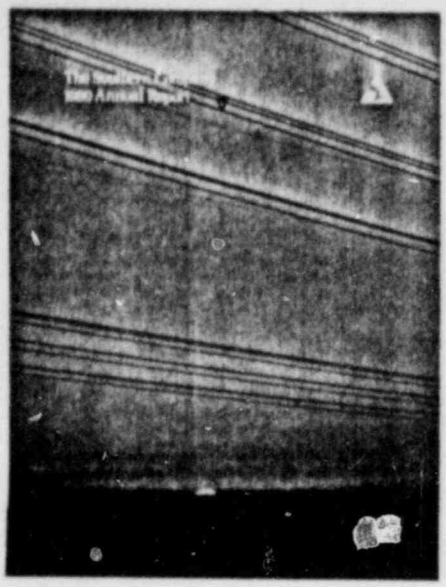
CORPORATE INFORMATION

The Southern Company
Perimeter Center East
P.O. Box 720071
Atlanta, Georgia 30346
Telephone: (404) 393-0650



On the Cover

There are 27,000 miles of transmission lines in the Southern electric system's power supply network — a network which stretches from the deep water ports of Pensacola, Florida, and Gulfport, Mississippi, through the major metropolitan areas of Birmingham and Atlanta, to the golden isles of Georgia's southern coast. The lines of the Southern electric system help carry electricity to approximately 9½ million people.

The Southern Company is the parent firm of Alabama Power, Georgia Power, Gulf Power, Mississippi Power, and Southern Company Services, Inc. These companies — in terms of assets — make up the nation's largest investor-owned electric utility system.

The Southern Company was the first holding company to be sanctioned under legislation known as the Public Utility Holding Company Act of 1935. This legislation established specific principles regulating the ownership of electric and gas utilities. The company's first full year of operation was 1949.

Today, The Southern Company's common stock is the most widely held electric utility stock in the nation and is among the 10 most widely held corporate stocks in America.

The Common Stock of The Southern Company is listed and traded on the New York Stock Exchange. In addition, the stock is traded on regional stock exchanges across the United States. (The ticker symbol for Southern Company common stock is SO. The symbol SouthCo is used in newspaper stock listings.)

A Copy of Form 10-K as filed with the Securities and Exchange Commission will be provided without charge to stockholders upon written request to the office of the Corporate Secretary. A copy of the company's Financial and Statistical Review also is available on request.

The Dividend Reinvestment and Stock Purchase Plan provides a convenient method for stockholders to acquire new shares of Southern Company common stock through the investment of quarterly dividends and through optional cash payments. The price of shares purchased with reinvested dividends is discounted five percent from the average of the high and low trading prices as published in The Wall Street Journal for the dividend payment date. The price of stock purchased with optional cash payments is equal to 100 percent of this average. Optional cash payments can be made quarterly from a minimum of $25 to a maximum of $3,000 per account. The company charges no service fee or commission. All stockholders are eligible to participate. A prospectus describing the plan and an enrollment card may be obtained from The First National Bank of Atlanta, Dividend Reinvestment Service, P.O. Box 3260, Atlanta, Georgia 30302.

Cassette Recordings of the 1980 annual report are available without charge as a service to the visually impaired. Requests should be directed to News and Corporate Information, Department 343.

The 1981 Annual Meeting of Stockholders will be held on Wednesday, May 27, at 10:00 a.m. (CDT) at the Mississippi Coast Coliseum and Convention Center, Biloxi, Mississippi.

HIGHLIGHTS

Financial	1980	1979	% Change
Operating revenues *(in thousands)*	**$3,763,483**	$3,128,169	20.3
Operating expenses *(in thousands)*	**$3,080,585**	$2,592,073	18.8
Consolidated net income *(in thousands)*	**$344,395**	$219,127	57.2
The Southern Company common stock data:			
Earnings per share on average number of shares outstanding	**$2.23**	$1.51	47.7
Dividends paid per share	**$1.56**	$1.54	1.3
Book value per share (year-end)	**$16.80**	$16.80	—
Market price (year-end closing)	**$12.25**	$11.50	6.5
Shares outstanding:			
Average	**154,391,807**	145,038,087	6.4
Year-end	**168,697,130**	148,744,837	13.4
Stockholders of record (year-end)	**345,335**	341,401	1.2
Construction expenditures *(in thousands)*	**$1,229,932**	$1,164,956	5.6
Net investment in utility plant* (year-end) *(in thousands)*	**$9,872,246**	$9,430,067	4.7
Operating			
Maximum peak hour demand *(in thousands of kilowatts)*	**19,553**	18,015	8.5
System capability — at peak *(in thousands of kilowatts)*	**23,695**	23,987	(1.2)
Total kilowatthour sales *(in millions)*	**92,460**	86,021	7.5
Total number of customers served at year-end	**2,565,461**	2,522,284	1.7

* Less depreciation and amortization
( ) Denotes decrease

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Last year, my letter to you ended on a note of optimism — optimism in the Southern electric system's ability to respond to the challenges of the 1980s.

The first year of this new period is now behind us — a year marked by a devastating rate of inflation and by a record-breaking summer heat wave. In the face of these critical problems, I'm pleased to report that your company performed well. Indeed, from the standpoint of both financial performance and customer service, 1980 proved to be an exceptional year.

Earnings Recovery Sustained; Dividend Rate Increased

Earnings for the year rose to $2.23 per average share — an increase of 72 cents per share over the depressed level recorded in 1979.

This substantial improvement resulted from three primary factors: rate increases which were granted to each of the operating units, record summer energy use, and significant sales of electricity to neighboring utilities with the initiation of several long-term power supply contracts.

In light of the company's stronger financial performance, the board of directors — at their October 20 meeting — voted to raise the dividend by two cents per share to 40½ cents. This new quarterly dividend payment, which is equivalent to an annual rate of $1.62 per share, was maintained at the January 19, 1981, meeting of the directors.

The current dividend level is approximately five percent above the rate which had been paid since the fourth quarter of 1977. We realize that this increase hardly begins to offset the effect of inflation during the past three years. However, our action does represent a commitment to do whatever is possible — within the constraints of responsible management — to maintain a competitive position in the eyes of the investing public.

As I have stated often in the past, our goal is to achieve sufficient growth in earnings to allow meaningful increases in the dividend each year.

Extraordinary Heat Results In Record Energy Demands

One of the greatest challenges which this system of companies has faced in the past several years was brought about by the oppressive heat that gripped the South for much of July. During this period, our companies were asked to meet the highest demands for electricity in their history. In fact, peak energy demands set new records on four separate occasions in mid-July. The new record of 19,553,100 kilowatts was 7.6 percent above the previous all-time high set in 1978.

Through it all, our generators performed — and performed extremely well. Although there were times when our operating reserves were quite limited — falling as low as six percent on several days — our companies managed to meet all customer requirements for electricity.

No other recent event has demonstrated so graphically the need for maintaining an adequate supply of energy. News reports indicate that more than 1,000 people across the Southern half of the United States died as a direct result of the intense heat. Had we not been able to supply the electricity that was needed, the death toll most certainly would have been higher.

Construction Plans Reviewed

Given a return to normal weather, we do not expect the peak energy demand for 1981 to reach last year's level. As we look to the remainder of the 1980s, however, we're projecting a growth rate averaging 3.2 percent annually — a rate that is significantly less than the five-percent annual growth experienced during the 1970s and the 9.5-percent yearly growth of the 1960s.

We are reviewing our construction plans continuously, and we have adopted what we believe is the most realistic course in light of these reduced projections. Our plans are to proceed at a slower pace — building only what is reasonable for us to finance. However, it is our intention to complete all the facilities on which work currently is under way. If we chose now to cancel construction of these projects — projects which were initiated as far back as the early 1970s — the penalties and cancellation fees would be enormous. And, the output of these generating plants surely will be needed in the years ahead. In fact, even at the slower rate of growth we're now projecting, our companies still will have to double their generating capacity over the next 22 years — simply to keep pace.

Yet, it's extremely important to point out, as I did in my letter to you last year, that our companies will begin *no new power plant construction* unless we are reasonably assured of earning an adequate return on the investment which would be required.

Higher Rates Needed

The continuing pressure of inflation and the need to reflect the cost of two major new generating units in the price of electric service will underscore the importance of obtaining higher rates in 1981.

A decision on the request which Mississippi Power has filed for a $39.3-million annual increase in revenues is expected by April 20, 1981.

Although no dates have yet been determined, Alabama Power, Georgia Power, and Gulf Power also plan to seek higher electric rates during the first half of the year.

In Georgia, the state of utility regulation has been a matter of extensive public debate during the past few months. The Georgia General Assembly voted in mid-February, 1981, to establish a number of guidelines that the state public service commission must follow in setting electric rates. For example, the commission now must judge requests for higher rates on the basis of a utility's estimated operating costs for an upcoming year.

We believe this legislation will bring a greater degree of rationality to the ratemaking process in Georgia.

UMWA Strike Possible; Coal Supplies Stockpiled

One other significant factor which could affect our operations in 1981 is the possibility of a strike by the United Mine Workers when the union contract with coal suppliers expires on March 27.

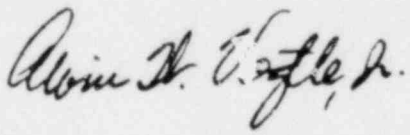
Because coal is the primary fuel of the Southern electric system, extensive efforts were made during 1980 to increase the stockpiles at our 20 coal-fired generating plants. Similar steps were taken prior to the last miners' strike, which extended from December 6, 1977, to March 28, 1978. As a result of that advance planning, the Southern electric system was able to provide essential service — without interruption — through the longest coal strike in modern history.

As of the date of this writing, system coal reserves stood at 12 million tons — sufficient for approximately 127 days of operation at average burn rates.

Again this year, I would like to close my letter to you on a note of optimism. The new administration in Washington has called for an era of national renewal. And, it's clear that this administration is willing to rely on the resourcefulness of the private sector in an effort to revitalize the American economy.

The management of your company welcomes the opportunity to share in this responsibility. We recognize fully that if our companies are to help make a stable economy a reality once again, then we must concentrate on productivity; we must work to improve the quality of service; and we must make every effort to be responsive to the needs of our customers. I ask for your support as we renew our commitment to these goals in the year ahead.

Sincerely,



Alvin W. Vogtle, Jr.
President
The Southern Company
March 12, 1981

In a year marked by recovery, The Southern Company recorded net income of $344.4 million — an increase of 57.2 percent over the depressed results of 1979.

Based on 154,391,807 average shares of common stock outstanding in 1980, earnings per share were $2.23. In 1979, earnings were $1.51, based on 145,038,087 average shares outstanding.

In addition to significant gains in net income and earnings per share, substantial improvement was achieved during 1980 in the company's return on common stockholder investment (consolidated return on average common equity). This important measure of financial performance rose to 12.9 percent for the year. Return on stockholder investment was 8.9 percent in 1979.

The Southern Company's financial results began to improve in the fourth quarter of 1979, ending a severe two-year decline. Recovery was sustained through the first 10 months of 1980, with earnings reaching a peak of $2.27 per share for the 12-month period ending October 31.

Additional revenues from higher rates which were granted to each of The Southern Company's operating units, record summer energy use, and significant sales of electricity through long-term contracts with neighboring utilities were the major factors contributing to the upturn in system earnings.

Dividend Rate Increased

During each of the first three quarters of 1980, the dividend rate was continued at 38½ cents per share — the same level which had been paid since the final quarter of 1977. The fourth quarter dividend payment was increased by two cents per share to 40½ cents, bringing the new annual dividend rate to $1.62 per share.

Total dividends paid to the company's common stockholders during 1980 were $1.56 per share. The entire amount of dividends paid for the year was taxable as dividend income.

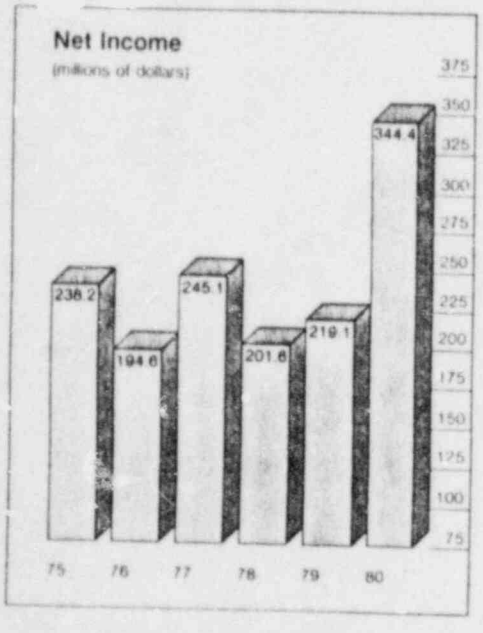
At their January 19, 1981, meeting, the directors of The Southern Company again declared a quarterly dividend of 40½ cents per share, payable March 6 to stockholders of record February 2.

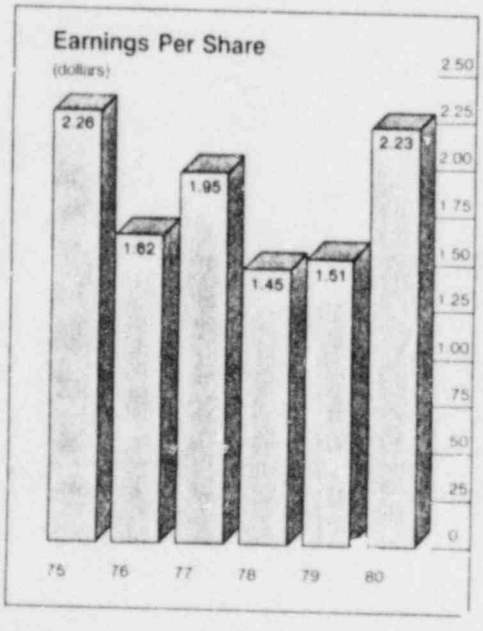
The Southern Company now has paid a dividend to its common stockholders for 133 consecutive quarters.

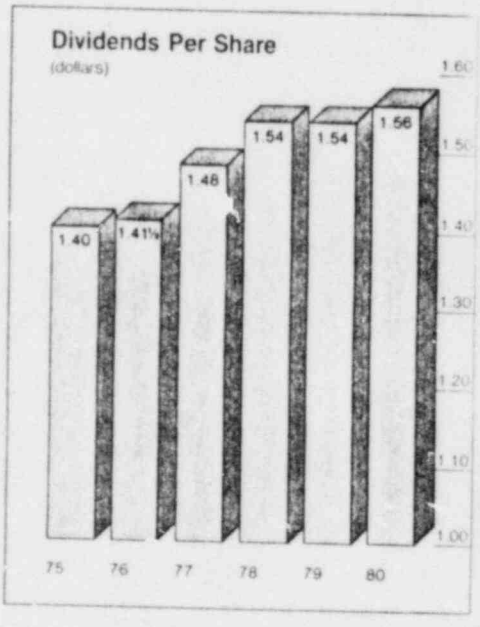
Revenues Rise to $3.8 Billion

Revenues were 20.3 percent higher in 1980 — advancing from $3.1 billion to $3.8 billion. This growth in revenues resulted from increases in certain retail and wholesale rates, a 7.5-percent rise in kilowatthour sales, and recovery of higher fuel and purchased energy costs.

At December 31, 1980, approximately $6 million of revenues billed during the year was subject to refund pending final regulatory decisions on two rate increase requests.







Each of the operating companies sought rate increases during 1980 — rate increases which were necessary to ensure that the full cost of providing electric service was recovered and a reasonable return on investment could be earned.

$40 Million Awarded Gulf Power; $39.3 Million Sought by Mississippi Power

On November 10, the Florida Public Service Commission awarded Gulf Power an annual retail rate increase of $40 million — approximately 86 percent of the amount which the company had requested. (See Note 2 to the financial statements on page 31.) The company plans to seek a further increase in retail rates in the first half of 1981.

Mississippi Power filed a request for an additional $39.3 million in annual revenues on October 20. The new retail rates were placed into effect, subject to refund, one month later. A decision is expected from the state public service commission by April 20, 1981.

Georgia Power To Seek Higher Retail Rates

While no request for higher retail rates was submitted by Georgia Power during 1980, that company currently plans to seek higher rates during the first half of 1981.

Final Settlement Reached On Two Rate Cases in Alabama

In early March, 1981, the Alabama Public Service Commission made a final ruling on rate increase requests which had been filed by Alabama Power in 1978 and 1979. The order placed into effect a settlement agreement which had been reached among the commission, the company, and a number of other parties in the proceedings.

In its 1978 request, Alabama Power had asked for an additional $288.8 million in annual revenues. The commission ordered a phased-in, $208-million annual rate increase — a decision which the company appealed to the state supreme court. In August, 1980, the court returned the case to the commission with instructions to "enter a order based on the evidence."

As a result of the settlement that was reached, $19.7 million of revenues which Alabama Power billed under bond from October, 1979, to January, 1980, are no longer subject to refund.

Alabama Power's 1979 request for higher rates sought $122.3 million in annual revenues. The commission granted the company a $30.6-million increase and the company appealed that ruling to the state supreme court. The court allowed Alabama Power to place into effect the entire $122.3-million rate increase as of July 30, 1980. That portion of the increase not granted by the commission was billed subject to refund, pending a final ruling on the case.

The final settlement gave Alabama Power a $92.5-million annual increase from July 30, 1980, to February 28, 1981. This will result in the company refunding approximately $17 million to its retail customers. In addition, the $92.5-million increase was reduced to $80 million annually, effective March 1, 1981.

New Wholesale Rates Filed

In addition to seeking higher retail rates in 1980, the operating companies filed applications with the Federal Energy Regulatory Commission for increases in the rates charged to wholesale customers. Final decisions on these requests, which total $67.3 million annually, still were pending at the date of this writing.

Retail Rate Increase Applications

Company	Annual Amount Requested	Date Filed	Status	Date By Which Decision is Due
Alabama Power	$288.8 million	12/20/78	$208 million granted 7/19/79[1]	—
	$122.3 million	12/28/79	$80 million granted effective 3/1/81[2]	—
Georgia Power	$225.6 million[3]	11/20/78	$122.9 million granted 8/15/79	—
			$46.1 million granted 1/10/80	—
Gulf Power	$46.3 million	3/3/80	$40 million granted 11/10/80	—
Mississippi Power	$23.0 million	9/10/79	$16.8 million granted 3/7/80	—
	$39.3 million	10/20/80	Placed into effect, subject to refund, 11/20/80	4/20/81

Notes:

(1) The $208-million rate increase originally was granted in three phases. However, in a settlement agreement reached in early March, 1981, Alabama Power was allowed to retain $19.7 million in revenues which had been collected — by court order — three months ahead of the time initially allowed by the state public service commission.

(2) In a settlement agreement reached in early March, 1981, Alabama Power was granted a $92.5-million annual increase, effective 7/30/80 to 2/28/81. The increase was reduced to $80 million annually, effective 3/1/81.

(3) Georgia Power later revised this request to $217 million.

Operation and maintenance expenses for 1980 were $2.2 billion — 17.6 percent higher than the $1.9 billion spent in 1979. The increase was due in large part to the effects of inflation. However, a sharp rise in total fuel expenses — caused primarily by a greater use of coal to meet record summer power demands — also had a substantial impact.

Some 36 million tons of coal were burned in 1980, making the system one of the nation's three largest users of coal. Thirty-three million tons of coal were used to fuel system generating plants in 1979.

The average cost per ton of coal consumed during 1980 rose to $39 — an increase of 10.4 percent over the previous year.

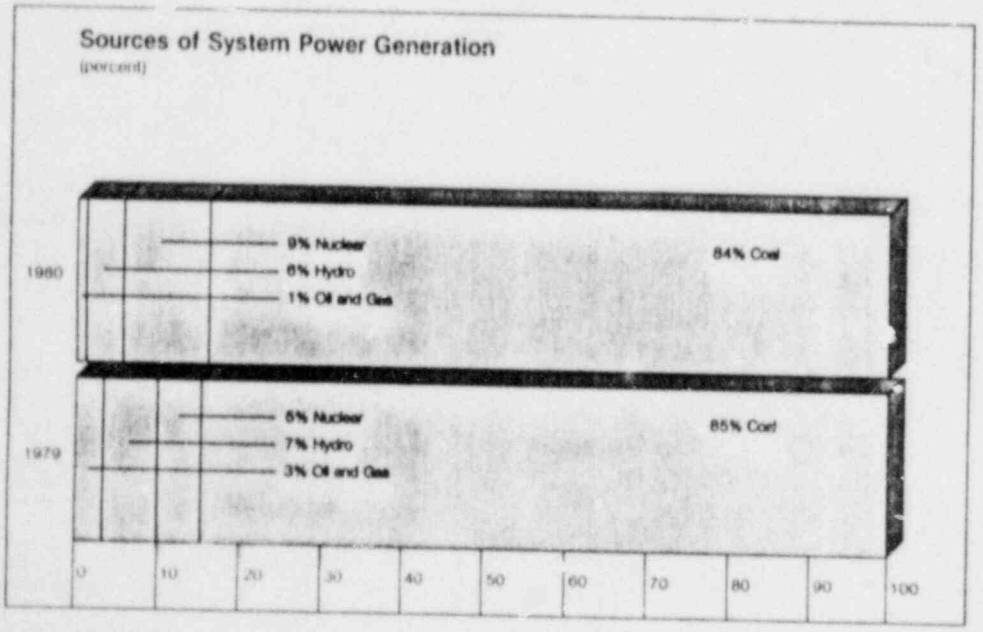
Mines in Alabama, Illinois, and Kentucky provided the majority of the coal which was purchased in 1980.

Availability Improved At Generating Facilities

Because coal is and will continue to be the primary fuel of the Southern electric system, considerable emphasis is being placed on improving the performance of each of the system's 20 coal-fired generating facilities. A maintenance program was initiated in the mid-1970s to increase the productivity of these units, and each year positive results have been recorded.

Average operating availability reached 86.1 percent for 1980. This compares with ratings of 83.5 percent for 1979, 82.7 percent for 1978, and 78.2 percent for 1977. The current level of performance at the system's coal-fired generating facilities compares very favorably with availability records of other companies in the industry and matches the goals for optimum performance which management has set.

The system's three nuclear units achieved an average operating availability of 69.6 percent in 1980 — 4.6 percentage points higher than the national average for nuclear power plant availability.



Nuclear Unit Readied For Commercial Operation

In October, 1980, the Nuclear Regulatory Commission (NRC) issued an operating license for unit 2 of the Farley Nuclear Electric Generating Plant. The license allows fuel to be loaded and low-power testing to begin at this 860,000-kilowatt facility — which will become the fourth operating nuclear unit in the Southern electric system. Additional approval by the NRC is required for full-power operation. The unit is expected to be placed in commercial operation in mid-1981.

Energy Exchange Results In Significant Savings

Because of the improved availability of existing facilities and the addition of new generating capacity during the year, the Southern electric system's economy and emergency sales of power to neighboring utilities exceeded the amount of energy which the system purchased. Economy and emergency sales are sales made to other utilities when and if sufficient power is available. These sales reduced operating expenses by $9.5 million in 1980 — a marked improvement over the $8-million addition to expenses which was recorded for the purchase of power in 1979.

An unprecedented heat wave blanketed the Southeast for much of July, resulting in record-breaking demands for electricity across the region. At the heart of the Southern electric system's efforts to keep pace with these demands was the power coordination center in Birmingham. In this highly sophisticated facility, computer programs, display screens, and instruments known as strip chart recorders enable operators to coordinate the flow of power from more than 225 generating units in Alabama, Georgia, Florida, and Mississippi.

When the blistering heat finally subsided, the Southern electric system had met all requirements for service without interruption and without having to resort to the purchase of expensive power from other utilities.

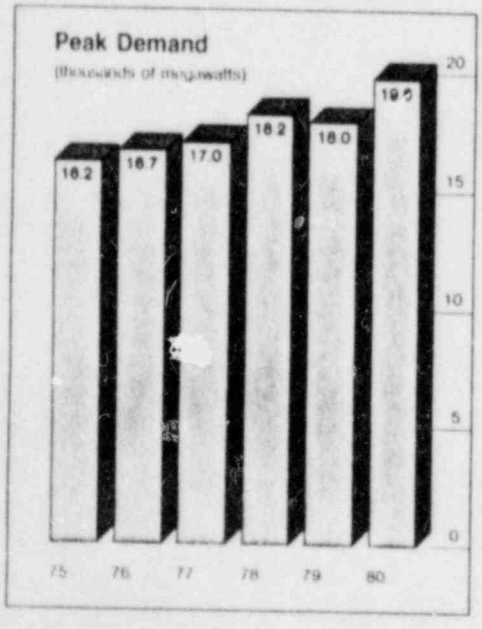
An increase in overall energy sales of 7.5 percent was recorded by the Southern electric system in 1980. Some 92 billion kilowatthours of electricity were sold during the year, compared with 86 billion kilowatthours sold in 1979.

Higher Sales Recorded In Three Customer Categories

Although conservation practices and reaction to higher energy prices continue to have an impact on sales to residential customers, in-home use of electricity during 1980 rose almost nine percent — from 22.6 billion kilowatthours to 24.7 billion kilowatthours.

Business use of electricity increased by 5.2 percent in 1980, as the energy needs of the system's commercial customers rose to 17.3 billion kilowatthours. In 1979, sales to commercial customers totaled 16.4 billion kilowatthours.

Off-system power sales — sales covered by long-term contracts with non-affiliated, neighboring utilities — amounted to four billion kilowatthours in 1980. This total reflects the initiation of long-term contracts for the sale of 700,000 kilowatts of capacity — and the energy output associated with that capacity — to utilities that are heavily dependent on oil as a fuel source. Additional contracts were negotiated in February, 1981, for the sale of up to 1,400,000 kilowatts of capacity. These contracts with two Florida utilities cover a 10-year period from 1983 to 1992.



Sales to Industrial, Wholesale Sectors Decline

In the industrial sector of the system's service area, electricity use for the year dropped one-fourth of one percent — an indication of the effect of the 1980 recession on the operations of a broad range of industries in the region, particularly automotive, chemical, paper, and steel manufacturers. Sales to industrial customers were 34.8 billion kilowatthours in 1980, as compared with 34.9 billion kilowatthours in 1979.

Continuing a trend which began two years ago, sales to wholesale customers — municipalities and cooperatives with their own electric distribution systems — declined by three percent, from 11.4 billion kilowatthours in 1979 to 11 billion kilowatthours in 1980. Many of these customers — primarily in Georgia — are producing an increasing portion of their energy requirements.

Summer Heat Wave Results In Record Peak Demand

The increase in overall energy sales during 1980 was matched by the increase in peak demand. Peak demand, of course, is the maximum requirement for electricity as measured over a one-hour period and is the yardstick which determines the need to build costly new electric generating plants.

The Southern electric system's new peak demand was set during an unprecedented heat wave which blanketed the four-state service area in July. Until this period, the highest demand which had ever been placed on the system's generating units was 18,172,900 kilowatts.* That peak occurred on June 28, 1978. The new record demand for electricity, set on July 14, was 19,553,100 kilowatts* — 7.6 percent above the 1978 mark.

Growth Projected for 1980s

The most recent projections indicate that systemwide growth in peak demand will average approximately 3.2 percent a year from 1981 through 1990. The overall use of electricity also is expected to grow at an average annual rate of 3.2 percent during this 10-year period.

* Excludes demand served by wholesale customers of Georgia Power — who own interests in certain generating units of that company — as well as demand served by the Southeastern Power Administration which supplies electricity to municipalities and rural electric cooperatives located in the Southern electric system's service area.

Often called the capital city of the Southeast, Atlanta is the center of business activity — and business use of energy — in the four-state region served by the Southern electric system. Over the next three years office space in the city and its suburbs is expected to increase by more than 25 percent. Atlanta's skyline will be altered by the addition of office towers which will serve as the new corporate headquarters of Georgia Pacific Corporation and Atlanta Life Insurance. In addition, twin towers are being constructed for use by the state government. Three new luxury high-rise hotels also are planned for downtown Atlanta — hotels which will enhance the city's ability to accommodate its rapidly growing convention traffic.

Economic growth — a major factor in determining future requirements for electricity — slowed during 1980 as the nationwide recession was felt in the four-state area served by the Southern electric system. However, the impact of the recession was not as severe in the Southeast as in other parts of the country, and significant progress was recorded in many sectors of the region's economy.

In 1980, some 690 manufacturers completed new or expanded facilities in the areas where the system companies provide electricity. These additions to the industrial base resulted in a capital investment of $2.6 billion during the year and the creation of 22,700 new jobs.

The population of the service area increased by 402,000 — growing from 9.3 million to 9.7 million. And housing starts, although low in comparison with previous years, remained well above the national average. Construction was initiated on some 41,000 single- and multi-family dwellings in 1980, with the strongest activity under way in northwest Florida.

Georgia Gains Strength As Transportation Center

Georgia long has been considered the transportation center of the Southeast. This position was strengthened in 1980 with the completion of the world's largest passenger terminal at Hartsfield Atlanta International Airport — already the second busiest airport in the world. In addition to the $500-million terminal complex, more than $250 million of cargo and support facilities were constructed at the airport.

Elsewhere in the state, the textile manufacturers which dominate the industrial sector remained relatively strong. However, automobile and mobile home production were not as immune to the recession, and the nationwide slowdown in housing had a ripple effect on Georgia's carpet industry as well.

Impact of Recession Felt In Many Alabama Industries

Durable goods manufacturers often encounter difficulties during times of recession, and that portion of Alabama's industrial sector was hard hit during 1980. Steel plants in Birmingham, for example, were forced to lay off workers as product orders declined sharply. At the end of the year, however, conditions in the steel industry had improved and a number of workers were being recalled.

Makers of rubber products in the state also suffered during 1980, primarily because of the downturn in new car sales. Alabama ranks as the third largest tire producer in the country, with each of the five leading manufacturers operating plants in the state.

The diversity of the state's economy, however — which includes paper and chemical production as well as a heavy agricultural base — helped to limit the impact of the problems that were experienced by the durable goods sector.

In Mobile, the economy received a substantial boost with the receipt of more than $1.5 billion in insurance settlements to compensate for the homes and buildings which were destroyed when Hurricane Frederic struck the city in 1979. In addition, major improvements were being made at the state docks in Mobile — improvements which include the expenditure of some $60 million for the expansion of grain and coal handling facilities.

Industrial Growth Strong In Florida, Mississippi

Few effects of the recession were felt in Florida, where tourism — the state's primary industry — remained strong. In the northwest portion of the state, which is the area served by Gulf Power, the pulpwood industry performed well, and a major expansion project was under way at the deep-water port in Pensacola. In 1981, approval is expected for a large, new industrial park which would be located at Ellyson Field — a former Naval base. The park would lead to the creation of 11,000 new jobs over the next 15 years.

The state of Mississippi — with its large number of durable goods manufacturers — did not fare as well as Florida in 1980. However, the Gulf Coast area — where Mississippi Power is the major supplier of electricity — was the fastest growing region of the state. During 1980, the Chevron U.S.A. oil refinery at Pascagoula began construction on a $1-billion expansion to its existing facility, and major plant expansions were announced by Westinghouse Corporation and by a construction equipment division of the Fruehauf Corporation.

On the "Miracle Strip" in Panama City, Florida, condominium and motel development continues at a rapid pace. The National Planning Association projects that the area — together with seven other counties along the Gulf Coast — will be among the 10 fastest growing regions in the United States during the 1980s. Gulf Power — The Southern Company's operating unit in northwest Florida — provides service to each of the eight counties.

The Southern Company and its operating subsidiaries invested $1.2 billion in 1980 for the continuation of power plant construction and for the building and upgrading of transmission and distribution lines, substations, and other service facilities.

By late fall, reconstruction of Alabama Power's Bouldin Dam had been completed. Work on the three hydroelectric generating units at that facility had been under way since 1975 when a break resulted in extensive damage and removal of the plant from service.

Georgia Power's Wallace Dam — a new hydroelectric facility in middle Georgia — also was completed during 1980.

Facilities brought into service during 1980 added 318,300 kilowatts of capacity, and, at year-end, the system's total generating capacity was 23,222,735 kilowatts — more than any other investor-owned electric utility group in the United States.

Completion Dates Delayed; Joint Ownerships Planned

The companies of the Southern electric system have made a number of changes in their construction timetables over the past several years as the rate of increase in the demand for electricity has slowed and as the system's ability to obtain necessary financing has been reevaluated.

During 1980, Alabama Power delayed the completion dates of units 2, 3, and 4 of the Miller Electric Generating Plant. The in-service date of unit 2 at this coal-fired facility was postponed for two years, from 1983 to 1985. The operation dates of units 3 and 4 were delayed four years — until 1989 and 1991, respectively.

Although the operating subsidiaries plan to complete those projects already under way, it is possible that further scheduling adjustments will be made. Current plans also call for expanding the ownership of two major generating plants which Georgia Power is constructing.

Negotiations continued in 1980 with electric utilities in Florida for the sale of a 16.5-percent interest in the Vogtle Electric Generating Plant. The Florida utilities, which are heavily dependent on oil, could join the Vogtle nuclear project by 1982.

In February, 1981, Gulf Power signed a contract to purchase a 25-percent interest in units 3 and 4 of the Scherer Electric Generating Plant — a coal-fired facility in middle Georgia.

Company	Plant	Generating Capacity (kilowatts)	Estimated Date of Completion	Type of Fuel/Plant
Alabama Power	Farley, Unit No. 2	860,000	1981	Nuclear
	Harris Dam, Unit Nos. 1 and 2	135,000	1983	Hydro
	Miller, Unit No. 2	660,000	1985	Coal
	Mitchell Dam, Unit Nos. 5, 6, and 7	150,000[1]	1985	Hydro
	Miller, Unit No. 3	660,000	1989	Coal
	Miller, Unit No. 4	660,000	1991	Coal
Georgia Power	Scherer, Unit No. 1	68,712[2]	1982	Coal
	Scherer, Unit No. 2	68,712[2]	1984	Coal
	Vogtle, Unit No. 1	396,720[3]	1985	Nuclear
	Bartletts Ferry, Unit Nos. 5 and 6	100,000	1985	Hydro
	Rocky Mountain, Unit Nos. 1, 2, and 3	675,000	1987	Pumped Storage
	Scherer, Unit No. 3	818,000[4]	1987	Coal
	Vogtle, Unit No. 2	396,720[3]	1987	Nuclear
	Goat Rock, Unit Nos. 7 and 8	67,000	1988	Hydro
	Scherer, Unit No. 4	818,000[4]	1989	Coal
Gulf Power	Daniel, Unit No. 2	500,000[5]	1981	Coal

Notes:

(1) When these units are placed in service, 52,500 kilowatts of existing capacity at Mitchell Dam will be retired.

(2) Excludes the capacity of the 91.6-percent interests sold to cooperatives and municipalities in Georgia.

(3) Excludes the capacity of the 49.3-percent interests sold to cooperatives and municipalities in Georgia and the 16.5-percent interests proposed to be sold to municipalities in Florida.

(4) Includes the capacity of the 25-percent interest sold to Gulf Power.

(5) When completed, the Daniel Electric Generating Plant, consisting of Units No. 1 (placed in service by Mississippi Power in 1977) and 2, will be jointly owned by Gulf Power and Mississippi Power.

Construction Budget Set

Construction expenditures for 1981 and 1982 currently are projected to be $1.5 billion per year. The construction budget for 1983 is expected to total $1.7 billion, bringing expenditures for the three-year period 1981-1983 to $4.7 billion. (The construction budget for 1982 and 1983 is based on the assumption that Georgia Power's ownership of Plant Vogtle will be reduced by 16.5 percent.)

Construction is under way at Rocky Mountain in northwest Georgia on the system's first hydroelectric generating plant to rely solely on a technology known as pumped storage. In this method of power production, water is released from an upper reservoir and allowed to flow down a steep grade through the plant's turbines. A lower reservoir holds the water until demand for electricity is low. Then, the turbines are reversed and the water is pumped back to the upper reservoir for use again.

Service is expected to begin at Rocky Mountain in 1987.

To provide a major portion of the money needed in 1980 for new construction, $468 million was raised from outside financing and $387 million from the sale of facilities. Funds from these external sources accounted for 70 percent of the $1.2 billion needed for construction. The remaining 30 percent, or $375 million, came from internal sources.

New Common Stock Issued

On November 12, 1980, The Southern Company held its first public sale of common stock in three years. A nationwide group of securities underwriters led by Merrill Lynch, Pierce, Fenner & Smith Incorporated submitted the winning bid for the stock which was offered for resale to the public at a price of $11.80 per share. The company's proceeds from the sale were $11.43 per share — a total of $125.7 million.

An additional $102 million in common equity capital was realized during 1980 through the dividend reinvestment plan and the employee savings and stock ownership plans.

The current Dividend Reinvestment and Stock Purchase Plan for stockholders was established in 1975, and participation has increased during each successive year. At the end of 1980, more than 88,000 stockholders — some 26 percent of the company's stockholder population — were enrolled.

The plan provided the company with $72 million of new common equity capital during the year. Reinvested dividends accounted for $50 million of this amount, and supplemental cash purchases of stock provided $22 million.

The Employee Savings Plan and the Employee Stock Ownership Plan provided the remaining $30 million in new common equity capital raised by The Southern Company.

Bonds, Preferred Stock Sold; Short-Term Debt Reduced

The operating companies raised additional capital for construction during 1980 through the sale of $400 million of first mortgage bonds and $10 million of preferred stock. In addition, Alabama Power was involved in the sale by the Industrial Development Board of the City of Mobile of $4.3 million of tax-exempt pollution control revenue bonds.

Unstable conditions and interest rates which were among the highest in recent history characterized the financial markets in 1980. As a result, the carrying costs for the securities which were sold during the year are significantly higher than have been incurred in previous years.

In late 1980, uncertainty in the bond market forced Alabama Power to postpone a sale of securities which had been scheduled for competitive bidding on December 10. The $100-million issue of first mortgage bonds — originally planned to mature in 30 years — was rescheduled for January 6, 1981. At that time, the bonds were sold with a 10-year maturity at a net annual cost to the company of 14.9 percent.

On February 26, 1981, Alabama Power completed a negotiated sale of $40 million of preferred stock at a net annual cost to the company of 16.4 percent.

Proceeds from these sales were used to eliminate Alabama Power's short-term debt. That company had relied heavily on bank loans during 1979 and early 1980 when its financial condition prohibited the sale of first mortgage bonds or preferred stock.

In early March, Georgia Power accepted bids on $50 million of first mortgage bonds. The net annual interest cost to the company will be 16.3 percent.

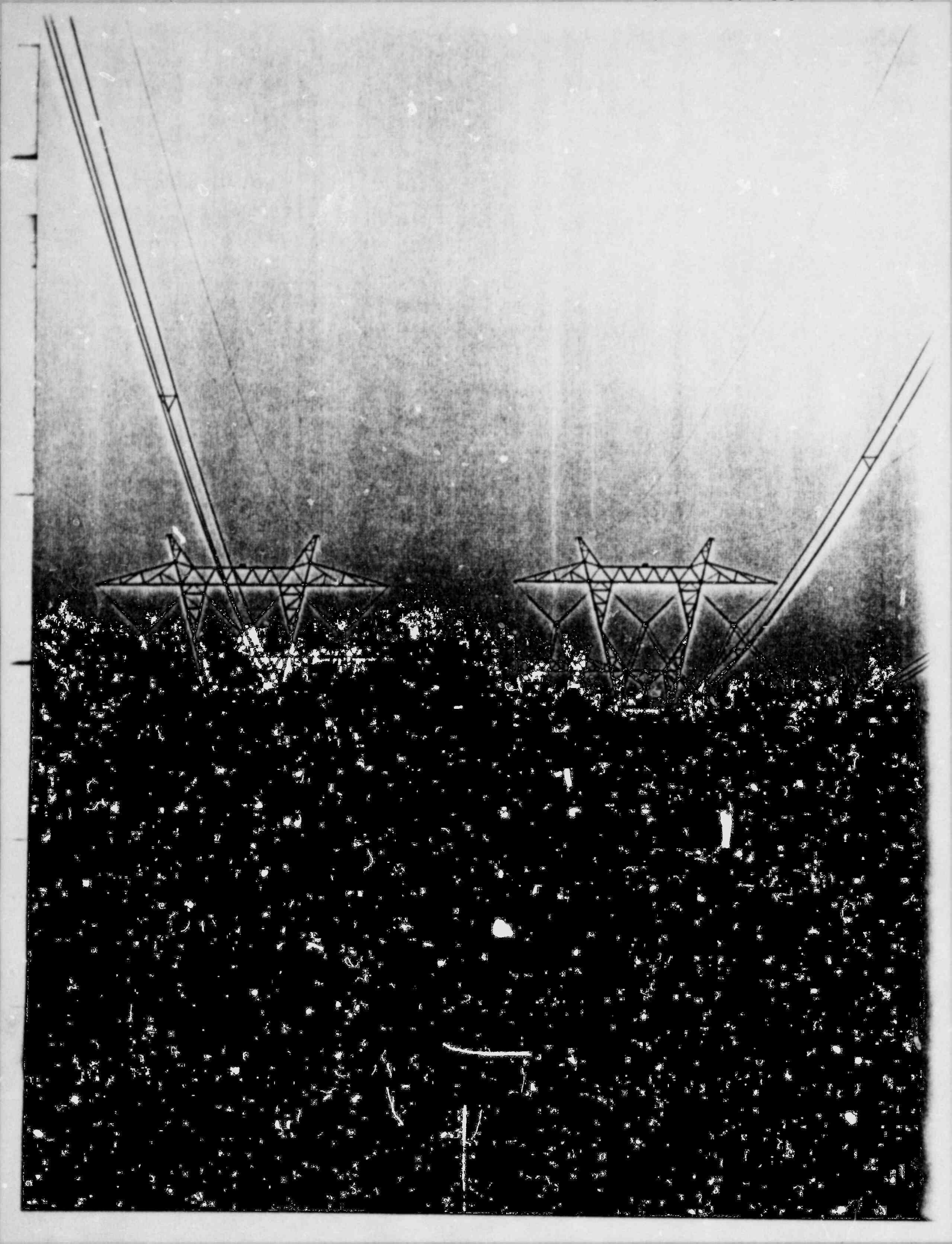
Financing Plans Outlined

In addition to the $190 million of securities sold in the first 2½ months of 1981, several other public offerings of long-term debt and preferred stock are tentatively being planned. For the full year, systemwide sales of first mortgage bonds, pollution control revenue bonds, and preferred stock are expected to total some $670 million.

The Southern Company's near-term goal is a capital structure of 55 to 57 percent debt, 10 to 12 percent preferred stock, and 31 to 33 percent common equity. At the close of 1980, the company's capital structure was 58.1 percent debt, 8.7 percent preferred stock, 1.7 percent preferred stock subject to mandatory redemption, and 31.5 percent common equity.

To achieve the targeted capital structure and to provide the operating companies with the equity funds needed to continue their construction activities, additional sales of Southern Company common stock will be required. However, the timing and amount of the next public issue of Southern Company shares have not yet been decided.

A significant portion of the Southern electric system's construction program is devoted to the building and upgrading of transmission lines, substations, and distribution facilities. In 1980, some $250 million — or approximately 20 percent of total construction expenditures — was spent in carrying out this work. For the three-year period 1981-83, some 30 percent of the $4.7 billion budgeted for new construction will be invested to improve and expand the system's power delivery network.



The total number of Southern Company stockholders rose to 345,335 at the end of 1980. Some 4,000 stockholders of record were added during the year, largely as a result of the company's public sale of new common stock in November.

Since the early 1970s, ownership in The Southern Company has expanded significantly. In fact, the period 1970-1980 saw the number of stockholders in the company more than triple.

Because of the growth in its stockholder population, The Southern Company now has the ninth most widely held common stock in America. In addition, The Southern Company's common stock has become the most widely held electric utility stock in the nation.

Southern Company stockholders live in all 50 states and in 51 foreign countries. Approximately 26 percent live in the four-state area served by the Southern electric system. There are 40,879 Southern Company stockholders in Florida; 27,341 in Georgia; 16,843 in Alabama; and 3,693 in Mississippi.

Individual Ownership Cited

The overwhelming majority of The Southern Company's stockholders are individuals — as opposed to institutional holders of stock. At the close of 1980, individuals had voting control of an estimated 85 percent of the outstanding shares of Southern Company stock.

The importance of individual investors — and the vital role they play in assuring an adequate supply of electricity for the South — is one of the primary messages which The Southern Company is conveying in its corporate advertising. The need for this communication is underscored by recent survey data which indicate that more than half of the adult population in the system service area does not recognize that stockholders provide the company with funds to finance new power plant construction.

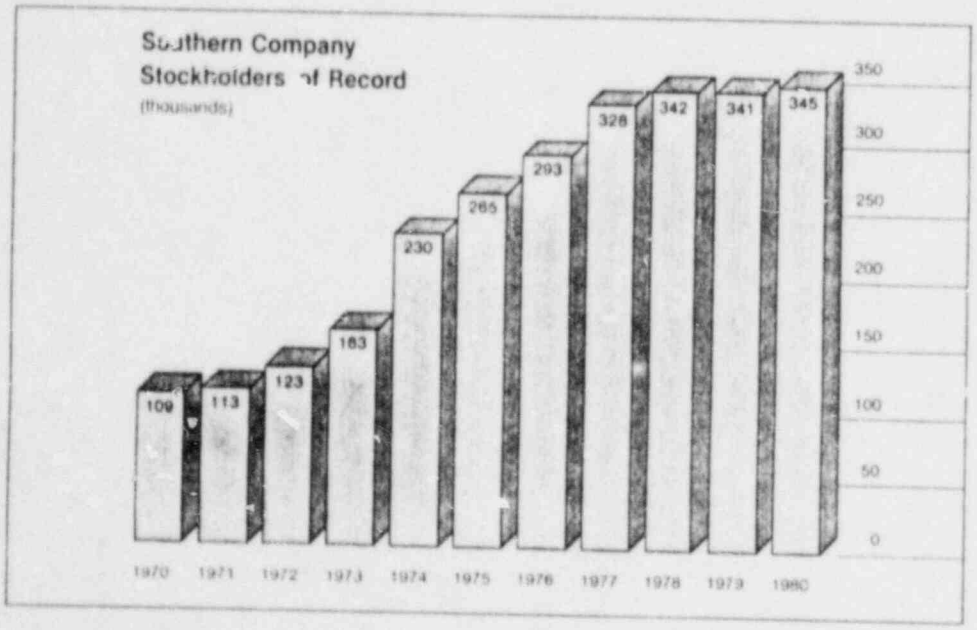
A series of six advertisements — advertisements which feature individuals who have invested a portion of their savings in Southern Company stock — has been developed for use in daily newspapers across the Southeast and in the regional editions of national magazines. Collectively, the 1981 advertisements will be appearing in more than 30 million issues of these publications.

Ads Note Accomplishments

While Southern Company advertising continues to emphasize the support which stockholders provide for building tomorrow's electric service facilities, attention also is being directed toward the important achievements of the Southern electric system.

In each ad it is noted that, more than 25 years ago, the Southern electric system introduced the world's first computer-directed energy dispatch center. And, it is pointed out that the savings which result from coordinated planning and operations are estimated at more than $75 million per year.

The system's pioneering research into solvent refined coal also is cited, as are two other accomplishments: an 85-percent reduction in the use of oil to generate electricity and a 10-percent improvement in the productivity of the system's coal-fired power plants.



In addition to retired football coach Malcolm Laney, The Southern Company's 1981 advertisements feature Joe Bigham, a pilot for Republic Airlines; Evelyn Dain, a project engineer at Southwest Forest Industries in Panama City, Florida; Alice Hart, a justice court judge in Hattiesburg, Mississippi; John Shook, a school band director in Rome, Georgia; and Jane Strong, a physical education teacher in Augusta, Georgia.

The Southern Company is grateful for the participation of these individuals.

Thirty-five years after victory in the Rose Bowl, Coach Malcolm Laney is still electrifying sports fans across the South.

The year was 1946. And Malcolm Laney — as coach of the offensive and defensive ends — helped propel one of the South's greatest college teams to a Rose Bowl win.

Today, in his retirement years, Coach Laney continues to make a lasting contribution to the South.

In the past five years alone, he and thousands of other Southern Company stockholders have invested more than $800 million in the Southern electric system.

That money will help generate a lot of electricity for a lot of people.

You see, investors put up about three-fourths of the money for new power plants, transmission lines, and all the other things we need to supply you with electric energy.

Fact is, investors like Malcolm Laney are the *foundation* of electricity in the South — the *backbone* of the Southern electric system.

- A system that 25 years ago introduced the world's first computer-directed energy dispatch center — an innovation that now saves customers at least $75 million a year.
- A system that, as early as 1969, pioneered research into a clean-burning synthetic fuel known as solvent refined coal.
- A system that has improved the productivity of its coal-fired generating plants by more than 10%. And cut its reliance on oil by 85%.

From helping to finance new power plants to supporting advances in technology, Coach Malcolm Laney has been an important part of it all.

People. The real power behind electricity.

Malcolm Laney
Assistant Coach (1934-1967)
The University of Alabama
Tuscaloosa, Alabama

Look at it this way.

Because we can count on people like Malcolm Laney, nearly nine million people across the Southeast can count on electricity.

Southern Company

the southern electric system

The Southern Company: Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Southern Company Services, Inc.

A number of existing energy conservation programs were expanded during 1980 and several new programs were initiated, as the operating companies continued to promote the efficient use of electricity. The immediate impact of these efforts is likely to reduce the growth rate in total energy sales. For the long term, however, conservation programs hold the promise of limiting increases in the peak demand for electricity — and, thus, minimizing the need to build costly new energy production facilities.

Efficiency Standards Urged For New Residential Structures

Since the mid-1970s, each of the operating companies has been working with architects, builders, and manufacturers to ensure that new homes and apartments are built and equipped according to the highest standards of energy efficiency. Gulf Power led the Southern electric system in developing this program and was one of the first electric utilities in the nation to promote energy-saving guidelines for new structures.

By the end of 1980, more than 5,000 single-family homes and 5,800 apartment units across the four-state service area had been built to specifications outlined by the operating companies. In addition, Gulf Power's Good Cents Home was recommended by the Florida legislature as a model for other electric utilities in the state to follow in their conservation programs.

Solar Concepts Added To Good Cents Homes

Alabama Power took the Good Cents Home program one step further during 1980. The company constructed a demonstration house with advanced solar space and water heating systems, as well as the standard energy-saving features such as super-thick wall and ceiling insulation and double-paned glass for windows.

In 1981, Alabama Power will be measuring the effectiveness of this application of solar energy. The results — which are expected to show as much as a 50-percent reduction in energy requirements for space and water heating — will be shared with electric utilities throughout the United States.

Georgia Power also combined solar energy with its energy efficient construction techniques. In December of 1980, the company began offering a booklet called "Passive Solar Good Cents Home Plans."* The 15 different homes in the booklet — ranging in size from 1,200 to 2,500 square feet — have been designed to receive maximum heat from the sun in winter without adding to cooling requirements in summer. The changes in construction which are necessary to achieve this goal do not add appreciably to the initial building costs and are expected to reduce average heating requirements from 20 to 32 percent.

Computerized Audits Continued; Conservation Literature Offered

Computerized home energy audits — initiated by the Southern electric system two years ago — continued to be offered to customers throughout 1980. Response again was favorable, with some 20,000 customers requesting an analysis of energy use in their homes.

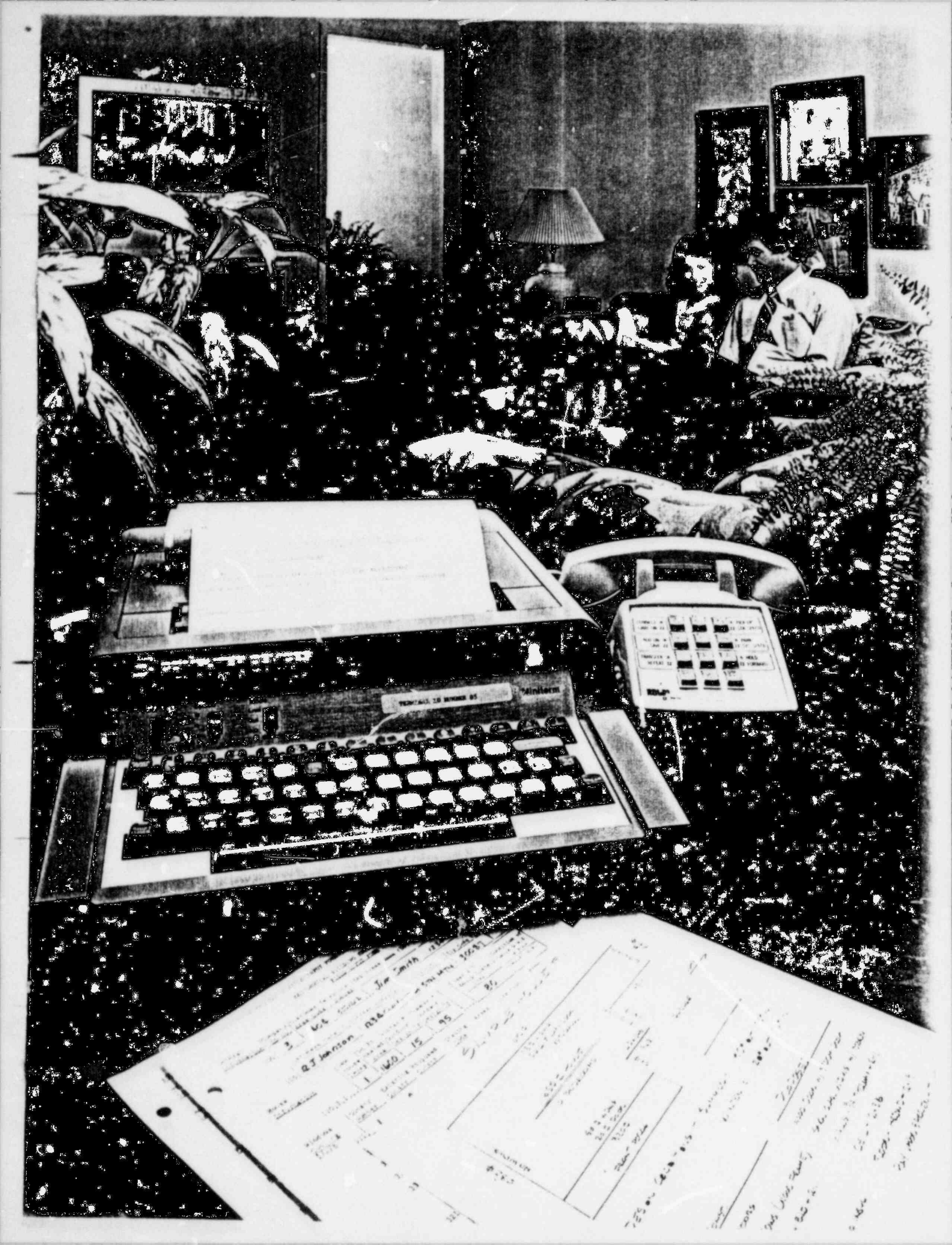
Energy audits also are conducted for commercial and industrial customers, and special programs have been developed to meet their needs. For example, Alabama Power has established a Centsable Action Program for Agriculture — which includes an on-site inspection by an agricultural engineer who studies the use of electricity on a farm, tests electrical equipment and wiring, and makes recommendations to improve overall energy efficiency.

All of the operating companies also offer their customers free literature on energy conservation. One of the most popular brochures which has been produced is Mississippi Power's Energy Management Handbook.* At the end of 1980, some 120,000 copies of this brochure had been distributed to that company's customers.

* Stockholders may request a copy by writing The Southern Company, Department 343.

Once a company representative has gathered the information required for an energy audit, the data can be transmitted directly to the Southern electric system's centralized computer center via a portable terminal which is easily set up in a customer's home. Within a few minutes, the terminal prints out a complete energy/economic analysis that shows a customer what energy-saving improvements could be made in his home, the cost of making these changes, and the resulting savings on electric bills.

Southern Company Services obtained approval in 1980 from the Securities and Exchange Commission to market to electric utilities — and other interested companies — the specially developed computer program which was created for the automated energy audit.


Olivetti

Throughout the 1970s, The Southern Company guided the development of one of the nation's most promising synthetic fuel technologies — a technology which turns high-sulfur coal into clean-burning solid and liquid fuels. In 1980, when the solvent refined coal process (SRC-I) had been brought to the threshold of commercial reality, management of the program was turned over to the International Coal Refining Company — a new corporation formed by two firms that had worked on portions of the project with researchers at The Southern Company's engineering and special services subsidiary.

Over the next three years, the Southern electric system plans to continue its involvement with the coal refining technology — carrying out additional research at Southern Company Services' SRC-I pilot plant near Wilsonville, Alabama.

DOE Test Indicates Potential New Use For Clean Coal

A test burn of solid solvent refined coal produced at the Wilsonville facility was conducted by the Department of Energy (DOE) in the latter part of 1980. Preliminary results from the experiment indicate that solid SRC-I fuel can be fed directly into boilers originally designed to burn only oil. DOE estimates that boilers of this type — used across the country by many industries — now consume 150,000 to 200,000 barrels of oil per day. In 1981, larger-scale tests will be performed by DOE to determine the extent to which SRC-I can be substituted for this oil.

Federal funding is expected to continue for the Southern electric system's work with solvent refining. Support also will be provided by the Electric Power Research Institute (EPRI) — the research and development arm of the electric utility industry.

Other Technologies Studied

Clean-burning coal offers electric utilities an alternative for meeting the new, stricter environmental standards which will be applied to the generating facilities planned for service in the late 1980s and early 1990s. Another option for meeting these standards is to equip new power plants with additional pollution control facilities known as scrubbers.

Since 1972, the Southern electric system has been conducting research on various types of scrubbers to ensure that the most economic and reliable units are developed. Tests were under way during 1980 at Gulf Power's Plant Scholz on a modified scrubber system which uses limestone — rather than more costly lime — to remove sulfur dioxide from power plant emissions.

Improved Productivity Sought For Generating Plants Burning Low-Sulfur Coal

To meet existing environmental regulations, several of the generating facilities in the Southern electric system now burn low-sulfur coal. In a number of instances, the performance of these plants has suffered because of a marked reduction in the efficiency of electrostatic precipitators — the equipment which traps the ash produced when coal is burned. A washdown to clean the precipitators has been necessary after six to eight weeks of full-power operation. This cleaning process requires that the entire generating unit be taken out of service for up to three days.

To solve this problem, Southern Company Services — in cooperation with EPRI and the Environmental Protection Agency — tested the feasibility of adding sodium sulfate to low-sulfur coal before it is burned. Although the final report on the experiment will not be completed until April, findings to date are encouraging. During almost a full year of testing, the introduction of sodium sulfate has dramatically improved precipitator performance — and, thus, the overall performance of the generating unit.

Additional research will be carried out in 1981 to determine whether this procedure can be used successfully at other power plants which are experiencing similar performance problems.

Solar Power Tested

The Southern electric system also is continuing its commitment to further the development of solar technology. For example, Georgia Power is applying new solar techniques in its recently completed corporate headquarters office in Atlanta — a facility which will serve as a laboratory for energy conservation. The collectors which support the building's solar space and water heating systems are among the largest ever constructed. The use of solar power — combined with other energy-saving devices — is expected to reduce the building's energy requirements by 60 percent.

Research efforts are continuing at the Southern electric system's experimental pilot plant which produces a clean-burning synthetic fuel known as solvent refined coal (SRC-I). In 1980, a $5.7-million hydrotreater was added to the facility. This equipment, which operates at temperatures as high as 850 degrees Fahrenheit, will allow the pilot plant to produce higher quality solid fuel products as well as liquids that can be further refined into gasoline and home heating oil.

The hydrotreater is expected to be operational in early 1981.

Alvin W. Vogtle, Jr.

Steps which will be taken over the next several years to resolve the nation's energy and economic problems will affect dramatically the future of the Southern electric system, its stockholders, customers, and employees. Throughout 1980, the management of The Southern Company continued its efforts to participate — as actively as possible — in discussions that will shape public policy.

In many of the presentations which were made to groups of opinion leaders across the Southeast, management focused on the need for passage of specific legislation — legislation that would stimulate new investment, spur economic growth, and encourage the domestic production of energy. In addition, the company presented testimony before the House Ways and Means Committee concerning tax measures then pending before the Congress.

The following are excerpts from remarks delivered during 1980 by Southern Company President Alvin W. Vogtle, Jr.:

History has shown us that — above all else — rising productivity is the key to an improved standard of living. But, as we look to the decade ahead, significant increases in productivity will be difficult to realize if existing laws continue to tax work, savings, enterprise, and excellence as never before.

If the new administration is to make economic well-being a reality once again, then it must help to bring about new incentives to stimulate productive growth — new incentives to encourage individuals and institutions to invest in the future of their country.

As a new president takes office, there are three proposals ready for presentation to the Congress — three proposals which many believe would go a long way toward reviving the growth of productivity nationwide.

The first measure is called the Individual Investor Incentive Act. This bill would provide a 10-percent tax credit, up to a maximum of $1,000, for any individual who invests in the stocks or bonds of American companies.

Similar legislation — legislation which rewards investment through tax credits or tax deferrals — already has been passed in Sweden, France, Japan, and Quebec. And, I'm confident that, given the opportunity, the American people would respond as vigorously as those in other nations around the world. It's also important to point out that an increase of just *one percent* in the amount which is invested by the average American would provide an additional $16.4 billion in capital for American industry.

The second piece of legislation which I believe would help revive investment and productivity is known as the Dividend Reinvestment Act. At the present time, stockholders must pay taxes each year on the dividends they receive. This proposal, however, would allow a stockholder to defer the payment of federal income taxes on dividends which were reinvested in new shares of common stock.

Recently, The Southern Company polled its individual stockholders to determine what effect this type of legislation might have on their investment decisions. The results of the survey indicate that the number of stockholders who participate in our dividend reinvestment plan would more than double if taxes on reinvested dividends were deferred.

The third legislative action which would help set a new direction in this nation's tax policy is a reduction in the rate of tax on capital gains. Many economists believe that a reduction from 28 percent to 20 percent in the taxes charged on capital gains would provide a strong noninflationary stimulus for our economy.

There's no question that we have been shocked by a growing litany of national problems — no question that the America of the 1970s underwent a transformation which shook the very foundation of our society. But, I believe that a new climate of ideas has begun to take shape, that a new moment in America is beginning to emerge — a time when we will use practical weapons, *legislative* weapons to come to grips with the fundamental economic problems that have frustrated us for too long.

FINANCIAL REVIEW

Contents

Common Stock Price and Dividends Per Share

The Southern Company	Price of Common Stock (Wall Street Journal Composite)				Dividends Paid Per Share	
	1980		1979		1980	1979
	High	Low	High	Low		
First Quarter	$12⅝	$10¼	$14⅞	$13¼	38½¢	38½¢
Second Quarter	14⅛	10⅝	14	12	38½	38½
Third Quarter	13⅝	11¼	14⅝	12	38½	38½
Fourth Quarter	12⅞	10⅞	13	11	40½	38½

Report of Management

The management of The Southern Company has prepared and is responsible for the consolidated financial statements and related financial information included in this report. The financial statements were prepared in accordance with generally accepted accounting principles appropriate in the circumstances and necessarily include amounts that are based on best estimates and judgments with appropriate consideration to materiality. Financial information included elsewhere in this annual report is consistent with the financial statements.

The company maintains a system of internal accounting controls to provide reasonable assurance that assets are safeguarded and that the books and records reflect only authorized transactions of the company. Limitations exist in any system of internal control based upon the recognition that the cost of the system should not exceed the benefits derived. The company believes its system of internal accounting controls, augmented by its internal auditing function, appropriately balances the cost/benefit relationship.

The independent public accountants provide an objective assessment of the degree to which management meets its responsibility for fairness of financial reporting. They regularly evaluate the system of internal accounting control and perform such tests and other procedures they deem necessary to reach and express an opinion on the fairness of the financial statements.

The board of directors pursues its responsibility for reported financial information through its audit committee, composed of directors who are not employees. The audit committee meets periodically with management, the internal auditors, and the independent public accountants to assure that they are carrying out their responsibilities and to discuss auditing, internal control, and financial reporting matters. The internal auditors and the independent public accountants have free access to the audit committee at any time.

We believe that these policies and procedures provide reasonable assurance that our operations are conducted with a high standard of business conduct and that the consolidated financial statements reflect fairly the financial position, results of operations, and sources of funds for gross property additions of The Southern Company and subsidiary companies.

Selected Consolidated Financial Data

The Southern Company and Subsidiary Companies	1980	1979	1978	1977	1976
Operating Revenues (in thousands)	**$3,763,483**	$3,128,169	$2,906,672	$2,652,085	$2,199,531
Consolidated Net Income (in thousands)	**$344,395**	$219,127	$201,568	$245,067	$194,573
Earnings Per Share on the Average Number of Shares Outstanding	**$2.23**	$1.51	$1.45	$1.95	$1.62
Cash Dividends Declared Per Share on Common Stock	**$1.56**	$1.54	$1.54	$1.48	$1.41
Total Assets (in thousands)	**$11,466,555**	$10,552,095	$9,866,463	$9,044,269	$8,072,453
Long-Term Debt (in thousands)	**$5,226,851**	$4,769,066	$4,522,888	$4,221,694	$3,744,495
Cumulative Preferred Stock of Subsidiaries Subject to Mandatory Redemption (in thousands)	**$152,000**	$149,750	$155,000	$155,000	$155,000
Construction Expenditures (in thousands)	**$1,229,932**	$1,164,956	$1,082,431	$1,218,404	$994,839
Kilowatthour Sales (in millions)	**92,460**	86,021	87,035	85,354	80,356
Customers (end of period)	**2,565,461**	2,522,284	2,472,646	2,415,939	2,363,877
Average Revenues Per Kilowatthour — Total Sales (cents)	**4.04**	3.61	3.31	3.08	2.72
Average Cost of Fuel Per Kilowatthour Generated (cents)	**1.61**	1.52	1.36	1.27	1.13

Management's Discussion and Analysis of Results of Operations and Financial Condition

Results of Operations

The Southern Company's financial performance in 1980 showed significant improvement over the severely depressed earnings of the past two years. Consolidated net income for 1980 totaled $344.4 million, an increase of 57 percent over 1979 and 71 percent over 1978. Earnings per share for 1980 of $2.23 increased at a lower rate (48 percent over 1979 and 54 percent over 1978) due to the increase in the average number of shares outstanding during the periods. Consolidated net income includes revenues subject to refund, after deducting applicable taxes, of $3,057,000 in 1980, as discussed in Note 2 to the financial statements.

Increases in operating revenues in each period are attributable principally to rate increases, recovery of increased fuel and purchased power costs through fuel and energy adjustment provisions contained in rate schedules, and increased energy sales in 1980 and 1978. Approximately $152 million of rate increases placed into effect in 1980 have not been reflected in revenues. Kilowatthour sales decreased one percent in 1979, compared to a 7.5-percent increase in 1980 and a two-percent increase in 1978. The increase in sales in 1980 was due primarily to increased demand from residential and commercial customers resulting from an extended heat wave during the summer and increased energy sales to neighboring utilities. During 1980, capacity of 700 megawatts was sold to neighboring utilities for periods up to six years. These bulk power sales amounted to some four billion kilowatthours and revenues of $108 million. The all-time maximum demand on the Southern electric system occurred on July 14, 1980, and was 19,553,100 kilowatts — 7.6 percent above the previous record set on June 28, 1978. The decline in energy sales in 1979 resulted primarily from conservation efforts by residential customers and a decline in sales to wholesale customers resulting from their increasing ownership in generating facilities. Increased billings resulting from the recovery of increased fuel and energy costs and the results of rate relief have increased the average revenue per kilowatthour from 3.31 cents in 1978, to 3.61 cents in 1979 and 4.04 cents in 1980.

The rise in operation expenses occurring each year since 1977 has resulted primarily from increased energy production and escalations in the cost of fuel and other operation expenses, partially offset by reductions in purchased power. Fuel cost in cents per kilowatthour generated was 1.36 in 1978, 1.52 in 1979, and 1.61 in 1980. Purchased and interchanged power expenses declined in both 1980 and 1979, reflecting increased availability of generating capacity, the addition of new capacity to the system, and increased economy and emergency energy sales to neighboring utilities. Increases in other operation and maintenance expenses were largely due to the addition of substantial new facilities to the system and escalating costs of labor, materials, and services.

Increases in depreciation and amortization each year are due principally to the continued growth in depreciable plant in service, and the amortization of costs related to cancelled generating plants (see Note 3 to the financial statements), amounting to $7,116,000 in 1978, $8,540,000 in 1979, and $9,272,000 in 1980. The composite straight-line depreciation rate was approximately 3.6 percent in 1978 and 1979, and 3.7 percent in 1980.

Fluctuations in income taxes resulted from changes in income before income taxes, and from the reduction of the federal income tax rate from 48 percent to 46 percent in 1979. Federal and state income tax provisions are detailed in Note 6 to the financial statements.

The allowance for funds used during construction represents the cost of capital applicable to utility plant under construction which is not included in rate base. Although the equity portion of this credit represents non-cash income, a significant portion of current cash flow results from the allowance of a return on and recovery through depreciation of previously capitalized amounts. In addition, the normalization of the income tax effect of the debt portion results in a non-cash charge. Therefore, the allowance for funds used during construction, net of income taxes, as a percent of net income amounted to 39.9 in 1980, 56.8 in 1979, and 57.1 in 1978.

Inflation has had a significant effect on the Southern electric system due to the regulatory environment in which the subsidiaries operate and the large investment (almost 90 percent of total assets) in utility plant. See Note 14 to the financial statements for supplementary information concerning the approximate effects of inflation.

The results of operations discussed above are not necessarily indicative of future earnings. It is expected that higher operating costs and carrying charges on increased investment in plant, if not offset by proportionate increases in operating revenues (either by periodic rate relief or increases in sales), will adversely affect future earnings. Increases in sales in the future will be affected by the extent of energy conservation practiced by customers, the elasticity of demand, weather, and the rate of economic growth in the system service area. In recent years, earnings have tended to decline during periods following the full 12 months' realization of general rate increases and prior to the receipt of further rate relief.

Financial Condition

The major changes in the company's financial condition in 1980 were additions of $1.2 billion to utility plant and issuance of additional securities, net of retirements, to finance 38 percent of such construction expenditures. The remaining funds needed for construction were provided from internal sources (30 percent) and sales of property (32 percent). See the Consolidated Statements of Sources of Funds for Gross Property Additions for further details.

The company's capitalization ratios (see Consolidated Statements of Capitalization) have remained approximately the same in recent years, but the composite interest rate on long-term debt has increased from 7.95 percent at December 31, 1977, to 8.95 percent at December 31, 1980, and the composite dividend rate on preferred stock has increased from 8.04 percent to 8.18 percent. The common equity ratio of 31.5 percent at December 31, 1980, is at the lower end of the company's goal of 31 to 33 percent. Inadequate earnings in recent years — together with significant amounts of external financing necessary to fund the continuing construction program — have resulted in the market value of common stock being below book value. At December 31, 1980, the book value per share of common stock was $16.80, compared to a market value of $12.25 per share. The improved earnings in 1980 permitted the quarterly dividend to be increased to 40.5 cents per share in the fourth quarter of 1980 from the 38.5 cents per share which had been in effect since the fourth quarter of 1977. The cash flow coverage of common stock dividends was 3.29 times in 1980, compared to 2.48 in 1978. Emphasis on operating efficiency will continue, as will the aggressive pursuit of rates that will provide sufficient growth in earnings to maintain a competitive position in the marketplace.

At December 31, 1980, the system companies had $288,456,000 of temporary cash investments and $981,190,000 of unused credit arrangements with banks to meet their short-term cash needs. (See Note 5 to the financial statements.) Only $96,501,000 of short-term bank loans were outstanding at year-end, compared to $352,478,000 at year-end 1979. The increase in receivables is due primarily to the sale/lease-back of Georgia Power's new corporate headquarters building ($57 million), amounts due from joint owners of Georgia Power's generating facilities ($51 million), and a settlement agreement between Mississippi Power and a coal supplier ($55 million). The portion of this settlement to be refunded to customers ($53 million) is included in accounts payable. Also, fuel stock inventories were increased in anticipation of a coal miners' strike.

The subsidiary companies' continuing construction programs to build an energy supply network with a sufficient margin of reserve capacity to ensure an adequate, economical power supply will require expenditures estimated to total some $4.7 billion for the three years 1981 through 1983. These construction programs are subject to revision because of factors such as granting of timely and adequate rate increases, new estimates of increased costs, revised load estimates, and the availability and cost of capital. These factors forced substantial reductions in construction programs in recent years, resulting in a combination of postponements and cancellations of generating units and other facilities throughout the system.

In order to adapt the construction program to the changing conditions in recent years, Georgia Power has sold and is negotiating to sell undivided interests in certain plant facilities. In addition, the system companies have sold 1,400 megawatts of capacity over the period 1983 through 1992. This will enable the system companies to complete the plant now under construction and to sell the capacity until it is needed by the system. See Note 4 to the financial statements for further details.

In addition to the funds required for the construction program, approximately $261 million will be required by the end of 1983 in connection with sinking fund requirements and maturities of long-term debt and preferred stock subject to mandatory redemption.

It is anticipated that the funds required will be derived from sources in form and quantity similar to those used in the past. However, the type and timing of financings will depend on market conditions and maintenance of adequate earnings. In order to issue additional long-term debt and preferred stock, the subsidiary companies must comply with certain earnings coverage requirements contained in their mortgage indentures and corporate charters. The ability to maintain these coverages and to generate adequate amounts of internal funds for construction is dependent on receiving adequate and timely rate increases to offset the continuing effect of inflation. Should The Southern Company and the subsidiary companies be unable to obtain funds from external sources in amounts which — together with internally generated funds — will be adequate to carry out the present construction program, further delays and possible cancellations would be necessary.

On the basis of the requirements contained in their mortgage indentures and corporate charters and including revenues subject to refund, the respective bond and preferred stock coverages of the subsidiary companies are as follows:

	Mortgage Coverage (2.00 Required)		Charter Coverage (1.50 Required)	
	1980	1979	**1980**	1979
Alabama Power	**2.59**	2.17	**1.51**	1.19
Georgia Power	**2.86**	2.34	**1.81**	1.66
Gulf Power	**1.92**	2.46	**1.34**	1.50
Mississippi Power	**2.83**	2.51	**1.61**	1.35

Consolidated Balance Sheets
At December 31, 1980 and 1979

The Southern Company and Subsidiary Companies	1980	1979
	(in thousands)	
ASSETS		
Utility Plant (Notes 1, 3 and 4):		
Plant in service, at original cost	$10,102,347	$ 9,587,816
Less—Accumulated provision for depreciation	2,567,991	2,270,150
	7,534,356	7,317,666
Nuclear fuel, at amortized cost	186,273	177,168
Construction work in progress	2,151,617	1,935,233
Total	9,872,246	9,430,067
Other Property and Investments (Principally nonutility property, net)	7,319	7,072
Current Assets:		
Cash (Note 5)	50,344	33,494
Temporary cash investments, at cost	288,456	166,510
Receivables, less accumulated provision for uncollectible accounts of $3,108,000 in 1980 and $2,776,000 in 1979	514,642	307,807
Fossil fuel stock, at average cost	553,336	450,398
Materials and supplies, at average cost	69,096	62,349
Prepayments	32,078	19,144
Total	1,507,952	1,039,702
Deferred Charges:		
Deferred cost of cancelled plants, being amortized (Notes 1 and 3)	20,162	29,973
Debt expense, being amortized	17,215	16,695
Miscellaneous	41,661	28,586
Total	79,038	75,254
Total Assets	$11,466,555	$10,552,095
CAPITALIZATION AND LIABILITIES		
Capitalization (See accompanying statements):		
Common stock equity	$ 2,834,736	$ 2,499,422
Preferred stock	786,820	786,820
Preferred stock subject to mandatory redemption (Note 7)	152,000	149,750
Long-term debt	5,226,851	4,769,066
Total	9,000,407	8,205,058
Current Liabilities:		
Notes payable to banks (Note 5)	96,501	352,478
Preferred stock sinking fund requirement (Note 7)	4,075	5,020
Long-term debt due within one year (Note 9)	119,277	86,326
Accounts payable	368,564	322,310
Revenues to be refunded (Note 2)	15,847	5,067
Customer deposits	56,941	53,510
Taxes accrued—		
Federal and state income	98,204	32,203
Other	60,696	52,645
Interest accrued	126,845	116,403
Miscellaneous	29,163	34,401
Total	976,113	1,060,363
Deferred Credits, Etc.:		
Accumulated deferred income taxes	1,089,081	990,181
Accumulated deferred investment tax credits	346,910	254,518
Miscellaneous	54,044	41,975
Total	1,490,035	1,286,674
Commitments and Contingent Matters (Notes 2, 3, 4 and 10)		
Total Capitalization and Liabilities	$11,466,555	$10,552,095

The accompanying notes are an integral part of these statements.

Consolidated Statements of Capitalization
At December 31, 1980 and 1979

The Southern Company and Subsidiary Companies	1980	1979	1980	1979
	(in thousands)		Percent of Total	
Common Stock Equity:				
Common stock, par value $5 per share—				
Authorized—225,000,000 shares;				
Outstanding—1980: 168,697,130 shares;				
1979: 148,744,837 shares (a)	**$ 843,486**	$ 743,725		
Amount paid in for common stock in excess of par value	**1,253,742**	1,125,823		
Premium on preferred stock (Note 7)	**2,775**	1,756		
Earnings retained in the business (Note 11)	**734,733**	628,118		
Total common stock equity	**2,834,736**	2,499,422	**31.5%**	30.5%
Cumulative Preferred Stock of Subsidiaries:				
$100 par or stated value—				
4.20% to 5.96%	**199,356**	199,356		
6.48% to 7.88%	**147,000**	147,000		
8.04% to 9.52%	**340,464**	340,464		
$25 stated value, Class A—				
$2.52 and $2.56	**100,000**	100,000		
Total (annual dividend requirement—$60,115,000)	**786,820**	786,820	**8.7**	9.6
Cumulative Preferred Stock of Subsidiaries Subject to Mandatory Redemption (Note 7):				
$100 par value—				
10.20% to 11.00%	**76,000**	80,000		
11.36%	**10,000**	—		
$25 stated value, Class A—				
$2.75	**70,075**	74,770		
Total (annual dividend requirement—$17,005,000)	**156,075**	154,770		
Less amount due within one year	**4,075**	5,020		
Total excluding amount due within one year	**152,000**	149,750	**1.7**	1.8
Long-Term Debt:				
First mortgage bonds of subsidiaries—				
Maturity / Interest Rates				
1980 2¾% to 2⅞%	**—**	18,000		
1981 3¼%	**15,000**	15,000		
1981 3½%	**23,778**	23,778		
1982 3⅜% to 9½%	**52,536**	52,536		
1983 3¾% to 4⅛%	**23,008**	23,008		
1984 3⅛% to 3¼%	**37,915**	37,915		
1985 3⅜% to 3½%	**26,988**	26,988		
1986 through 1990 3⅜% to 8⅝%	**246,574**	246,574		
1991 through 1995 4⅜% to 5¼%	**295,160**	297,083		
1996 through 2000 (Note 9) 5¾% to 11⅝%	**662,528**	667,528		
2001 through 2005 7⅜% to 11¾%	**1,631,171**	1,631,171		
2006 through 2010 8⅜% to 15¼%	**1,474,500**	1,074,500		
Total first mortgage bonds	**4,489,158**	4,114,081		
Other long-term debt (Note 8)	**890,360**	770,192		
Unamortized debt premium (discount), net	**(33,390)**	(28,881)		
Total long-term debt (annual interest requirement—$481,359,000)	**5,346,128**	4,855,392		
Less amount due within one year (Note 9)	**119,277**	86,326		
Long-term debt excluding amount due within one year	**5,226,851**	4,769,066	**58.1**	58.1
Total capitalization	**$9,000,407**	$8,205,058	**100.0%**	100.0%

(a) At December 31, 1980, a total of 5,638,673 shares was reserved for issuance pursuant to the Dividend Reinvestment and Stock Purchase Plan and the Employee Savings Plan. The Southern Company also has authority from the Securities and Exchange Commission to issue, through October 15, 1981, up to $22,858,000 of common stock through its Employee Stock Ownership Plan.

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income
For the Years Ended December 31, 1980, 1979, and 1978

The Southern Company and Subsidiary Companies	1980	1979	1978
		(in thousands)	
Operating Revenues	$3,763,483	$3,128,169	$2,906,672
Operating Expenses:			
Operation—			
Fuel	1,520,875	1,287,516	1,127,127
Purchased and interchanged power, net	(9,525)	8,393	112,356
Other	442,498	367,460	340,940
Maintenance	289,796	245,079	236,085
Depreciation and amortization	331,222	304,188	269,012
Taxes other than income taxes	179,543	171,174	157,127
Federal and state income taxes (Note 6)	326,176	208,263	191,156
Total operating expenses	3,080,585	2,592,073	2,433,803
Operating Income	682,898	536,096	472,869
Other Income:			
Allowance for equity funds used during construction	72,640	73,082	79,011
Other, net	52,553	49,591	31,007
Income before interest charges	808,091	658,769	582,887
Interest Charges and Preferred Dividends:			
Interest on long-term debt	431,416	403,250	364,357
Interest on notes payable	59,738	34,070	5,624
Amortization of debt discount, premium and expense, net	1,841	2,062	2,269
Other interest expense	18,010	23,016	10,616
Allowance for debt funds used during construction	(124,598)	(98,577)	(72,430)
Preferred dividends of subsidiary companies	77,289	75,821	70,883
Net interest charges and preferred dividends	463,696	439,642	381,319
Consolidated Net Income	$ 344,395	$ 219,127	$ 201,568
Weighted Average Number of Shares of Common Stock Outstanding (in thousands)	154,392	145,038	139,005
Earnings Per Share on the Average Number of Shares Outstanding	$2.23	$1.51	$1.45
Cash Dividends Paid Per Share of Common Stock	$1.56	$1.54	$1.54

Consolidated Statements of Earnings Retained in the Business
For the Years Ended December 31, 1980, 1979, and 1978

The Southern Company and Subsidiary Companies	1980	1979	1978
		(in thousands)	
Balance at beginning of period	$628,118	$633,917	$646,345
Consolidated net income	344,395	219,127	201,568
	972,513	853,044	847,913
Cash dividends on common stock ($1.56 per share in 1980 and $1.54 per share in 1979 and 1978)	236,900	222,504	213,380
Capital stock issuance expense	880	2,422	616
Balance at end of period (Note 11)	$734,733	$628,118	$633,917

The accompanying notes are an integral part of these statements.

Consolidated Statements of Sources of Funds for Gross Property Additions
For the Years Ended December 31, 1980, 1979, and 1978

The Southern Company and Subsidiary Companies	1980	1979	1978
		(in thousands)	
Sources of Funds for Gross Property Additions:			
Consolidated net income	$ 344,395	$ 219,127	$ 201,568
Add (deduct) principal noncash items—			
Depreciation and amortization	403,829	346,899	321,933
Deferred income taxes, net	196,417	176,515	160,442
Deferred investment tax credits	58,424	26,100	20,556
Allowance for equity funds used during construction	(72,640)	(73,082)	(79,011)
	930,425	695,559	625,488
Less dividends on common stock	236,900	222,504	213,380
	693,525	473,055	412,108
Decrease (increase) in net current assets, excluding notes payable, and long-term debt and preferred stock due within one year—			
Cash and temporary cash investments	(138,796)	230,635	(28,503)
Receivables	(206,835)	(66,924)	(16,429)
Fossil fuel stock	(102,938)	(56,470)	(36,917)
Materials and supplies	(6,747)	(9,128)	(7,[illegible]8)
Accounts payable	46,254	88,899	38,193
Revenues to be refunded	10,780	(6,860)	(23,283)
Taxes accrued	74,052	8,081	(19,647)
Interest accrued	10,442	6,853	15,260
Other, net	(14,741)	6,296	(5,466)
	(328,529)	201,382	(84,190)
Other, net (including allowance for equity funds used during construction)	9,662	38,540	47,298
Total funds from internal sources	374,658	712,977	375,216
External sources—			
First mortgage bonds	400,000	255,000	435,000
Bonds retired, reacquired or refunded at maturity	(24,923)	(170,725)	(30,609)
	375,077	84,275	404,391
Preferred stock	—	60,000	—
Preferred stock subject to mandatory redemption	10,000	—	—
Preferred stock reacquired	(8,695)	(230)	—
Common stock	227,680	82,824	81,325
Proceeds from pollution control obligations, net	49,376	22,057	56,562
Sales of property, net book value	387,021	27,935	32,673
Increase (decrease) in other long-term debt	70,792	41,893	(26,799)
Increase (decrease) in notes payable	(255,977)	133,225	159,063
Total funds from external sources	855,274	451,979	707,215
Gross Property Additions (includes allowance for funds used during construction in the amount of $139,366,000 in 1980, $126,360,000 in 1979 and $116,738,000 in 1978)	$1,229,932	$1,164,956	$1,082,431

Consolidated Statements of Amount Paid in for Common Stock in Excess of Par Value
For the Years Ended December 31, 1980, 1979, and 1978

The Southern Company and Subsidiary Companies	1980	1979	1978
		(in thousands)	
Balance at beginning of period	$1,125,823	$1,076,213	$1,021,539
Proceeds from sales of common stock over the par value thereof—19,952,293 shares in 1980, 6,642,714 shares in 1979, and 5,330,135 shares in 1978	127,919	49,610	54,674
Balance at end of period	$1,253,742	$1,125,823	$1,076,213

The accompanying notes are an integral part of these statements.

The Southern Company and Subsidiary Companies Notes to Financial Statements
December 31, 1980, 1979, and 1978

1. Summary of Significant Accounting Policies:

General. The Southern Company is the parent company of four operating companies and a system service company. The operating companies are engaged in the business of providing electric utility service in four southeastern states. Operating contracts among the companies — covering interconnection arrangements, interchange of electric power, and joint ownership of generating facilities — are subject to regulation by the Federal Energy Regulatory Commission (FERC) or the Securities and Exchange Commission (SEC). The system service company provides, at cost, technical and other specialized services to The Southern Company and to each of the subsidiary operating companies.

The Southern Company is registered as a holding company under the Public Utility Holding Company Act of 1935, and it and its subsidiaries are subject to the regulatory provisions of the Act. The subsidiary operating companies also are subject to regulation by the FERC and their respective state regulatory commissions and follow generally accepted accounting principles and the accounting policies and practices prescribed by the respective commissions.

All material intercompany items have been eliminated in consolidation. Consolidated retained earnings at December 31, 1980, include $450,528,000 of undistributed retained earnings of subsidiaries.

Revenues. Revenues, including those subject to refund (see Note 2), are included in income as billed monthly to customers on a cycle basis, except for Gulf Power, which accrues estimated unbilled revenues at the end of each fiscal period to conform with the ratemaking treatment of revenues by the Florida Public Service Commission (FPSC).

Fuel Costs. Fuel costs are expensed as the fuel is consumed. The subsidiary companies' electric rates include provisions under which fuel and purchased power costs above, or below, base levels are billed, or credited, to customers.

The cost of nuclear fuel, including the estimated cost of anticipated permanent storage of spent fuel, is amortized to fuel expense based on the quantity of heat produced for the generation of electric energy. Such amortization was $48,261,000 in 1980, $19,653,000 in 1979, and $31,303,000 in 1978. Final disposition of spent nuclear fuel may require adjustments to fuel expense. Pending ultimate disposition, sufficient storage capacity for spent fuel is available into 1985 at Plant Hatch and into 1991 and 1994 at Plant Farley Unit Nos. 1 and 2, respectively. Georgia Power is currently expanding the storage facilities at Plant Hatch to facilitate storage capacity into 1999.

Utility Plant. Utility plant is stated at original cost. Such cost includes applicable administrative and general costs; payroll-related costs such as pensions, taxes, and other fringe benefits; and the estimated cost of funds used during construction.

Allowance for Funds Used During Construction. The allowance for funds used during construction represents the estimated debt and equity costs of capital funds which are applicable to utility plant while under construction. The composite rates used by the companies during the years 1978 through 1980 ranged from 7.5 percent to 9.0 percent.

Depreciation and Amortization. Depreciation of the original cost of depreciable utility plant in service is provided using composite straight-line rates which approximated 3.7 percent in 1980 and 3.6 percent in both 1979 and 1978. Depreciation includes a factor to provide for expected costs of decommissioning nuclear facilities. The cost of decommissioning, based on decommissioning promptly after the unit is taken out of service, is estimated at approximately $25,000,000 per unit for Georgia Power's ownership interest in Plant Hatch and $30,000,000 per unit at Alabama Power's Plant Farley. These estimates will be adjusted periodically to reflect changing price levels and technology. When property subject to depreciation is retired or otherwise disposed of in the normal course of business, its cost — together with the cost of removal, less salvage — is charged to the accumulated provision for depreciation. The deferred costs of cancelled plants are being amortized over five-year periods.

Maintenance. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense accounts. The cost of replacements of property (exclusive of minor items of property) is charged to the utility plant accounts.

Pension Costs. The companies have trusteed and non-contributory pension plans which cover substantially all regular employees. The policy of the companies is to fund each year's accrued pension cost for the plans which amounted to $41,018,000 in 1980, $36,241,000 in 1979, and $31,485,000 in 1978. Of these amounts, $26,078,000 in 1980, $23,630,000 in 1979, and $19,534,000 in 1978 were charged to operating expenses, and the balance was charged to construction and other accounts. The actuarial present value of accumulated plan benefits at January 1, 1980, totaled $323,122,000 for vested benefits and $21,128,000 for nonvested benefits. These amounts were determined on the basis of accrued benefits as of January 1, 1980, whereas the plan is funded based on the premise that the plan will continue in existence, which requires that future events be considered. The net assets available for benefits at January 1, 1980, amounted to

$395,355,000. The weighted average rate of return assumed in determining the actuarial present value of accumulated plan benefits was five percent. The unfunded prior service cost under the plans and supplemental contracts amounted to approximately $43,183,000 and $45,957,000 at December 31, 1980 and 1979, respectively, and is being amortized over a period of approximately 15 years.

Income Taxes. The companies provide deferred income taxes for all income tax timing differences to the extent permitted by the appropriate regulatory agencies. See Note 6 for further information regarding income taxes.

2. Rate Matters:

Retail revenues subject to refund included in income in 1980 of $2,054,000 were related to Mississippi Power's rate case. These revenues, after deducting applicable taxes, increased consolidated net income by $1,043,000.

Upon appeal by the Florida Office of Public Counsel, the FPSC ordered Gulf Power to refund revenues billed under the rate increase granted in November, 1980, due to a change in the effective date of the increase. Accordingly, $2,300,000 of revenues has been excluded from income. Gulf Power intends to appeal this decision to the Florida Supreme Court.

On March 12, 1981, under remand orders by the Supreme Court of Alabama, the Alabama Public Service Commission (APSC), entered a final order implementing a settlement agreement among the APSC, Alabama Power, and certain other parties to the 1978 and 1979 rate case proceedings. As a result, the revenues from the $208.3-million increase granted in July, 1979, are no longer subject to refund. Additionally, an increase of approximately $92.5 million annually was made effective from July 30, 1980, through February 28, 1981. Refunds of approximately $17 million will be made from revenues billed subject to refund during such period under the August, 1980, order of the Supreme Court of Alabama. Approximately $12 million of such refunds is applicable to 1980 and has been excluded from income. The $92.5-million increase was lowered to $60 million annually effective March 1, 1981.

Georgia Power has negotiated a settlement agreement with its wholesale customers. Such agreement is subject to final approval from the FERC. Georgia Power has included $3,967,000 of revenues, $2,014,000 after deducting applicable taxes, in income and has excluded from income $1,569,000 of revenues which are expected to be refunded in 1981.

3. Construction Program, Financing, and Fuel Commitments:

The subsidiary companies are engaged in a continuous construction program presently estimated to total some $1.5 billion in 1981, $1.5 billion in 1982, and $1.7 billion in 1983. These estimates include capitalized allowance for funds used during construction and exclude amounts applicable to interests in facilities sold. Also, the 1982 and 1983 additions reflect the proposed sale of a portion of Plant Vogtle. (See Note 4.) The construction programs are subject to periodic review and revision, and actual construction costs incurred may vary from the above estimates because of factors such as granting of timely and adequate rate increases, new estimates of increased costs, revised load estimates, and the availability and cost of capital. These factors forced substantial reductions in construction programs in recent years, resulting in a combination of postponements and cancellations of generating units and other facilities throughout the system.

Construction of two system generating plants has been cancelled. Obligations related to equipment design and engineering and termination of contracts applicable to these plants approximated $45,000,000. Regulatory approval has been received to amortize and recover these costs as operating expenses ratably over five-year periods. This amortization is included in "Depreciation and amortization" in the Consolidated Statements of Income and amounted to $9,272,000, $8,540,000, and $7,116,000 in 1980, 1979, and 1978, respectively. Of the above amounts, $2,201,000 in 1980 and $1,395,000 in 1979 represented Gulf Power's amortization with respect to the cancellation of the Caryville Plant in June, 1979. The FPSC had approved the amortization of these costs but reserved the right to review the accounting treatment in the context of a rate request. In its 1980 retail rate order, the FPSC permitted Gulf Power to bill additional revenues for the effects of the cancellation of the Caryville Plant, subject to refund, in the event the proposed purchase from Georgia Power of an interest in Plant Scherer is not realized or the cancellation of the Caryville Plant is not justified to the satisfaction of the FPSC. The agreement for the purchase of an interest in Plant Scherer was signed in February, 1981. Consummation of such purchase is subject to requisite governmental approval.

On February 10, 1975, a break occurred at Alabama Power's Bouldin Dam causing extensive damage and resulting in the removal from service of the hydroelectric generating facilities (225,000 kilowatts) at the dam. The costs of reconstruction and repair were estimated to be approximately $42,565,000 and $22,180,000, respectively. In the ensuing prosecution of claims and litigation, Alabama Power has settled with machinery breakdown insurance carriers and all-risk insurers for a total of $33,850,000; and its litigation against the contractors responsible for construction of the dam is still pending. The facilities at the dam were returned to service in late 1980.

To the extent possible, the subsidiary companies' construction programs are expected to be financed from the sale of additional first mortgage bonds and preferred stock to the public; from the sale of pollution control bonds by public authorities; from the receipt of additional paid-in capital from The Southern Company; from the lease of nuclear materials by Alabama Power; and from asset sales in the case of Georgia Power. (See Note 4.)

The amounts of first mortgage bonds, preferred stock, and common stock which can be issued in the future will, among other things, be contingent upon market conditions and maintaining adequate earnings levels. The earnings of Gulf Power are presently insufficient to permit the sale of additional first mortgage bonds or preferred stock. Should The Southern Company and the subsidiary companies be unable to obtain funds from external sources in amounts which, together with internally generated funds, will be adequate to carry out the present construction program, further delays and possible cancellations would be necessary.

To supply a portion of the fuel requirements of their generating plants, the subsidiary companies have entered into various long-term commitments for the procurement of fossil and nuclear fuel. In some cases, such contracts contain provisions for price escalations, minimum production levels, and other financial commitments. Additional commitments for coal and for nuclear fuel will be required in the future to supply the subsidiary companies' fuel needs.

4. Facility Sales and Joint Ownership Agreements:

Through December 31, 1980, Georgia Power had sold undivided interests in Plants Hatch, Wansley, Vogtle, and Scherer in varying amounts, together with transmission facilities, to Oglethorpe Power Corporation, an electric membership generation and transmission corporation (OPC); the Municipal Electric Authority of Georgia, a public corporation and an instrumentality of the State of Georgia (MEAG); and to the City of Dalton, Georgia (Dalton). These sales resulted in gains, after income taxes, of $7,425,000 in 1980, $1,503,000 in 1979, and $375,000 in 1978. In addition to these sales, Georgia Power has signed a contract to sell a 25-percent interest in Plant Scherer Unit Nos. 3 and 4 to Gulf Power and is negotiating to sell approximately a 16.5-percent interest in Plant Vogtle to certain Florida utilities. The consummation of any future sales is subject to all requisite governmental approvals and, except with respect to such proposed sale to Gulf Power, the completion of agreements satisfactory to the respective parties, and completion of satisfactory financial arrangements by the proposed purchasers. At December 31, 1980, Georgia Power's percentage ownership and investment in these jointly owned facilities were as follows:

		Georgia Power		
	Total Capacity	Percent Ownership	Plant in Service	Construction Work in Progress
	(megawatts)		*(in thousands)*	
Plant Hatch (nuclear)	1,630	50.1%	$479,494	$ 5,13
Plant Vogtle (nuclear)	2,320	50.7	—	453,87
Plant Scherer (coal)				
Unit Nos. 1 & 2	1,636	8.4	739	49,82
Common Facilities	—	23.5	—	43,59
Plant Wansley (coal)	1,730	53.5	277,510	2

Each participant provides for its own construction financing. Georgia Power includes its proportionate share of plant operating expenses in the corresponding operating expenses in the Statements of Income. Georgia Power is contractually obligated to complete those plants still under construction and acts as agent with respect to operating and maintaining the plants.

In connection with these sales, Georgia Power has entered into agreements whereby that company is required to purchase declining fractions of OPC's and MEAG's capacity and energy of the respective generating units during a period of up to 10 years following commercial operation — such purchases to be made whether or not any capacity or energy is available. The cost of such capacity and energy is a function of each entity's carrying and operating costs and is included in purchased and interchanged power in the Consolidated Statements of Income.

Certain Florida utilities have purchased 1,400 megawatts of capacity extending over the period 1983 through 1992. This power will be sold from Georgia Power's and Gulf Power's ownership of Plant Scherer and Gulf Power's ownership of Plant Daniel or from any other resources which the system may have available.

5. Short-Term Borrowings:

Interim financing in the form of notes payable to banks and commercial paper is utilized to finance construction expenditures.

Except for daily working funds and like items, substantially all cash of the companies represents compensating balances — which are not legally restricted — maintained in respect of short-term bank borrowings, unused revolving credit agreements, and lines of credit.

Unused credit arrangements with banks at the beginning of 1981 totaled $981,190,000. This was subsequently reduced to $831,190,000, of which

$167,000,000 expires on September 30, 1981, $264,190,000 at various times during 1981, and $400,000,000 on December 31, 1983.

The unused amounts expiring on September 30, 1981, and December 31, 1983, are portions of revolving credit agreements of Alabama Power and Georgia Power, respectively. These agreements require commitment fees, and the Alabama Power agreement limits the amount of certain types of additional indebtedness which that company may incur. The Alabama Power agreement also requires that a substantial portion of the proceeds from sales of properties or securities, with certain exceptions, be applied to repayment of the notes.

6. Income Taxes:

A detail of the federal and state income tax provisions is set forth below:

	1980	1979	1978
		(in thousands)	
Total provision for income taxes			
Federal—			
Currently payable	**$ 73,253**	$ 12,414	$ 13,135
Deferred	**217,129**	182,425	176,047
Deferred in prior years (credit)	**(36,156)**	(21,270)	(27,718)
Deferred investment tax credits	**58,424**	26,100	20,556
	312,650	199,669	182,020
State—			
Currently payable	**21,631**	6,966	9,249
Deferred	**19,295**	17,235	14,895
Deferred in prior years (credit)	**(3,851)**	(1,875)	(2,782)
	37,075	22,326	21,362
Total	**349,725**	221,995	203,382
Less income taxes charged to other income	**23,549**	13,732	12,226
Federal and state income taxes charged to operations	**$326,176**	$208,263	$191,156

The provision for deferred income taxes results primarily from the companies' tax deductions for accelerated methods of depreciation and other write-offs of property costs — as provided for by the income tax laws — being significantly greater than the book depreciation of such costs. Income taxes deferred in prior years are credited to income when the book depreciation of those property costs exceeds the related tax deductions.

The total provision for federal income tax as a percent of income before federal income tax was 42.6 percent in 1980, 40.4 percent in 1979, and 40.1 percent in 1978. The difference between these rates and the federal statutory rates of 46 percent in 1980 and 1979 and 48 percent in 1978 was due primarily to the exclusion from taxable income of the allowance for equity funds used during construction. This exclusion was 4.6 percent in 1980, 6.8 percent in 1979, and 8.3 percent in 1978.

Deferred investment tax credits are amortized over the life of the property which gave rise to the credits. Such amortization is applied as a credit to reduce depreciation in the Consolidated Statements of Income and amounted to $8,529,000 in 1980, $7,450,000 in 1979, and $7,678,000 in 1978. At December 31, 1980, investment tax credits totaling approximately $237,000,000 — expiring at various times from 1985 to 1987 — have not been utilized and are available to reduce federal income taxes payable in future years.

7. Cumulative Preferred Stock Subject to Mandatory Redemption:

Redemption requirements are five percent of the shares annually, commencing in the fifth year. The combined aggregate amount of redemption requirements for these series through 1985 amounts to $7,750,000 per year for the period 1981 through 1984 and $8,250,000 for 1985. During 1980 and 1979, $5,020,000 and $230,000, respectively, of the preferred stocks were reacquired to satisfy the 1980 sinking fund requirements, and $3,675,000 was reacquired to partially satisfy the 1981 requirement. The gains on these reacquisitions of $1,019,000 and $15,000 for the years 1980 and 1979, respectively, are included with premium on preferred stock as shown in the Consolidated Statements of Capitalization.

8. Other Long-Term Debt:

Details of other long-term debt are as follows:

	December 31 1980	1979
	(in thousands)	
Obligations incurred in connection with the sale by public authorities of tax exempt pollution control revenue bonds—		
Collateralized—		
5.95% due 2003	**$ 41,000**	$ 41,000
6% to 8% due 2004	**46,030**	46,030
9% due 2005	**30,000**	30,000
6% to 7.2% due 2006	**85,600**	85,600
5.8% to 6.4% due 2007	**43,100**	43,100
6.375% to 7.1% due 2008	**96,600**	96,600
Noncollateralized—		
5.9% to 7.4% due serially 1980-2003	**16,950**	17,050
7.4% to 9.125% due serially 1980-2004	**23,700**	24,700
65% of prime rate due 1982 (13.98% at 12/31/80)	**1,500**	1,500
8.5% due 1994	**17,400**	17,400
7.25% due 2003	**5,600**	5,600
9.5% due 2005	**35,000**	35,000
7.25% due 2006	**10,600**	10,600
7.2% due 2007	**40,000**	40,000
7.375% due 2008	**48,000**	48,000
9.2% due 2010	**4,250**	—
Less funds on deposit with trustees	**49,521**	95,747
	495,809	446,433
Capitalized lease obligations	**253,792**	142,053
Notes payable—		
11.5% due 1980-1982	**84,000**	125,000
8.75% due 1981-1989	**22,000**	22,000
9.75% due 1980-2010	**11,693**	11,760
6% due 1980-1986	**3,066**	2,946
Floating interest rate due 1983-1987 (10.25% at 12/31/80)	**20,000**	20,000
Total	**$890,360**	$770,192

The subsidiary companies have authenticated and delivered to trustees a like principal amount of first mortgage bonds as security for obligations under collateralized installment agreements. The principal and interest on the first mortgage bonds will be payable only in the event of default under the installment purchase agreements.

Capitalized leases at December 31, 1980, were comprised of nuclear fuel ($130,340,000), coal railcars ($20,990,000), buildings ($87,182,000), and transportation and other ($15,280,000). Monthly principal payments are required plus interest based on average interest rates at December 31, 1980, of approximately 20.40, 9.54, 8.19, and 17.35 percents, respectively. The principal payments on nuclear fuel leases are based on cost of fuel consumed.

Sinking fund requirements and/or serial maturities through 1985 applicable to other long-term debt are as follows: $80,490,000 in 1981, $102,174,000 in 1982, $44,965,000 in 1983, $33,043,000 in 1984, and $15,058,000 in 1985.

9. Long-Term Debt Due Within One Year:

A summary of sinking fund requirements and scheduled maturities of long-term debt due within one year are as follows:

	1980	1979
	(in thousands)	
Bond sinking fund requirements	**$ 55,926**	$51,7
Less—		
Portion to be satisfied by bonding property additions	**47,723**	36,6
Reacquired bonds	**8,194**	15,0
Cash sinking fund requirement	**9**	
First mortgage bond maturities	**38,778**	18,0
Other long-term debt (Note 8)	**80,490**	68,2
Total	**$119,277**	$86,3

The annual first mortgage bond sinking fund requirement is one percent of the aggregate amount of the bonds authenticated prior to January 1 of each year and may be satisfied by use of bonds specifically authenticated for such purpose against unfunded property additions equal to 166-2/3 percent of such requirement if mortgage coverage requirements are met except for Georgia Power's 11⅞% series due August 1, 2000, which is subject to a mandatory cash sinking fund of $5,000,000 annually, commencing August 1, 1981.

10. Nuclear Insurance:

Under the Price-Anderson Act, Alabama Power and Georgia Power maintain agreements of indemnity with the Nuclear Regulatory Commission (NRC) which, together with private insurance, cover third-party liability arising from any nuclear incident occurring at their nuclear power plants. The Act limits public liability claims that could arise from a single nuclear incident to $560 million. Each reactor at their nuclear plants is insured against this liability to a maximum of $160 million by private insurance (the maximum amount presently available), and the remainder is provided by indemnity agreements with the NRC. In the event of a nuclear incident, Alabama Power and Georgia Power

and each other licensee of a nuclear power plant could be assessed up to $5,000,000 per incident for each licensed reactor operated by it, but not more than $10,000,000 to be paid in a calendar year. On the basis of Alabama Power's ownership of one reactor in service and one reactor licensed for service, and Georgia Power's current ownership interest in two reactors now in service, the companies could be assessed a maximum of $10,000,000 and $5,010,000, respectively, for any such incident, but not more than $20,000,000 and $10,020,000, respectively, to be paid in any one year.

Alabama Power and Georgia Power are members of Nuclear Mutual Limited, a mutual insurer established to provide property damage insurance to members' nuclear generating facilities. In the event of catastrophic loss payments by the insurer, the members are subject to assessments in proportion to their participation in the mutual insurer. The present maximum assessment for Alabama Power and Georgia Power would be approximately $33,000,000 and $17,000,000, respectively.

Alabama Power and Georgia Power also are members of Nuclear Electric Insurance Limited, a mutual insurer which provides insurance to cover members' extra costs of replacement power resulting from a prolonged accidental outage of nuclear units. Members are insured against such increased costs in the amount of up to $2,000,000 per week (starting 26 weeks after the outage) for one year and $1,000,000 per week for the second year. Members are subject to retroactive assessments of up to five times their respective premiums if losses exceed the accumulated funds available to the insurer. The present maximum assessment for Alabama Power and Georgia Power would be approximately $8,000,000 and $13,000,000, respectively.

11. Common Stock Dividend Restrictions:

The income of The Southern Company is derived mainly from equity in earnings of its operating affiliates. At December 31, 1980, $179,596,000 of consolidated retained earnings was restricted against the payment by the operating affiliates of cash dividends on common stock under terms of bond indentures or charters.

12. Assets Subject to Lien:

The companies' mortgages, as amended and supplemented, securing the first mortgage bonds issued by the companies, constitute a direct first lien on substantially all of the companies' fixed property and franchises.

13. Quarterly Financial Data (Unaudited):

Summarized quarterly financial data for 1980 and 1979 are as follows:

Quarter Ended	Operating Revenues	Operating Income	Consolidated Net Income	Earnings Per Share on the Average Number of Shares Outstanding
	(in thousands)			
March 31, 1979	$ 712,690	$117,667	$ 38,779	$0.27
June 30, 1979	729,848	112,595	29,140	0.20
September 30, 1979	922,845	165,288	91,390	0.63
December 31, 1979	762,786	140,546	59,818	0.40
March 31, 1980	807,797	149,625	63,027	0.42
June 30, 1980	819,694	135,858	53,723	0.36
September 30, 1980	1,193,916	235,032	151,559	0.99
December 31, 1980	942,076	162,383	76,086	0.46

The amounts for the first three quarters of 1980 have been restated from those previously reported to reflect a reclassification of bulk power sales made under long-term contracts initiated in 1980 and the settlement of an Alabama Power retail rate matter as explained in Note 2. The effect of the reclassification of bulk power sales was to increase operating revenues for the first three quarters by $11,896,000, $17,482,000, and $41,672,000, respectively, with a corresponding increase in purchased and interchanged power. The effect of the rate settlement on the third quarter was to reduce operating revenues by $4,453,000, operating income and consolidated net income by $2,237,000, and earnings per share by $0.02.

14. Supplementary Information Concerning the Effects of Changing Prices (Unaudited):

The following supplementary information concerning the effects of changing prices is presented in accordance with the general concepts set forth in Financial Accounting Standards Board Statement No. 33, as modified to reflect the economic effects imposed on the Southern electric system by regulatory authorities. It should be viewed as an estimate of the approximate effects of inflation, rather than a precise measure.

Constant dollar amounts represent historical cost stated in terms of dollars of equal purchasing power, as measured by the Consumer Price Index for All Urban Consumers. Current cost amounts reflect the changes in specific prices of plant from the date the plant was acquired to the present. They differ from constant dollar amounts to the extent that specific prices have increased more or less rapidly than the general rate of inflation. The current cost of plant was determined by indexing each major class of plant using the Handy-Whitman Index of Public Utility Construction Costs. Current cost does not necessarily represent the replacement cost of existing productive capacity because the utility plant is not expected to be replaced precisely in kind.

The accumulated provision for depreciation for current cost was developed by applying, for each major class of plant, the same percentage relationship that existed between gross plant and accumulated provision for depreciation on a historical basis to the adjusted plant data. Depreciation expense for both methods was determined by applying the current depreciation rates to the respective indexed plant amounts reduced by the amortization of investment tax credits which were first adjusted to average 1980 constant dollar amounts by year of addition.

Increases in the cost of electric generating fuel are recoverable in revenues through operation of fuel cost recovery mechanisms. Such increases effectively are receivables from customers. Therefore, such increases are not included in income but instead are treated as monetary assets. Income tax expense was not adjusted because only historical costs are deductible for income tax purposes.

Holding assets such as receivables, prepayments, and inventory results in a loss of purchasing power during periods of inflation because the amount of cash received in the future for these items will purchase less. Conversely, holding monetary liabilities, primarily long-term debt, results in a gain because the payments in the future will be made with nominal dollars having less purchasing power. The Southern electric system has a net gain due to the significant amounts of long-term debt outstanding.

Under the ratemaking prescribed by the regulatory commissions to which the subsidiaries of The Southern Company are subject, only the historical cost of plant recoverable in revenues as depreciation and plant in rate base is limited to original cost. Therefore, the cost of plant stated in terms of constant dollars or current cost that varies from the historical cost of plant is not presently recoverable in rates as depreciation. The amount of this variance that accrued as a result of inflation in the current year is reflected as an adjustment to net recoverable cost. While the use of debt financing reduced the effect of this loss on common stockholders, earnings were not adequate to offset the erosion in the purchasing power of their investment.

Statement of Income Adjusted for Changing Prices
For the Year Ended December 31, 1980 *(in thousands of average 1980 dollars)*

	Constant Dollar	Current Cost
Income Applicable to Common Stockholders, as Reported	$ 344,395	$ 344,395
Erosion of Common Stockholders' Equity Because of Changing Prices:		
Cost in excess of the original cost of productive facilities not recoverable in rates as depreciation—		
Reportable as an additional provision for depreciation	310,021	383,542
Reportable as a reduction to net recoverable cost	693,571	303,557
	1,003,592	687,099
Excess of the general level of prices ($2,009,519) in the current year over increase in specific price changes ($1,693,026)*		316,493
Offsetting effect of debt financing	(715,242)	(715,242)
Net erosion of common stockholders' equity	288,350	288,350
Income (Loss) Applicable to Common Stockholders, as Adjusted** (including the effect of debt financing)	$ 56,045	$ 56,045

* At December 31, 1980, current cost of property, plant and equipment, net of accumulated depreciation, was $20 billion, and historical cost or net cost recoverable through depreciation was $10 billion.

** Adjusted income (loss) applicable to common stockholders would be $34 million on a constant dollar basis and ($39 million) on a current cost basis if only the amount reportable as an additional provision for depreciation were deducted from the reported amount of such income.

Five-Year Comparison of Selected Supplementary Financial Data Adjusted For Effects of Changing Prices*

(Dollar amounts in thousands)

	1980	1979	1978	1977	1976
Operating Revenues:					
Historical cost	**$3,763,483**	$3,128,169	$2,906,672	$2,652,085	$2,[illegible]99,531
As adjusted	**3,763,483**	3,566,113	3,662,407	3,606,836	3,189,320
Income (Loss) Applicable to Common Stockholders:					
Historical cost	**$344,395**	$219,127			
As adjusted for the net erosion of common stockholders' equity	**56,045**	(85,953)			
Income (Loss) Per Common Share:					
Historical cost	**$2.23**	$1.51			
As adjusted for the net erosion of common stockholders' equity	**0.36**	(0.59)			
Common Stockholders' Investment (Net Assets), at year-end:					
Historical cost	**$2,834,736**	$2,499,422	$2,422,182	$2,360,711	$2,067,412
As adjusted	**2,721,347**	2,674,382	2,955,062	139,746	2,935,725
Excess of the General Level of Prices Over Increase in Specific Price Changes	**$316,49[illegible]**	$709,439			
Effect of Debt Financing	**$715,242**	$839,444			
Return on Average Common Equity:					
Historical	**12.91%**	8.90%			
As adjusted for the net erosion of common stockholders' equity	**2.10%**	(3.49)%			
Cash Dividends Declared Per Common Share:					
Historical cost	**$1.56**	$1.54	$1.54	$1.48	$1.415
As adjusted	**1.56**	1.76	1.94	2.01	2.05
Market Price Per Common Share:					
Historical	**$12.25**	$11.50	$13.38	$17.75	$16.38
As Adjusted	**11.76**	12.31	16.32	23.61	23.25
Average Consumer Price Index	**246.8**	217.4	195.4	181.5	170.5

*Adjusted amounts represent average 1980 dollars.

AUDITORS' REPORT

To the Board of Directors and to the Stockholders of The Southern Company:

We have examined the consolidated balance sheets and consolidated statements of capitalization of The Southern Company (a Delaware corporation) and subsidiary companies as of December 31, 1980 and 1979, and the related statements of income, earnings retained in the business, amount paid in for common stock in excess of par value and sources of funds for gross property additions for each of the three years in the period ended December 31, 1980. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our report dated February 15, 1980, our opinion on the 1979 financial statements was qualified as being subject to the effect, if any, of the final outcome of proceedings under which one subsidiary had billed revenues subject to refund and another subsidiary had requested approval of appropriate regulatory authorities to recover the planning and design costs associated with a generating plant which was cancelled. As explained in Notes 2 and 3 to the financial statements, the revenues are no longer subject to refund and approval to recover the costs associated with the cancelled plant was obtained. Accordingly, our present opinion on the 1979 financial statements, as presented herein, is different from that expressed in our previous report.

In our opinion, the financial statements referred to above present fairly the financial position of The Southern Company and subsidiary companies as of December 31, 1980 and 1979, and the results of their operations and the sources of funds for gross property additions for the periods stated, in conformity with generally accepted accounting principles applied on a consistent basis.

Arthur Andersen & Co.

Atlanta, Georgia,
March 12, 1981.

SOUTHERN COMPANY SERVICES, INC.

Officers

Alvin W. Vogtle, Jr.
Chairman of the Board
Age 62; 40 years of service

William B. Reed
President
Age 52; 11 years of service

Bill M. Guthrie
Executive Vice President
Age 47; 29 years of service

Douglas L. McCrary
Executive Vice President
Age 51; 27 years of service

George B. Campbell
Financial Vice President
Age 58; 41 years of service

Robert F. Ellis, Jr.
Senior Vice President
Age 58; 35 years of service

William B. Harrison
Senior Vice President
Age 58; 11 years of service

Thomas A. Nunnelly
Senior Vice President
Age 48; 22 years of service

Richard E. Conway
Vice President
Age 42; 24 years of service

William A. Dunlap
Vice President
Age 47; 21 years of service

Robert C. Ford
Vice President
Age 44; 15 years of service

S. R. Hart, Jr.
Vice President
Age 53; 31 years of service

James C. Ludwig
Vice President
Age 44; 22 years of service

William A. Maner, III
Vice President
Age 41; 15 years of service

William O. Reece
Vice President and
Comptroller
Age 51; 16 years of service

Ruble A. Thomas
Vice President
Age 59; 32 years of service

Robert O. Usry
Vice President
Age 52; 34 years of service

E. L. Williamson
Vice President
Age 56; 31 years of service

Tommy Chisholm
Secretary
Age 39; 16 years of service

Therrell Murphy, Jr.
Treasurer and Assistant
Comptroller
Age 38; 11 years of service

Clarence B. Grund, Jr.
Assistant Vice President
Age 55; 28 years of service

W. Dean Hudson
Assistant Vice President
Age 33; 8 years of service

E. Ray Perry
Assistant Comptroller and
Assistant Secretary
Age 55; 30 years of service

Malcolm D. Sanders
Assistant Comptroller
Age 46; 21 years of service

Nell H. Justice
Assistant Secretary
Age 53; 27 years of service

Houston L. Welch, Jr.
Assistant Secretary
Age 45; 20 years of service

Lee C. Williams
Assistant Secretary
Age 64; 24 years of service

Ormond W. Frazier
Assistant Treasurer
Age 50; 18 years of service

Directors

Edward L. Addison
Pensacola
Age 50; elected 1977

V. J. Daniel, Jr.
Gulfport
Age 64; elected 1973

Joseph M. Farley
Birmingham
Age 53; elected 1970

William B. Reed
Birmingham
Age 52; elected 1972

Robert W. Scherer
Atlanta
Age 55; elected 1978

Alvin W. Vogtle, Jr.
Atlanta
Age 62; elected 1966

SYSTEM CHIEF EXECUTIVES

Alvin W. Vogtle, Jr.
President
The Southern Company

Edward L. Addison
President
Gulf Power Company

V. J. Daniel, Jr.
Chairman of the Board
Mississippi Power Company

Joseph M. Farley
President
Alabama Power Company

William B. Reed
President
Southern Company Services, Inc.

Robert W. Scherer
President
Georgia Power Company

THE SOUTHERN COMPANY

Officers

Alvin W. Vogtle, Jr.
President
Age 62; 40 years of service

George B. Campbell
Financial Vice President
Age 58; 41 years of service

William B. Reed
Vice President (Engineering)
Age 52; 11 years of service

Tommy Chisholm
Secretary and Assistant Treasurer
Age 39; 16 years of service

Therrell Murphy, Jr.
Treasurer
Age 38; 11 years of service

Neil H. Justice
Assistant Secretary
Age 53; 27 years of service

Directors

Edward L. Addison
President
Gulf Power Company
Pensacola, Florida
Age 50; elected 1978

V. J. Daniel, Jr.
Chairman of the Board
Mississippi Power Company
Gulfport, Mississippi
Age 64; elected 1973

A. F. Dantzler
President
Dantzler Boat & Barge Company
Pascagoula, Mississippi
Age 65; elected 1972

Joseph M. Farley
President
Alabama Power Company
Birmingham, Alabama
Age 53; elected 1970

John W. Langdale
President
The Langdale Company
(Forest products manufacturing)
Valdosta, Georgia
Age 63; elected 1977

William W. McTyeire, Jr.
President
McTyeire Enterprises, Inc.
(Holding company for real estate and other interests)
Birmingham, Alabama
Age 67; elected 1972

William S. Morris, III
Chairman of the Board, Publisher
Morris Communications Corporation
(Newspaper publishers, printing, computer services)
Augusta, Georgia
Age 46; elected 1971

William A. Parker, Jr.
Chairman of the Board
Cherokee Investment Company, Inc.
(Private investments)
Atlanta, Georgia
Age 53; elected 1973

H. G. Pattillo*
Chairman of the Board
Pattillo Construction Company, Inc.
Decatur, Georgia
Age 54; elected 1972

Robert H. Radcliff, Jr.*
Chairman of the Board
Radcliff Marine Services, Inc.
Fairhope, Alabama
Age 63; elected 1966

Crawford Rainwater
Chairman of the Board
Hygeia Coca-Cola Bottling Company
Pensacola, Florida
Age 64; elected 1975

William B. Reed
President
Southern Company Services, Inc.
Birmingham, Alabama
Age 52; elected 1977

William J. Rushton, III
President
Protective Life Insurance Company
Birmingham, Alabama
Age 51; elected 1971

Frank P. Samford, Jr.
Chairman of the Board
Liberty National Life Insurance Company
Birmingham, Alabama
Age 60; elected 1972

Robert W. Scherer
President
Georgia Power Company
Atlanta, Georgia
Age 55; elected 1977

Herbert Stockham*
Chairman, President
Stockham Valves & Fittings, Inc.
Birmingham, Alabama
Age 52; elected 1978

W. C. Vereen, Jr.
Chairman of the Board
Riverside Manufacturing Company
(Business uniforms)
Moultrie, Georgia
Age 67; elected 1962

Alvin W. Vogtle, Jr.
President
The Southern Company
Atlanta, Georgia
Age 62; elected 1962

Advisory Director

Edwin I. Hatch
Former Chairman of the Board
Georgia Power Company
Atlania, Georgia
Age 67; elected 1965
Named Advisory Director 1978

*Member of 1981 Audit Committee

Auditors

Arthur Andersen & Co.
25 Park Place, NE
Atlanta, Georgia 30303

Transfer Agent, Dividend Paying Agent, Dividend Reinvestment Agent, and Registrar

The First National Bank of Atlanta
Corporate Trust Department
P.O. Box 3260
Atlanta, Georgia 30302
(404) 588-6676

THE SOUTHERN ELECTRIC SYSTEM

The Southern electric system operates 229 generating units with a total capacity of 23,223,000 kilowatts. An additional seven million kilowatts of capacity are under construction. These facilities are interconnected by some 27,000 miles of transmission lines across a service area which spans part of four states: Alabama, Georgia, the panhandle of Florida, and southeastern Mississippi. In addition to a varied agricultural economy, this region has a growing industrial base which includes the manufacturing of textile products, primary metals, chemicals, and paper. Approximately 9½ million people live in the Southern electric system's service area.

System Companies:

Alabama Power Company
600 N. 18th Street
Birmingham, Alabama 35291
(205) 250-1000

Georgia Power Company
333 Piedmont Avenue, N.E.
Atlanta, Georgia 30308
(404) 526-6526

Gulf Power Company
75 N. Pace Boulevard
Pensacola, Florida 32505
(904) 434-8111

Mississippi Power Company
2992 West Beach
Gulfport, Mississippi 39501
(601) 864-1211

Southern Company Services, Inc.
P.O. Box 720071
Atlanta, Georgia 30346
(404) 393-0650

P.O. Box 2625
Birmingham, Alabama 35202
(205) 870-6011

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