 to the financial statements in Item 8 of the Form 10-K, OVERVIEW – "Recent Developments" herein, 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.

### *Alabama Power*

On July 14, 2023, Alabama Power issued a request for proposals of between 100 MWs and 1,200 MWs of capacity beginning no later than December 1, 2028, with consideration for commencement as early as 2025. Any purchases will depend upon the cost competitiveness of the respective offers, as well as other options available to Alabama Power, and would ultimately require approval by the Alabama PSC. The ultimate outcome of this matter cannot be determined at this time.

### 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 strategy continues to include 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 Unit 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 – Certificates of Convenience and Necessity" for information regarding Alabama Power's construction of Plant Barry Unit 8, which was placed in service on November 1, 2023.

See Note (K) to the Condensed Financial Statements under "Southern Power" herein for information relating to Southern Power's construction of renewable energy facilities.

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 resiliency, reduce emissions, and meet operational flexibility and growth. The natural gas distribution utilities recover their investment and a return associated with these infrastructure programs through their regulated rates. See Note 2 to the financial statements in Item 8 of the Form 10-K and Note (B) to the Condensed Financial Statements herein under "Southern Company Gas" 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.

### Income Tax Matters

In June 2023, the Internal Revenue Service issued temporary regulations related to the transferability of tax credits. Southern Company and certain subsidiaries are considering the sale of tax credits that are eligible to be transferred. See Note (G) to the Condensed Financial Statements herein for additional information. Additionally, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters" in Item 7 of the Form 10-K for information regarding the Inflation Reduction Act's expansion of the availability of federal ITCs and PTCs.

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

### **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.

### ***Traditional Electric Operating Companies***

See BUSINESS – "The Southern Company System – Traditional Electric Operating Companies" in Item 1 of the Form 10-K for information regarding the Southeast Energy Exchange Market (SEEM). On July 14, 2023, the U.S. Court of Appeals for the District of Columbia Circuit vacated the FERC's orders related to SEEM and remanded the proceeding to the FERC. 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)***

On August 30, 2023, as provided for in the December 2017 Georgia PSC approval of the seventeenth VCM report, Georgia Power filed with the Georgia PSC an application to adjust rates to include reasonable and prudent Plant Vogtle Units 3 and 4 costs (Application). The Application provides the necessary support to justify the reasonableness, prudence, and recovery of \$8.826 billion in total construction and capital costs, \$1.07 billion in associated retail rate base items, and the operating costs related to the full operation and output of Plant Vogtle Units 3 and 4. Also on August 30, 2023, the staff of the Georgia PSC filed a stipulated agreement (Prudency Stipulation) among Georgia Power, the staff of the Georgia PSC, and certain intervenors. If the Prudency Stipulation is approved, Georgia Power will recover \$7.562 billion in total construction and capital costs and associated retail rate base items of \$1.02 billion, which includes AFUDC financing costs above \$4.418 billion (the Georgia PSC-certified amount) up to \$7.562 billion. Georgia Power expects the Georgia PSC to render a final decision on these matters on December 19, 2023.

As of September 30, 2023, Georgia Power revised its total project capital cost forecast to \$10.8 billion (net of \$1.7 billion received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds). This forecast includes construction contingency of \$17 million and is based on the actual in-service date of July 2023 for Unit 3 and a projected in-service date of March 2024 for Unit 4.

On October 5, 2023 and October 17, 2023, Georgia Power reached agreements with OPC and Dalton, respectively, to resolve its respective dispute with each of OPC and Dalton regarding the proper interpretation of the cost-sharing and tender provisions of the joint ownership agreements relating to the Global Amendments. Under the terms of the agreements with OPC and Dalton, among other items, (i) each of OPC and Dalton retracted its exercise of the tender

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

option and will retain its full ownership interest in Plant Vogtle Units 3 and 4, (ii) Georgia Power made payments immediately after execution of the agreements of \$308 million and \$17 million to OPC and Dalton, respectively, representing payment for a portion of each of OPC's and Dalton's costs of construction for Plant Vogtle Units 3 and 4 previously incurred, (iii) Georgia Power will pay a portion of each of OPC's and Dalton's further costs of construction for Plant Vogtle Units 3 and 4 as such costs are incurred and with no further adjustment for force majeure costs, which payments will be in an aggregate amount of approximately \$105 million and \$6 million for OPC and Dalton, respectively, based on the current project capital cost forecast, and (iv) Georgia Power will pay 66% of each of OPC's and Dalton's costs of construction with respect to any amounts above the current project capital cost forecast, with no further adjustment for force majeure costs.

Georgia Power recorded a pre-tax charge to income in the third quarter 2023 of approximately \$160 million (\$120 million after tax) associated with the cost-sharing provisions of the Global Amendments, including the settlements with OPC and Dalton, which is included in the total project capital cost forecast and will not be recovered from retail customers.

The ultimate outcome of these matters cannot be determined at this time. However, any extension of the in-service date beyond the March 2024 for Unit 4, including the current level of cost sharing described in Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein, is estimated to result in additional base capital costs for Georgia Power of up to \$25 million per month, as well as the related AFUDC and any additional related construction, support resources, or testing costs. See Note 2 to the financial statements in Item 8 of the Form 10-K under "Georgia Power – Nuclear Construction" and Note (B) to the Condensed Financial Statements herein under "Georgia Power – Plant Vogtle Units 3 and 4 Prudency Proceeding" and " – Nuclear Construction" 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 September 30, 2023. 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 for additional information.

At the end of the third quarter 2023, the market price of Southern Company's common stock was \$64.72 per share (based on the closing price as reported on the NYSE) and the book value was \$28.77 per share, representing a market-to-book ratio of 225%, compared to \$71.41, \$27.93, and 256%, respectively, at the end of 2022. Southern Company's common stock dividend for the third quarter 2023 was \$0.70 per share compared to \$0.68 per share in the third quarter 2022.

### **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 and, for the traditional electric operating companies, operating cash flows related to fuel cost under recovery. The fuel cost under recovery balances are primarily the result of higher than forecasted prices for natural gas and purchased power. See Note (B) to the Condensed Financial Statements herein under "Georgia Power – Fuel Cost Recovery" for additional information.

The construction programs are subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. These factors include: changes in business conditions; changes in load projections; changes in environmental laws and regulations; the outcome of any legal challenges to environmental rules; changes in electric generating plants, including unit retirements and replacements and adding or changing fuel

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

sources at existing electric generating units, to meet regulatory requirements; changes in FERC rules and regulations; state regulatory agency approvals; changes in the expected environmental compliance program; changes in legislation and/or regulation; the cost, availability, 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. In addition, there can be no assurance that costs related to capital expenditures and AROs 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.

The construction program of Georgia Power includes Plant Vogtle Unit 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.

See Note (B) to the Condensed Financial Statements under "Georgia Power – Integrated Resource Plans" herein for information regarding Georgia Power's 2023 IRP Update, which includes requests that, if approved, would result in incremental cash requirements for capital expenditures and PPAs.

Southern Power's construction program includes the South Cheyenne and Millers Branch solar projects. The remaining aggregate construction costs for these projects are expected to be between \$300 million and \$375 million. The ultimate outcome of this matter cannot be determined at this time. See Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

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, 2022.

### **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, hybrid, and/or equity issuances. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings.

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. Operating cash flows provide a substantial portion of the Registrants' cash needs. Georgia Power intends to utilize a mix of senior note issuances, short-term floating rate bank loans, and commercial paper issuances to continue funding operating cash flows related to fuel cost under recovery.

The amount, type, and timing of any financings in 2023, 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. During the nine months ended September 30, 2023, Southern Power obtained tax equity funding for existing tax equity partnerships totaling \$21 million. See Note 1 to the financial statements under "General" in Item 8 of the Form 10-K for additional information.

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

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 September 30, 2023, the amount of subsidiary retained earnings restricted to dividend totaled \$1.6 billion. This restriction did not impact Southern 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 September 30, 2023 for the applicable Registrants:

| At September 30, 2023                           | Southern<br>Company  | Georgia<br>Power | Mississippi<br>Power | Southern<br>Company<br>Gas |
|-------------------------------------------------|----------------------|------------------|----------------------|----------------------------|
|                                                 | <i>(in millions)</i> |                  |                      |                            |
| Current liabilities in excess of current assets | \$ 2,126             | \$ 1,690         | \$ 239               | \$ 176                     |

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 September 30, 2023, the Registrants' unused committed credit arrangements with banks were as follows:

| At September 30, 2023   | Southern<br>Company<br>parent | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power <sup>(a)</sup> | Southern<br>Company<br>Gas <sup>(b)</sup> | SEGCO | Southern<br>Company |
|-------------------------|-------------------------------|------------------|------------------|----------------------|----------------------------------|-------------------------------------------|-------|---------------------|
|                         | <i>(in millions)</i>          |                  |                  |                      |                                  |                                           |       |                     |
| Unused committed credit | \$ 1,998                      | \$ 1,350         | \$ 1,726         | \$ 275               | \$ 589                           | \$ 1,598                                  | \$ 30 | \$ 7,566            |

(a) At September 30, 2023, Southern Power also had two continuing letters of credit facilities for standby letters of credit, of which \$25 million was unused. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(b) Includes \$798 million and \$800 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 certain revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. At September 30, 2023, outstanding variable rate demand revenue bonds of the traditional electric operating companies with allocated liquidity support totaled approximately \$1.7 billion (comprised of approximately \$818 million at Alabama Power, \$819 million at Georgia Power, and \$69 million at Mississippi Power). In addition, at September 30, 2023, Alabama Power and Georgia Power had approximately \$120 million and \$325 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months. The variable rate demand revenue bonds and fixed rate revenue bonds required to be remarketed within the next 12 months are classified as long-term debt on the balance sheets as a result of available long-term committed credit.

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<br>September 30, 2023 |                                         | Short-term Debt During the Period <sup>(*)</sup> |                                         |                                  |
|------------------------------|------------------------------------------|-----------------------------------------|--------------------------------------------------|-----------------------------------------|----------------------------------|
|                              | Amount<br>Outstanding                    | Weighted<br>Average<br>Interest<br>Rate | Average<br>Amount<br>Outstanding                 | Weighted<br>Average<br>Interest<br>Rate | Maximum<br>Amount<br>Outstanding |
|                              | (in millions)                            |                                         | (in millions)                                    |                                         | (in millions)                    |
| Southern Company             | \$ 1,726                                 | 6.0 %                                   | \$ 2,069                                         | 5.9 %                                   | \$ 2,615                         |
| Alabama Power                | —                                        | —                                       | 2                                                | 5.3                                     | 25                               |
| Georgia Power                | 1,250                                    | 6.2                                     | 1,534                                            | 6.0                                     | 1,910                            |
| Mississippi Power            | 20                                       | 5.5                                     | 41                                               | 5.5                                     | 76                               |
| Southern Power               | 359                                      | 5.6                                     | 88                                               | 5.9                                     | 359                              |
| Southern Company Gas:        |                                          |                                         |                                                  |                                         |                                  |
| Southern Company Gas Capital | \$ 75                                    | 5.5 %                                   | \$ 211                                           | 5.5 %                                   | \$ 440                           |

(\*) Average and maximum amounts are based upon daily balances during the three-month period ended September 30, 2023.

## Analysis of Cash Flows

Net cash flows provided from (used for) operating, investing, and financing activities for the nine months ended September 30, 2023 and 2022 are presented in the following table:

| Net cash provided from<br>(used for):           | Southern<br>Company | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power | Southern<br>Company<br>Gas |
|-------------------------------------------------|---------------------|------------------|------------------|----------------------|-------------------|----------------------------|
|                                                 | (in millions)       |                  |                  |                      |                   |                            |
| <b>Nine Months Ended<br/>September 30, 2023</b> |                     |                  |                  |                      |                   |                            |
| Operating activities                            | \$ 5,740            | \$ 1,522         | \$ 1,969         | \$ 260               | \$ 799            | \$ 1,644                   |
| Investing activities                            | (6,721)             | (1,546)          | (3,376)          | (280)                | (224)             | (1,226)                    |
| Financing activities                            | 834                 | 66               | 1,183            | (12)                 | (451)             | (102)                      |
| <b>Nine Months Ended<br/>September 30, 2022</b> |                     |                  |                  |                      |                   |                            |
| Operating activities                            | \$ 5,017            | \$ 1,072         | \$ 1,482         | \$ 279               | \$ 827            | \$ 1,532                   |
| Investing activities                            | (5,952)             | (1,641)          | (2,653)          | (219)                | (128)             | (1,239)                    |
| Financing activities                            | 1,119               | 967              | 1,171            | (72)                 | (603)             | (313)                      |

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 \$0.7 billion for the nine months ended September 30, 2023 as compared to the corresponding period in 2022 primarily due to increased fuel cost recovery and the timing of customer receivable collections, partially offset by the timing of vendor payments.

The net cash used for investing activities for the nine months ended September 30, 2023 was primarily related to the Subsidiary Registrants' construction programs.

The net cash provided from financing activities for the nine months ended September 30, 2023 was primarily related to net issuances of long-term debt, partially offset by common stock dividend payments, net repayments of short-term bank loans, and a reduction in commercial paper borrowings.

### ***Alabama Power***

Net cash provided from operating activities increased \$450 million for the nine months ended September 30, 2023 as compared to the corresponding period in 2022 primarily due to an increase in fuel cost recovery and the timing of customer receivable collections, partially offset by the timing of vendor payments and fuel stock purchases.

The net cash used for investing activities for the nine months ended September 30, 2023 was primarily related to gross property additions, including approximately \$66 million related to the construction of Plant Barry Unit 8. See Note (B) to the Condensed Financial Statements under "Alabama Power" herein for additional information.

The net cash provided from financing activities for the nine months ended September 30, 2023 was primarily related to capital contributions from Southern Company and issuances of revenue bonds and senior notes, largely offset by common stock dividend payments.

### ***Georgia Power***

Net cash provided from operating activities increased \$487 million for the nine months ended September 30, 2023 as compared to the corresponding period in 2022 primarily due to increased fuel cost recovery, partially offset by the timing of vendor payments.

The net cash used for investing activities for the nine months ended September 30, 2023 was primarily related to gross property additions, including a total of approximately \$590 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 Plant Vogtle Units 3 and 4.

The net cash provided from financing activities for the nine months ended September 30, 2023 was primarily related to capital contributions from Southern Company, net issuances of senior notes, and reofferings of pollution control revenue bonds which were previously held by Georgia Power, partially offset by common stock dividend payments and a net decrease in short-term borrowings.

### ***Mississippi Power***

Net cash provided from operating activities decreased \$19 million for the nine months ended September 30, 2023 as compared to the corresponding period in 2022 primarily due to the timing of vendor payments, partially offset by the timing of customer receivable collections.

The net cash used for investing activities for the nine months ended September 30, 2023 was primarily related to gross property additions.

The net cash used for financing activities for the nine months ended September 30, 2023 was primarily related to common stock dividend payments, partially offset by the issuance of senior notes.

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

### ***Southern Power***

Net cash provided from operating activities decreased \$28 million for the nine months ended September 30, 2023 as compared to the corresponding period in 2022 primarily due to the timing of vendor payments and a change in the utilization of tax credits, partially offset by the timing of customer receivable collections.

The net cash used for investing activities for the nine months ended September 30, 2023 was primarily related to the acquisitions of the South Cheyenne and Millers Branch solar facilities and ongoing construction activities, partially offset by proceeds from the sale of equity investments. See Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

The net cash used for financing activities for the nine months ended September 30, 2023 was primarily related to repayment of senior notes at maturity, common stock dividend payments, and net distributions to noncontrolling interests, partially offset by net proceeds from short-term debt.

### ***Southern Company Gas***

Net cash provided from operating activities increased \$112 million for the nine months ended September 30, 2023 as compared to the corresponding period in 2022 primarily due to the timing of customer receivable collections, partially offset by the timing of vendor payments.

The net cash used for investing activities for the nine months ended September 30, 2023 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 used for financing activities for the nine months ended September 30, 2023 was primarily related to repayment of short-term borrowings and common stock dividend payments, partially offset by capital contributions from Southern Company and proceeds from other long-term debt.

## **Significant Balance Sheet Changes**

### ***Southern Company***

Significant balance sheet changes for the nine months ended September 30, 2023 included:

- an increase of \$4.1 billion in long-term debt (including securities due within one year) related to new issuances;
- an increase of \$3.7 billion in total property, plant, and equipment primarily related to the Subsidiary Registrants' construction programs;
- a decrease of \$0.9 billion in notes payable due to the repayment of short-term bank loans and a reduction in commercial paper borrowings;
- 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 ITCs in 2023, as well as an increase in property-related timing differences;
- a decrease of \$0.6 billion in accounts payable primarily related to the timing of vendor payments; and
- a decrease of \$0.5 billion in unbilled revenues as a result of seasonality.

See "Financing Activities" herein and Notes (B) and (G) 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 nine months ended September 30, 2023 included:

- an increase of \$664 million in common stockholder's equity primarily due to net income and capital contributions from Southern Company, partially offset by dividends paid to Southern Company;
- an increase of \$553 million in long-term debt (including securities due within one year) primarily due to the issuance of revenue bonds and senior notes;
- an increase of \$426 million in total property, plant, and equipment primarily related to the construction of Plant Barry Unit 8 and transmission and distribution facilities;
- a decrease of \$401 million in other regulatory assets, deferred primarily due to a decrease in the under recovered fuel clause balance;
- a decrease of \$299 million in deferred credits related to income taxes primarily due to the amortization of accumulated deferred income taxes; and
- a decrease of \$264 million in other accounts payable primarily due to the timing of vendor payments.

See "Financing Activities – Alabama Power" herein and Notes (B) and (G) to the Condensed Financial Statements herein under "Alabama Power" for additional information.

### ***Georgia Power***

Significant balance sheet changes for the nine months ended September 30, 2023 included:

- an increase of \$2.5 billion in total property, plant, and equipment primarily related to the construction of generation, transmission, and distribution facilities, including \$944 million for Plant Vogtle Units 3 and 4;
- an increase of \$2.0 billion in common stockholder's equity primarily due to capital contributions from Southern Company and net income, partially offset by dividends paid to Southern Company;
- an increase of \$1.1 billion in long-term debt (including securities due within one year) primarily due to net issuances of senior notes;
- an increase of \$556 million in other accounts payable primarily due to the timing of vendor payments;
- a decrease of \$350 million in notes payable primarily due to repayments of short-term bank debt; and
- an increase of \$321 million in customer accounts receivable, net primarily due to the timing of collections.

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

### ***Mississippi Power***

Significant balance sheet changes for the nine months ended September 30, 2023 included:

- an increase of \$120 million in total property, plant, and equipment primarily related to the construction of transmission and distribution facilities;
- an increase of \$99 million in long-term debt (including securities due within one year) primarily due to issuances of senior notes;
- a decrease of \$45 million in other accounts payable due to the timing of vendor payments;
- decreases of \$44 million in affiliated receivables and \$42 million in affiliated accounts payable primarily due to fluctuations in affiliate sales/purchases and the timing of payments; and
- an increase of \$43 million in common stockholder's equity related to net income and capital contributions from Southern Company, partially offset by dividends paid to Southern Company.

See "Financing Activities – Mississippi Power" herein for additional information.

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

### ***Southern Power***

Significant balance sheet changes for the nine months ended September 30, 2023 included:

- increases of \$340 million in accumulated deferred income tax liabilities and \$125 million in prepaid income taxes primarily related to the expected utilization of ITCs in 2023;
- a decrease of \$292 million in long-term debt (including securities due within one year) primarily related to the repayment of senior notes at maturity;
- a decrease of \$137 million in total property, plant, and equipment due to the continued depreciation of assets, partially offset by an increase in construction work in progress, primarily related to the acquisition of the South Cheyenne and Millers Branch solar facilities;
- an increase of \$134 million in notes payable primarily due to net issuances of commercial paper; and
- an increase of \$105 million in cash and cash equivalents, as discussed further under "Analysis of Cash Flows – Southern Power" herein.

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

### ***Southern Company Gas***

Significant balance sheet changes for the nine months ended September 30, 2023 included:

- an increase of \$807 million in total property, plant, and equipment primarily related to the construction of transportation and distribution assets and additional infrastructure investment;
- a decrease of \$777 million in total accounts receivable primarily related to decreases of \$379 million in unbilled revenues and \$374 million in customer accounts receivable as a result of seasonality;
- a decrease of \$693 million in notes payable due to a reduction in commercial paper borrowings and the repayment of short-term bank loans;
- an increase of \$615 million in long-term debt due to issuances by Southern Company Gas Capital and Nicor Gas;
- an increase of \$436 million in common stockholder's equity related to net income and capital contributions from Southern Company, partially offset by dividends paid to Southern Company;
- a decrease of \$327 million in other accounts payable due to seasonality and the timing of vendor payments; and
- an increase of \$316 million in cash and cash equivalents, as discussed further under "Analysis of Cash Flows – Southern Company Gas" herein.

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

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

### Financing Activities

The following table outlines the Registrants' long-term debt financing activities for the first nine months of 2023:

| Company                    | Issuances and Reofferings |               |                      | Maturities and Redemptions |                                     |
|----------------------------|---------------------------|---------------|----------------------|----------------------------|-------------------------------------|
|                            | Senior Notes              | Revenue Bonds | Other Long-Term Debt | Senior Notes               | Other Long-Term Debt <sup>(a)</sup> |
| <i>(in millions)</i>       |                           |               |                      |                            |                                     |
| Southern Company parent    | \$ 4,525                  | \$ —          | \$ —                 | \$ 1,850                   | \$ 550                              |
| Alabama Power              | 200                       | 326           | 28                   | —                          | 1                                   |
| Georgia Power              | 1,750                     | 229           | —                    | 800                        | 72                                  |
| Mississippi Power          | 100                       | —             | —                    | —                          | —                                   |
| Southern Power             | —                         | —             | —                    | 290                        | —                                   |
| Southern Company Gas       | 500                       | —             | 154                  | —                          | —                                   |
| Other                      | —                         | —             | —                    | —                          | 6                                   |
| Elimination <sup>(b)</sup> | —                         | —             | —                    | —                          | (3)                                 |
| <b>Southern Company</b>    | <b>\$ 7,075</b>           | <b>\$ 555</b> | <b>\$ 182</b>        | <b>\$ 2,940</b>            | <b>\$ 626</b>                       |

(a) Includes reductions in finance lease obligations resulting from cash payments under finance leases and, for Georgia Power, principal amortization payments totaling \$64 million for FFB borrowings. 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.

(b) Represents reductions in affiliate finance lease obligations at Georgia Power, which are eliminated in Southern Company's consolidated financial statements.

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 nine months of 2023, Southern Company issued approximately 1.9 million shares of common stock primarily through employee equity compensation plans and received proceeds of approximately \$26 million.

In January 2023, Southern Company redeemed all \$550 million aggregate principal amount of its Series 2016B Junior Subordinated Notes due March 15, 2057.

In February 2023, Southern Company issued \$1.5 billion aggregate principal amount of its Series 2023A 3.875% Convertible Senior Notes due December 15, 2025 (Series 2023A Convertible Senior Notes) in a private offering. In March 2023, Southern Company issued an additional \$225 million aggregate principal amount of the Series 2023A Convertible Senior Notes upon the exercise by the initial purchasers of their over-allotment option. See Note (F) to the Condensed Financial Statements under "Convertible Senior Notes" herein for additional information.

In May 2023, Southern Company repaid at maturity \$600 million aggregate principal amount of its 2021C Floating Rate Senior Notes.

Also in May 2023, Southern Company issued \$750 million aggregate principal amount of Series 2023B 4.85% Senior Notes due June 15, 2028 and \$750 million aggregate principal amount of Series 2023C 5.20% Senior Notes due June 15, 2033.

In July 2023, Southern Company repaid at maturity \$1.25 billion aggregate principal amount of its 2.95% Senior Notes.

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

In September 2023, Southern Company issued \$600 million aggregate principal amount of Series 2023D 5.50% Senior Notes due March 15, 2029 and \$700 million aggregate principal amount of Series 2023E 5.70% Senior Notes due March 15, 2034.

### ***Alabama Power***

During the first nine months of 2023, a subsidiary of Alabama Power borrowed \$19 million under a \$39 million long-term floating rate bank loan entered into in December 2022 with a maturity date of December 12, 2029.

In May 2023, Alabama Power issued \$200 million aggregate principal amount of Series 2023A Floating Rate Senior Notes due May 15, 2073.

In August 2023, the Walker County Economic and Industrial Development Authority issued for the benefit of Alabama Power \$228 million aggregate principal amount of Solid Waste Disposal Revenue Bonds (Alabama Power Company Plant Gorgas Project), First Series 2023 (\$140 million aggregate principal amount) and Second Series 2023 (\$88 million aggregate principal amount) due August 1, 2063. The proceeds from the revenue bonds are being used to finance certain solid waste disposal facilities at Plant Gorgas.

Also in August 2023, the Industrial Development Board of the Town of West Jefferson issued for the benefit of Alabama Power \$98 million aggregate principal amount of Solid Waste Disposal Revenue Bonds (Alabama Power Company Plant Miller Project), Series 2023 due August 1, 2063. The proceeds from the revenue bonds are being used to finance certain solid waste disposal facilities at Plant Miller.

In September 2023, a subsidiary of Alabama Power assumed two fixed rate bank loans totaling \$9 million, both maturing on August 30, 2028.

### ***Georgia Power***

In March 2023, Georgia Power reoffered to the public the following pollution control revenue bonds that previously had been purchased and were held by Georgia Power at December 31, 2022:

- approximately \$28 million aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), Second Series 2006;
- approximately \$89 million aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), Second Series 2009;
- approximately \$49 million aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), First Series 2012;
- approximately \$18 million aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), First Series 2013; and
- \$46 million aggregate principal amount of Development Authority of Burke County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Vogtle Project), First Series 1996.

Also in March 2023, Georgia Power borrowed \$100 million pursuant to a short-term uncommitted bank credit arrangement bearing interest at a mutually agreed upon rate and payable on demand. In April 2023, Georgia Power borrowed an additional \$150 million under the arrangement. In May 2023, Georgia Power repaid the aggregate \$250 million outstanding.

Also in March 2023, Georgia Power repaid at maturity a \$200 million short-term floating rate bank loan entered into in March 2022.

In April 2023, Georgia Power repaid at maturity \$100 million aggregate principal amount of its Series N 5.750% Senior Notes.

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

Also in April 2023, Georgia Power repaid at maturity a \$200 million short-term floating rate bank loan entered into in April 2022.

In May 2023, Georgia Power issued \$750 million aggregate principal amount of Series 2023A 4.65% Senior Notes due May 16, 2028 and \$1.0 billion aggregate principal amount of Series 2023B 4.95% Senior Notes due May 17, 2033.

In July 2023, Georgia Power repaid at maturity \$700 million aggregate principal amount of its Series 2020A 2.10% Senior Notes.

### ***Mississippi Power***

In March 2023, Mississippi Power borrowed \$50 million of short-term debt pursuant to its \$125 million revolving credit arrangement, which it repaid in June 2023.

In June 2023, Mississippi Power issued in a private placement \$65 million aggregate principal amount of Series 2023A 5.64% Senior Notes due July 15, 2026 and \$35 million aggregate principal amount of Series 2023B 5.63% Senior Notes due July 15, 2033.

### ***Southern Power***

In January 2023, Southern Power borrowed \$100 million pursuant to a short-term uncommitted bank credit arrangement bearing interest at a mutually agreed upon rate and payable on demand. During the second quarter 2023, Southern Power made net repayments of \$50 million of the \$100 million borrowed. Subsequent to September 30, 2023, Southern Power borrowed the remaining \$50 million under the arrangement.

In September 2023, Southern Power repaid at maturity \$290 million aggregate principal amount of its Series 2016C 2.75% Senior Notes.

### ***Southern Company Gas***

In February 2023, Nicor Gas repaid its \$150 million and \$50 million short-term floating rate bank loans entered into in February 2022 and March 2022, respectively.

During the first nine months of 2023, Southern Company Gas received cash advances totaling \$29 million under a long-term financing agreement related to a construction contract.

In July 2023, Nicor Gas issued in a private placement \$50 million aggregate principal amount of 5.28% Series First Mortgage Bonds due July 31, 2030 and \$75 million aggregate principal amount of 5.43% Series First Mortgage Bonds due July 31, 2035. Subsequent to September 30, 2023, pursuant to the same agreement, Nicor Gas issued in a private placement \$75 million aggregate principal amount of 5.67% Series First Mortgage Bonds due October 31, 2053 and \$75 million aggregate principal amount of 5.77% Series First Mortgage Bonds due October 31, 2063.

In September 2023, Southern Company Gas Capital issued \$500 million aggregate principal amount of Series 2023A 5.75% Senior Notes due September 15, 2033, guaranteed by Southern Company Gas.

Subsequent to September 30, 2023, Southern Company Gas Capital repaid at maturity \$350 million aggregate principal amount of its 2.450% Senior Notes.

### **Credit Rating Risk**

At September 30, 2023, 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, services 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 September 30, 2023 were as follows:

| Credit Ratings             | Southern<br>Company <sup>(*)</sup> | Alabama<br>Power | Georgia<br>Power | Mississippi<br>Power | Southern<br>Power <sup>(*)</sup> | Southern<br>Company<br>Gas |
|----------------------------|------------------------------------|------------------|------------------|----------------------|----------------------------------|----------------------------|
|                            | <i>(in millions)</i>               |                  |                  |                      |                                  |                            |
| At BBB and/or Baa2         | \$ 33                              | \$ 1             | \$ —             | \$ —                 | \$ 32                            | \$ —                       |
| At BBB- and/or Baa3        | 415                                | 2                | 60               | 1                    | 353                              | —                          |
| At BB+ and/or Ba1 or below | 2,084                              | 411              | 939              | 315                  | 1,275                            | 16                         |

(\*) 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 \$106 million of cash collateral posted related to PPA requirements at September 30, 2023.

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.

On August 2, 2023, S&P revised its credit rating outlook for Southern Company and its subsidiaries to positive from stable.

On September 26, 2023, Moody's upgraded Mississippi Power's senior unsecured long-term debt rating to A3 from Baa1 and revised its rating outlook to stable from positive.

Also on September 26, 2023, Moody's revised its ratings outlooks for Southern Company and Georgia Power to positive from stable.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

During the nine months ended September 30, 2023, there were no material changes to Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, Southern Power's, or Southern Company Gas' disclosures about market risk. For an in-depth discussion of each Registrant's market risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" 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 Rules 13a-15(e) and 15d-15(e) under 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 control 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 third quarter 2023 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 5. Other Information.

There were no adoptions, modifications, or terminations of "Rule 10b5-1 trading arrangements" or "non-Rule 10b5-1 trading arrangements," as defined in Item 408(a) of Regulation S-K, during the three months ended September 30, 2023 by the Registrants' directors and "officers," as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, as amended.

### 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.

#### (3) Articles of Incorporation and By-Laws

##### Alabama Power

- \* (b)1 - [Amended and Restated By-laws of Alabama Power effective October 16, 2023, and as presently in effect.](#)

#### (4) Instruments Describing Rights of Security Holders, Including Indentures

##### Southern Company

- (a)1 - Thirtieth Supplemental Indenture to Senior Note Indenture dated as of September 8, 2023, providing for the issuance of the Series 2023D 5.50% Senior Notes due March 15, 2029. ([Designated in Form 8-K dated September 5, 2023, File No. 1-3526, as Exhibit 4.4\(a\).](#))
- (a)2 - Thirty-First Supplemental Indenture to Senior Note Indenture dated as of September 8, 2023, providing for the issuance of the Series 2023E 5.70% Senior Notes due March 15, 2034. ([Designated in Form 8-K dated September 5, 2023, File No. 1-3526, as Exhibit 4.4\(b\).](#))

##### Southern Company Gas

- (f)1 - Southern Company Gas Capital Corporation's Series 2023A 5.75% Senior Notes due September 15, 2033, Form of Note. ([Designated in Form 8-K dated September 11, 2023, File No. 1-14174 as Exhibit 4.1.](#))
- (f)2 - Southern Company Gas' Guarantee related to the Series 2023A 5.75% Senior Notes due September 15, 2023, Form of Guarantee. ([Designated in Form 8-K dated September 11, 2023, File No. 1-14174 as Exhibit 4.3.](#))
- \* (f)3 - [Supplemental Indenture dated as of July 11, 2023 of Northern Illinois Gas Company to U.S. Bank Trust Company National Association under Indenture dated as of January 1, 1954.](#)

**(24) Power of Attorney and Resolutions****Southern Company**

- (a)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2022, File No. 1-3526 as Exhibit 24\(a\)1.](#))
- (a)2 - Power of Attorney of Christopher C. Womack. ([Designated in the Form 10-Q for the quarter ended June 30, 2023, File No. 1-3526 as Exhibit 24\(a\)2.](#))

**Alabama Power**

- (b)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2022, File No. 1-3164 as Exhibit 24\(b\)1.](#))
- (b)2 - Power of Attorney of Moses H. Feagin. ([Designated in the Form 10-Q for the quarter ended March 31, 2023, File No. 1-3164 as Exhibit 24\(b\)2.](#))

**Georgia Power**

- (c)1 - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2022, File No. 1-6468 as Exhibit 24\(c\)1.](#))
- (c)2 - Power of Attorney of Kimberly S. Greene. ([Designated in the Form 10-Q for the quarter ended March 31, 2023, File No. 1-6468 as Exhibit 24\(c\)2.](#))

**Mississippi Power**

- (d) - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2022, File No. 001-11229 as Exhibit 24\(d\)1.](#))

**Southern Power**

- (e) - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2022, 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, 2022, File No. 1-14174 as Exhibit 24\(f\)1.](#))
- (f)2 - Power of Attorney of James Y. Kerr II. ([Designated in the Form 10-Q for the quarter ended March 31, 2023, 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 - Inline 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 - Inline XBRL Taxonomy Extension Schema Document
- \* CAL - Inline XBRL Taxonomy Calculation Linkbase Document
- \* DEF - Inline XBRL Definition Linkbase Document
- \* LAB - Inline XBRL Taxonomy Label Linkbase Document
- \* PRE - Inline 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 *Christopher C. Womack*  
*President and Chief Executive Officer*  
*(Principal Executive Officer)*

By *Daniel S. Tucker*  
*Executive Vice President and Chief Financial Officer*  
*(Principal Financial Officer)*

By */s/ Melissa K. Caen*  
*(Melissa K. Caen, Attorney-in-fact)*

Date: November 1, 2023

**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 *J. Jeffrey Peoples*  
*Chairman, President, and Chief Executive Officer*  
*(Principal Executive Officer)*

By *Moses H. Feagin*  
*Executive Vice President, Chief Financial Officer, and Treasurer*  
*(Principal Financial Officer)*

By /s/ Melissa K. Caen  
*(Melissa K. Caen, Attorney-in-fact)*

Date: November 1, 2023

**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 *Kimberly S. Greene*  
*Chairman, President, and Chief Executive Officer*  
*(Principal Executive Officer)*

By *Aaron P. Abramovitz*  
*Executive Vice President, Chief Financial Officer, and Treasurer*  
*(Principal Financial Officer)*

By */s/ Melissa K. Caen*  
*(Melissa K. Caen, Attorney-in-fact)*

Date: November 1, 2023

**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 *Matthew P. Grice*  
*Vice President, Chief Financial Officer, and Treasurer*  
*(Principal Financial Officer)*

By */s/ Melissa K. Caen*  
*(Melissa K. Caen, Attorney-in-fact)*

Date: November 1, 2023

**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 Cumiskey*  
*Chairman and Chief Executive Officer*  
*(Principal Executive Officer)*

By *Gary Kerr*  
*Senior Vice President, Chief Financial Officer, and Treasurer*  
*(Principal Financial Officer)*

By */s/ Melissa K. Caen*  
*(Melissa K. Caen, Attorney-in-fact)*

Date: November 1, 2023

**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 *James Y. Kerr II*  
*Chairman, President, and Chief Executive Officer*  
*(Principal Executive Officer)*

By *Grace A. Kolvereid*  
*Executive Vice President, Chief Financial Officer, and Treasurer*  
*(Principal Financial Officer)*

By /s/ Melissa K. Caen  
*(Melissa K. Caen, Attorney-in-fact)*

Date: November 1, 2023