

ALABAMA POWER CO
Form 10-Q
November 05, 2010

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

FORM 10-Q
o QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010
OR
o 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 18 th Street Birmingham, Alabama 35291 (205) 257-1000	63-0004250
1-6468	Georgia Power Company (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
001-31737	Gulf Power Company (A Florida Corporation) One Energy Place Pensacola, Florida 32520 (850) 444-6111	59-0276810
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
333-98553	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308	58-2598670

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

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

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

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

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

Registrant	Description of	Shares Outstanding at September 30, 2010
The Southern Company	Common Stock Par Value \$5 Per Share	838,671,173
Alabama Power Company	Par Value \$40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Gulf Power Company	Without Par Value	3,642,717
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000

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

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Term	Meaning
2007 Retail Rate Plan	Georgia Power's retail rate plan for the years 2008 through 2010
AFUDC	Allowance for funds used during construction
Alabama Power	Alabama Power Company
Clean Air Act	Clean Air Act Amendments of 1990
DOE	U.S. Department of Energy
Duke Energy	Duke Energy Corporation
ECO Plan	Mississippi Power's Environmental Compliance Overview Plan
EPA	U.S. Environmental Protection Agency
FERC	Federal Energy Regulatory Commission
Fitch	Fitch Ratings, Inc.
Form 10-K	Combined Annual Report on Form 10-K of Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power for the year ended December 31, 2009
GAAP	Generally Accepted Accounting Principles
Georgia Power	Georgia Power Company
Georgia PSC Staff	Georgia Public Service Commission Public Interest Advocacy Staff
Gulf Power	Gulf Power Company
IGCC	Integrated coal gasification combined cycle
IIC	Intercompany Interchange Contract
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IRS	Internal Revenue Service
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
Mirant	Mirant Corporation
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal unit
Moody's	Moody's Investors Service
MW	Megawatt
MWH	Megawatt-hour
NDR	Alabama Power's natural disaster reserve
NRC	Nuclear Regulatory Commission
NSR	New Source Review
OCI	Other Comprehensive Income
PEP	Mississippi Power's Performance Evaluation Plan
Power Pool	The operating arrangement whereby the integrated generating resources of the traditional operating companies and Southern Power are subject to joint commitment and dispatch in order to serve their combined load obligations
PPA	Power Purchase Agreement
PSC	Public Service Commission
Rate CNP Environmental	Alabama Power's certificated new plant for environmental costs
Rate ECR	Alabama Power's energy cost recovery rate mechanism
Rate NDR	Alabama Power's natural disaster cost recovery rate mechanism
Rate RSE	Alabama Power's rate stabilization and equalization plan
registrants	Southern Company, Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Power
SCS	Southern Company Services, Inc.

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DEFINITIONS

(continued)

Term	Meaning
Southern Company	The Southern Company
Southern Company system	Southern Company, the traditional operating companies, Southern Power, and other subsidiaries
SouthernLINC Wireless	Southern Communications Services, Inc.
Southern Nuclear	Southern Nuclear Operating Company, Inc.
Southern Power	Southern Power Company
traditional operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power
Westinghouse	Westinghouse Electric Company LLC
wholesale revenues	revenues generated from sales for resale

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This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements include, among other things, statements concerning the strategic goals for the wholesale business, retail sales, customer growth, economic recovery, fuel cost recovery and other rate actions, environmental regulations and expenditures, future earnings, dividend payout ratios, access to sources of capital, financing activities, start and completion of construction projects, plans and estimated costs for new generation resources, impact of the American Recovery and Reinvestment Act of 2009, impact of recent healthcare legislation, impact of the Small Business Jobs and Credit Act of 2010, estimated sales and purchases under new power sale and purchase agreements, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as may, will, could, should, expects, plans, anticipates, believes, estimates, projects, predicts, potential, or combinations 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 change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the Energy Policy Act of 2005, environmental laws including regulation of water quality, coal combustion byproducts, and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, financial reform legislation, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries, including the pending EPA civil actions against certain Southern Company subsidiaries, FERC matters, and IRS audits;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate;
- variations in demand for electricity, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), and the effects of energy conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs and avoid cost overruns during the development and construction of facilities;
- investment performance of Southern Company's employee benefit plans and nuclear decommissioning trusts;
- advances in technology;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms;
- regulatory approvals and actions related to the potential Plant Vogtle expansion, including Georgia PSC and NRC approvals and potential DOE loan guarantees;
- regulatory approvals and actions related to the Kemper IGCC, including Mississippi PSC approvals and potential DOE loan guarantees;
- 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 Southern Company's business resulting from terrorist incidents and the threat of terrorist incidents;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's and its subsidiaries' credit ratings;
- the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices;

catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenzas, or other similar occurrences;
the direct or indirect effects on Southern Company's business resulting from incidents affecting the U.S. electric grid or operation of generating resources;
the effect of accounting pronouncements issued periodically by standard setting bodies; and
other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed by the registrants from time to time with the SEC.

Each registrant expressly disclaims any obligation to update any forward-looking statements.

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**THE SOUTHERN COMPANY
AND SUBSIDIARY COMPANIES**

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2010	2009	2010	2009
	<i>(in thousands)</i>		<i>(in thousands)</i>	
Operating Revenues:				
Retail revenues	\$ 4,572,617	\$ 3,997,659	\$ 11,603,017	\$ 10,355,330
Wholesale revenues	565,932	519,122	1,580,748	1,408,286
Other electric revenues	160,960	139,869	438,547	391,070
Other revenues	20,403	24,832	62,336	78,267
Total operating revenues	5,319,912	4,681,482	13,684,648	12,232,953
Operating Expenses:				
Fuel	1,969,683	1,733,527	5,243,826	4,588,932
Purchased power	209,287	166,791	464,226	407,623
Other operations and maintenance	1,020,370	820,889	2,846,785	2,523,184
MC Asset Recovery litigation settlement				202,000
Depreciation and amortization	426,797	332,117	1,136,730	1,099,216
Taxes other than income taxes	235,260	212,882	661,521	620,851
Total operating expenses	3,861,397	3,266,206	10,353,088	9,441,806
Operating Income	1,458,515	1,415,276	3,331,560	2,791,147
Other Income and (Expense):				
Allowance for equity funds used during construction	45,162	51,061	139,853	141,173
Interest income	5,463	6,013	15,057	17,791
Leveraged lease income (losses)	5,839	6,578	12,639	24,695
Gain on disposition of lease termination				26,300
Loss on extinguishment of debt				(17,184)
Interest expense, net of amounts capitalized	(225,138)	(226,345)	(666,289)	(684,902)
Other income (expense), net	(14,481)	(10,466)	(37,185)	(27,293)
Total other income and (expense)	(183,155)	(173,159)	(535,925)	(519,420)
Earnings Before Income Taxes	1,275,360	1,242,117	2,795,635	2,271,727
Income taxes	441,927	435,947	925,110	828,833
Consolidated Net Income	833,433	806,170	1,870,525	1,442,894
Dividends on Preferred and Preference Stock of Subsidiaries	16,195	16,195	48,585	48,585
Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries	\$ 817,238	\$ 789,975	\$ 1,821,940	\$ 1,394,309

Common Stock Data:

Earnings per share (EPS) -

Basic EPS	\$	0.98	\$	0.99	\$	2.20	\$	1.77
Diluted EPS	\$	0.97	\$	0.99	\$	2.19	\$	1.76

Average number of shares of common stock
outstanding (in thousands)

Basic	835,953	798,418	828,947	789,675
Diluted	841,835	800,178	833,220	791,259

Cash dividends paid per share of common
stock

\$	0.4550	\$	0.4375	\$	1.3475	\$	1.2950
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The accompanying notes as they relate to Southern Company are an integral part of these condensed financial statements.

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

	For the Nine Months Ended September 30,	
	2010	2009
	<i>(in thousands)</i>	
Operating Activities:		
Consolidated net income	\$ 1,870,525	\$ 1,442,894
Adjustments to reconcile consolidated net income to net cash provided from operating activities		
Depreciation and amortization, total	1,376,511	1,310,854
Deferred income taxes	572,862	(14,565)
Deferred revenues	(76,976)	(40,781)
Allowance for equity funds used during construction	(139,853)	(141,173)
Leveraged lease income (losses)	(12,639)	(24,695)
Gain on disposition of lease termination		(26,300)
Loss on extinguishment of debt		17,184
Pension, postretirement, and other employee benefits	51,792	42,775
Stock based compensation expense	28,307	20,850
Hedge settlements	1,530	(16,167)
Generation construction screening costs	(50,554)	(21,955)
Other, net	10,126	32,321
Changes in certain current assets and liabilities		
-Receivables	(319,384)	319,286
-Fossil fuel stock	220,017	(361,520)
-Materials and supplies	(10,880)	(40,811)
-Other current assets	(48,186)	(50,977)
-Accounts payable	(82,318)	(210,459)
-Accrued taxes	118,131	238,988
-Accrued compensation	93,323	(273,349)
-Other current liabilities	(75,733)	157,384
Net cash provided from operating activities	3,526,601	2,359,784
Investing Activities:		
Property additions	(2,893,812)	(3,179,009)
Investment in restricted cash from pollution control revenue bonds	(12)	(49,528)
Distribution of restricted cash from pollution control revenue bonds	24,811	90,088
Nuclear decommissioning trust fund purchases	(695,855)	(1,066,688)
Nuclear decommissioning trust fund sales	671,600	1,019,401
Proceeds from property sales	6,607	339,911
Cost of removal, net of salvage	(83,930)	(85,022)
Change in construction payables	(83,678)	110,265
Other investing activities	48,285	(35,766)
Net cash used for investing activities	(3,005,984)	(2,856,348)
Financing Activities:		

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Increase (decrease) in notes payable, net	(289,202)	118,124
Proceeds		
Long-term debt issuances	2,796,000	2,216,010
Common stock issuances	610,465	668,529
Redemptions		
Long-term debt	(1,871,485)	(1,229,484)
Payment of common stock dividends	(1,113,948)	(1,018,928)
Payment of dividends on preferred and preference stock of subsidiaries	(48,921)	(48,675)
Other financing activities	(34,513)	(18,732)
Net cash provided from financing activities	48,396	686,844
Net Change in Cash and Cash Equivalents	569,013	190,280
Cash and Cash Equivalents at Beginning of Period	689,722	416,581
Cash and Cash Equivalents at End of Period	\$ 1,258,735	\$ 606,861

Supplemental Cash Flow Information:

Cash paid during the period for		
Interest (net of \$61,165 and \$59,849 capitalized for 2010 and 2009, respectively)	\$ 589,129	\$ 589,919
Income taxes (net of refunds)	\$ 277,716	\$ 644,541

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

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

Assets	At September 30, 2010	At December 31, 2009
	<i>(in thousands)</i>	
Current Assets:		
Cash and cash equivalents	\$ 1,258,735	\$ 689,722
Restricted cash and cash equivalents	18,336	43,135
Receivables		
Customer accounts receivable	1,435,968	953,222
Unbilled revenues	443,838	394,492
Under recovered regulatory clause revenues	226,820	333,459
Other accounts and notes receivable	261,104	374,670
Accumulated provision for uncollectible accounts	(29,741)	(24,568)
Fossil fuel stock, at average cost	1,222,690	1,446,984