

**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 June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number	Registrant, State of Incorporation, Address and Telephone Number	I.R.S. Employer Identification No.
1-3526	The Southern Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-0690070
1-3164	Alabama Power Company (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35203 (205) 257-1000	63-0004250
1-6468	Georgia Power Company (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
001-37803	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-2598670
1-14174	Southern Company Gas (A Georgia Corporation) Ten Peachtree Place, N.E. Atlanta, Georgia 30309 (404) 584-4000	58-2210952

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

Registrant	Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
The Southern Company	Common Stock, par value \$5 per share	SO	New York Stock Exchange (NYSE)
The Southern Company	Series 2015A 6.25% Junior Subordinated Notes due 2075	SOJA	NYSE
The Southern Company	Series 2016A 5.25% Junior Subordinated Notes due 2076	SOJB	NYSE
The Southern Company	Series 2017B 5.25% Junior Subordinated Notes due 2077	SOJC	NYSE
The Southern Company	2019 Series A Corporate Units	SOLN	NYSE
The Southern Company	Series 2020A 4.95% Junior Subordinated Notes due 2080	SOJD	NYSE
Alabama Power Company	5.00% Series Class A Preferred Stock	ALP PR Q	NYSE
Georgia Power Company	Series 2017A 5.00% Junior Subordinated Notes due 2077	GPJA	NYSE
Southern Power Company	Series 2016A 1.000% Senior Notes due 2022	SO/22B	NYSE
Southern Power Company	Series 2016B 1.850% Senior Notes due 2026	SO/26A	NYSE

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

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

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

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

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

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

Registrant	Description of Common Stock	Shares Outstanding at June 30, 2020
The Southern Company	Par Value \$5 Per Share	1,056,130,748
Alabama Power Company	Par Value \$40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000
Southern Company Gas	Par Value \$0.01 Per Share	100

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

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DEFINITIONS

<u>Term</u>	<u>Meaning</u>
2013 ARP	Alternate Rate Plan approved by the Georgia PSC in 2013 for Georgia Power for the years 2014 through 2016 and subsequently extended through 2019
2019 ARP	Alternate Rate Plan approved by the Georgia PSC in 2019 for Georgia Power for the years 2020 through 2022
AFUDC	Allowance for funds used during construction
Alabama Power	Alabama Power Company
Amended and Restated Loan Guarantee Agreement	Loan guarantee agreement entered into by Georgia Power with the DOE in 2014, as amended and restated in March 2019, under which the proceeds of borrowings may be used to reimburse Georgia Power for Eligible Project Costs incurred in connection with its construction of Plant Vogtle Units 3 and 4
ARO	Asset retirement obligation
ASU	Accounting Standards Update
Atlanta Gas Light	Atlanta Gas Light Company, a wholly-owned subsidiary of Southern Company Gas
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas held a 5% interest through March 24, 2020
Autauga Combined Cycle Acquisition	The purchase and sale agreement entered into in September 2019 by Alabama Power to acquire all of the equity interest in Tenaska Alabama Partners, L.P., the owner and operator of an approximately 885-MW combined cycle generation facility in Autauga County, Alabama
Bechtel	Bechtel Power Corporation, the primary contractor for the remaining construction activities for Plant Vogtle Units 3 and 4
Bechtel Agreement	The October 23, 2017 construction completion agreement between the Vogtle Owners and Bechtel
CCR	Coal combustion residuals
CCR Rule	Disposal of Coal Combustion Residuals from Electric Utilities final rule published by the EPA in 2015
Chattanooga Gas	Chattanooga Gas Company, a wholly-owned subsidiary of Southern Company Gas
COD	Commercial operation date
Contractor Settlement Agreement	The December 31, 2015 agreement between Westinghouse and the Vogtle Owners resolving disputes between the Vogtle Owners and the EPC Contractor under the Vogtle 3 and 4 Agreement
COVID-19	The novel coronavirus disease declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention in March 2020
CWIP	Construction work in progress
Dalton	City of Dalton, Georgia, an incorporated municipality in the State of Georgia, acting by and through its Board of Water, Light, and Sinking Fund Commissioners
Dalton Pipeline	A pipeline facility in Georgia in which Southern Company Gas has a 50% undivided ownership interest
DOE	U.S. Department of Energy
ECO Plan	Mississippi Power's environmental compliance overview plan
Eligible Project Costs	Certain costs of construction relating to Plant Vogtle Units 3 and 4 that are eligible for financing under the loan guarantee program established under Title XVII of the Energy Policy Act of 2005
EPA	U.S. Environmental Protection Agency
EPC Contractor	Westinghouse and its affiliate, WECTEC Global Project Services Inc.; the former engineering, procurement, and construction contractor for Plant Vogtle Units 3 and 4
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
FFB Credit Facilities	Note purchase agreements among the DOE, Georgia Power, and the FFB and related promissory notes which provide for two multi-advance term loan facilities

DEFINITIONS (continued)

<u>Term</u>	<u>Meaning</u>
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, 2019, as applicable
GAAP.....	U.S. generally accepted accounting principles
Georgia Power	Georgia Power Company
GRAM	Atlanta Gas Light's Georgia Rate Adjustment Mechanism
Guarantee Settlement Agreement.....	The June 9, 2017 settlement agreement between the Vogtle Owners and Toshiba related to certain payment obligations of the EPC Contractor guaranteed by Toshiba
Gulf Power.....	Gulf Power Company, until January 1, 2019 a wholly-owned subsidiary of Southern 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
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
LOCOM.....	Lower of weighted average cost or current market price
LTSA.....	Long-term service agreement
Marketers	Marketers selling retail natural gas in Georgia and certificated by the Georgia PSC
MEAG Power	Municipal Electric Authority of Georgia
Mississippi Power.....	Mississippi Power Company
mmBtu	Million British thermal units
Moody's	Moody's Investors Service, Inc.
MRA	Municipal and Rural Associations
MW	Megawatt
natural gas distribution utilities	Southern Company Gas' natural gas distribution utilities (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas)
NCCR	Georgia Power's Nuclear Construction Cost Recovery
NDR.....	Alabama Power's Natural Disaster Reserve
NextEra Energy	NextEra Energy, Inc.
Nicor Gas	Northern Illinois Gas Company, a wholly-owned subsidiary of Southern Company Gas
NRC	U.S. Nuclear Regulatory Commission
NYMEX.....	New York Mercantile Exchange, Inc.
OCI	Other comprehensive income
PennEast Pipeline	PennEast Pipeline Company, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas has a 20% ownership interest
PEP.....	Mississippi Power's Performance Evaluation Plan
Pivotal LNG.....	Pivotal LNG, Inc., through March 24, 2020 a wholly-owned subsidiary of Southern Company Gas

DEFINITIONS (continued)

<u>Term</u>	<u>Meaning</u>
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, and Rate CNP PPA
Rate ECR	Alabama Power's Rate Energy Cost Recovery
Rate NDR.....	Alabama Power's Rate Natural Disaster Reserve
Rate RSE.....	Alabama Power's Rate Stabilization and Equalization
Registrants	Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power Company, and Southern Company Gas
ROE	Return on equity
S&P	S&P Global Ratings, a division of S&P Global Inc.
SCS	Southern Company Services, Inc., the Southern Company system service company and a wholly-owned subsidiary of Southern Company
SEC	U.S. Securities and Exchange Commission
SNG	Southern Natural Gas Company, L.L.C., a pipeline system in which Southern Company Gas has a 50% ownership interest
Southern Company	The Southern Company
Southern Company Gas	Southern Company Gas and its subsidiaries
Southern Company Gas Capital.....	Southern Company Gas Capital Corporation, a 100%-owned subsidiary of Southern Company Gas
Southern Company power pool	The operating arrangement whereby the integrated generating resources of the traditional electric operating companies and Southern Power (excluding subsidiaries) are subject to joint commitment and dispatch in order to serve their combined load obligations
Southern Company system ...	Southern Company, the traditional electric operating companies, Southern Power, Southern Company Gas, Southern Electric Generating Company, Southern Nuclear, SCS, Southern Communications Services, Inc., PowerSecure, and other subsidiaries
Southern Holdings	Southern Company Holdings, Inc., a wholly-owned subsidiary of Southern Company
Southern Nuclear	Southern Nuclear Operating Company, Inc., a wholly-owned subsidiary of Southern Company
Southern Power.....	Southern Power Company and its subsidiaries
SouthStar.....	SouthStar Energy Services, LLC, a wholly-owned subsidiary of Southern Company Gas
SP Solar.....	SP Solar Holdings I, LP, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, in which Southern Power has a 67% ownership interest
SP Wind	SP Wind Holdings II, LLC, a holding company owning a portfolio of eight operating wind facilities, in which Southern Power is the controlling partner in a tax equity arrangement
Subsidiary Registrants	Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas
Tax Reform	The impact of the Tax Cuts and Jobs Act, which became effective on January 1, 2018
Toshiba.....	Toshiba Corporation, the parent company of Westinghouse
traditional electric operating companies	Alabama Power, Georgia Power, and Mississippi Power
Triton	Triton Container Investments, LLC, an investment of Southern Company Gas through May 29, 2019
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

DEFINITIONS
(continued)

<u>Term</u>	<u>Meaning</u>
Vogtle 3 and 4 Agreement.....	Agreement entered into with the EPC Contractor in 2008 by Georgia Power, acting for itself and as agent for the Vogtle Owners, and rejected in bankruptcy in July 2017, pursuant to which the EPC Contractor agreed to design, engineer, procure, construct, and test Plant Vogtle Units 3 and 4
Vogtle Owners	Georgia Power, Oglethorpe Power Corporation, MEAG 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
Xcel.....	Xcel Energy Inc.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

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

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

- in the event Georgia Power becomes obligated to provide funding to MEAG Power with respect to the portion of MEAG Power's ownership interest in Plant Vogtle Units 3 and 4 involving JEA, any inability of Georgia Power to receive repayment of such funding;
- the ability to construct facilities in accordance with the requirements of permits and licenses (including satisfaction of NRC requirements), to satisfy any environmental performance standards and the requirements of tax credits and other incentives, and to integrate facilities into the Southern Company system upon completion of construction;
- investment performance of the employee and retiree benefit plans and nuclear decommissioning trust funds;
- advances in technology;
- performance of counterparties under ongoing renewable energy partnerships and development agreements;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to ROE, equity ratios, additional generating capacity, and fuel and other cost recovery mechanisms;
- the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions;
- the inherent risks involved in operating and constructing nuclear generating facilities;
- the inherent risks involved in transporting and storing natural gas;
- the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities;
- internal restructuring or other restructuring options that may be pursued;
- potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with wholesale customers;
- the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or physical attack and the threat of physical attacks;
- interest rate fluctuations and financial market conditions and the results of financing efforts;
- access to capital markets and other financing sources;
- changes in Southern Company's and any of its subsidiaries' credit ratings;
- changes in the method of determining LIBOR or the replacement of LIBOR with an alternative reference rate;
- the ability of Southern Company's electric utilities to obtain additional generating capacity (or sell excess generating capacity) at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events, or other similar occurrences;
- the direct or indirect effects on the Southern Company system's business resulting from incidents affecting the U.S. electric grid, natural gas pipeline infrastructure, or operation of generating or storage resources;
- impairments of goodwill or long-lived assets;
- the effect of accounting pronouncements issued periodically by standard-setting bodies; and
- other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed by the Registrants from time to time with the SEC.

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

PART I

Item 1. Financial Statements (Unaudited).

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Operating Revenues:				
Retail electric revenues	\$ 3,182	\$ 3,540	\$ 6,260	\$ 6,623
Wholesale electric revenues	472	542	889	1,041
Other electric revenues	168	161	320	331
Natural gas revenues (includes alternative revenue programs of \$(2), \$1, \$7, and \$-, respectively)	636	689	1,885	2,163
Other revenues	162	166	284	352
Total operating revenues	4,620	5,098	9,638	10,510
Operating Expenses:				
Fuel	621	914	1,257	1,764
Purchased power	200	201	381	371
Cost of natural gas	144	191	583	877
Cost of other sales	74	84	129	203
Other operations and maintenance	1,203	1,320	2,498	2,634
Depreciation and amortization	873	755	1,730	1,506
Taxes other than income taxes	298	299	629	628
Estimated loss on Plant Vogtle Units 3 and 4	149	—	149	—
(Gain) loss on dispositions, net	—	(8)	(39)	(2,506)
Total operating expenses	3,562	3,756	7,317	5,477
Operating Income	1,058	1,342	2,321	5,033
Other Income and (Expense):				
Allowance for equity funds used during construction	35	31	68	63
Earnings from equity method investments	30	33	72	81
Interest expense, net of amounts capitalized	(444)	(429)	(900)	(859)
Impairment of leveraged lease	(154)	—	(154)	—
Other income (expense), net	101	99	204	176
Total other income and (expense)	(432)	(266)	(710)	(539)
Earnings Before Income Taxes	626	1,076	1,611	4,494
Income taxes	5	145	150	1,505
Consolidated Net Income	621	931	1,461	2,989
Dividends on preferred stock of subsidiaries	4	3	7	7
Net income (loss) attributable to noncontrolling interests	5	29	(26)	—
Consolidated Net Income Attributable to Southern Company	\$ 612	\$ 899	\$ 1,480	\$ 2,982
Common Stock Data:				
Earnings per share -				
Basic	\$ 0.58	\$ 0.86	\$ 1.40	\$ 2.86
Diluted	\$ 0.58	\$ 0.85	\$ 1.39	\$ 2.84
Average number of shares of common stock outstanding (in millions)				
Basic	1,058	1,044	1,057	1,041
Diluted	1,063	1,052	1,065	1,049

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Consolidated Net Income	\$ 621	\$ 931	\$ 1,461	\$ 2,989
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$4, \$(11), \$(26), and \$(21), respectively	10	(32)	(75)	(60)
Reclassification adjustment for amounts included in net income, net of tax of \$(3), \$(1), \$10, and \$8, respectively	(9)	(3)	29	24
Pension and other postretirement benefit plans:				
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$-, \$2, and \$-, respectively	3	—	3	1
Total other comprehensive income (loss)	4	(35)	(43)	(35)
Comprehensive Income	625	896	1,418	2,954
Dividends on preferred stock of subsidiaries	4	3	7	7
Comprehensive income (loss) attributable to noncontrolling interests	5	29	(26)	—
Consolidated Comprehensive Income Attributable to Southern Company	\$ 616	\$ 864	\$ 1,437	\$ 2,947

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 Six Months Ended June 30,	
	2020	2019
	(in millions)	
Operating Activities:		
Consolidated net income	\$ 1,461	\$ 2,989
Adjustments to reconcile consolidated net income to net cash provided from operating activities —		
Depreciation and amortization, total	1,916	1,623
Deferred income taxes	(218)	274
Utilization of federal investment tax credits	—	427
Allowance for equity funds used during construction	(68)	(63)
Pension, postretirement, and other employee benefits	(119)	(65)
Settlement of asset retirement obligations	(193)	(143)
Stock based compensation expense	84	75
Estimated loss on Plant Vogtle Units 3 and 4	149	—
Storm damage reserve accruals	117	23
Impairment charges	154	32
(Gain) loss on dispositions, net	(35)	(2,512)
Other, net	43	(3)
Changes in certain current assets and liabilities —		
-Receivables	292	653
-Prepayments	(102)	(53)
-Natural gas for sale	182	255
-Other current assets	(253)	(18)
-Accounts payable	(467)	(1,045)
-Accrued taxes	258	511
-Accrued compensation	(347)	(312)
-Retail fuel cost over recovery	174	2
-Customer refunds	(223)	(35)
-Other current liabilities	42	(102)
Net cash provided from operating activities	2,847	2,513
Investing Activities:		
Property additions	(3,202)	(3,484)
Nuclear decommissioning trust fund purchases	(524)	(405)
Nuclear decommissioning trust fund sales	519	400
Proceeds from dispositions and asset sales	983	5,000
Cost of removal, net of salvage	(130)	(197)
Change in construction payables, net	(103)	(107)
Investment in unconsolidated subsidiaries	(78)	(134)
Payments pursuant to LTSAs	(91)	(64)
Other investing activities	(29)	(7)
Net cash provided from (used for) investing activities	(2,655)	1,002
Financing Activities:		
Increase (decrease) in notes payable, net	(1,170)	83
Proceeds —		
Long-term debt	4,293	1,390
Common stock	59	452
Short-term borrowings	615	250
Redemptions and repurchases —		
Long-term debt	(2,444)	(2,560)
Short-term borrowings	(190)	(1,850)
Distributions to noncontrolling interests	(118)	(82)
Capital contributions from noncontrolling interests	172	5
Payment of common stock dividends	(1,332)	(1,269)
Other financing activities	(170)	(67)
Net cash used for financing activities	(285)	(3,648)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(93)	(133)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	1,978	1,519
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 1,885	\$ 1,386
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$41 and \$36 capitalized for 2020 and 2019, respectively)	\$ 852	\$ 844
Income taxes, net	(8)	210
Noncash transactions —		
Accrued property additions at end of period	828	988
Right-of-use assets obtained under operating leases	87	55
Right-of-use assets obtained under finance leases	7	33

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 June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 1,879	\$ 1,975
Receivables —		
Customer accounts receivable	1,613	1,614
Energy marketing receivables	273	428
Unbilled revenues	553	599
Other accounts and notes receivable	549	817
Accumulated provision for uncollectible accounts	(89)	(49)
Materials and supplies	1,490	1,388
Fossil fuel for generation	609	521
Natural gas for sale	282	479
Prepaid expenses	502	314
Assets from risk management activities, net of collateral	120	183
Regulatory assets – asset retirement obligations	252	287
Other regulatory assets	846	885
Assets held for sale	—	188
Other current assets	190	188
Total current assets	9,069	9,817
Property, Plant, and Equipment:		
In service	107,320	105,114
Less: Accumulated depreciation	31,477	30,765
Plant in service, net of depreciation	75,843	74,349
Nuclear fuel, at amortized cost	835	851
Construction work in progress	8,351	7,880
Total property, plant, and equipment	85,029	83,080
Other Property and Investments:		
Goodwill	5,280	5,280
Equity investments in unconsolidated subsidiaries	1,363	1,303
Other intangible assets, net of amortization of \$304 and \$280 at June 30, 2020 and December 31, 2019, respectively	511	536
Nuclear decommissioning trusts, at fair value	2,014	2,036
Leveraged leases	647	788
Miscellaneous property and investments	379	391
Total other property and investments	10,194	10,334
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,776	1,800
Deferred charges related to income taxes	797	798
Unamortized loss on reacquired debt	290	300
Regulatory assets – asset retirement obligations, deferred	4,586	4,094
Other regulatory assets, deferred	6,606	6,805
Assets held for sale, deferred	—	601
Other deferred charges and assets	1,384	1,071
Total deferred charges and other assets	15,439	15,469
Total Assets	\$ 119,731	\$ 118,700

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

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

Liabilities and Stockholders' Equity	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 1,596	\$ 2,989
Notes payable	1,185	2,055
Energy marketing trade payables	284	442
Accounts payable	1,787	2,115
Customer deposits	490	496
Accrued taxes —		
Accrued income taxes	27	—
Other accrued taxes	517	659
Accrued interest	499	474
Accrued compensation	666	992
Asset retirement obligations	575	504
Other regulatory liabilities	558	756
Liabilities held for sale	—	5
Operating lease obligations	235	229
Other current liabilities	915	830
Total current liabilities	9,334	12,546
Long-term Debt	45,138	41,798
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	8,298	7,888
Deferred credits related to income taxes	5,860	6,078
Accumulated deferred ITCs	2,271	2,291
Employee benefit obligations	1,789	1,814
Operating lease obligations, deferred	1,611	1,615
Asset retirement obligations, deferred	9,699	9,282
Accrued environmental remediation	220	234
Other cost of removal obligations	2,258	2,239
Other regulatory liabilities, deferred	371	256
Other deferred credits and liabilities	630	609
Total deferred credits and other liabilities	33,007	32,306
Total Liabilities	87,479	86,650
Redeemable Preferred Stock of Subsidiaries	291	291
Total Stockholders' Equity (See accompanying statements)	31,961	31,759
Total Liabilities and Stockholders' Equity	\$ 119,731	\$ 118,700

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

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

	Southern Company Common Stockholders' Equity								
	Number of Common Shares		Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Issued	Treasury	Par Value	Paid-In Capital	Treasury				
(in millions)									
Balance at December 31, 2018	1,035	(1)	\$ 5,164	\$ 11,094	\$ (38)	\$ 8,706	\$ (203)	\$ 4,316	\$ 29,039
Consolidated net income (loss)	—	—	—	—	—	2,084	—	(29)	2,055
Stock issued	6	—	28	196	—	—	—	—	224
Stock-based compensation	—	—	—	24	—	—	—	—	24
Cash dividends of \$0.60 per share	—	—	—	—	—	(623)	—	—	(623)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	3	3
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(41)	(41)
Other	—	—	—	7	(2)	—	—	1	6
Balance at March 31, 2019	1,041	(1)	5,192	11,321	(40)	10,167	(203)	4,250	30,687
Consolidated net income	—	—	—	—	—	899	—	29	928
Other comprehensive income (loss)	—	—	—	—	—	—	(35)	—	(35)
Stock issued	5	—	25	203	—	—	—	—	228
Stock-based compensation	—	—	—	11	—	—	—	—	11
Cash dividends of \$0.62 per share	—	—	—	—	—	(646)	—	—	(646)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	2	2
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(47)	(47)
Other	—	—	—	5	(1)	—	—	(1)	3
Balance at June 30, 2019	1,046	(1)	\$ 5,217	\$ 11,540	\$ (41)	\$ 10,420	\$ (238)	\$ 4,233	\$ 31,131

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

	Southern Company Common Stockholders' Equity								
	Number of Common Shares		Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Issued	Treasury	Par Value	Paid-In Capital	Treasury				
(in millions)									
Balance at December 31, 2019	1,054	(1)	\$ 5,257	\$ 11,734	\$ (42)	\$ 10,877	\$ (321)	\$ 4,254	\$ 31,759
Consolidated net income (loss)	—	—	—	—	—	868	—	(31)	837
Other comprehensive income (loss)	—	—	—	—	—	—	(47)	—	(47)
Stock issued	3	—	9	43	—	—	—	—	52
Stock-based compensation	—	—	—	5	—	—	—	—	5
Cash dividends of \$0.62 per share	—	—	—	—	—	(655)	—	—	(655)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	16	16
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(48)	(48)
Other	—	—	—	—	(2)	(2)	1	—	(3)
Balance at March 31, 2020	1,057	(1)	5,266	11,782	(44)	11,088	(367)	4,191	31,916
Consolidated net income	—	—	—	—	—	612	—	5	617
Other comprehensive income	—	—	—	—	—	—	4	—	4
Stock issued	—	—	—	7	—	—	—	—	7
Stock-based compensation	—	—	—	11	—	—	—	—	11
Cash dividends of \$0.64 per share	—	—	—	—	—	(677)	—	—	(677)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	165	165
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(70)	(70)
Other	—	—	—	(13)	—	1	—	—	(12)
Balance at June 30, 2020	1,057	(1)	\$ 5,266	\$ 11,787	\$ (44)	\$ 11,024	\$ (363)	\$ 4,291	\$ 31,961

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

ALABAMA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Operating Revenues:				
Retail revenues	\$ 1,223	\$ 1,378	\$ 2,427	\$ 2,592
Wholesale revenues, non-affiliates	54	62	111	123
Wholesale revenues, affiliates	7	4	26	63
Other revenues	81	69	152	143
Total operating revenues	1,365	1,513	2,716	2,921
Operating Expenses:				
Fuel	199	252	415	553
Purchased power, non-affiliates	49	47	89	84
Purchased power, affiliates	30	69	49	90
Other operations and maintenance	342	402	690	812
Depreciation and amortization	202	200	402	399
Taxes other than income taxes	102	98	208	200
Total operating expenses	924	1,068	1,853	2,138
Operating Income	441	445	863	783
Other Income and (Expense):				
Allowance for equity funds used during construction	11	14	22	28
Interest expense, net of amounts capitalized	(83)	(82)	(171)	(165)
Other income (expense), net	26	11	48	25
Total other income and (expense)	(46)	(57)	(101)	(112)
Earnings Before Income Taxes	395	388	762	671
Income taxes	93	89	177	151
Net Income	302	299	585	520
Dividends on Preferred Stock	4	3	7	7
Net Income After Dividends on Preferred Stock	\$ 298	\$ 296	\$ 578	\$ 513

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Net Income	\$ 302	\$ 299	\$ 585	\$ 520
Other comprehensive income (loss):				
Qualifying hedges:				
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$-, \$1, and \$1, respectively	1	1	2	2
Total other comprehensive income (loss)	1	1	2	2
Comprehensive Income	\$ 303	\$ 300	\$ 587	\$ 522

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 Six Months Ended June 30,	
	2020	2019
	(in millions)	
Operating Activities:		
Net income	\$ 585	\$ 520
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	484	493
Deferred income taxes	38	138
Allowance for equity funds used during construction	(22)	(28)
Pension, postretirement, and other employee benefits	(50)	(13)
Settlement of asset retirement obligations	(100)	(43)
Other, net	45	(1)
Changes in certain current assets and liabilities —		
-Prepayments	(62)	(59)
-Materials and supplies	(38)	5
-Other current assets	(65)	(4)
-Accounts payable	(232)	(246)
-Accrued taxes	197	8
-Accrued compensation	(75)	(88)
-Retail fuel cost over recovery	66	—
-Customer refunds	(64)	(1)
-Other current liabilities	(33)	14
Net cash provided from operating activities	674	695
Investing Activities:		
Property additions	(686)	(833)
Nuclear decommissioning trust fund purchases	(160)	(139)
Nuclear decommissioning trust fund sales	160	139
Cost of removal, net of salvage	(29)	(48)
Change in construction payables	(53)	(103)
Other investing activities	(15)	(18)
Net cash used for investing activities	(783)	(1,002)
Financing Activities:		
Proceeds —		
Capital contributions from parent company	610	1,254
Pollution control revenue bonds	87	—
Redemptions —		
Pollution control revenue bonds	(87)	—
Senior notes	—	(200)
Payment of common stock dividends	(479)	(422)
Other financing activities	(15)	(15)
Net cash provided from financing activities	116	617
Net Change in Cash, Cash Equivalents, and Restricted Cash	7	310
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	894	313
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 901	\$ 623
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$7 and \$10 capitalized for 2020 and 2019, respectively)	\$ 161	\$ 154
Income taxes, net	—	63
Noncash transactions —		
Accrued property additions at end of period	147	168
Right-of-use assets obtained under operating leases	2	5
Right-of-use assets obtained under finance leases	1	1

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 June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 901	\$ 894
Receivables —		
Customer accounts receivable	407	425
Unbilled revenues	153	134
Affiliated	37	37
Other accounts and notes receivable	51	72
Accumulated provision for uncollectible accounts	(21)	(22)
Fossil fuel stock	250	212
Materials and supplies	545	512
Prepaid expenses	101	50
Other regulatory assets	226	242
Other current assets	55	30
Total current assets	2,705	2,586
Property, Plant, and Equipment:		
In service	30,619	30,023
Less: Accumulated provision for depreciation	9,647	9,540
Plant in service, net of depreciation	20,972	20,483
Nuclear fuel, at amortized cost	275	296
Construction work in progress	830	890
Total property, plant, and equipment	22,077	21,669
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	63	66
Nuclear decommissioning trusts, at fair value	978	1,023
Miscellaneous property and investments	131	128
Total other property and investments	1,172	1,217
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	113	132
Deferred charges related to income taxes	243	244
Deferred under recovered regulatory clause revenues	41	40
Regulatory assets – asset retirement obligations	1,491	1,019
Other regulatory assets, deferred	1,922	1,976
Other deferred charges and assets	362	269
Total deferred charges and other assets	4,172	3,680
Total Assets	\$ 30,126	\$ 29,152

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

ALABAMA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 496	\$ 251
Accounts payable —		
Affiliated	261	316
Other	312	514
Customer deposits	103	100
Accrued taxes	274	78
Accrued interest	93	92
Accrued compensation	156	216
Asset retirement obligations	254	195
Other regulatory liabilities	73	193
Other current liabilities	101	105
Total current liabilities	<u>2,123</u>	<u>2,060</u>
Long-term Debt	<u>8,028</u>	<u>8,270</u>
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,325	3,260
Deferred credits related to income taxes	1,932	1,960
Accumulated deferred ITCs	97	100
Employee benefit obligations	200	206
Operating lease obligations	91	107
Asset retirement obligations, deferred	3,722	3,345
Other cost of removal obligations	392	412
Other regulatory liabilities, deferred	217	146
Other deferred credits and liabilities	38	40
Total deferred credits and other liabilities	<u>10,014</u>	<u>9,576</u>
Total Liabilities	<u>20,165</u>	<u>19,906</u>
Redeemable Preferred Stock	<u>291</u>	<u>291</u>
Common Stockholder's Equity (See accompanying statements)	<u>9,670</u>	<u>8,955</u>
Total Liabilities and Stockholder's Equity	<u>\$ 30,126</u>	<u>\$ 29,152</u>

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

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

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
			<i>(in millions)</i>			
Balance at December 31, 2018	31	\$ 1,222	\$ 3,508	\$ 2,775	\$ (28)	\$ 7,477
Net income after dividends on preferred stock	—	—	—	217	—	217
Capital contributions from parent company	—	—	1,236	—	—	1,236
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(211)	—	(211)
Balance at March 31, 2019	31	1,222	4,744	2,781	(27)	8,720
Net income after dividends on preferred stock	—	—	—	296	—	296
Capital contributions from parent company	—	—	23	—	—	23
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(211)	—	(211)
Balance at June 30, 2019	31	\$ 1,222	\$ 4,767	\$ 2,866	\$ (26)	\$ 8,829
Balance at December 31, 2019	31	\$ 1,222	\$ 4,755	\$ 3,001	\$ (23)	\$ 8,955
Net income after dividends on preferred stock	—	—	—	280	—	280
Capital contributions from parent company	—	—	612	—	—	612
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(239)	—	(239)
Balance at March 31, 2020	31	1,222	5,367	3,042	(22)	9,609
Net income after dividends on preferred stock	—	—	—	298	—	298
Capital contributions from parent company	—	—	1	—	—	1
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(239)	—	(239)
Balance at June 30, 2020	31	\$ 1,222	\$ 5,368	\$ 3,101	\$ (21)	\$ 9,670

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

GEORGIA POWER COMPANY
CONDENSED STATEMENTS OF INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Operating Revenues:				
Retail revenues	\$ 1,760	\$ 1,946	\$ 3,435	\$ 3,614
Wholesale revenues	25	36	51	67
Other revenues	143	135	268	270
Total operating revenues	<u>1,928</u>	<u>2,117</u>	<u>3,754</u>	<u>3,951</u>
Operating Expenses:				
Fuel	226	390	458	689
Purchased power, non-affiliates	133	124	262	242
Purchased power, affiliates	122	134	251	310
Other operations and maintenance	463	463	928	913
Depreciation and amortization	354	244	707	483
Taxes other than income taxes	108	115	221	220
Estimated loss on Plant Vogtle Units 3 and 4	149	—	149	—
Total operating expenses	<u>1,555</u>	<u>1,470</u>	<u>2,976</u>	<u>2,857</u>
Operating Income	<u>373</u>	<u>647</u>	<u>778</u>	<u>1,094</u>
Other Income and (Expense):				
Interest expense, net of amounts capitalized	(105)	(105)	(216)	(201)
Other income (expense), net	51	35	103	77
Total other income and (expense)	<u>(54)</u>	<u>(70)</u>	<u>(113)</u>	<u>(124)</u>
Earnings Before Income Taxes	<u>319</u>	<u>577</u>	<u>665</u>	<u>970</u>
Income taxes	11	129	27	211
Net Income	<u>\$ 308</u>	<u>\$ 448</u>	<u>\$ 638</u>	<u>\$ 759</u>

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Net Income	\$ 308	\$ 448	\$ 638	\$ 759
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$-, \$(9), \$(1), and \$(9),	—	(28)	(2)	(28)
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$-, \$1, and \$-, respectively	2	1	3	1
Total other comprehensive income (loss)	<u>2</u>	<u>(27)</u>	<u>1</u>	<u>(27)</u>
Comprehensive Income	<u>\$ 310</u>	<u>\$ 421</u>	<u>\$ 639</u>	<u>\$ 732</u>

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 Six Months Ended
June 30,

2020 **2019**
(in millions)

Operating Activities:		
Net income	\$ 638	\$ 759
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	800	583
Deferred income taxes	(202)	153
Allowance for equity funds used during construction	(40)	(31)
Pension, postretirement, and other employee benefits	(55)	(56)
Settlement of asset retirement obligations	(78)	(76)
Storm damage reserve accruals	107	15
Estimated loss on Plant Vogtle Units 3 and 4	149	—
Other, net	19	17
Changes in certain current assets and liabilities —		
-Receivables	(73)	(43)
-Fossil fuel stock	(52)	(26)
-Prepaid income taxes	—	63
-Materials and supplies	(61)	2
-Other current assets	(26)	19
-Accounts payable	—	(94)
-Accrued taxes	87	(139)
-Accrued compensation	(69)	(32)
-Retail fuel cost over recovery	109	—
-Customer refunds	(159)	(19)
-Other current liabilities	30	17
Net cash provided from operating activities	<u>1,124</u>	<u>1,112</u>
Investing Activities:		
Property additions	(1,650)	(1,712)
Nuclear decommissioning trust fund purchases	(365)	(266)
Nuclear decommissioning trust fund sales	359	260
Cost of removal, net of salvage	(62)	(107)
Change in construction payables, net of joint owner portion	(48)	(5)
Payments pursuant to LTSAs	(41)	(9)
Proceeds from dispositions and asset sales	143	9
Other investing activities	5	(4)
Net cash used for investing activities	<u>(1,659)</u>	<u>(1,834)</u>
Financing Activities:		
Increase (decrease) in notes payable, net	(25)	11
Proceeds —		
FFB loan	519	835
Senior notes	1,500	—
Pollution control revenue bonds	53	513
Short-term borrowings	250	250
Capital contributions from parent company	500	46
Redemptions and repurchases —		
Senior notes	(950)	—
Pollution control revenue bonds	(148)	(223)
FFB loan	(32)	—
Payment of common stock dividends	(771)	(788)
Other financing activities	(27)	(24)
Net cash provided from financing activities	<u>869</u>	<u>620</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	334	(102)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	52	112
Cash, Cash Equivalents, and Restricted Cash at End of Period	<u>\$ 386</u>	<u>\$ 10</u>
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$22 and \$16 capitalized for 2020 and 2019, respectively)	\$ 180	\$ 179
Income taxes, net	—	(6)
Noncash transactions —		
Accrued property additions at end of period	478	650
Right-of-use assets obtained under operating leases	29	13
Right-of-use assets obtained under finance leases	—	28

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 June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 386	\$ 52
Receivables —		
Customer accounts receivable	580	533
Unbilled revenues	261	203
Joint owner accounts receivable	104	136
Affiliated	28	21
Other accounts and notes receivable	42	209
Accumulated provision for uncollectible accounts	(28)	(2)
Fossil fuel stock	324	272
Materials and supplies	558	501
Prepaid expenses	58	63
Regulatory assets – storm damage reserves	213	213
Regulatory assets – asset retirement obligations	215	254
Other regulatory assets	276	263
Other current assets	62	77
Total current assets	3,079	2,795
Property, Plant, and Equipment:		
In service	38,852	38,137
Less: Accumulated provision for depreciation	11,964	11,753
Plant in service, net of depreciation	26,888	26,384
Nuclear fuel, at amortized cost	560	555
Construction work in progress	6,254	5,650
Total property, plant, and equipment	33,702	32,589
Other Property and Investments:		
Equity investments in unconsolidated subsidiaries	50	52
Nuclear decommissioning trusts, at fair value	1,036	1,013
Miscellaneous property and investments	65	64
Total other property and investments	1,151	1,129
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,382	1,428
Deferred charges related to income taxes	519	519
Regulatory assets – asset retirement obligations, deferred	2,894	2,865
Other regulatory assets, deferred	2,610	2,716
Other deferred charges and assets	488	500
Total deferred charges and other assets	7,893	8,028
Total Assets	\$ 45,825	\$ 44,541

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

GEORGIA POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 536	\$ 1,025
Notes payable	465	365
Accounts payable —		
Affiliated	493	512
Other	672	711
Customer deposits	284	283
Accrued taxes	442	407
Accrued interest	133	118
Accrued compensation	152	233
Operating lease obligations	150	144
Asset retirement obligations	279	265
Over recovered fuel clause revenues	109	—
Other regulatory liabilities	290	447
Other current liabilities	206	187
Total current liabilities	4,211	4,697
Long-term Debt	12,337	10,791
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,190	3,257
Deferred credits related to income taxes	2,730	2,862
Accumulated deferred ITCs	273	255
Employee benefit obligations	500	540
Operating lease obligations, deferred	1,258	1,282
Asset retirement obligations, deferred	5,556	5,519
Other deferred credits and liabilities	333	273
Total deferred credits and other liabilities	13,840	13,988
Total Liabilities	30,388	29,476
Common Stockholder's Equity (See accompanying statements)	15,437	15,065
Total Liabilities and Stockholder's Equity	\$ 45,825	\$ 44,541

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

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

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in millions)</i>						
Balance at December 31, 2018	9	\$ 398	\$ 10,322	\$ 3,612	\$ (9)	\$ 14,323
Net income	—	—	—	311	—	311
Capital contributions from parent company	—	—	29	—	—	29
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(394)	—	(394)
Other	—	—	(1)	—	—	(1)
Balance at March 31, 2019	9	398	10,350	3,529	(8)	14,269
Net income	—	—	—	448	—	448
Capital contributions from parent company	—	—	20	—	—	20
Other comprehensive income (loss)	—	—	—	—	(27)	(27)
Cash dividends on common stock	—	—	—	(394)	—	(394)
Other	—	—	1	(1)	—	—
Balance at June 30, 2019	9	\$ 398	\$ 10,371	\$ 3,582	\$ (35)	\$ 14,316
Balance at December 31, 2019	9	\$ 398	\$ 10,962	\$ 3,756	\$ (51)	\$ 15,065
Net income	—	—	—	331	—	331
Capital contributions from parent company	—	—	502	—	—	502
Other comprehensive income (loss)	—	—	—	—	(1)	(1)
Cash dividends on common stock	—	—	—	(385)	—	(385)
Balance at March 31, 2020	9	398	11,464	3,702	(52)	15,512
Net income	—	—	—	308	—	308
Capital contributions from parent company	—	—	1	—	—	1
Other comprehensive income	—	—	—	—	2	2
Cash dividends on common stock	—	—	—	(386)	—	(386)
Balance at June 30, 2020	9	\$ 398	\$ 11,465	\$ 3,624	\$ (50)	\$ 15,437

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 (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Operating Revenues:				
Retail revenues	\$ 199	\$ 215	\$ 398	\$ 418
Wholesale revenues, non-affiliates	52	57	103	114
Wholesale revenues, affiliates	25	37	47	58
Other revenues	7	4	11	10
Total operating revenues	283	313	559	600
Operating Expenses:				
Fuel	83	105	162	198
Purchased power	7	6	12	9
Other operations and maintenance	67	72	142	133
Depreciation and amortization	46	48	88	95
Taxes other than income taxes	30	28	59	55
Total operating expenses	233	259	463	490
Operating Income	50	54	96	110
Other Income and (Expense):				
Interest expense, net of amounts capitalized	(15)	(17)	(31)	(35)
Other income (expense), net	6	5	14	11
Total other income and (expense)	(9)	(12)	(17)	(24)
Earnings Before Income Taxes	41	42	79	86
Income taxes	2	5	8	12
Net Income	\$ 39	\$ 37	\$ 71	\$ 74

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Net Income	\$ 39	\$ 37	\$ 71	\$ 74
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$-, \$-, \$-, and \$-, respectively	—	—	(1)	—
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$-, \$-, and \$-, respectively	—	—	1	1
Total other comprehensive income (loss)	—	—	—	1
Comprehensive Income	\$ 39	\$ 37	\$ 71	\$ 75

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 Six Months Ended June 30,	
	2020	2019
	<i>(in millions)</i>	
Operating Activities:		
Net income	\$ 71	\$ 74
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	92	98
Deferred income taxes	(13)	(16)
Settlement of asset retirement obligations	(9)	(17)
Other, net	9	12
Changes in certain current assets and liabilities —		
-Receivables	(7)	(8)
-Other current assets	(6)	(3)
-Accounts payable	(19)	(28)
-Accrued taxes	(21)	(43)
-Accrued compensation	(15)	(15)
-Other current liabilities	(11)	6
Net cash provided from operating activities	<u>71</u>	<u>60</u>
Investing Activities:		
Property additions	(111)	(95)
Construction payables	(14)	(12)
Payments pursuant to LTSAs	(10)	(11)
Other investing activities	(10)	(10)
Net cash used for investing activities	<u>(145)</u>	<u>(128)</u>
Financing Activities:		
Proceeds —		
Capital contributions from parent company	75	7
Short-term borrowings	40	—
Pollution control revenue bonds	34	43
Other long-term debt	100	—
Redemptions —		
Senior notes	(275)	—
Short-term borrowings	(40)	—
Pollution control revenue bonds	(41)	—
Return of capital to parent company	(74)	(75)
Other financing activities	3	(1)
Net cash used for financing activities	<u>(178)</u>	<u>(26)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	(252)	(94)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	286	293
Cash, Cash Equivalents, and Restricted Cash at End of Period	<u>\$ 34</u>	<u>\$ 199</u>
Supplemental Cash Flow Information:		
Cash paid during the period for —		
Interest (net of \$- and \$(1) capitalized for 2020 and 2019, respectively)	\$ 33	\$ 36
Income taxes, net	—	23
Noncash transactions — Accrued property additions at end of period	21	23

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 June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 34	\$ 286
Receivables —		
Customer accounts receivable	39	35
Unbilled revenues	41	39
Affiliated	31	27
Other accounts and notes receivable	24	26
Fossil fuel stock	24	26
Materials and supplies	62	61
Other regulatory assets	73	99
Other current assets	8	10
Total current assets	336	609
Property, Plant, and Equipment:		
In service	4,948	4,857
Less: Accumulated provision for depreciation	1,522	1,463
Plant in service, net of depreciation	3,426	3,394
Construction work in progress	132	126
Total property, plant, and equipment	3,558	3,520
Other Property and Investments	129	131
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	32	32
Regulatory assets – asset retirement obligations	200	210
Other regulatory assets, deferred	376	360
Accumulated deferred income taxes	134	139
Other deferred charges and assets	56	34
Total deferred charges and other assets	798	775
Total Assets	\$ 4,821	\$ 5,035

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

MISSISSIPPI POWER COMPANY
CONDENSED BALANCE SHEETS (UNAUDITED)

Liabilities and Stockholder's Equity	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ —	\$ 281
Notes payable	4	—
Accounts payable —		
Affiliated	75	76
Other	44	75
Accrued taxes	84	105
Accrued interest	15	15
Accrued compensation	21	35
Asset retirement obligations	28	33
Over recovered regulatory clause liabilities	29	29
Other regulatory liabilities	47	21
Other current liabilities	59	64
Total current liabilities	406	734
Long-term Debt	1,404	1,308
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	422	424
Deferred credits related to income taxes	310	352
Employee benefit obligations	97	99
Asset retirement obligations, deferred	157	157
Other cost of removal obligations	193	189
Other regulatory liabilities, deferred	66	76
Other deferred credits and liabilities	42	44
Total deferred credits and other liabilities	1,287	1,341
Total Liabilities	3,097	3,383
Common Stockholder's Equity (See accompanying statements)	1,724	1,652
Total Liabilities and Stockholder's Equity	\$ 4,821	\$ 5,035

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

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

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in millions)</i>						
Balance at December 31, 2018	1	\$ 38	\$ 4,546	\$ (2,971)	\$ (4)	\$ 1,609
Net income	—	—	—	37	—	37
Return of capital to parent company	—	—	(38)	—	—	(38)
Capital contributions from parent company	—	—	2	—	—	2
Balance at March 31, 2019	1	38	4,510	(2,934)	(4)	1,610
Net income after dividends on preferred stock	—	—	—	37	—	37
Return of capital to parent company	—	—	(38)	—	—	(38)
Capital contributions from parent company	—	—	8	—	—	8
Balance at June 30, 2019	1	\$ 38	\$ 4,480	\$ (2,897)	\$ (4)	\$ 1,617
Balance at December 31, 2019	1	\$ 38	\$ 4,449	\$ (2,832)	\$ (3)	\$ 1,652
Net income	—	—	—	32	—	32
Return of capital to parent company	—	—	(37)	—	—	(37)
Capital contributions from parent company	—	—	76	—	—	76
Other	—	—	(1)	—	—	(1)
Balance at March 31, 2020	1	38	4,487	(2,800)	(3)	1,722
Net income	—	—	—	39	—	39
Return of capital to parent company	—	—	(37)	—	—	(37)
Balance at June 30, 2020	1	\$ 38	\$ 4,450	\$ (2,761)	\$ (3)	\$ 1,724

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Operating Revenues:				
Wholesale revenues, non-affiliates	\$ 343	\$ 390	\$ 629	\$ 743
Wholesale revenues, affiliates	92	117	178	204
Other revenues	4	3	7	6
Total operating revenues	439	510	814	953
Operating Expenses:				
Fuel	102	139	209	284
Purchased power	18	32	32	55
Other operations and maintenance	77	79	156	166
Depreciation and amortization	121	119	239	237
Taxes other than income taxes	10	11	19	21
(Gain) loss on dispositions, net	—	(23)	(39)	(23)
Total operating expenses	328	357	616	740
Operating Income	111	153	198	213
Other Income and (Expense):				
Interest expense, net of amounts capitalized	(38)	(41)	(77)	(84)
Other income (expense), net	1	40	4	41
Total other income and (expense)	(37)	(1)	(73)	(43)
Earnings Before Income Taxes	74	152	125	170
Income taxes (benefit)	6	(51)	13	(60)
Net Income	68	203	112	230
Net income (loss) attributable to noncontrolling interests	5	29	(26)	—
Net Income Attributable to Southern Power	\$ 63	\$ 174	\$ 138	\$ 230

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Net Income	\$ 68	\$ 203	\$ 112	\$ 230
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$4, \$(1), \$(17), and \$(10), respectively	11	(1)	(50)	(30)
Reclassification adjustment for amounts included in net income, net of tax of \$(5), \$(2), \$5, and \$6, respectively	(15)	(7)	13	17
Pension and other postretirement benefit plans:				
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$-, \$-, and \$-, respectively	1	—	1	—
Total other comprehensive income (loss)	(3)	(8)	(36)	(13)
Comprehensive Income	65	195	76	217
Comprehensive income (loss) attributable to noncontrolling interests	5	29	(26)	—
Comprehensive Income Attributable to Southern Power	\$ 60	\$ 166	\$ 102	\$ 217

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 Six Months Ended June 30,	
	2020	2019
	<i>(in millions)</i>	
Operating Activities:		
Net income	\$ 112	\$ 230
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	251	251
Deferred income taxes	(34)	(63)
Utilization of federal investment tax credits	—	427
Amortization of investment tax credits	(30)	(122)
(Gain) loss on dispositions, net	(39)	(23)
Other, net	(31)	(46)
Changes in certain current assets and liabilities —		
-Receivables	(67)	(9)
-Prepaid income taxes	73	93
-Other current assets	(8)	4
-Accounts payable	(29)	(17)
-Accrued taxes	16	19
-Other current liabilities	(19)	(25)
Net cash provided from operating activities	195	719
Investing Activities:		
Business acquisitions, net of cash acquired	(81)	(2)
Property additions	(101)	(123)
Proceeds from dispositions and asset sales	660	540
Investment in unconsolidated subsidiaries	—	(116)
Payments pursuant to LTSAs	(31)	(31)
Other investing activities	43	(14)
Net cash provided from investing activities	490	254
Financing Activities:		
Decrease in notes payable, net	(357)	—
Redemptions —		
Short-term borrowings	(100)	(100)
Senior notes	(300)	—
Return of capital to parent company	—	(505)
Distributions to noncontrolling interests	(118)	(82)
Capital contributions from noncontrolling interests	172	5
Payment of common stock dividends	(100)	(103)
Other financing activities	(5)	1
Net cash used for financing activities	(808)	(784)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(123)	189
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	279	181
Cash, Cash Equivalents, and Restricted Cash at End of Period	\$ 156	\$ 370
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$7 capitalized for both 2020 and 2019)	\$ 96	\$ 106
Income taxes, net	(5)	(421)
Noncash transactions —		
Accrued property additions at end of period	38	31
Right-of-use assets obtained under operating leases	30	—

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

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

Assets	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 154	\$ 279
Receivables —		
Customer accounts receivable	160	107
Affiliated	46	30
Other	55	73
Materials and supplies	203	191
Prepaid income taxes	402	36
Other current assets	23	43
Total current assets	1,043	759
Property, Plant, and Equipment:		
In service	13,634	13,270
Less: Accumulated provision for depreciation	2,689	2,464
Plant in service, net of depreciation	10,945	10,806
Construction work in progress	314	515
Total property, plant, and equipment	11,259	11,321
Other Property and Investments:		
Intangible assets, net of amortization of \$79 and \$69 at June 30, 2020 and December 31, 2019, respectively	312	322
Equity investments in unconsolidated subsidiaries	19	28
Total other property and investments	331	350
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	397	369
Prepaid LTSAs	140	128
Accumulated deferred income taxes	156	551
Income taxes receivable, non-current	11	5
Assets held for sale	—	601
Other deferred charges and assets	220	216
Total deferred charges and other assets	924	1,870
Total Assets	\$ 13,557	\$ 14,300

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

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

Liabilities and Stockholders' Equity	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 525	\$ 824
Notes payable	92	549
Accounts payable —		
Affiliated	52	56
Other	59	85
Accrued taxes —		
Accrued income taxes	10	—
Other accrued taxes	26	26
Accrued interest	23	32
Other current liabilities	127	132
Total current liabilities	914	1,704
Long-term Debt	3,572	3,574
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	114	115
Accumulated deferred ITCs	1,701	1,731
Operating lease obligations	404	376
Other deferred credits and liabilities	193	178
Total deferred credits and other liabilities	2,412	2,400
Total Liabilities	6,898	7,678
Total Stockholders' Equity (See accompanying statements)	6,659	6,622
Total Liabilities and Stockholders' Equity	\$ 13,557	\$ 14,300

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

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

	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Common Stockholders' Equity	Noncontrolling Interests	Total
<i>(in millions)</i>						
Balance at December 31, 2018	\$ 1,600	\$ 1,352	\$ 16	\$ 2,968	\$ 4,316	\$ 7,284
Net income (loss)	—	56	—	56	(29)	27
Capital contributions from parent company	1	—	—	1	—	1
Other comprehensive income (loss)	—	—	(4)	(4)	—	(4)
Cash dividends on common stock	—	(51)	—	(51)	—	(51)
Capital contributions from noncontrolling interests	—	—	—	—	3	3
Distributions to noncontrolling interests	—	—	—	—	(41)	(41)
Other	(1)	(1)	—	(2)	1	(1)
Balance at March 31, 2019	1,600	1,356	12	2,968	4,250	7,218
Net income	—	174	—	174	29	203
Return of capital to parent company	(505)	—	—	(505)	—	(505)
Capital contributions from parent company	7	—	—	7	—	7
Other comprehensive income (loss)	—	—	(8)	(8)	—	(8)
Cash dividends on common stock	—	(52)	—	(52)	—	(52)
Capital contributions from noncontrolling interests	—	—	—	—	2	2
Distributions to noncontrolling interests	—	—	—	—	(47)	(47)
Other	—	1	—	1	(1)	—
Balance at June 30, 2019	\$ 1,102	\$ 1,479	\$ 4	\$ 2,585	\$ 4,233	\$ 6,818

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

	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Common Stockholders' Equity	Noncontrolling Interests	Total
<i>(in millions)</i>						
Balance at December 31, 2019	\$ 909	\$ 1,485	\$ (26)	\$ 2,368	\$ 4,254	\$ 6,622
Net income (loss)	—	75	—	75	(31)	44
Other comprehensive income (loss)	—	—	(33)	(33)	—	(33)
Cash dividends on common stock	—	(50)	—	(50)	—	(50)
Capital contributions from noncontrolling interests	—	—	—	—	16	16
Distributions to noncontrolling interests	—	—	—	—	(48)	(48)
Balance at March 31, 2020	909	1,510	(59)	2,360	4,191	6,551
Net income	—	63	—	63	5	68
Other comprehensive income (loss)	—	—	(3)	(3)	—	(3)
Cash dividends on common stock	—	(50)	—	(50)	—	(50)
Capital contributions from noncontrolling interests	—	—	—	—	165	165
Distributions to noncontrolling interests	—	—	—	—	(70)	(70)
Other	(2)	—	—	(2)	—	(2)
Balance at June 30, 2020	\$ 907	\$ 1,523	\$ (62)	\$ 2,368	\$ 4,291	\$ 6,659

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

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Operating Revenues:				
Natural gas revenues (includes revenue taxes of \$22, \$23, \$69, and \$78, respectively)	\$ 638	\$ 688	\$ 1,878	\$ 2,163
Alternative revenue programs	(2)	1	7	—
Total operating revenues	636	689	1,885	2,163
Operating Expenses:				
Cost of natural gas	144	191	583	877
Other operations and maintenance	220	199	479	433
Depreciation and amortization	123	119	243	238
Taxes other than income taxes	47	46	118	128
Total operating expenses	534	555	1,423	1,676
Operating Income	102	134	462	487
Other Income and (Expense):				
Earnings from equity method investments	30	31	72	80
Interest expense, net of amounts capitalized	(57)	(59)	(114)	(118)
Other income (expense), net	12	6	21	10
Total other income and (expense)	(15)	(22)	(21)	(28)
Earnings Before Income Taxes	87	112	441	459
Income taxes	16	6	95	83
Net Income	\$ 71	\$ 106	\$ 346	\$ 376

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)		(in millions)	
Net Income	\$ 71	\$ 106	\$ 346	\$ 376
Other comprehensive income (loss):				
Qualifying hedges:				
Changes in fair value, net of tax of \$(1), \$(1), \$(8), and \$(1), respectively	(1)	(3)	(21)	(3)
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$-, \$2, and \$-, respectively	1	—	6	—
Pension and other postretirement benefit plans:				
Reclassification adjustment for amounts included in net income, net of tax of \$-, \$(1), \$1, and \$(1), respectively	—	—	—	(1)
Total other comprehensive income (loss)	—	(3)	(15)	(4)
Comprehensive Income	\$ 71	\$ 103	\$ 331	\$ 372

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 Six Months Ended June 30,	
	2020	2019
	<i>(in millions)</i>	
Operating Activities:		
Net income	\$ 346	\$ 376
Adjustments to reconcile net income to net cash provided from operating activities —		
Depreciation and amortization, total	243	238
Deferred income taxes	40	59
Mark-to-market adjustments	34	30
Other, net	11	(26)
Changes in certain current assets and liabilities —		
-Receivables	344	717
-Natural gas for sale	182	256
-Other current assets	6	29
-Accounts payable	(176)	(604)
-Accrued taxes	26	(54)
-Accrued compensation	(31)	(34)
-Other current liabilities	21	(56)
Net cash provided from operating activities	<u>1,046</u>	<u>931</u>
Investing Activities:		
Property additions	(647)	(603)
Cost of removal, net of salvage	(31)	(33)
Investment in unconsolidated subsidiaries	(78)	(18)
Proceeds from dispositions and asset sales	178	32
Other investing activities	8	36
Net cash used for investing activities	<u>(570)</u>	<u>(586)</u>
Financing Activities:		
Decrease in notes payable, net	(321)	(158)
Proceeds — Capital contributions from parent company	186	38
Payment of common stock dividends	(266)	(235)
Net cash used for financing activities	<u>(401)</u>	<u>(355)</u>
Net Change in Cash, Cash Equivalents, and Restricted Cash	<u>75</u>	<u>(10)</u>
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period	<u>49</u>	<u>70</u>
Cash, Cash Equivalents, and Restricted Cash at End of Period	<u>\$ 124</u>	<u>\$ 60</u>
Supplemental Cash Flow Information:		
Cash paid (received) during the period for —		
Interest (net of \$4 and \$3 capitalized for 2020 and 2019, respectively)	\$ 119	\$ 125
Income taxes, net	(4)	96
Noncash transactions — Accrued property additions at end of period	123	123

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 June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 120	\$ 46
Receivables —		
Energy marketing receivables	273	428
Customer accounts receivable	269	323
Unbilled revenues	57	183
Affiliated	5	5
Other accounts and notes receivable	117	114
Accumulated provision for uncollectible accounts	(35)	(18)
Natural gas for sale	282	479
Prepaid expenses	60	65
Assets from risk management activities, net of collateral	103	177
Other regulatory assets	86	92
Assets held for sale	—	171
Other current assets	49	41
Total current assets	1,386	2,106
Property, Plant, and Equipment:		
In service	16,718	16,344
Less: Accumulated depreciation	4,704	4,650
Plant in service, net of depreciation	12,014	11,694
Construction work in progress	770	613
Total property, plant, and equipment	12,784	12,307
Other Property and Investments:		
Goodwill	5,015	5,015
Equity investments in unconsolidated subsidiaries	1,308	1,251
Other intangible assets, net of amortization of \$186 and \$176 at June 30, 2020 and December 31, 2019, respectively	60	70
Miscellaneous property and investments	20	20
Total other property and investments	6,403	6,356
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	88	93
Other regulatory assets, deferred	581	618
Other deferred charges and assets	258	207
Total deferred charges and other assets	927	918
Total Assets	\$ 21,500	\$ 21,687

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

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

Liabilities and Stockholder's Equity	At June 30, 2020	At December 31, 2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 31	\$ —
Notes payable	329	650
Energy marketing trade payables	284	442
Accounts payable —		
Affiliated	50	41
Other	290	315
Customer deposits	86	96
Accrued taxes —		
Accrued income taxes	32	—
Other accrued taxes	65	71
Accrued interest	53	52
Accrued compensation	68	100
Liabilities from risk management activities, net of collateral	39	21
Other regulatory liabilities	146	94
Other current liabilities	122	128
Total current liabilities	1,595	2,010
Long-term Debt	5,796	5,845
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,256	1,219
Deferred credits related to income taxes	859	874
Employee benefit obligations	253	265
Operating lease obligations	73	78
Other cost of removal obligations	1,639	1,606
Accrued environmental remediation	220	233
Other deferred credits and liabilities	40	51
Total deferred credits and other liabilities	4,340	4,326
Total Liabilities	11,731	12,181
Common Stockholder's Equity (See accompanying statements)	9,769	9,506
Total Liabilities and Stockholder's Equity	\$ 21,500	\$ 21,687

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

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

	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in millions)</i>				
Balance at December 31, 2018	\$ 8,856	\$ (312)	\$ 26	\$ 8,570
Net income	—	270	—	270
Capital contributions from parent company	17	—	—	17
Other comprehensive income (loss)	—	—	(1)	(1)
Cash dividends on common stock	—	(118)	—	(118)
Balance at March 31, 2019	8,873	(160)	25	8,738
Net income	—	106	—	106
Capital contributions from parent company	35	—	—	35
Other comprehensive income (loss)	—	—	(3)	(3)
Cash dividends on common stock	—	(117)	—	(117)
Balance at June 30, 2019	\$ 8,908	\$ (171)	\$ 22	\$ 8,759
Balance at December 31, 2019	\$ 9,697	\$ (198)	\$ 7	\$ 9,506
Net income	—	275	—	275
Return of capital to parent company	(2)	—	—	(2)
Other comprehensive income (loss)	—	—	(15)	(15)
Cash dividends on common stock	—	(133)	—	(133)
Balance at March 31, 2020	9,695	(56)	(8)	9,631
Net income	—	71	—	71
Capital contributions from parent company	200	—	—	200
Cash dividends on common stock	—	(133)	—	(133)
Balance at June 30, 2020	\$ 9,895	\$ (118)	\$ (8)	\$ 9,769

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

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

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INDEX TO APPLICABLE NOTES TO FINANCIAL STATEMENTS BY REGISTRANT

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

(A) INTRODUCTION

The condensed quarterly financial statements of each Registrant included herein have been prepared by such Registrant, without audit, pursuant to the rules and regulations of the SEC. The Condensed Balance Sheets as of December 31, 2019 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 June 30, 2020 and 2019. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations, although each Registrant believes that the disclosures regarding such Registrant are adequate to make the information presented not misleading. Disclosures which would substantially duplicate the disclosures in the Form 10-K and details which have not changed significantly in amount or composition since the filing of the Form 10-K are generally omitted from this Quarterly Report on Form 10-Q unless specifically required by GAAP. Therefore, these Condensed Financial Statements should be read in conjunction with the financial statements and the notes thereto included in the Form 10-K. Due to the seasonal variations in the demand for energy and other factors, including the impacts of the COVID-19 pandemic, operating results for the periods presented are not necessarily indicative of the operating results to be expected for the full year.

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

Goodwill and Other Intangible Assets

Goodwill at June 30, 2020 and December 31, 2019 was as follows:

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

Goodwill is not amortized but is subject to an annual impairment test in the fourth quarter of the year and on an interim basis as events and changes in circumstances occur, including, but not limited to, a significant change in operating performance, the business climate, legal or regulatory factors, or a planned sale or disposition of a significant portion of the business. The continued COVID-19 pandemic and related responses continue to disrupt supply chains and capital markets, reduce labor availability and productivity, and reduce economic activity. These effects could have a variety of adverse impacts on Southern Company and its subsidiaries, including the \$263 million of goodwill recorded at PowerSecure. If the impact of the COVID-19 pandemic becomes significant to the operating results of PowerSecure and its businesses, a portion of the associated goodwill may become impaired. The ultimate outcome of this matter cannot be determined at this time.

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

Other intangible assets were as follows:

	At June 30, 2020				At December 31, 2019							
	Gross Carrying Amount		Accumulated Amortization	Other Intangible Assets, Net	Gross Carrying Amount		Accumulated Amortization	Other Intangible Assets, Net				
	(in millions)				(in millions)							
Southern Company												
Other intangible assets subject to amortization:												
Customer relationships	\$	212	\$	(126)	\$	86	\$	212	\$	(116)	\$	96
Trade names		64		(28)		36		64		(25)		39
Storage and transportation contracts		64		(63)		1		64		(62)		2
PPA fair value adjustments		390		(79)		311		390		(69)		321
Other		10		(8)		2		11		(8)		3
Total other intangible assets subject to amortization	\$	740	\$	(304)	\$	436	\$	741	\$	(280)	\$	461
Other intangible assets not subject to amortization:												
Federal Communications Commission licenses		75		—		75		75		—		75
Total other intangible assets	\$	815	\$	(304)	\$	511	\$	816	\$	(280)	\$	536
Southern Power												
Other intangible assets subject to amortization:												
PPA fair value adjustments	\$	390	\$	(79)	\$	311	\$	390	\$	(69)	\$	321
Southern Company Gas												
Other intangible assets subject to amortization:												
Gas marketing services												
Customer relationships	\$	156	\$	(112)	\$	44	\$	156	\$	(104)	\$	52
Trade names		26		(11)		15		26		(10)		16
Wholesale gas services												
Storage and transportation contracts		64		(63)		1		64		(62)		2
Total other intangible assets subject to amortization	\$	246	\$	(186)	\$	60	\$	246	\$	(176)	\$	70

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Amortization associated with other intangible assets was as follows:

	Three Months Ended	Six Months Ended
	June 30, 2020	
	(in millions)	
Southern Company ^(a)	\$ 13	\$ 25
Southern Power ^(b)	\$ 5	\$ 10
Southern Company Gas		
Gas marketing services	\$ 5	\$ 9
Wholesale gas services ^(b)	—	1
Southern Company Gas total	\$ 5	\$ 10

(a) Includes \$5 million and \$11 million for the three and six months ended June 30, 2020, respectively, recorded as a reduction to operating revenues.

(b) Recorded as a reduction to operating revenues.

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 amounts shown in the condensed statements of cash flows for the Registrants that had restricted cash at June 30, 2020 and/or December 31, 2019:

	Southern Company		Southern Power		Southern Company Gas	
	At June 30, 2020	At December 31, 2019	At June 30, 2020	At June 30, 2020	At December 31, 2019	
	<i>(in millions)</i>		<i>(in millions)</i>		<i>(in millions)</i>	
Cash and cash equivalents	\$ 1,879	\$ 1,975	\$ 154	\$ 120	\$ 46	
Restricted cash ^(*) :						
Other accounts and notes receivable	—	3	—	—	3	
Other current assets	4	—	—	4	—	
Other deferred charges and assets	2	—	2	—	—	
Total cash, cash equivalents, and restricted cash	\$ 1,885	\$ 1,978	\$ 156	\$ 124	\$ 49	

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

Natural Gas for Sale

Southern Company Gas, with the exception of Nicor Gas, carries natural gas inventory 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. Southern Company Gas recorded no material adjustments for the three and six months ended June 30, 2020 and recorded adjustments of \$7 million and \$10 million for the three and six months ended June 30, 2019, respectively.

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

cost of the inventory layers liquidated. Nicor Gas' inventory decrement at June 30, 2020 is expected to be restored prior to year end.

Asset Retirement Obligations

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

Details of changes in AROs for Southern Company and Alabama Power during the first six months of 2020 are shown in the following table. There were no material changes in AROs for the other Registrants during the first six months of 2020.

	Southern Company	Alabama Power
	<i>(in millions)</i>	
Balance at December 31, 2019	\$ 9,786	\$ 3,540
Liabilities incurred	15	—
Liabilities settled	(193)	(100)
Accretion	204	74
Cash flow revisions	462	462
Balance at June 30, 2020	\$ 10,274	\$ 3,976

In June 2020, Alabama Power recorded an increase of approximately \$462 million to its AROs related to the CCR Rule and the related state rule primarily due to management's completion of a feasibility study and the related cost estimates during the second quarter 2020 for one of its ash ponds. Alabama Power's increase also reflects costs associated with the addition of a water treatment system to the design of another ash pond. The additional estimated costs to close these ash ponds under the planned closure-in-place methodology primarily relate to inputs from contractor bids, design revisions, and changes in the expected volume of ash handling.

The traditional electric operating companies expect to continue updating their cost estimates and ARO liabilities periodically as additional information related to ash pond closure methodologies, schedules, and/or costs becomes available. 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 (B) under "Georgia Power – Integrated Resource Plan" for additional information. The ultimate outcome of these matters cannot be determined at this time.

Depreciation and Amortization

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

Effective January 1, 2020, Southern Power revised the depreciable lives of its natural gas generating facilities from up to 45 years to up to 50 years. This revision resulted in an immaterial decrease in depreciation for the three and six months ended June 30, 2020 and is expected to result in an immaterial decrease in annual depreciation for 2020.

(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.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

The recovery balances for certain retail regulatory clauses of the traditional electric operating companies and Southern Company Gas at June 30, 2020 and December 31, 2019 were as follows:

Regulatory Clause	Balance Sheet Line Item	June 30, 2020	December 31, 2019
<i>(in millions)</i>			
Alabama Power			
Rate CNP Compliance	Other regulatory liabilities, current	\$ 25	\$ 55
	Other regulatory liabilities, deferred	—	7
Rate CNP PPA	Deferred under recovered regulatory clause revenues	41	40
Retail Energy Cost Recovery	Other regulatory liabilities, current	22	32
	Other regulatory liabilities, deferred	93	17
Natural Disaster Reserve	Other regulatory liabilities, current	16	37
	Other regulatory liabilities, deferred	96	113
Georgia Power			
Fuel Cost Recovery	Other current liabilities	\$ 109	\$ —
	Other deferred credits and liabilities	95	73
Mississippi Power			
Fuel Cost Recovery	Over recovered regulatory clause liabilities	\$ 22	\$ 23
Ad Valorem Tax	Other regulatory assets	11	47
	Other regulatory assets, deferred	39	—
Property Damage Reserve	Other regulatory liabilities, deferred	50	54
Southern Company Gas			
Natural Gas Cost Recovery	Other regulatory liabilities	\$ 100	\$ 74

Alabama Power

Petition for Certificate of Convenience and Necessity

On June 9, 2020, the Alabama PSC approved in part Alabama Power's petition for a certificate of convenience and necessity (CCN) which authorizes Alabama Power to (i) construct an approximately 720-MW combined cycle facility at Alabama Power's Plant Barry (Plant Barry Unit 8), which is expected to be placed in service by the end of 2023, (ii) complete the Autauga Combined Cycle Acquisition, which was approved by the FERC on April 22, 2020 and is expected to close by September 1, 2020, (iii) purchase approximately 240 MWs of combined cycle generation under a long-term PPA expected to begin later in 2020 and (iv) pursue up to approximately 200 MWs of certain demand-side management and distributed energy resource programs.

The Alabama PSC authorized the recovery of actual costs for the construction of Plant Barry Unit 8 up to 5% above the estimated in-service cost of \$652 million. In so doing, it recognized the potential for developments that could cause the project costs to exceed the capped amount, in which case Alabama Power would provide documentation to the Alabama PSC to explain and justify potential recovery of the additional costs.

The Alabama PSC further directed that the proposed solar generation of approximately 400 MWs, coupled with battery energy storage systems (solar/battery systems), be evaluated under an existing Renewable Generation Certificate issued by the Alabama PSC in September 2015.

Alabama Power expects to recover all approved costs associated with the CCN through existing rate mechanisms as outlined in Note 2 to the financial statements in Item 8 of the Form 10-K. The Alabama PSC's approval in part of

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

the CCN will be followed by a written order which is subject to any rehearing request or judicial appeal filed within 30 days of the date of such order.

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

Georgia Power

Deferral of Incremental COVID-19 Costs

On April 7, 2020 and June 2, 2020, in response to the COVID-19 pandemic, the Georgia PSC approved orders directing Georgia Power to continue its previous, voluntary suspension of customer disconnections through July 14, 2020 and to defer the resulting incremental bad debt as a regulatory asset. On June 16, 2020 and July 7, 2020, the Georgia PSC approved orders establishing a methodology for identifying incremental bad debt and allowing the deferral of other incremental costs associated with the COVID-19 pandemic. The period over which such costs will be recovered is expected to be determined in Georgia Power's next base rate case. At June 30, 2020, the incremental costs deferred totaled approximately \$34 million. The ultimate outcome of this matter cannot be determined at this time.

Integrated Resource Plan

On March 5, 2020, the Sierra Club filed a petition for judicial review in the Superior Court of Fulton County to appeal the Georgia PSC's decision in the 2019 ARP allowing Georgia Power to recover compliance costs for CCR AROs. Georgia Power intervened in the appeal on June 22, 2020. The ultimate outcome of this matter cannot be determined at this time.

Fuel Cost Recovery

On May 28, 2020, the Georgia PSC approved a stipulation agreement among Georgia Power, the staff of the Georgia PSC, and certain intervenors to lower total fuel billings by approximately \$740 million over a two-year period effective June 1, 2020. In addition, Georgia Power will further lower fuel billings by approximately \$44 million under an interim fuel rider effective June 1, 2020 through September 30, 2020. Georgia Power continues to be allowed to adjust its fuel cost recovery rates under an interim fuel rider prior to its next fuel case if the under or over recovered fuel balance exceeds \$200 million. Georgia Power is scheduled to file its next fuel case no later than February 28, 2023.

Nuclear Construction

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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, mandatory prepayment events, and conditions to borrowing.

Cost and Schedule

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

	<i>(in billions)</i>	
Base project capital cost forecast ^{(a)(b)}	\$	8.4
Construction contingency estimate		0.1
Total project capital cost forecast ^{(a)(b)}		8.5
Net investment as of June 30, 2020 ^(b)		(6.6)
Remaining estimate to complete^(a)	\$	1.9

(a) Excludes financing costs expected to be capitalized through AFUDC of approximately \$260 million, of which \$52 million had been accrued through June 30, 2020.

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

Georgia Power estimates that its financing costs for construction of Plant Vogtle Units 3 and 4 will total approximately \$3.0 billion, of which \$2.4 billion had been incurred through June 30, 2020.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of engineering support, commodity installation, system turnovers, and workforce statistics.

During the second quarter 2020, approximately \$194 million of construction contingency was assigned to the base capital cost forecast for cost risks including, among other things, construction productivity, including the April 2020 reduction in workforce designed to mitigate impacts of the COVID-19 pandemic described below, field support, subcontracts, engineering resources, and procurement. The second quarter 2020 assignment of contingency exceeded the remaining balance of the \$366 million construction contingency originally established in the second quarter 2018 by approximately \$34 million. Through June 30, 2020, assignments of contingency for cost risks also have included, among other factors, construction productivity; craft labor incentives; adding resources for supervision, field support, project management, initial test program, start-up, and operations and engineering support; subcontracts; and procurement. As a result of these factors, Southern Nuclear recommended establishing additional construction contingency, of which Georgia Power's share is approximately \$115 million, for further potential risks including, among other factors, construction productivity and expected impacts of the COVID-19 pandemic; adding resources for supervision, field support, project management, initial test program, start-up, and operations and engineering support; subcontracts; and procurement.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income

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

of \$149 million (\$111 million after tax) for the increase in the total project capital cost forecast as of June 30, 2020. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

In April 2019, Southern Nuclear established aggressive target values for monthly construction production and system turnover activities as part of a strategy to maintain and, where possible, build margin to the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4. Through early 2020, the project faced challenges with the April 2019 aggressive strategy targets including, but not limited to, electrical and pipefitting labor productivity and work package closure rates, which resulted in a backlog of activities and completion percentages below the April 2019 aggressive strategy targets.

In February 2020, Southern Nuclear updated its cost and schedule forecast, which, at that time, did not change the total project capital cost forecast and confirmed the expected in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4. This update included initiatives to improve productivity while refining and extending system turnover plans and certain near-term milestone dates. Other milestone dates did not change. Achievement of the February 2020 aggressive site work plan relied on meeting increased monthly production and activity target values during 2020.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures.

In April 2020, Georgia Power, acting for itself and as agent for the other Vogtle Owners, announced a reduction in workforce at Plant Vogtle Units 3 and 4, which totaled approximately 20% of the then-existing site workforce. This reduction in workforce was a mitigation action intended to address the impact of the COVID-19 pandemic on the Plant Vogtle Units 3 and 4 workforce and construction site, including challenges with labor productivity that were exacerbated by the impact of the COVID-19 pandemic. The April 2020 workforce reduction was intended to provide operational efficiencies by increasing productivity of the remaining workforce and reducing workforce fatigue and absenteeism. Further, it was also intended to allow for increased social distancing by the workforce and facilitate compliance with the recommendations from the Centers for Disease Control and Prevention. The April 2020 workforce reduction did reduce absenteeism, providing an improvement in operational efficiency and allowing for increased social distancing. From the initial peak in April 2020, the number of active cases at the site declined significantly during May and early June, but began increasing again in mid-June and continues to impact productivity levels and pace of activity completion. As a result of these factors, overall production improvements have not been achieved at the levels anticipated, contributing to the allocation of, and increase in, construction contingency described above. Through mid-July 2020, Unit 3 mechanical, electrical, and subcontract activities continued to build a backlog to Southern Nuclear's February 2020 aggressive site work plan.

To address these issues, in July 2020, Southern Nuclear updated its aggressive site work plan for both Unit 3 and Unit 4. To meet the targets in the July 2020 aggressive site work plan, absenteeism rates must continue to normalize and overall construction productivity and production levels, including subcontractors, must significantly improve and be sustained above pre-pandemic levels. In addition, appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, must be added and maintained. While Southern Nuclear's July 2020 aggressive site work plan extended milestone dates from the February 2020 aggressive site work plan, Georgia Power still expects to achieve the regulatory-approved in-service dates of November 2021 and November 2022 for Plant Vogtle Units 3 and 4, respectively. Southern Nuclear and Georgia Power continue to believe that pursuit of an aggressive site work plan is an appropriate strategy to achieve completion of the units by their regulatory-approved in-service dates.

As construction, including subcontract work, continues and testing and system turnover activities increase, challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication,

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delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of plant systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues could arise and change the projected schedule and estimated cost.

In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$70 million and \$115 million, which is included in the total project capital cost forecast and assumes (i) absenteeism rates continue to normalize and (ii) the intended productivity efficiencies and production targets assumed in Southern Nuclear's July 2020 aggressive site work plan are realized in the coming months. However, the ultimate impact of the COVID-19 pandemic on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time.

There have been technical and procedural challenges to the construction and licensing of Plant Vogtle Units 3 and 4 at the federal and state level and additional challenges may arise. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, including inspections by Southern Nuclear and the NRC that occur throughout construction. As a result of such compliance processes, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. As part of the aggressive site work plan, in January 2020, Southern Nuclear notified the NRC of its intent to load fuel in 2020. On May 11, 2020, the Blue Ridge Environmental Defense League filed a petition with the NRC that challenges a license amendment request. On June 15, 2020, the NRC issued an appealable order rejecting Nuclear Watch South's April 20, 2020 petition requesting a hearing and challenging the closure of certain ITAAC. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

The ultimate outcome of these matters cannot be determined at this time. However, any extension of the regulatory-approved project schedule is currently estimated to result in additional base capital costs of approximately \$50 million per month, based on Georgia Power's ownership interests, and AFUDC of approximately \$10 million per month. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Joint Owner Contracts

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

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

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construction. In September 2018, the Vogtle Owners unanimously voted to continue construction of Plant Vogtle Units 3 and 4.

Amendments to the Vogtle Joint Ownership Agreements

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

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

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

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

Regulatory Matters

In 2009, the Georgia PSC voted to certify construction of Plant Vogtle Units 3 and 4 with a certified capital cost of \$4.418 billion. In addition, in 2009 the Georgia PSC approved inclusion of the Plant Vogtle Units 3 and 4 related CWIP accounts in rate base, and the State of Georgia enacted the Georgia Nuclear Energy Financing Act, which allows Georgia Power to recover financing costs for Plant Vogtle Units 3 and 4. Financing costs are recovered on all

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applicable certified costs through annual adjustments to the NCCR tariff up to the certified capital cost of \$4.418 billion. At June 30, 2020, Georgia Power had recovered approximately \$2.4 billion of financing costs. Financing costs related to capital costs above \$4.418 billion are being recognized through AFUDC and are expected to be recovered through retail rates over the life of Plant Vogtle Units 3 and 4; however, Georgia Power will not record AFUDC related to any capital costs in excess of the total deemed reasonable by the Georgia PSC (currently \$7.3 billion) and not requested for rate recovery. In December 2019, the Georgia PSC approved Georgia Power's request to decrease the NCCR tariff by \$62 million annually, effective January 1, 2020.

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 amounts paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) (a) capital costs incurred up to \$5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs, (b) Georgia Power would have the burden to show that any capital costs above \$5.68 billion were prudent, and (c) a revised capital cost forecast of \$7.3 billion (after reflecting the impact of payments received under the Guarantee Settlement Agreement and related customer refunds) was found reasonable; (iv) construction of Plant Vogtle Units 3 and 4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (v) approved and deemed reasonable Georgia Power's revised schedule placing Plant Vogtle Units 3 and 4 in service in November 2021 and November 2022, respectively; (vi) confirmed that the revised cost forecast does not represent a cost cap and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; (vii) reduced the ROE used to calculate the NCCR tariff (a) from 10.95% (the ROE rate setting point authorized by the Georgia PSC in the 2013 ARP) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%, effective January 1, 2020, and (c) from 8.30% to 5.30%, effective January 1, 2021 (provided that the ROE in no case will be less than Georgia Power's average cost of long-term debt); (viii) reduced the ROE used for AFUDC equity for Plant Vogtle Units 3 and 4 from 10.00% to Georgia Power's average cost of long-term debt, effective January 1, 2018; and (ix) agreed that upon Unit 3 reaching commercial operation, retail base rates would be adjusted to include carrying costs on those capital costs deemed prudent in the Vogtle Cost Settlement Agreement. The January 11, 2018 order also stated that if Plant Vogtle Units 3 and 4 are not commercially operational by June 1, 2021 and June 1, 2022, respectively, the ROE used to calculate the NCCR tariff will be further reduced by 10 basis points each month (but not lower than Georgia Power's average cost of long-term debt) until the respective Unit is commercially operational. The ROE reductions negatively impacted earnings by approximately \$75 million in 2019 and are estimated to have negative earnings impacts of approximately \$145 million, \$255 million, and \$200 million in 2020, 2021, and 2022, respectively. In its January 11, 2018 order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

In February 2018, Georgia Interfaith Power & Light, Inc. (GIPL) and Partnership for Southern Equity, Inc. (PSE) filed a petition appealing the Georgia PSC's January 11, 2018 order with the Fulton County Superior Court. In March 2018, Georgia Watch filed a similar appeal to the Fulton County Superior Court for judicial review of the Georgia PSC's decision and denial of Georgia Watch's motion for reconsideration. In December 2018, the Fulton County Superior Court granted Georgia Power's motion to dismiss the two appeals. In January 2019, GIPL, PSE,

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and Georgia Watch filed an appeal of this decision with the Georgia Court of Appeals. In October 2019, the Georgia Court of Appeals issued an opinion affirming the Fulton County Superior Court's ruling that the Georgia PSC's January 11, 2018 order was not a final, appealable decision. In addition, the Georgia Court of Appeals remanded the case to the Fulton County Superior Court to clarify its ruling as to whether the petitioners showed that review of the Georgia PSC's final order would not provide them an adequate remedy. On April 21, 2020, the Fulton County Superior Court granted Georgia Power's motion to dismiss the two appeals. The petitioners filed a notice of appeal of the dismissal on May 20, 2020. Georgia Power believes the petitions have no merit; however, an adverse outcome in the litigation combined with subsequent adverse action by the Georgia PSC could have a material impact on Southern Company's and Georgia Power's results of operations, financial condition, and liquidity.

The Georgia PSC has approved 21 VCM reports covering the periods through June 30, 2019, including total construction capital costs incurred through that date of \$6.7 billion (before \$1.7 billion of payments received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds). On August 18, 2020, the Georgia PSC is scheduled to vote on Georgia Power's twenty-second VCM report, which requested approval of \$674 million of construction capital costs incurred from July 1, 2019 through December 31, 2019.

Georgia Power expects to file its twenty-third VCM report with the Georgia PSC by August 31, 2020, which will reflect the revised capital cost forecast discussed above and request approval of \$701 million of construction capital costs incurred from January 1, 2020 through June 30, 2020.

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

Mississippi Power

2019 Base Rate Case

On March 17, 2020, the Mississippi PSC approved a settlement agreement between Mississippi Power and the Mississippi Public Utilities Staff related to Mississippi Power's base rate case filed in November 2019 (Mississippi Power Rate Case Settlement Agreement).

Under the terms of the Mississippi Power Rate Case Settlement Agreement, annual retail rates decreased approximately \$16.7 million, or 1.85%, effective for the first billing cycle of April 2020, based on a test year period of January 1, 2020 through December 31, 2020, a 53% average equity ratio, an allowed maximum actual equity ratio of 55% by the end of 2020, and a 7.57% return on investment.

Additionally, the approved Mississippi Power Rate Case Settlement Agreement: (i) established common amortization periods of four years for regulatory assets and three years for regulatory liabilities included in the approved revenue requirement, including those related to unprotected deferred income taxes; (ii) established new depreciation rates reflecting an annual increase in depreciation of approximately \$10 million; and (iii) excluded certain compensation costs totaling approximately \$3.9 million. It also eliminated separate rates for costs associated with Plant Ratcliffe and energy efficiency initiatives and includes such costs in the PEP, ECO Plan, and ad valorem tax adjustment factor, as applicable. In accordance with the previous order of the Mississippi PSC suspending the operation of PEP and the ECO Plan for 2018 through 2020, Mississippi Power plans to resume PEP proceedings and ECO Plan filings for 2021.

Performance Evaluation Plan

On July 24, 2020, the Mississippi PSC approved Mississippi Power's July 14, 2020 filing of its PEP compliance rate clause reflecting revisions agreed to in the Mississippi Power Rate Case Settlement Agreement. These revisions include, among other things, changing the filing date for the annual PEP rate filing from November of the immediately preceding year to March of the current year, utilizing a historic test year adjusted for "known and measurable" changes, using discounted cash flow and regression formulas to determine base return on equity, and moving all embedded ad valorem property taxes currently collected in PEP to the ad valorem tax adjustment clause.

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Deferral of Incremental COVID-19 Costs

On April 14, 2020 and May 12, 2020, in order to mitigate the economic impact of the COVID-19 pandemic on customers, the Mississippi PSC approved orders directing Mississippi Power to continue its previous, voluntary suspension of customer disconnections through May 25, 2020 and to defer as a regulatory asset all necessary and reasonable incremental costs or expenses to plan, prepare, stage, or react to protect and keep safe its employees and customers, and to reliably operate its utility system during the COVID-19 pandemic. The period over which such costs will be recovered is expected to be determined in a future PEP filing. At June 30, 2020, the incremental costs deferred totaled approximately \$2 million. The ultimate outcome of this matter cannot be determined at this time.

Municipal and Rural Associations Tariff

On June 25, 2020, the FERC accepted Mississippi Power's April 27, 2020 request for an increase in wholesale base revenues under the MRA tariff as agreed upon in a settlement agreement reached with its wholesale customers. The MRA settlement agreement resulted in a \$2 million annual increase in base rates effective June 1, 2020.

Southern Company Gas

Rate Proceedings

On June 1, 2020, Virginia Natural Gas filed a general rate case with the Virginia Commission seeking an increase in rates of \$49.6 million primarily to recover investments and increased costs associated with infrastructure, technology, and workforce development. The requested increase is based on a projected 12-month test year beginning November 1, 2020, a ROE of 10.35%, and an equity ratio of 54%. Rate adjustments are expected to be effective November 1, 2020, subject to refund. The Virginia Commission is expected to rule on the requested increase in the second quarter 2021.

On July 1, 2020, Atlanta Gas Light filed its 2020 GRAM filing with the Georgia PSC. The filing requests an annual base rate increase of \$37.6 million based on the projected 12-month period beginning January 1, 2021, which does not exceed the 5% limitation established by the Georgia PSC in its December 2019 approval of Atlanta Gas Light's general base rate case. Resolution of the 2020 GRAM filing is expected by December 31, 2020, with rates effective January 1, 2021.

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

Deferral of Incremental COVID-19 Costs

Atlanta Gas Light

On April 30, 2020, in response to the COVID-19 pandemic, the Georgia PSC approved orders directing Atlanta Gas Light to continue its previous, voluntary suspension of customer disconnections. On June 22, 2020, the Georgia PSC ordered Atlanta Gas Light to resume customer disconnections beginning July 1, 2020, with exceptions for customers still covered by a shelter-in-place order. The orders provide the Marketers, including SouthStar, with a mechanism to receive credits from Atlanta Gas Light for the base rates it charged to the Marketers of non-paying customers during the suspension. Atlanta Gas Light expects to recover these credits through the annual revenue true-up process within its 2021 GRAM filing, which would impact rates effective January 1, 2022. The ultimate outcome of this matter cannot be determined at this time.

Nicor Gas

On March 18, 2020, the Illinois Commission issued an order directing utilities to cease disconnections for non-payment and to suspend the imposition of late payment fees or penalties until the Governor of Illinois announces the end of the COVID-19 state of emergency. In response to this order, on March 27, 2020, Nicor Gas and other utilities in Illinois filed their plans seeking cost recovery and more flexible credit and collection plans.

On June 18, 2020, the Illinois Commission approved a stipulation pursuant to which the utilities will provide more flexible credit and collection procedures to assist customers with financial hardship and which authorizes a special

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purpose rider for recovery of the following COVID-19 pandemic-related impacts: incremental costs directly associated with the COVID-19 pandemic, net of the offset for COVID-19 pandemic-related credits received, foregone late fees, foregone reconnection charges, and the costs associated with a bill payment assistance program. The special purpose rider is proposed to be effective on October 1, 2020 and continue over a 24-month period. At June 30, 2020, Nicor Gas' related regulatory asset was \$12 million. The ultimate outcome of this matter cannot be determined at this time.

Virginia Natural Gas

In response to the COVID-19 pandemic, the Virginia Commission issued orders requiring Virginia Natural Gas to suspend disconnections beginning on March 16, 2020 and also to suspend late payment and reconnection fees beginning on April 9, 2020, both of which continue in effect through August 31, 2020. On April 29, 2020, the Virginia Commission authorized Virginia Natural Gas to defer the following COVID-19 pandemic-related costs as a regulatory asset: incremental uncollectible expense incurred, suspended late fees, suspended reconnection charges, carrying costs, and other incremental prudently incurred costs associated with the COVID-19 pandemic. Specific recovery of the amounts deferred in a regulatory asset will be addressed in a future rate proceeding. At June 30, 2020, Virginia Natural Gas' related regulatory asset was \$1 million. The ultimate outcome of this matter cannot be determined at this time.

Infrastructure Replacement Programs and Capital Projects

In December 2019, Virginia Natural Gas filed an application with the Virginia Commission for a 24.1-mile header improvement project to improve resiliency and increase the supply of natural gas delivered to energy suppliers, including Virginia Natural Gas. On June 26, 2020, the Virginia Commission issued an order requiring Virginia Natural Gas to submit additional information by December 31, 2020 related to the financing plans of the project's primary customer before ruling on the December 2019 application. The ultimate outcome of this matter cannot be determined at this time.

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

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

Southern Company

In January 2017, a securities class action complaint was filed in the U.S. District Court for the Northern District of Georgia by Monroe County Employees' Retirement System on behalf of all persons who purchased shares of Southern Company's common stock between April 25, 2012 and October 29, 2013. The complaint names as defendants Southern Company, certain of its current and former officers, and certain former Mississippi Power officers and alleges that the defendants made materially false and misleading statements regarding the Kemper County energy facility in violation of certain provisions under the Securities Exchange Act of 1934, as amended. The complaint seeks, among other things, compensatory damages and litigation costs and attorneys' fees. In 2017, the plaintiffs filed an amended complaint that provided additional detail about their claims, increased the purported class period by one day, and added certain other former Mississippi Power officers as defendants. Also in 2017, the defendants filed a motion to dismiss the plaintiffs' amended complaint with prejudice, to which the plaintiffs filed an

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opposition. In 2018, the court issued an order dismissing certain claims against certain officers of Southern Company and Mississippi Power and dismissing the allegations related to a number of the statements that plaintiffs challenged as being false or misleading. In 2018, the court denied the defendants' motion for reconsideration and also denied a motion to certify the issue for interlocutory appeal. In the third quarter 2019, the court certified the plaintiffs' proposed class and the defendants filed a petition for interlocutory appeal of the class certification order with the U.S. Court of Appeals for the Eleventh Circuit. In December 2019, the U.S. District Court for the Northern District of Georgia entered an order staying all deadlines in the case pending mediation. The stay automatically expired on March 31, 2020; however, in light of the COVID-19 pandemic, the U.S. District Court for the Northern District of Georgia vacated all existing discovery deadlines until June 15, 2020. On June 30, 2020, the court entered a revised scheduling order, which resumed discovery and set out remaining case deadlines.

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

In May 2017, Helen E. Piper Survivor's Trust filed a shareholder derivative lawsuit in the Superior Court of Gwinnett County, Georgia that names as defendants Southern Company, certain of its directors, certain of its current and former officers, and certain former Mississippi Power officers. The complaint alleges that the individual defendants, among other things, breached their fiduciary duties in connection with schedule delays and cost overruns associated with the construction of the Kemper County energy facility. The complaint further alleges that the individual defendants authorized or failed to correct false and misleading statements regarding the Kemper County energy facility schedule and cost and failed to implement necessary internal controls to prevent harm to Southern Company. The plaintiff seeks to recover, on behalf of Southern Company, unspecified actual damages and disgorgement of profits and, on its behalf, attorneys' fees and costs in bringing the lawsuit. The plaintiff also seeks certain unspecified changes to Southern Company's corporate governance and internal processes. In 2018, the court entered an order staying this lawsuit until 30 days after the resolution of any dispositive motions or any settlement, whichever is earlier, in the securities class action. In August 2019, the court granted a motion filed by the plaintiff in July 2019 to substitute a new named plaintiff, Martin J. Kobuck, in place of Helen E. Piper Survivor's Trust.

Georgia Power

In 2011, plaintiffs filed a putative class action against Georgia Power in the Superior Court of Fulton County, Georgia alleging that Georgia Power's collection in rates of amounts for municipal franchise fees (which fees are paid to municipalities) exceeded the amounts allowed in orders of the Georgia PSC and alleging certain state law claims. This case has been ruled upon and appealed numerous times over the last several years. In one recent appeal, the Georgia Supreme Court remanded the case and noted that the trial court could refer the matter to the Georgia PSC to interpret its tariffs. Following a motion by Georgia Power, in February 2019, the Superior Court of Fulton County ordered the parties to submit petitions to the Georgia PSC for a declaratory ruling and also conditionally certified the proposed class. In March 2019, Georgia Power and the plaintiffs filed petitions with the Georgia PSC seeking confirmation of the proper application of the municipal franchise fee schedule pursuant to the Georgia PSC's orders. Also in March 2019, Georgia Power appealed the class certification decision to the Georgia Court of Appeals. In October 2019, the Georgia PSC issued an order that found Georgia Power has appropriately implemented the municipal franchise fee schedule. On March 11, 2020, the Georgia Court of Appeals vacated the Superior Court of Fulton County's February 2019 order granting conditional class certification. The Court of

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Appeals remanded the case to the Superior Court of Fulton County for further proceedings. The amount of any possible losses cannot be calculated at this time because, among other factors, it is unknown whether a class will be certified, the ultimate composition of any class, and whether any losses would be subject to recovery from any municipalities.

On July 29, 2020, a group of individual plaintiffs filed a complaint in the Superior Court of Fulton County, Georgia against Georgia Power alleging that releases from Plant Scherer have impacted groundwater, surface water, and air, resulting in alleged personal injuries and property damage. The plaintiffs seek an unspecified amount of monetary damages including punitive damages, a medical monitoring fund, and injunctive relief.

Mississippi Power

In May 2018, Southern Company and Mississippi Power received a notice of dispute and arbitration demand filed by Martin Product Sales, LLC (Martin) based on two agreements, both related to Kemper IGCC byproducts for which Mississippi Power provided termination notices in 2017. Martin alleges breach of contract, breach of good faith and fair dealing, fraud and misrepresentation, and civil conspiracy and makes a claim for damages in the amount of approximately \$143 million, as well as additional unspecified damages, attorney's fees, costs, and interest. A portion of the claim for damages was on behalf of Martin Transport, Inc. (Martin Transport), an affiliate of Martin. In May 2019, the arbitration panel denied Mississippi Power's and Southern Company's motions to dismiss. In September 2019, Martin Transport filed a separate complaint against Mississippi Power in the Circuit Court of Kemper County, Mississippi alleging claims of fraud, negligent misrepresentation, promissory estoppel, and equitable estoppel, each arising out of the same alleged facts and circumstances that underlie Martin's arbitration demand. Martin Transport seeks compensatory damages of \$5 million and punitive damages of \$50 million. In November 2019, Martin Transport's claim was combined with the Martin arbitration case and the separate court case was dismissed. In December 2019, Southern Company and Mississippi Power each filed motions for summary judgment on all claims. On February 17, 2020, the arbitration panel granted Southern Company's motion and dismissed Southern Company from the arbitration. On March 12, 2020, the arbitration panel denied Mississippi Power's motions for summary judgment. An adverse outcome in this proceeding could have a material impact on Southern Company's and Mississippi Power's financial statements.

In November 2018, Ray C. Turnage and 10 other individual plaintiffs filed a putative class action complaint against Mississippi Power and the three then-serving members of the Mississippi PSC in the U.S. District Court for the Southern District of Mississippi. Mississippi Power received Mississippi PSC approval in 2013 to charge a mirror CWIP rate premised upon including in its rate base pre-construction and construction costs for the Kemper IGCC prior to placing the Kemper IGCC into service. The Mississippi Supreme Court reversed that approval and ordered Mississippi Power to refund the amounts paid by customers under the previously-approved mirror CWIP rate. The plaintiffs allege that the initial approval process, and the amount approved, were improper. They also allege that Mississippi Power underpaid customers by up to \$23.5 million in the refund process by applying an incorrect interest rate. The plaintiffs seek to recover, on behalf of themselves and their putative class, actual damages, punitive damages, pre-judgment interest, post-judgment interest, attorney's fees, and costs. In response to Mississippi Power and the Mississippi PSC each filing a motion to dismiss, the plaintiffs filed an amended complaint in March 2019. The amended complaint included four additional plaintiffs and additional claims for gross negligence, reckless conduct, and intentional wrongdoing. Mississippi Power and the Mississippi PSC have each filed a motion to dismiss the amended complaint. On March 27, 2020, the Mississippi PSC's motion to dismiss was granted. Also on March 27, 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. On April 9, 2020 and April 10, 2020, Mississippi Power and the Mississippi PSC, respectively, filed responses opposing the motion for leave to file a second amended complaint. On May 26, 2020, Mississippi Power's motion to dismiss the first amended complaint filed in 2019 was granted. On July 6, 2020, the plaintiffs filed a motion for revision of the court's decision. The plaintiffs' motion for leave to file a second amended complaint also remains pending before the court. An adverse outcome in this proceeding could have a material impact on Mississippi Power's financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility" in Item 8 of the Form 10-K for additional information.

Environmental Remediation

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

Georgia Power's environmental remediation liability was \$14 million and \$15 million as of June 30, 2020 and December 31, 2019, 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.

In December 2019, Mississippi Power entered into an agreement with the Mississippi Commission on Environmental Quality related to groundwater conditions arising from the closed ash pond at Plant Watson. Mississippi Power will complete an assessment and remediation consistent with the requirements of the agreement and the CCR Rule. Potential remediation activities and related cost estimates are pending the result of further site assessment and cannot be determined at this time. Mississippi Power expects to recover the retail portion of remedial costs through the ECO Plan and the wholesale portion through MRA rates.

Southern Company Gas' environmental remediation liability was \$253 million and \$269 million as of June 30, 2020 and December 31, 2019, respectively, based on the estimated cost of environmental investigation and remediation associated with known current and former manufactured gas plant operating sites. These environmental remediation expenditures are generally recoverable from customers through rate mechanisms approved by the applicable state regulatory agencies of the natural gas distribution utilities.

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

Other Matters

Southern Company

See Notes 1 and 3 under "Leveraged Leases" and "Other Matters – Southern Company," respectively, in Item 8 of the Form 10-K for discussion of challenges associated with a leveraged lease agreement with a subsidiary of Southern Holdings. While all required lease payments through June 30, 2020 have been paid in full, the operational and remarketing risks and the resulting cash liquidity challenges persist and significant concerns continue regarding the lessee's ability to make the remaining required semi-annual lease payments to the Southern Holdings subsidiary through the term of the lease.

In its annual impairment analysis of the expected residual value of the generation assets and the overall collectability of the related lease receivable, Southern Company uses multiple scenarios of long-term market energy prices to estimate the cash flows expected to be received from remarketing the generation assets following the expiration of the existing PPA in 2032 and the residual value of the generation assets at the end of the lease in 2047. Southern Company received the latest annual forecasts of natural gas prices during the second quarter 2020 and considered the significant decline in forecasted prices to be an indicator of potential impairment that required an interim impairment assessment. Accordingly, consistent with prior years, Southern Company evaluated the recoverability of the lease receivable and the expected residual value of the generation assets under various natural gas price scenarios. Based on the current forecasts of energy prices in the years following the expiration of the

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

existing PPA, Southern Company concluded that it is no longer probable that any of the associated rental payments will be received, because it is no longer probable the generation assets will be successfully remarketed and continue to operate after that date. During the second quarter 2020, Southern Company revised the estimated cash flows to be received under the leveraged lease to reflect this conclusion, which resulted in a full impairment of the lease investment and a pre-tax charge to earnings of \$154 million (\$74 million after tax).

If any future lease payment due prior to the expiration of the associated PPA is not paid in full, the Southern Holdings subsidiary may be unable to make its corresponding payment to the holders of the underlying non-recourse debt related to the generation assets. Failure to make the required payment to the debtholders could represent an event of default that would give the debtholders the right to foreclose on, and take ownership of, the generation assets, in effect terminating the lease. As the full amount of the lease investment has been charged against earnings as of June 30, 2020, termination would not be expected to result in additional charges. Southern Company will continue to monitor the operational performance of the underlying assets and evaluate the ability of the lessee to continue to make the required lease payments and meet its obligations associated with a future closure or retirement of the generation assets and associated properties, including the dry ash landfill.

Mississippi Power

Kemper County Energy Facility

See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility" in Item 8 of the Form 10-K for additional information.

As the mining permit holder, Liberty Fuels Company, LLC has a legal obligation to perform mine reclamation and Mississippi Power has a contractual obligation to fund all reclamation activities related to the lignite mine and equipment and mineral reserves located around the Kemper County energy facility site. As a result of the abandonment of the Kemper IGCC, final mine reclamation began in 2018 and is expected to be substantially completed in 2020, with monitoring expected to continue through 2027. See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information.

Dismantlement of the abandoned gasifier-related assets and site restoration activities are expected to be completed in 2025. The additional pre-tax period costs associated with dismantlement and site restoration activities, including related costs for compliance and safety, ARO accretion, and property taxes, are estimated to total \$5 million for the remainder of 2020, \$16 million in 2021, and \$11 million to \$13 million annually in 2022 through 2025. In addition, closure costs for the mine and gasifier-related assets, currently estimated at up to \$6 million pre-tax (excluding dismantlement costs, net of salvage), may be incurred during the remainder of 2020.

In December 2019, Mississippi Power transferred ownership of the CO₂ pipeline to an unrelated gas pipeline company, with no resulting impact on income. In conjunction with the transfer of the CO₂ pipeline, the parties agreed to enter into a 15-year firm transportation agreement, which is expected to be signed by the end of 2020, providing for the conversion by the pipeline company of the CO₂ pipeline to a natural gas pipeline to be used for the delivery of natural gas to Plant Ratcliffe. The agreement will be treated as a finance lease for accounting purposes upon commencement.

In 2018, Mississippi Power filed with the DOE its request for property closeout certification under the contract related to the \$387 million of grants received for the Kemper County energy facility. Mississippi Power expects to close out the DOE contract in 2020. In connection with the DOE closeout discussions, in April 2019, the Civil Division of the Department of Justice informed Southern Company and Mississippi Power of an investigation related to the Kemper County energy facility. The ultimate outcome of this matter cannot be determined at this time; however, it could have a material impact on Southern Company's and Mississippi Power's financial statements.

Plant Daniel

In conjunction with Southern Company's sale of Gulf Power, Mississippi Power and Gulf Power agreed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. On April 24, 2020, Mississippi Power and Gulf Power amended the

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

terms of the agreement to extend the deadline from May 1, 2020 to August 1, 2020 for Mississippi Power to notify Gulf Power of which generating unit it has selected for 100% ownership. Mississippi Power and Gulf Power are continuing negotiations on a mutually acceptable revised operating agreement for Plant Daniel and, as a result, the parties have agreed not to select a specific unit on August 1, 2020. The impacts of operating the units on an individual basis continue to be evaluated by Mississippi Power and any transfer of ownership would be subject to approval by the FERC and the Mississippi PSC. The ultimate outcome of this matter cannot be determined at this time.

Southern Company Gas

See Notes 3 and 7 to the financial statements in Item 8 of the Form 10-K under "Other Matters – Southern Company Gas" and "Southern Company Gas," respectively, and Note (E) under "Southern Company Gas" for additional information.

On March 24, 2020, Southern Company Gas completed the sale of its interest in Atlantic Coast Pipeline. See Note (K) under "Southern Company Gas" for additional information.

On February 20, 2020, the FERC approved a two-year extension for PennEast Pipeline to complete the project by January 19, 2022.

In September 2019, an appellate court ruled that the PennEast Pipeline does not have federal eminent domain authority over lands in which a state has property rights interests. On June 29, 2020, the U.S. Supreme Court requested the U.S. Solicitor General to provide an opinion on PennEast Pipeline's petition for a writ of certiorari seeking its review of the appellate court's decision.

Expected project costs related to the PennEast Pipeline for Southern Company Gas total approximately \$300 million, excluding financing costs. The ultimate outcome of the PennEast Pipeline construction project cannot be determined at this time; however, any work delays, whether caused by judicial or regulatory action, abnormal weather, or other conditions, may result in additional cost or schedule modifications or, ultimately, in project cancellation, any of which could result in impairment of Southern Company Gas' investment and could have a significant impact on Southern Company's financial statements and a material impact on Southern Company Gas' financial statements.

(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.

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

The following table disaggregates revenue from contracts with customers for the three and six months ended June 30, 2020 and 2019:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Three Months Ended June 30, 2020						
Operating revenues						
Retail electric revenues						
Residential	\$ 1,430	\$ 549	\$ 817	\$ 64	\$ —	\$ —
Commercial	1,103	353	689	61	—	—
Industrial	642	302	273	67	—	—
Other	23	6	15	2	—	—
Total retail electric revenues	3,198	1,210	1,794	194	—	—
Natural gas distribution revenues						
Residential	239	—	—	—	—	239
Commercial	58	—	—	—	—	58
Transportation	234	—	—	—	—	234
Industrial	5	—	—	—	—	5
Other	49	—	—	—	—	49
Total natural gas distribution revenues	585	—	—	—	—	585
Wholesale electric revenues						
PPA energy revenues	167	28	7	2	134	—
PPA capacity revenues	108	25	13	1	71	—
Non-PPA revenues	50	5	2	73	59	—
Total wholesale electric revenues	325	58	22	76	264	—
Other natural gas revenues						
Wholesale gas services	341	—	—	—	—	341
Gas marketing services	57	—	—	—	—	57
Other natural gas revenues	8	—	—	—	—	8
Total natural gas revenues	406	—	—	—	—	406
Other revenues	251	44	119	6	4	—
Total revenue from contracts with customers	4,765	1,312	1,935	276	268	991
Other revenue sources ^(a)	728	53	(7)	7	171	518
Other adjustments ^(b)	(873)	—	—	—	—	(873)
Total operating revenues	\$ 4,620	\$ 1,365	\$ 1,928	\$ 283	\$ 439	\$ 636

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

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Six Months Ended June 30, 2020						
Operating revenues						
Retail electric revenues						
Residential	\$ 2,801	\$ 1,103	\$ 1,577	\$ 121	\$ —	\$ —
Commercial	2,247	717	1,409	121	—	—
Industrial	1,323	623	555	145	—	—
Other	46	11	31	4	—	—
Total retail electric revenues	6,417	2,454	3,572	391	—	—
Natural gas distribution revenues						
Residential	736	—	—	—	—	736
Commercial	188	—	—	—	—	188
Transportation	499	—	—	—	—	499
Industrial	17	—	—	—	—	17
Other	144	—	—	—	—	144
Total natural gas distribution revenues	1,584	—	—	—	—	1,584
Wholesale electric revenues						
PPA energy revenues	326	55	15	4	259	—
PPA capacity revenues	213	52	25	2	136	—
Non-PPA revenues	100	24	4	142	117	—
Total wholesale electric revenues	639	131	44	148	512	—
Other natural gas revenues						
Wholesale gas services	737	—	—	—	—	737
Gas marketing services	220	—	—	—	—	220
Other natural gas revenues	15	—	—	—	—	15
Total natural gas revenues	972	—	—	—	—	972
Other revenues	441	78	214	13	7	—
Total revenue from contracts with customers	10,053	2,663	3,830	552	519	2,556
Other revenue sources ^(a)	1,599	53	(76)	7	295	1,343
Other adjustments ^(b)	(2,014)	—	—	—	—	(2,014)
Total operating revenues	\$ 9,638	\$ 2,716	\$ 3,754	\$ 559	\$ 814	\$ 1,885

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

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Three Months Ended June 30, 2019						
Operating revenues						
Retail electric revenues						
Residential	\$ 1,491	\$ 592	\$ 831	\$ 68	\$ —	\$ —
Commercial	1,264	422	770	72	—	—
Industrial	766	369	327	70	—	—
Other	25	7	15	3	—	—
Total retail electric revenues	3,546	1,390	1,943	213	—	—
Natural gas distribution revenues						
Residential	229	—	—	—	—	229
Commercial	65	—	—	—	—	65
Transportation	213	—	—	—	—	213
Industrial	5	—	—	—	—	5
Other	45	—	—	—	—	45
Total natural gas distribution revenues	557	—	—	—	—	557
Wholesale electric revenues						
PPA energy revenues	208	35	17	3	163	—
PPA capacity revenues	109	25	13	1	81	—
Non-PPA revenues	53	3	1	89	68	—
Total wholesale electric revenues	370	63	31	93	312	—
Other natural gas revenues						
Wholesale gas services	444	—	—	—	—	444
Gas marketing services	55	—	—	—	—	55
Other natural gas revenues	12	—	—	—	—	12
Total natural gas revenues	511	—	—	—	—	511
Other revenues	238	37	95	4	3	—
Total revenue from contracts with customers	5,222	1,490	2,069	310	315	1,068
Other revenue sources ^(a)	1,050	23	48	3	195	795
Other adjustments ^(b)	(1,174)	—	—	—	—	(1,174)
Total operating revenues	\$ 5,098	\$ 1,513	\$ 2,117	\$ 313	\$ 510	\$ 689

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

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Six Months Ended June 30, 2019						
Operating revenues						
Retail electric revenues						
Residential	\$ 2,818	\$ 1,151	\$ 1,539	\$ 128	\$ —	\$ —
Commercial	2,390	790	1,463	137	—	—
Industrial	1,474	707	623	144	—	—
Other	44	13	25	6	—	—
Total retail electric revenues	6,726	2,661	3,650	415	—	—
Natural gas distribution revenues						
Residential	830	—	—	—	—	830
Commercial	235	—	—	—	—	235
Transportation	469	—	—	—	—	469
Industrial	22	—	—	—	—	22
Other	161	—	—	—	—	161
Total natural gas distribution revenues	1,717	—	—	—	—	1,717
Wholesale electric revenues						
PPA energy revenues	398	67	28	5	314	—
PPA capacity revenues	217	52	27	2	163	—
Non-PPA revenues	108	62	3	164	109	—
Total wholesale electric revenues	723	181	58	171	586	—
Other natural gas revenues						
Wholesale gas services	1,165	—	—	—	—	1,165
Gas marketing services	276	—	—	—	—	276
Other natural gas revenues	22	—	—	—	—	22
Total natural gas revenues	1,463	—	—	—	—	1,463
Other revenues	502	83	186	10	6	—
Total revenue from contracts with customers	11,131	2,925	3,894	596	592	3,180
Other revenue sources ^(a)	2,413	(4)	57	4	361	2,017
Other adjustments ^(b)	(3,034)	—	—	—	—	(3,034)
Total operating revenues	\$ 10,510	\$ 2,921	\$ 3,951	\$ 600	\$ 953	\$ 2,163

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Contract Balances

The following table reflects the closing balances of receivables, contract assets, and contract liabilities related to revenues from contracts with customers at June 30, 2020 and December 31, 2019:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Accounts Receivables						
As of June 30, 2020	\$ 2,283	\$ 592	\$ 796	\$ 84	\$ 115	\$ 523
As of December 31, 2019	2,413	586	688	79	97	749
Contract Assets						
As of June 30, 2020	\$ 103	\$ —	\$ 54	\$ 1	\$ —	\$ —
As of December 31, 2019	117	—	69	—	—	—
Contract Liabilities						
As of June 30, 2020	\$ 57	\$ 6	\$ 23	\$ —	\$ 1	\$ 2
As of December 31, 2019	52	10	13	—	1	1

As of June 30, 2020 and December 31, 2019, Georgia Power had contract assets primarily related to unregulated service agreements, where payment is contingent on project completion, and fixed retail customer bill programs, where the payment is contingent upon Georgia Power's continued performance and the customer's continued participation in the program over a one-year contract term. Contract liabilities for Georgia Power relate to cash collections recognized in advance of revenue for certain unregulated service agreements. Alabama Power had contract liabilities for outstanding performance obligations primarily related to extended service agreements. Southern Company's unregulated distributed generation business had \$41 million and \$40 million of contract assets and \$26 million and \$28 million of contract liabilities at June 30, 2020 and December 31, 2019, respectively, for outstanding performance obligations.

Revenues recognized by Southern Company in the three and six months ended June 30, 2020, which were included in contract liabilities at December 31, 2019, were \$11 million and \$21 million, respectively, and immaterial for all other applicable Registrants.

Remaining Performance Obligations

The traditional electric operating companies and Southern Power have long-term contracts with customers in which revenues are recognized as performance obligations are satisfied over the contract term. These contracts primarily relate to PPAs whereby the traditional electric operating companies and Southern Power provide electricity and generation capacity to a customer. The revenue recognized for the delivery of electricity is variable; however, certain PPAs include a fixed payment for fixed generation capacity over the term of the contract. Southern Company's unregulated distributed generation business also has partially satisfied performance obligations related to certain fixed price contracts. Revenue from contracts with customers related to these performance obligations remaining at June 30, 2020 are expected to be recognized as follows:

	2020 (remaining)	2021	2022	2023	2024	2025 and Thereafter
<i>(in millions)</i>						
Southern Company	\$ 319	\$ 432	\$ 362	\$ 339	\$ 319	\$ 3,062
Alabama Power	12	33	31	24	7	5
Georgia Power	37	70	39	34	23	62
Southern Power	156	290	292	282	290	3,013

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Revenue expected to be recognized for performance obligations remaining at June 30, 2020 was immaterial for Mississippi Power.

Lease Income

Lease income for the three and six months ended June 30, 2020 and 2019 is as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
For the Three Months Ended June 30, 2020						
Lease income - interest income on sales-type leases	\$ 3	\$ —	\$ —	\$ 3	\$ —	\$ —
Lease income - operating leases	47	6	15	—	21	9
Variable lease income	126	—	—	—	136	—
Total lease income	\$ 176	\$ 6	\$ 15	\$ 3	\$ 157	\$ 9
For the Six Months Ended June 30, 2020						
Lease income - interest income on sales-type leases	\$ 6	\$ —	\$ —	\$ 5	\$ —	\$ —
Lease income - operating leases	97	13	30	—	45	17
Variable lease income	200	—	—	—	215	—
Total lease income	\$ 303	\$ 13	\$ 30	\$ 5	\$ 260	\$ 17
For the Three Months Ended June 30, 2019						
Lease income - interest income on sales-type leases	\$ 2	\$ —	\$ —	\$ 2	\$ —	\$ —
Lease income - operating leases	67	7	19	—	44	9
Variable lease income	115	—	—	—	129	—
Total lease income	\$ 184	\$ 7	\$ 19	\$ 2	\$ 173	\$ 9
For the Six Months Ended June 30, 2019						
Lease income - interest income on sales-type leases	\$ 5	\$ —	\$ —	\$ 5	\$ —	\$ —
Lease income - operating leases	139	13	39	—	90	17
Variable lease income	182	—	—	—	204	—
Total lease income	\$ 326	\$ 13	\$ 39	\$ 5	\$ 294	\$ 17

Lease income for Southern Power is included in wholesale revenues. 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.

(E) CONSOLIDATED ENTITIES AND EQUITY METHOD INVESTMENTS

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

Southern Power

Variable Interest Entities

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

SP Solar and SP Wind

At June 30, 2020 and December 31, 2019, SP Solar had total assets of \$6.2 billion and \$6.4 billion, respectively, and total liabilities of \$381 million. Noncontrolling interests totaled \$1.1 billion at both June 30, 2020 and December 31, 2019. Cash distributions from SP Solar are allocated 67% to Southern Power and 33% to Global Atlantic in accordance with their partnership interest percentage. Under the terms of the limited partnership agreement, distributions without limited partner consent are limited to available cash and SP Solar is obligated to distribute all such available cash to its partners each quarter. Available cash includes all cash generated in the quarter subject to the maintenance of appropriate operating reserves.

At June 30, 2020 and December 31, 2019, SP Wind had total assets of \$2.4 billion and \$2.5 billion, respectively, total liabilities of \$125 million and \$128 million, respectively, and noncontrolling interests of \$44 million and \$45 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 June 30, 2020 and December 31, 2019, the other VIEs had total assets of \$1.5 billion and \$1.1 billion, respectively, total liabilities of \$160 million and \$104 million, respectively, and noncontrolling interests of \$557 million and \$409 million, respectively. Under the terms of the partnership agreements, distributions of all available cash are required each month or quarter and additional distributions require partner consent.

Equity Method Investments

At June 30, 2020 and December 31, 2019, Southern Power had equity method investments in wind and battery storage projects totaling \$19 million and \$28 million, respectively.

Southern Company Gas

Equity Method Investments

On March 24, 2020, Southern Company Gas completed the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline. See Note (K) under "Southern Company Gas" for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

The carrying amounts of Southern Company Gas' equity method investments as of June 30, 2020 and December 31, 2019 and related income from those investments for the three and six months ended June 30, 2020 and 2019 were as follows:

Investment Balance	June 30, 2020	December 31, 2019^(a)
	<i>(in millions)</i>	
SNG ^(b)	\$ 1,189	\$ 1,137
PennEast Pipeline ^(c)	87	82
Other	32	32
Total	\$ 1,308	\$ 1,251

(a) Excludes investments in Atlantic Coast Pipeline and Pivotal JAX LNG classified as held for sale at December 31, 2019. See Note 15 to the financial statements under "Assets Held for Sale" in Item 8 of the Form 10-K for additional information.

(b) Increase primarily relates to a capital contribution, partially offset by the continued amortization of deferred tax assets established upon acquisition.

(c) See Note (C) under "Other Matters – Southern Company Gas" for additional information on the PennEast Pipeline.

Earnings from Equity Method Investments	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	<i>(in millions)</i>			
SNG	\$ 28	\$ 32	\$ 65	\$ 74
Atlantic Coast Pipeline ^{(a)(b)}	—	3	3	6
PennEast Pipeline ^(a)	1	1	3	3
Other	1	(5)	1	(3)
Total	\$ 30	\$ 31	\$ 72	\$ 80

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

(b) On March 24, 2020, Southern Company Gas completed the sale of its interest in Atlantic Coast Pipeline. See Note (K) under "Southern Company Gas" for additional information.

SNG

Selected financial information of SNG for the three and six months ended June 30, 2020 and 2019 is as follows:

Income Statement Information	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
	<i>(in millions)</i>			
Revenues	\$ 149	\$ 155	\$ 307	\$ 321
Operating income	78	86	176	192
Net income	55	64	130	148

(F) FINANCING

Bank Credit Arrangements

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

At June 30, 2020, committed credit arrangements with banks were as follows:

Company	Expires						Total	Unused	Due within One Year							
	2020	2021	2022	2023	2024											
	(in millions)															
Southern Company parent	\$	—	\$	—	\$	—	\$	2,000	\$	2,000	\$	1,999	\$	—		
Alabama Power		3		—		525		—		800		1,328		1,328		3
Georgia Power		—		—		—		—		1,750		1,750		1,733		—
Mississippi Power		—		—		150		125		—		275		250		—
Southern Power ^(a)		—		—		—		—		600		600		590		—
Southern Company Gas ^(b)		—		—		—		—		1,750		1,750		1,745		—
SEGCO		—		30		—		—		—		30		30		30
Southern Company	\$	3	\$	30	\$	675	\$	125	\$	6,900	\$	7,733	\$	7,675	\$	33

(a) Does not include Southern Power Company's \$120 million and \$60 million continuing letter of credit facilities for standby letters of credit expiring in 2021 and 2023, respectively, of which \$19 million and \$60 million, respectively, was unused at June 30, 2020. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(b) Southern Company Gas, as the parent entity, guarantees the obligations of Southern Company Gas Capital, which is the borrower of \$1.25 billion of this arrangement. Southern Company Gas' committed credit arrangement also includes \$500 million for which Nicor Gas is the borrower and which is restricted for working capital needs of Nicor Gas. Pursuant to this multi-year credit arrangement, the allocations between Southern Company Gas Capital and Nicor Gas may be adjusted.

As reflected in the table above, in March 2020, Mississippi Power entered into a \$125 million revolving credit facility that matures in March 2023.

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 and SEGCO, contain covenants that limit debt levels and contain cross-acceleration or, in the case of Southern Power, cross-default provisions to other indebtedness (including guarantee obligations) that are restricted only to the indebtedness of the individual company. Such cross-default provisions to other indebtedness would trigger an event of default if Southern Power defaulted on indebtedness or guarantee obligations over a specified threshold. Such cross-acceleration provisions to other indebtedness would trigger an event of default if the applicable borrower defaulted on indebtedness, the payment of which was then accelerated. At June 30, 2020, the Registrants, Nicor Gas, and SEGCO were in compliance with all such covenants. None of the bank credit arrangements contain material adverse change clauses at the time of borrowings.

A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at June 30, 2020 was approximately \$1.4 billion (comprised of approximately \$854 million at Alabama Power, \$550 million at Georgia Power, and \$34 million at Mississippi Power). In addition, at June 30, 2020, Georgia Power had approximately \$257 million of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months.

Earnings per Share

For Southern Company, the only differences in computing basic and diluted earnings per share are attributable to awards outstanding under stock-based compensation plans and, as a result of stock price volatility in the first six months of 2020, the equity units issued in August 2019. Earnings per share dilution resulting from stock-based

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

compensation plans and the equity units issuance is determined using the treasury stock method. See Note 8 to the financial statements under "Equity Units" in Item 8 of the Form 10-K for information on the August 2019 equity units issuance and Note 12 to the financial statements in Item 8 of the Form 10-K for information on stock-based compensation plans. Shares used to compute diluted earnings per share were as follows:

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
<i>(in millions)</i>				
As reported shares	1,058	1,044	1,057	1,041
Effect of stock-based compensation	5	8	7	8
Effect of equity units	—	—	1	—
Diluted shares	1,063	1,052	1,065	1,049

An immaterial number of stock-based compensation awards was not included in the diluted earnings per share calculation because the awards were anti-dilutive for the three and six months ended June 30, 2020. There were no such amounts for the three and six months ended June 30, 2019.

(G) INCOME TAXES

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

Current and Deferred Income Taxes

Tax Credit and Net Operating Loss Carryforwards

The utilization of each Registrants' estimated tax credit and net operating loss carryforwards and related valuation allowances could be impacted by numerous factors, including the acquisition of additional renewable projects, the purchase of rights to additional PTCs of Plant Vogtle Units 3 and 4 pursuant to certain joint ownership agreements, potential impacts of the COVID-19 pandemic, and changes in taxable income projections. 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

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

Southern Company

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.

Southern Company's effective tax rate was 9.3% for the six months ended June 30, 2020 compared to 33.5% for the corresponding period in 2019. The effective tax rate decrease was primarily due to the tax impact from the sale of Gulf Power in 2019, as well as an increase in the flowback of excess deferred income taxes in 2020 primarily at Georgia Power. See Note 15 to the financial statements under "Southern Company" in Item 8 of the Form 10-K for additional information.

Georgia Power

Georgia Power's effective tax rate was 4.0% for the six months ended June 30, 2020 compared to 21.7% for the corresponding period in 2019. The effective tax rate decrease was primarily due to an increase in the flowback of excess deferred income taxes in 2020 as authorized in the 2019 ARP, as well as the second quarter 2020 charge to

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

earnings associated with the construction of Plant Vogtle Units 3 and 4. See Note (B) under "Georgia Power – Nuclear Construction" and Note 2 to the financial statements under "Georgia Power" in Item 8 of the Form 10-K for additional information.

Mississippi Power

Mississippi Power's effective tax rate was 10.6% for the six months ended June 30, 2020 compared to 14.0% for the corresponding period in 2019. The effective tax rate decrease was primarily due to an increase in the flowback of excess deferred income taxes in 2020 as authorized in the Mississippi Power Rate Case Settlement Agreement. See Note (B) under "Mississippi Power – 2019 Base Rate Case" for additional information.

Southern Power

Southern Power's effective tax rate was 10.5% for the six months ended June 30, 2020 compared to a benefit rate of (35.5)% for the corresponding period in 2019. The effective tax rate increase was primarily due to tax benefits resulting from ITCs recognized upon the sale of Plant Nacogdoches in 2019. See Note (K) under "Southern Power" for additional information.

Southern Company Gas

Southern Company Gas' effective tax rate was 21.5% for the six months ended June 30, 2020 compared to 18.0% for the corresponding period in 2019. The effective tax rate increase was primarily due to higher flowback of excess deferred income taxes in 2019, primarily at Atlanta Gas Light as previously authorized by the Georgia PSC, and the reversal of a federal tax valuation allowance in connection with Southern Company Gas' sale of its investment in Triton in 2019. See Notes 2 and 15 to the financial statements under "Southern Company Gas" in Item 8 of the Form 10-K for additional information.

(H) RETIREMENT BENEFITS

The Southern Company system has a qualified defined benefit, trustee, pension plan covering substantially all employees, with the exception of employees at PowerSecure. The qualified pension plan is funded in accordance with requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). No mandatory contributions to the qualified pension plan are anticipated for the year ending December 31, 2020. 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.

Effective January 1, 2020, Southern Company adopted a change in method of calculating the market-related value of the liability-hedging securities included in its pension plan assets. The market-related value is used to determine the expected return on plan assets component of net periodic pension cost. Southern Company previously used the calculated value approach for all plan assets, which smoothed asset returns and deferred gains and losses by amortizing them into the calculation of the market-related value over five years. Southern Company changed to the fair value approach for liability-hedging securities, which includes measuring the market-related value of that portion of the plan assets at fair value for purposes of determining the expected return on plan assets. The remaining asset classes of plan assets will continue to use the calculated value approach in determining the market-related value. Southern Company considers the fair value approach to be preferable because it results in a current reflection of changes in the value of plan assets in the measurement of net periodic pension cost. Southern Company evaluated the effect of this change in accounting method and deemed it immaterial to the historical and current financial statements of all Registrants and therefore did not account for the change retrospectively. The change in accounting principle was recorded through earnings as a prior period adjustment for the amounts related to the unregulated

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

businesses of Southern Company and Southern Power. Amounts related to the traditional electric operating companies and the natural gas distribution utilities have been reflected as adjustments to regulatory assets as appropriate, consistent with the expected regulatory treatment.

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 six months ended June 30, 2020 and 2019 are presented in the following tables.

Three Months Ended June 30, 2020	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Pension Plans						
Service cost	\$ 94	\$ 22	\$ 24	\$ 4	\$ 2	\$ 8
Interest cost	108	25	34	5	2	7
Expected return on plan assets	(275)	(66)	(87)	(12)	(3)	(20)
Amortization:						
Prior service costs	—	—	1	—	—	—
Regulatory asset	—	—	—	—	—	4
Net (gain)/loss	67	18	21	3	—	3
Net periodic pension cost (income)	\$ (6)	\$ (1)	\$ (7)	\$ —	\$ 1	\$ 2
Postretirement Benefits						
Service cost	\$ 6	\$ 1	\$ 2	\$ 1	\$ —	\$ 1
Interest cost	14	3	5	1	—	4
Expected return on plan assets	(18)	(7)	(6)	(1)	—	(2)
Amortization:						
Prior service costs	(1)	—	—	—	—	—
Regulatory asset	—	—	—	—	—	1
Net (gain)/loss	—	—	—	—	—	(1)
Net periodic postretirement benefit cost	\$ 1	\$ (3)	\$ 1	\$ 1	\$ —	\$ 3

Six Months Ended June 30, 2020	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Pension Plans						
Service cost	\$ 188	\$ 44	\$ 48	\$ 8	\$ 4	\$ 16
Interest cost	216	50	67	10	3	15
Expected return on plan assets	(550)	(132)	(174)	(25)	(6)	(39)
Amortization:						
Prior service costs	1	—	1	—	—	(1)
Regulatory asset	—	—	—	—	—	8
Net (gain)/loss	134	36	43	6	1	5
Net periodic pension cost (income)	\$ (11)	\$ (2)	\$ (15)	\$ (1)	\$ 2	\$ 4

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

Six Months Ended June 30, 2020	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Postretirement Benefits						
Service cost	\$ 11	\$ 3	\$ 3	\$ 1	\$ —	\$ 1
Interest cost	27	6	10	1	—	6
Expected return on plan assets	(36)	(14)	(13)	(1)	—	(4)
Amortization:						
Prior service costs	(1)	—	—	—	—	—
Regulatory asset	—	—	—	—	—	3
Net (gain)/loss	1	—	1	—	—	(2)
Net periodic postretirement benefit cost	\$ 2	\$ (5)	\$ 1	\$ 1	\$ —	\$ 4

Three Months Ended June 30, 2019	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Pension Plans						
Service cost	\$ 73	\$ 17	\$ 18	\$ 3	\$ 1	\$ 6
Interest cost	123	29	39	5	2	9
Expected return on plan assets	(221)	(52)	(73)	(10)	(3)	(15)
Amortization:						
Prior service costs	1	1	1	—	—	—
Regulatory asset	—	—	—	—	—	4
Net (gain)/loss	30	9	11	2	—	—
Net periodic pension cost (income)	\$ 6	\$ 4	\$ (4)	\$ —	\$ —	\$ 4
Postretirement Benefits						
Service cost	\$ 4	\$ 1	\$ 1	\$ —	\$ —	\$ —
Interest cost	17	4	6	1	—	3
Expected return on plan assets	(17)	(7)	(6)	(1)	—	(1)
Amortization:						
Prior service costs	1	1	—	—	—	—
Regulatory asset	—	—	—	—	—	1
Net (gain)/loss	—	—	—	—	—	(1)
Net periodic postretirement benefit cost	\$ 5	\$ (1)	\$ 1	\$ —	\$ —	\$ 2

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

Six Months Ended June 30, 2019	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Pension Plans						
Service cost	\$ 146	\$ 34	\$ 37	\$ 6	\$ 3	\$ 12
Interest cost	246	57	78	11	3	18
Expected return on plan assets	(442)	(103)	(146)	(20)	(5)	(30)
Amortization:						
Prior service costs	1	1	1	—	—	(1)
Regulatory asset	—	—	—	—	—	7
Net (gain)/loss	60	18	22	3	—	1
Net periodic pension cost (income)	\$ 11	\$ 7	\$ (8)	\$ —	\$ 1	\$ 7
Postretirement Benefits						
Service cost	\$ 9	\$ 2	\$ 2	\$ —	\$ —	\$ 1
Interest cost	34	8	13	2	—	5
Expected return on plan assets	(33)	(13)	(12)	(1)	—	(3)
Amortization:						
Prior service costs	2	2	—	—	—	—
Regulatory asset	—	—	—	—	—	3
Net (gain)/loss	(1)	—	—	—	—	(2)
Net periodic postretirement benefit cost	\$ 11	\$ (1)	\$ 3	\$ 1	\$ —	\$ 4

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

(I) FAIR VALUE MEASUREMENTS

As of June 30, 2020, assets and liabilities measured at fair value on a recurring basis during the period, together with their associated level of the fair value hierarchy, were as follows:

As of June 30, 2020:	Fair Value Measurements Using:				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
(in millions)					
Southern Company					
Assets:					
Energy-related derivatives ^(a)	\$ 388	\$ 181	\$ 143	\$ —	\$ 712
Interest rate derivatives	—	23	—	—	23
Investments in trusts: ^{(b)(c)}					
Domestic equity	703	128	—	—	831
Foreign equity	65	202	—	—	267
U.S. Treasury and government agency securities	—	268	—	—	268
Municipal bonds	—	106	—	—	106
Pooled funds – fixed income	—	16	—	—	16
Corporate bonds	19	369	—	—	388
Mortgage and asset backed securities	—	75	—	—	75
Private equity	—	—	—	61	61
Other	26	3	—	—	29
Cash equivalents	1,315	13	—	—	1,328
Other investments	9	21	—	—	30
Total	\$ 2,525	\$ 1,405	\$ 143	\$ 61	\$ 4,134
Liabilities:					
Energy-related derivatives ^(a)	\$ 468	\$ 187	\$ 63	\$ —	\$ 718
Interest rate derivatives	—	23	—	—	23
Foreign currency derivatives	—	49	—	—	49
Contingent consideration	—	—	19	—	19
Total	\$ 468	\$ 259	\$ 82	\$ —	\$ 809

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

As of June 30, 2020:	Fair Value Measurements Using:				Total					
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)						
(in millions)										
Alabama Power										
Assets:										
Energy-related derivatives	\$	—	\$	11	\$	—	\$	—	\$	11
Nuclear decommissioning trusts: ^(b)										
Domestic equity		442		117		—		—		559
Foreign equity		65		59		—		—		124
U.S. Treasury and government agency securities		—		22		—		—		22
Municipal bonds		—		1		—		—		1
Corporate bonds		19		155		—		—		174
Mortgage and asset backed securities		—		28		—		—		28
Private equity		—		—		—		61		61
Other		8		—		—		—		8
Cash equivalents		692		13		—		—		705
Other investments		—		21		—		—		21
Total	\$	1,226	\$	427	\$	—	\$	61	\$	1,714
Liabilities:										
Energy-related derivatives	\$	—	\$	19	\$	—	\$	—	\$	19
Georgia Power										
Assets:										
Energy-related derivatives	\$	—	\$	10	\$	—	\$	—	\$	10
Nuclear decommissioning trusts: ^{(b)(c)}										
Domestic equity		261		1		—		—		262
Foreign equity		—		141		—		—		141
U.S. Treasury and government agency securities		—		246		—		—		246
Municipal bonds		—		105		—		—		105
Corporate bonds		—		214		—		—		214
Mortgage and asset backed securities		—		47		—		—		47
Other		18		3		—		—		21
Cash equivalents		349		—		—		—		349
Total	\$	628	\$	767	\$	—	\$	—	\$	1,395
Liabilities:										
Energy-related derivatives	\$	—	\$	40	\$	—	\$	—	\$	40

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

As of June 30, 2020:	Fair Value Measurements Using:				Total			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)				
(in millions)								
Mississippi Power								
Assets:								
Energy-related derivatives	\$	—	\$	6	\$	—	\$	6
Liabilities:								
Energy-related derivatives	\$	—	\$	22	\$	—	\$	22
Southern Power								
Assets:								
Energy-related derivatives	\$	—	\$	2	\$	—	\$	2
Liabilities:								
Energy-related derivatives	\$	—	\$	3	\$	—	\$	3
Foreign currency derivatives				49		—		49
Contingent consideration				—		19		19
Total	\$	—	\$	52	\$	19	\$	71
Southern Company Gas								
Assets:								
Energy-related derivatives ^(a)	\$	388	\$	152	\$	143	\$	683
Non-qualified deferred compensation trusts:								
Domestic equity		—		10		—		10
Foreign equity		—		2		—		2
Pooled funds – fixed income		—		16		—		16
Cash equivalents and restricted cash		40		—		—		40
Total	\$	428	\$	180	\$	143	\$	751
Liabilities:								
Energy-related derivatives ^(a)	\$	468	\$	103	\$	63	\$	634
Interest rate derivatives		—		23		—		23
Total	\$	468	\$	126	\$	63	\$	657

(a) Energy-related derivatives exclude cash collateral of \$114 million.

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

(c) Includes investment securities pledged to creditors and collateral received and excludes payables related to the securities lending program. As of June 30, 2020, approximately \$45 million of the fair market value of Georgia Power's nuclear decommissioning trust funds' securities were on loan to creditors under the funds' managers' securities lending program. See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Southern Company, Alabama Power, and Georgia Power continue to elect the option to fair value investment securities held in the nuclear decommissioning trust funds. The fair value of the funds, including reinvested interest and dividends and excluding the funds' expenses, increased (decreased) by the amounts shown in the table below for the three and six months ended June 30, 2020 and 2019. The changes were recorded as a change to the regulatory assets and liabilities related to AROs for Georgia Power and Alabama Power, respectively.

	Three Months Ended June 30, 2020	Three Months Ended June 30, 2019	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Fair value increases (decreases)				
(in millions)				
Southern Company	\$ 223	\$ 75	\$ (23)	\$ 227
Alabama Power	124	38	(42)	125
Georgia Power	99	37	19	102

Valuation Methodologies

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

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

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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.

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

As of June 30, 2020, the fair value measurements of private equity investments held in Alabama Power's nuclear decommissioning trusts that are calculated at net asset value per share (or its equivalent) as a practical expedient totaled \$61 million and unfunded commitments related to the private equity investments totaled \$72 million. Private equity investments include high-quality private equity funds across several market sectors and funds that invest in real estate assets. Private equity funds do not have redemption rights. Distributions from these funds will be received as the underlying investments in the funds are liquidated.

As of June 30, 2020, other financial instruments for which the carrying amount did not equal fair value were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas ^(*)
(in millions)						
Long-term debt, including securities due within one year:						
Carrying amount	\$ 46,513	\$ 8,519	\$ 12,720	\$ 1,404	\$ 4,097	\$ 5,827
Fair value	53,079	10,008	15,092	1,571	4,423	6,817

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

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

Commodity Contracts with Level 3 Valuation Inputs

As of June 30, 2020, the fair value of Southern Company Gas' Level 3 physical natural gas forward contracts was \$80 million. Since commodity contracts classified as Level 3 typically include a combination of observable and unobservable components, the changes in fair value may include amounts due in part to observable market factors, or changes to assumptions on the unobservable components. The following table includes transfers to Level 3, which represent the fair value of Southern Company Gas' commodity derivative contracts that include a significant unobservable component for the first time during the period.

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
	<i>(in millions)</i>	
Beginning balance	\$ 76	\$ 14
Transfers to Level 3	—	70
Transfers from Level 3	—	(3)
Instruments realized or otherwise settled during period	(6)	(7)
Changes in fair value	10	6
Ending balance	\$ 80	\$ 80

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

The valuation of certain commodity contracts requires the use of certain unobservable inputs. All forward pricing used in the valuation of such contracts is directly based on third-party market data, such as broker quotes and exchange settlements, when that data is available. If third-party market data is not available, then industry standard methodologies are used to develop inputs that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Observable inputs, including some forward prices used for determining fair value, reflect the best available market information. Unobservable inputs are updated using industry standard techniques such as extrapolation, combining observable forward inputs supplemented by historical market and other relevant data. Level 3 physical natural gas forward contracts include unobservable forward price inputs (ranging from \$(0.91) to \$0.99 per mmBtu). Forward price increases (decreases) as of June 30, 2020 would have resulted in higher (lower) values on a net basis.

(J) DERIVATIVES

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas are exposed to market risks, including commodity price risk, interest rate risk, weather risk, and occasionally foreign currency exchange rate risk. To manage the volatility attributable to these exposures, each company nets its exposures, where possible, to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to each company's policies in areas such as counterparty exposure and risk management practices. Southern Company Gas' wholesale gas operations use various contracts in its commercial activities that generally meet the definition of derivatives. For the traditional electric operating companies, Southern Power, and Southern Company Gas' other businesses, each company's policy is that derivatives are to be used primarily for hedging purposes and mandates strict adherence to all applicable risk management policies. Derivative positions are monitored using techniques including, but not limited to, market valuation, value at risk, stress testing, and sensitivity analysis. Derivative instruments are recognized at fair value in the balance sheets as either assets or liabilities and are presented on a net basis. See Note (I) for additional fair value information. In the statements of cash flows, any cash impacts of settled energy-related and interest rate derivatives are recorded as operating activities. Any cash impacts of settled foreign currency derivatives are classified as operating or financing activities to correspond with classification of the hedged interest or principal, respectively. See Note 1 to the financial statements under "Financial Instruments" in Item 8 of the Form 10-K for additional information.

Energy-Related Derivatives

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

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

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

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

At June 30, 2020, the net volume of energy-related derivative contracts for natural gas positions, together with the longest hedge date over which the respective entity is hedging its exposure to the variability in future cash flows for forecasted transactions and the longest non-hedge date for derivatives not designated as hedges, were as follows:

	Net Purchased mmBtu	Longest Hedge Date	Longest Non-Hedge Date
<i>(in millions)</i>			
Southern Company ^(*)	944	2024	2031
Alabama Power	85	2024	—
Georgia Power	152	2023	—
Mississippi Power	91	2024	—
Southern Power	15	2022	2021
Southern Company Gas ^(*)	601	2022	2031

(*) Southern Company Gas' derivative instruments include both long and short natural gas positions. A long position is a contract to purchase natural gas and a short position is a contract to sell natural gas. Southern Company Gas' volume represents the net of long natural gas positions of 4.6 billion mmBtu and short natural gas positions of 4.0 billion mmBtu as of June 30, 2020, which is also included in Southern Company's total volume.

At June 30, 2020, the net volume of Southern Power's energy-related derivative contracts for power to be sold was 1 million MWHs, all of which expire in 2020.

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 16 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 5 million mmBtu for Southern Power.

For cash flow hedges of energy-related derivatives, the estimated pre-tax gains (losses) expected to be reclassified from accumulated OCI to earnings for the 12-month period ending June 30, 2021 are immaterial for all Registrants.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Interest Rate Derivatives

Southern Company and certain subsidiaries may enter into interest rate derivatives to hedge exposure to changes in interest rates. The derivatives employed as hedging instruments are structured to minimize ineffectiveness. Derivatives related to existing variable rate securities or forecasted transactions are accounted for as cash flow hedges where the derivatives' fair value gains or losses are recorded in OCI and are reclassified into earnings at the same time and presented on the same income statement line item as the earnings effect of the hedged transactions. Derivatives related to existing fixed rate securities are accounted for as fair value hedges, where the derivatives' fair value gains or losses and hedged items' fair value gains or losses are both recorded directly to earnings on the same income statement line item. Fair value gains or losses on derivatives that are not designated or fail to qualify as hedges are recognized in the statements of income as incurred.

At June 30, 2020, the following interest rate derivatives were outstanding:

	Notional Amount	Interest Rate Received	Weighted Average Interest Rate Paid	Hedge Maturity Date	Fair Value Gain (Loss) at June 30, 2020
	(in millions)				(in millions)
Cash Flow Hedges of Forecasted Debt					
Southern Company Gas	\$ 200	3-month LIBOR	1.81%	September 2030	\$ (23)
Cash Flow Hedges of Existing Debt					
Mississippi Power	60	1-month LIBOR	0.58%	December 2021	—
Fair Value Hedges of Existing Debt					
Southern Company parent	1,500	2.35%	1-month LIBOR + 0.87%	July 2021	23
Southern Company	\$ 1,760				\$ —

The estimated pre-tax gains (losses) related to interest rate derivatives expected to be reclassified from accumulated OCI to interest expense for the 12-month period ending June 30, 2021 total \$(25) million for Southern Company and are immaterial for all other Registrants. Deferred gains and losses related to interest rate derivatives are expected to be amortized into earnings through 2046 for the Southern Company parent entity, 2035 for Alabama Power, 2044 for Georgia Power, 2028 for Mississippi Power, and 2046 for Southern Company Gas.

Foreign Currency Derivatives

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

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

At June 30, 2020, the following foreign currency derivatives were outstanding:

	Pay Notional	Pay Rate	Receive Notional	Receive Rate	Hedge Maturity Date	Fair Value Gain (Loss) at June 30, 2020
	(in millions)		(in millions)			(in millions)
Cash Flow Hedges of Existing Debt						
Southern Power	\$ 677	2.95%	€ 600	1.00%	June 2022	\$ (18)
Southern Power	564	3.78%	500	1.85%	June 2026	(31)
Total	\$ 1,241		€ 1,100			\$ (49)

The estimated pre-tax gains (losses) related to Southern Power's foreign currency derivatives expected to be reclassified from accumulated OCI to earnings for the 12-month period ending June 30, 2021 are \$(24) million.

Derivative Financial Statement Presentation and Amounts

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

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

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

Derivative Category and Balance Sheet Location	As of June 30, 2020		As of December 31, 2019					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Southern Company								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	19	\$	64	\$	3	\$	70
Other deferred charges and assets/Other deferred credits and liabilities		13		28		6		44
Total derivatives designated as hedging instruments for regulatory purposes	\$	32	\$	92	\$	9	\$	114
Derivatives designated as hedging instruments in cash flow and fair value hedges								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	3	\$	6	\$	1	\$	6
Interest rate derivatives:								
Other current assets/Other current liabilities		12		23		2		23
Other deferred charges and assets/Other deferred credits and liabilities		10		—		—		1
Foreign currency derivatives:								
Other current assets/Other current liabilities		—		24		—		24
Other deferred charges and assets/Other deferred credits and liabilities		—		25		16		—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	25	\$	78	\$	19	\$	54
Derivatives not designated as hedging instruments								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	361	\$	367	\$	461	\$	358
Other deferred charges and assets/Other deferred credits and liabilities		316		253		207		225
Total derivatives not designated as hedging instruments	\$	677	\$	620	\$	668	\$	583
Gross amounts recognized	\$	734	\$	790	\$	696	\$	751
Gross amounts offset ^(a)		(520)		(634)		(463)		(562)
Net amounts recognized in the Balance Sheets ^(b)	\$	214	\$	156	\$	233	\$	189

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

Derivative Category and Balance Sheet Location	As of June 30, 2020		As of December 31, 2019					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Alabama Power								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	7	\$	12	\$	2	\$	14
Other deferred charges and assets/Other deferred credits and liabilities		4		7		2		10
Total derivatives designated as hedging instruments for regulatory purposes	\$	11	\$	19	\$	4	\$	24
Gross amounts recognized	\$	11	\$	19	\$	4	\$	24
Gross amounts offset		(8)		(8)		(2)		(2)
Net amounts recognized in the Balance Sheets	\$	3	\$	11	\$	2	\$	22
Georgia Power								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	5	\$	28	\$	1	\$	32
Other deferred charges and assets/Other deferred credits and liabilities		5		12		3		21
Total derivatives designated as hedging instruments for regulatory purposes	\$	10	\$	40	\$	4	\$	53
Derivatives designated as hedging instruments in cash flow and fair value hedges								
Interest rate derivatives:								
Other current assets/Other current liabilities	\$	—	\$	—	\$	—	\$	17
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	—	\$	—	\$	—	\$	17
Gross amounts recognized	\$	10	\$	40	\$	4	\$	70
Gross amounts offset		(10)		(10)		(3)		(3)
Net amounts recognized in the Balance Sheets	\$	—	\$	30	\$	1	\$	67

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

Derivative Category and Balance Sheet Location	As of June 30, 2020		As of December 31, 2019					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Mississippi Power								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	3	\$	13	\$	—	\$	15
Other deferred charges and assets/Other deferred credits and liabilities		3		9		1		12
Total derivatives designated as hedging instruments for regulatory purposes	\$	6	\$	22	\$	1	\$	27
Gross amounts recognized	\$	6	\$	22	\$	1	\$	27
Gross amounts offset		(6)		(6)		(1)		(1)
Net amounts recognized in the Balance Sheets	\$	—	\$	16	\$	—	\$	26
Southern Power								
Derivatives designated as hedging instruments in cash flow and fair value hedges								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	2	\$	3	\$	1	\$	2
Foreign currency derivatives:								
Other current assets/Other current liabilities		—		24		—		24
Other deferred charges and assets/Other deferred credits and liabilities		—		25		16		—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	2	\$	52	\$	17	\$	26
Derivatives not designated as hedging instruments								
Energy-related derivatives:								
Other current assets/Other current liabilities	\$	—	\$	—	\$	2	\$	1
Total derivatives not designated as hedging instruments	\$	—	\$	—	\$	2	\$	1
Gross amounts recognized	\$	2	\$	52	\$	19	\$	27
Gross amounts offset		(1)		(1)		—		—
Net amounts recognized in the Balance Sheets	\$	1	\$	51	\$	19	\$	27

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

Derivative Category and Balance Sheet Location	As of June 30, 2020		As of December 31, 2019					
	Assets	Liabilities	Assets	Liabilities				
	(in millions)		(in millions)					
Southern Company Gas								
Derivatives designated as hedging instruments for regulatory purposes								
Energy-related derivatives:								
Assets from risk management activities/Liabilities from risk management activities-current	\$	4	\$	11	\$	—	\$	9
Other deferred charges and assets/Other deferred credits and liabilities		1		—		—		1
Total derivatives designated as hedging instruments for regulatory purposes	\$	5	\$	11	\$	—	\$	10
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-current	\$	1	\$	3	\$	—	\$	4
Interest rate derivatives:								
Assets from risk management activities/Liabilities from risk management activities-current		—		23		2		—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$	1	\$	26	\$	2	\$	4
Derivatives not designated as hedging instruments								
Energy-related derivatives:								
Assets from risk management activities/Liabilities from risk management activities-current	\$	361	\$	367	\$	459	\$	357
Other deferred charges and assets/Other deferred credits and liabilities		316		253		207		225
Total derivatives not designated as hedging instruments	\$	677	\$	620	\$	666	\$	582
Gross amounts of recognized	\$	683	\$	657	\$	668	\$	596
Gross amounts offset ^(a)		(495)		(609)		(456)		(555)
Net amounts recognized in the Balance Sheets ^(b)	\$	188	\$	48	\$	212	\$	41

(a) Gross amounts offset include cash collateral held on deposit in broker margin accounts of \$114 million and \$99 million as of June 30, 2020 and December 31, 2019, respectively.

(b) Net amounts of derivative instruments outstanding exclude premium and intrinsic value associated with weather derivatives of \$4 million as of December 31, 2019.

Energy-related derivatives not designated as hedging instruments were immaterial for the traditional electric operating companies at June 30, 2020 and December 31, 2019.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

At June 30, 2020 and December 31, 2019, the pre-tax effects of unrealized derivative gains (losses) arising from energy-related derivative instruments designated as regulatory hedging instruments and deferred were as follows:

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

Derivative Category and Balance Sheet Location	Southern Company ^(*)	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas ^(*)
<i>(in millions)</i>					
At June 30, 2020:					
Energy-related derivatives:					
Other regulatory assets, current	\$ (42)	\$ (8)	\$ (23)	\$ (10)	(1)
Other regulatory assets, deferred	(16)	(3)	(7)	(6)	—
Other regulatory liabilities, current	10	3	—	—	7
Total energy-related derivative gains (losses)	\$ (48)	\$ (8)	\$ (30)	\$ (16)	6
At December 31, 2019:					
Energy-related derivatives:					
Other regulatory assets, current	\$ (63)	\$ (14)	\$ (31)	\$ (15)	(3)
Other regulatory assets, deferred	(37)	(8)	(18)	(11)	—
Other regulatory liabilities, current	6	2	—	—	4
Total energy-related derivative gains (losses)	\$ (94)	\$ (20)	\$ (49)	\$ (26)	1

(*) Fair value gains and losses recorded in regulatory assets and liabilities include cash collateral held on deposit in broker margin accounts of \$12 million and \$11 million at June 30, 2020 and December 31, 2019, respectively.

For the three and six months ended June 30, 2020 and 2019, the pre-tax effects of cash flow hedge accounting on accumulated OCI were as follows:

Gain (Loss) Recognized in OCI on Derivative	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2020	2019	2020	2019
<i>(in millions)</i>				
Southern Company				
Energy-related derivatives	\$ (2)	\$ (6)	\$ (6)	(6)
Interest rate derivatives	(1)	(37)	(28)	(37)
Foreign currency derivatives	17	(1)	(65)	(39)
Total	\$ 14	\$ (44)	\$ (99)	(82)
Georgia Power				
Interest rate derivatives	\$ —	\$ (37)	\$ (3)	(37)
Southern Power				
Energy-related derivatives	\$ (2)	\$ (2)	\$ (2)	(2)
Foreign currency derivatives	\$ 17	(1)	(65)	(39)
Total	\$ 15	\$ (3)	\$ (67)	(41)
Southern Company Gas				
Energy-related derivatives	\$ —	\$ (4)	\$ (4)	(4)
Interest rate derivatives	(1)	—	(25)	—
Total	\$ (1)	\$ (4)	\$ (29)	(4)

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

For the three and six months ended June 30, 2020 and 2019, the pre-tax effects of energy-related derivatives and interest rate derivatives designated as cash flow hedging instruments on accumulated OCI were immaterial for the other Registrants.

For the three and six months ended June 30, 2020 and 2019, the pre-tax effects of cash flow and fair value hedge accounting on income were as follows:

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow and Fair Value Hedging Relationships	For the Three Months Ended June 30,		For the Six Months Ended June 30,					
	2020	2019	2020	2019				
	(in millions)		(in millions)					
Southern Company								
Total cost of natural gas	\$	144	\$	191	\$	583	\$	877
Gain (loss) on energy-related cash flow hedges ^(a)		(1)		—		(8)		—
Total depreciation and amortization		873		755		1,730		1,506
Gain (loss) on energy-related cash flow hedges ^(a)		(1)		(1)		(2)		(4)
Total interest expense, net of amounts capitalized		(444)		(429)		(900)		(859)
Gain (loss) on interest rate cash flow hedges ^(a)		(6)		(5)		(13)		(9)
Gain (loss) on foreign currency cash flow hedges ^(a)		(6)		(6)		(12)		(12)
Gain (loss) on interest rate fair value hedges ^(b)		1		19		30		33
Total other income (expense), net		101		99		204		176
Gain (loss) on foreign currency cash flow hedges ^{(a)(c)}		27		16		(4)		(8)
Southern Power								
Total depreciation and amortization	\$	121	\$	119	\$	239	\$	237
Gain (loss) on energy-related cash flow hedges ^(a)		(1)		(1)		(2)		(4)
Total interest expense, net of amounts capitalized		(38)		(41)		(77)		(84)
Gain (loss) on foreign currency cash flow hedges ^(a)		(6)		(6)		(12)		(12)
Total other income (expense), net		1		40		4		41
Gain (loss) on foreign currency cash flow hedges ^{(a)(c)}		27		16		(4)		(8)

(a) Reclassified from accumulated OCI into earnings.

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

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

For the three and six months ended June 30, 2020 and 2019, the pre-tax effects of cash flow and fair value hedge accounting on income for energy-related derivatives and interest rate derivatives were immaterial for the traditional electric operating companies and Southern Company Gas.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

As of June 30, 2020 and December 31, 2019, the following amounts were recorded on the balance sheets related to cumulative basis adjustments for fair value hedges:

Balance Sheet Location of Hedged Items	Carrying Amount of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment included in Carrying Amount of the Hedged Item	
	As of June 30, 2020	As of December 31, 2019	As of June 30, 2020	As of December 31, 2019
	(in millions)		(in millions)	
Southern Company				
Securities due within one year	\$ —	\$ (599)	\$ —	\$ —
Long-term debt	(1,517)	(1,494)	(20)	3

For the three and six months ended June 30, 2020 and 2019, the pre-tax effects of energy-related derivatives not designated as hedging instruments on the statements of income of Southern Company and Southern Company Gas were as follows:

Derivatives in Non-Designated Hedging Relationships	Statements of Income Location	Gain (Loss)			
		Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
		<i>(in millions)</i>		<i>(in millions)</i>	
Energy-related derivatives:	Natural gas revenues ^(*)	\$ 14	\$ 50	\$ 84	\$ 83
	Cost of natural gas	5	(5)	13	3
Total derivatives in non-designated hedging relationships		\$ 19	\$ 45	\$ 97	\$ 86

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

For the three and six months ended June 30, 2020 and 2019, the pre-tax effects of energy-related derivatives and interest rate derivatives not designated as hedging instruments were immaterial for all other Registrants.

Contingent Features

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas do not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain derivatives that could require collateral, but not accelerated payment, in the event of various credit rating changes of certain Southern Company subsidiaries. At June 30, 2020, the Registrants had no collateral posted with derivative counterparties to satisfy these arrangements.

For the Registrants with interest rate derivatives at June 30, 2020, the fair value of 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 immaterial. At June 30, 2020, the fair value of energy-related derivative liabilities with contingent features and the maximum potential collateral requirements arising from the credit-risk-related contingent features, at a rating below BBB- and/or Baa3, were immaterial for all Registrants. The maximum potential collateral requirements arising from the credit-risk-related contingent features for the traditional electric operating companies and Southern Power include certain agreements that could require collateral in the event that one or more Southern Company power pool participants has a credit rating change to below investment grade. Following the sale of Gulf Power to NextEra Energy, Gulf Power is continuing to participate in the Southern Company power pool for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

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

Alabama Power and Southern Power maintain accounts with certain regional transmission organizations to facilitate financial derivative transactions. Based on the value of the positions in these accounts and the associated margin requirements, Alabama Power and Southern Power may be required to post collateral. At June 30, 2020, cash collateral posted in these accounts was immaterial. Southern Company Gas maintains accounts with brokers or the clearing houses of certain exchanges to facilitate financial derivative transactions. Based on the value of the positions in these accounts and the associated margin requirements, Southern Company Gas may be required to deposit cash into these accounts. At June 30, 2020, cash collateral held on deposit in broker margin accounts was \$114 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. Prior to entering into a physical transaction, Southern Company Gas assigns physical wholesale 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.

In addition, Southern Company Gas conducts credit evaluations and obtains appropriate internal approvals for the counterparty's line of credit before any transaction with the counterparty is executed. In most cases, the counterparty must have an investment grade rating, which includes a minimum long-term debt rating of Baa3 from Moody's and BBB- from S&P. Generally, Southern Company Gas requires credit enhancements by way of a guaranty, cash deposit, or letter of credit for transaction counterparties that do not have investment grade ratings.

Southern Company Gas also utilizes master netting agreements whenever possible to mitigate exposure to counterparty credit risk. When Southern Company Gas is engaged in more than one outstanding derivative transaction with the same counterparty and it also has a legally enforceable netting agreement with that counterparty, the "net" mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty and a reasonable measure of Southern Company Gas' credit risk. Southern Company Gas also uses other netting agreements with certain counterparties with whom it conducts significant transactions. Master netting agreements enable Southern Company Gas to net certain assets and liabilities by counterparty. Southern Company Gas also nets across product lines and against cash collateral provided the master netting and cash collateral agreements include such provisions. Southern Company Gas may require counterparties to pledge additional collateral when deemed necessary.

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

(K) ACQUISITIONS AND DISPOSITIONS

See Note 15 to the financial statements in Item 8 of the Form 10-K for additional information, including details of assets and liabilities held for sale at December 31, 2019 for Southern Company, Southern Power, and Southern Company Gas. The Registrants had no material assets or liabilities held for sale at June 30, 2020.

Alabama Power

On April 22, 2020 and June 9, 2020, the FERC and the Alabama PSC, respectively, approved the Autauga Combined Cycle Acquisition, which is expected to close by September 1, 2020. See Note (B) under "Alabama Power" for additional information. The ultimate outcome of this matter cannot be determined at this time.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Southern Power

Asset Acquisitions

During the six months ended June 30, 2020, Southern Power acquired a controlling interest in the wind facility listed below. Acquisition-related costs were expensed as incurred and were not material.

Project Facility	Resource	Seller	Approximate Nameplate Capacity (MW)	Location	Southern Power Ownership Percentage	COD	PPA Contract Period
Beech Ridge II	Wind	Invenergy Renewables LLC	56	Greenbrier County, West Virginia	100% of Class A (*)	May 2020	12 years

(*) In May 2020, Southern Power purchased 100% of the Class A membership interests and now owns the controlling interest in the project, with the Class B member, Invenergy Renewables LLC, owning the noncontrolling interest.

In March 2020, Southern Power entered into an agreement to acquire a controlling membership interest in an approximately 300-MW wind facility located in South Dakota. The acquisition is subject to FERC approval and certain other customary conditions to closing, including commercial operation of the facility, which is expected to occur in late 2020 or early 2021. The facility's output is contracted under two long-term PPAs. The ultimate outcome of this matter cannot be determined at this time.

Construction Projects

During the six months ended June 30, 2020, Southern Power completed construction of and placed in service the Reading wind facility, continued construction of the Skookumchuck wind facility, and commenced construction of the Garland and Tranquillity battery energy storage facilities. Total aggregate construction costs, excluding acquisition costs, are expected to be between \$475 million and \$545 million for the facilities under construction. At June 30, 2020, total costs of construction incurred for these projects were \$232 million and are included in CWIP. The ultimate outcome of these matters cannot be determined at this time.

Project Facility	Resource	Approximate Nameplate Capacity (MW)	Location	Actual/Expected COD	PPA Contract Period
Projects Completed During the Six Months Ended June 30, 2020					
Reading ^(a)	Wind	200	Osage and Lyon Counties, KS	May 2020	12 years
Projects Under Construction as of June 30, 2020					
Skookumchuck ^(b)	Wind	136	Lewis and Thurston Counties, WA	Fourth quarter 2020	20 years
Garland Solar Storage ^(c)	Battery energy storage system	88	Kern County, CA	Second quarter 2021	20 years
Tranquillity Solar Storage ^(c)	Battery energy storage system	72	Fresno County, CA	Second quarter 2021	20 years

(a) In 2018, Southern Power purchased 100% of the membership interests of the Reading facility pursuant to a joint development arrangement. At the time the facility was placed in service, Southern Power recorded an operating lease right-of-use asset and an operating lease liability, each in the amount of \$24 million. In June 2020, Southern Power completed a tax equity transaction whereby it received \$156 million and now owns 100% of the Class B membership interests.

(b) In October 2019, Southern Power purchased 100% of the membership interests of the Skookumchuck facility pursuant to a joint development arrangement. Southern Power expects to complete a tax equity transaction upon commercial operation and retain the Class B membership interests. Shortly after commercial operation, Southern Power may sell a noncontrolling interest in these Class B membership interests to another partner. The ultimate outcome of these matters cannot be determined at this time.

(c) Prior to commercial operation, Southern Power may enter into one or more partnerships, in which case it would ultimately own less than 100% of the Class B membership interests, but would retain ownership of the controlling interest. The PPAs for these facilities are pending approval from the California Public Utilities Commission. The ultimate outcome of these matters cannot be determined at this time.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

(UNAUDITED)

Development Projects

Southern Power continues to evaluate and refine the deployment of the remaining wind turbine equipment purchased in 2016 and 2017 to development and construction projects. During the six months ended June 30, 2020, certain wind turbine equipment was sold, resulting in an immaterial gain.

Sales of Natural Gas and Biomass Plants

On January 17, 2020, Southern Power completed the sale of its equity interests in Plant Mankato (including the 385-MW expansion unit completed in May 2019) to a subsidiary of Xcel for a purchase price of approximately \$663 million, including final working capital adjustments. The sale resulted in a gain of approximately \$39 million (\$23 million after tax). The assets and liabilities of Plant Mankato were classified as held for sale on Southern Company's and Southern Power's balance sheets at December 31, 2019.

Plants Nacogdoches (sold in June 2019) and Mankato represented individually significant components of Southern Power; therefore, pre-tax income for these components for the three months ended June 30, 2019 and the six months ended June 30, 2020 and 2019 is presented below:

	Three Months Ended June 30, 2019	Six Months Ended June 30,	
		2020	2019
		<i>(in millions)</i>	
Southern Power's earnings before income taxes:^(*)			
Plant Nacogdoches	\$ 9	N/A	\$ 16
Plant Mankato	\$ 6	\$ 2	\$ 8

(*) Earnings before income taxes for components reflect the cessation of depreciation and amortization on the long-lived assets being sold upon classification as held for sale in November 2018 and April 2019 for Plant Mankato and Plant Nacogdoches, respectively.

Southern Company Gas

On March 24, 2020, Southern Company Gas completed the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline to Dominion Modular LNG Holdings, Inc. and Dominion Atlantic Coast Pipeline, LLC, respectively, with aggregate proceeds of \$178 million, including working capital adjustments. The preliminary loss associated with the transactions was immaterial. Southern Company Gas may also receive two future payments of \$5 million each, contingent upon certain milestones related to Pivotal LNG being met by Dominion Modular LNG Holdings, Inc. The assets and liabilities of Pivotal LNG and the interest in Atlantic Coast Pipeline were classified as held for sale at December 31, 2019. See Notes 3 and 7 under "Other Matters – Southern Company Gas – Gas Pipeline Projects" and "Southern Company Gas – Equity Method Investments," respectively, in Item 8 of the Form 10-K and Notes (C) and (E) under "Other Matters – Southern Company Gas" and "Southern Company Gas," respectively.

(L) SEGMENT AND RELATED INFORMATION

Southern Company

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

Southern Company's reportable business segments are the sale of electricity by the traditional electric operating companies, the sale of electricity in the competitive wholesale market by Southern Power, and the sale of natural

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

gas and other complementary products and services by Southern Company Gas. Revenues from sales by Southern Power to the traditional electric operating companies were \$92 million and \$178 million for the three and six months ended June 30, 2020, respectively, and \$117 million and \$204 million for the three and six months ended June 30, 2019, respectively. Revenues from sales of natural gas from Southern Company Gas to the traditional electric operating companies were immaterial for all periods presented. Revenues from sales of natural gas from Southern Company Gas to Southern Power were \$3 million and \$13 million for the three and six months ended June 30, 2020, respectively, and \$16 million and \$33 million for the three and six months ended June 30, 2019, respectively. The "All Other" column includes the Southern Company parent entity, which does not allocate operating expenses to business segments. Also, this category includes segments below the quantitative threshold for separate disclosure. These segments include providing energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency, as well as investments in telecommunications and leveraged lease projects. All other inter-segment revenues are not material.

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

Financial data for business segments and products and services for the three and six months ended June 30, 2020 and 2019 was as follows:

	Electric Utilities							
	Traditional Electric Operating Companies	Southern Power	Eliminations	Total	Southern Company Gas	All Other	Eliminations	Consolidated
(in millions)								
Three Months Ended June 30, 2020								
Operating revenues	\$ 3,539	\$ 439	\$ (94)	\$ 3,884	\$ 636	\$ 135	\$ (35)	\$ 4,620
Segment net income (loss) ^{(a)(b)(c)}	645	63	—	708	71	(177)	10	612
Six Months Ended June 30, 2020								
Operating revenues	\$ 6,946	\$ 814	\$ (181)	\$ 7,579	\$ 1,885	\$ 248	\$ (74)	\$ 9,638
Segment net income (loss) ^{(a)(b)(c)(d)}	1,287	138	—	1,425	346	(299)	8	1,480
At June 30, 2020								
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 263	\$ —	\$ 5,280
Total assets	83,158	13,557	(713)	96,002	21,500	3,325	(1,096)	119,731
Three Months Ended June 30, 2019								
Operating revenues	\$ 3,899	\$ 510	\$ (119)	\$ 4,290	\$ 689	\$ 186	\$ (67)	\$ 5,098
Segment net income (loss) ^{(a)(e)(f)}	782	174	—	956	106	(154)	(9)	899
Six Months Ended June 30, 2019								
Operating revenues	\$ 7,343	\$ 953	\$ (211)	\$ 8,085	\$ 2,163	\$ 368	\$ (106)	\$ 10,510
Segment net income (loss) ^{(a)(e)(f)}	1,346	230	—	1,576	376	1,041	(11)	2,982
At December 31, 2019								
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 263	\$ —	\$ 5,280
Total assets	81,063	14,300	(713)	94,650	21,687	3,511	(1,148)	118,700

(a) Attributable to Southern Company.

(b) Segment net income (loss) for the traditional electric operating companies includes a pre-tax charge of \$149 million (\$111 million after tax) related to Plant Vogtle Units 3 and 4 for the three and six months ended June 30, 2020. See Note (B) under "Georgia Power – Nuclear Construction" for additional information.

(c) Segment net income (loss) for the "All Other" column includes a pre-tax impairment charge of \$154 million (\$74 million after tax) related to a leveraged lease investment for the three and six months ended June 30, 2020. See Note (C) under "Other Matters – Southern Company" for additional information.

(d) Segment net income (loss) for Southern Power includes a \$39 million pre-tax gain (\$23 million gain after tax) on the sale of Plant Mankato for the six months ended June 30, 2020. See Note (K) under "Southern Power" for additional information.

(e) Segment net income (loss) for the "All Other" column includes the preliminary pre-tax gain associated with the sale of Gulf Power of \$2.5 billion (\$1.3 billion after tax) for the six months ended June 30, 2019, of which \$(15) million (\$(11) million after tax) was recorded in the three months ended June 30, 2019, as well as a goodwill impairment charge of \$32 million for the three and six months ended June 30, 2019 in contemplation of the sale of one of PowerSecure's business units. See Note 15 to the financial statements in Item 8 of the Form 10-K under "Southern Company" for additional information.

(f) Segment net income (loss) for Southern Power includes a \$23 million pre-tax gain (\$88 million gain after tax) on the sale of Plant Nacogdoches for the three and six months ended June 30, 2019. See Note 15 to the financial statements in Item 8 of the Form 10-K under "Southern Power – Sale of Natural Gas and Biomass Plants" 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>					
Three Months Ended June 30, 2020	\$	3,182	\$ 472	\$ 230	\$ 3,884
Three Months Ended June 30, 2019		3,540	542	208	4,290
Six Months Ended June 30, 2020	\$	6,260	\$ 889	\$ 430	\$ 7,579
Six Months Ended June 30, 2019		6,623	1,041	421	8,085

	Southern Company Gas' Revenues					
	Gas Distribution Operations	Wholesale Gas Services ^(*)	Gas Marketing Services	Other	Total	
	(in millions)					
Three Months Ended June 30, 2020	\$ 583	\$ (19)	\$ 56	\$ 16	\$ 636	
Three Months Ended June 30, 2019	563	48	58	20	689	
Six Months Ended June 30, 2020	\$ 1,596	\$ 32	\$ 233	\$ 24	\$ 1,885	
Six Months Ended June 30, 2019	1,724	134	287	18	2,163	

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

Southern Company Gas

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

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

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

Wholesale gas services provides natural gas asset management and/or related logistics services for each of Southern Company Gas' utilities except Nicor Gas as well as for non-affiliated companies. Additionally, wholesale gas services engages in natural gas storage and gas pipeline arbitrage and related activities.

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

The all other column includes segments below the quantitative threshold for separate disclosure, including natural gas storage businesses, fuels operations through the sale of Southern Company Gas' interest in Pivotal LNG on March 24, 2020, the investment in Triton through its sale on May 29, 2019, and other subsidiaries that fall below the quantitative threshold for separate disclosure. See Notes (E) and (K) under "Southern Company Gas" for additional information.

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

Business segment financial data for the three and six months ended June 30, 2020 and 2019 was as follows:

	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services ^(*)	Gas Marketing Services	Total	All Other	Eliminations	Consolidated
<i>(in millions)</i>								
Three Months Ended June 30, 2020								
Operating revenues	\$ 587	\$ 8	\$ (19)	\$ 56	\$ 632	\$ 8	\$ (4)	\$ 636
Segment net income (loss)	74	21	(23)	5	77	(6)	—	71
Six Months Ended June 30, 2020								
Operating revenues	\$ 1,607	\$ 16	\$ 32	\$ 233	\$ 1,888	\$ 16	\$ (19)	\$ 1,885
Segment net income (loss)	238	51	—	62	351	(5)	—	346
Total assets at June 30, 2020	18,276	1,617	637	1,480	22,010	10,645	(11,155)	21,500
Three Months Ended June 30, 2019								
Operating revenues	\$ 568	\$ 8	\$ 48	\$ 58	\$ 682	\$ 13	\$ (6)	\$ 689
Segment net income (loss)	58	25	23	(3)	103	3	—	106
Six Months Ended June 30, 2019								
Operating revenues	\$ 1,740	\$ 16	\$ 134	\$ 287	\$ 2,177	\$ 24	\$ (38)	\$ 2,163
Segment net income (loss)	191	57	70	58	376	—	—	376
Total assets at December 31, 2019	18,204	1,678	850	1,496	22,228	10,759	(11,300)	21,687

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

	Third Party Gross Revenues	Intercompany Revenues	Total Gross Revenues	Less Gross Gas Costs	Operating Revenues
<i>(in millions)</i>					
Three Months Ended June 30, 2020	\$ 854	\$ 18	\$ 872	\$ 891	\$ (19)
Three Months Ended June 30, 2019	1,223	63	1,286	1,238	48
Six Months Ended June 30, 2020	\$ 2,039	\$ 47	\$ 2,086	\$ 2,054	\$ 32
Six Months Ended June 30, 2019	3,148	151	3,299	3,165	134

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

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

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

OVERVIEW

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

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

Recent Developments

COVID-19

During March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the United States. The Southern Company system provides a critical service to its customers; therefore, it is essential that Southern Company system employees are able to continue to perform their critical duties safely and effectively. The Southern Company system has implemented applicable business continuity plans, including teleworking, canceling non-essential business travel, increasing cleaning frequency at business locations, implementing applicable safety and health guidelines issued by federal and state officials, and establishing protocols for required work on customer premises. To date, these procedures have been effective in maintaining the Southern Company system's critical operations. As a result of the COVID-19 pandemic, there have been economic disruptions in the Registrants' operating territories. The traditional electric operating companies and the natural gas distribution utilities temporarily suspended disconnections for non-payment by customers and waived late fees for certain periods. See FUTURE EARNINGS POTENTIAL – "Regulatory Matters" herein for information regarding deferral of certain incremental COVID-19-related costs, including bad debt, to a regulatory asset by certain of the traditional electric operating companies and the natural gas distribution utilities. In addition, the COVID-19 pandemic has resulted in a reduction in workforce at Plant Vogtle Units 3 and 4, as discussed further herein. Additional information regarding COVID-19 and its potential impacts on the Registrants is provided throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and in Item 1A herein.

Alabama Power

On June 9, 2020, the Alabama PSC approved in part Alabama Power's petition for a certificate of convenience and necessity (CCN) filed in September 2019 to procure additional capacity. See FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Alabama Power" herein for additional information.

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

Georgia Power

Plant Vogtle Units 3 and 4 Status

In 2009, the Georgia PSC certified construction of Plant Vogtle Units 3 and 4 (with electric generating capacity of approximately 1,100 MWs each), in which Georgia Power holds a 45.7% ownership interest.

During the second quarter 2020, approximately \$194 million of construction contingency was assigned to the base capital cost forecast, which exceeded the remaining balance of the construction contingency originally established in the second quarter 2018. As a result, Southern Nuclear recommended establishing additional construction contingency, of which Georgia Power's share is \$115 million, for potential risks including, among other factors, construction productivity and expected impacts of the COVID-19 pandemic; adding resources for supervision, field support, project management, initial test program, start-up, and operations and engineering support; subcontracts; and procurement.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of \$149 million (\$111 million after tax) for the increase in the total project capital cost forecast as of June 30, 2020. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site. In April 2020, Georgia Power, acting for itself and as agent for the other Vogtle Owners, announced a reduction in workforce at Plant Vogtle Units 3 and 4, which totaled approximately 20% of the then-existing site workforce. This workforce reduction lowered absenteeism, providing an improvement in operational efficiency and allowing for increased social distancing. From the initial peak in April 2020, the number of active cases at the site declined significantly during May and early June, but began increasing again in mid-June and continues to impact productivity levels and pace of activity completion. As a result, overall production improvements have not been achieved at the levels anticipated, contributing to the allocation of, and increase in, construction contingency described above.

To address these issues, in July 2020, Southern Nuclear updated its aggressive site work plan for both Unit 3 and Unit 4. While Southern Nuclear's July 2020 aggressive site work plan extended milestone dates from its February 2020 aggressive site work plan, Georgia Power still expects to achieve the regulatory-approved in-service dates of November 2021 and November 2022 for Plant Vogtle Units 3 and 4, respectively.

The continuing effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$70 million and \$115 million. However, the ultimate impact of the COVID-19 pandemic on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time.

See FUTURE EARNINGS POTENTIAL – "Construction Programs – Nuclear Construction" herein for additional information.

Mississippi Power

On March 17, 2020, the Mississippi PSC approved a settlement agreement between Mississippi Power and the Mississippi Public Utilities Staff related to Mississippi Power's base rate case filed in November 2019 (Mississippi Power Rate Case Settlement Agreement). Under the terms of the Mississippi Power Rate Case Settlement Agreement, annual retail rates decreased approximately \$16.7 million, or 1.85%, effective for the first billing cycle of April 2020. See FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Mississippi Power – 2019 Base Rate Case" herein for additional information.

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

Southern Power

During the six months ended June 30, 2020, Southern Power completed construction of and placed in service the 200-MW Reading wind facility, continued construction of the 136-MW Skookumchuck wind facility, and commenced construction of the Garland and Tranquillity battery energy storage facilities. See FUTURE EARNINGS POTENTIAL – "Construction Programs – Southern Power" herein for additional information.

On January 17, 2020, Southern Power completed the sale of its equity interests in Plant Mankato (including the 385-MW expansion unit completed in May 2019) to a subsidiary of Xcel for a purchase price of approximately \$663 million, including final working capital adjustments.

In March 2020, Southern Power entered into an agreement to acquire a controlling membership interest in an approximately 300-MW wind facility located in South Dakota. The acquisition is subject to FERC approval and certain other customary conditions to closing, including commercial operation of the facility, which is expected to occur in late 2020 or early 2021. The facility's output is contracted under two long-term PPAs. The ultimate outcome of this matter cannot be determined at this time.

On May 1, 2020, Southern Power purchased a controlling interest in the 56-MW Beech Ridge II wind facility located in Greenbrier County, West Virginia from Invenergy Renewables LLC. The facility's output is contracted under a 12-year PPA. See Note (K) to the Condensed Financial Statements herein for additional information.

At June 30, 2020, Southern Power's average investment coverage ratio for its generating assets, including those owned with various partners, based on the ratio of investment under contract to total investment using the respective generation facilities' net book value (or expected in-service value for facilities under construction) as the investment amount was 94% through 2024 and 92% through 2029, with an average remaining contract duration of approximately 14 years.

Southern Company Gas

On March 24, 2020, Southern Company Gas completed the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline with aggregate proceeds of \$178 million, including working capital adjustments. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

On June 1, 2020, Virginia Natural Gas filed a general rate case with the Virginia Commission seeking an increase in rates of approximately \$49.6 million based on a ROE of 10.35% and an equity ratio of 54%. The Virginia Commission is expected to rule on the requested increase in the second quarter 2021.

On July 1, 2020, Atlanta Gas Light filed its 2020 GRAM filing with the Georgia PSC requesting an increase in annual base rates of \$37.6 million. Resolution of the 2020 GRAM filing is expected by December 31, 2020, with rates effective January 1, 2021.

See FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Southern Company Gas" herein for additional information regarding Southern Company Gas' regulatory filings. The ultimate outcome of these matters cannot be determined at this time.

RESULTS OF OPERATIONS

Southern Company

Net Income

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (287)	(31.9)	\$ (1,502)	(50.4)

Consolidated net income attributable to Southern Company was \$612 million (\$0.58 per share) for the second quarter 2020 compared to \$899 million (\$0.86 per share) for the corresponding period in 2019. The decrease was

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

primarily due to decreases in retail revenues associated with milder weather and lower customer usage in the second quarter 2020 compared to the corresponding period in 2019, a \$111 million after-tax charge in the second quarter 2020 related to Georgia Power's construction of Plant Vogtle Units 3 and 4, an \$88 million after-tax gain on the sale of Plant Nacogdoches in the second quarter 2019, higher depreciation and amortization, and a \$74 million after-tax leveraged lease impairment in the second quarter 2020. These decreases to net income were partially offset by increases in retail revenues associated with rates and pricing and lower other operations and maintenance expenses. See Note 15 to the financial statements under "Southern Power" in Item 8 of the Form 10-K for additional information regarding the disposition of Plant Nacogdoches, Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein for additional information on the construction of Plant Vogtle Units 3 and 4, and Note (C) to the Condensed Financial Statements under "Other Matters – Southern Company" herein for additional information on the leveraged lease impairment.

Consolidated net income attributable to Southern Company was \$1.5 billion (\$1.40 per share) for year-to-date 2020 compared to \$3.0 billion (\$2.86 per share) for the corresponding period in 2019. The decrease was primarily due to the \$2.5 billion (\$1.3 billion after tax) gain on the sale of Gulf Power recorded in 2019. See Note 15 to the financial statements under "Southern Company" in Item 8 of the Form 10-K for additional information regarding the sale of Gulf Power.

Retail Electric Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (358)	(10.1)	\$ (363)	(5.5)

In the second quarter 2020, retail electric revenues were \$3.2 billion compared to \$3.5 billion for the corresponding period in 2019. For year-to-date 2020, retail electric revenues were \$6.3 billion compared to \$6.6 billion for the corresponding period in 2019.

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

	Second Quarter 2020		Year-to-Date 2020	
	<i>(in millions)</i>	<i>(% change)</i>	<i>(in millions)</i>	<i>(% change)</i>
Retail electric – prior year	\$ 3,540		\$ 6,623	
Estimated change resulting from –				
Rates and pricing	124	3.5 %	267	4.0 %
Sales decline	(107)	(3.0)	(99)	(1.5)
Weather	(132)	(3.7)	(159)	(2.4)
Fuel and other cost recovery	(243)	(6.9)	(372)	(5.6)
Retail electric – current year	\$ 3,182	(10.1)%	\$ 6,260	(5.5)%

Revenues associated with changes in rates and pricing increased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 primarily due to an increase in revenue at Georgia Power and Alabama Power related to the recovery of environmental compliance costs and Rate CNP Compliance costs, respectively, as well as the impacts of Georgia Power accruals for customer refunds in the first quarter and year-to-date 2019 related to Tax Reform and the rate pricing effects of decreased customer usage at Georgia Power. Partially offsetting these increases were lower contributions from commercial and industrial customers with variable demand-driven pricing at Georgia Power. Additionally, the year-to-date increase was due to Alabama Power customer bill credits in the first quarter 2019 related to Tax Reform. See Note 2 to the financial statements under "Alabama Power" and "Georgia Power" in Item 8 of the Form 10-K 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)

Revenues attributable to changes in sales decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 largely due to social distancing and shelter-in-place guidelines related to the COVID-19 pandemic. Weather-adjusted residential KWH sales increased 4.7% and 3.8% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 primarily due to customer growth and an increase in average customer usage, primarily due to the temporary suspension of customer disconnections for nonpayment and shelter-in-place orders. Weather-adjusted commercial KWH sales decreased 11.5% and 6.3% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 primarily due to lower customer usage resulting from shelter-in-place orders and restrictions on business operations in response to the COVID-19 pandemic. Industrial KWH sales decreased 14.0% and 8.0% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 as a result of disruptions in supply chain and business operations related to the COVID-19 pandemic and the overall decrease in business activity due to the resulting recession.

Fuel and other cost recovery revenues decreased \$243 million and \$372 million in the second quarter and year-to-date 2020, respectively, compared to the corresponding periods in 2019 primarily due to decreases in generation and the average cost of fuel and purchased power. Electric rates for the traditional electric operating companies include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of PPA costs, and do not affect net income. The traditional electric operating companies each have one or more regulatory mechanisms to recover other costs such as environmental and other compliance costs, storm damage, new plants, and PPA capacity costs.

Wholesale Electric Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (70)	(12.9)	\$ (152)	(14.6)

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

In the second quarter 2020, wholesale electric revenues were \$472 million compared to \$542 million for the corresponding period in 2019. For year-to-date 2020, wholesale electric revenues were \$889 million compared to \$1.0 billion for the corresponding period in 2019. These decreases reflect decreases of \$46 million and \$103 million in energy revenues for the second quarter and year-to-date 2020, respectively, and \$24 million and \$49 million in capacity revenues for the second quarter and year-to-date 2020, respectively. The decreases in energy revenues include \$24 million and \$67 million for the second quarter and year-to-date 2020, respectively, from Southern Power, with the remainder from the traditional electric operating companies. These decreases primarily result from lower natural gas prices and a net decrease in the volume of KWHs sold, primarily as a result of milder weather in

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

the Southeast U.S. when compared to the corresponding periods in 2019. The decrease in capacity revenues was primarily related to Southern Power's sales of Plant Nacogdoches in the second quarter 2019 and Plant Mankato in the first quarter 2020. See Note (K) to the Condensed Financial Statements under "Southern Power" herein and Note 15 to the financial statements under "Southern Power – Sales of Natural Gas and Biomass Plants" in Item 8 of the Form 10-K for additional information.

Natural Gas Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(53)	(7.7)	\$(278)	(12.9)

In the second quarter 2020, natural gas revenues were \$636 million compared to \$689 million for the corresponding period in 2019. For year-to-date 2020, natural gas revenues were \$1.9 billion compared to \$2.2 billion for the corresponding period in 2019.

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

	Second Quarter 2020		Year-to-Date 2020	
	<i>(in millions)</i>	<i>(% change)</i>	<i>(in millions)</i>	<i>(% change)</i>
Natural gas revenues – prior year	\$ 689		\$ 2,163	
Estimated change resulting from –				
Infrastructure replacement programs and base rate changes	43	6.2 %	119	5.5 %
Gas costs and other cost recovery	(38)	(5.5)	(287)	(13.3)
Weather	3	0.4	(8)	(0.4)
Wholesale gas services	(67)	(9.7)	(102)	(4.7)
Other	6	0.9	—	—
Natural gas revenues – current year	\$ 636	(7.7)%	\$ 1,885	(12.9)%

Revenues attributable to infrastructure replacement programs and base rate changes at the natural gas distribution utilities increased in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 primarily due to base rate increases at Nicor Gas and Atlanta Gas Light and continued investments recovered through infrastructure replacement programs. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" in Item 8 of the Form 10-K for additional information.

Revenues attributable to gas costs and other cost recovery decreased in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 primarily due to lower natural gas prices and decreased volumes of natural gas sold. 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 attributable to Southern Company Gas' wholesale gas services business decreased in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 primarily due to decreased commercial activity as a result of warmer weather and a decrease in derivative gains.

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

Other Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (4)	(2.4)	\$ (68)	(19.3)

In the second quarter 2020, other revenues were \$162 million compared to \$166 million for the corresponding period in 2019. For year-to-date 2020, other revenues were \$284 million compared to \$352 million for the corresponding period in 2019. These decreases primarily relate to changes in PowerSecure's business, including the sale of its utility infrastructure services business in June 2019 and the wind-down of a segment of its distributed infrastructure business in the first quarter 2020, partially offset by unregulated sales at Georgia Power largely associated with power delivery construction and maintenance contracts. See Note 15 to the financial statements under "Southern Company" in Item 8 of the Form 10-K for additional information.

Fuel and Purchased Power Expenses

	Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
	<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ (293)	(32.1)	\$ (507)	(28.7)
Purchased power	(1)	(0.5)	10	2.7
Total fuel and purchased power expenses	\$ (294)		\$ (497)	

In the second quarter 2020, total fuel and purchased power expenses were \$0.8 billion compared to \$1.1 billion for the corresponding period in 2019. The decrease was primarily the result of a \$118 million decrease in the average cost of fuel and purchased power and a \$176 million net decrease in the volume of KWHs generated and purchased.

For year-to-date 2020, total fuel and purchased power expenses were \$1.6 billion compared to \$2.1 billion for the corresponding period in 2019. The decrease was primarily the result of a \$285 million decrease in the average cost of fuel and purchased power and a \$212 million net decrease in the volume of KWHs generated and purchased.

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

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:

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
Total generation <i>(in billions of KWHs)</i>	41	46	82	90
Total purchased power <i>(in billions of KWHs)</i>	4	4	9	8
Sources of generation <i>(percent)</i> —				
Gas	55	52	54	50
Nuclear	19	22	19	22
Coal	12	16	13	16
Hydro	5	3	6	5
Other	9	7	8	7
Cost of fuel, generated <i>(in cents per net KWH)</i> —				
Gas	1.89	2.39	1.92	2.47
Nuclear	0.78	0.80	0.78	0.80
Coal	2.96	3.04	2.92	2.98
Average cost of fuel, generated <i>(in cents per net KWH)</i>	1.79	2.26	1.82	2.29
Average cost of purchased power <i>(in cents per net KWH)</i> ^(*)	4.74	4.81	4.30	4.73

(*) 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 second quarter 2020, fuel expense was \$621 million compared to \$914 million for the corresponding period in 2019. The decrease was primarily due to a 49.3% decrease in the volume of KWHs generated by coal, a 20.9% decrease in the average cost of natural gas per KWH generated, a 2.6% decrease in the average cost of coal per KWH generated, and a 5.2% decrease in the volume of KWHs generated by natural gas.

For year-to-date 2020, fuel expense was \$1.3 billion compared to \$1.8 billion for the corresponding period in 2019. The decrease was primarily due to a 44.1% decrease in the volume of KWHs generated by coal, a 22.3% decrease in the average cost of natural gas per KWH generated, a 2.0% decrease in the average cost of coal per KWH generated, and a 0.5% decrease in the volume of KWHs generated by natural gas.

Cost of Natural Gas

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(47)	(24.6)	\$(294)	(33.5)

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities. Cost of natural gas at the natural gas distribution utilities represented 86% of total cost of natural gas for both the second quarter and year-to-date 2020.

In the second quarter 2020, cost of natural gas was \$144 million compared to \$191 million for the corresponding period in 2019. The decrease reflects a 34.9% decrease in natural gas prices in the second quarter 2020 compared to the corresponding period in 2019.

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

For year-to-date 2020, cost of natural gas was \$583 million compared to \$877 million for the corresponding period in 2019. The decrease reflects a 36.6% decrease in natural gas prices compared to 2019 and decreased volumes primarily as a result of warmer weather, as determined by Heating Degree Days, for year-to-date 2020 compared to the corresponding period in 2019.

Cost of Other Sales

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(10)	(11.9)	\$(74)	(36.5)

In the second quarter 2020, cost of other sales was \$74 million compared to \$84 million for the corresponding period in 2019. For year-to-date 2020, cost of other sales was \$129 million compared to \$203 million for the corresponding period in 2019. These decreases primarily relate to changes in PowerSecure's business, including the sale of its utility infrastructure services business in June 2019 and the wind-down of a segment of its distributed infrastructure business in the first quarter 2020, partially offset by an increase in expenses related to unregulated sales at Georgia Power largely associated with power delivery construction and maintenance contracts. See Note 15 to the financial statements under "Southern Company" in Item 8 of the Form 10-K for additional information.

Other Operations and Maintenance Expenses

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(117)	(8.9)	\$(136)	(5.2)

In the second quarter 2020, other operations and maintenance expenses were \$1.2 billion compared to \$1.3 billion for the corresponding period in 2019. The decrease reflects the impacts of cost containment activities implemented in 2020 to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic, as well as a \$32 million goodwill impairment charge in the second quarter 2019 associated with the sale of PowerSecure's utility infrastructure services business unit. The decrease primarily results from decreases of \$82 million in scheduled generation outage and maintenance expenses and \$17 million in compliance and environmental expenses at the traditional electric operating companies. The decrease also reflects decreases of \$14 million in transmission and distribution maintenance expenses, primarily at Alabama Power and Georgia Power, including \$11 million of reliability NDR credits at Alabama Power, partially offset by a \$46 million increase in storm damage recovery at Georgia Power as authorized in its 2019 ARP.

For year-to-date 2020, other operations and maintenance expenses were \$2.5 billion compared to \$2.6 billion for the corresponding period in 2019. The decrease reflects the impacts of cost containment activities implemented in 2020 to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic, as well as a \$32 million goodwill impairment charge in the second quarter 2019 associated with the sale of PowerSecure's utility infrastructure services business unit. The decrease primarily results from decreases of \$111 million in scheduled generation outage and maintenance expenses and \$42 million in transmission and distribution expenses at the traditional electric operating companies, including \$22 million of reliability NDR credits at Alabama Power, partially offset by a \$92 million increase in storm damage recovery at Georgia Power as authorized in its 2019 ARP.

See Note 2 to the financial statements under "Alabama Power – Rate NDR" and " – Rate CNP Compliance" and "Georgia Power – Storm Damage Recovery" and Note 15 to the financial statements under "Southern Company" in Item 8 of the Form 10-K for additional information.

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

Depreciation and Amortization

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$118	15.6	\$224	14.9

In the second quarter 2020, depreciation and amortization was \$873 million compared to \$755 million for the corresponding period in 2019. For year-to-date 2020, depreciation and amortization was \$1.7 billion compared to \$1.5 billion for the corresponding period in 2019. These increases primarily reflect increased amortization of regulatory assets of \$63 million and \$127 million for the second quarter and year-to-date 2020, respectively, and higher depreciation of \$44 million and \$89 million for the second quarter and year-to-date 2020, respectively, as authorized in Georgia Power's 2019 ARP. See Note 2 to the financial statements under "Georgia Power – Rate Plans" and "– Integrated Resource Plan" in Item 8 of the Form 10-K for additional information.

Estimated Loss on Plant Vogtle Units 3 and 4

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$149	N/M	\$149	N/M

N/M - Not meaningful

In the second quarter 2020, an estimated probable loss of \$149 million was recorded at Georgia Power to reflect its revised total project capital cost forecast to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Nuclear Construction" herein for additional information.

(Gain) Loss on Dispositions, Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$(8)	N/M	\$(2,467)	N/M

N/M - Not meaningful

For year-to-date 2020, gain on dispositions, net was \$39 million compared to \$2.5 billion for the corresponding period in 2019. The decrease was primarily due to the \$2.5 billion (\$1.3 billion after tax) preliminary gain on the sale of Gulf Power recorded in the first quarter 2019. See Note 15 to the financial statements under "Southern Company" in Item 8 of the Form 10-K for additional information.

Interest Expense, Net of Amounts Capitalized

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$15	3.5	\$41	4.8

In the second quarter 2020, interest expense, net of amounts capitalized was \$444 million compared to \$429 million for the corresponding period in 2019. For year-to-date 2020, interest expense, net of amounts capitalized was \$900 million compared to \$859 million for the corresponding period in 2019. These increases were primarily due to an increase in average outstanding long-term borrowings primarily at the parent company. Additionally, the year-to-date 2020 increase was due to an increase in average outstanding long-term borrowings primarily at Georgia Power. See FINANCIAL CONDITION AND LIQUIDITY – "Financing Activities" herein and Note 8 to the financial statements in Item 8 of the Form 10-K for additional information.

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

Impairment of Leveraged Lease

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$154	N/M	\$154	N/M

N/M - Not meaningful

In the second quarter 2020, an impairment charge of \$154 million was recorded related to a leveraged lease investment at Southern Holdings. See Note (C) to the Condensed Financial Statements under "Other Matters – Southern Company" herein for additional information.

Other Income (Expense), Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$2	2.0	\$28	15.9

In the second quarter 2020, other income (expense), net was \$101 million compared to \$99 million for the corresponding period in 2019. For year-to-date 2020, other income (expense), net was \$204 million compared to \$176 million for the corresponding period in 2019. These increases were primarily related to an increase in non-service cost-related retirement benefits income, partially offset by a gain at Southern Power from a litigation settlement in the second quarter 2019. See Note 3 to the financial statements under "General Litigation Matters – Southern Power" in Item 8 of the Form 10-K and Note (H) to the Condensed Financial Statements herein for additional information.

Income Taxes

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$(140)	(96.6)	\$(1,355)	(90.0)

In the second quarter 2020, income taxes were \$5 million compared to \$145 million for the corresponding period in 2019. For year-to-date 2020, income taxes were \$150 million compared to \$1.5 billion for the corresponding period in 2019. The second quarter 2020 decrease was primarily due to the tax impacts of charges associated with a leveraged lease impairment and the construction of Plant Vogtle Units 3 and 4, as well as the flowback of excess deferred income taxes in 2020 as authorized in Georgia Power's 2019 ARP, partially offset by ITCs recognized upon Southern Power's sale of Plant Nacogdoches in the second quarter 2019. The year-to-date 2020 decrease also reflects the tax impacts of the sale of Gulf Power in 2019. See Notes 2 and 15 to the financial statements under "Georgia Power – Rate Plans – Tax Reform Settlement Agreement" and "Southern Company," respectively, in Item 8 of the Form 10-K and Notes (B), (C), and (G) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction," "Other Matters – Southern Company," and "Effective Tax Rate," respectively, herein for additional information.

Net Income (Loss) Attributable to Noncontrolling Interests

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$(24)	N/M	\$(26)	N/M

N/M - Not meaningful

In the second quarter 2020, net income attributable to noncontrolling interests was \$5 million compared to \$29 million for the corresponding period in 2019. For year-to-date 2020, net loss attributable to noncontrolling interests

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

was \$26 million compared to an immaterial amount for the corresponding period in 2019. The changes were primarily due to an allocation of approximately \$26 million of income to the noncontrolling interest partner related to a litigation settlement at Southern Power in the second quarter 2019. See Note 3 to the financial statements in Item 8 of the Form 10-K under "General Litigation Matters – Southern Power" for additional information.

Alabama Power

Net Income

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$2	0.7	\$65	12.7

Alabama Power's net income after dividends on preferred stock for the second quarter 2020 was \$298 million compared to \$296 million for the corresponding period in 2019. This increase was primarily due to a decrease in operations and maintenance expenses and an increase in Rate CNP Compliance-related revenues associated with increased capital investments. These increases to income were partially offset by decreases in retail revenues associated with milder weather in the second quarter 2020 compared to the same period in 2019 and lower customer usage.

Alabama Power's net income after dividends on preferred stock for year-to-date 2020 was \$578 million compared to \$513 million for the corresponding period in 2019. This increase was primarily due to a decrease in operations and maintenance expenses and an increase in retail revenues associated with the impact of customer bill credits issued in 2019 related to Tax Reform. These increases to income were partially offset by decreases in retail revenues associated with milder weather in the first and second quarters 2020 compared to the same periods in 2019 and lower customer usage. See Note 2 to the financial statements under "Alabama Power – Rate RSE" in Item 8 of the Form 10-K for additional information.

Retail Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(155)	(11.2)	\$(165)	(6.4)

In the second quarter 2020, retail revenues were \$1.22 billion compared to \$1.38 billion for the corresponding period in 2019. For year-to-date 2020, retail revenues were \$2.43 billion compared to \$2.59 billion for the corresponding period in 2019.

Details of the changes in retail revenues were as follows:

	Second Quarter 2020		Year-to-Date 2020	
	<i>(in millions)</i>	<i>(% change)</i>	<i>(in millions)</i>	<i>(% change)</i>
Retail – prior year	\$ 1,378		\$ 2,592	
Estimated change resulting from –				
Rates and pricing	12	0.9 %	63	2.4 %
Sales decline	(39)	(2.8)	(46)	(1.8)
Weather	(39)	(2.8)	(53)	(2.0)
Fuel and other cost recovery	(89)	(6.5)	(129)	(5.0)
Retail – current year	\$ 1,223	(11.2)%	\$ 2,427	(6.4)%

Revenues associated with changes in rates and pricing increased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019. The second quarter increase was primarily due to an increase in

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

Rate CNP Compliance-related revenue. The year-to-date increase was primarily due to customer bill credits issued in the first quarter 2019 related to Tax Reform and Rate CNP Compliance-related revenue.

Revenues attributable to changes in sales decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 largely due to social distancing and shelter-in-place guidelines related to the COVID-19 pandemic. Weather-adjusted residential KWH sales increased 4.6% and 3.5% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 primarily due to customer growth and an increase in average customer usage as a result of shelter-in-place orders and the temporary suspension of customer disconnections. Weather-adjusted commercial KWH sales decreased 12.2% and 7.3% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 primarily due to lower customer usage resulting from shelter-in-place orders and restrictions on business operations in response to the COVID-19 pandemic. Industrial KWH sales decreased 15.5% and 8.7% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 as a result of disruptions in supply chain and business operations driven by the COVID-19 pandemic and the overall decrease in business activity due to the resulting recession.

Fuel and other cost recovery revenues decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 primarily due to decreases in generation and the average cost of fuel.

Electric rates include provisions to recognize the recovery of fuel costs, purchased power costs, PPAs certificated by the Alabama PSC, and costs associated with the natural disaster reserve. Under these provisions, fuel and other cost recovery revenues generally equal fuel and other cost recovery expenses and do not affect net income. See Note 2 to the financial statements under "Alabama Power" in Item 8 of the Form 10-K for additional information.

Wholesale Revenues – Non-Affiliates

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (8)	(12.9)	\$ (12)	(9.8)

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

In the second quarter 2020, wholesale revenues from sales to non-affiliates were \$54 million compared to \$62 million for the corresponding period in 2019. For year-to-date 2020, wholesale revenues from sales to non-affiliates were \$111 million compared to \$123 million for the corresponding period in 2019. These decreases were primarily due to decreases of 16.0% and 9.8% in the price of energy in the second quarter and year-to-date 2020, respectively, primarily due to lower natural gas prices in 2020 compared to the corresponding periods in 2019. Also contributing to the increase for the second quarter 2020 was a 3.2% decrease in KWH sales as a result of lower market demand.

Wholesale Revenues – Affiliates

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$3	75.0	\$ (37)	(58.7)

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

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

marginal cost and energy purchases are generally offset by energy revenues through Alabama Power's energy cost recovery clause.

For year-to-date 2020, wholesale revenues from sales to affiliates were \$26 million compared to \$63 million for the corresponding period in 2019. The decrease was primarily due to a 46.6% decrease in KWH sales as a result of decreased coal generation largely due to lower natural gas prices and a 25.9% decrease in the price of energy due to lower natural gas prices in 2020 compared to the corresponding period in 2019.

Other Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$12	17.4	\$9	6.3

In the second quarter 2020, other revenues were \$81 million compared to \$69 million for the corresponding period in 2019. This increase was primarily due to an increase in transmission revenues associated with the timing of customer refunds and an increase in unregulated sales of products and services associated with energy efficiency and equipment upgrade projects.

Fuel and Purchased Power Expenses

	Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
	(change in millions)	(% change)	(change in millions)	(% change)
Fuel	\$ (53)	(21.0)	\$ (138)	(25.0)
Purchased power – non-affiliates	2	4.3	5	6.0
Purchased power – affiliates	(39)	(56.5)	(41)	(45.6)
Total fuel and purchased power expenses	\$ (90)		\$ (174)	

In the second quarter 2020, fuel and purchased power expenses were \$278 million compared to \$368 million for the corresponding period in 2019. The decrease was primarily due to a \$77 million decrease in the volume of KWHs generated (excluding hydro) and purchased and a \$13 million net decrease in the average cost of generation and purchased power.

For year-to-date 2020, fuel and purchased power expenses were \$553 million compared to \$727 million for the corresponding period in 2019. The decrease was primarily due to a \$140 million decrease in the volume of KWHs generated (excluding hydro) and purchased and a \$34 million net decrease in the average cost of generation and purchased power.

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

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

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
Total generation <i>(in billions of KWHs)</i>	12	12	26	29
Total purchased power <i>(in billions of KWHs)</i>	2	3	3	4
Sources of generation <i>(percent)</i> —				
Coal	33	43	33	43
Nuclear	32	26	30	24
Gas	24	23	22	21
Hydro	11	8	15	12
Cost of fuel, generated <i>(in cents per net KWH)</i> —				
Coal	2.82	2.86	2.72	2.82
Nuclear	0.75	0.78	0.75	0.78
Gas	1.95	2.48	2.07	2.53
Average cost of fuel, generated <i>(in cents per net KWH)</i>	1.85	2.18	1.86	2.19
Average cost of purchased power <i>(in cents per net KWH)^(*)</i>	4.29	4.01	4.51	4.45

(*) 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 second quarter 2020, fuel expense was \$199 million compared to \$252 million for the corresponding period in 2019. The decrease was primarily due to a 25.6% decrease in the volume of KWHs generated by coal, a 21.4% decrease in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements, and increases of 23.5% and 18.9% in the volume of KWHs generated by hydro and nuclear, respectively.

For year-to-date 2020, fuel expense was \$415 million compared to \$553 million for the corresponding period in 2019. The decrease was primarily due to a 29.6% decrease in the volume of KWHs generated by coal, an 18.2% decrease in the average cost of natural gas per KWH generated, which excludes fuel associated with tolling agreements, and increases of 11.9% and 11.0% in the volume of KWHs generated by nuclear and hydro, respectively.

Purchased Power – Affiliates

In the second quarter 2020, purchased power expense from affiliates was \$30 million compared to \$69 million for the corresponding period in 2019. For year-to-date 2020, purchased power expense from affiliates was \$49 million compared to \$90 million for the corresponding period in 2019. The second quarter and year-to-date 2020 decreases were primarily due to reductions of 50.8% and 43.7%, respectively, in the amount of energy purchased due to milder weather during 2020 as compared to 2019 and decreases of 10.7% and 4.3%, respectively, in the average cost of purchased power per KWH as a result of lower natural gas prices in 2020 compared to the corresponding periods in 2019.

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

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

Other Operations and Maintenance Expenses

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (60)	(14.9)	\$ (122)	(15.0)

In the second quarter 2020, other operations and maintenance expenses were \$342 million compared to \$402 million for the corresponding period in 2019. For year-to-date 2020, other operations and maintenance expenses were \$690 million compared to \$812 million for the corresponding period in 2019. These decreases reflect the impacts of cost containment activities implemented to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic. The decreases primarily result from \$43 million and \$78 million decreases in generation expenses associated with scheduled outages and CNP Compliance-related expenses for the second quarter and year-to-date 2020, respectively, as well as \$10 million and \$29 million decreases in transmission and distribution maintenance expenses primarily related to reliability NDR credits for the second quarter and year-to-date 2020, respectively. Also contributing to the year-to-date 2020 decrease was a \$12 million increase in nuclear property insurance refunds.

See Note 2 to the financial statements under "Alabama Power – Rate NDR" and " – Rate CNP Compliance" in Item 8 of the Form 10-K for additional information.

Other Income (Expense), Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$15	136.4	\$23	92.0

In the second quarter 2020, other income (expense), net was \$26 million compared to \$11 million for the corresponding period in 2019. For year-to-date 2020, other income (expense), net was \$48 million compared to \$25 million for the corresponding period in 2019. These increases were primarily due to an increase in non-service cost-related retirement benefits income. See Note (H) to the Condensed Financial Statements herein for additional information.

Income Taxes

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$4	4.5	\$26	17.2

For year-to-date 2020, income taxes were \$177 million compared to \$151 million for the corresponding period in 2019. This increase was primarily due to higher pre-tax earnings.

Georgia Power

Net Income

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (140)	(31.3)	\$ (121)	(15.9)

Georgia Power's net income for the second quarter 2020 was \$308 million compared to \$448 million for the corresponding period in 2019. For year-to-date 2020, net income was \$638 million compared to \$759 million for the corresponding period in 2019. These decreases were primarily due to a \$111 million after-tax charge in the second quarter 2020 related to the construction of Plant Vogtle Units 3 and 4 and impacts of the 2019 ARP effective January

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

1, 2020, including higher depreciation and amortization, largely offset by increased retail rates and lower income tax expense. Also contributing to the decreases were lower retail revenues associated with milder weather as compared to the corresponding periods in 2019 and decreased customer usage resulting from the COVID-19 pandemic, partially offset by related cost containment activities. See Note (B) to the Condensed Financial Statements under "Nuclear Construction" herein for additional information on the construction of Plant Vogtle Units 3 and 4 and Note 2 to the financial statements under "Georgia Power" in Item 8 of the Form 10-K for additional information on the 2019 ARP.

Retail Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$(186)	(9.6)	\$(179)	(5.0)

In the second quarter 2020, retail revenues were \$1.76 billion compared to \$1.95 billion for the corresponding period in 2019. For year-to-date 2020, retail revenues were \$3.44 billion compared to \$3.61 billion for the corresponding period in 2019.

Details of the changes in retail revenues were as follows:

	Second Quarter 2020		Year-to-Date 2020	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$ 1,946		\$ 3,614	
Estimated change resulting from –				
Rates and pricing	116	5.9 %	209	5.8 %
Sales decline	(63)	(3.2)	(47)	(1.3)
Weather	(88)	(4.5)	(107)	(3.0)
Fuel cost recovery	(151)	(7.8)	(234)	(6.5)
Retail – current year	\$ 1,760	(9.6)%	\$ 3,435	(5.0)%

Revenues associated with changes in rates and pricing increased in the second quarter and year-to-date 2020, when compared to the corresponding periods in 2019. These increases were primarily due to an increase in revenue recognized under the ECCR tariff effective January 1, 2020 as authorized in the 2019 ARP, the impacts of accruals in 2019 for customer refunds related to Tax Reform, and the rate pricing effects of decreased customer usage in 2020. Partially offsetting these increases were lower contributions from commercial and industrial customers with variable demand-driven pricing. See Note 2 to the financial statements under "Georgia Power" in Item 8 of the Form 10-K for additional information.

Revenues attributable to changes in sales decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 largely due to social distancing and shelter-in-place guidelines related to the COVID-19 pandemic. Weather-adjusted residential KWH sales increased 4.7% and 4.1% in the second quarter and year-to-date 2020, respectively, when compared to corresponding periods in 2019 due to customer growth and an increase in average customer usage, primarily due to the temporary suspension of customer disconnections for nonpayment and shelter-in-place orders. Weather-adjusted commercial KWH sales decreased 11.3% and 5.8% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 primarily due to lower customer usage resulting from shelter-in-place orders and restrictions on business operations in response to the COVID-19 pandemic. Weather-adjusted industrial KWH sales decreased 13.4% and 8.4% in the second quarter and year-to-date 2020, respectively, when compared to the corresponding periods in 2019 as a result of disruptions in supply chain and business operations related to the COVID-19 pandemic and the overall decrease in business activity due to the resulting recession.

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

Fuel revenues and costs are allocated between retail and wholesale jurisdictions. Retail fuel cost recovery revenues decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 due to lower fuel and purchased power costs. Electric rates include provisions to periodically 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 MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Georgia Power – Fuel Cost Recovery" in Item 7 of the Form 10-K for additional information.

Wholesale Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$(11)	(30.6)	\$(16)	(23.9)

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

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

In the second quarter 2020, wholesale revenues were \$25 million compared to \$36 million for the corresponding period in 2019. For year-to-date 2020, wholesale revenues were \$51 million compared to \$67 million for the corresponding period in 2019. These decreases were primarily due to lower market demand largely resulting from the expiration of a non-affiliate PPA and lower energy prices.

Other Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$8	5.9	\$(2)	(0.7)

In the second quarter 2020, other revenues were \$143 million compared to \$135 million for the corresponding period in 2019. The increase was primarily due to an increase of \$14 million in unregulated sales associated with power delivery construction and maintenance contracts, partially offset by a decrease of \$7 million in pole attachment revenues.

For year-to-date 2020, other revenues were \$268 million compared to \$270 million for the corresponding period in 2019. The decrease was primarily due to a \$13 million decrease in pole attachment revenues and an \$8 million decrease in retail customer fees largely resulting from the temporary suspension of customer disconnections and late fees related to the COVID-19 pandemic, substantially offset by an increase of \$20 million in unregulated sales associated with power delivery construction and maintenance contracts and outdoor lighting.

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

Fuel and Purchased Power Expenses

	Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
	<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ (164)	(42.1)	\$ (231)	(33.5)
Purchased power – non-affiliates	9	7.3	20	8.3
Purchased power – affiliates	(12)	(9.0)	(59)	(19.0)
Total fuel and purchased power expenses	\$ (167)		\$ (270)	

In the second quarter 2020, total fuel and purchased power expenses were \$481 million compared to \$648 million for the corresponding period in 2019. For year-to-date 2020, total fuel and purchased power expenses were \$971 million compared to \$1.24 billion for the corresponding period in 2019. These decreases were due to decreases of \$101 million and \$193 million related to the average cost of fuel and purchased power and net decreases of \$66 million and \$77 million related to the volume of KWHs generated and purchased in second quarter and year-to-date 2020, respectively.

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 MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Georgia Power – Fuel Cost Recovery" in Item 7 of the Form 10-K for additional information.

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
Total generation <i>(in billions of KWHs)</i>	13	16	25	29
Total purchased power <i>(in billions of KWHs)</i>	8	6	16	15
Sources of generation <i>(percent)</i> —				
Gas	56	45	57	47
Nuclear	32	26	30	26
Coal	7	26	7	23
Hydro and other	5	3	6	4
Cost of fuel, generated <i>(in cents per net KWH)</i> —				
Gas	2.11	2.48	2.11	2.53
Nuclear	0.81	0.81	0.80	0.81
Coal	3.37	3.18	3.60	3.20
Average cost of fuel, generated <i>(in cents per net KWH)</i>	1.76	2.23	1.82	2.22
Average cost of purchased power <i>(in cents per net KWH)^(*)</i>	3.58	4.59	3.36	4.23

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

Fuel

In the second quarter 2020, fuel expense was \$226 million compared to \$390 million for the corresponding period in 2019. For year-to-date 2020, fuel expense was \$458 million compared to \$689 million for the corresponding period in 2019. The decreases for the second quarter and year-to-date 2020 were primarily due to decreases of 21.1% and 18.0%, respectively, in the average cost of fuel primarily related to lower cost of natural gas and decreases of 9.2% and 6.9%, respectively, in the volume of KWHs generated largely due to lower customer demand.

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

Purchased Power – Non-Affiliates

In the second quarter 2020, purchased power expense from non-affiliates was \$133 million compared to \$124 million for the corresponding period in 2019. For year-to-date 2020, purchased power expense from non-affiliates was \$262 million compared to \$242 million for the corresponding period in 2019. The increases for the second quarter and year-to-date 2020 were primarily due to increases of 11.0% and 24.6%, respectively, in the volume of KWHs purchased primarily due to the availability of lower cost market resources, largely offset by decreases of 6.0% and 12.4%, respectively, in the average cost per KWH purchased primarily due to lower energy 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.

Purchased Power – Affiliates

In the second quarter 2020, purchased power expense from affiliates was \$122 million compared to \$134 million for the corresponding period in 2019. For year-to-date 2020, purchased power expense from affiliates was \$251 million compared to \$310 million for the corresponding period in 2019. The decreases for the second quarter and year-to-date 2020 were primarily due to decreases of 32.8% and 29.0%, respectively, in the average cost per KWH purchased primarily resulting from lower energy prices and the expiration of a PPA. Partially offsetting the decrease in the second quarter 2020 was a 10.4% increase in the volume of KWHs purchased as Georgia Power units generally dispatched at a higher cost than other Southern Company system resources.

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

Other Operations and Maintenance Expenses

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$—	—	\$15	1.6

In the second quarter 2020 and 2019, other operations and maintenance expenses were \$463 million. Increases of \$46 million in storm damage recovery as authorized in the 2019 ARP and \$10 million in expenses from unregulated sales associated with power delivery construction and maintenance contracts were substantially offset by decreases of \$22 million associated with generation maintenance and scheduled outages, \$8 million associated with generation environmental projects, \$7 million in customer accounts and sales costs, and \$7 million in transmission-related expenses. These decreases reflect the impacts of cost containment activities implemented to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic. Also contributing to the offset was a decrease of \$8 million related to an adjustment in 2019 for FERC fees following the conclusion of a multi-year audit of headwater benefits associated with hydro facilities.

For year-to-date 2020, other operations and maintenance expenses were \$928 million compared to \$913 million for the corresponding period in 2019. The increase was primarily due to increases of \$92 million in storm damage recovery as authorized in the 2019 ARP and \$9 million in expenses from unregulated sales associated with power delivery construction and maintenance contracts, partially offset by decreases of \$26 million associated with generation maintenance and scheduled outages, \$18 million in distribution- and transmission-related expenses, and \$9 million associated with generation environmental projects. These decreases reflect the impacts of cost containment activities implemented to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic. Other expense reductions include a decrease of \$15 million related to an adjustment in 2019 for FERC fees following the conclusion of a multi-year audit of headwater benefits associated with hydro facilities and an \$11 million increase in nuclear property insurance refunds.

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

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

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$110	45.1	\$224	46.4

In the second quarter 2020, depreciation and amortization was \$354 million compared to \$244 million for the corresponding period in 2019. For year-to-date 2020, depreciation and amortization was \$707 million compared to \$483 million for the corresponding period in 2019. These increases primarily reflect increased amortization of regulatory assets of \$63 million and \$127 million for the second quarter and year-to-date 2020, respectively, and higher depreciation of \$44 million and \$89 million for the second quarter and year-to-date 2020, respectively, as authorized in the 2019 ARP. See Note 2 to the financial statements under "Georgia Power – Rate Plans" and " – Integrated Resource Plan" in Item 8 of the Form 10-K for additional information.

Estimated Loss on Plant Vogtle Units 3 and 4

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$149	N/M	\$149	N/M

N/M - Not meaningful

In the second quarter 2020, an estimated probable loss of \$149 million was recorded to reflect Georgia Power's revised total project capital cost forecast to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note (B) to the Condensed Financial Statements under "Nuclear Construction" herein for additional information.

Interest Expense, Net of Amounts Capitalized

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$—	—	\$15	7.5

In the second quarter 2020 and 2019, interest expense, net of amounts capitalized was \$105 million. For year-to-date 2020, interest expense, net of amounts capitalized was \$216 million compared to \$201 million for the corresponding period in 2019. The increase for year-to-date 2020 was primarily due to a \$25 million increase in interest expense associated with an increase in average outstanding long-term borrowings, partially offset by an \$11 million increase in amounts capitalized in connection with the construction of Plant Vogtle Units 3 and 4. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein for additional information on borrowings and Note (B) to the Condensed Financial Statements under "Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Other Income (Expense), Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$16	45.7	\$26	33.8

In the second quarter 2020, other income (expense), net was \$51 million compared to \$35 million for the corresponding period in 2019. For year-to-date 2020, other income (expense), net was \$103 million compared to \$77 million for the corresponding period in 2019. The second quarter and year-to-date 2020 increases were

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

primarily due to increases of \$11 million and \$21 million, respectively, in non-service cost-related retirement benefits income and increases in AFUDC equity of \$5 million and \$9 million, respectively, primarily associated with the construction of Plant Vogtle Units 3 and 4. See Note (H) to the Condensed Financial Statements herein for additional information on retirement benefits and Note (B) to the Condensed Financial Statements under "Nuclear Construction" herein for additional information regarding Plant Vogtle Units 3 and 4.

Income Taxes

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (118)	(91.5)	\$ (184)	(87.2)

In the second quarter 2020, income taxes were \$11 million compared to \$129 million for the corresponding period in 2019. For year-to-date 2020, income taxes were \$27 million compared to \$211 million for the corresponding period in 2019. These decreases were primarily due to the flowback of excess deferred income taxes in 2020 as authorized in the 2019 ARP and lower pre-tax earnings primarily due to the second quarter 2020 charge associated with the construction of Plant Vogtle Units 3 and 4. See Note (B) under "Nuclear Construction" and Note (G) to the Condensed Financial Statements herein and Note 2 to the financial statements under "Georgia Power – Rate Plans – Tax Reform Settlement Agreement" in Item 8 of the Form 10-K for additional information.

Mississippi Power

Net Income

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$2	5.4	\$ (3)	(4.1)

Mississippi Power's net income for the second quarter 2020 was \$39 million compared to \$37 million for the corresponding period in 2019. The increase was primarily due to a decrease in amortization associated with ECO Plan regulatory assets and a decrease in scheduled generation outage costs, partially offset by a decrease in base rates that became effective for the first billing cycle of April 2020 and a decrease in revenues due to the COVID-19 pandemic.

For year-to-date 2020, net income was \$71 million compared to \$74 million for the corresponding period in 2019. The decrease was primarily due to a decrease in base rates that became effective for the first billing cycle of April 2020, a decrease in revenues due to the COVID-19 pandemic, and an increase in scheduled generation outage costs, partially offset by a decrease in amortization associated with ECO Plan regulatory assets.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Mississippi Power – 2019 Base Rate Case" herein and Note 2 to the financial statements under "Mississippi Power – Environmental Compliance Overview Plan" in Item 8 of the Form 10-K for additional information.

Retail Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (16)	(7.4)	\$ (20)	(4.8)

In the second quarter 2020, retail revenues were \$199 million compared to \$215 million for the corresponding period in 2019. For year-to-date 2020, retail revenues were \$398 million compared to \$418 million for the corresponding period in 2019.

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

Details of the changes in retail revenues were as follows:

	Second Quarter 2020		Year-to-Date 2020	
	(in millions)	(% change)	(in millions)	(% change)
Retail – prior year	\$ 215		\$ 418	
Estimated change resulting from –				
Rates and pricing	(4)	(1.9)%	(5)	(1.2)%
Sales decline	(5)	(2.3)	(7)	(1.7)
Weather	(4)	(1.9)	1	0.2
Fuel and other cost recovery	(3)	(1.3)	(9)	(2.1)
Retail – current year	\$ 199	(7.4)%	\$ 398	(4.8)%

Revenues associated with changes in rates and pricing decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 primarily due to decreases in PEP and ECO Plan rates that became effective for the first billing cycle of April 2020, partially offset by revenue associated with a tolling arrangement. See FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Mississippi Power – 2019 Base Rate Case" herein for additional information.

Revenues attributable to changes in sales decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 largely due to lower overall customer usage resulting from shelter-in-place orders and restrictions on business operations in response to the COVID-19 pandemic.

Weather-adjusted residential KWH sales increased 5.4% and 2.3% in the second quarter and year-to-date 2020, respectively, primarily due to customer growth and an increase in average customer usage as a result of shelter-in-place orders and the temporary suspension of customer disconnections. Weather-adjusted commercial KWH sales decreased 11.6% and 7.9% in the second quarter and year-to-date 2020, respectively, primarily due to lower customer usage resulting from shelter-in-place orders and restrictions on business operations, including the temporary closure of casinos, in response to the COVID-19 pandemic. Industrial KWH sales decreased 7.0% and 1.3% in the second quarter and year-to-date 2020, respectively, as a result of disruptions in supply chain and business operations driven by the COVID-19 pandemic and the overall decrease in business activity due to the resulting recession.

Fuel and other cost recovery revenues decreased in the second quarter and year-to-date 2020 when compared to the corresponding periods in 2019 primarily as a result of lower recoverable fuel costs. Recoverable fuel costs include fuel and purchased power expenses reduced by the fuel portion of wholesale revenues from energy sold to customers outside Mississippi Power's service territory. Electric rates include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of purchased power costs, and do not affect net income.

Wholesale Revenues – Non-Affiliates

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$ (5)	(8.8)	\$ (11)	(9.6)

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

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

and municipalities located in southeastern Mississippi under cost-based electric tariffs which are subject to regulation by the FERC. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Regulatory Matters – Mississippi Power" in Item 7 of the Form 10-K for additional information.

In the second quarter 2020, wholesale revenues from sales to non-affiliates were \$52 million compared to \$57 million for the corresponding period in 2019. For year-to-date 2020, wholesale revenues from sales to non-affiliates were \$103 million compared to \$114 million for the corresponding period in 2019. These decreases were primarily due to decreases in revenue from MRA customers as a result of lower fuel costs and milder weather, as well as fewer opportunity sales.

Wholesale Revenues – Affiliates

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(12)	(32.4)	\$(11)	(19.0)

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

In the second quarter 2020, wholesale revenues from sales to affiliates were \$25 million compared to \$37 million for the corresponding period in 2019. For year-to-date 2020, wholesale revenues from sales to affiliates were \$47 million compared to \$58 million for the corresponding period in 2019. These decreases were primarily due to decreases of \$18 million and \$26 million in the second quarter and year-to-date 2020, respectively, associated with lower natural gas prices, partially offset by increases of \$6 million and \$14 million in the second quarter and year-to-date 2020, respectively, associated with higher KWH sales due to the dispatch of Mississippi Power's lower cost generation resources to serve the Southern Company system's territorial load.

Fuel and Purchased Power Expenses

	Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
	<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ (22)	(21.0)	\$ (36)	(18.2)
Purchased power	1	16.7	3	33.3
Total fuel and purchased power expenses	\$ (21)		\$ (33)	

In the second quarter 2020, total fuel and purchased power expenses were \$90 million compared to \$111 million for the corresponding period in 2019. The decrease was primarily due to a \$20 million decrease related to the cost of fuel primarily due to the lower average cost of natural gas.

For year-to-date 2020, total fuel and purchased power expenses were \$174 million compared to \$207 million for the corresponding period in 2019. The decrease was primarily due to a \$42 million decrease related to the cost of fuel and purchased power primarily due to the lower average cost of natural gas, partially offset by a \$9 million increase associated with 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.

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

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
Total generation <i>(in millions of KWHs)</i>	4,484	4,621	8,651	8,570
Total purchased power <i>(in millions of KWHs)</i>	208	152	396	243
Sources of generation <i>(percent) –</i>				
Coal	4	8	4	6
Gas	96	92	96	94
Cost of fuel, generated <i>(in cents per net KWH) –</i>				
Coal	3.82	3.92	4.02	4.06
Gas	1.88	2.29	1.92	2.37
Average cost of fuel, generated <i>(in cents per net KWH)</i>	1.97	2.43	2.00	2.48
Average cost of purchased power <i>(in cents per net KWH)</i>	3.27	3.78	2.97	3.76

Fuel

In the second quarter 2020, fuel expense was \$83 million compared to \$105 million for the corresponding period in 2019. This decrease was due to a 19.0% decrease in the average cost of fuel per KWH generated and a 2.6% decrease in the volume of KWHs generated.

For year-to-date 2020, fuel expense was \$162 million compared to \$198 million for the corresponding period in 2019. This decrease was due to a 19.5% decrease in the average cost of fuel per KWH generated, partially offset by a 1.8% increase in the volume of KWHs generated.

Purchased Power

In the second quarter 2020, purchased power expense was \$7 million compared to \$6 million for the corresponding period in 2019. For year-to-date 2020, purchased power expense was \$12 million compared to \$9 million for the corresponding period in 2019. These increases were primarily the result of 36.3% and 63.2% increases in the volume of KWHs purchased in the second quarter and year-to-date 2020, respectively, largely offset by 13.5% and 20.9% decreases in the average cost per KWH purchased in the second quarter and year-to-date 2020, respectively.

Energy purchases 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. These purchases are made in accordance with the IIC or other contractual agreements, as approved by the FERC.

Other Operations and Maintenance Expenses

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (5)	(6.9)	\$ 9	6.8

In the second quarter 2020, other operations and maintenance expenses were \$67 million compared to \$72 million for the corresponding period in 2019. The decrease was primarily due to a decrease of \$5 million in scheduled generation outage costs.

For year-to-date 2020, other operations and maintenance expenses were \$142 million compared to \$133 million for the corresponding period in 2019. The increase was primarily due to increases of \$5 million in scheduled generation outage costs, \$3 million in vegetation management expenses, and \$2 million in certain employee compensation expenses previously deferred in 2019.

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

Depreciation and Amortization

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (2)	(4.2)	\$ (7)	(7.4)

In the second quarter 2020, depreciation and amortization was \$46 million compared to \$48 million for the corresponding period in 2019. For year-to-date 2020, depreciation and amortization was \$88 million compared to \$95 million for the corresponding period in 2019. These decreases were related to decreases in amortization of \$8 million and \$14 million in the second quarter and year-to-date 2020, respectively, primarily as a result of the ECO Plan regulatory assets being fully amortized in 2019, partially offset by amortization of a regulatory asset associated with an ARO. These decreases were partially offset by increases in depreciation of \$6 million and \$7 million in the second quarter and year-to-date 2020, respectively, primarily related to additional plant in service and an increase in depreciation rates in accordance with the Mississippi Power Rate Case Settlement Agreement. See Note (B) to the Condensed Financial Statements under "Mississippi Power – 2019 Base Rate Case" herein and Note 2 to the financial statements under "Mississippi Power – Environmental Compliance Overview Plan" in Item 8 of the Form 10-K for additional information.

Income Taxes

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (3)	(60.0)	\$ (4)	(33.3)

In the second quarter 2020, income taxes were \$2 million compared to \$5 million for the corresponding period in 2019. For year-to-date 2020, income taxes were \$8 million compared to \$12 million for the corresponding period in 2019. These decreases were primarily due to a decrease of \$3 million in both the second quarter and year-to-date 2020 associated with the flowback of excess deferred income taxes as a result of the Mississippi Power Rate Case Settlement Agreement. 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

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (111)	(63.8)	\$ (92)	(40.0)

Net income attributable to Southern Power for the second quarter 2020 was \$63 million compared to \$174 million for the corresponding period in 2019. The decrease was primarily due to the gain on the sale of Plant Nacogdoches in the second quarter 2019 of \$88 million after tax. In addition, the decrease was due to reduced net income related to the dispositions of Plant Nacogdoches in 2019 and Plant Mankato in the first quarter 2020. The decrease also reflects net gains in the second quarter 2019 totaling \$22 million from the Roserock solar facility litigation settlement and sales of wind equipment.

Net income attributable to Southern Power for year-to-date 2020 was \$138 million compared to \$230 million for the corresponding period in 2019. The decrease was primarily due to the gain on the sale of Plant Nacogdoches in the second quarter 2019 of \$88 million after tax, partially offset by the gain on sale of Plant Mankato in the first quarter 2020 of \$23 million after tax. In addition, the decrease was due to reduced net income related to the dispositions of Plant Nacogdoches and Plant Mankato. The decrease also reflects net gains in the second quarter 2019 totaling \$22 million from the Roserock solar facility litigation settlement and sales of wind equipment.

See Note (K) to the Condensed Financial Statements under "Southern Power" herein and Note 15 to the financial statements under "Southern Power" in Item 8 of the Form 10-K for additional information.

Operating Revenues

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (71)	(13.9)	\$ (139)	(14.6)

Total operating revenues include PPA capacity revenues, which are derived primarily from long-term contracts involving natural gas facilities and a biomass generating facility (through the second quarter 2019 sale of Plant Nacogdoches), 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 and Biomass 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

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

the grid. As a result, Southern Power's ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors.

See FUTURE EARNINGS POTENTIAL – "Southern Power's Power Sales Agreements" herein for additional information regarding Southern Power's PPAs.

Operating Revenues Details

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
<i>(in millions)</i>				
PPA capacity revenues	\$ 92	\$ 125	\$ 181	\$ 252
PPA energy revenues	270	291	475	518
Total PPA revenues	362	416	656	770
Non-PPA revenues	73	91	151	177
Other revenues	4	3	7	6
Total operating revenues	\$ 439	\$ 510	\$ 814	\$ 953

In the second quarter 2020, total operating revenues were \$439 million, reflecting a \$71 million, or 14%, decrease from the corresponding period in 2019. The decrease in operating revenues was primarily due to the following:

- PPA capacity revenues decreased \$33 million, or 26%, primarily due to decreases of \$22 million related to the dispositions of Plant Nacogdoches in the second quarter 2019 and Plant Mankato in the first quarter 2020 and \$10 million from the contractual expiration of an affiliate natural gas PPA.
- PPA energy revenues decreased \$21 million, or 7%, due to a \$46 million decrease in sales from natural gas facilities resulting from a \$25 million decrease in the volume of KWHs sold due to reduced demand and a \$21 million decrease in the average cost of fuel and purchased power. This decrease was partially offset by a \$13 million increase in sales primarily driven by the volume of KWHs generated by solar and wind facilities and a \$12 million increase in sales from a fuel cell project acquired in late 2019.
- Non-PPA revenues decreased \$18 million, or 20%, due to a \$40 million decrease in the market price of energy, partially offset by a \$23 million increase in the volume of KWHs sold through short-term sales.

For year-to-date 2020, total operating revenues were \$814 million, reflecting a \$139 million, or 15%, decrease from the corresponding period in 2019. The decrease in operating revenues was primarily due to the following:

- PPA capacity revenues decreased \$71 million, or 28%, primarily due to decreases of \$45 million related to the dispositions of Plant Nacogdoches in the second quarter 2019 and Plant Mankato in the first quarter 2020 and \$24 million from the contractual expiration of an affiliate natural gas PPA.
- PPA energy revenues decreased \$43 million, or 8%, due to an \$86 million decrease in sales from natural gas facilities resulting from a \$49 million decrease in the price of fuel and purchased power and a \$37 million decrease in the volume of KWHs sold due to reduced demand. This decrease was partially offset by increases of \$23 million in sales primarily driven by the volume of KWHs generated by solar and wind facilities and \$20 million in sales from a fuel cell project acquired in late 2019.
- Non-PPA revenues decreased \$26 million, or 15%, due to a \$74 million decrease in the market price of energy, partially offset by a \$48 million increase in the volume of KWHs sold through short-term sales.

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

Fuel and Purchased Power Expenses

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
<i>(in billions of KWHs)</i>				
Generation	11.3	11.7	22.0	21.9
Purchased power	0.9	1.0	1.5	1.8
Total generation and purchased power	12.2	12.7	23.5	23.7
Total generation and purchased power, excluding solar, wind, and tolling agreements	7.4	7.1	14.5	13.7

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:

	Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
	<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
Fuel	\$ (37)	(26.6)	\$ (75)	(26.4)
Purchased power	(14)	(43.8)	(23)	(41.8)
Total fuel and purchased power expenses	\$ (51)		\$ (98)	

In the second quarter 2020, total fuel and purchased power expenses decreased \$51 million, or 30%, compared to the corresponding period in 2019. Fuel expense decreased \$37 million due to a \$46 million decrease in the average cost of fuel per KWH generated, partially offset by a \$9 million increase associated with the volume of KWHs generated. Purchased power expense decreased \$14 million due to a \$9 million decrease associated with the average cost of purchased power and a \$5 million decrease associated with the volume of KWHs purchased.

For year-to-date 2020, total fuel and purchased power expenses decreased \$98 million, or 29%, compared to the corresponding period in 2019. Fuel expense decreased \$75 million due to a \$98 million decrease in the average cost of fuel per KWH generated, partially offset by a \$23 million increase associated with the volume of KWHs generated. Purchased power expense decreased \$23 million due to a \$16 million decrease associated with the average cost of purchased power and a \$7 million decrease associated with the volume of KWHs purchased.

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

(Gain) Loss on Dispositions, Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$23	N/M	\$(16)	N/M

N/M - Not meaningful

In the second quarter 2020, loss on dispositions, net was immaterial compared to a gain on dispositions, net of \$23 million for the corresponding period in 2019. For year-to-date 2020, gain on dispositions, net was \$39 million compared to \$23 million for the corresponding period in 2019. The changes were due to the sale of Plant Mankato in the first quarter 2020, which resulted in a \$39 million gain, and the sale of Plant Nacogdoches in the second quarter 2019, which resulted in a \$23 million gain. See Note (K) to the Condensed Financial Statements herein and Note 15 to the financial statements in Item 8 of the Form 10-K under "Southern Power – Sales of Natural Gas and Biomass Plants" for additional information.

Other Income (Expense), Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(39)	(97.5)	\$(37)	(90.2)

In the second quarter 2020, other income (expense), net was \$1 million compared to \$40 million for the corresponding period in 2019. For year-to-date 2020, other income (expense), net was \$4 million compared to \$41 million for the corresponding period in 2019. The decreases were primarily due to a \$36 million gain arising from the Roserock solar facility litigation settlement in the second quarter 2019. See Note 3 to the financial statements in Item 8 of the Form 10-K under "General Litigation Matters – Southern Power" for additional information.

Income Taxes (Benefit)

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$57	111.8	\$73	121.7

In the second quarter 2020, income tax expense was \$6 million compared to a \$51 million benefit for the corresponding period in 2019. For year-to-date 2020, income tax expense was \$13 million compared to a \$60 million benefit for the corresponding period in 2019. The changes were primarily due to a \$75 million income tax benefit in 2019 resulting from ITCs recognized upon the sale of Plant Nacogdoches, partially offset by a decrease in income tax expense as a result of lower pre-tax earnings. See Notes (G) and (K) to the Condensed Financial Statements herein for additional information.

Net Income (Loss) Attributable to Noncontrolling Interests

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(24)	N/M	\$(26)	N/M

In the second quarter 2020, net income attributable to noncontrolling interests was \$5 million compared to \$29 million for the corresponding period in 2019. For year-to-date 2020, net loss attributable to noncontrolling interests was \$26 million compared to an immaterial amount for the corresponding period in 2019. The changes were primarily due to an allocation of approximately \$26 million of income to the noncontrolling interest partner related to the Roserock solar facility litigation settlement in the second quarter 2019. See Note 3 to the financial statements in Item 8 of the Form 10-K under "General Litigation Matters – Southern Power" for additional information.

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

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, including Nicor Gas following the approval of a revenue decoupling mechanism for residential customers in its base rate case that concluded in 2019. 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, Illinois, and Ohio.

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

Seasonality of Results

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

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$(35)	(33.0)	\$(30)	(8.0)

In the second quarter 2020, net income was \$71 million compared to \$106 million for the corresponding period in 2019. This decrease was primarily due to a \$46 million decrease at wholesale gas services primarily due to reduced natural gas price volatility compared to the prior year and a \$7 million gain from the sale of Triton in 2019, partially offset by a \$16 million increase at gas distribution operations primarily due to base rate increases for Nicor Gas and Atlanta Gas Light and continued investment in infrastructure replacement programs, partially offset by reduced flowback of excess deferred income taxes at Atlanta Gas Light in 2020.

For year-to-date 2020, net income was \$346 million compared to \$376 million for the corresponding period in 2019. This decrease in net income was primarily due to a \$70 million decrease at wholesale gas services primarily due to reduced natural gas price volatility compared to the prior year and a \$7 million gain from the sale of Triton in 2019, partially offset by a \$47 million increase at gas distribution operations primarily due to base rate increases for Nicor Gas and Atlanta Gas Light and continued investment in infrastructure replacement programs, partially offset by reduced flowback of excess deferred income taxes at Atlanta Gas Light in 2020.

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

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

Natural Gas Revenues, including Alternative Revenue Programs

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
<i>(change in millions)</i>	<i>(% change)</i>	<i>(change in millions)</i>	<i>(% change)</i>
\$ (53)	(7.7)	\$ (278)	(12.9)

In the second quarter 2020, natural gas revenues, including alternative revenue programs, were \$636 million compared to \$689 million for the corresponding period in 2019. For year-to-date 2020, natural gas revenues, including alternative revenue programs, were \$1.9 billion compared to \$2.2 billion for the corresponding period in 2019.

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

	Second Quarter 2020		Year-to-Date 2020	
	<i>(in millions)</i>	<i>(% change)</i>	<i>(in millions)</i>	<i>(% change)</i>
Natural gas revenues – prior year	\$ 689		\$ 2,163	
Estimated change resulting from –				
Infrastructure replacement programs and base rate changes	43	6.2 %	119	5.5 %
Gas costs and other cost recovery	(38)	(5.5)	(287)	(13.3)
Weather	3	0.4	(8)	(0.4)
Wholesale gas services	(67)	(9.7)	(102)	(4.7)
Other	6	0.9	—	—
Natural gas revenues – current year	\$ 636	(7.7)%	\$ 1,885	(12.9)%

Revenues from infrastructure replacement programs and base rate changes increased in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 primarily due to base rate increases at Nicor Gas and Atlanta Gas Light and continued investments recovered through infrastructure replacement programs. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" in Item 8 of the Form 10-K for additional information.

Revenues associated with gas costs and other cost recovery decreased in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 primarily due to lower natural gas prices and decreased volumes of natural gas sold. 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. See "Cost of Natural Gas" herein for additional information. Revenue impacts from weather and customer growth are described further below.

Revenues from wholesale gas services decreased in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 primarily due to decreased commercial activity as a result of warmer weather and a decrease in derivative gains. See "Segment Information – Wholesale Gas Services" herein for additional information.

Southern Company Gas hedged the majority of its exposure to warmer-than-normal weather in Illinois for gas distribution operations and in Illinois and Georgia for gas marketing services. During Heating Season, natural gas usage and operating revenues are generally higher. Weather typically does not have a significant net income impact other than during the Heating Season. The following table presents Heating Degree Days information for Illinois and Georgia, the primary locations where Southern Company Gas' operations are impacted by weather.

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

	Second Quarter			2020 vs. normal	2020 vs. 2019	Year-to-Date			2020 vs. normal	2020 vs. 2019
	Normal ^(a)	2020	2019	colder	colder	Normal ^(a)	2020	2019	(warmer)	(warmer)
	(in thousands)					(in thousands)				
Illinois ^(b)	631	736	659	16.6%	11.7%	3,684	3,495	3,956	(5.1)%	(11.7)%
Georgia	114	188	86	64.9%	118.6%	1,529	1,279	1,298	(16.4)%	(1.5)%

(a) Normal represents the 10-year average from January 1, 2010 through June 30, 2019 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.

(b) Heating Degree Days in Illinois are expected to have a limited financial impact beginning in 2020. In October 2019, Nicor Gas received approval for a volume balancing adjustment, a revenue decoupling mechanism for residential customers that provides a monthly benchmark level of revenue per rate class for recovery.

The following table provides the number of customers served by Southern Company Gas at June 30, 2020 and 2019:

	June 30,		
	2020	2019	2020 vs. 2019
	(in thousands, except market share %)		(% change)
Gas distribution operations	4,275	4,231	1.0 %
Gas marketing services			
Energy customers ^(*)	671	622	7.9 %
Market share of energy customers in Georgia	29.0 %	28.8 %	

(*) Gas marketing services' customers are primarily located in Georgia, Ohio, and Illinois. Also included as of June 30, 2020 were approximately 50,000 customers in Ohio contracted through an annual auction process to serve for 12 months beginning April 1, 2020.

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

Cost of Natural Gas

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$(47)	(24.6)	\$(294)	(33.5)

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from gas distribution operations. Cost of natural gas at gas distribution operations represented 86% of total cost of natural gas for both the second quarter and year-to-date 2020. See MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATIONS – "Southern Company Gas – Cost of Natural Gas" in Item 7 of the Form 10-K and "Natural Gas Revenues, including Alternative Revenue Programs" herein for additional information.

In the second quarter 2020, cost of natural gas was \$144 million compared to \$191 million for the corresponding period in 2019. This decrease reflects a 34.9% decrease in natural gas prices in the second quarter 2020 compared to the corresponding period in 2019.

For year-to-date 2020, cost of natural gas was \$583 million compared to \$877 million for the corresponding period in 2019. This decrease reflects a 36.6% decrease in natural gas prices compared to 2019 and decreased volumes primarily as a result of warmer weather for year-to-date 2020 compared to the corresponding period in 2019.

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

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

	Second Quarter		2020 vs. 2019	Year-to-Date		2020 vs. 2019
	2020	2019		2020	2019	
Gas distribution operations <i>(mmBtu in millions)</i>						
Firm	100	99	1.0%	357	396	(9.8)%
Interruptible	21	22	(4.5)	45	46	(2.2)
Total	121	121	—%	402	442	(9.0)%
Wholesale gas services <i>(mmBtu in millions/day)</i>						
Daily physical sales	6.4	5.7	12.3%	6.6	6.3	4.8 %
Gas marketing services <i>(mmBtu in millions)</i>						
Firm:						
Georgia	4	4	—%	18	19	(5.3)%
Illinois	1	2	(50.0)	6	8	(25.0)
Other	3	2	50.0	7	10	(30.0)
Interruptible large commercial and industrial	3	3	—	7	7	—
Total	11	11	—%	38	44	(13.6)%

Other Operations and Maintenance Expenses

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$21	10.6	\$46	10.6

In the second quarter 2020, other operations and maintenance expenses were \$220 million compared to \$199 million for the corresponding period in 2019. For year-to-date 2020, other operations and maintenance expenses were \$479 million compared to \$433 million for the corresponding period in 2019. These increases were primarily due to increases in compensation and benefit expenses and expenses passed through directly to customers primarily related to bad debt and pipeline compliance and maintenance activities. See Note (H) to the Condensed Financial Statements herein for additional information.

Taxes Other Than Income Taxes

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$1	2.2	\$(10)	(7.8)

For year-to-date 2020, taxes other than income taxes were \$118 million compared to \$128 million for the corresponding period in 2019. The decrease primarily relates to a decrease in revenue tax expenses as a result of lower natural gas revenues at Nicor Gas. These revenue tax expenses are passed through directly to customers and have no impact on net income.

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

Earnings from Equity Method Investments

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$ (1)	(3.2)	\$ (8)	(10.0)

For year-to-date 2020, earnings from equity method investments were \$72 million compared to \$80 million for the corresponding period in 2019. The decrease primarily relates to lower income at SNG, the sale of Atlantic Coast Pipeline in the first quarter 2020, and the sale of Triton in the second quarter 2019. See Note (E) to the Condensed Financial Statements herein for additional information.

Other Income (Expense), Net

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$6	100.0	\$11	110.0

In the second quarter 2020, other income (expense), net was \$12 million compared to \$6 million for the corresponding period in 2019. For year-to-date 2020, other income (expense), net was \$21 million compared to \$10 million for the corresponding period in 2019. These increases were primarily due to increases in non-service cost-related retirement benefits income. See Note (H) to the Condensed Financial Statements herein for additional information.

Income Taxes

Second Quarter 2020 vs. Second Quarter 2019		Year-to-Date 2020 vs. Year-to-Date 2019	
(change in millions)	(% change)	(change in millions)	(% change)
\$10	166.7	\$12	14.5

In the second quarter 2020, income taxes were \$16 million compared to \$6 million for the corresponding period in 2019. For year-to-date 2020, income taxes were \$95 million compared to \$83 million for the corresponding period in 2019. These increases were primarily due to a decrease in the flowback of excess deferred income taxes at Atlanta Gas Light as authorized by the Georgia PSC and the reversal of a federal income tax valuation allowance in connection with the sale of Triton in 2019, partially offset by lower pre-tax earnings. See Note (G) to the Condensed Financial Statements herein for additional information.

Performance and Non-GAAP Measures

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

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

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

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

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
	<i>(in millions)</i>			
Operating Income	\$ 102	\$ 134	\$ 462	\$ 487
Other operating expenses ^(a)	390	364	840	799
Revenue taxes ^(b)	(22)	(22)	(67)	(76)
Adjusted Operating Margin	\$ 470	\$ 476	\$ 1,235	\$ 1,210

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

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

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

Segment Information

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

	Second Quarter 2020			Second Quarter 2019		
	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss) ^(b)
	(in millions)			(in millions)		
Gas distribution operations	\$ 441	\$ 314	\$ 74	\$ 394	\$ 287	\$ 58
Gas pipeline investments	8	3	21	8	3	25
Wholesale gas services	(19)	11	(23)	41	10	23
Gas marketing services	35	28	5	27	31	(3)
All other	7	14	(6)	7	12	3
Intercompany eliminations	(2)	(2)	—	(1)	(1)	—
Consolidated	\$ 470	\$ 368	\$ 71	\$ 476	\$ 342	\$ 106

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

	Year-to-Date 2020			Year-to-Date 2019		
	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)
	(in millions)			(in millions)		
Gas distribution operations	\$ 1,036	\$ 654	\$ 238	\$ 918	\$ 601	\$ 191
Gas pipeline investments	16	6	51	16	6	57
Wholesale gas services	31	28	—	125	29	70
Gas marketing services	142	58	62	142	62	58
All other	13	30	(5)	13	29	—
Intercompany eliminations	(3)	(3)	—	(4)	(4)	—
Consolidated	\$ 1,235	\$ 773	\$ 346	\$ 1,210	\$ 723	\$ 376

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

Gas Distribution Operations

Gas distribution operations is the largest component of Southern Company Gas' business and is subject to regulation and oversight by 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

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

instruments, that limit its exposure to changes in customer consumption, including weather changes within typical ranges in its natural gas distribution utilities' service territories.

In the second quarter 2020, net income increased \$16 million, or 27.6%, compared to the corresponding period in 2019. The \$47 million increase in adjusted operating margin primarily reflects base rate increases for Nicor Gas and Atlanta Gas Light and continued investments recovered through infrastructure replacement programs. The \$27 million increase in operating expenses includes increased medical and retirement benefit expenses, higher expenses passed through directly to customers, primarily related to bad debt and pipeline compliance and maintenance activities, and higher depreciation primarily due to additional assets placed in service. The \$6 million increase in other income is primarily due to an increase in non-service cost-related retirement benefits income. Income tax expense increased \$11 million primarily due to higher pre-tax earnings and a decrease in the flowback of excess deferred income taxes at Atlanta Gas Light as authorized by the Georgia PSC.

For year-to-date 2020, net income increased \$47 million or 24.6%, compared to the corresponding period in 2019. The \$118 million increase in adjusted operating margin primarily reflects base rate increases for Nicor Gas and Atlanta Gas Light and continued investments recovered through infrastructure replacement programs, partially offset by warmer weather, net of weather normalization mechanisms. The \$53 million increase in operating expenses includes increased medical and retirement benefit expenses, higher expenses passed through directly to customers, primarily related to bad debt and pipeline compliance and maintenance activities, and additional depreciation primarily due to additional assets placed in service. The \$12 million increase in other income is primarily due to an increase in non-service cost-related retirement benefits income. The \$31 million increase in income tax expense is primarily due to higher pre-tax earnings and a decrease in the flowback of excess deferred income taxes at Atlanta Gas Light as authorized by the Georgia PSC.

See Note 2 to the financial statements in Item 8 of the Form 10-K and Note (H) to the Condensed Financial Statements herein for additional information.

Gas Pipeline Investments

Gas pipeline investments consists primarily of joint ventures in natural gas pipeline investments including SNG, PennEast Pipeline, Dalton Pipeline, and Atlantic Coast Pipeline (until its sale on March 24, 2020). See Notes (E) and (K) to the Condensed Financial Statements under "Southern Company Gas" herein and Note 7 to the financial statements in Item 8 of the Form 10-K for additional information.

In the second quarter and year-to-date 2020, net income decreased \$4 million, or 16.0%, and \$6 million, or 10.5%, respectively, compared to the corresponding periods in 2019. These decreases primarily relate to lower earnings at SNG.

Wholesale Gas Services

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

In the second quarter 2020, net income decreased \$46 million, or 200.0%, compared to the corresponding period in 2019. This decrease primarily relates to a \$60 million decrease in adjusted operating margin, partially offset by a \$15 million decrease in income tax expense due to lower pre-tax earnings.

For year-to-date 2020, net income decreased \$70 million, or 100.0%, compared to the corresponding period in 2019. This decrease primarily relates to a \$94 million decrease in adjusted operating margin and a \$1 million decrease in operating expenses, partially offset by a \$22 million decrease in income tax expense due to lower pre-tax earnings.

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

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

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
<i>(in millions)</i>				
Commercial activity recognized	\$ (33)	\$ (1)	\$ (42)	\$ 37
Gain (loss) on storage derivatives	(5)	2	(11)	5
Gain on transportation and forward commodity derivatives	19	48	85	77
LOCOM adjustments, net of current period recoveries	—	(6)	—	(8)
Purchase accounting adjustments to fair value inventory and contracts	—	(2)	(1)	14
Adjusted operating margin	\$ (19)	\$ 41	\$ 31	\$ 125

Change in Commercial Activity

The commercial activity at wholesale gas services includes recognition of storage and transportation values that were generated in prior periods, which reflect the impact of prior period hedge gains and losses as associated physical transactions occur. The decrease in commercial activity in the second quarter and year-to-date 2020 compared to the corresponding periods in 2019 was primarily due to warmer-than-normal weather conditions.

Change in Storage and Transportation Derivatives

Volatility in the natural gas market arises from a number of factors, such as weather fluctuations or changes in supply or demand for natural gas in different regions of the U.S. The volatility of natural gas commodity prices has a significant impact on Southern Company Gas' customer rates, long-term competitive position against other energy sources, and the ability of wholesale gas services to capture value from locational and seasonal spreads. Forward storage or time spreads applicable to the locations of wholesale gas services' specific storage positions in 2020 resulted in storage derivative losses. Transportation and forward commodity derivative gains in 2020 are primarily the result of narrowing transportation spreads due to supply constraints and increases in natural gas supply, which impacted forward prices at natural gas receipt and delivery points, primarily in the Northeast and Midwest regions.

Withdrawal Schedule and Physical Transportation Transactions

The expected natural gas withdrawals from storage and expected offset to prior hedge losses/gains associated with the transportation portfolio of wholesale gas services are presented in the following table, along with the net operating revenues expected at the time of withdrawal from storage and the physical flow of natural gas between contracted transportation receipt and delivery points. Wholesale gas services' expected net operating revenues exclude storage and transportation demand charges, as well as other variable fuel, withdrawal, receipt, and delivery charges, and exclude estimated profit sharing under asset management agreements. Further, the amounts that are realizable in future periods are based on the inventory withdrawal schedule, planned physical flow of natural gas between the transportation receipt and delivery points, and forward natural gas prices at June 30, 2020. A portion of wholesale gas services' storage inventory and transportation capacity is economically hedged with futures contracts, which results in the realization of substantially fixed net operating revenues.

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

	Storage withdrawal schedule		Physical transportation transactions –	
	Total storage ^(a)	Expected net operating gains ^(b)	expected net operating losses ^(c)	
	(in mmBtu in millions)	(in millions)	(in millions)	
2020	15	\$ 6	\$	(12)
2021 and thereafter	33	34		(73)
Total at June 30, 2020	48	\$ 40	\$	(85)

(a) At June 30, 2020, the WACOG of wholesale gas services' expected natural gas withdrawals from storage was \$1.68 per mmBtu.

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

(c) Represents the transportation derivative gains and (losses) that will be settled during the period and the physical transportation transactions that offset the derivative gains and losses previously recognized.

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

Gas Marketing Services

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

In the second quarter 2020, net income increased \$8 million compared to the corresponding period in 2019. This increase primarily relates to an \$8 million increase in adjusted operating margin, which primarily reflects recovery of prior period hedge losses, and a \$3 million decrease in operating expenses, partially offset by a \$3 million increase in income tax expense.

For year-to-date 2020, net income increased \$4 million compared to the corresponding period in 2019. This increase primarily relates to a \$4 million decrease in operating expenses.

All Other

All other includes natural gas storage businesses, fuels operations through the sale of Southern Company Gas' interest in Pivotal LNG on March 24, 2020, the investment in Triton through its sale on May 29, 2019, AGL Services Company, and Southern Company Gas Capital, as well as various corporate operating expenses that are not allocated to the reportable segments and interest income (expense) associated with affiliate financing arrangements. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information on the sale of its interest in Pivotal LNG.

In the second quarter 2020, net income decreased \$9 million compared to the corresponding period in 2019. This decrease primarily reflects a \$2 million increase in operating expenses and a \$12 million increase in income taxes, partially offset by a \$7 million increase in other income (expenses). The increase in other income (expenses) was primarily due to a pre-tax loss on the sale of Triton in 2019. The increase in income taxes reflects the reversal of a federal income tax valuation allowance in connection with the sale of Triton in 2019.

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

For year-to-date 2020, net income decreased \$5 million compared to the corresponding period in 2019. This decrease includes a \$2 million increase in interest expense, net of amounts capitalized, and a \$6 million increase in income taxes related to the reversal of a federal income tax valuation allowance in connection with the sale of Triton in 2019, partially offset by a \$4 million increase in other income (expenses) primarily due to a pre-tax loss on the sale of Triton in 2019.

Segment Reconciliations

Reconciliations of operating income to adjusted operating margin for the second quarter and year-to-date 2020 and 2019 are reflected in the following tables. See Note (L) to the Condensed Financial Statements herein for additional information.

Second Quarter 2020							
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
<i>(in millions)</i>							
Operating Income (Loss)	\$ 127	\$ 5	\$ (30)	\$ 7	\$ (7)	\$ —	\$ 102
Other operating expenses ^(a)	336	3	11	28	14	(2)	390
Revenue tax expense ^(b)	(22)	—	—	—	—	—	(22)
Adjusted Operating Margin	\$ 441	\$ 8	\$ (19)	\$ 35	\$ 7	\$ (2)	\$ 470

Second Quarter 2019							
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
<i>(in millions)</i>							
Operating Income (Loss)	\$ 107	\$ 5	\$ 31	\$ (4)	\$ (5)	\$ —	\$ 134
Other operating expenses ^(a)	309	3	10	31	12	(1)	364
Revenue tax expense ^(b)	(22)	—	—	—	—	—	(22)
Adjusted Operating Margin	\$ 394	\$ 8	\$ 41	\$ 27	\$ 7	\$ (1)	\$ 476

Year-to-Date 2020							
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
<i>(in millions)</i>							
Operating Income (Loss)	\$ 382	\$ 10	\$ 3	\$ 84	\$ (17)	\$ —	\$ 462
Other operating expenses ^(a)	721	6	28	58	30	(3)	840
Revenue tax expense ^(b)	(67)	—	—	—	—	—	(67)
Adjusted Operating Margin	\$ 1,036	\$ 16	\$ 31	\$ 142	\$ 13	\$ (3)	\$ 1,235

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

	Year-to-Date 2019						
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
	(in millions)						
Operating Income (Loss)	\$ 317	\$ 10	\$ 96	\$ 80	\$ (16)	\$ —	\$ 487
Other operating expenses ^(a)	677	6	29	62	29	(4)	799
Revenue tax expense ^(b)	(76)	—	—	—	—	—	(76)
Adjusted Operating Margin	\$ 918	\$ 16	\$ 125	\$ 142	\$ 13	\$ (4)	\$ 1,210

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

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

FUTURE EARNINGS POTENTIAL

Each Registrant's results of operations are not necessarily indicative of its future earnings potential. Recent disposition activities described under "Acquisitions and Dispositions" herein, in Note (K) to the Condensed Financial Statements herein, and in Note 15 to the financial statements in Item 8 of the Form 10-K will impact future earnings for the applicable Registrants. The level of the Registrants' future earnings depends on numerous factors that affect the opportunities, challenges, and risks of the Registrants' primary businesses of selling electricity and/or distributing natural gas, as described further herein.

For the traditional electric operating companies, these factors include the ability to maintain constructive regulatory environments that allow for the timely recovery of prudently-incurred costs during a time of increasing costs, continued customer growth, and the trend of reduced electricity usage per customer, especially in residential and commercial markets. Other major factors include completing construction of Plant Vogtle Units 3 and 4 and related cost recovery proceedings for Georgia Power and the ability to prevail against legal challenges associated with the Kemper County energy facility for Mississippi Power.

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

Global and U.S. economic conditions have been significantly affected by a series of demand and supply shocks that have caused a global and national economic recession. Most prominently, the COVID-19 pandemic has negatively impacted global supply chains and global demand for goods and services and public policy responses of social distancing and closing non-essential businesses have further restricted economic activity. The drivers, speed, and depth of this economic contraction are unprecedented and have reduced energy demand across the Southern Company system's service territory, primarily in the commercial and industrial classes. The negative impacts, which started in late-March 2020, of the COVID-19 pandemic and related recession on the Southern Company system's retail electric sales began to improve in the middle of May 2020; however, retail electric sales through the end of the second quarter 2020 continued to be approximately 3% to 4% lower than levels projected prior to the COVID-19 pandemic. Recovery is expected to continue for the remainder of 2020 and into 2021, but responses to the COVID-19 pandemic by both customers and government could significantly affect the pace of recovery. The ultimate extent of the negative impact on revenues depends on the depth and duration of the economic contraction in the Southern Company system's service territory and cannot be determined at this time. See RESULTS OF OPERATIONS herein for information on COVID-19-related impacts on energy demand in the Southern Company system's service territory during the first six months of 2020.

Alabama Power continues to temporarily suspend disconnections for non-payment by customers and waive late fees as a result of the COVID-19 pandemic. In addition, the traditional electric operating companies have established installment payment plans to allow customers to repay past due accounts over a period of time. See "Regulatory Matters" herein for additional information on the status of disconnections and the deferral of costs resulting from

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

the COVID-19 pandemic at Georgia Power, Mississippi Power, and the natural gas distribution utilities. The ultimate outcome of these matters cannot be determined at this time.

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

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

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

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

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 and RISK FACTORS in Item 1A herein.

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

Acquisitions and Dispositions

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.

Alabama Power

On April 22, 2020 and June 9, 2020, the FERC and the Alabama PSC, respectively, approved the Autauga Combined Cycle Acquisition, which is expected to close by September 1, 2020. See "Regulatory Matters – Alabama Power" herein for additional information. The ultimate outcome of this matter cannot be determined at this time.

Southern Power

On January 17, 2020, Southern Power completed the sale of its equity interests in Plant Mankato (including the 385-MW expansion unit completed in May 2019) to a subsidiary of Xcel for a purchase price of approximately \$663 million, including final working capital adjustments. The sale resulted in a gain of approximately \$39 million (\$23 million after tax). Pre-tax income for Plant Mankato was immaterial for the six months ended June 30, 2020 and the three and six months ended June 30, 2019.

In March 2020, Southern Power entered into an agreement to acquire a controlling membership interest in an approximately 300-MW wind facility located in South Dakota. The acquisition is subject to FERC approval and certain other customary conditions to closing, including commercial operation of the facility, which is expected to occur in late 2020 or early 2021. The facility's output is contracted under two long-term PPAs. The ultimate outcome of this matter cannot be determined at this time.

On May 1, 2020, Southern Power purchased a controlling interest in the 56-MW Beech Ridge II wind facility located in Greenbrier County, West Virginia from Invenergy Renewables LLC. The facility's output is contracted under a 12-year PPA. See Note (K) to the Condensed Financial Statements herein for additional information.

Southern Power continues to evaluate and refine the deployment of the remaining wind turbine equipment purchased in 2016 and 2017 to development and construction projects. During the six months ended June 30, 2020, certain wind turbine equipment was sold, resulting in an immaterial gain.

Southern Company Gas

On March 24, 2020, Southern Company Gas completed the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline to Dominion Modular LNG Holdings, Inc. and Dominion Atlantic Coast Pipeline, LLC, respectively, with aggregate proceeds of \$178 million, including working capital adjustments. The preliminary loss associated with the transactions was immaterial. Southern Company Gas may also receive two future payments of \$5 million each, contingent upon certain milestones related to Pivotal LNG being met by Dominion Modular LNG Holdings, Inc. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

Environmental Matters

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

Environmental Laws and Regulations

Coal Combustion Residuals

In June 2020, Alabama Power recorded an increase of approximately \$462 million to its AROs related to the CCR Rule and the related state rule primarily due to management's completion of a feasibility study and the related cost estimates during the second quarter 2020 for one of its ash ponds. Alabama Power's increase also reflects costs

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

associated with the addition of a water treatment system to the design of another ash pond. The additional estimated costs to close these ash ponds under the planned closure-in-place methodology primarily relate to inputs from contractor bids, design revisions, and changes in the expected volume of ash handling.

The traditional electric operating companies expect to continue updating their cost estimates and ARO liabilities periodically as additional information related to ash pond closure methodologies, schedules, and/or costs becomes available. 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 (B) to the Condensed Financial Statements under "Georgia Power – Integrated Resource Plan" herein for additional information. The ultimate outcome of these matters cannot be determined at this time. See Note 6 to the financial statements in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements under "Asset Retirement Obligations" herein for additional information.

Regulatory Matters

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.

Alabama Power

Alabama Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Alabama PSC. Alabama Power currently recovers its costs from the regulated retail business primarily through Rate RSE, Rate CNP, Rate ECR, and Rate NDR. In addition, the Alabama PSC issues accounting orders to address current events impacting Alabama Power.

Petition for Certificate of Convenience and Necessity

On June 9, 2020, the Alabama PSC approved in part Alabama Power's petition for a CCN which authorizes Alabama Power to (i) construct an approximately 720-MW combined cycle facility at Alabama Power's Plant Barry (Plant Barry Unit 8), which is expected to be placed in service by the end of 2023, (ii) complete the Autauga Combined Cycle Acquisition, which was approved by the FERC on April 22, 2020 and is expected to close by September 1, 2020, (iii) purchase approximately 240 MWs of combined cycle generation under a long-term PPA expected to begin later in 2020 and (iv) pursue up to approximately 200 MWs of certain demand-side management and distributed energy resource programs.

The Alabama PSC authorized the recovery of actual costs for the construction of Plant Barry Unit 8 up to 5% above the estimated in-service cost of \$652 million. In so doing, it recognized the potential for developments that could cause the project costs to exceed the capped amount, in which case Alabama Power would provide documentation to the Alabama PSC to explain and justify potential recovery of the additional costs.

The Alabama PSC further directed that the proposed solar generation of approximately 400 MWs, coupled with battery energy storage systems (solar/battery systems), be evaluated under an existing Renewable Generation Certificate issued by the Alabama PSC in September 2015.

Alabama Power expects to recover all approved costs associated with the CCN through existing rate mechanisms as outlined in Note 2 to the financial statements in Item 8 of the Form 10-K. The Alabama PSC's approval in part of the CCN will be followed by a written order which is subject to any rehearing request or judicial appeal filed within 30 days of the date of such order.

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

Georgia Power

Georgia Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Georgia PSC. Georgia Power currently recovers its costs from the regulated retail business through an alternate rate plan, which includes traditional base tariffs, Demand-Side Management tariffs, the

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

Environmental Compliance Cost Recovery tariff, and Municipal Franchise Fee tariffs. In addition, financing costs on certified construction costs of Plant Vogtle Units 3 and 4 are being collected through the NCCR tariff and fuel costs are collected through a separate fuel cost recovery tariff.

Deferral of Incremental COVID-19 Costs

On April 7, 2020 and June 2, 2020, in response to the COVID-19 pandemic, the Georgia PSC approved orders directing Georgia Power to continue its previous, voluntary suspension of customer disconnections through July 14, 2020 and to defer the resulting incremental bad debt as a regulatory asset. On June 16, 2020 and July 7, 2020, the Georgia PSC approved orders establishing a methodology for identifying incremental bad debt and allowing the deferral of other incremental costs associated with the COVID-19 pandemic. The period over which such costs will be recovered is expected to be determined in Georgia Power's next base rate case. At June 30, 2020, the incremental costs deferred totaled approximately \$34 million. The ultimate outcome of this matter cannot be determined at this time.

Integrated Resource Plan

On March 5, 2020, the Sierra Club filed a petition for judicial review in the Superior Court of Fulton County to appeal the Georgia PSC's decision in the 2019 ARP allowing Georgia Power to recover compliance costs for CCR AROs. Georgia Power intervened in the appeal on June 22, 2020. The ultimate outcome of this matter cannot be determined at this time.

Fuel Cost Recovery

On May 28, 2020, the Georgia PSC approved a stipulation agreement among Georgia Power, the staff of the Georgia PSC, and certain intervenors to lower total fuel billings by approximately \$740 million over a two-year period effective June 1, 2020. In addition, Georgia Power will further lower fuel billings by approximately \$44 million under an interim fuel rider effective June 1, 2020 through September 30, 2020. Georgia Power continues to be allowed to adjust its fuel cost recovery rates under an interim fuel rider prior to its next fuel case if the under or over recovered fuel balance exceeds \$200 million. Georgia Power is scheduled to file its next fuel case no later than February 28, 2023.

Mississippi Power

Mississippi Power's rates and charges for service to retail customers are subject to the regulatory oversight of the Mississippi PSC. Mississippi Power's rates are a combination of base rates and several separate cost recovery clauses for specific categories of costs. These separate cost recovery clauses address such items as fuel and purchased power, ad valorem taxes, property damage, and the costs of compliance with environmental laws and regulations. Costs not addressed through one of the specific cost recovery clauses are expected to be recovered through Mississippi Power's base rates.

2019 Base Rate Case

On March 17, 2020, the Mississippi PSC approved the Mississippi Power Rate Case Settlement Agreement between Mississippi Power and the Mississippi Public Utilities Staff related to Mississippi Power's base rate case filed in November 2019.

Under the terms of the Mississippi Power Rate Case Settlement Agreement, annual retail rates decreased approximately \$16.7 million, or 1.85%, effective for the first billing cycle of April 2020, based on a test year period of January 1, 2020 through December 31, 2020, a 53% average equity ratio, an allowed maximum actual equity ratio of 55% by the end of 2020, and a 7.57% return on investment.

Additionally, the approved Mississippi Power Rate Case Settlement Agreement: (i) established common amortization periods of four years for regulatory assets and three years for regulatory liabilities included in the approved revenue requirement, including those related to unprotected deferred income taxes; (ii) established new depreciation rates reflecting an annual increase in depreciation of approximately \$10 million; and (iii) excluded

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

certain compensation costs totaling approximately \$3.9 million. It also eliminated separate rates for costs associated with Plant Ratcliffe and energy efficiency initiatives and includes such costs in the PEP, ECO Plan, and ad valorem tax adjustment factor, as applicable. In accordance with the previous order of the Mississippi PSC suspending the operation of PEP and the ECO Plan for 2018 through 2020, Mississippi Power plans to resume PEP proceedings and ECO Plan filings for 2021.

Performance Evaluation Plan

On July 24, 2020, the Mississippi PSC approved Mississippi Power's July 14, 2020 filing of its PEP compliance rate clause reflecting revisions agreed to in the Mississippi Power Rate Case Settlement Agreement. These revisions include, among other things, changing the filing date for the annual PEP rate filing from November of the immediately preceding year to March of the current year, utilizing a historic test year adjusted for "known and measurable" changes, using discounted cash flow and regression formulas to determine base return on equity, and moving all embedded ad valorem property taxes currently collected in PEP to the ad valorem tax adjustment clause.

Deferral of Incremental COVID-19 Costs

On April 14, 2020 and May 12, 2020, in order to mitigate the economic impact of the COVID-19 pandemic on customers, the Mississippi PSC approved orders directing Mississippi Power to continue its previous, voluntary suspension of customer disconnections through May 25, 2020 and to defer as a regulatory asset all necessary and reasonable incremental costs or expenses to plan, prepare, stage, or react to protect and keep safe its employees and customers, and to reliably operate its utility system during the COVID-19 pandemic. The period over which such costs will be recovered is expected to be determined in a future PEP filing. At June 30, 2020, the incremental costs deferred totaled approximately \$2 million. The ultimate outcome of this matter cannot be determined at this time.

Municipal and Rural Associations Tariff

On June 25, 2020, the FERC accepted Mississippi Power's April 27, 2020 request for an increase in wholesale base revenues under the MRA tariff as agreed upon in a settlement agreement reached with its wholesale customers. The MRA settlement agreement resulted in a \$2 million annual increase in base rates effective June 1, 2020.

Southern Company Gas

The natural gas distribution utilities are subject to regulation and oversight by their respective state regulatory agencies for the rates charged to their customers and other matters. With the exception of Atlanta Gas Light, which does not sell natural gas to end-use customers, the natural gas distribution utilities are authorized by the relevant regulatory agencies in the states in which they serve to use natural gas cost recovery mechanisms that adjust rates to reflect changes in the wholesale cost of natural gas and ensure recovery of all costs prudently incurred in purchasing natural gas for customers. Natural gas cost recovery revenues are adjusted for differences in actual recoverable natural gas costs and amounts billed in current regulated rates. Changes in the billing factor will not have a significant effect on revenues or net income, but will affect cash flows. In addition to natural gas cost recovery mechanisms, there are other cost recovery mechanisms, such as regulatory riders, which vary by utility but allow recovery of certain costs, such as those related to infrastructure replacement programs, as well as environmental remediation, energy efficiency plans, and bad debt.

The natural gas distribution utilities have various regulatory mechanisms to recover bad debt expense, which will mitigate potential increases in bad debt expense as a result of the COVID-19 pandemic. Nicor Gas fully recovers its bad debt expenses, both the gas and non-gas portions, through its purchased gas adjustment mechanism and separate bad debt rider. Virginia Natural Gas and Chattanooga Gas recover the gas portion of bad debt expense through their purchased gas adjustment mechanisms and the non-gas portion of bad debt expense through their base rates in accordance with established benchmarks. Atlanta Gas Light does not have material bad debt expense because its receivables are from Marketers, rather than end-use customers. Its tariff allows it to obtain credit security support from the Marketers in an amount equal to at least two times their estimated highest bill.

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

Rate Proceedings

On June 1, 2020, Virginia Natural Gas filed a general rate case with the Virginia Commission seeking an increase in rates of \$49.6 million primarily to recover investments and increased costs associated with infrastructure, technology, and workforce development. The requested increase is based on a projected 12-month test year beginning November 1, 2020, a ROE of 10.35%, and an equity ratio of 54%. Rate adjustments are expected to be effective November 1, 2020, subject to refund. The Virginia Commission is expected to rule on the requested increase in the second quarter 2021.

On July 1, 2020, Atlanta Gas Light filed its 2020 GRAM filing with the Georgia PSC. The filing requests an annual base rate increase of \$37.6 million based on the projected 12-month period beginning January 1, 2021, which does not exceed the 5% limitation established by the Georgia PSC in its December 2019 approval of Atlanta Gas Light's general base rate case. Resolution of the 2020 GRAM filing is expected by December 31, 2020, with rates effective January 1, 2021.

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

Deferral of Incremental COVID-19 Costs

Atlanta Gas Light

On April 30, 2020, in response to the COVID-19 pandemic, the Georgia PSC approved orders directing Atlanta Gas Light to continue its previous, voluntary suspension of customer disconnections. On June 22, 2020, the Georgia PSC ordered Atlanta Gas Light to resume customer disconnections beginning July 1, 2020, with exceptions for customers still covered by a shelter-in-place order. The orders provide the Marketers, including SouthStar, with a mechanism to receive credits from Atlanta Gas Light for the base rates it charged to the Marketers of non-paying customers during the suspension. Atlanta Gas Light expects to recover these credits through the annual revenue true-up process within its 2021 GRAM filing, which would impact rates effective January 1, 2022. The ultimate outcome of this matter cannot be determined at this time.

Nicor Gas

On March 18, 2020, the Illinois Commission issued an order directing utilities to cease disconnections for non-payment and to suspend the imposition of late payment fees or penalties until the Governor of Illinois announces the end of the COVID-19 state of emergency. In response to this order, on March 27, 2020, Nicor Gas and other utilities in Illinois filed their plans seeking cost recovery and more flexible credit and collection plans.

On June 18, 2020, the Illinois Commission approved a stipulation pursuant to which the utilities will provide more flexible credit and collection procedures to assist customers with financial hardship and which authorizes a special purpose rider for recovery of the following COVID-19 pandemic-related impacts: incremental costs directly associated with the COVID-19 pandemic, net of the offset for COVID-19 pandemic-related credits received, foregone late fees, foregone reconnection charges, and the costs associated with a bill payment assistance program. The special purpose rider is proposed to be effective on October 1, 2020 and continue over a 24-month period. At June 30, 2020, Nicor Gas' related regulatory asset was \$12 million. The ultimate outcome of this matter cannot be determined at this time.

Virginia Natural Gas

In response to the COVID-19 pandemic, the Virginia Commission issued orders requiring Virginia Natural Gas to suspend disconnections beginning on March 16, 2020 and also to suspend late payment and reconnection fees beginning on April 9, 2020, both of which continue in effect through August 31, 2020. On April 29, 2020, the Virginia Commission authorized Virginia Natural Gas to defer the following COVID-19 pandemic-related costs as a regulatory asset: incremental uncollectible expense incurred, suspended late fees, suspended reconnection charges, carrying costs, and other incremental prudently incurred costs associated with the COVID-19 pandemic. Specific recovery of the amounts deferred in a regulatory asset will be addressed in a future rate proceeding. At June 30,

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

2020, Virginia Natural Gas' related regulatory asset was \$1 million. The ultimate outcome of this matter cannot be determined at this time.

Construction Programs

Overview

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

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

While Southern Power generally constructs and acquires generation assets covered by long-term PPAs, any uncontracted capacity could negatively affect future earnings. See "Southern Power" herein, "Acquisitions and Dispositions – Southern Power" herein, and Note (K) to the Condensed Financial Statements under "Southern Power" herein, as well as Note 15 to the financial statements under "Southern Power" in Item 8 of the Form 10-K, for additional information about costs relating to Southern Power's acquisitions that involve 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 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 "Southern Company Gas" herein for additional information regarding infrastructure improvement programs at the natural gas distribution utilities and the PennEast Pipeline construction project.

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

Nuclear Construction

See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 of the Form 10-K for additional information regarding Georgia Power's construction of Plant Vogtle Units 3 and 4, the joint ownership agreements and related funding agreement, VCM reports, and the NCCR tariff.

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

In connection with the EPC Contractor's bankruptcy filing, Georgia Power, acting for itself and as agent for the 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

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

sold from both units. The Vogtle Services Agreement is terminable by the Vogtle Owners upon 30 days' written notice.

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

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

Cost and Schedule

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

	<i>(in billions)</i>	
Base project capital cost forecast ^{(a)(b)}	\$	8.4
Construction contingency estimate		0.1
Total project capital cost forecast ^{(a)(b)}		8.5
Net investment as of June 30, 2020 ^(b)		(6.6)
Remaining estimate to complete^(a)	\$	1.9

(a) Excludes financing costs expected to be capitalized through AFUDC of approximately \$260 million, of which \$52 million had been accrued through June 30, 2020.

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

Georgia Power estimates that its financing costs for construction of Plant Vogtle Units 3 and 4 will total approximately \$3.0 billion, of which \$2.4 billion had been incurred through June 30, 2020.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of engineering support, commodity installation, system turnovers, and workforce statistics.

During the second quarter 2020, approximately \$194 million of construction contingency was assigned to the base capital cost forecast for cost risks including, among other things, construction productivity, including the April 2020 reduction in workforce designed to mitigate impacts of the COVID-19 pandemic described below, field support, subcontracts, engineering resources, and procurement. The second quarter 2020 assignment of contingency exceeded the remaining balance of the \$366 million construction contingency originally established in the second quarter 2018 by approximately \$34 million. Through June 30, 2020, assignments of contingency for cost risks also have included, among other factors, construction productivity; craft labor incentives; adding resources for supervision, field support, project management, initial test program, start-up, and operations and engineering support; subcontracts; and procurement. As a result of these factors, Southern Nuclear recommended establishing additional construction contingency, of which Georgia Power's share is approximately \$115 million, for further potential risks including, among other factors, construction productivity and expected impacts of the COVID-19

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

pandemic; adding resources for supervision, field support, project management, initial test program, start-up, and operations and engineering support; subcontracts; and procurement.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of \$149 million (\$111 million after tax) for the increase in the total project capital cost forecast as of June 30, 2020. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

In April 2019, Southern Nuclear established aggressive target values for monthly construction production and system turnover activities as part of a strategy to maintain and, where possible, build margin to the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4. Through early 2020, the project faced challenges with the April 2019 aggressive strategy targets including, but not limited to, electrical and pipefitting labor productivity and work package closure rates, which resulted in a backlog of activities and completion percentages below the April 2019 aggressive strategy targets.

In February 2020, Southern Nuclear updated its cost and schedule forecast, which, at that time, did not change the total project capital cost forecast and confirmed the expected in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4. This update included initiatives to improve productivity while refining and extending system turnover plans and certain near-term milestone dates. Other milestone dates did not change. Achievement of the February 2020 aggressive site work plan relied on meeting increased monthly production and activity target values during 2020.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures.

In April 2020, Georgia Power, acting for itself and as agent for the other Vogtle Owners, announced a reduction in workforce at Plant Vogtle Units 3 and 4, which totaled approximately 20% of the then-existing site workforce. This reduction in workforce was a mitigation action intended to address the impact of the COVID-19 pandemic on the Plant Vogtle Units 3 and 4 workforce and construction site, including challenges with labor productivity that were exacerbated by the impact of the COVID-19 pandemic. The April 2020 workforce reduction was intended to provide operational efficiencies by increasing productivity of the remaining workforce and reducing workforce fatigue and absenteeism. Further, it was also intended to allow for increased social distancing by the workforce and facilitate compliance with the recommendations from the Centers for Disease Control and Prevention. The April 2020 workforce reduction did reduce absenteeism, providing an improvement in operational efficiency and allowing for increased social distancing. From the initial peak in April 2020, the number of active cases at the site declined significantly during May and early June, but began increasing again in mid-June and continues to impact productivity levels and pace of activity completion. As a result of these factors, overall production improvements have not been achieved at the levels anticipated, contributing to the allocation of, and increase in, construction contingency described above. Through mid-July 2020, Unit 3 mechanical, electrical, and subcontract activities continued to build a backlog to Southern Nuclear's February 2020 aggressive site work plan.

To address these issues, in July 2020, Southern Nuclear updated its aggressive site work plan for both Unit 3 and Unit 4. To meet the targets in the July 2020 aggressive site work plan, absenteeism rates must continue to normalize and overall construction productivity and production levels, including subcontractors, must significantly improve and be sustained above pre-pandemic levels. In addition, appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, must be added and maintained. While Southern Nuclear's July 2020 aggressive site work plan extended milestone dates from the February 2020 aggressive site work plan, Georgia Power still expects to achieve the regulatory-approved in-service dates of November 2021 and November 2022 for Plant Vogtle Units 3

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

and 4, respectively. Southern Nuclear and Georgia Power continue to believe that pursuit of an aggressive site work plan is an appropriate strategy to achieve completion of the units by their regulatory-approved in-service dates.

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

In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$70 million and \$115 million, which is included in the total project capital cost forecast and assumes (i) absenteeism rates continue to normalize and (ii) the intended productivity efficiencies and production targets assumed in Southern Nuclear's July 2020 aggressive site work plan are realized in the coming months. However, the ultimate impact of the COVID-19 pandemic on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time.

There have been technical and procedural challenges to the construction and licensing of Plant Vogtle Units 3 and 4 at the federal and state level and additional challenges may arise. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, including inspections by Southern Nuclear and the NRC that occur throughout construction. As a result of such compliance processes, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. As part of the aggressive site work plan, in January 2020, Southern Nuclear notified the NRC of its intent to load fuel in 2020. On May 11, 2020, the Blue Ridge Environmental Defense League filed a petition with the NRC that challenges a license amendment request. On June 15, 2020, the NRC issued an appealable order rejecting Nuclear Watch South's April 20, 2020 petition requesting a hearing and challenging the closure of certain ITAAC. If any license amendment requests or other licensing-based compliance issues are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

The ultimate outcome of these matters cannot be determined at this time. However, any extension of the regulatory-approved project schedule is currently estimated to result in additional base capital costs of approximately \$50 million per month, based on Georgia Power's ownership interests, and AFUDC of approximately \$10 million per month. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Joint Owner Contracts

In November 2017, the Vogtle Owners entered into an amendment to their joint ownership agreements for Plant Vogtle Units 3 and 4 to provide for, among other conditions, additional Vogtle Owner approval requirements. Effective 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

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

Joint Ownership Agreements also confirm that the Vogtle Owners' sole recourse against Georgia Power or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Owners is limited to removal of Georgia Power and/or Southern Nuclear as agent, except in cases of willful misconduct.

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

Amendments to the Vogtle Joint Ownership Agreements

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

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

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

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

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

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 June 30, 2020, Georgia Power had recovered approximately \$2.4 billion of financing costs. Financing costs related to capital costs above \$4.418 billion are being recognized through AFUDC and are expected to be recovered through retail rates over the life of Plant Vogtle Units 3 and 4; however, Georgia Power will not record AFUDC related to any capital costs in excess of the total deemed reasonable by the Georgia PSC (currently \$7.3 billion) and not requested for rate recovery. In December 2019, the Georgia PSC approved Georgia Power's request to decrease the NCCR tariff by \$62 million annually, effective January 1, 2020.

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 amounts paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) (a) capital costs incurred up to \$5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs, (b) Georgia Power would have the burden to show that any capital costs above \$5.68 billion were prudent, and (c) a revised capital cost forecast of \$7.3 billion (after reflecting the impact of payments received under the Guarantee Settlement Agreement and related customer refunds) was found reasonable; (iv) construction of Plant Vogtle Units 3 and 4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (v) approved and deemed reasonable Georgia Power's revised schedule placing Plant Vogtle Units 3 and 4 in service in November 2021 and November 2022, respectively; (vi) confirmed that the revised cost forecast does not represent a cost cap and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; (vii) reduced the ROE used to calculate the NCCR tariff (a) from 10.95% (the ROE rate setting point authorized by the Georgia PSC in the 2013 ARP) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%, effective January 1, 2020, and (c) from 8.30% to 5.30%, effective January 1, 2021 (provided that the ROE in no case will be less than Georgia Power's average cost of long-term debt); (viii) reduced the ROE used for AFUDC equity for Plant Vogtle Units 3 and 4 from 10.00% to Georgia Power's average cost of long-term debt, effective January 1, 2018; and (ix) agreed that upon Unit 3 reaching commercial operation, retail base rates would be adjusted to include carrying costs on those capital costs deemed prudent in the Vogtle Cost Settlement Agreement. The January 11, 2018 order also stated that if Plant Vogtle Units 3 and 4 are not commercially operational by June 1, 2021 and June 1, 2022, respectively, the ROE used to calculate the NCCR tariff will be further reduced by 10 basis points each month (but not lower than Georgia Power's average cost of long-term debt) until the respective Unit is commercially operational. The ROE reductions negatively impacted earnings by approximately \$75 million in 2019 and are estimated to have negative earnings impacts of approximately \$145 million, \$255 million, and \$200 million in 2020, 2021, and 2022, respectively. In its January 11, 2018 order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

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

In February 2018, Georgia Interfaith Power & Light, Inc. (GIPL) and Partnership for Southern Equity, Inc. (PSE) filed a petition appealing the Georgia PSC's January 11, 2018 order with the Fulton County Superior Court. In March 2018, Georgia Watch filed a similar appeal to the Fulton County Superior Court for judicial review of the Georgia PSC's decision and denial of Georgia Watch's motion for reconsideration. In December 2018, the Fulton County Superior Court granted Georgia Power's motion to dismiss the two appeals. In January 2019, GIPL, PSE, and Georgia Watch filed an appeal of this decision with the Georgia Court of Appeals. In October 2019, the Georgia Court of Appeals issued an opinion affirming the Fulton County Superior Court's ruling that the Georgia PSC's January 11, 2018 order was not a final, appealable decision. In addition, the Georgia Court of Appeals remanded the case to the Fulton County Superior Court to clarify its ruling as to whether the petitioners showed that review of the Georgia PSC's final order would not provide them an adequate remedy. On April 21, 2020, the Fulton County Superior Court granted Georgia Power's motion to dismiss the two appeals. The petitioners filed a notice of appeal of the dismissal on May 20, 2020. Georgia Power believes the petitions have no merit; however, an adverse outcome in the litigation combined with subsequent adverse action by the Georgia PSC could have a material impact on Southern Company's and Georgia Power's results of operations, financial condition, and liquidity.

The Georgia PSC has approved 21 VCM reports covering the periods through June 30, 2019, including total construction capital costs incurred through that date of \$6.7 billion (before \$1.7 billion of payments received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds). On August 18, 2020, the Georgia PSC is scheduled to vote on Georgia Power's twenty-second VCM report, which requested approval of \$674 million of construction capital costs incurred from July 1, 2019 through December 31, 2019.

Georgia Power expects to file its twenty-third VCM report with the Georgia PSC by August 31, 2020, which will reflect the revised capital cost forecast discussed above and request approval of \$701 million of construction capital costs incurred from January 1, 2020 through June 30, 2020.

See RISK FACTORS in Item 1A herein and in the Form 10-K for a discussion of certain risks associated with the licensing, construction, and operation of nuclear generating units, including potential impacts that could result from a major incident at a nuclear facility anywhere in the world.

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

Southern Power

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Construction Programs – Southern Power" in Item 7 of the Form 10-K and FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements and Contractual Obligations" herein for additional information.

During the six months ended June 30, 2020, Southern Power completed construction of and placed in service the Reading wind facility, continued construction of the Skookumchuck wind facility, and commenced construction of the Garland and Tranquillity battery energy storage facilities. Total aggregate construction costs, excluding acquisition costs, are expected to be between \$475 million and \$545 million for the facilities under construction. At June 30, 2020, total costs of construction incurred for these projects were \$232 million and are included in CWIP. The ultimate outcome of these matters cannot be determined at this time.

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

Project Facility	Resource	Approximate Nameplate Capacity (MW)	Location	Actual/Expected COD	PPA Counterparties	PPA Contract Period
Projects Completed During the Six Months Ended June 30, 2020						
Reading ^(a)	Wind	200	Osage and Lyon Counties, KS	May 2020	Royal Caribbean Cruises LTD	12 years
Projects Under Construction as of June 30, 2020						
Skookumchuck ^(b)	Wind	136	Lewis and Thurston Counties, WA	Fourth quarter 2020	Puget Sound Energy	20 years
Garland Solar Storage ^(c)	Battery energy storage system	88	Kern County, CA	Second quarter 2021	Southern California Edison	20 years
Tranquillity Solar Storage ^(c)	Battery energy storage system	72	Fresno County, CA	Second quarter 2021	Southern California Edison	20 years

- (a) In 2018, Southern Power purchased 100% of the membership interests of the Reading facility pursuant to a joint development arrangement. At the time the facility was placed in service, Southern Power recorded an operating lease right-of-use asset and an operating lease liability, each in the amount of \$24 million. In June 2020, Southern Power completed a tax equity transaction whereby it received \$156 million and now owns 100% of the Class B membership interests.
- (b) In October 2019, Southern Power purchased 100% of the membership interests of the Skookumchuck facility pursuant to a joint development arrangement. Southern Power expects to complete a tax equity transaction upon commercial operation and retain the Class B membership interests. Shortly after commercial operation, Southern Power may sell a noncontrolling interest in these Class B membership interests to another partner. The ultimate outcome of these matters cannot be determined at this time.
- (c) Prior to commercial operation, Southern Power may enter into one or more partnerships, in which case it would ultimately own less than 100% of the Class B membership interests, but would retain ownership of the controlling interest. The PPAs for these facilities are pending approval from the California Public Utilities Commission. The ultimate outcome of these matters cannot be determined at this time.

Southern Company Gas

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

Infrastructure Replacement Programs and Capital Projects

In addition to capital expenditures recovered through base rates by each of the natural gas distribution utilities, Nicor Gas and Virginia Natural Gas have separate rate riders that provide timely recovery of capital expenditures for specific infrastructure replacement programs. Infrastructure expenditures incurred under these programs in the first six months of 2020 were as follows:

Utility	Program	Year-to-Date 2020
<i>(in millions)</i>		
Nicor Gas	Investing in Illinois	\$ 158
Virginia Natural Gas	Steps to Advance Virginia's Energy (SAVE)	25
Total		\$ 183

In December 2019, Virginia Natural Gas filed an application with the Virginia Commission for a 24.1-mile header improvement project to improve resiliency and increase the supply of natural gas delivered to energy suppliers, including Virginia Natural Gas. On June 26, 2020, the Virginia Commission issued an order requiring Virginia Natural Gas to submit additional information by December 31, 2020 related to the financing plans of the project's primary customer before ruling on the December 2019 application. 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)

See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" in Item 8 of the Form 10-K for additional information.

Pipeline Construction Projects

On March 24, 2020, Southern Company Gas completed the sale of its interest in Atlantic Coast Pipeline. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

On February 20, 2020, the FERC approved a two-year extension for PennEast Pipeline to complete the project by January 19, 2022.

In September 2019, an appellate court ruled that the PennEast Pipeline does not have federal eminent domain authority over lands in which a state has property rights interests. On June 29, 2020, the U.S. Supreme Court requested the U.S. Solicitor General to provide an opinion on PennEast Pipeline's petition for a writ of certiorari seeking its review of the appellate court's decision.

Expected project costs related to the PennEast Pipeline for Southern Company Gas total approximately \$300 million, excluding financing costs. The ultimate outcome of the PennEast Pipeline construction project cannot be determined at this time; however, any work delays, whether caused by judicial or regulatory action, abnormal weather, or other conditions, may result in additional cost or schedule modifications or, ultimately, in project cancellation, any of which could result in impairment of Southern Company Gas' investment and could have a significant impact on Southern Company's financial statements and a material impact on Southern Company Gas' financial statements.

See Notes 3 and 7 to the financial statements in Item 8 of the Form 10-K and Note (E) to the Condensed Financial Statements herein under "Southern Company Gas" for additional information.

Southern Power's Power Sales Agreements

See BUSINESS – "The Southern Company System – Southern Power" in Item 1 of the Form 10-K and MANAGEMENT'S DISCUSSION AND ANALYSIS – 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. Generally, under the solar and wind generation PPAs, the purchasing party retains the right to keep or resell the renewable energy credits.

During the first quarter 2020, Southern Power received \$15 million from Pacific Gas & Electric Company (PG&E) in accordance with a November 2019 bankruptcy court order granting payment of certain transmission interconnections. PG&E emerged from bankruptcy on July 1, 2020 and Southern Power's PPAs and transmission interconnection agreements continue in effect unchanged.

Tax Matters

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Income Tax Matters" in Item 7 of the Form 10-K and Note (G) to the Condensed Financial Statements herein for additional information.

On March 18, 2020 and March 27, 2020, respectively, the Families First Coronavirus Response Act and the Coronavirus Aid, Relief, and Economic Security Act were signed into law. Both acts include provisions intended to provide stability and support for individuals and businesses in response to the COVID-19 pandemic. Southern Company continues to evaluate these provisions, including those related to payroll tax deferrals and employee retention credits; however, they are not expected to have a material impact on the Registrants' financial statements.

On March 20, 2020 and April 9, 2020, the Treasury Department and the Internal Revenue Service issued Notices 2020-18 and 2020-23, respectively, providing relief to taxpayers by postponing to July 15, 2020 a variety of tax form filings and payment obligations that were due before July 15, 2020. Associated interest, additions to tax, and penalties for late filing or late payment were also suspended until July 16, 2020. These provisions had a modest

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

positive impact on the Registrants' liquidity. However, Southern Power's expected utilization of tax credits in the first half of 2020 was delayed until July 15, 2020.

General Litigation Matters

The Registrants are involved in various other matters being litigated and regulatory matters that could affect future earnings. 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 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 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 other contingencies, regulatory matters, and other matters being litigated which may affect future earnings potential.

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

Southern Company

In January 2017, a securities class action complaint was filed in the U.S. District Court for the Northern District of Georgia by Monroe County Employees' Retirement System on behalf of all persons who purchased shares of Southern Company's common stock between April 25, 2012 and October 29, 2013. The complaint names as defendants Southern Company, certain of its current and former officers, and certain former Mississippi Power officers and alleges that the defendants made materially false and misleading statements regarding the Kemper County energy facility in violation of certain provisions under the Securities Exchange Act of 1934, as amended. The complaint seeks, among other things, compensatory damages and litigation costs and attorneys' fees. In 2017, the plaintiffs filed an amended complaint that provided additional detail about their claims, increased the purported class period by one day, and added certain other former Mississippi Power officers as defendants. Also in 2017, the defendants filed a motion to dismiss the plaintiffs' amended complaint with prejudice, to which the plaintiffs filed an opposition. In 2018, the court issued an order dismissing certain claims against certain officers of Southern Company and Mississippi Power and dismissing the allegations related to a number of the statements that plaintiffs challenged as being false or misleading. In 2018, the court denied the defendants' motion for reconsideration and also denied a motion to certify the issue for interlocutory appeal. In the third quarter 2019, the court certified the plaintiffs' proposed class and the defendants filed a petition for interlocutory appeal of the class certification order with the U.S. Court of Appeals for the Eleventh Circuit. In December 2019, the U.S. District Court for the Northern District of Georgia entered an order staying all deadlines in the case pending mediation. The stay automatically expired on March 31, 2020; however, in light of the COVID-19 pandemic, the U.S. District Court for the Northern District of Georgia vacated all existing discovery deadlines until June 15, 2020. On June 30, 2020, the court entered a revised scheduling order, which resumed discovery and set out remaining case deadlines.

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

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

In May 2017, Helen E. Piper Survivor's Trust filed a shareholder derivative lawsuit in the Superior Court of Gwinnett County, Georgia that names as defendants Southern Company, certain of its directors, certain of its current and former officers, and certain former Mississippi Power officers. The complaint alleges that the individual defendants, among other things, breached their fiduciary duties in connection with schedule delays and cost overruns associated with the construction of the Kemper County energy facility. The complaint further alleges that the individual defendants authorized or failed to correct false and misleading statements regarding the Kemper County energy facility schedule and cost and failed to implement necessary internal controls to prevent harm to Southern Company. The plaintiff seeks to recover, on behalf of Southern Company, unspecified actual damages and disgorgement of profits and, on its behalf, attorneys' fees and costs in bringing the lawsuit. The plaintiff also seeks certain unspecified changes to Southern Company's corporate governance and internal processes. In 2018, the court entered an order staying this lawsuit until 30 days after the resolution of any dispositive motions or any settlement, whichever is earlier, in the securities class action. In August 2019, the court granted a motion filed by the plaintiff in July 2019 to substitute a new named plaintiff, Martin J. Kobuck, in place of Helen E. Piper Survivor's Trust.

Georgia Power

In 2011, plaintiffs filed a putative class action against Georgia Power in the Superior Court of Fulton County, Georgia alleging that Georgia Power's collection in rates of amounts for municipal franchise fees (which fees are paid to municipalities) exceeded the amounts allowed in orders of the Georgia PSC and alleging certain state law claims. This case has been ruled upon and appealed numerous times over the last several years. In one recent appeal, the Georgia Supreme Court remanded the case and noted that the trial court could refer the matter to the Georgia PSC to interpret its tariffs. Following a motion by Georgia Power, in February 2019, the Superior Court of Fulton County ordered the parties to submit petitions to the Georgia PSC for a declaratory ruling and also conditionally certified the proposed class. In March 2019, Georgia Power and the plaintiffs filed petitions with the Georgia PSC seeking confirmation of the proper application of the municipal franchise fee schedule pursuant to the Georgia PSC's orders. Also in March 2019, Georgia Power appealed the class certification decision to the Georgia Court of Appeals. In October 2019, the Georgia PSC issued an order that found Georgia Power has appropriately implemented the municipal franchise fee schedule. On March 11, 2020, the Georgia Court of Appeals vacated the Superior Court of Fulton County's February 2019 order granting conditional class certification. The Court of Appeals remanded the case to the Superior Court of Fulton County for further proceedings. The amount of any possible losses cannot be calculated at this time because, among other factors, it is unknown whether a class will be certified, the ultimate composition of any class, and whether any losses would be subject to recovery from any municipalities.

On July 29, 2020, a group of individual plaintiffs filed a complaint in the Superior Court of Fulton County, Georgia against Georgia Power alleging that releases from Plant Scherer have impacted groundwater, surface water, and air, resulting in alleged personal injuries and property damage. The plaintiffs seek an unspecified amount of monetary damages including punitive damages, a medical monitoring fund, and injunctive relief.

Mississippi Power

In May 2018, Southern Company and Mississippi Power received a notice of dispute and arbitration demand filed by Martin Product Sales, LLC (Martin) based on two agreements, both related to Kemper IGCC byproducts for which Mississippi Power provided termination notices in 2017. Martin alleges breach of contract, breach of good faith and fair dealing, fraud and misrepresentation, and civil conspiracy and makes a claim for damages in the amount of approximately \$143 million, as well as additional unspecified damages, attorney's fees, costs, and interest. A portion of the claim for damages was on behalf of Martin Transport, Inc. (Martin Transport), an affiliate of Martin. In May 2019, the arbitration panel denied Mississippi Power's and Southern Company's motions to dismiss. In September 2019, Martin Transport filed a separate complaint against Mississippi Power in the Circuit Court of Kemper County, Mississippi alleging claims of fraud, negligent misrepresentation, promissory estoppel, and equitable estoppel, each arising out of the same alleged facts and circumstances that underlie Martin's arbitration demand. Martin Transport seeks compensatory damages of \$5 million and punitive damages of \$50 million. In November 2019, Martin Transport's claim was combined with the Martin arbitration case and the

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

separate court case was dismissed. In December 2019, Southern Company and Mississippi Power each filed motions for summary judgment on all claims. On February 17, 2020, the arbitration panel granted Southern Company's motion and dismissed Southern Company from the arbitration. On March 12, 2020, the arbitration panel denied Mississippi Power's motions for summary judgment. An adverse outcome in this proceeding could have a material impact on Southern Company's and Mississippi Power's financial statements.

In November 2018, Ray C. Turnage and 10 other individual plaintiffs filed a putative class action complaint against Mississippi Power and the three then-serving members of the Mississippi PSC in the U.S. District Court for the Southern District of Mississippi. Mississippi Power received Mississippi PSC approval in 2013 to charge a mirror CWIP rate premised upon including in its rate base pre-construction and construction costs for the Kemper IGCC prior to placing the Kemper IGCC into service. The Mississippi Supreme Court reversed that approval and ordered Mississippi Power to refund the amounts paid by customers under the previously-approved mirror CWIP rate. The plaintiffs allege that the initial approval process, and the amount approved, were improper. They also allege that Mississippi Power underpaid customers by up to \$23.5 million in the refund process by applying an incorrect interest rate. The plaintiffs seek to recover, on behalf of themselves and their putative class, actual damages, punitive damages, pre-judgment interest, post-judgment interest, attorney's fees, and costs. In response to Mississippi Power and the Mississippi PSC each filing a motion to dismiss, the plaintiffs filed an amended complaint in March 2019. The amended complaint included four additional plaintiffs and additional claims for gross negligence, reckless conduct, and intentional wrongdoing. Mississippi Power and the Mississippi PSC have each filed a motion to dismiss the amended complaint. On March 27, 2020, the Mississippi PSC's motion to dismiss was granted. Also on March 27, 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. On April 9, 2020 and April 10, 2020, Mississippi Power and the Mississippi PSC, respectively, filed responses opposing the motion for leave to file a second amended complaint. On May 26, 2020, Mississippi Power's motion to dismiss the first amended complaint filed in 2019 was granted. On July 6, 2020, the plaintiffs filed a motion for revision of the court's decision. The plaintiffs' motion for leave to file a second amended complaint also remains pending before the court. An adverse outcome in this proceeding could have a material impact on Mississippi Power's financial statements.

See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility" in Item 8 of the Form 10-K for additional information.

Other Matters

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

Southern Company

See Notes 1 and 3 under "Leveraged Leases" and "Other Matters – Southern Company," respectively, in Item 8 of the Form 10-K for discussion of challenges associated with a leveraged lease agreement with a subsidiary of Southern Holdings. While all required lease payments through June 30, 2020 have been paid in full, the operational and remarketing risks and the resulting cash liquidity challenges persist and significant concerns continue regarding the lessee's ability to make the remaining required semi-annual lease payments to the Southern Holdings subsidiary through the term of the lease.

In its annual impairment analysis of the expected residual value of the generation assets and the overall collectability of the related lease receivable, Southern Company uses multiple scenarios of long-term market energy prices to estimate the cash flows expected to be received from remarketing the generation assets following the expiration of the existing PPA in 2032 and the residual value of the generation assets at the end of the lease in 2047. Southern Company received the latest annual forecasts of natural gas prices during the second quarter 2020 and considered the significant decline in forecasted prices to be an indicator of potential impairment that required an interim impairment assessment. Accordingly, consistent with prior years, Southern Company evaluated the

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

recoverability of the lease receivable and the expected residual value of the generation assets under various natural gas price scenarios. Based on the current forecasts of energy prices in the years following the expiration of the existing PPA, Southern Company concluded that it is no longer probable that any of the associated rental payments will be received, because it is no longer probable the generation assets will be successfully remarketed and continue to operate after that date. During the second quarter 2020, Southern Company revised the estimated cash flows to be received under the leveraged lease to reflect this conclusion, which resulted in a full impairment of the lease investment and a pre-tax charge to earnings of \$154 million (\$74 million after tax).

If any future lease payment due prior to the expiration of the associated PPA is not paid in full, the Southern Holdings subsidiary may be unable to make its corresponding payment to the holders of the underlying non-recourse debt related to the generation assets. Failure to make the required payment to the debtholders could represent an event of default that would give the debtholders the right to foreclose on, and take ownership of, the generation assets, in effect terminating the lease. As the full amount of the lease investment has been charged against earnings as of June 30, 2020, termination would not be expected to result in additional charges. Southern Company will continue to monitor the operational performance of the underlying assets and evaluate the ability of the lessee to continue to make the required lease payments and meet its obligations associated with a future closure or retirement of the generation assets and associated properties, including the dry ash landfill.

Mississippi Power

Kemper County Energy Facility

See Note 2 to the financial statements under "Mississippi Power – Kemper County Energy Facility" in Item 8 of the Form 10-K for additional information.

As the mining permit holder, Liberty Fuels Company, LLC has a legal obligation to perform mine reclamation and Mississippi Power has a contractual obligation to fund all reclamation activities related to the lignite mine and equipment and mineral reserves located around the Kemper County energy facility site. As a result of the abandonment of the Kemper IGCC, final mine reclamation began in 2018 and is expected to be substantially completed in 2020, with monitoring expected to continue through 2027. See Note 6 to the financial statements in Item 8 of the Form 10-K for additional information.

Dismantlement of the abandoned gasifier-related assets and site restoration activities are expected to be completed in 2025. The additional pre-tax period costs associated with dismantlement and site restoration activities, including related costs for compliance and safety, ARO accretion, and property taxes, are estimated to total \$5 million for the remainder of 2020, \$16 million in 2021, and \$11 million to \$13 million annually in 2022 through 2025. In addition, closure costs for the mine and gasifier-related assets, currently estimated at up to \$6 million pre-tax (excluding dismantlement costs, net of salvage), may be incurred during the remainder of 2020.

In December 2019, Mississippi Power transferred ownership of the CO₂ pipeline to an unrelated gas pipeline company, with no resulting impact on income. In conjunction with the transfer of the CO₂ pipeline, the parties agreed to enter into a 15-year firm transportation agreement, which is expected to be signed by the end of 2020, providing for the conversion by the pipeline company of the CO₂ pipeline to a natural gas pipeline to be used for the delivery of natural gas to Plant Ratcliffe. The agreement will be treated as a finance lease for accounting purposes upon commencement.

In 2018, Mississippi Power filed with the DOE its request for property closeout certification under the contract related to the \$387 million of grants received for the Kemper County energy facility. Mississippi Power expects to close out the DOE contract in 2020. In connection with the DOE closeout discussions, in April 2019, the Civil Division of the Department of Justice informed Southern Company and Mississippi Power of an investigation related to the Kemper County energy facility. The ultimate outcome of this matter cannot be determined at this time; however, it could have a material impact on Southern Company's and Mississippi Power's financial statements.

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

Plant Daniel

In conjunction with Southern Company's sale of Gulf Power, Mississippi Power and Gulf Power agreed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. On April 24, 2020, Mississippi Power and Gulf Power amended the terms of the agreement to extend the deadline from May 1, 2020 to August 1, 2020 for Mississippi Power to notify Gulf Power of which generating unit it has selected for 100% ownership. Mississippi Power and Gulf Power are continuing negotiations on a mutually acceptable revised operating agreement for Plant Daniel and, as a result, the parties have agreed not to select a specific unit on August 1, 2020. The impacts of operating the units on an individual basis continue to be evaluated by Mississippi Power and any transfer of ownership would be subject to approval by the FERC and the Mississippi PSC. The ultimate outcome of this matter cannot be determined at this time.

ACCOUNTING POLICIES

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. See MANAGEMENT'S DISCUSSION AND ANALYSIS – ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates" in Item 7 of the Form 10-K for a complete discussion of the Registrants' critical accounting policies and estimates.

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

In the second quarter 2018, Georgia Power revised its base capital cost forecast and contingency to complete construction and start-up of Plant Vogtle Units 3 and 4 to \$8.0 billion and \$0.4 billion, respectively, for a total project capital cost forecast of \$8.4 billion (net of \$1.7 billion received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds). Through the second quarter 2020, assignment of construction contingency to the base capital cost forecast exceeded the amount originally established in the second quarter 2018 by approximately \$34 million. As a result, Southern Nuclear recommended establishing additional construction contingency, of which Georgia Power's share is \$115 million.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in these future regulatory proceedings, Georgia Power recorded a total pre-tax charge to income of \$1.1 billion (\$0.8 billion after tax) in the second quarter 2018 and a total pre-tax charge to income of \$149 million (\$111 million after tax) in the second quarter 2020.

In July 2020, Southern Nuclear updated its aggressive site work plan for both Unit 3 and Unit 4. To meet the targets in the July 2020 aggressive site work plan, absenteeism rates must continue to normalize and overall construction productivity and production levels, including subcontractors, must significantly improve and be sustained above pre-pandemic levels. In addition, appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, must be added and maintained. While Southern Nuclear's July 2020 aggressive site work plan extended milestone dates from the February 2020 aggressive site work plan, Georgia Power still expects to achieve the regulatory-approved in-service dates of November 2021 and November 2022 for Plant Vogtle Units 3 and 4, respectively. The continuing effects of the COVID-19 pandemic and other factors could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4.

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

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

Recently Issued Accounting Standards

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04) providing temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR, which is currently expected to occur on December 31, 2021. The amendments in ASU 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The new guidance provides the following optional expedients: (i) simplifies accounting analyses under current GAAP for contract modifications; (ii) simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue; and (iii) allows a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. An entity may elect to apply the amendments prospectively from March 12, 2020 through December 31, 2022 by accounting topic.

The Registrants currently reference LIBOR for certain debt and hedging arrangements. Contract language has been, or is expected to be, incorporated into each of these agreements to address the transition to an alternative rate for agreements that will be in place at the transition date. While existing effective hedging relationships are expected to continue, the Registrants are continuing to evaluate the provisions of ASU 2020-04 and the impacts of transitioning to an alternative rate. The ultimate outcome of the transition cannot be determined at this time, but is not expected to have a material impact on the Registrants' financial statements. See FINANCIAL CONDITION AND LIQUIDITY – "Financing Activities" herein and Note (J) to the Condensed Financial Statements under "Interest Rate Derivatives" herein for additional information.

FINANCIAL CONDITION AND LIQUIDITY

Overview

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Overview" in Item 7 of the Form 10-K for additional information. The financial condition of each Registrant remained stable at June 30, 2020. The Registrants have maintained adequate access to capital throughout 2020, including during periods of volatility in the financial markets. This volatility began to constrain access across the Southern Company system to commercial paper during certain periods. As a precautionary measure, in the first quarter 2020, Southern Company, Georgia Power, Mississippi Power, and Southern Company Gas increased their outstanding short-term debt while also increasing cash and cash equivalents by taking actions such as entering into new bank term loans, entering into and funding new committed and uncommitted credit facilities, funding existing uncommitted credit facilities, and issuing commercial paper with longer-date maturities when available. No material changes occurred in the terms of the applicable Registrants' bank credit arrangements or their interest expense on short-term debt as a result of these actions.

The Registrants have experienced no material counterparty credit losses as a result of the volatility in the financial markets. 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. The impact on future financing costs as a result of continued financial market volatility cannot be determined at this time. See "Capital Requirements and Contractual Obligations," "Sources of Capital," and "Financing Activities" herein and Note (K) to the Condensed Financial Statements herein for additional information.

At the end of the second quarter 2020, the market price of Southern Company's common stock was \$51.85 per share (based on the closing price as reported on the NYSE) and the book value was \$26.20 per share, representing a market-to-book ratio of 198%, compared to \$63.70, \$26.11, and 244%, respectively, at the end of 2019. Southern Company's common stock dividend for the second quarter 2020 was \$0.64 per share compared to \$0.62 per share in the second quarter 2019.

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

Analysis of Cash Flows

Net cash flows provided from (used for) operating, investing, and financing activities for the six months ended June 30, 2020 and 2019 are presented in the following table:

Net cash provided from (used for):	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Six Months Ended June 30, 2020						
Operating activities	\$ 2,847	\$ 674	\$ 1,124	\$ 71	\$ 195	\$ 1,046
Investing activities	(2,655)	(783)	(1,659)	(145)	490	(570)
Financing activities	(285)	116	869	(178)	(808)	(401)
Six Months Ended June 30, 2019						
Operating activities	\$ 2,513	695	\$ 1,112	\$ 60	\$ 719	\$ 931
Investing activities	1,002	(1,002)	(1,834)	(128)	254	(586)
Financing activities	(3,648)	617	620	(26)	(784)	(355)

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

Southern Company

Net cash provided from operating activities increased \$0.3 billion for the six months ended June 30, 2020 as compared to the corresponding period in 2019 primarily due to the timing of vendor payments and income tax payments, as well as increased fuel cost recovery, partially offset by the timing of receivable collections and customer bill credits issued in 2020 by Alabama Power and Georgia Power. See FUTURE EARNINGS POTENTIAL – "Tax Matters" herein and Note 2 to the financial statements under "Alabama Power" and "Georgia Power" in Item 8 of the Form 10-K for additional information.

The net cash used for investing activities for the six months ended June 30, 2020 was primarily due to the Subsidiary Registrants' construction programs, partially offset by proceeds from the sale transactions described in Note (K) to the Condensed Financial Statements herein.

The net cash used for financing activities for the six months ended June 30, 2020 was primarily due to common stock dividend payments and net repayments of short-term bank debt and commercial paper, partially offset by net issuances of long-term debt.

Alabama Power

Net cash provided from operating activities decreased \$21 million for the six months ended June 30, 2020 as compared to the corresponding period in 2019 primarily due to Rate RSE customer refunds, partially offset by the timing of income tax payments. See Note 2 to the financial statements under "Alabama Power – Rate RSE" in Item 8 of the Form 10-K and FUTURE EARNINGS POTENTIAL – "Tax Matters" herein for additional information.

The net cash used for investing activities for the six months ended June 30, 2020 was primarily due to gross property additions.

The net cash provided from financing activities for the six months ended June 30, 2020 was primarily due to capital contributions from Southern Company, partially offset by common stock dividend payments.

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

Georgia Power

Net cash provided from operating activities increased \$12 million for the six months ended June 30, 2020 as compared to the corresponding period in 2019 primarily due to the timing of income tax payments and increased fuel cost recovery, partially offset by customer bill credits issued in 2020 associated with Tax Reform and 2018 earnings in excess of the allowed retail ROE range. See FUTURE EARNINGS POTENTIAL – "Tax Matters" herein and Note 2 to the financial statements under "Georgia Power – Rate Plans" in Item 8 of the Form 10-K for additional information.

The net cash used for investing activities for the six months ended June 30, 2020 was primarily due to gross property additions, including approximately \$690 million related to the construction of Plant Vogtle Units 3 and 4. See FUTURE EARNINGS POTENTIAL – "Construction Programs – Nuclear Construction" herein for additional information on construction of Plant Vogtle Units 3 and 4.

The net cash provided from financing activities for the six months ended June 30, 2020 was primarily due to issuances of senior notes, borrowings from the FFB for construction of Plant Vogtle Units 3 and 4, capital contributions from Southern Company, and short-term borrowings, partially offset by the redemption and maturity of senior notes and common stock dividend payments.

Mississippi Power

Net cash provided from operating activities increased \$11 million for the six months ended June 30, 2020 as compared to the corresponding period in 2019 primarily due to the timing of income tax payments.

The net cash used for investing activities for the six months ended June 30, 2020 was primarily due to gross property additions.

The net cash used for financing activities for the six months ended June 30, 2020 was primarily due to the redemption of senior notes and a return of capital to Southern Company, partially offset by debt issuances and capital contributions from Southern Company.

Southern Power

Net cash provided from operating activities decreased \$524 million for the six months ended June 30, 2020 as compared to the corresponding period in 2019 primarily due to the delay in utilization of tax credits in the first half of 2020 compared to the utilization of \$427 million in income tax credits in the first half of 2019. See FUTURE EARNINGS POTENTIAL – "Tax Matters" herein for additional information.

The net cash provided from investing activities for the six months ended June 30, 2020 was primarily due to proceeds from the disposition of Plant Mankato, partially offset by the acquisition of the Beech Ridge II wind facility and ongoing construction activities. See Note (K) to the Condensed Financial Statement under "Southern Power" herein for additional information.

The net cash used for financing activities for the six months ended June 30, 2020 was primarily due to net repayments of short-term bank debt and commercial paper, the repayment of senior notes at maturity, distributions to non-controlling interests, and common stock dividend payments, partially offset by contributions from non-controlling interests.

Southern Company Gas

Net cash provided from operating activities increased \$115 million for the six months ended June 30, 2020 as compared to the corresponding period in 2019 primarily due to the timing of vendor payments and income tax payments, partially offset by the timing of customer receivable collections and an increase in the use of stored natural gas at lower prices.

The net cash used for investing activities for the six months ended June 30, 2020 was primarily due to utility capital expenditures and infrastructure investments recovered through replacement programs at gas distribution operations and capital contributed to equity method investments, partially offset by proceeds from the sale of interests in

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

Pivotal LNG and Atlantic Coast Pipeline. See Note (K) to the Condensed Financial Statements under "Southern Company Gas" herein for additional information.

The net cash used for financing activities for the six months ended June 30, 2020 was primarily due to net repayments of short-term borrowings and common stock dividend payments, partially offset by capital contributions from Southern Company.

Significant Balance Sheet Changes

Southern Company

Significant balance sheet changes for the six months ended June 30, 2020 included:

- an increase of \$1.9 billion in total property, plant, and equipment primarily related to the Subsidiary Registrants' construction programs;
- an increase of \$1.9 billion in long-term debt (including amounts due within one year) related to new issuances;
- a decrease of \$0.9 billion in notes payable related to net repayments of short-term bank debt and commercial paper;
- a decrease of \$0.8 billion in assets held for sale related to the completion of Southern Power's sale of Plant Mankato and Southern Company Gas' sale of its interests in Pivotal LNG and Atlantic Coast Pipeline;
- increases of \$0.5 billion in both AROs and regulatory assets associated with AROs primarily related to cost estimate updates at Alabama Power for certain of its ash pond facilities; and
- an increase of \$0.4 billion in accumulated deferred income taxes related to the expected utilization of tax credits in 2020.

See FUTURE EARNINGS POTENTIAL – "Tax Matters" herein, "Financing Activities" herein, and Notes (A) and (K) to the Condensed Financial Statements herein for additional information.

Alabama Power

Significant balance sheet changes for the six months ended June 30, 2020 included:

- an increase of \$715 million in common stockholder's equity primarily due to capital contributions from Southern Company;
- increases of \$436 million and \$472 million in AROs and regulatory assets associated with AROs, respectively, primarily related to cost estimate updates for certain ash pond facilities; and
- an increase of \$408 million in total property, plant, and equipment primarily related to the construction of distribution and transmission facilities and the installation of equipment to comply with environmental standards.

See Note (A) to the Condensed Financial Statements under "Asset Retirement Obligations" herein for additional information.

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

Georgia Power

Significant balance sheet changes for the six months ended June 30, 2020 included:

- an increase of \$1.3 billion in total property, plant, and equipment primarily related to the construction of generation, transmission, and distribution facilities, partially offset by a \$149 million decrease due to a charge related to the construction of Plant Vogtle Units 3 and 4;
- an increase of \$1.1 billion in long-term debt (including securities due within one year) primarily due to a net increase in outstanding senior notes and borrowings from the FFB for construction of Plant Vogtle Units 3 and 4; and
- an increase of \$0.4 billion in common stockholder's equity primarily due to capital contributions from Southern Company.

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

Mississippi Power

Significant balance sheet changes for the six months ended June 30, 2020 included:

- a decrease of \$252 million in cash and cash equivalents and a decrease of \$185 million in long-term debt (including amounts due within one year) primarily related to the repayment of senior notes at maturity;
- an increase of \$72 million in common stockholder's equity primarily due to a capital contribution from Southern Company;
- a decrease of \$42 million in deferred credits related to income taxes due to reclassifying certain amounts to other regulatory liabilities, current for the expected flowback of excess deferred income taxes; and
- an increase of \$38 million in total property, plant, and equipment primarily related to the installation of equipment to comply with environmental standards and the construction of transmission and distribution facilities.

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

Southern Power

Significant balance sheet changes for the six months ended June 30, 2020 included:

- a decrease of \$618 million in assets held for sale (of which \$17 million related to current assets) due to completion of the sale of Plant Mankato;
- a decrease of \$457 million in notes payable due to net repayments of short-term bank debt and commercial paper;
- an increase of \$366 million in prepaid income taxes and a decrease of \$395 million in accumulated deferred income tax assets primarily related to the expected utilization of tax credits in 2020;
- an increase of \$364 million in property, plant, and equipment in service and a decrease of \$201 million in construction work in progress primarily due to wind facilities being acquired or placed in service; and
- a decrease of \$299 million in securities due within one year primarily related to the maturity of senior notes.

See FUTURE EARNINGS POTENTIAL – "Tax Matters" herein, "Financing Activities – Southern Power" herein, and Note (K) to the Condensed Financial Statements herein for additional information.

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

Southern Company Gas

Significant balance sheet changes for the six months ended June 30, 2020 included:

- an increase of \$477 million in total property, plant, and equipment primarily due to utility capital expenditures and infrastructure investments recovered through replacement programs;
- a decrease of \$321 million in notes payable due to net repayments of short-term borrowings;
- an increase of \$263 million in common stockholder's equity primarily from net income and capital contributions from Southern Company, partially offset by dividends paid to Southern Company;
- a decrease of \$197 million in natural gas for sale due to the use of stored natural gas;
- a decrease of \$171 million in assets held for sale due to the completed sale of interests in Pivotal LNG and Atlantic Coast Pipeline;
- decreases of \$155 million and \$158 million in energy marketing receivables and payables, respectively, due to lower natural gas prices and volumes of natural gas sold; and
- a decrease of \$126 million in unbilled revenues due to seasonality.

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

Capital Requirements and Contractual Obligations

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Capital Requirements" and "Contractual Obligations" in Item 7 of the Form 10-K for a description of the Registrants' capital requirements and contractual obligations. The following table provides the applicable Registrants' maturities of long-term debt through June 30, 2021:

At June 30, 2020:	Southern Company	Alabama Power	Georgia Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
Securities due within one year	\$ 1,596	\$ 496	\$ 536	\$ 525	\$ 31

See "Sources of Capital" and "Financing Activities" herein for additional information.

The construction programs are subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. These factors include: changes in business conditions; changes in load projections; changes in environmental laws and regulations; the outcome of any legal challenges to environmental rules; changes in electric generating plants, including unit retirements and replacements and adding or changing fuel sources at existing electric generating units, to meet regulatory requirements; changes in FERC rules and regulations; state regulatory agency approvals; changes in the expected environmental compliance program; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; abnormal weather; delays in construction due to judicial or regulatory action; storm impacts; and the cost of capital. The continued COVID-19 pandemic could also impair the ability to develop, construct, and operate facilities, as discussed further in Item 1A herein. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. Additionally, Southern Power's planned expenditures for plant acquisitions may vary due to market opportunities and Southern Power's ability to execute its growth strategy. See Note 15 to the financial statements under "Southern Power" in Item 8 of the Form 10-K and Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information regarding Southern Power's plant acquisitions and construction projects.

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

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

Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein, and Item 1A herein for information regarding Plant Vogtle Units 3 and 4 and additional factors that may impact construction expenditures.

As a result of the second quarter 2020 increase in Alabama Power's AROs discussed under FUTURE EARNINGS POTENTIAL – "Environmental Matters" herein, Alabama Power's costs through 2024 associated with closure and monitoring of ash ponds and landfills in accordance with the CCR Rule and the related state rule are currently estimated to be approximately \$263 million for 2020, \$247 million for 2021, \$301 million for 2022, \$330 million for 2023, and \$326 million for 2024. These costs are reflected in Alabama Power's ARO liabilities and are based on closure-in-place for all of its ash ponds. These anticipated costs are likely to change, and could change materially, as assumptions and details pertaining to closure are refined and compliance activities continue. See FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Laws and Regulations – Coal Combustion Residuals" in Item 8 of the Form 10-K and Note (A) to the Condensed Financial Statements herein for additional information.

Sources of Capital

Southern Company intends to meet its future capital needs through operating cash flows, borrowings from financial institutions, and debt and equity issuances in the capital markets. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings. Southern Company does not expect to issue any equity in the capital markets through 2024.

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

The traditional electric operating companies and the natural gas distribution utilities have experienced a reduction in operating cash flows as a result of the temporary suspension of disconnections for non-payment by customers resulting from the COVID-19 pandemic and the related overall economic contraction. The U.S. House of Representatives has passed the Heroes Act, which would prohibit creditors, including utilities, from collecting consumer debts that are or become past-due, imposing late fees, or disconnecting customers for nonpayment. If the Heroes Act becomes law, its restrictions would apply until 120 days after the end of the presidential declared emergency related to the COVID-19 pandemic. While the reduction in operating cash flows is expected to continue while disconnections for non-payment are suspended, the ultimate extent of the negative impact on the Registrants' liquidity depends on the duration of the COVID-19 pandemic and the timing of economic recovery and cannot be determined at this time. 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 Note (B) to the Condensed Financial Statements herein for information regarding suspended disconnections for non-payment by the traditional electric operating companies and the natural gas distribution utilities.

The amount, type, and timing of any financings in 2020, 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 the Subsidiary Registrants), and other factors. See "Capital Requirements and Contractual Obligations" herein for additional information. Also see "Overview" herein for information on volatility in the financial markets that has occurred at certain periods during 2020 as a result of the COVID-19 pandemic.

Southern Power utilizes tax equity partnerships as one of its financing sources, where the tax partner takes significantly all of the federal tax benefits. These tax equity partnerships are consolidated in Southern Power's financial statements and are accounted for using HLBV methodology to allocate partnership gains and losses. In June 2020, Southern Power obtained tax equity funding for the Reading wind project and received proceeds of \$156 million. In addition, during the first six months of 2020, Southern Power received tax equity funding totaling \$16

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

million from existing partnerships. See Note 1 to the financial statements under "General" in Item 8 of the Form 10-K and Note (K) to the Condensed Financial Statements under "Southern Power" herein for additional information.

By regulation, Nicor Gas is restricted, to the extent of its retained earnings balance, in the amount it can dividend or loan to affiliates and is not permitted to make money pool loans to affiliates. At June 30, 2020, the amount of subsidiary retained earnings restricted to dividend totaled \$1.1 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.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" in Item 7 of the Form 10-K for additional information.

The 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 following table shows the amount by which current liabilities exceeded current assets at June 30, 2020 for the applicable Registrants:

At June 30, 2020	Southern Company	Georgia Power	Mississippi Power	Southern Company Gas
	<i>(in millions)</i>			
Current liabilities in excess of current assets	\$ 265	\$ 1,132	\$ 70	\$ 209

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 June 30, 2020, the Registrants' unused committed credit arrangements with banks were as follows:

At June 30, 2020	Southern Company parent	Alabama Power	Georgia Power	Mississippi Power	Southern Power ^(a)	Southern Company Gas ^(b)	SEGCO	Southern Company
	<i>(in millions)</i>							
Unused committed credit	\$ 1,999	\$ 1,328	\$ 1,733	\$ 250	\$ 590	\$ 1,745	\$ 30	\$ 7,675

(a) At June 30, 2020, Southern Power also had two continuing letters of credit facilities for standby letters of credit, of which \$79 million was unused. Southern Power's subsidiaries are not parties to its bank credit arrangement or to the letter of credit facilities.

(b) Includes \$1.245 billion and \$500 million at Southern Company Gas Capital and Nicor Gas, respectively.

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

A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at June 30, 2020 was approximately \$1.4 billion (comprised of approximately \$854 million at Alabama Power, \$550 million at Georgia Power, and \$34 million at Mississippi Power). In addition, at June 30, 2020, Georgia Power had approximately \$257 million of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months.

See Note 8 to the financial statements under "Bank Credit Arrangements" in Item 8 of the Form 10-K and Note (F) to the Condensed Financial Statements under "Bank Credit Arrangements" herein 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 June 30, 2020		Short-term Debt During the Period ^(*)		
	Amount Outstanding	Weighted Average Interest Rate	Average Amount Outstanding	Weighted Average Interest Rate	Maximum Amount Outstanding
	(in millions)		(in millions)		(in millions)
Southern Company	\$ 1,185	1.2%	\$ 1,317	1.6%	\$ 1,738
Alabama Power	—	—	42	1.3	105
Georgia Power	465	1.5	443	1.6	478
Mississippi Power	4	0.3	26	1.9	40
Southern Power	92	0.3	68	0.5	252
Southern Company Gas:					
Southern Company Gas Capital	\$ 290	1.1%	\$ 332	1.6%	\$ 482
Nicor Gas	39	0.2	25	1.4	104
Southern Company Gas Total	\$ 329	1.0%	\$ 357	1.6%	

(*) Average and maximum amounts are based upon daily balances during the three-month period ended June 30, 2020.

Financing Activities

The following table outlines the Registrants' long-term debt financing activities for the first six months of 2020:

Company	Senior Notes		Revenue Bonds		Other Long-Term Debt	
	Issuances	Maturities, Redemptions, and Repurchases	Issuances/ Remarketings	Maturities, Redemptions, and Repurchases	Issuances	Redemptions and Maturities ^(*)
	(in millions)					
Southern Company parent	\$ 1,000	\$ 600	\$ —	\$ —	\$ 1,000	\$ —
Alabama Power	—	—	87	87	—	—
Georgia Power	1,500	950	53	148	519	35
Mississippi Power	—	275	34	41	100	—
Southern Power	—	300	—	—	—	—
Other	—	—	—	—	—	8
Southern Company	\$ 2,500	\$ 2,125	\$ 174	\$ 276	\$ 1,619	\$ 43

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

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

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 six months of 2020, Southern Company issued approximately 2.9 million shares of common stock primarily through employee equity compensation plans and received proceeds of approximately \$59 million.

In January 2020, Southern Company issued \$1.0 billion aggregate principal amount of Series 2020A 4.95% Junior Subordinated Notes due January 30, 2080.

In March 2020, Southern Company borrowed \$250 million pursuant to a short-term uncommitted bank credit arrangement, bearing interest at a rate agreed upon by Southern Company and the bank from time to time and payable on demand, following specified notice by the bank. In April 2020, Southern Company repaid \$50 million of the \$250 million borrowed.

Also in March 2020, Southern Company entered into a \$75 million short-term floating rate bank loan bearing interest based on one-month LIBOR.

In April 2020, Southern Company issued \$1.0 billion aggregate principal amount of Series 2020A 3.70% Senior Notes due April 30, 2030.

In May 2020, Southern Company redeemed all \$600 million aggregate principal amount of its Series 2015A 2.750% Senior Notes due June 15, 2020.

Alabama Power

In March 2020, Alabama Power purchased and held approximately \$87 million aggregate principal amount of The Industrial Development Board of the City of Mobile, Alabama Pollution Control Revenue Bonds (Alabama Power Company Plant Barry Project), Series 2007-A, which were remarketed to the public in June 2020.

Georgia Power

In January 2020, Georgia Power issued \$700 million aggregate principal amount of Series 2020A 2.10% Senior Notes due July 30, 2023, \$500 million aggregate principal amount of Series 2020B 3.70% Senior Notes due January 30, 2050, and an additional \$300 million aggregate principal amount of Series 2019B 2.65% Senior Notes due September 15, 2029.

In February 2020, Georgia Power redeemed all \$500 million aggregate principal amount of its Series 2017C 2.00% Senior Notes due September 8, 2020.

Also in February 2020, Georgia Power purchased and held approximately \$28 million, \$49 million, and \$18 million aggregate principal amounts of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), Second Series 2006, First Series 2012, and First Series 2013, respectively, which may be remarketed to the public at a later date.

In March 2020, Georgia Power repaid at maturity \$450 million aggregate principal amount of its Series 2017A 2.00% Senior Notes.

Also in March 2020, Georgia Power purchased and subsequently remarketed to the public approximately \$53 million of pollution control revenue bonds.

Also in March 2020, Georgia Power extended one of its \$125 million short-term floating rate bank loans to a long-term term loan, which matures in June 2021, and borrowed \$200 million pursuant to a \$250 million short-term uncommitted bank credit arrangement, which bears interest at a rate agreed upon by Georgia Power and the bank

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

from time to time and is payable on demand, following specified notice by the bank. In April 2020, Georgia Power borrowed the remaining \$50 million pursuant to this bank credit arrangement.

In June 2020, Georgia Power extended its other \$125 million short-term floating rate bank loan, which matures in December 2020.

Also in June 2020, Georgia Power made additional borrowings under the FFB Credit Facilities in an aggregate principal amount of \$519 million at an interest rate of 1.652% through the final maturity date of February 20, 2044. The proceeds were used to reimburse Georgia Power for Eligible Project Costs relating to the construction of Plant Vogtle Units 3 and 4. During the six months ended June 30, 2020, Georgia Power made principal amortization payments of \$32 million under the FFB Credit Facilities. At June 30, 2020, the outstanding principal balance under the FFB Credit Facilities was \$4.3 billion. See Note 8 to the financial statements under "Long-Term Debt – DOE Loan Guarantee Borrowings" in Item 8 of the Form 10-K for additional information.

Mississippi Power

In February 2020, Mississippi Power entered into \$60 million and \$15 million floating rate bank term loans, which mature in December 2021 and January 2022, respectively, each bearing interest based on one-month LIBOR.

In March 2020, Mississippi Power entered into a \$125 million revolving credit arrangement that matures in March 2023 and borrowed \$40 million (short term) and \$25 million (long term) pursuant to the arrangement, each bearing interest based on one-month LIBOR. In May 2020, Mississippi Power repaid the \$40 million short-term portion.

In March 2020, Mississippi Power repaid at maturity the remaining \$275 million aggregate principal amount of its Series 2018A Floating Rate Senior Notes.

In April 2020, Mississippi Power purchased and held approximately \$11 million, \$14 million, and \$9 million aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Bonds, Series 1995 (Mississippi Power Company Project), Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 1998 (Mississippi Power Company Project), and Revenue Bonds, Series 1999 (Mississippi Power Company Project), respectively, which were remarketed to the public in May 2020.

Also in April 2020, Mississippi Power redeemed approximately \$7 million aggregate principal amount of The Industrial Development Board of the City of Eutaw, Alabama Pollution Control Revenue Refunding Bonds, Series 1992 (Mississippi Power Greene County Plant Project) due December 1, 2020.

Southern Power

In February 2020, Southern Power repaid its \$100 million short-term floating rate bank loan entered into in December 2019.

In June 2020, Southern Power repaid at maturity \$300 million aggregate principal amount of its Series 2015B 2.375% Senior Notes.

Southern Company Gas

In March 2020, Southern Company Gas Capital, as borrower, and Southern Company Gas, as guarantor, entered into a \$150 million short-term floating rate bank loan bearing interest based on one-month LIBOR.

Also in March 2020, Southern Company Gas Capital borrowed approximately \$95 million pursuant to a short-term uncommitted bank credit arrangement, guaranteed by Southern Company Gas, bearing interest at a rate agreed upon by Southern Company Gas Capital and the bank from time to time and payable on demand, following specified notice by the bank.

Credit Rating Risk

At June 30, 2020, 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.

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

There are certain contracts that could require collateral, but not accelerated payment, in the event of a credit rating change of certain subsidiaries to BBB and/or Baa2 or below. These contracts are for physical electricity and natural gas purchases and sales, fuel purchases, fuel transportation and storage, energy price risk management, transmission, interest rate management, and, for Georgia Power, construction of new generation at Plant Vogtle Units 3 and 4.

The maximum potential collateral requirements under these contracts at June 30, 2020 were as follows:

Credit Ratings	Southern Company ^(*)	Alabama Power	Georgia Power	Mississippi Power	Southern Power ^(*)	Southern Company Gas
<i>(in millions)</i>						
At BBB and/or Baa2	\$ 36	\$ 1	\$ —	\$ —	\$ 35	\$ —
At BBB- and/or Baa3	428	2	61	1	366	—
At BB+ and/or Ba1 or below	1,926	319	899	265	1,188	7

(*) Southern Power has PPAs that could require collateral, but not accelerated payment, in the event of a downgrade of Southern Power's credit. The PPAs require credit assurances without stating a specific credit rating. The amount of collateral required would depend upon actual losses resulting from a credit downgrade. Southern Power had \$105 million of cash collateral posted related to PPA requirements at June 30, 2020.

The potential collateral requirement amounts in the previous table for the traditional electric operating companies and Southern Power include certain agreements that could require collateral in the event that either Alabama Power or Georgia Power has a credit rating change to below investment grade. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, a credit rating downgrade could impact the ability of the Registrants to access capital markets and would be likely to impact the cost at which they do so.

Market Price Risk

Other than the Southern Company Gas items discussed below, there were no material changes to the Registrants' disclosures about market price risk during the second quarter 2020. For an in-depth discussion of Southern Company Gas' market price risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" in Item 7 of the Form 10-K. Also see "Overview" herein for information on volatility in the financial markets that has occurred at certain periods during 2020 resulting from the COVID-19 pandemic and Notes (I) and (J) to the Condensed Financial Statements herein for information relating to derivative instruments.

Southern Company Gas is exposed to market risks, including commodity price risk, interest rate risk, and weather risk. Due to various cost recovery mechanisms, the natural gas distribution utilities that sell natural gas directly to end-use customers continue to have limited exposure to market volatility of natural gas prices. Certain of the natural gas distribution utilities may manage fuel-hedging programs implemented per the guidelines of their respective state regulatory agencies to hedge the impact of market fluctuations in natural gas prices for customers. In addition, certain non-regulated operations routinely utilize various types of derivative instruments to economically hedge certain commodity price and weather risks inherent in the natural gas industry. These instruments include a variety of exchange-traded and over-the-counter energy contracts, such as forward contracts, futures contracts, options contracts, and swap agreements. Some of these economic hedge activities may not qualify, or may not be designated, for hedge accounting treatment.

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

For the periods presented below, the changes in net fair value of Southern Company Gas' derivative contracts were as follows:

	Second Quarter 2020	Second Quarter 2019	Year-to-Date 2020	Year-to-Date 2019
<i>(in millions)</i>				
Contracts outstanding at beginning of period, assets (liabilities), net	\$ 17	\$ (128)	\$ 72	\$ (167)
Contracts realized or otherwise settled	(8)	5	(99)	—
Current period changes ^(*)	17	33	53	77
Contracts outstanding at the end of period, assets (liabilities), net	\$ 26	\$ (90)	\$ 26	\$ (90)
Netting of cash collateral	114	178	114	178
Cash collateral and net fair value of contracts outstanding at end of period	\$ 140	\$ 88	\$ 140	\$ 88

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

The maturities of Southern Company Gas' derivative contracts at June 30, 2020 were as follows:

		Fair Value Measurements						
		June 30, 2020						
		Maturity						
		Year 1	Years 2 & 3	Years 4 and thereafter				
Total Fair Value								
<i>(in millions)</i>								
Level 1 ^(a)	\$	(80)	\$	(46)	\$	(41)	\$	7
Level 2 ^(b)		26		13		9		4
Level 3 ^(c)		80		12		27		41
Fair value of contracts outstanding at end of period ^(d)	\$	26	\$	(21)	\$	(5)	\$	52

(a) Valued using NYMEX futures prices.

(b) Valued using basis transactions that represent the cost to transport natural gas from a NYMEX delivery point to the contract delivery point. These transactions are based on quotes obtained either through electronic trading platforms or directly from brokers.

(c) Valued using a combination of observable and unobservable inputs.

(d) Excludes cash collateral of \$114 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the six months ended June 30, 2020, there were no material changes to Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, and Southern Power's disclosures about market risk. For additional market risk disclosures relating to Southern Company Gas, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" herein. For an in-depth discussion of each Registrant's market risks, see MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" in Item 7 of the Form 10-K and Note 1 to the financial statements under "Financial Instruments" and Notes 13 and 14 to the financial statements in Item 8 of the Form 10-K, as well as Notes (I) and (J) to the Condensed Financial Statements herein.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

As of the end of the period covered by this Quarterly Report on Form 10-Q, Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas conducted separate evaluations under the supervision and with the participation of each company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Sections 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based upon these evaluations, the Chief Executive Officer and the Chief Financial Officer, in each case, concluded that the disclosure controls and procedures are effective.

(b) Changes in internal controls over financial reporting.

There have been no changes in Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, Southern Power's, or Southern Company Gas' internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the second quarter 2020 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.

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. Except as described below, there have been no material changes to these risk factors from those previously disclosed in the Form 10-K.

The Registrants are subject to risks related to the COVID-19 pandemic, including, but not limited to, disruption to the construction of Plant Vogtle Units 3 and 4 for Southern Company and Georgia Power.

COVID-19 has been declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the United States. In response, most jurisdictions, including in the United States, have instituted restrictions on travel, public gatherings, and non-essential business operations. While some jurisdictions, including some in the Southern Company system's service territory, have begun to relax these restrictions, many of these restrictions remain and there is no guarantee restrictions will not be reimposed in the future. These restrictions have significantly disrupted economic activity in the service territories of the traditional electric operating companies and the natural gas distribution utilities and caused volatility in capital markets at certain periods during 2020. For example, retail electric revenues attributable to changes in sales decreased 3.0% in the second quarter 2020 as compared to the corresponding period in 2019, as discussed further in RESULTS OF OPERATIONS – "Southern Company – Retail Electric Revenues" in Item 2 herein. In addition, the traditional electric operating companies and the natural gas distribution utilities temporarily suspended disconnections for non-payment by customers and waived late fees for certain periods. The U.S. House of Representatives has passed the Heroes Act, which would prohibit creditors, including utilities, from collecting consumer debts that are or become past-due, imposing late fees, or disconnecting customers for nonpayment. If the Heroes Act becomes law, its restrictions would apply until 120 days after the end of the presidential declared emergency related to the COVID-19 pandemic. The effects of the continued COVID-19 pandemic and related responses could include extended disruptions to supply chains and capital markets, further reduced labor availability and productivity, and a prolonged reduction in economic activity. These effects could have a variety of adverse impacts on the Registrants, including continued reduced demand for energy, particularly from commercial and industrial customers, reduced cash flows and liquidity, impairment of goodwill or long-lived assets, reductions in investments recorded at fair value, and further impairment of the ability of the Registrants to develop, construct, and operate facilities, including electric generation, transmission, and distribution assets, to perform necessary corporate and customer service functions, and to access funds from financial institutions and capital markets. In addition, the COVID-19 pandemic could cause delays or cancellations to regulatory proceedings.

Further, the effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4. In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. In April 2020, Georgia Power announced a reduction in workforce at Plant Vogtle Units 3 and 4, which totaled approximately 20% of the then-existing workforce. This reduction in workforce was a mitigation action intended to address the impact of the COVID-19 pandemic on the Plant Vogtle Units 3 and 4 workforce and construction site, including challenges with labor productivity that were exacerbated by the impact of the COVID-19 pandemic. The April 2020 workforce reduction was intended to provide operational efficiencies by increasing productivity of the remaining workforce and reducing workforce fatigue and absenteeism. Further, it was also intended to allow for increased social distancing by the workforce and facilitate compliance with the recommendations from the Centers for Disease Control and Prevention. The April 2020 workforce reduction did reduce absenteeism, providing an improvement in operational efficiency and allowing for increased social distancing. From the initial peak in April 2020, the number of active

cases at the site declined significantly during May and early June, but began increasing again in mid-June and continues to impact productivity levels and pace of activity completion. As a result of these factors, overall production improvements have not been achieved at the levels anticipated, contributing to the allocation of, and increase in, construction contingency described in Note (B) to the Condensed Financial Statements under "Georgia Power – Nuclear Construction" herein. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$70 million and \$115 million, which is included in the total project capital cost forecast and assumes (i) absenteeism rates continue to normalize and (ii) the intended productivity efficiencies and production targets assumed in Southern Nuclear's July 2020 aggressive site work plan are realized in the coming months. However, the ultimate impact of the COVID-19 pandemic on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time.

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

Mississippi Power

- * (d)1 - [Amended and Restated Articles of Incorporation of Mississippi Power, dated July 22, 2020.](#)
- * (d)2 - [Bylaws of Mississippi Power as amended effective July 22, 2020, and as presently in effect.](#)

(10) Material Contracts

Alabama Power

- # * (b) - [Employment Agreement between Alabama Power and Gregory J. Barker effective June 8, 2020.](#)

(24) Power of Attorney and Resolutions

Southern Company

- (a) - Power of Attorney and resolution. [\(Designated in the Form 10-K for the year ended December 31, 2019, File No. 1-3526 as Exhibit 24\(a\).\)](#)

Alabama Power

- (b) - Power of Attorney and resolution. [\(Designated in the Form 10-K for the year ended December 31, 2019, File No. 1-3164 as Exhibit 24\(b\).\)](#)

Georgia Power

- (c) - Power of Attorney and resolution. [\(Designated in the Form 10-K for the year ended December 31, 2019, File No. 1-6468 as Exhibit 24\(c\).\)](#)

Mississippi Power

- (d) - Power of Attorney and resolution. [\(Designated in the Form 10-K for the year ended December 31, 2019, File No. 001-11229 as Exhibit 24\(d\).\)](#)

Southern Power

- (e)1 - Power of Attorney and resolution. [\(Designated in the Form 10-K for the year ended December 31, 2019, File No. 001-37803 as Exhibit 24\(e\).\)](#)
- * (e)2 - [Power of Attorney of Christopher Cummiskey.](#)

Southern Company Gas

- (f) - Power of Attorney and resolution. ([Designated in the Form 10-K for the year ended December 31, 2019, File No. 1-14174 as Exhibit 24\(f\).](#))

(31) Section 302 Certifications**Southern Company**

- * (a)1 - [Certificate of Southern Company's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (a)2 - [Certificate of Southern Company's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Alabama Power

- * (b)1 - [Certificate of Alabama Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (b)2 - [Certificate of Alabama Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Georgia Power

- * (c)1 - [Certificate of Georgia Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (c)2 - [Certificate of Georgia Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Mississippi Power

- * (d)1 - [Certificate of Mississippi Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (d)2 - [Certificate of Mississippi Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Southern Power

- * (e)1 - [Certificate of Southern Power Company's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (e)2 - [Certificate of Southern Power Company's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

Southern Company Gas

- * (f)1 - [Certificate of Southern Company Gas' Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- * (f)2 - [Certificate of Southern Company Gas' Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.](#)

(32) Section 906 Certifications**Southern Company**

- * (a) - [Certificate of Southern Company's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Alabama Power

- * (b) - [Certificate of Alabama Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Georgia Power

- * (c) - [Certificate of Georgia Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Mississippi Power

- * (d) - [Certificate of Mississippi Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Southern Power

- * (e) - [Certificate of Southern Power Company's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

Southern Company Gas

- * (f) - [Certificate of Southern Company Gas' Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.](#)

(101) Interactive Data Files

- * INS - XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
- * SCH - XBRL Taxonomy Extension Schema Document
- * CAL - XBRL Taxonomy Calculation Linkbase Document
- * DEF - XBRL Definition Linkbase Document
- * LAB - XBRL Taxonomy Label Linkbase Document
- * PRE - XBRL Taxonomy Presentation Linkbase Document

(104) Cover Page Interactive Data File

- * Formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.

THE SOUTHERN COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

THE SOUTHERN COMPANY

By *Thomas A. Fanning*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Andrew W. Evans*
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: July 29, 2020

ALABAMA POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

ALABAMA POWER COMPANY

By *Mark A. Crosswhite*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Philip C. Raymond*
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By /s/ Melissa K. Caen
(Melissa K. Caen, Attorney-in-fact)

Date: July 29, 2020

GEORGIA POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

GEORGIA POWER COMPANY

By *W. Paul Bowers*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *David P. Poroch*
Executive Vice President, Chief Financial Officer, Treasurer, and Comptroller
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: July 29, 2020

MISSISSIPPI POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

MISSISSIPPI POWER COMPANY

By *Anthony L. Wilson*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Moses H. Feagin*
Senior Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By /s/ Melissa K. Caen
(Melissa K. Caen, Attorney-in-fact)

Date: July 29, 2020

SOUTHERN POWER COMPANY**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

SOUTHERN POWER COMPANY

By *Christopher Cummiskey*
Chief Executive Officer
(Principal Executive Officer)

By *Elliott L. Spencer*
Senior Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: July 29, 2020

SOUTHERN COMPANY GAS**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof included in such company's report.

SOUTHERN COMPANY GAS

By *Kimberly S. Greene*
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

By *Daniel S. Tucker*
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

By /s/ Melissa K. Caen
(Melissa K. Caen, Attorney-in-fact)

Date: July 29, 2020