

he Southern Company is the parent firm of four electric utilities: Alabama Power, Georgia Power, Gulf Power,

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and Mississippi Power. These companies make up one of the nation's largest investorowned electric utility systems - supplying energy to some 10 million people across the growing Southeast. The companies of the Southern electric system are recognized as industry leaders in planning and operating major power generation facilities. They also are involved in advanced research on new technologies that will help ensure future energy supplies while protecting the environment. The Southern Company is owned by more than 325,000 stockholders. The company's common stock is the most widely held electric utility stock in the nation and is one of the 20 most widely held corporate stocks in America.

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### Highlights

					Percent
		1984		1983	Change
Operating revenues (in thousands)	\$	6,123,985	\$	5,418,043	13.0
Operating expenses (in thousands)	\$	5,076,512	\$	4,399,432	15.4
Consolidated net income (in thousands)	\$	719,669	\$	590,326	21.9
Return on average common equity (percent)		16.58		15.65	5.9
Earnings per share	\$	3.00	\$	2.70	11.1
Dividends paid per share	\$	1.83	\$	1.725	6.1
Book value per share (year-end)	\$	18.55	\$	17.60	5.4
Market price (year-end closing)	\$	18.875	\$	16.375	15.3
Average shares outstanding	2	39,784,035	2	18,555,666	9.7
Year-end shares outstanding	2	50,051,627	2	29,589,500	8.9
Stockholders of record (year-end)		325,200		339,978	(4.3)
Construction expenditures (in thousands)	\$	2,100,450	\$	1,706,440	23.1
Total assets (year-end) (in thousands)	\$	15,003,960	\$	13,475,388	11.3
Peak energy demand (in thousands of kilowatts) System capability — at peak demand		19,772		20,518	(3.6)
(in thousands of kilowatts) Energy sales (in thousands of kilowatthours):		26,165*		25,877*	1.1
Within system service area		95,734,477		89,977,799	6.4
Off-system		18,750,335		12,029,933	55.9
Total	1	14,484,812	1	02,007,732	12.2
Total number of customers (year-end)		2,800,532		2,723,923	2.8

\*Excludes 964,000 kilowatts and 654,000 kilowatts of capability from specific generating units sold under long-term contracts to two nonaffiliated utilities in 1984 and 1983, respectively.



"The increased energy sales that helped produce 1984's financial gains reflect the economic expansion in our region. They also underscore a trend much longer in duration — the continuing growth in the need for electricity." Edward L. Addison

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### **To Our Stockholders**



y almost any measure of corporate performance, 1984 was a year of achievement for The Southern Company. Earnings per share

were \$3.00 — an increase of 11.1 percent over the 1983 figure. Although the last months of 1984 saw earnings slip below the peak levels reached in earlier months, results for the calendar year were the highest ever recorded by our company.

Return on common stockholder investment was higher as well — rising to 16.6 percent for 1984 compared with 15.6 percent for the previous year. The Southern Company's common stock closed at 18% on the final day of 1984 — the highest price in 11 years. And the market-to-book value ratio of our stock at year-end exceeded 100 percent for the first time since 1977.

Another indication of our improved financial condition was the increase in the quarterly dividend approved by the board of directors in October. The dividend was raised three cents to 48 cents per share — an increase of nearly seven percent. This was the third consecutive year in which the directors increased your dividend payment. The board's action reflects our efforts to reward your investment and maintain as competitive a position as possible in the financial markets.

### Healthy Economy Coosts Energy Sales

A major factor in the past year's results was the resurging economic growth across our service area growth which brought increased requirements for electricity. Industry's need for electric energy grew by 9.7 percent, illustrating the recovery of our region's traditional industrial base, as well as completion of a number of new and expanded facilities.

Significantly more energy — an increase of 6.7 percent — also was required to serve commercial customers. An upward trend in sales to these customers is expected to continue in light of the vigorous growth projected for the system's metropolitan areas. In the northern sections of Atlanta, for example, developers project that over the next decade more than 70 million square feet of office and retail space will be built — about one and a half times the amount of major commercial space in the entire metropolitan area today.

Power sales to neighboring utilities also contributed substantially to the company's 1984 performance. These "off-system" sales increased by 56 percent to 18.8 billion kilowatthours. Total sales under the off-system contracts are expected to grow through 1985 and to remain a major source of revenues through the mid-1990s.

Overall, sales of electricity rose by 12.2 percent, the largest gain in more than 15 years.

Along with greater energy sales, more realistic rates for electricity contributed to the upturn in earnings for 1984. Rate matters for each system company are reviewed on page 7 of this report.

### System Prepares for Future Energy Needs

As I mentioned earlier, the increased energy sales that helped produce 1984's financial gains reflect the economic expansion in our region. They also underscore a trend much longer in duration — the continuing growth in the need for electricity. Even through the past 10 years — 10 years marked by the aftermath of the oil embargo, recession, and double-digit inflation — peak energy demand on our system grew at an average rate of 2.4 percent a year. If that rate were to continue, demand on our system would double by the year 2014.

Although the Southern electric system's building program is limited to power plant construction at those sites where work is already under way, this program should ensure a reliable supply of electric energy in our region for years to come. We've set a \$7.1-billion construction budget for the three-year period 1985 through 1987 alone. But it should be emphasized that construction can be carried out only if we're able to obtain the necessary funding through the sale of securities in the financial markets.

### **Cost Estimate Revised For Nuclear Facility**

The largest project in our construction program is the Vogtle Electric Generating Plant, a nuclear facility jointly owned by Georgia Power and cooperatives and municipalities in the state. Unit 1 at Plant Vogtle is planned for completion in 1987, with unit 2 expected to come on line the following year.

During 1984, Georgia Power conducted an extensive review of its entire construction program, including the Vogtle project. As a result, the company raised the cost estimate for completing Plant Vogtle by 8.4 percent to \$7.2 billion. Based on Georgia Power's 45.7-percent ownership, the company's cost is expected to be \$3.1 billion.

At the conclusion of its construction review, Georgia Power established a \$250-million contingency reserve to cover any additional increases in the cost of the major projects now under way. To date, productivity rates at Plant Vogtle have not reached projected levels although substantial progress has been made. If construction productivity does not continue to improve, however, a portion of the \$250-million reserve could be required to complete the plant.

Georgia Power's construction program also was examined in an eight-month review carried out by an independent consulting firm at the request of the Georgia Public Service Commission. In a report released in February, 1985, the consultants disagreed with some of the assumptions Georgia Power uses to determine future energy demand and stated that the Vogtle project may not be needed until the mid-1990s. But the study concluded that the completion of Plant Vogtle under the current schedule and budget is reasonable and economically justified. The complete findings of the study are expected to be a key factor during hearings that the commission plans to hold on Georgia Power's financing needs for 1985. The company has applied for approval to obtain up to \$650 million of long-term financing and up to \$1 billion of term loans.

In another important development, a bill was passed by the Georgia Senate in February, 1985, requiring the state public service commission to phase in to customer rates costs prudently incurred in the construction of Plant Vogtle. The bill called for the phase in to begin with the commercial operation of each unit and continue for a period of three to six years. The Georgia House of Representatives adjourned, however, before voting on the legislation. The bill will be pending before the House in the 1986 legislative session, but there is no guarantee that action will be taken on the proposal.

#### **Coal Remains System's Major Fuel**

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Even with the addition of the nuclear units at Plant Vogtle, coal will continue to be our system's primary fuel. Thus, we view with great concern proposed national legislation to deal with acid rain by imposing new, harsh restrictions on sulfur dioxide emissions from coal-burning facilities.

In its last session, Congress did not pass an emissions control bill. The failure to enact what we believe was hasty legislation was due in part to an increasing awareness that acid rain is a complex phenomenon with many unanswered questions, that the proposals would have burdened consumers with enormous costs, and that the effectiveness of the measures was highly questionable. However, new legislation has been introduced in the 99th Congress which could lead to increases of 20 to 25 percent in electric bills. An update on the acid rain issue and the knowledge being accumulated through scientific inquiry is featured on page 24.

### New Opportunities Pursued: Prospects for 1985 Outlined

With our concerns about acid rain legislation and other uncertainties facing this industry, we realize that the remainder of the 1980s will be a difficult period. But we're confident that this will be a time when a solid foundation for the future can be laid by tending to our core business of providing electric service and at the same time developing a spirit of innovation and entrepreneurship.

One way in which our system will explore new opportunities is through a renewed commitment to marketing. Our marketing approach is designed to serve the interests of both our customers and stockholders. By making more productive use of our facilities while responding to customer needs, we can spread our fixed costs over a broader base. We've set specific goals to increase sales through 1990 — largely through the promotion of efficient uses of electricity.

We're also continuing to pursue diversification into unregulated lines of business. I'll be discussing this subject with you in greater detail in future reports.

We enter 1985 stronger for the financial results achieved in recent years. In addition, the southeastern economy appears to be on a course of continued growth and our sales of electricity to neighboring utilities are projected to increase throughout the year. Based on these factors, our prospects for 1985 seem favorable although our results will be influenced greatly by rate regulation across our four-state service area.

Our prospects also rest on the capabilities of more than 31,000 skilled employees. Each of us is mindful that, as stockholders, you are the *owners* of this business as well as our *employers*. Thus, if you have a question about our system, I hope you'll feel free to write or call me.

Sincerely,

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Edward L. Addison President The Southern Company March 8, 1985



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arnings for 1984 reached \$3.00 per share — marking the third consecutive year of improvement. The Southern Company's return on common stockholder .

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investment rose to 16.6 percent. The board of directors increased the dividend for the fourth quarter to 48 cents per share — equivalent to an annual rate of \$1.92 per share.

■ Southern Company stock closed the year at 13% a share -- an 11-year high. ■ During 1984, rating agencies upgraded the securities of three Southern Company subsidiaries.

■ The Southern electric system recorded a 12.2-percent increase in total energy sales — the largest gain in more than 15 years. With sales exceeding 114 billion kilowatthours, the operating companies produced and delivered more energy in 1984 than during any other year in history. ■ Off-system sales were up 56 percent, reflecting the impact of a long-term contract which became effective with Gulf States Utilities Company headquartered in Beaumont, Texas.

■ The Southern electric system's coal-fired power plants posted an average availability record of 89 percent for 1984 — a level well above the industry norm. ■ Construction continued on 17 new generating units at seven sites, and a major 500-kilovolt transmission line was completed ahead of schedule.

### **Financial Results**

he Southern Company posted a strong financial performance in 1984, with results for the year significantly above 1983 levels.

Net income for 1984 rose to \$719.7 million — an increase of 22 percent over the prior year.

Earnings per share — based on 239,784,035 average shares of common stock outstanding in 1984 — were \$3.00. In 1983, earnings were \$2.70, based on 218,555,666 average shares outstanding.

A substantial gain also was achieved in another important measure of financial performance — return on common stockholder investment (consolidated return on average common equity). Return on stockholder investment reached 16.58 percent for 1984, compared to 15.65 percent in 1983.

These improvements are due in part to a significant increase in the amount of electricity used across the Southeast — particularly in the commercial and industrial sectors of the economy. Other important factors contributing to the earnings upturn were more realistic rates for electric service, extensive efforts to hold the line on costs, and a major increase in sales of electricity to neighboring utilities.

The company's 1984 results also include nine cents per share from Georgia Power's sale of an additional five-percent interest in the Vogtle Electric Generating Plant to the Municipal Electric Authority of Georgia. (Plant Vogtle is a two-unit nuclear facility under construction near Augusta. Georgia Power now owns 45.7 percent of the project.)

### **Dividend Rate Increased**

During 1984, dividend payments totaled \$1.83 per share — an increase of 10½ cents per share over dividends of \$1.72½ paid in 1983. For each of the first three quarters of 1984, the dividend rate was 45 cents per share. The fourth quarter payment was raised to 48 cents per share, reflecting an increase declared by the board of directors in October. The new quarterly dividend is equivalent to an annual rate of \$1.92 per share, an increase of nearly seven percent over the previous annual rate.

The entire amount of dividends paid during 1984 is taxable as dividend income. (Through the 1985 tax year, stockholders who participate in the company's dividend reinvestment plan may elect to defer the payment of federal income taxes on a limited amount of reinvested dividends.)

At their January, 1985, meeting, the directors of The Southern Company maintained the quarterly dividend rate at 48 cents per share. This dividend was payable March 6 to stockholders of record February 4. The Southern Company now has paid a dividend to its common stockholders for 149 consecutive quarters — dating back to 1948.

### Significant Increases Posted In Revenues, Total Assets

Revenues were 13 percent higher in 1984 — advancing from \$5.4 billion to \$6.1 billion.

Total assets rose to \$15 billion in 1984 from \$13.5 billion in 1983 — an increase of 11 percent. In terms of assets, the Southern electric system is one of the three largest investor-owned electric utility systems in the nation.



**Consolidated Net Income** 







he Southern Company's operating units provide electric service to an area that spans much of Alabama, Georgia, the panhandle of Florida,

and southeast Mississippi. The following table profiles the four operating units:

Alabama Power	Georgia Power	Gulf Power	Mississippi Power
Total Assets (in	n thousands)		
\$5,496,197	\$7,880,072	\$892,924	\$660,530
<b>Operating</b> Rev	enues (in thousan	nds)	
\$2,105,406	\$3,132,880	\$470,100	\$424,195
Net Income A	fter Dividends		
On Preferred	Stock (in thousan	ids)	
\$ 233,252	\$ 421,719	\$ 40,336	\$ 31,380
Kilowatthour !	Sales (in thousand	ds)	
39,050,326	59,054,711	8,089,278	8,290,497
Customers (ve	ar-end)		
1,034,026	1,352,235	245,317	168,954
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The Southern Company's subsidiaries also include Southern Electric International, Inc., a consulting firm, and Southern Company Services, Inc., an organization which provides engineering and technical services, at cost, to the other members of the Southern electric system.

The system operating companies are subject to the jurisdiction of their respective state public service commissions which determine the price of electricity for retail customers. These customers accounted for 74 percent of the system's total energy sales in 1984.

### **Gulf Power Granted Retail Rate Increase**

During 1984, Gulf Power was the only Southern Company subsidiary to seek higher retail rates. In April, the company asked the Florida Public Service Commission to approve an annual increase of \$28.4 million. Gulf Power later reduced that amount to \$18.8 million, based on actual performance during the first seven months of the year. The commission granted the company a \$4.7-million increase, effective in December, 1984. This increase is 25 percent of Gulf Power's revised request.

### **Alabama Commission Extends Innovative Ratemaking Concept**

The Alabama Public Service Commission voted in December, 1984, to extend through June, 1985, the rate stabilization and equalization plan adopted in late 1982. The plan provides for small, periodic rate adjustments based on Alabama Power's rate of return and the commercial operation of new generating facilities.

Under the ratemaking concept, Alabama Power's retail rates decreased by one percent effective with April, 1984, billings and an additional onepercent decrease was effective with July, 1984, billings. Rates were stable for the remainder of the year, and no rate adjustments were necessary in the first guarter of 1985.

The state public service commission will evaluate the operation of the rate stabilization plan during the first six months of 1985.

<b>Retail Rate Increas</b>	Retail Rate Increase Applications*					
Annual Amount Requested	Date Filed	Public Service Commission Decision	Return on Common Equity Requested**	Return on Common Equity Allowed**		
Alabama Power \$453.9 million	3/9/82	\$306.0 million granted — effective 12/1/82; additional adjustments covered under a rate stabilization plan	18.00%	Up to 15%		
Georgia Power \$319.5 million	3/7/83	\$195.4 million granted — \$108.9 million effective 9/7/83 and \$86.5 million effective 10/1/83	16.50%	15.50%		
Gulf Power \$ 18.8 million	4/27/84	\$4.7 million granted — effective 12/17/84	15.85%	15.60%		
Mississippi Power \$ 21.9 million	4/5/82	\$13.7 million granted — effective 5/5/82	18.28%	16.00%		

\*This table summarizes each operating company's most recent rate filing.

Figures for Alabama Power and Georgia Power are based on end-of-period common equity. For Gulf Power and Mississippi Power, returns are based on average common equity.

Be ause coal is the system's primary fuel, major emphasis is placed on achieving maximum productivity at each coal-fired power plant. The level of efficiency at these plants stands as a model for the industry.



### Operations



uring 1984, operation and maintenance expenses rose to \$3.8 billion — an increase of 18 percent over the \$3.2 billion

spent in 1983. For each kilowatthour sold, these costs were 3.33 cents in 1984, compared with 3.16 cents in 1983.

The major factor contributing to higher operating costs was a 13-percent rise in fuel expenses primarily as a result of increased energy sales in all customer categories. Operation and maintenance expenses also were up because of purchases of power required under Georgia Power's contract al agreements with Oglethorpe Power Corporation and the Municipal Electric Authority of Georgia. These purchases totaled \$403 million in 1984, compared with \$254 million in 1983.

### **Coal Dominates Fuel Mix**

For more than three decades, coal has been the primary fuel of the Southern electric system. During 1984, this fuel was the source for more than 80 percent of the electricity produced by the system's power plants. Strong reliance on coal is expected to continue through at least the end of this century.

Some 40 million tons of coal were burned at system generating facilities during 1984, making the Southern electric system one of the three largest users of the fuel in the United States. In 1983, the system's generating units consumed 35 million tons of coal.

Mines in Alabama, Kentucky, Indiana, and Illinois provided some 95 percent of the coal delivered to the Southern electric system in 1984. The coal was delivered by rail, barge, truck, and conveyer, with the majority of the fuel being transported by rail.

Given the dominant role that coal plays in the Southern electric system, considerable emphasis is placed on achieving maximum productivity at each of the system's 20 coal-fired facilities. An intensive program designed to reach and maintain optimum levels of performance was initiated systemwide in the mid-1970s. Today, the level of availability these plants have achieved is among the highest in the industry and meets fully the goals management has

A centralized data center serves the data processing needs of the entire system. This sophisticated computer facility — recognized as one of the most advanced in the nation — handles a wide range of assignments at minimum cost.



set. During the period 1978 to 1982, the National Electric Reliability Council (NERC) reported that average operating availability of the nation's coalfired power plants was 81 percent. For that same period, the Southern electric system logged an average availability for its coal-fired plants of 85.5 percent.

In 1984, average operating availability for the system's coal-fired generating units reached 89 percent, sustaining the excellent record achieved in 1983. (Comparative figures for the industry were not available from NERC at the time of publication.) During the year, 48 of the system's coal-fired units attained an availability level of 85 percent or higher, with a significant accomplishment recorded at one of Alabama Power's facilities. For the month of August, all five units at the Barry Electric Generating Plant operated at an availability level of 100 percent establishing a new performance record for the system's coal-fired plants.

### **Nuclear Availability Declines**

After two consecutive years of improved performance, the overall availability of the system's nuclear units decreased in 1984. The units' operating availability averaged 66.9 percent, a decrease of 8.9 percentage points from the 75.8-percent availability record posted in 1983. NERC statistics for 1982, the latest year for which the data are available, indicate that the average availability of the nation's nuclear power plants was 65 percent.

The decline in overall availability of the system's nuclear units was caused in part by extensive work required to replace pipes which circulate cooling water through the reactor core of unit 2 at Georgia Power's Hatch Nuclear Electric Generating Plant. The unit was out of service for approximately eight months so that repairs could be completed. As a result, unit 2 recorded an operating availability of 32.2 percent for 1984 — a significant drop from the 65.9-percent level achieved in 1983. Plant Hatch's unit 1 was out of service from early October through year-end for routine refueling and maintenance. The unit recorded an operating availability of 62.3 percent during the year, compared with 71.3 percent in 1983.

At the system's other operating nuclear facility — Alabama Power's Farley Nuclear Electric Generating Plant — availability for unit 1 increased slightly from 78 percent in 1983 to 78.8 percent in 1984. Unit 2 continued to demonstrate exceptional performance. The unit achieved an operating availability of 94.3 percent for 1984, an increase of 6.4 percentage points from the level set in 1983.

Unit 2 of Plant Farley has set industrywide performance records since it began commercial operation in 1981. Availability during its first year of service set a record among comparable units. In October, 1984, Plant Farley's unit 2 ranked first in the United States and among the top 10 in the world on a widely recognized listing of nuclear plant performance. The listing is prepared by Nuclear Startup Services, Inc., a firm which provides consulting services to the nuclear industry.

### Hydroelectric Generation Decreases

Generation at the system's hydroelectric plants decreased in 1984 because of reduced amounts of rainfall in Alabama and Georgia — where the system's hydroelectric facilities are located. Some seven billion kilowatthours were produced, a 4.2-percent drop from the 7.3 billion kilowatthours generated in 1983.



The system produced and delivered more energy during 1984 than in any other calendar year. Contributing to this growth was a 56-percent increase in sales to neighboring utilities.



### **Energy Usage**





n 1984, the Southern electric system recorded a 12.2-percent increase in energy sales, with usage up in every major customer cate-

gory. Sales totaled 114.5 billion kilowatthours — surpassing all previous records for a calendar year.

### Economic Growth Boosts Requirements for Energy

The greater need for electricity — particularly among industrial and commercial customers — confirmed the continued economic expansion in the service area during 1984.

Industrial requirements for electricity grew 9.7 percent. Some 38.5 billion kilowatthours were sold to these customers during 1984, compared with 35.1 billion kilowatthours in 1983. This is the largest gain in industrial energy usage since 1978.

Use of electricity by business increased 6.7 percent for the year to 20.1 billion kilowatthours. In the prior year, sales to commercial customers totaled 18.9 billion kilowatthours.

In-home consumption of electricity also rose in 1984 — climbing 2.8 percent to 25.3 billion kilowatthours — despite relatively mild temperatures during the summer and fall. Residential energy needs totaled 24.6 billion kilowatthours in 1983.

### Wholesale Sector Registers Gain

Sales to wholesale customers across the four-state area — municipalities and cooperatives with their own electric distribution systems — rose 3.4 percent to 11.2 billion kilowatthours, compared with 10.8 billion kilowatthours in 1983. This was the first increase in sales to wholesale customers in seven years. However, total usage in the category remains below levels reached in the late 1970s reflecting the fact that many wholesale customers — primarily in Georgia — now produce a portion of their energy requirements.

### **Off-System Sales Increase**

The fastest growing segment of total energy sales is off-system power sales — sales covered by contracts with nonaffiliated utilities. These sales reached 18.8 billion kilowatthours — or approximately 16 percent of the system's energy sales for the year. This compares with 12 billion kilowatthours — or 12 percent of sales — in 1983. 1

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The major reason for the gain in off-system sales during 1984 was the initiation of energy deliveries to Gulf States Utilities Company of Beaumont, Texas. In addition, sales continued to five other utilities which operate in Florida and Mississippi. The Southern electric system's sales to other utilities fall into two categories — unit power sales and other long-term sales.

Unit power sales provide for the delivery of power from specific generating units which have been dedicated to these sales. The system's other long-term sales call for the delivery of specific amounts of power over a specified time period, if that power is not needed in the four-state service area.

The Southern electric system's contracts for unit power sales are with Florida Power & Light Company of Miami (FP&L), the Jacksonville Electric Authority (JEA), and Gulf States Utilities. Some 970,000 kilowatts of capacity were purchased under unit power contracts in 1984. Sales are expected to increase to about 2.5 million kilowatts in 1985 and 1986 and to 3.1 million kilowatts from 1987 through May, 1992. Contract amounts then will decrease to some two million kilowatts until mid-1993 and will be substantially less through 1995 when the agreements expire.

Other long-term sales totaled 1.7 million kilowatts at year-end 1984, compared with 1.1 million kilowatts in 1983. These sales were made under contracts with the city of Tallahassee, FP&L, Florida Power Corporation of St. Petersburg, Gulf States Utilities, JEA, and Mississippi Power & Light Company. Purchases are expected to remain at this level in 1985 and will decrease to some 1.6 million kilowatts in 1986, to 450,000 kilowatts in 1987, and to some 400,000 kilowatts from 1988 through 1992.

### Summer Peak Demand Drops; New Winter Peak Recorded in 1985

In addition to overall sales, the other important yardstick of energy usage is peak demand — the highest requirement for electricity measured over a one-hour period.

On January 21, 1985, demand for electricity reached an all-time high for the winter months as temperatures well below freezing blanketed the fourstate service area. The new record of 19,100,000 kilowatts surpassed by 16 percent the previous winter record of 16,447,600 kilowatts established in 1982.

Because of heavy air conditioning usage in the Southeast, however, the greatest peak energy demands on the Southern electric system occur during the summer months. The system's most recent record was set in August, 1983, when electricity demand reached 20,517,600 kilowatts. With the mild weather experienced during the summer of 1984, the highest demand recorded for the year was 19,771,600 kilowatts — some four percent below the 1983 record peak. The system's reserve margin at the time of the 1984 peak was 32 percent.

### **Growth Rates Projected**

Long-term forecasts — which do not include the impact of off-system contracts — indicate that sales of electricity to retail customers across the four-state region will increase at an average annual rate of two percent from 1985 through 1995. Total sales in the service area during this period are expected to grow at a slightly lower rate — 1.9 percent annually — reflecting the fact that many of the system's wholesale customers are producing an increasing portion of their electricity needs. Growth in peak demand in the area served by the Southern electric system is expected to average 2.5 percent a year from 1985 through 1995.

**Residential Energy Sales** (billions of kilowatthours)











#### **New Marketing Strategies Initiated**

In 1984, new marketing strategies were designed to increase retail energy sales by promoting the efficient use of electricity. By 1990, these strategies are expected to result in 15.7 billion kilowatthours of energy sales above the usage projected for the period. The long-term goal is to maximize the productive use of existing generating facilities — thus benefiting customers by spreading fixed costs over a broader base.

An integral part of these marketing efforts is to introduce customers to energy-efficient equipment which demonstrates the value of electricity. Good Çent's Home certification programs lead the way in the energy management programs offered by each of the four operating companies. Employees work with architects, builders, manufacturers, and owners to ensure that new homes and apartments are built to the Good Çent's Home standards of energy efficiency.

The operating companies also are encouraging residential customers to select appliances which make electricity use more economical. A major effort is under way at each company to educate customers about the benefits of the electric heat pump — an appliance which has become increasingly competitive with natural gas for both heating and cooling. (An explanation of how the heat pump operates is featured on this page.)

In addition, the four operating companies are working to increase sales to commercial and industrial customers and to attract new customers to the region. The emphasis is on listening to customer needs and satisfying those needs as efficiently as possible. For example, several of the operating companies are working with industrial customers to develop supplemental energy rates to encourage the use of electricity at off-peak times. Under these rates, energy can be supplied at lower than normal prices provided the customer does not require the energy during times of high demand.

#### Today's Efficient Heat Pump: How It Works

The companies of the Southern electric system must have huge amounts of generating capacity in place to meet peak demands created by air conditioning. If that capacity also is needed to produce electricity in the winter, the companies' generating units can be operated more efficiently and fixed costs can be spread over a larger number of kilowatthours. One of the best ways to maximize the use of the system's generating capacity and offer customers greater value for their energy dollar is to encourage homeowners to install a year-round, one-unit heating and cooling system: the energy-efficient heat pump.

In the winter, heat pumps concentrate the solar warmth that exists in outside air — even on the coldest days — and transfer that heat indoors. During summer, the same unit pumps the heat from inside a structure to the outside environment.

In winter, a heat pump typically works in the following manner: Through pipes that run from a compressor outside a building to a heat exchanger inside, freon or another refrigerant flows back and forth between the compressor and the heat exchanger.

As the freon moves into the compressor, it is a chilled liquid. Then, after absorbing heat from the atmosphere, it evaporates into a gas. The hot gas — above 100 degrees Fahrenheit — rushes back into the heat exchanger which, in turn, warms the surrounding air.

Fans push this hot air through ductwork to the inside of the building. Meanwhile, the freon — having given up its heat — flows outside to the condenser as a chilled liquid to absorb more heat from the air and repeat the cycle.

In the summer, this cycle is reversed.

**Off-System Energy Sales** (billions of kilowatthours)



Total Energy Sales (billions of kilowatthours)



Territorial Peak Demand (millions of kilowatts)



Since the early 1970s, the Southern electric system has reduced the amount of generating capacity under construction by nearly three-fourths. Today, construction is limited to some 5.8 million kilowatts.







he Southern Company and its operating subsidiaries invested \$2.1 billion in 1984 for the continuation of power plant construc-

tion and for building and upgrading transmission and distribution lines, substations, and other facilities. This compares with an investment of \$1.7 billion in 1983.

### New Generating Unit Completed

In February, 1984, unit 2 of the Scherer Electric Generating Plant — a coal-fired facility in central Georgia — began commercial operation. The unit was constructed by Georgia Power under joint ownership agreements with Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia (MEAG), and the city of Dalton. Georgia Power has retained an 8.4-percent interest in unit 2. The first unit at Plant Scherer began commercial operation in 1982. Units 3 and 4 of the plant are scheduled to be brought into service in 1987 and 1989, respectively.

Also in 1984, a new 500-kilovolt transmission line was completed ahead of schedule. The line which stretches from Mississippi Power's Plant Daniel westward to Louisiana — improves the reliability of service to customers of Mississippi Power and provides a key interconnection for energy sales to Gulf States Utilities Company of Beaumont, Texas.

### Joint Ownerships Expanded

Georgia Power finalized negotiations with MEAG in March, 1984, to expand that organization's ownership in the Vogtle Electric Generating Plant, a nuclear facility under construction near Augusta. The sale of an additional five-percent share of the facility increased MEAG's ownership of Plant Vogtle to 22.7 percent.

In October, Georgia Power also completed the sale of a 25-percent interest in unit 3 of Plant Scherer to Gulf Power.

In Alabama, negotiations required by a 1981 order of the Nuclear Regulatory Commission (NRC) have been conducted between Alabama Power and Alabama Electric Cooperative, Inc. (AEC) concerning the sale of approximately six percent of the Farley Nuclear Electric Generating Plant. However, in June, 1984, AEC requested that the NRC impose sanctions against Alabama Power. AEC alleged that Alabama Power violated license conditions relating to the sale of Plant Farley. That request is still pending.

System Construct	ion Projects					
Plant (Type of Fuel/Plant)	Estimated Date of Completion	Generating Capacity Per Unit (in kilowatts)	Total Capacity of Facility at Completion (in kilowatts)	Total Investment in Facility at 12/31/84 (in thousands)	Total Anticipated Cost of Facility (in thousands)	Approximate Percentage Completed at 12/31/84
Alabama Power						
Miller			2,640,000	\$ 934,088	\$2,329,127	
(coal)						
Unit No. 2	1985	660,000				98%
Unit No. 3	1989	660,000				6%
Unit No. 4	1991	660,000				4%
Mitchell Dam			150,0001,2	\$ 192,169 <sup>1</sup>	\$ 218,3201	88%
(hydro)						
Unit No. 5	1985	50,000				
Unit No. 6	1985	50,000				
Unit No. 7	1985	50,000				
Georgia Power						
Bartletts Ferry			108,0001	\$ 63,5601	\$ 93,8641	75%
(hydro)						
Unit No. 5	1985	54,000				
Unit No. 6	1985	54,000				
Goat Rock			106,0001	\$ 8951	\$ 295,1971	•
(hydro)						
Unit No. 7	19953	53,000				
Unit No. 8	19953	53,000				
Rocky Mountain			847,800	\$ 133,271	\$ 894,769	15%
(pumped storage)						
Unit No. 1	19913	282,600				
Unit No. 2	19913	282,600				
Unit No. 3	19913	282,600				
Scherer			1,773,4244,5	\$ 619,0024.5	\$1,922,2694,5	
(coal)						
Unit No. 3	1987	818,0005				60%
Unit No. 4	1989	818,000				6%
Vogtle			1,060,240°	\$1,907,283°	\$3,085,500*	
(nuclear)						
Unit No. 1	1987	530,120°				75%
Unit No. 2	1988	530,120°				45%

\*Fieldwork is scheduled to begin in 1985.

Notes:

(1) Excludes the capacity and investment in existing units at these facilities — units which were placed into service more than 25 years ago.

(2) At the time of completion of these units, existing Unit Nos. 1, 2, and 3, with a combined capacity of 52,500 kilowatts, will be retired. Existing Unit No. 4 will remain in service. As a result, the total capacity of the facility will be 170,000 kilowatts. (3) To provide the company with additional flexibility in its construction schedule, Georgia Power has petitioned the Federal Energy Regulatory Commission for a license extension to 1995 at Goat Rock and 1991 at Rocky Mountain.
(4) Excludes the 91.6-percent interests in Unit Nos. 1 and 2 sold to cooperatives and municipalities in Georgia.
(5) Includes the 25-percent interest in Unit No. 3 owned by Gulf Power.

(6) Excludes the 54.3-percent interests sold to cooperatives and municipalities in Georgia.

### **Construction Budget Outlined**

Although there may be further adjustments to the system's construction program, the operating companies plan to complete the projects already under way. Generating units are under construction at seven sites, with the largest projects scheduled for completion by 1991. In total, these units will add 5.8 million kilowatts of generating capacity to the system.

During 1985, the system expects to bring into operation one coal-fired unit and five hydroelectric units for an additional 865,500 kilowatts of capacity.

The construction budget for 1985 is \$2.5 billion. Construction expenditures are expected to be \$2.5 billion in 1986 and \$2.1 billion in 1987, bringing the total for the three-year period 1985 through 1987 to \$7.1 billion.

### **Funds Raised to Finance Construction**

External sources provided \$855 million or 41 percent of the \$2.1 billion required in 1984 for new construction. Approximately \$1.2 billion — or 59 percent of the funds needed for construction — came from internal and other sources.

### New Common Stock Issued

During 1984, The Southern Company raised \$316 million in new common equity through the sale of more than 20 million additional shares of common stock.

Some \$231 million — almost three-fourths of the equity raised during the year — came from the sale of 15 million shares through the company's Dividend Reinvestment and Stock Purchase Plan. More than 155,000 — or 48 percent — of the company's stockholders were participating in the plan at year-end.

Approximately three million shares of common stock were sold through the Employee Savings Plan and the Employee Stock Ovmership Plan. These sales supplied nearly \$45 million. The remaining two-and-one-half million new shares were sold to the public, with proceeds totaling \$40 million.

### Bonds, Preferred Stock Sold

The operating companies raised additional capital for construction activities during 1984 through the sale of \$150 million of first mortgage bonds and \$50 million of preferred stock. Also, Alabama Power, Georgia Power, and Gulf Power were involved in sales by public authorities of \$732 million of tax-exempt pollution control revenue bonds.

At year-end, the Southern electric system had drawn down \$109 million of the \$469 million in short-term pollution control notes outstanding with commercial banks. The entire \$469 million is expected to be refinanced in 1985 with long-term pollution control bonds. At the close of 1984, temporary cash investments totaled \$822 million.

The company's capital structure at year-end was 53 percent debt, eight percent preferred stock, two percent preferred stock subject to mandatory redemption, and 37 percent common equity.

One of The Southern Company's goals is to raise the percentage of common equity in its capital structure to 40 percent by 1988. Significant progress toward achieving this goal has been made each year since 1979 when common equity was 30.5 percent of capitalization. Further strides in reaching the company's objective will depend on whether the operating companies earn sufficient returns on the equity already invested in the business.

### **1985 Securities Sales Outlined**

Offerings by the operating companies totaling \$760 million are being planned for 1985. And to provide the operating companies with the equity funds required to continue their construction programs, The Southern Company expects to raise approximately \$370 million from the sale of new shares of common stock.

Total Generating Capacity Under Construction (millions of kilowatts)



Management is dedicated to completing Plant Vogtle with the quality assurance necessary to gain regulatory approvals and to operate the plant safely, reliably, and efficiently.



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he Southern electric system's third nuclear power plant is being constructed by Georgia Power — The Southern Company's largest oper-

ating unit — some 40 miles southeast of Augusta. The Vogtle Electric Generating Plant will have two units, each with a capacity of 1,160,000 kilowatts the largest capacity of any units in the system.

Plant Vogtle is being built under joint ownership agreements with Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia, and the city of Dalton. Georgia Power owns the largest share of the plant — 45.7 percent — and will operate the facility when it's completed.

At year-end 1984, units 1 and 2 were approximately 75 percent and 45 percent complete, respectively. Unit 1 is scheduled to begin commercial operation in 1987 with unit 2 planned for service the following year.

### Scope of Project Reviewed

Plant Vogtle is the largest construction project ever in the state of Georgia. Because of the technical demands and dimensions of the project, erecting Plant Vogtle often has been compared to the task of building a small city. The following facts illustrate the mammoth proportions of the undertaking:

More than 10,000 people work at the site.

• The completed facility will contain 650,000 cubic yards of concrete — enough to build a sidewalk from Atlanta to Los Angeles and then north to Canada.

• The structural and support steel inside the plant will weigh 23,000 tons — enough to build 12 office buildings, each 24 stories high.

• Laid end to end, the large pipe used in the plant would reach 105 miles and the small pipe would extend 80 miles.

• Each of Plant Vogtle's cooling towers will stand 550 feet, roughly equal to the height of the Washington Monument or a 55-story skyscraper.

At the end of 1984, much of the heavy construction at Plant Vogtle had been completed — concrete poured, steel supports welded, reactors lowered into position. Two domes, weighing nearly 500 tons each, had been hoisted onto the units' containment buildings by one of the world's largest mobile cranes.

The majority of construction in 1985 will revolve around the installation and fitting of pipes, circuitry, ducts, and other internal components. The critical components are of "nuclear" grade quality — a rating far higher than required for equipment used in standard industrial construction.

### **Licensing Process Outlined**

As construction enters the final stages, a major focal point of the Vogtle project will be a series of hearings before a three-member panel appointed by the Nuclear Regulatory Commission (NRC). The NRC is the federal agency that oversees the operation of nuclear power plants in the United States. Public hearings — expected to begin in late 1985 or early 1986 — will be held by the NRC panel to assure that Plant Vogtle meets strict government standards for safety and reliability and, thus, can be licensed to operate. If the licensing process proceeds on schedule, fuel loading at unit 1 is expected to take place in September, 1986. Georgia Power then would begin low-power testing and move to full-power operation and commercial start up as early as March, 1987.

To help avoid costly delays and to ensure the prompt availability of all information that might be needed during the licensing process, Georgia Power has begun an 18-month pilot program called "Readiness Review." Believed to be a first in the nuclear power industry, Readiness Review calls for engineers from Georgia Power, Southern Company Services, Inc. (SCS) — The Southern Company's engineering and special services subsidiary — and Bechtel Power Corporation to examine the quality of design and construction work in key areas and provide documentation to the NRC on an ongoing basis to ensure that necessary standards are being met.

#### **On-Site Management Emphasized**

Intensive quality assurance efforts also are under way at Plant Vogtle to identify potential problems and prevent them from occurring. To provide day-to-day support of the construction activities, 30 members of the project's top management team moved in early 1984 from Georgia Power headquarters in Atlanta to the plant site. In addition, about 300 engineering specialists from Bechtel, Westinghouse Electric Corporation, Georgia Power, and SCS now work fulltime at Plant Vogtle.

Top management maintains direct involvement in the construction through a project management board which meets monthly on the grounds of the plant. This board — consisting of executives from Georgia Power, the co-owners, and other major suppliers and participants in the project — reviews all major steps in the building process.

The goal of these programs is to make Plant Vogtle an integral part of the energy supply network which serves the Southeast. The Southern electric system has made a major commitment to testing new technologies for protecting the environment. In 1984, research results proved the effectiveness of the baghouse in controlling power plant emissions.

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uring 1984, the Southern electric system initiated several research projects and continued to advance a number of ongoing programs.

These research efforts reflect the system's commitment to minimize the environmental impact of generating electricity and to develop efficient energy technologies for the future.

### **Baghouse Project Expanded**

Environmental research includes expanded testing of a technology for reducing flyash emissions at power plants that burn high-sulfur coal.

Since 1982, researchers from Southern Company Services, Inc. (SCS) — The Southern Company's engineering and special services subsidiary have been experimenting with a baghouse, or fabric filter, at Gulf Power's Scholz Electric Generating Plant. The baghouse works much like a vacuum cleaner. As exhaust gases leave the power plant's boiler, they are filtered through 210 fiber glass bags. Through this process, flyash is trapped in the baghouse and clean gases are released into the atmosphere.

The new technology has proven to be extremely effective, removing 99.99 percent of the flyash. That level of performance is well above the standard set by the Environmental Protection Agency.

During 1984, a second phase of testing was initiated that will continue throughout 1985. In this stage of the experiment, researchers will investigate alternative fabrics and more effective cleaning methods in an attempt to reduce the size and, ultimately, the cost of this particulate control technology.

### System Plans to Co-Sponsor Fluidized Bed Combustion Project

In a related area of research, the Southern electric system has made a commitment — subject to the negotiation of a final contract — to participate in the

development of a fluidized bed combustion boiler. The 160,000-kilowatt boiler, to be built in Paducah, Kentuck y, will be the largest demonstration of this technology in the world.

By injecting air and limestone particles into the boiler cluring the combustion of the fuel, the fluidized bed technology is expected to remove about 90 percent of the sulfur in coal.

Primary co-sponsors of the \$220-million project include the Electric Power Research Institute (EPRI) — the research and development arm of the electric utility industry — the Tennessee Valley Authority, the Department of Energy, Duk? Power Company, and the state of Kentucky.

The development of technologies to reduce sulfur dioxide emissions is a major focus of the system's research efforts.

## Fuel Cells Installed

### In Alabama and Georgia

In September, 1984, system researchers installed a fuel cell power plant at a student center on the University of Alabama campus in Tuscaloosa. The experiment is part of a \$58-million nationwide program sponsored by the Department of Energy and the Gas Research Institute. Work under this program also includes Georgia Power's testing of a 40-kilowatt fuel cell at a hospital in Gainesville, Georgia. Results from these projects will help determine whether fuel cells — already used to provide electric power in spacecraft — are feasible for everyday applications.

### **Research Budget Reviewed**

Research expenditures totaled \$28.3 million during \$1984, including a \$15.3-million contribution to EPRI In 1985, the system expects to spend \$31.5 million onresearch.

Systemwide Research and Development Expenditures (millions of dollars)



### Acid Rain: An Update

cid rain continues to be one of the nation's most complex and intensely debated environmental issues. Because sulfur dioxide

emissions from coal-fired power plants are said to contribute to the formation of acid rain, the issue is of major concern to the Southern electric system.

Through the Electric Power Research Institute (EPRI), the Southern electric system is participating in one of the most extensive research programs in the world on acid rain science and technology. EPRI's five-year budget for this work is nearly \$400 million. System contributions make up approximately five percent of this figure. Studies being funded focus on cloud chemistry; the long-range transport of emissions; the effects of acid rain on lake waters, fisheries, and forests; and advanced technologies for generating electricity from coal.

Complementing the efforts of the electric utility industry is an accelerated research plan by the tederal government. A timetable covering the period between now and 1989 has been set for gathering specific data needed to help guide the development of a cost-effective national policy on this issue.

Although critical questions are yet to be answered, scientific knowledge about acid rain broadened during 1984. Following are key points which outline the current state of understanding:

• Some lakes in the northeastern United States and eastern Canada are acidic and do not support desirable fish populations. However, a major study completed in 1984 concluded that no single factor is responsible for lake acidification. The interaction of the atmosphere, climate, geology, soil, and vegetation — among other factors — must be considered at each individual lake.

• An evaluation of data collected since the 1930s on lakes in the Northeast shows no discernible trend of change in lake acidity. As many lakes have decreased in acidity as have increased, with the majority of the lakes remaining unchanged over the past 50 years. • In studies of watersheds where fish kills and spinal deformities of fish have occurred, acid rain was *not* found to be the likely cause. Other factors, including natural watershed processes, appear to present more valid explanations.

• The acidity of rainfall in the eastern United States is essentially unchanged over the past five years. In fact, at a majority of monitoring stations, the acidity of precipitation appears to have decreased slightly in 1982 and 1983.

• There's no conclusive evidence of widespread crop damage resulting from acid rain.

• A decline in the growth rate of trees and a dieback of spruce and fir forests on a number of mountaintops have been observed. However, acid rain has *not* been proven to be the cause. Air pollution in general is thought to play a role in these problems. Nitrogen oxides and hydrocarbons from motor vehicles react to form ozone which may be the primary factor.

The Southern electric system cites these findings as evidence that additional research is needed to ensure that proper, cost-effective solutions are found and to demonstrate there is sufficient time to conduct this research. Although Congress did not enact any of the acid rain control legislation proposed in 1984, a law requiring emission reductions could be passed within the next two years. None of the legislation being considered offers any assurance that the desired environmental benefits would be achieved, yet the costs would be tremendous. For example, one widely discussed proposal would result in an additional \$7.9 billion in capital costs for the Southern electric system alone by 1993 - the first year of compliance. The increase in electric bills at that time would average 20 to 25 percent.

As research continues and more information becomes available, the system will take any additional steps that are justified to help ensure the quality of the environment.

Acid Rain Research Expenditures\* (millions of dollars)



\*Based on projections from the Electric Power Research Institute that include industry expenditures planned for research on acid rain science and technology. E.

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

The company maintains a system of internal accounting control to provide reasonable assurance that assets are safeguarded and that books and records reflect only authorized transactions of the company. Limitations exist in any system of internal control, however, based on a recognition that the cost of the system should not exceed its benefits. The company believes its system of internal accounting control, together with its internal auditing function, maintains an appropriate cost/benefit relationship.

The independent public accountants provide an objective assessment of how well management meets its responsibility for fair financial reporting. They regularly review 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 audit committee of the board of directors, composed of four directors who are not employees, provides a broad overview of management's financial reporting and control functions. Periodically, this committee meets with management, the internal auditors, and the independent public accountants to ensure that these groups are fulfilling their obligations and to discuss auditing, internal control, and financial reporting matters. The internal auditors and independent public accountants have access to the members of the audit committee at any time.

Management believes that its policies and procedures provide reasonable assurance that the company's operations are conducted with a high standard of business ethics. In management's opinion, the consolidated financial statements present fairly the financial position, results of operations, and sources of funds for gross property additions of The Southern Company and its subsidiaries.

### 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, 1984 and 1983, and the related consolidated 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, 1984. 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 opinion, the financial statements (pages 32-49) referred to above present fairly the financial position of The Southern Company and subsidiary companies as of December 31, 1984 and 1983, 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, which, except for the change, with which we concur, in the method of recording revenues by two of the subsidiaries as described in Note 1, were applied on a consistent basis.

### Arthur Andersen & Co.

Atlanta, Georgia, March 6, 1985.

#### **Results of Operations**

The Southern Company's earnings showed marked improvement in each of the past three years, primarily the result of rate increases, growth in energy sales, and a stringent cost-control program coupled with the easing of inflationary pressures.

### Net Income

Consolidated net income for 1984 totaled \$720 million, an increase of 22 percent from 1983, which, in turn, was 25 percent higher than in 1982. Earnings per share of common stock also continued to climb, although the percentage increase was smaller in comparison to net income due to the greater average number of shares outstanding during each successive period. Earnings per share amounted to \$3.00 in 1984, \$2.70 in 1983, and \$2.38 in 1982. Increases over the prior year were 11 percent, 13 percent, and 31 percent, respectively. Earnings for each year were affected by special factors. In 1984, earnings were increased by nine cents per share (some \$21 million) from the sale of an additional five-percent interest in Georgia Power's Plant Vogtle. Earnings in 1983 and 1982 were increased by five cents per share (\$11.8 million) and 12 cents per share (\$23.5 million), respectively, as a result of a change in the method of recording revenues from a cycle billing basis to accrual of unbilled revenues by Mississippi Power and Georgia Power. See Note 1 to the financial statements. In addition, 1983 earnings were reduced by five cents per share (\$11.1 million) because of the refund of revenues billed subject to refund in prior years by Mississippi Power.

#### Revenues

Operating revenues increased in each of the three years due to rate increases, higher energy sales, and recovery of increased fuel and purchased power costs through fuel and purchased power provisions contained in rate schedules. The economic recovery that began in 1983 accelerated into a period of economic expansion in 1984 — resulting in greater energy sales to retail customers, particularly in the commercial and industrial sectors. However, the most significant growth in energy sales was in sales to off-system utilities. The increases in this category during each of the past three years are because of energy sales under two types of long-term contracts, one of which represents the sale of capacity and energy from specific fossil generating units (unit power sales). The other type (other long-term sales) represents capacity and energy from system fossil units for sales which call for the delivery of specific amounts of power over a specified time period, if that power is not needed in the four-state service area. Revenues derived from sales under these contracts for the past three years are as follows:

Year	Unit Power	Other Long-Term	Total
		(in thousands)	
1984	\$368.736	\$406,525	\$775,261
1983	251,392	253,768	505,160
1982	-	275,552	275,552

Unit power sales — some 970,000 kilowatts of capacity in 1984 — increase to approximately 2.5 million kilowatts in 1985 and 1986 and to 3.1 million kilowatts from 1987 through May, 1992. Thereafter, the capacity sales decline to some 2.0 million kilowatts through mid-1993, with substantial reductions for the last half of 1993 and for 1994 and 1995. This capacity is being sold to Florida Power & Light Company, Jacksonville Electric Authority, and — beginning in 1985 — to Gulf States Utilities Company. The other long-term power sales — 1.7 million kilowatts of capacity at year-end 1984 through 1985 — will reduce to some 1.6 million kilowatts in 1986, to 450,000 kilowatts in 1987, and to approximately 400,000 kilowatts from 1988 through mid-1992. This capacity is being sold under separate contracts to Florida Power Corporation, Florida Power & Light Company, Jacksonville Electric Authority, Gulf States Utilities Company, Mississippi Power & Light Company, and the city of Tallahassee, Florida.

The average revenue per kilowatthour for total sales has continued to climb, up from 5.04 cents in 1982, to 5.27 cents in 1983, and to 5.31 cents in 1984, due to the effect of rate increases and the recovery of higher fuel and purchased power costs.

### Expenses

Operation expenses rose during each of the past three years because of higher prices paid for fuel in 1984 and 1982, greater fuel generation in 1984 and 1983, increased levels of purchased power in each year, and the escalating costs of other operation expenses. The cost of fuel per net kilowatthour generated dropped from 1.93 cents in 1982 to 1.90 cents in 1983, but increased to 1.95 cents in 1984. Greater demand for energy in each of the past three years was met by an increase in total generation and additional purchased power. Georgia Power is contractually obligated to buy back declining amounts of energy from its joint owners in certain generating plants for a specified period following commercial operation of the facilities. Plant Scherer Unit No. 2 began commercial operation in February, 1984, and

the buy backs from this unit contributed significantly to increased purchased power expenses in 1984. The increases in other operation and maintenance expenses are attributable to various factors, including additional facilities and, to a lesser degree than in previous years, inflation.

#### Allowance for Funds

### Used During Construction (AFUDC)

AFUDC represents the cost of capital charged to utility plant that is under construction and not included in rate base. The equity portion of this credit represents noncash income. However, the normalization of the income tax effect of the debt portion results in a noncash charge. In addition, previously capitalized amounts increase current cash flow significantly since revenues are higher because of the increased rate base and additional depreciation expense. AFUDC (net of income taxes), as a percent of net income, was 43.9 in 1984, compared to 37.0 in 1983 and 32.5 in 1982. This ratio has risen each period because of increases in construction work in progress resulting from the lengthy construction periods and the large amounts of capital required to build new generating facilities.

### Effects of Inflation

Although the rate of inflation declined in the past three years, the high levels of inflation encountered in prior years continue to have a significant impact on the Southern electric system. Regulated utilities typically have been affected more severely by inflation than other industries because regulatory commissions have not always allowed sufficient revenues to keep pace with higher costs and provide adequate returns on the large investment — some 85 percent of

Revenues from Off-System Energy Sales (millions of dollars)



Unit Power Other Long-Term







total assets — in utility plant. See Note 14 to the financial statements for supplementary information about the estimated effects of inflation.

#### Future Earnings Potential

Although the results of operations for each of the past three years have shown considerable improvement compared to prior periods, the improvements are not necessarily indicative of future earnings potential. It is expected that higher operating costs and carrying charges on the increased investment in plant — if not offset by increases in revenues (by either periodic rate increases, growth in energy sales, or a combination of both) — will adversely affect future earnings. Future increases in sales will be subject to a number of factors, including the volume of energy sales to neighboring utilities, energy conservation practiced by customers, the elasticity of demand, weather, and the rate of economic growth in the system service area.

In addition, the level of future earnings is contingent upon the successful completion of the Southern electric system's construction program, especially Georgia Power's Plant Vogtle, a jointly owned nuclear facility. See Note 3 to the financial statements for information regarding legislation concerning the "phase in" of Plant Vogtle into rate base.

### **Financial Condition**

The principal changes in the company's financial condition in 1984 were additions of \$2.1 billion to utility plant, the sale of an additional five-percent interest in Plant Vogtle — with a net book value of \$181 million — and the receipt of \$855 million in net funds provided from financings. Internal and other sources provided approximately 59 percent of funds for gross property additions, principally from the sale of utility property, retained earnings, and noncash charges to income such as depreciation, deferred investment tax credits, and deferred income taxes. The remaining funds (41 percent) were from the sale of common and preferred stock, first mortgage bonds, and proceeds from pollution control obligations. See the Consolidated Statements of Sources of Funds for Gross Property Additions.

### **Capital Structure**

As a result of the stronger financial performance during each of the past three years, the company continued to progress toward its long-term goal of increasing common equity as a percent of total capitalization. At year-end, this ratio reached 37.2 percent, compared to 31.5 percent at the end of 1981. Correspondingly, the ratio of long-term debt fell from 58.0 percent in 1981 to 53.2 percent in 1984. However, the cost of the 1984 sales of long-term debt and preferred stock exceeded the historical embedded cost. During 1984, the operating subsidiaries sold \$150 million of first mortgage bonds and, through public authorities, \$732 million of pollution control bonds, at a combined weighted interest rate of 12.1 percent. This compares to a 9.43-percent composite interest rate on first mortgage and pollution control bonds at the end of 1981. Other sales during the year were \$50 million of adjustable rate preferred stock (11.2 percent at December 31, 1984) by Georgia Power and \$316 million of common stock by The Southern Company.

Market-to-Book Value Ratios (percent)







 Employee Stock Plans
 Dividend Reinvestment and Stock Purchase Plan
 Public At the close of 1984, the company's common stock had a market value of \$18.875 per share, compared to a book value of \$18.55 per share. The market-to-book value ratio at year-end was 102 percent, compared to 93 percent at year-end 1983 and 1982, and significantly above the 73-percent ratio at the end of 1981. Continued efforts will be made to improve operating efficiency as well as to aggressively pursue fair and adequate rate increases when necessary to maintain a competitive position in the marketplace.

#### Capital Requirements

The construction program of the Southern electric system is estimated to require \$7.1 billion for the three years 1985 through 1987. However, plans for new facilities are subject to costly revision and delay because of factors such as the granting of timely and adequate rate increases, new cost estimates, revised load projections, design changes in nuclear plants to meet changing requirements, unforeseen nuclear plant licensing requirements, changes in environmental requirements, and the availability and cost of capital. (As a result of changing conditions during the past several years, Georgia Power has sold undivided interests in certain power plants as well as transmission facilities, and the system companies have contracted to sell substantial amounts of capacity and energy from coal-fired units as discussed under "Revenues" above.)

The Southern Company and its subsidiaries plan to obtain the funds required for construction from similar sources and in comparable amounts to those used in the past. However, the type and timing of financings will depend on market conditions, maintenance of adequate earnings, and regulatory approval.

A substantial portion of the Southern electric system's construction program for the next four years will be dedicated to the completion of Georgia Power's Plant Vogtle. Plant Vogtle consists of two nuclear generating units with planned commercial operation dates of March, 1987, and September, 1988, for Unit Nos. 1 and 2, respectively. At December 31, 1984, Unit No. 1 was approximately 75 percent complete and Unit No. 2 was approximately 45 percent complete. Actual construction expenditures through the end of 1984 (including AFUDC) applicable to Georgia Power's 45.7-percent ownership interest were \$1.6 billion for Unit No. 1 and common facilities and \$313 million for Unit No. 2. Georgia Power's portion of the total estimated construction costs of the plant at completion (including AFUDC) is estimated to be \$2.3 billion for Unit No. 1 and common facilities and \$823 million for Unit No. 2.

It will be necessary for Georgia Power to finance part of its construction program through the issuance of preferred stock and long-term debt. Georgia Power must receive approval of the Georgia Public Service Commission and the Securities and Exchange Commission before issuing such securities. See "Financing" in Note 3 to the financial statements for further information on Georgia Power's financing applications.



In addition to the funds needed for the construction program, approximately \$389 million will be required by the end of 1987 for present sinking fund requirements and maturities of long-term debt.

The capital requirements of recent years have necessitated the sale of common stock at prices below book value. The market price has been adversely affected by the continuing need to raise additional capital to complete long-term construction projects, the lack of a current cash return on the investment in projects under construction, inflation, and regulatory lag in granting rate increases. While the negative impact of selling common stock below book value is recognized, it is management's opinion that the consequences of the only alternative - delaying or canceling major construction projects - would be far more detrimental to existing stockholders and ultimately to customers. The extent and effect of the resulting dilution are not expected to affect the company's business, including future financing plans or capabilities and pending construction projects of its operating affiliates.

The U. S. Treasury Department has proposed tax legislation that would greatly curtail accelerated depreciation and investment tax credits. Although the Treasury proposal is expected to be substantially altered during the legislative process, any decrease in the availability of these two items would require the Southern electric system to obtain funds from other sources, primarily the capital markets.

To meet short-term cash needs and contingencies, the system companies had, at the beginning of 1985, approximately \$878 million of cash and temporary cash investments and \$2.2 billion of unused credit arrangements with banks. In order to issue additional long-term debt and preferred stock, the operating subsidiaries must comply with certain earnings coverage requirements designated in their mortgage indentures and corporate charters. These coverages were, at the end of the respective years, as follows:

	Mortgage Coverage (2.00 Required)		Charter Coverage (1.50 Required	
	1984	1983	1984	1983
Alabama Power	3.30	3.33	1.77	1.77
Georgia Power	2.51	2.40	1.77	1.80
Gulf Power	3.01	2.90	1.80	1.78
Mississippi Power	3.97	3.72	2.18	2.04

The ability to maintain these coverages and to generate sufficient amounts of internal funds for construction depends upon the receipt of timely rate increases that allow an adequate return for investors and offset the rising costs caused by additions to utility plant, inflation, and other factors. Should The Southern Company and the subsidiary companies be unable to obtain sufficient funds from external sources which — together with internally generated funds — would be adequate to continue construction, delays and possible cancellations may prove necessary. Delays in construction projects could result in significant additional costs.



Territorial Peak Hour Demand





### **Consolidated Statements of Income**

For the Years Ended December 31, 1984, 1983, and 1982 The Southern Company and Subsidiary Companies

	1984	1983	1982
		(in thousands)	
Operating Revenues (Note 1)	\$6,123,985	\$5,418,043	\$4,927,183
Operating Expenses:			
Operation -			
Fuel	2,152,830	1,900,084	1,810,947
Purchased and intermanged power, net	351,450	164,548	155,189
Other	821,821	740,776	641,447
Maintenance	483,126	418,148	391,404
Depreciation and amortization	429,404	407,072	391,185
Taxes other than income taxes	276,690	249,747	234,581
Federal and state income taxes	561,191	519,057	416,440
Total operating expenses	5,076,512	4,399,432	4,041,193
Operating Income	1,047,473	1,018,611	885,990
Allowance for equity funds used during construction	211 583	145.833	92,707
Interest income	59.634	60.150	69,191
Other net (Note 4)	46.310	(7.633)	2,906
Income taxes applicable to other income	(41.847)	(19,793)	(28,814)
Income Before Interest Charges	1,323,153	1,197,168	1,021,980
Interest Charges and Preferred Dividends:			
Interest on long-term debt	660,996	624,283	576,807
Allowance for debt funds used during construction	(198,937)	(141,272)	(118,277)
Interest on notes pavable	16,097	1,261	6,221
Amortization of debt discount, premium, and expense, net	2,461	2,308	2,080
Other interest charges	14,826	11,732	9,951
Preferred dividends of subsidiary companies	108,041	104,189	95,876
Net interest charges and preferred dividends	603,484	602,501	572,658
Consolidated income before refund of retail revenues billed			
subject to refund in prior years and cumulative effect of a			
change in method of recording revenues	719,669	594,667	449,322
Refund of retail revenues billed subject to refund in prior		(11 140)	
years — less income taxes of \$10,367,000 (Note 2)	-	(11,140)	-
Cumulative effect as of January 1 of accruing unbilled			
revenues — less income taxes of \$0,320,000 in 1983 and		6 700	23 000
Specificated Net Income as reported	\$ 710.660	\$ 500 326	\$ 472 331
- pro forma (Note 1)	\$ 719,669	\$ 583.527	\$ 449,401
	5 717,007		
· · · · · · · · · · · · · · · · · · ·			
Average Number of Shares of Common Stock		210 554	109 900
Outstanding (in thousands)	239,784	210,550	190,000
Earnings Per Share of Common Stock:			
Before cumulative effect of a change in method of	62.00	\$2.67	\$2.26
Cumulative effect of actruing unbilled revenues	\$3.00	0.03	0.12
Culturative effect of accruing unbilled revenues		63.70	62.20
Iotal Larnings Per Share of Common Stock — as reported	\$3.00	\$2.70	\$2.38
- pro forma (Note 1	53.00	\$2.07 \$1.721/	\$2.20 \$1.44
Cash Dividends Faid Fer Share of Common Stock	31.85	D1.12/2	D1.00

The accompanying notes are an integral part of these statements.

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### Consolidated Statements of Sources Of Funds for Gross Property Additions

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For the Years Ended December 31, 1984, 1983, and 1982 The Southern Company and Subsidiary Companies

	1984	1983	1982
		(in thousands)	
Funds from Operations:			
Consolidated net income	\$ 719,669	\$ 590,326	\$ 472,331
Add (deduct) principal noncash items -			
Depreciation and amortization	567,034	510,240	500,441
Deferred income taxes, net	237,371	288,501	210,170
Deferred investment tax credits	242,989	195,057	205,591
Allowance for equity funds used during construction	(211,583)	(145,833)	(92,707)
	1,555,480	1,438,291	1,295,826
Less dividends on common stock	436,007	374,371	327,723
Net funds provided from operations	1,119,473	1,063,920	968,103
Funds from Financings:			
Common stock —			
Public offerings	40,303	78,893	43,974
Dividend reinvestment and stock purchase plan	231,288	198,170	152,736
Employee savings plan	35,258	23,907	19,957
Employee stock ownership plan	9,213	22,320	22,517
	316,062	323,290	239,184
First mortgage bonds	150,000	125,000	275,000
Bonds retired, reacquired, or refunded at maturity	(60,658)	(41,146)	(56,388)
Preferred stock	50,000	50,000	75,000
Preferred stock reacquired	(5,329)	(10,186)	(3,089)
Proceeds from pollution control obligations, net	364,535	57,005	131,023
Pollution control bond anticipation notes payable	109,356	-	-
Increase (decrease) in other long-term debt	(68,479)	89,478	(48,224)
Net funds provided from financings	855,487	593,441	612,506
Funds from Other Sources:			
Decrease (increase) in temporary cash investments	(283,173)	95,211	(124,759)
Decrease (increase) in other net current assets			
(excluding notes payable and long-term debt and			
preferred stock due within one year)	167,103	(69,491)	22,826
Sales of property, net book value	181,330	_	19,562
Other, net (including allowance for equity funds			
used during construction)	60,230	23,359	(7,709)
Net funds provided from other sources	125,490	49,079	(90,080)
Gross Property Additions (including allowance for funds			
used during construction in the amounts of \$317,935,000			
in 1984, \$219,643,000 in 1983, and \$154,255,000 in 1982)	\$2,100,450	\$1,706,440	\$1,490,529

The accompanying notes are an integral part of these statements.

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### **Consolidated Balance Sheets**

At December 31, 1984 and 1983

The Southern Company and Subsidiary Companies

Accole	1984	1983
A39015	(in thousands)	
Utility Plant:		
Plant in service, at original cost	\$13,927,029	\$13,164,920
Less accumulated provision for depreciation	3,950,212	3,576,884
	9,976,817	9,588,036
Nuclear fuel, at amortized cost	455,274	421,955
Construction work in progress	3,820,286	2,903,314
Total	14,252,377	12,913,305
Less property-related accumulated deferred income taxes (Note 1)	1,759,016	1,558,271
Total	12,493,361	11,355,034
Other Property and Investments (Principally nonutility property, net)	31,499	11,473
Current Assets:		
Cash	55,872	46,403
Temporary cash investments, at cost which approximates market	821,966	538,793
Receivables, less accumulated provisions for uncollectible accounts of		
\$7,700,000 in 1984 and \$4,395,000 in 1983	599,309	551,992
Accrued utility revenues	75,649	96,093
Fossil fuel stock, at average cost	629,303	601,137
Materials and supplies, at average cost	162,681	128,978
Prepayments	17,511	34,119
Vacation pay deferred	49,626	47,710
Total	2,411,917	2,045,225
Deferred Charges:		
Deferred cost of canceled plant	-	855
Debt expense, being amortized	22,478	20,377
Miscellaneous	44,705	42,424
Total	67,183	63,656
Total Assets	\$15,003,960	\$13,475,388

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The accompanying notes are an integral part of these balance sheets.

Capitalization and Liabilities	1984	1983
	(in tho	usands)
Capitalization (See accompanying statements):		
Common stock equity	\$ 4,639,227	\$ 4,041,577
Preferred stock	1,001,820	951,820
Preferred stock subject to mandatory redemption	194,224	201,784
Long-term debt	6,638,085	6,293,732
Total	12,473,356	11,488,913
Current Liabilities:		
Preferred stock sinking fund requirement	5,229	2,998
Long-term debt due within one year	153,153	126,633
Pollution control bond anticipation notes payable	109,356	-
Revenues to be refunded	_	13,175
Accounts payable	579,461	439,331
Nuclear fuel disposal fee	61,502	3,544
Customer deposits	80,200	73,320
Taxes accrued —		
Federal and state income	112,078	104,168
Other	86,910	83,863
Interest accrued	202,589	175,372
Vacation pay accrued	56,692	54,232
Miscellaneous	88,271	70,076
Total	1,535,441	1,146,712
Deferred Credits and Other Liabilities:		
Accumulated deferred investment tax credits	947,977	748,150
Nuclear fuel disposal fee	-	54,984
Miscellaneous	47,186	36,629
Total	995,163	839,763
Commitments and Contingent Matters (Notes 3, 4, 9, and 10)		
Total Capitalization and Liabilities	\$15,003,960	\$13,475,388

The accompanying notes are an integral part of these balance sheets.

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### **Consolidated Statements of Capitalization**

At December 31, 1984 and 1983

The Southern Company and Subsidiary Companies

	1984	1983	1984	1983
	(in tho	(percent	of total)	
Common Stock Equity:				
Common stock, par value \$5 per share— Authorized — 375,000,000 shares; Outstanding — 1984: 250,051,627 shares;				
1983: 229 589 500 shares (a)	\$ 1.250.258	\$ 1,147,948		
Amount paid in for common stock in excess of par value	1,978,458	1,764,706		
Premium or preferred stock	5,755	5,509		
Earnings retained in the business (Note 11)	1,404,756	1,123,414		
Total common stock equity	4,639,227	4,041,577	37.2%	35.2%
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 to \$2.56	100,000	100,000		
\$3.44	75,000	75,000		
15.68%	40,000	40,000		
Adjustable rate (11.20% at 12/31/84)	50,000	-		
Adjustable rate (11.84% at 12/31/84)	50,000	50,000		
Total (annual dividend requirement - \$87,882,000)	1,001,820	951,820	8.0	8.3
Cumulative Preferred Stock of Subsidiaries Subject to Mandatory Redemption:				
\$100 par value —	(0.301	71 152		
10.20% to 11.36%	08,203	/1,152		
\$25 stated value, Class A —	56 250	58 630		
52.75 \$2.76	75 000	75,000		
	100 453	204 782		
I otal (annual dividend requirement $-524,844,000$ )	199,453	204,782		
Less amount due within one year (Note 6)	5,229	2,790	1.6	17
I otal excluding amount due within one year	194,224	201,784	1.6	1./

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		1984	1983	1984	1983
		(in thousands)		(percent	of total)
Long-Term Debt:					
First mortgage bonds of subsid	diaries —				
Maturity	Interest Rates				
1984	31/8 % to 31/4 %	-	37,915		
1985	31/8 %	11,988	11,988		
1985	31/2 %	15,000	15,000		
1986	3% % to 3% %	29,725	29,725		
1987	4% % to 8% %	104,179	104,179		
1988	3% % to 4% %	55,000	55,000		
1989	181/4 %	98,000	99,000		
1989	43/4 % to 51/8 %	30,823	30,823		
1990 through 1994	4%% to 17%%	450,284	455,193		
1995 through 1999	43/4 % to 85/8 %	458,526	458,526		
2000 through 2004	7% % to 11% %	1,669,205	1,679,289		
2005 through 2009	81/8 % to 111/4 %	1,300,968	1,300,968		
2010 through 2014	12% % to 17% %	1,187,000	1,043,750		
Total first mortgage bonds		5,410,698	5,321,356		
Other long-term debt (Note 7	)	1,442,904	1,146,848		
Unamortized debt premium (	discount), net	(62,364)	(47,839)		
Total long-term debt (annual	interest				
requirement - \$741,863,00	00)	6,791,238	6,420,365		
Less amount due within one y	year (Note 8)	153,153	126,633		
Long-term debt excluding am	ount due within one year	6,638,085	6,293,732	53.2	54.8
Total Capitalization		\$12,473,356	\$11,488,913	100.0%	100.0%

(a) At December 31, 1984, a total of 13,491,385 shares was reserved for issuance pursuant to the Dividend Reinvestment and Stock Purchase Plan and the Employee Savings Plan.

The accompanying notes are an integral part of these statements.

### Consolidated Statements Of Earnings Retained in the Business

For the Years Ended December 31, 1984, 1983, and 1982 The Southern Company and Subsidiary Companies

	1984	1983	1982
Palance at heatinging of gastad	£1 133 414	(in thousands)	6 767 029
Consolidated net income	51,123,414 719,669	5 909,189 590,326	\$ 767,938 472,331
Cash dividends on common stock (\$1.83 per share in 1984, \$1.72½ per share	1,843,083	1,499,515	1,240,269
in 1983, and \$1.66 per chare in 1982)	436,007	374,371	327,723
Capital stock issuance expense	2,320	1,730	3,357
Balance at end of period (Note 11)	\$1,404,756	\$1,123,414	\$ 909,189

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### Consolidated Statements of Amount Paid in For Common Stock in Excess of Par Value

For the Years Ended December 31, 1984, 1983, and 1982 The Southern Company and Subsidiary Companies

	1984	1983	1982
Balance at beginning of period	\$1,764,706	(in thousands) \$1,545,245	\$1,395,395
Proceeds from sales of common stock over the par value thereof - 20,462,127 shares in 1984,			
20,765,675 shares in 1983, and 17,866,902 shares in 1982	213,752	219,461	149,850
Balance at end of period	\$1,978,458	\$1,764,706	\$1,545,245

The accompanying notes are an integral part of these statements.

### Notes to Financial Statements

December 31, 1984, 1983, and 1982 The Southern Company and Subsidiary Companies

### 1. Summary of Significant Accounting Policies: General

The Southern Company is the parent company of four operating companies, a system service company, and Southern Electric International, Inc. (SEI). The operating companies provide electric service in four southeastern states. Contracts among the companies dealing with jointly owned generating facilities, interconnecting transmission lines, and the exchange of electric power — are regulated 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 companies. SEI markets to utilities and industrial concerns the technical expertise of the Southern electric system in planning and operating electric power facilities.

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

All material intercompany items have been eliminated in consolidation. Consolidated retained earnings at December 31, 1984, include \$1,130,714,000 of undistributed retained earnings of subsidiaries.

#### Revenues

Alabama Power recognizes revenues concurrent with billings to customers on a cycle billing basis. Gulf Power, in 1975, Georgia Power, in 1982, and Mississippi Power, in 1983, began accruing for service rendered but unbilled at the end of each fiscal period to match more closely revenues and expenses. The effect of this change in the method of recording revenues by Mississippi Power and Georgia Power was to increase 1983 and 1982 income by \$4,987,000 and \$498,000, respectively, before the cumulative effect for prior periods. The cumulative effect of these changes and pro forma effect on prior periods, assuming the changes had been applied retroactively, are shown in the Consolidated Statements of Income.

#### Fuel Costs

Fuel costs are expensed as the fuel is used. The operating companies' electric rates include provisions to adjust billings for fluctuations in fuel and purchased power costs. Revenues are adjusted for differences between recoverable fuel costs and amounts actually recovered in current rates.

Fuel expense includes the amortization of the cost of nuclear fuel and a charge, based on nuclear generation, for the permanent disposal of spent nuclear fuel by the United States Department of Energy (DOE). The total charges for nuclear fuel included in fuel expense amounted to \$113,492,000 in 1984, \$79,707,000 in 1983, and \$77,675,000 in 1982. Alabama Power and Georgia Power have signed contracts with DOE that provide for the permanent disposal of spent nuclear fuel which is scheduled to begin in 1998. Pending permanent disposition of the spent fuel, sufficient storage capacity currently is available through the year 2001 at Plant Hatch and into 2007 and 2010 at Plant Farley Unit Nos. 1 and 2, respectively. Storage capacity for spent fuel will be available at Plant Vogtle through the year 2003.

### **Utility** Plant

Utility plant is stated at original cost. This cost includes appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the estimated cost of funds used during construction. The cost of maintenance, repairs, and replacement of minor items of property is charged to maintenance expense. The cost of replacements of property (exclusive of minor items of property) is charged to utility plant.

## Allowance for Funds Used During Construction (AFUDC)

This allowance represents the estimated debt and equity costs of capital funds which are necessary to finance the construction of new facilities. The composite rates used by the companies to calculate AFUDC during the years 1982 through 1984 ranged from a gross rate of 9.69 percent to 11.72 percent for Gulf Power and Mississippi Power and from a net-ofincome-tax rate of 8.40 percent to 9.55 percent for Alabama Power and Georgia Power. AFUDC, net of income tax, as a percent of consolidated net income was 43.9 in 1984, 37.0 in 1983, and 32.5 in 1982.

### 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 1984 and 1983 and 3.6 percent in 1982. Depreciation includes a factor to provide for the expected costs of decommissioning nuclear facilities. This factor is based on an estimated decommissioning cost of approximately \$32 million per unit for Georgia Power's ownership interest in Plant Hatch and some \$45 million per unit for Alabama Power's Plant Farley Unit Nos. 1 and 2. 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 two canceled plants were amortized over five-year periods. This amortization amounted to \$855,000 in 1984, \$1,446,000 in 1983, and \$7,750,000 in 1982. Both canceled plants were fully amortized at the end of 1984.

#### Income Taxes

The companies provide deferred income taxes for all income tax timing differences. Investment tax credits are deferred and amortized over the average lives of the related property. Provisions for property-related deferred income taxes reflect consumption of part of the value of the plant and equipment to which they relate. Consequently, the related accumulated deferred income taxes are a valuation reserve which is deducted from the plant investment in the Consolidated Balance Sheets. Other deferred income taxes are included in taxes accrued. See Note 5 for further information regarding income taxes. Pension and Other Post-Retirement Benefits The companies have defined benefit, trusteed, and noncontributory pension plans which cover substantially all regular employees. The policy of the companies is to fund each year's accrued pension cost as determined using the "entry age normal method with frozen initial liability" actuarial cost method. Certain actuarial assumptions used in determining the annual plan costs and contributions were changed in 1984. The most significant changes were an increase in the assumed rate of return on plan assets (from five percent to seven percent) and an increase in the assumed annual rate of salary increases (from four percent to six percent). These changes resulted in a net decrease of \$224,582,000 in the accrued unfunded liability for the plans and a reduction of \$31,817,000 in the 1984 contributions to the plans. Accrued pension costs amounted to \$71,569,000 in 1984. \$95,326,000 in 1983, and \$84,504,000 in 1982. Of these amounts, \$40,496,000 in 1984, \$58,501,000 in 1983, and \$55,146,000 in 1982 were charged to operating expenses, and the balance was charged to construction and other accounts. Also, Mississippi Power, in 1983, and Georgia Power, in 1984, incurred additional costs of \$5,927,000 and \$13,006,000, respectively, to pay retirees under a onetime early retirement program. Accumulated pension benefit information as of the valuation dates (January 1 of each year) follows:

		1984	1983		
	(in thousands)				
Actuarial present value of accumulated plan benefits— Vested Nonvested		584,055 7,932	\$519,709 10,229		
Total	\$	591,987	\$529,938		
Weighted average rates o. eturn assumed in determining actuarial present value of accumulated plan benefits		89	6 89		
Net assets available for benefits	\$	1,017,498	\$820,725		

The actuarial present value of accumulated plan benefits was determined on the basis of accrued benefits as of January 1 of the respective years, whereas the plans are funded based on the premise that the plans will continue in existence, which requires that future events be considered.

The system companies also provide certain health-care and life insurance benefits for retired employees. Substantially all employees may become eligible for these benefits when they reach normal retirement age while still working for a system company. The costs of such benefits are recognized as the payments are made during the post-retirement period. During 1984, the cost of providing such benefits was \$5,270,000, of which \$4,424,000 was charged to operations and the remainder to construction and other accounts.

### Vacation Pay

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The operating companies' employees earn vacation in one year and take it in the subsequent year. However, for ratemaking purposes, vacation pay is recognized as an allowable expense only when paid. Consistent with this ratemaking treatment, the companies accrue a current liability for earned vacation pay and record a current asset representing the future recoverability of this cost. Such amounts were \$49,626,000 and \$47,710,000 at December 31, 1984, and 1983, respectively. In 1985, an estimated 64 percent of the cost of vacation pay will be expensed, and the balance will be charged to construction and other accounts.

### 2. Rate Matters:

In November, 1982, the Alabama Public Service Commission (APSC) adopted retail rates which provide for periodic adjustments based upon Alabama Power's earned return on common equity. The rates also provide for adjustments to recognize the placing of new generating facilities in service. Both increases and decreases have been placed into effect since the adoption of these rates. On December 20, 1984, the APSC extended these rates through June 30, 1985, and provided for proceedings to evaluate this ratemaking concept. Effective in December, 1984, the Florida Public Service Commission granted Gulf Power \$4.7 million annually of its \$18.8-million rate request.

In August, 1983, on remand from the Supreme Court of Mississippi, the Mississippi Public Service Commission granted Mississippi Power an annual increase in retail revenues of approximately \$18.6 million of the \$39.3 million requested in 1980. In November, 1983, Mississippi Power made refunds to its customers of amounts which had been collected subject to refund, resulting in a charge of \$11.1 million (net of taxes) to consolidated earnings for 1983.

In April, 1984, Georgia Power filed a request with the Georgia Public Service Commission (GPSC) to cover estimated increases in fuel costs and unrecovered fuel costs from prior periods. The allowance granted by the GPSC was deficient in covering the company's prior period fuel costs by approximately \$22.3 million. Georgia Power filed a petition regarding this matter with the Superior Court of Fulton County on July 6, 1984, and a motion for reconsideration and rehearing with the GPSC on July 13, 1984. The motion for reconsideration and rehearing was denied by the GPSC on August 7, 1984. The petition filed with the Superior Court of Fulton County was taken under advisement at a hearing on November 16, 1984, and a decision is still pending. In management's opinion, the settlement of this issue will not have a material financial impact on Georgia Power.

### 3. Construction Program, Financing, And Fuel Commitments:

### Construction

The subsidiary companies are engaged in continuous construction programs, currently estimated to total some \$2.5 billion per year in 1985 and 1986 and \$2.1 billion in 1987. These estimates include the allowance for funds used during construction and reflect the present ownership percentage in all generating facilities under construction. The construction programs are subject to periodic review and revision, and actual construction costs incurred may vary from the above estimates because of numerous factors, such as granting of timely and adequate rate increases, new estimates of increased costs, revised load estimates, design changes in nuclear plants to meet changing requirements, unforeseen nuclear plant licensing requirements, the availability and cost of capital, and changing environmental requirements. At December 31, 1984, substantial purchase commitments were outstanding in connection with the construction program.

The U.S. Environmental Protection Agency has proposed new air quality control regulations relating to the stack height requirements of the Clean Air Act which could require installation of costly flue-gas desulfurization equipment or use of more expensive low-sulfur fuel at affected coal-fired generating facilities. The regulations, as proposed, would have a significant effect on certain facilities. However, the ultimate impact cannot be accurately determined until final regulations are promulgated and the state environmental agencies determine what actions must be taken by the system companies to comply with the regulations. The application of the regulations to any Southern electric system plants currently in service or under construction is uncertain. In addition, in the past few years several bills have been before Congress concerning acid rain which would make additional pollution control equipment mandatory for coalfired electric power plants. The enactment of legislation or regulations mandating reductions in sulfur dioxide emissions in the service area: of the system companies would substantially increase capital requirements and/or operating costs.

### Plant Vogtle

The above construction estimates include Georgia Power's 45.7-percent ownership in Plant Vogtle Nuclear Unit Nos. 1 and 2 which are planned for commercial operation in 1987 and 1988, respectively. At December 31, 1984, Unit No. 1 was approximately 75 percent complete and Unit No. 2 was approximately 45 percent complete. Georgia Power's investment at December 31, 1984 - based on its 45.7-percent ownership - was \$1.595 billion for Unit No. 1 and common facilities and \$313 million for Unit No. 2. The total projected costs of Georgia Power's percentage ownership of each unit are \$2.263 billion and \$823 million, respectively. In August, 1984, as a result of an extensive review of the construction program, estimated total plant additions at completion for Plant Vogtle were increased from \$6.6 billion to \$7.2 billion. This represents an increase of \$240 million (8.4 percent) for Georgia Power's 45.7-percent ownership interest. This increase reflected, among other things, then current estimates of engineering costs, staffing levels, and wage and materials costs, as well as a downward revision of certain productivity rates. As previously reported, the projected productivity rates were higher than those then being experienced at the plant. Since the conclusion of such review, productivity rates have improved, although not as much as was forecast. If Georgia Power's continuing efforts to improve productivity rates further are not successful, a portion of the \$250-million financial and contingency reserve that is provided for in Georgia Power's total construction estimate could be required for Plant Vogtle.

Before operation of a nuclear unit, an operating license must be obtained from the Nuclear Regulatory Commission (NRC). Procedures for obtaining operating licenses afford an opportunity for interested parties to request a public hearing on health and safety, environmental, and antitrust issues. Issuance of operating licenses by the NRC may be conditional upon requiring substantial changes in the proposed operation or upon installing additional equipment to meet upgraded safety or environmental requirements, with consequent delay and added cost. Georgia Power applied for operating licenses for Plant Vogtle in September, 1983. The NRC's Atomic Safety and Licensing Board (ASLB) held a Prehearing Conference on May 30, 1984, to define issues to be addressed in the Plant Vogtle licensing hearings. On September 5, 1984, the ASLB

granted intervenor status to two organizations and docketed certain contentions for consideration during the future licensing hearings. If the licensing process proceeds on schedule, fuel loading at Unit No. 1 is expected to take place in September, 1986. Georgia Power then would begin low-power testing and move to full-power operation and commercial start up as early as March, 1987.

At the conclusion of the 1985 legislative session in March, there was pending before the Georgia House of Representatives a bill that would require the GPSC to phase Georgia Power's prudently incurred construction costs for each unit of Plant Vogtle into its retail rate base in equal annual installments over a period of not less than three nor more than six years from the date of commercial operation of such unit. Similar legislation previously had been passed by the Georgia Senate. Under the House bill, the rate base and cost recovery would be limited to Georgia Power's proportionate share of \$7.2 billion, costs directly attributable to new NRC requirements, costs due to delay in operation caused by judicial or regulatory action not resulting from Georgia Power's failure to comply with governing regulations, carrying costs (AFUDC) attributable to the deferral of cost recovery, and other costs necessary to avoid confiscatory rates as a result of the bill. Costs found by the GPSC to have been imprudently incurred would not be included in the rate base or nuclear purchased power expense. The bill also would permit the GPSC to equalize nuclear purchased power expenses over the period such expenses are to be incurred, giving effect to the carrying costs associated with the deferral of cost recovery. The House bill will remain pending at the commencement of the next legislative session expected in January, 1986. What, if any, action on phase-in legislation may be taken in the future by the Georgia General Assembly cannot now be determined.

#### Financing

To the extent possible, the subsidiary companies' construction programs are expected to be financed from the issuance of additional long-term debt and preferred stock, from the receipt of additional paid-in capital provided by The Southern Company from the sales of common stock, and from internal sources. Should The Southern Company and subsidiary companies be unable to obtain funds from these sources, the companies would have to use short-term indebtedness or other alternative, and possibly costlier, means of financing, or it could become necessary to cancel or delay certain construction projects. Delays in construction projects could result in significant additional costs.

Georgia Power must receive approval of the GPSC and the SEC before issuing securities. In 1984, the GPSC approved the issuance and sale by Georgia Power of specific amounts of preferred stock and long-term debt. The GPSC's orders provide that no portion of the approved securities "or any monies associated with these securities be allowed for ratemaking purposes until such time as there has been a thorough study of Georgia Power's construction programs which have been used to justify the need for these securities." The orders further state that before the GPSC acts on any other financing application filed by Georgia Power, the GPSC "will consider up front or before the fact construction programs in relation to its regulatory functions.... Pursuant to such orders and in connection with Georgia Power's pending financing application, the GPSC commissioned a prospective study of the economic feasibility of Georgia Power's construction program. This study, which does not address past decisions relating to construction expenditures, was completed in February, 1985. The study concludes that, under the current budget, completion of Plant Vogtle and Plant Scherer Units No. 3 and No. 4 is reasonable, economically justifiable, and in the interests of Georgia Power's retail customers. The study also finds that the cost of Plant Vogtle Unit No. 2 appears uncertain. It further concludes, based upon assumptions made by the consultant, that the Rocky Mountain pumped storage project is uneconomic and that cancellation of the project should be considered. At December 31, 1984, Georgia Power had \$133 million invested in the Rocky Mountain project. Georgia Power is currently continuing its planned construction activities relating to Rocky Mountain. Georgia Power believes that the Rocky Mountain project is economic over its entire life, which extends almost 50 years beyond the 25-year time horizon on which the consultant's conclusion is based.

At the beginning of 1985, unused credit arrangements with banks totaled \$2.2 billion, of which approximately \$502 million expires at various times during 1985 through 1987, \$200 million on April 30, 1988, and the balance on December 31, 1990.

The unused amount expiring on April 30, 1988, is under Alabama Power's revolving credit agreements. These agreements require the payment of a commitment fee based upon the unused portion of the commitments which, in the case of eight of the agreements and at the option of Alabama Power, may be offset in whole or in part by the maintenance of balances with the respective banks.

The amounts expiring in 1990 represent revolving credit arrangements of Georgia Power. During the term of these agreements, Georgia Power may convert short-term borrowings into term loans, payable in 12 equal quarterly installments during the years 1991 through 1993, or at an earlier date at Georgia Power's option. These term loans would be subject to authorization from the GPSC and the SEC. In connection with these credit agreements, Georgia Power has agreed to pay certain fees and/or maintain compensating balances with the banks.

In connection with all other lines of credit, the companies maintain compensating balances which are substantially all the cash of the companies except for daily working funds and like items. These balances are not legally restricted from withdrawal.

The amounts of long-term debt, preferred stock, and common stock which can be issued in the future will be contingent on market conditions, the maintenance of adequate earnings levels, regulatory authority, and other factors. At December 31, 1984, each of the operating companies had sufficient coverages to permit the sale of additional bonds and preferred stock.

#### Plant Farley

An order of an Appeal Board of the NRC in an antitrust review resulted in conditions being imposed on the NRC licenses for Alabama Power's Plant Farley which require Alabama Power to sell an ownership interest of approximately six percent in Plant Farley to Alabama Electric Cooperative, Inc. (AEC) and to provide transmission services to AEC and municipal electric distributors. Alabama Power has engaged in negotiations with AEC for such sale. On June 29, 1984, AEC filed with the NRC a request that the NRC institute a proceeding which could lead to imposition of sanctions against Alabama Power for alleged violations of such license conditions. On July 3, 1984, Alabama Power filed with the NRC a petition for a declaratory order seeking clarification of the license conditions relating to Plant Farley. Alabama Power's petition was denied on September 7, 1984. AEC's petition is pending before the NRC.

#### Fuel Commitments

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

4. Facility Sales and Joint Ownership Agreements: Georgia Power has sold undivided interests in Plants Hatch, Wansley, Scherer, and Vogtle in varying amounts, together with transmission facilities, to Oglethorpe Power Corporation (OPC); the Municipal Electric Authority of Georgia (MEAG); and the city of Dalton, Georgia. These sales resulted in gains, after income taxes, of \$21,250,000 in 1984 and \$3,873,000 in 1982. There were no sales of such facilities in 1983. The after-tax gain in 1984 resulted from the sale of a five-percent additional undivided interest in Plant Vogtle to MEAG. At December 31, 1984, Georgia Power's percentage ownership and investment in jointly owned facilities with the above entities were as follows:

		Georgia Power					
	Total Capacity	Percent Ownership	C Plant in Service	onstruction Work in Progress			
	(megawatts)		(in thousands)				
Plant Hatch							
(nuclear)	1,630	50.1%	\$645,177	\$ 38,879			
Plant Wansley							
(fossil)	1,779	53.5	289,857	746			
Plant Scherer (fossil)							
Unit Nos. 1 &:	2 1,636	8.4	82,311	31			
Common							
facilities		23.5	68,247	6,637			
Plant Vogtle							
(nuclear)	2,320	45.7	15,733	1,891,550			

Each participant provides its own construction financing. Georgia Power's proportionate share of plant operating expenses is included in the corresponding operating expenses in the Consolidated Statements of Income. Georgia Power has contracted to complete those jointly owned units still under construction and to operate and maintain the units as agent for the joint owners.

In connection with these sales, Georgia Power has entered into agreements whereby it 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 (and, in the case of a portion of the five-percent interest in Plant Vogtle owned by MEAG, during periods commencing on the earlier of either the actual or currently scheduled commercial operation dates of the Plant Vogtle units until the latter of the retirement of such units or the latest stated maturity date of MEAG's bonds issued to finance such ownership interest) with the payments for such capacity to be made whether or not any capacity is available. The energy cost of these purchases is a function of each entity's variable operating costs. The cost of such capacity and energy is included in purchased and interchanged power in the Concolidated Statements of Income. The capacity payments totaled \$211,352,000, \$115,737,000, and \$115,374,000 for 1984, 1983, and 1982, respectively. The current projected capacity payments for the next five years are as follows: \$180,509,000 in 1985; \$150,918,000 in 1986; \$372,354,000 in 1987; \$421,336,000 in 1988; and \$480,466,000 in 1989. The increase in estimated capacity payments in 1987, 1988, and 1989 reflects the additional buy backs from the scheduled commercial operation of Plant Vogtle Unit Nos. 1 and 2.

#### 5. Income Taxes:

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

	1984	1983	1982		
	(in thousands)				
Total provision for income tax Federal —	xes:				
Currently payable	\$ 76,823	\$ 22,993	\$ 25,417		
Deferred—current year —reversal of	341,126	348,875	268,476		
prior years Deferred investment	(123,310)	(86,772)	(81,739)		
tax credits	242,989	195,057	205,591		
	537,628	480,153	417,745		
State —					
Currently payable	45,855	28,258	26,396		
Deferred—current year —reversal of	30,351	37,941	31,809		
prior years	(10,796)	(11,543)	(8,376)		
	65,410	54,656	49,829		
Total Less income taxes charged	603,038	534,809	467,574		
(credited) to: Other income Cumulative effect as of	41,847	19,793	28,814		
January 1 of accruing unbilled revenues Refund of retail revenues	-	6,326	22,320		
billed in prior years		(10,367)	-		
Federal and state income taxes charged to operations	\$561,191	\$519,057	\$416,440		

Deferred income taxes result primarily from the companies' use of accelerated depreciation methods and other write-offs of property costs, as provided for by the income tax laws, being greater than the book depreciation of such costs. Other deferred income taxes are provided for certain costs or revenues that are recognized for income tax purposes in periods different from those used for book purposes. Income taxes deferred in prior years are reversed (credited) to income when the book depreciation of property costs exceeds the related tax deductions or when other timing differences reverse. Deferred investment tax credits are amortized over the life of the related property with such amortization applied as a credit to reduce depreciation in the Consolidated Statements of Income. These credits amounted to \$23,356,000 in 1984, \$19,514,000 in 1983, and \$13,463,000 in 1982. At December 31, 1984, all investment tax credits available to reduce federal income taxes payable had been utilized.

The income taxes currently payable include provisions for the reversal of prior years' timing differences not previously recognized. At December 31, 1984, the remaining balance of such amounts was approximately \$287 million. The total provision for federal income tax as a percent of income before federal income tax amounted to 39.4 percent, 40.9 percent, and 42.4 percent for 1984, 1983, and 1982, respectively. The difference between the rates and the federal statutory rate of 46 percent was due primarily to the exclusion from taxable income of the allowance for equity funds used during construction (7.2 percent in 1984, 5.7 percent in 1983, and 4.3 percent in 1982).

### 6. Cumulative Preferred Stock Subject to Mandatory Redemption:

The requirements for preferred stock subject to mandatory redemption through 1989 total \$8,250,000 for 1985 and \$12,000,000 per year for 1986 through 1989. At December 31, 1984, preferred stock had been reacquired which will be used to meet \$3,021,000 of the 1985 sinking fund requirement and \$1,276,000 of future sinking fund requirements.

### 7. Other Long-Term Debt:

Details of other long-term debt are as follows:

	December 31,		
	1984	1983	
	(in thos	usands)	
Obligations incurred in connection with the sale by public authorities of tax-exempt pollution control revenue bonds—			
Collateralized—			
5.8% to 13.75% due 2002	-		
to 2013	\$ 565,530	\$ 565,530	
Noncollateralized—			
5.9% to 7.4% due serially	16 550	14 450	
1904-2005 8.0% to 9.125% due serially	10,550	10,050	
1984-2004	18 700	22 200	
7.2% to 12.25% due 1994	10,700	22,200	
to 2014	908,950	226,950	
Adjustable interest rate			
due 1985 (6.45% at 12/31/84)	50,000	-	
Less funds on deposit with trustees	422,461	58,596	
	1,137,269	772,734	
Capitalized lease obligations-			
Nuclear fuel	75,059	134,369	
Coal rail cars	13,607	15,779	
Buildings	113,690	111,315	
Other	8,972	13,402	
	211,328	274,865	
Notes payable—			
8.75% due 1984-1989	12,200	14,650	
9.75% due 1984-2010	11,349	11,448	
6.0% to 16.0% due 1984-1986	1,558	2,251	
12.375% due 1990	30,000	30,000	
11.5% due 1991	20,000	20,000	
Adjustable interest rates			
due 1984-1987			
(8.56% to 10.50% at 12/31/84)	19,200	20,900	
	94,307	99,249	
Total	\$1,442,904	\$1,146,848	

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

Assets acquired under capital leases are recorded as utility plant in service, and the related obligation is classified as other long-term debt. The net book value of capitalized leases included in utility plant in service was \$190,529,000 and \$256,488,000 at December 31, 1984, and 1983, respectively. At December 31, 1984, the composite interest rates for nuclear fuel, coal rail cars, buildings, and other were 11.37, 9.55, 8.30, and 14.41 percent, respectively. Sinking fund requirements and/or serial maturities through 1989 applicable to other long-term debt are as follows: \$92,844,000 in 1985; \$36,260,000 in 1986; \$20,682,000 in 1987; \$13,652,000 in 1988; and \$10,348,000 in 1989.

#### 8. Long-Term Debt Due Within One Year:

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

	1	1984	1	1983
		(in thou	san	ds)
Bond sinking fund requirement	5	68,526	\$	72,896
Less -				
Portion to be satisfied by bonding				
property additions		26,634		54,919
Reacquired bonds		8,571		3,676
Cash sinking fund requirement		33,321		14,301
First mortgage bond maturities		26,988		37,915
Other long-term debt maturities				
(Note 7)		92,844		74,417
Total	\$	153,153	\$	126,633

The annual first mortgage bond sinking fund requirement (one percent of the sum of bonds authenticated prior to January 1 of each year) may be satisfied by depositing cash, reacquiring bonds, or pledging additional property equal to 166<sup>2</sup>/<sub>3</sub> percent of such requirement.

### 9. Pollution Control Bond Anticipation Notes Payable:

At December 31, 1984, Georgia Power had \$469,000,000 of pollution control bond anticipation notes payable outstanding, of which \$109,356,000 had been drawn down, with the balance on deposit with depositories. These notes are due in 1985 and bear interest at 59 to 63 percent of the prime rate of interest. Georgia Power intends to refund the notes during 1985 with proceeds from the sale by public authorities of additional long-term pollution control bonds; however, the issuance of long-term securities requires the approval of the GPSC and the SEC.

### **10. Nuclear Insurance:**

Under the Price-Anderson Act, Alabama Power and Georgia Power maintain agreements of indemnity with the NRC which, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the companies' nuclear power plants. The Act limits to \$620 million public liability claims that could arise from a single nuclear incident. Each reactor at the companies' nuclear plants is insured against this liability to a maximum of \$160 million by private insurance (the maximum amount currently available), with the remaining coverage provided by a mandatory program of deferred premiums which would be assessed, after a nuclear incident, against all owners of nuclear reactors. A company could be assessed up to \$5 million per incident for each licensed reactor it operates, but not more than \$10 million to be paid in a calendar year. On the basis of Alabama Power's ownership of two reactors in service and Georgia Power's current ownership interest in two reactors in service, the companies could be assessed a maximum of \$10 million and \$5 million, respectively, for any such incident, but not more than \$20 million and \$10 million, respectively, to be paid in any one year.

Alabama Power and Georgia Power are members of Nuclear Mutual Limited (NML), a mutual insurer established to provide property damage insurance in an amount up to \$500 million for members' nuclear generating facilities. The members are subject to a retrospective premium adjustment in the event that losses with respect to each policy year exceed accumulated funds. Alabama Power's and Georgia Power's maximum assessments are limited to \$32 million and \$19 million, respectively, under current policies.

Additionally, both companies have policies which currently provide coverage up to \$560 million for losses in excess of the \$500-million NML coverage. This excess insurance is provided by Nuclear Electric Insurance Limited (NEIL), a mutual insurance company, and American Nuclear Insurers/ Mutual Atomic Energy Liability Underwriters. These policies cover both decontamination and debris removal, as well as excess property damage. NEIL also covers the extra costs which would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members are insured against increased costs of replacement power in an amount up to \$2.8 million per week (starting 26 weeks after the outage) for one year and up to \$1.4 million per week for the second year. Under each of the NEIL policies, members are subject to assessments if losses with respect to each policy year exceed the accumulated funds available to the insurer under that policy. The present maximum assessments under current policies for Alabama Power and Georgia Power for property damage would be \$9.9 million and \$5 million, respectively, and \$15.1 million and \$11 million, respectively, under the replacement power policy.

### 11. Common Stock Dividend Restrictions:

The income of The Southern Company is derived mainly from equity in earnings of its operating subsidiaries. At December 31, 1984, \$411,413,000 of consolidated earnings retained in the business was restricted against the payment by the operating companies of cash dividends on common stock under terms of bond indentures or charters.

### 12. Assets Subject to Lien:

The operating companies' mortgages, as amended and supplemented, which secure 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 1984 and 1983 are as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(amounts in	thousands e.	xcept for per-	share data)
1984				
Operating revenues	\$1,433,531	\$1,484,335	\$1,752,113	\$1,454,006
Operating income	235,785	237,836	337,670	236,182
Consolidated net				
income	165,595	145,159	253,727	155,188
Per common share				
Earnings	0.71	0.61	1.06	0.62
Dividends paid	0.45	0.45	0.45	0.48
1983				
Operating revenues	\$1,238,825	\$1,223,487	\$1,628,802	\$1,326,929
Operating income	212,354	215,540	334,243	256,474
Consolidated net				
income-				
As reported	109,943	90,729	227,642	162,012
Pro forma	103,144	na	na	na
Per common share				
Earnings-				
As reported	0.52	0.42	1.05	0.71
Pro forma	0.49	na	na	na
Dividends paid	0.42	1/2 0.42	0.42	1/2 0.45

The pro forma amounts shown in the first quarter of 1983 assume the change in the method of recording revenues by Mississippi Power (see Note 1) had been applied retroactively.

The company's business is influenced by seasonal weather conditions and the timing of rate increases.

# 14. Supplementary Information on Reporting The Effects of Inflation (Unaudited):

The following information is an estimate of the economic impact inflation had on The Southern Company and the common stockholders' investment during 1984. The information is presented in accordance with the general concepts set forth in Financial Accounting Standards Board Statement No. 33 as amended and should be viewed as an estimate of the approximate effects of inflation, rather than as a precise measure. The current cost information is expressed in average 1984 dollars as measured by the Consumer Price Index for All Urban Consumers. The Southern electric system is subject to rate regulation and income tax laws that are based on the recovery of historical cost only. Therefore, inflation creates an economic loss because the company is recovering its cost of investments in dollars that have less purchasing power. Conventional accounting for historical cost does not recognize this economic loss or the partially offsetting gain that arises through financing facilities with fixed money obligations, such as long-term debt and preferred stock.

(in millions of dollars)	Current Cost
Net utility plant at year-end (historical cost or net cost recoverable through depreciation was \$13,797.1)	\$25,931.1(a)
Erosion of common stockholders' equity due to inflation: Additional depreciation Adjustment of utility plant to net recoverable cost Economic gain from holding fixed money obligations Excess of general level of prices (\$950.1) in the current year over increase in specific price changes (\$780.9)	\$ 517.1 (205.9) (312.8) 169.2
Net erosion of common stockholders' equity due to inflation	\$ 167.6

	Average 1984 Dollars						Increase (Decrease From	
(in millions of dollars except per-share amounts)		1984	1983	1982	1981	1980	1980 to 1984	
Operating revenues	Se	,124.0	5,634.8	5,321.5	4,863.4	4,745.7	29.0%	
Earnings on common stock (b)	5	552.0	449.8	346.0	106.5	69.1	698.8	
Economic gain from holding fixed money obligations	5	312.8	311.0	302.2	604.8	897.9	(65.2)	
Excess of the general level of prices over increase in specific price changes	5	169.2	127.2	13.8	50.3	398.8	(57.6)	
Common stockholders' investment (net assets) at year-end	\$4	1,592.8	4,162.8	3,721.3	3,499.4	3,431.4	33.8	
Return on average common equity (b)		12.61	11.41	9.58	3.07	2.02	524.3	
Earnings per common share (b)	S	2.30	2.06	1.74	0.59	0.45	411.1	
Cash dividends per common share	\$	1.83	1.79	1.79	1.85	1.97	(7.1)	
Market price per common share at year-end	\$	18.69	16.87	16.57	13.32	14.70	27.1	
Average consumer price index		311.1	298.4	289.1	272.4	246.8	3 26.1	

(a) Current cost of utility plant was determined primarily by applying the Handy-Whitman Index of Public Utility Construction Costs to the applicable historical costs.

(b) Adjusted to reflect the net erosion of common stockholders' equity as shown above. If only the additional depreciation were deducted from the reported amount of such earnings, adjusted earnings would be \$202.6, \$77.3, (\$52.9), (\$152.7), and (\$47.5), respectively.

## Selected Consolidated Financial Data

The Southern Company and Subsidiary Companies

	1984	1983	1982
Condensed Statements of Income (in thousands):			
Operating Revenues	\$6,123,985	\$5,418,043	\$4,927,183
Operating Expenses —			
Operation and maintenance	3,809,227	3,223,556	2,998,987
Depreciation and amortization	429,404	407,072	391,185
Taxes other than income taxes	276,690	249,747	234,581
Federal and state income taxes	561,191	519,057	416,440
Total Operating Expenses	5,076,512	4,399,432	4,041,193
Operating Income	1,047,473	1,018,611	885,990
Other Income, Net	275,680	178,557	135,990
Income Before Interest Charges	1,323,153	1,197,168	1,021,980
Net Interest Charges	495,443	498,312	476,782
Preferred Dividends of Subsidiary Companies	108,041	104,189	95,876
Consolidated income before refund of retail revenues billed subject to refund in prior years and cumulative effect of a change in method of recording revenues	719,669	594,667	449,322
Refund of retail revenues billed subject to refund in prior years — less income taxes of \$10,367,000	-	(11,140)	-
Cumulative effect as of January 1 of accruing unbilled revenues —		6 700	23.000
less income taxes of \$0,320,000 in 1983 and \$22,320,000 in 1982 (Note 1)	£ =====	6 500 226	¢ 472 221
Consolidated Net Income — as reported — pro forma (Note 1)	\$ 719,669 \$ 719,669	\$ 590,326 \$ 583,527	\$ 449,401
Earnings Per Share of Common Stock: Before cumulative effect of a change in method of recording revenues Cumulative effect of accruing unbilled revenues	\$3.00	\$2.67 0.03	\$2.26 0.12
Total Farnings Per Share of Common Stock — as reported	\$3.00	\$2.70	\$2.38
- pro forma (Note 1)	\$3.00	\$2.67	\$2.26
Cash Dividends Paid Per Share of Common Stock	\$1.83	\$1.72½	\$1.66
Return on Average Common Equity (percent)	16.58	15.65	14.26
Total Assets (in thousands)	\$15,003,960	\$13,475,388	\$12,301,201
Long-Term Debt (in thousands)	\$6,638,085	\$6,293,732	\$6,104,179
Preferred Stock Subject to Mandatory Redemption (in thousands)	\$194,224	\$201,784	\$211,234
Gross Property Additions (in thousands)	\$2,100,450	\$1,706,440	\$1,490,529
Common Stock Data			
Book value per share (year-end)	\$18.55	\$17.60	\$16.78
Market price:			
High	18 %	17¾	157
Low	14 %	14½	11
Close	18%	16%	155
Shares outstanding (in thousands):			
Average	239,784	218,556	198,800
Year-end	250,052	229,590	208,824
Stockholders of record (year-end)	325,200	339,978	346,595

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1981	1980	1979	1978	1977	1976	1975	1974
\$4,256,237	\$3,763,483	\$3,128,169	\$2,906,672	\$2,652,085	\$2,199,531	\$1,998,912	\$1,488,995
2,691,360	2,243,644	1,908,448	1,816,508	1,629,709	1,337,845	1,130,955	927,267
359,514	331,222	304,188	269,012	216,060	190,178	170,791	153,361
207,582	179,543	171,174	157,127	129,956	120,718	104,198	88,949
293,311	326,176	208,263	191,156	246,624	164,115	195,278	40,500
3,551,767	3,080,585	2,592,073	2,433,803	2,222,349	1,812,856	1,601,222	1,216,137
704,470	682,898	536,096	472,869	429,736	386,675	397,690	272,858
138,828	125,193	122,673	110,018	131,839	169,574	154,395	121,086
843,298	808,091	658,769	582,887	561,575	556,249	552,085	393,944
429,932	386,407	363,821	310,436	253,117	303,487	273,316	233,406
87,387	77,289	75,821	70,883	63,391	58,189	40,600	37,672
325,979	344,395	219,127	201,568	245,067	194,573	238,169	122,866
	-	_	-	-	-	-	-
_	_	_	_	_	_	-	-
\$ 325,979	\$ 344,395	\$ 219,127	\$ 201,568	\$ 245,067	\$ 194,573	\$ 238,169	\$ 122,866
\$ 330,951	\$ 345,829	\$ 215,554	\$ 202,253	\$ 250,998	\$ 196,357	\$ 242,380	\$ 123,674
\$1.81	\$2.23	\$1.51	\$1.45	\$1.95	\$1.62	\$2.26	\$1.41
_	_	_	_	-		_	_
\$1.81	\$2.23	\$1.51	\$1.45	\$1.95	\$1.62	\$2.26	\$1.41
\$1.84	\$2.24	\$1.49	\$1.46	\$1.99	\$1.64	\$2.30	\$1.42
\$1.62	\$1.56	\$1.54	\$1.54	\$1.48	\$1.411/2	\$1.40	\$1.39
10.94	12.91	8.90	8.44	11.10	9.91	13.62	7.89
\$11,198,120	\$10,378,699	\$9,568,610	\$9,011,366	\$8,332,620	\$7,473,500	\$6,735,120	\$6,183,815
\$5,754,200	\$5,226,851	\$4,769,066	\$4,522,888	\$4,221,694	\$3,744,495	\$3,408,210	\$2,939,388
\$217,963	\$152,000	\$149,750	\$155,000	\$155,000	\$155,000	\$105,000	
\$1,288,022	\$1,229,932	\$1,164,956	\$1,082,431	\$1,218,404	\$994,839	\$992,087	\$1,212,125
\$16.35	\$16.80	\$16.80	\$17.05	\$17.21	\$16.81	\$16.89	\$16.58
121/8	14 %	14%	17%	181/8	16%	151/8	175
10%	10¼	11	13	15%	13¾	8¾	77
12	121/4	11½	13%	17¾	16%	14%	87
180,139	154,392	145,038	139,005	125,846	120,072	105,264	87,083
190,957	168,697	148,745	142,102	136,772	122,807	110,246	98,750
347,119	345,335	341,401	342,482	328,135	292,759	264,652	229,791

### **Selected Consolidated Financial Data**

The Southern Company and Subsidiary Companies

	1984	1983	1982
Capitalization Ratios:			
Long-term debt	53.2	54.8	56.9
Preferred stock	8.0	8.3	8.4
Preferred stock subject to mandatory redemption	1.6	1.7	2.0
Common equity	37.2	35.2	32.7
Total	100.0	100.0	100.0
Kilowatthour Sales (in thousands):			
Residential	25,279,049	24,580,329	24,095,512
Commercial	20,147,559	18,881,778	18,409,993
Industrial	38,536,696	35,121,845	33,369,042
Sales for resale	11,192,583	10,828,900	11,109,091
Sales to utilities outside territory	18,750,335	12,029,933	9,254,302
Other	578,585	564,947	548,803
Total	114,484,812	102,007,732	96,786,743
Operating Revenues (in thousands):			
Residential	\$1,685,706	\$1,577,742	\$1,469,107
Commercial	1,359,343	1,236,007	1,173,323
Industrial	1,763,202	1,573,116	1,480,187
Sales for resale	455,842	439,038	446,199
Sales to utilities outside territory	776,889	507,909	278,234
Other	41,041	37,004	34,206
Total revenues from sales of electricity	6,082,023	5,370,816	4,881,256
Other revenues	41,962	47,227	45,927
Total	\$6,123,985	\$5,418,043	\$4,927,183
Customers (year-end)	2,800,532	2,723,923	2,659,494
Employees (year-end)	31,121	30,875	29,882
Maximum Peak-hour Demand (kilowatts)	19,771,600	20,517,600	17,840,100
System Capability* (kilowatts)	26,165,200	25,877,400	26,435,300
Plant Availability (percent):			
Fossil-steam	90.9	90.8	89.8
Nuclear	66.9	75.8	67.9
Annual Load Factor (percent)	58.9	53.9	59.8
Average Revenue Per Kilowatthour (cents):			
Total sales	5.31	5.27	5.04
Residential sales	6.67	6.42	6.10
Average Cost of Fuel Per Net Kilowatthour Generated (cents)	1.95	1.90	1.93

\*Excludes 964,000 and 654,000 kilowatts of capability from specific generating units sold under long-term contracts to two nonaffiliated utilities for years 1984 and 1983, respectively.

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1981	1980	1979	1978	1977	1976	1975	1974
58.0	58.1	58.1	57.8	56.6	56.9	57.4	57.2
8.3	8.7	9.6	9.3	9.7	9.3	9.5	11.0
2.2	1.7	1.8	2.0	2.1	2.4	1.7	
31.5	31.5	30.5	30.9	31.0	31.4	31.4	31.8
100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
24,239,470	24,651,737	22,645,723	23,606,119	22,829,156	20,985,791	20,275,134	19,404,815
17,714,872	17,282,986	16,433,689	16,586,919	17,763,462	16,741,455	15,556,668	14,797,312
35,451,363	34,833,664	34,912,745	33,524,232	30,067,083	28,334,488	25,955,374	26,719,209
11,138,306	11,154,735	11,503,407	12,486,242	13,338,339	12,745,214	12,429,959	11,774,960
5,145,292	4,023,960	64,102	392,240	934,978	1,138,673	931,397	799,691
527,828	512,159	461,008	439,235	420,487	410,239	392,189	376,217
94,217,131	92,459,241	86,020,674	87,034,987	85,353,505	80,355,860	75,540,721	73,872,204
\$1,286,103	\$1,186,206	\$ 952,085	\$ 914,625	\$ 828,200	\$ 673,653	\$ 632,765	\$ 479,096
985,106	879,291	742,865	689,349	689,945	589,680	531,256	399,267
1,367,715	1,199,204	1,056,675	922,288	773,447	619,640	558,704	416,653
397,585	336,984	326,309	324,351	298,834	265,957	233,603	160,606
161,581	110,243	2,955	12,460	19,846	19,050	12,844	8,518
29,385	26,216	22,050	20,252	18,760	16,516	15,141	13,077
4,227,475	3,738,144	3,102,939	2,883,325	2,629,032	2,184,496	1,984,313	1,477,217
28,762	25,339	25,230	23,347	23,053	15,035	14,599	11,778
\$4,256,237	\$3,763,483	\$3,128,169	\$2,906,672	\$2,652,085	\$2,199,531	\$1,998,912	\$1,488,995
2,619,673	2,565,461	2,522,284	2,472,646	2,415,939	2,363,877	2,305,216	2,279,334
28,944	27,940	26,540	26,465	24,632	22,385	20,684	21,115
19,412,500	19,553,100	18,015,300	18,172,900	16,973,700	16,683,500	16,185,500	15,759,100
25,834,000	23,694,600	23,986,500	23,356,400	21,988,100	21,002,900	20,324,400	18,678,800
87.3	86 5	84.0	83.0	78 7	75.4	83.4	85.6
61.0	60.5	475	70.6	66 A	83.2	00.4	
56.5	55.6	58 3	58 1	60.6	58.2	56.7	57.4
50.5	55.0	50.5	50.1	00.0	50.2	50.7	57.4
4.49	4.04	3.61	3.31	3.08	2.72	2.63	2.00
5.31	4.81	4.20	3.87	3.63	3.21	3.12	2.47
1.81	1.61	1.52	1.36	1.27	1.13	1.11	0.87

### The Southern Company

### Officers

Edward L. Addison President Age 54; 30 years of service

George B. Campbell Financial Vice President Age 62; 44 years of service

Tommy Chisholm Secretary and Assistant Treasurer Age 43; 20 years of service

Therrell Murphy, Jr. Treasurer Age 42; 15 years of service

Judy M. Anderson Assistant Secretary Age 36; 4 years of service

### Directors

**Edward L. Addison** President The Southern Company Atlanta, Georgia Age 54; elected 1978

Alan R. Barton President Mississippi Power Company Gulfport, Mississippi Age 59; elected 1982

William J. Cabaniss, Jr.\* President Precision Grinding, Inc. (Metal machining) Birmingham, Alabama Age 46; elected 1985

Charles H. Chapman, Jr. Chairman of the Board Chapman Corporation (Construction, real estate) Dothan, Alabama Age 64; elected 1984

A.W. Dahlberg President Southern Company Services, Inc. Birmingham, Alabama Age 44; elected 1985

A.F. Dantzler\*\* President Dantzler Boat & Barge Company Pascagoula, Mississippi Age 69; elected 1972

Joseph M. Farley President Alabama Power Company Birmingham, Alabama Age 57; elected 1970

\*Elected to fill the vacancy created by the resignation of Frank P. Samford, Jr., effective March 5, 1985.

\*\*A.F. Dantzler will retire on May 9, 1985, and be replaced by Earl D. McLean, Jr., Partner, T.C. Griffith Insurance Agency, Inc., Columbia, Mississippi.

John W. Langdale Vice Chairman The Langdale Company (Forest products manufacturing) Valdosta, Georgia Age 67; elected 1977

Douglas L. McCrary President Gulf Power Company Pensacola, Florida Age 55; elected 1983

William S. Morris, III Chairman and Chief Executive Officer Morris Communications Corporation (Newspaper publishers, printing, computer services) Augusta, Georgia Age 50; elected 1971

William A. Parker, Jr. Chairman of the Board Cherokee Investment Company, Inc. (Private investments) Atlanta, Georgia Age 57; elected 1973

H.G. Pattillo President and Chairman of the Board Pattillo Construction Company, Inc. Decatur, Georgia Age 58; elected 1972

**Robert H. Radcliff, Jr.** Chairman of the Board Midstream Fuel Service, Inc. (General marine services) Mobile, Alabama Age 67; elected 1966

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### **Advisory Directors**

**Crawford Rainwater** General Partner Durnford Enterprises, Ltd. (Real estate) Pensacola, Florida Age 68; elected 1975

*a*)

William J. Rushton, III Chairman and Chief Executive Officer Protective Corporation (Life and health insurance) Birmingham, Alabama Age 55; elected 1971

#### Robert W. Scherer Chairman of the Board and Chief Executive Officer Georgia Power Company Atlanta, Georgia Age 59; elected 1977

**Dr. Gloria M. Shatto** President Berry College Rome, Georgia Age 53; elected 1984

### Herbert Stockham

Chairman of the Board and President Stockham Valves & Fittings, Inc. Birmingham, Alabama Age 56; elected 1978

#### V.J. Daniel, Jr. Former Chairman of the Board Mississippi Power Company Gulfport, Mississippi Age 68; elected 1973 Named Advisory Director, 1982

Alvin W. Vogtle, Jr. Former Chairman of the Board The Southern Company Atlanta, Georgia Age 66; elected 1962 Named Advisory Director, 1983

#### 1985 Committees Of the Board

Audit Committee William A. Parker, Jr., Chairman John W. Langdale Crawford Rainwater Gloria M. Shatto

Compensation Committee William S. Morris, III, Chairman A.F. Dantzler Robert H. Radcliff, Jr.

#### Executive Committee Edward L. Addison.

Chairman William A. Parker, Jr. H.G. Pattillo Crawford Rainwater William J. Rushton, III

### Nominating Committee Herbert Stockham,

Chairman John W. Langdale William J. Rushton, III

### System Companies

Alabama Power 600 North 18th Street Birmingham, Alabama 35291 (205) 250-1000

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

Gulf Power 75 North Pace Boulevard Pensacola, Florida 32505 (904) 434-8111

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

Southern Company Services, Inc. 64 Perimeter Center East Atlanta, Georgia 30346 (404) 393-0650

800 Shades Creek Parkway Birmingham, Alabama 35209 (205) 870-6011

One Wall Street Suite 4200 New York, New York 10005 (212) 269-8842

1101 17th Street, N.W. Suite 405 Washington, D.C. 20036 (202) 775-0944

Southern Electric International, Inc. 3500 Piedmont Road, N.E. Suite 500 Atlanta, Georgia 30305 (404) 261-4700

The Southern Electric System



he Southern Company's 1984 annual report contains considerably more data than required by law, reflecting the company's commit-

ment to keeping its stockholders fully informed about their investment. Listed below are a number of other materials that may be helpful to investors.

#### Form 10-K

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

### **Cassette Recordings**

Cassette recordings of the 1984 annual report are available without charge as a service to the visually impaired. Requests should be directed to the Corporate Information office.

### Mailing List for Publications

The Southern Company maintains a direct mailing list for stockholders whose shares are not held in their own names and for other interested parties to ensure that stockholder publications are distributed on a timely basis. Requests to be added to this list should be sent to the Corporate Information office.

#### **Stockholder Inquiries**

Questions regarding ownership of Southern Company stock or inquiries about the company's operations may be directed to the office of the Corporate Secretary (404 393-4498).

#### **Common Stock Listing**

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.)

### **Common Stock Share Data**

	Dividends	Price l	Price Range		
	Per Share	High	Low		
1984					
First Quarter	\$ .45	17%	14½		
Second Quarter	.45	16	14%		
Third Quarter	.45	17%	14¾		
Fourth Quarter	.48	18%	17		
Total	\$1.83				
1983					
First Quarter	\$ .421/2	16%	151/4		
Second Quarter	.421/2	16¾	151/2		
Third Quarter	.421/2	16%	141/2		
Fourth Quarter	.45	17¾	16		
Total	\$1.721/2				

### **Dividend Reinvestment Plan**

The Dividend Reinvestment and Stock Purchase Plan provides a convenient method for stockholders to acquire new shares through the investment of quarterly dividends and through optional cash payments. The price of shares purchased with reinvested dividends is discounted five percent from an average market price. The price of stock purchased with optional cash payments is equal to 100 percent of an average market price. Optional cash payments can be made monthly from a minimum of \$25 to a maximum of \$6,000 per account for each calendar guarter. The company charges no service fee or commission for the purchase of stock, and all stockholders of record are eligible to participate. A prospectus describing the plan and the method for calculating the average market price may be obtained from the office of the Corporate Secretary.

Through the 1985 tax year, the tax code allows individuals who participate in The Southern Company's dividend reinvestment plan to defer the payment of federal income taxes on reinvested dividends. A maximum of \$750 annually may be deferred on an individual return; up to \$1,500 annually may be deferred on a joint return. The Southern Company 64 Perimeter Center East Atlanta, Georgia 20346 (404) 393-0650

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) 231-6676

### Auditors

Arthur Andersen & Co. 133 Peachtree Street, N.E. Atlanta, Georgia 30303

### Legal Counsel

Troutman, Sanders, Lockerman & Ashmore 127 Peachtree Street, N.E. Atlanta, Georgia 30043

### **Annual Meeting**

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The 1985 annual meeting of stockholders will be held on Wednesday, May 22, at 10:00 a.m. (CDT) at the Mississippi Coast Coliseum and Convention Center, Biloxi, Mississippi. A report on the proceedings of the meeting will be mailed to stockholders and also will be available on request to the Corporate Information office.

The 1984 annual report is submitted for stockholders' information. It is not intended for use in connection with any sale or purchase of, or any solicitation of offers to buy or se'l, securities.

