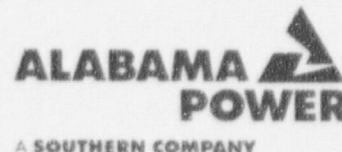


J. Randy DeRieux  
Assistant Treasurer and  
General Manager—  
Corporate Finance and  
Planning

600 North 18th Street  
Post Office Box 2641  
Birmingham, Alabama 35291-0030  
Tel 205.257.2454  
Fax 205.257.1023



April 29, 1998

U. S. Nuclear Regulatory Commission  
Attn: Document Control Desk  
Washington, D. C. 20555

To Whom It May Concern:

Enclosed is the annual submission of Alabama Power Company with respect to the retrospective premium guarantee required under the Price Anderson Act, as amended, applicable to its Joseph M. Farley Nuclear Plant. We have elected to satisfy this guarantee requirement by submitting annual certified financial statements and cash projections, showing that a cash flow can be generated and would be available for payment of retrospective premiums up to \$20,000,000 within three months after submission of the statement. In this connection, enclosed are the following:

1. 1997 Annual Report which includes financial statements for the calendar year 1997, together with the report on such statements by Arthur Andersen & Co., independent public accountants;
2. Unaudited Financial Statements for the quarter ended March 31, 1998;
3. Cash Flow Projections for the period January 1, 1998 through December 31, 1998, showing that cash flow of \$20,000,000 can be generated and would be available for payment of retrospective premiums within three months after submission of the statement.

Please acknowledge receipt of the enclosures by signing and returning the enclosed copy of this letter.

Very truly yours,

JRD:lw  
Enclosures

cc: w/attachments  
Mr. L. A. Reyes, Region II Administrator  
Mr. J. I. Zimmerman, NRR Project Manager  
Mr. T. M. Ross, Plant Sr. Resident Inspector

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This statement reflects the usual accounting practices of the Company on the basis of interim figures and is subject to audit & end of year adjustments

**ALABAMA POWER COMPANY**  
BALANCE SHEET  
CONSOLIDATED WITH ALABAMA POWER CAPITAL TRUSTS I & II  
(Stated in Thousands of Dollars)

ASSETS	At 3/31/98	At 3/31/97
<b>UTILITY PLANT</b>		
Plant in service, at original cost	\$ 11,117,672	\$ 10,861,096
Less - Accumulated provision for depreciation and amortization	4,470,174	4,196,246
	6,647,498	6,664,850
Nuclear fuel, at amortized cost	91,571	113,665
Construction work in progress	381,898	282,433
	7,120,967	7,060,948
<b>OTHER PROPERTY AND INVESTMENTS</b>		
Southern Electric Generating Company, at equity	24,705	27,011
Nuclear decommissioning trusts	204,313	152,253
Miscellaneous	22,578	21,353
	251,596	200,617
<b>CURRENT ASSETS</b>		
Cash	18,706	5,476
Temporary cash investments	0	0
Investment securities	0	0
Receivables -		
Customer accounts receivable	312,243	302,374
Other accounts and notes receivable	19,066	19,467
Affiliated companies	32,622	37,752
Accumulated provision for uncollectible accounts	(2,502)	(1,357)
Refundable income taxes	879	8,461
Fossil fuel stock, at average cost	101,974	105,255
Materials and supplies, at average cost	150,210	157,025
Allowance inventory	2,337	3,346
Prepayments -		
Income taxes	0	0
Other	197,326	176,937
Vacation pay deferred	26,783	27,083
	861,644	841,819
Debt expense, being amortized	6,701	7,619
Debt redemption expense, being amortized	79,908	82,717
Nuclear decontamination and decommissioning fund	34,416	37,490
Regulatory assets	385,641	409,263
Miscellaneous	76,206	109,722
	582,872	646,811
<b>TOTAL ASSETS</b>	<b>\$ 8,817,079</b>	<b>\$ 8,750,195</b>
<b>CAPITALIZATION AND LIABILITIES</b>		
<b>CAPITALIZATION</b>		
Common stock equity	\$ 2,724,177	\$ 2,691,925
Preferred stock	255,512	278,400
Company obligated mandatorily redeemable securities of Alabama		
Power Capital Trusts I & II *	297,000	297,000
Long-term debt	2,667,681	2,298,601
	5,944,370	5,565,926
<b>CURRENT LIABILITIES</b>		
Long-term debt due or to be redeemed within one year	1,000	62,000
Notes payable to banks	0	50,955
Commercial paper	259,015	413,786
Accounts payable -		
Affiliated companies	58,088	55,406
Other	103,579	112,936
Customer deposits	34,789	32,721
Taxes accrued -		
Federal and state income	62,878	53,230
Other	30,475	30,476
Interest accrued	39,835	43,930
Distributions accrued	0	0
Vacation pay accrued	27,293	27,083
Miscellaneous	94,702	78,303
	711,654	960,826
<b>DEFERRED CREDITS AND OTHER LIABILITIES</b>		
Accumulated deferred income taxes	1,182,765	1,198,950
Accumulated deferred investment tax credits	280,075	291,269
Prepaid capacity revenues, net	106,615	119,417
Regulatory liabilities	334,489	360,680
Nuclear decontamination and decommissioning fund	30,592	33,741
Miscellaneous	226,519	219,386
	2,161,055	2,223,443
<b>TOTAL CAPITALIZATION AND LIABILITIES</b>	<b>\$ 8,817,079</b>	<b>\$ 8,750,195</b>

\* Substantially all assets of Alabama Power Capital Trust I are \$100,000,000 of the 7.734% Alabama Power Company Junior Subordinated Notes, due March 31, 2026, and upon redemption of such debt, the Preferred Securities will be mandatorily redeemable. In addition to the Junior Subordinated Notes, the Trust may hold, from time to time, accounts receivable under the Agreement as to Expenses and Liabilities in the prospectus dated January 17, 1996.

Substantially all assets of Alabama Power Capital Trust II are \$206,185,575 of the 7.60% Alabama Power Company Junior Subordinated Notes, due Dec. 31, 2036, and upon redemption of such debt, the Preferred Securities will be mandatorily redeemable. In addition to the Junior Subordinated Notes, the Trust may hold, from time to time, accts. receivable under the agreement as to Expenses and Liabilities in the prospectus dated January 9, 1997.

ALABAMA POWER COMPANY  
STATEMENT OF INCOME  
(STATED IN THOUSANDS OF DOLLARS)

3 MONTHS  
ENDED  
MARCH 31,  
1998

OPERATING REVENUES:

Revenues	716,505
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OPERATING EXPENSES:

Operation--	
Fuel	193,022
Purchased and interchange power, Net	36,167
Other	114,813
Maintenance	63,533
Depreciation and Amortization	86,239
Taxes other than income taxes	49,439
Federal and state income taxes	42,557
	<hr/>
Total operating expenses	585,770

OPERATING INCOME	130,735
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OTHER INCOME (EXPENSE):

Allowance for equity funds used during construction	285
Income from subsidiary	1,082
Other, net	7,371
	<hr/>

INCOME BEFORE INTEREST CHARGES	139,473
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INTEREST CHARGES:

Interest on long-term debt	50,307
Allowance for debt funds used during construction	(653)
Amortization of debt discount, premium and expenses, net	2,424
Other interest charges	18,026
	<hr/>
Net interest charges	70,104

NET INCOME	69,369
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DIVIDENDS ON PREFERRED STOCK	3,328
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NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	66,041
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This statement reflects the usual accounting practices of the Company on the basis of interim figures and is subject to audit and end of year adjustments.



# ALABAMA POWER COMPANY

## Internal Cash Flow for Joseph M. Farley Nuclear Power Station

(Thousands of Dollars)

	1997 Actual	1998 Projections
Net Income	\$ 390,525	\$ 393,824
Less Dividends Paid	354,186	376,711
Retained Earnings	36,339	17,113
Adjustments:		
Depreciation and Amortization	394,572	429,895
Deferred Income Taxes and Investment Tax Credits	(12,429)	17,591
Allowance for Equity Used During Construction	-	(285)
Total Adjustments	382,143	447,201
Internal Cash Flow	\$ 418,482	\$ 464,314
Average Quarterly Cash Flow	\$ 104,621	\$ 116,079
Percentage Ownership in all Operating Nuclear Units:		
Joseph M. Farley Units 1 and 2		100%
Maximum Total Contingent Liability		\$20,000