



# Second Quarter 2020 Earnings Conference Call

July 30, 2020



# Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this presentation is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, financial objectives, earnings guidance, statements concerning cost and schedule for completion of ongoing construction projects, expected impacts of the COVID-19 pandemic, emission reduction goals, and planned financing activities. Southern Company cautions that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company and its subsidiaries; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in Southern Company's and its subsidiaries' Annual Reports on Form 10-K for the year ended December 31, 2019, Quarterly Reports on Form 10-Q for the quarters ended March 31, 2020 and June 30, 2020, and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory changes, including tax, environmental and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations; the potential effects of the continued COVID-19 pandemic; the extent and timing of costs and legal requirements related to coal combustion residuals; current and future litigation or regulatory investigations, proceedings, or inquiries, including litigation and other disputes related to the Kemper County energy facility; the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate, including from the development and deployment of alternative energy sources; variations in demand for electricity and natural gas; available sources and costs of natural gas and other fuels; the ability to complete necessary or desirable pipeline expansion or infrastructure projects, limits on pipeline capacity, and operational interruptions to natural gas distribution and transmission activities; transmission constraints; effects of inflation; the ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of facilities or other projects, including Plant Vogtle Units 3 and 4, which includes components based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale, and including changes in labor costs, availability and productivity, challenges with management of contractors or vendors, subcontractor performance, adverse weather conditions, shortages, delays, increased costs, or inconsistent quality of equipment, materials, and labor, contractor or supplier delay, delays due to judicial or regulatory action, nonperformance under construction, operating, or other agreements, operational readiness, including specialized operator training and required site safety programs, engineering or design problems, design and other licensing-based compliance matters, including, for nuclear units, the timely submittal by Southern Nuclear of the Inspections, Tests, Analyses, and Acceptance Criteria documentation for each unit and the related reviews and approvals by the U.S. Nuclear Regulatory Commission ("NRC") necessary to support NRC authorization to load fuel, challenges with start-up activities, including major equipment failure or system integration, and/or operational performance; the ability to overcome or mitigate the current challenges at Plant Vogtle Units 3 and 4, including, but not limited to, those related to COVID-19, that could further impact the cost and schedule for the project; legal proceedings and regulatory approvals and actions related to construction projects, such as Plant Vogtle Units 3 and 4 and pipeline projects, including Public Service Commission approvals and Federal Energy Regulatory Commission and NRC actions; under certain specified circumstances, a decision by holders of more than 10% of the ownership interests of Plant Vogtle Units 3 and 4 not to proceed with construction and the ability of other Vogtle owners to tender a portion of their ownership interests to Georgia Power following certain construction cost increases; in the event Georgia Power becomes obligated to provide funding to Municipal Electric Authority of Georgia ("MEAG") with respect to the portion of MEAG's ownership interest in Plant Vogtle Units 3 and 4 involving Jacksonville Electric Authority, any inability of Georgia Power to receive repayment of such funding; the ability to construct facilities in accordance with the requirements of permits and licenses (including satisfaction of NRC requirements), to satisfy any environmental performance standards and the requirements of tax credits and other incentives, and to integrate facilities into the Southern Company system upon completion of construction; investment performance of the employee and retiree benefit plans and nuclear decommissioning trust funds; advances in technology; performance of counterparties under ongoing renewable energy partnerships and development agreements; state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to return on equity, equity ratios, additional generating capacity and fuel and other cost recovery mechanisms; the ability to successfully operate the electric utilities' generating, transmission, and distribution facilities and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions; the inherent risks involved in operating and constructing nuclear generating facilities; the inherent risks involved in transporting and storing natural gas; the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries; the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required; the ability to obtain new short- and long-term contracts with wholesale customers; the direct or indirect effect on the Southern Company system's business resulting from cyber intrusion or physical attack and the threat of physical attacks; interest rate fluctuations and financial market conditions and the results of financing efforts; access to capital markets and other financing sources; changes in Southern Company's and any of its subsidiaries' credit ratings; changes in the method of determining LIBOR or the replacement of LIBOR with an alternative reference rate; the ability of Southern Company's electric utilities to obtain additional generating capacity (or sell excess generating capacity) at competitive prices; catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events or other similar occurrences; the direct or indirect effects on the Southern Company system's business resulting from incidents affecting the U.S. electric grid, natural gas pipeline infrastructure, or operation of generating or storage resources; impairments of goodwill or long-lived assets; and the effect of accounting pronouncements issued periodically by standard-setting bodies. Southern Company and its subsidiaries expressly disclaim any obligation to update any forward-looking information.

# Non-GAAP Financial Measures

*In addition to including earnings in accordance with generally accepted accounting principles (GAAP), this presentation also includes historical adjusted earnings and earnings per share (EPS) excluding: (1) impacts related to (a) the sale of Gulf Power, (b) the sales of Plants Nacogdoches and Mankato, (c) the sale of PowerSecure Inc.'s utility infrastructure services business, and (d) other acquisition and disposition activities; (2) a charge related to Georgia Power's construction of Plant Vogtle Units 3 and 4; (3) charges, associated legal expenses, and tax impacts related to Mississippi Power's integrated coal gasification combined cycle project in Kemper County, Mississippi (Kemper IGCC); (4) earnings from the Wholesale Gas Services business; and (5) an impairment charge related to a leveraged lease.*

*The impacts of acquisitions and dispositions significantly impacted earnings and earnings per share for the three and six months ended June 30, 2020 and 2019.*

*Mississippi Power expects to substantially complete mine reclamation activities in 2020 and dismantlement of the abandoned gasifier-related assets and site restoration activities in 2025. The additional pre-tax period and closure costs associated with these activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, are estimated to total up to \$11 million for the remainder of 2020, \$16 million in 2021, and \$11 million to \$13 million annually in 2022 through 2025.*

*The charge related to Georgia Power's construction of Plant Vogtle Units 3 and 4 significantly impacted earnings per share for the three and six months ended June 30, 2020. Further charges may occur; however, the amount and timing of any such charges are uncertain.*

*The impairment charge associated with a leveraged lease significantly impacted earnings per share for the three and six months ended June 30, 2020. Further charges are not expected.*

*For all periods, presenting earnings and EPS excluding Wholesale Gas Services provides investors with an additional measure of operating performance that excludes the volatility that results from mark-to-market and lower of weighted average cost or current market price accounting adjustments.*

*This presentation also includes projected adjusted EPS for future periods excluding: additional acquisition and integration impacts, any future charges associated with the Kemper IGCC and/or the construction of Plant Vogtle Units 3 and 4, and additional earnings of the Wholesale Gas Services business. Information concerning the magnitude of the impacts, if any, from these items on EPS is not available at this time. Accordingly, this presentation does not include a quantitative reconciliation of projected adjusted EPS (which is a forward-looking non-GAAP financial measure) because doing so would involve unreasonable efforts.*

*Southern Company believes presentation of EPS excluding the items described above provides investors with information comparable to guidance. Management also uses such measures to evaluate Southern Company's performance.*

## Q2 2020 Highlights

- Strong adjusted financial results for the quarter of \$0.78, well above our earnings estimate of \$0.65
  - COVID-19 revenue impact less than expected for the quarter
  - Cost control efforts have mitigated impact of COVID-19 and mild weather
- Georgia Power's share of total capital cost forecast for Vogtle Units 3 & 4 increased ~\$150 million
  - Contingency replenished to ~20% of the remaining estimate to complete when combined with schedule cost margin
  - Georgia Power's share of estimated COVID-19 impacts is between \$70 million and \$115 million

## Vogtle 3 & 4

- We are focused on meeting November 2021 and 2022 regulatory-approved in-service dates
  - Aggressive site work plan target in-service dates remain May 2021 and 2022, respectively, for Units 3 & 4
    - » Even if fuel load were three months later, it still supports an in-service date in the summer
- Georgia Power's share of total capital cost forecast for Vogtle 3 & 4 increased ~\$150 million, largely related to expected COVID-19 and other costs
  - Georgia Power's cost contingency replenished to ~\$115 million
  - Existing schedule cost margin associated with the aggressive site work plan remains ~\$250 million
  - Combined cost contingency and schedule cost margin represents ~20% of the remaining estimate to complete
  - Recorded pre-tax charge of ~\$150 million (\$110 million after-tax) in Q2 2020

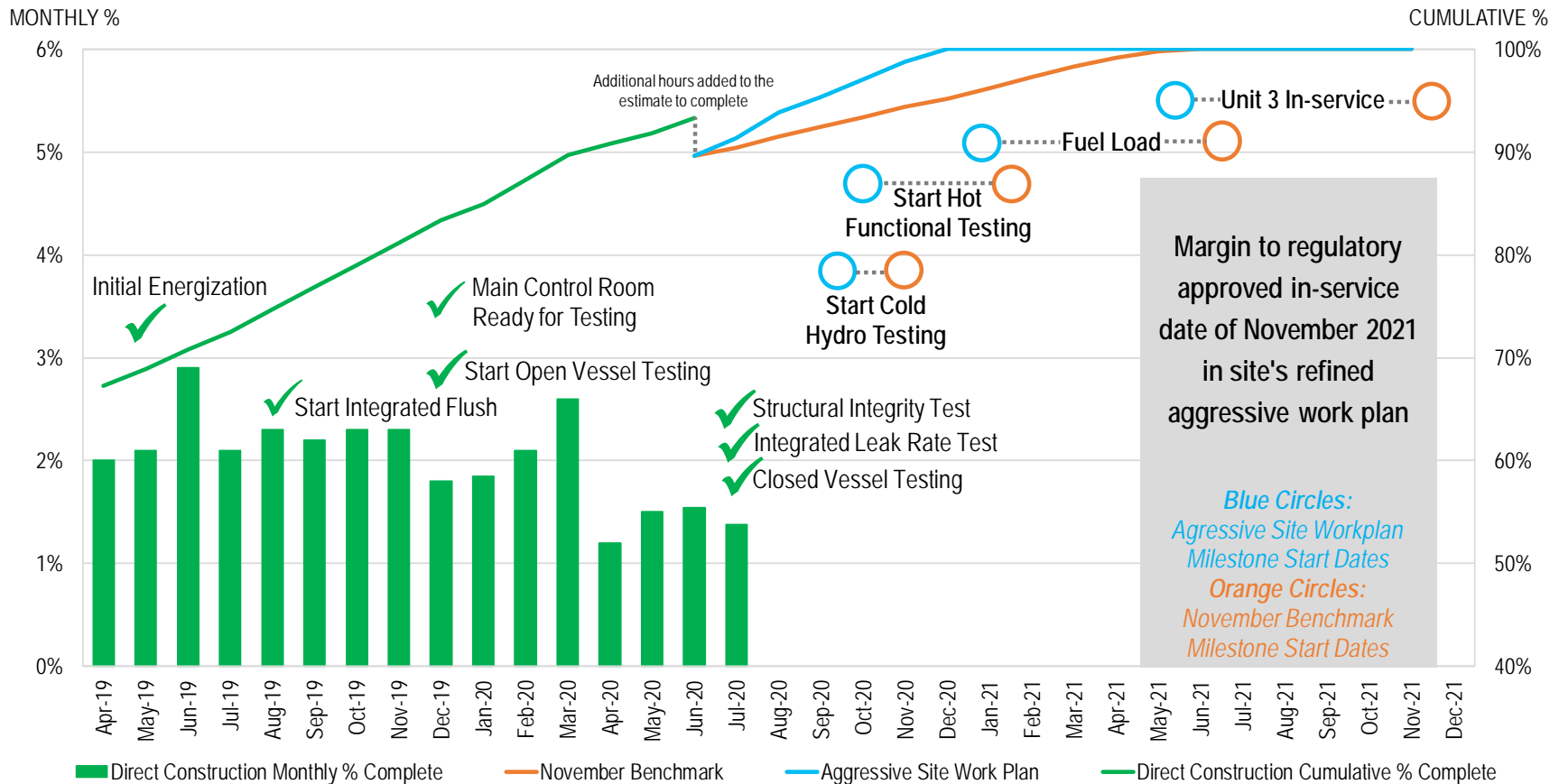
# Vogtle 3 & 4

- Unit 3 production continues to exceed estimated needs under November benchmark schedule
- Unit 3 direct construction ~90% complete
  - Re-evaluated estimates for cost and time to complete the final phases of construction, which resulted in hours being added to direct construction for both units
- Unit 3 2Q 2020 achievements:
  - Completed closed vessel testing
  - Completed structural integrity test
  - Completed integrated leak rate test
- COVID-19 pandemic continues to challenge productivity and pace of activity completion, particularly on electrical work fronts



# Vogle Unit 3 Direct Construction & Major Milestones

*(Direct Construction is Bechtel's Scope of Work)*



Milestone bars and lines represent the range of potential start dates for each milestone with the left side of each indicating expected start dates under the aggressive site work plan and the right side indicating expected start dates for November benchmark  
 \*Data for July 2020 represents estimate.

# Vogle 3 & 4 Cost Estimate

## Projected Estimated Cost of Project (\$M) (Georgia Power's 45.7% share)

Base project capital cost forecast to May	\$7,770
Schedule cost margin to November	247
<hr/>	
Total base project capital cost forecast to November	\$8,017
Cost contingency allocated to date	400
Cost contingency replenishment	114
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Total project capital cost forecast	\$8,531
Net Investment as of June 30, 2020	(6,575)
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Remaining estimate to complete	\$1,956

= \$361M

**Total cost contingency and schedule cost margin of \$361 million represents ~20% of remaining estimate to complete**



# Q2 2020 Earnings Results

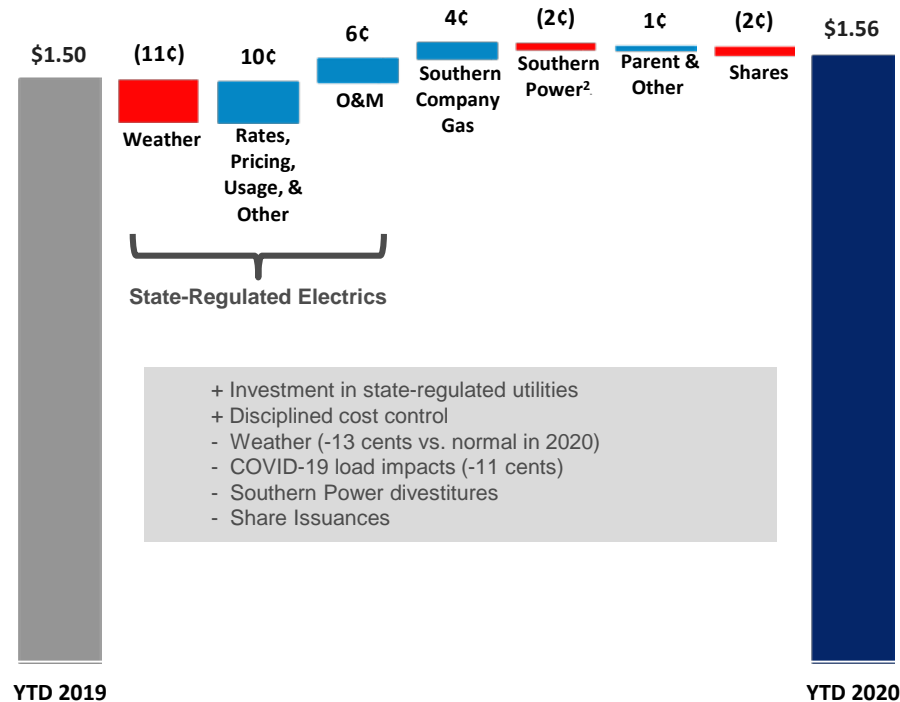
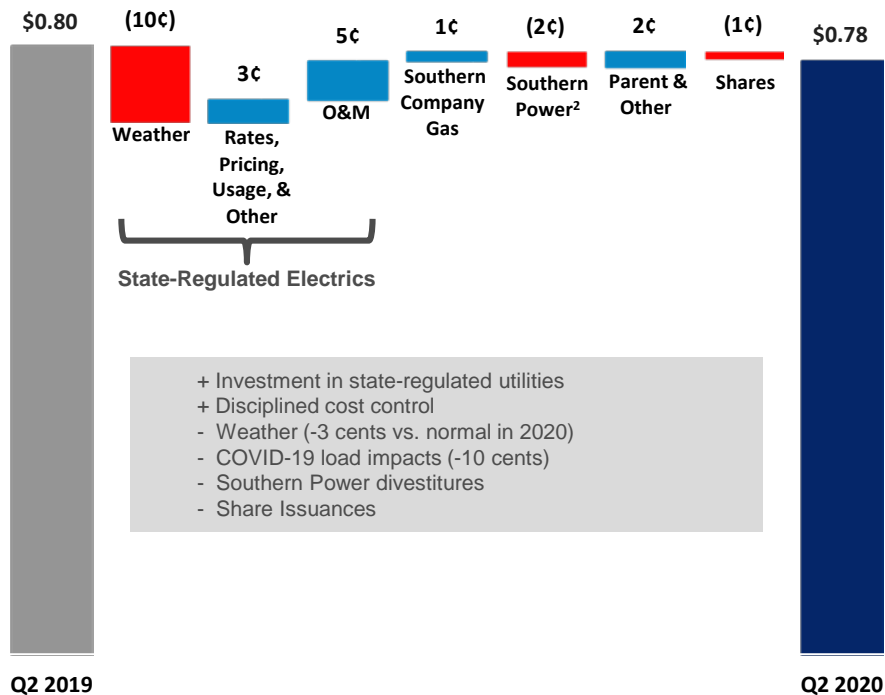
	2Q		YTD	
	2020	2019	2020	2019
<b>Earnings Per Share As Reported</b>	<b>\$0.58</b>	<b>\$0.86</b>	<b>\$1.40</b>	<b>\$2.86</b>
Less:				
Acquisition and Disposition Impacts <sup>1</sup>	-	\$0.05	\$0.02	\$1.30
Estimated Loss on Plants Under Construction <sup>2</sup>	(\$0.11)	(\$0.01)	(\$0.11)	(\$0.01)
Asset Impairment <sup>3</sup>	(\$0.07)	-	(\$0.07)	-
Wholesale Gas Services	(\$0.02)	\$0.02	-	\$0.07
<b>Earnings Per Share Excluding Items</b>	<b>\$0.78</b>	<b>\$0.80</b>	<b>\$1.56</b>	<b>\$1.50</b>

<sup>1</sup> Represents impacts related to the sales of Gulf Power, Plants Mankato and Nacogdoches, and PowerSecure's utility infrastructure business and other impacts related to completed dispositions.

<sup>2</sup> Includes an \$0.11 charge related to Georgia Power's construction of Plant Vogtle Units 3 and 4 for the three and six months ended June 30, 2020. All periods include charges resulting from the abandonment and closure activities associated with the mine and gasifier-related portions of the Kemper IGCC.

<sup>3</sup> Represents an impairment charge related to a leveraged lease.

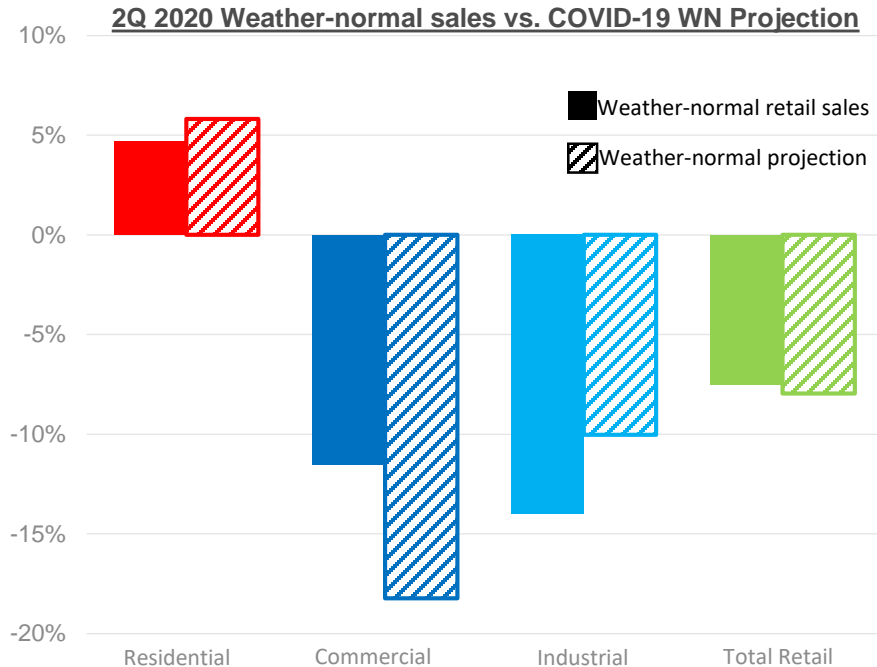
# Q2 2020 & YTD Year-Over-Year Adjusted Drivers <sup>1</sup>



<sup>1</sup>Excludes charges, associated legal expenses, and tax impacts related to the Kemper IGCC, a charge associated with the construction of Plant Vogtle Units 3 and 4, acquisition and disposition impacts, an impairment charge related to a leveraged lease, and earnings from Wholesale Gas Services.

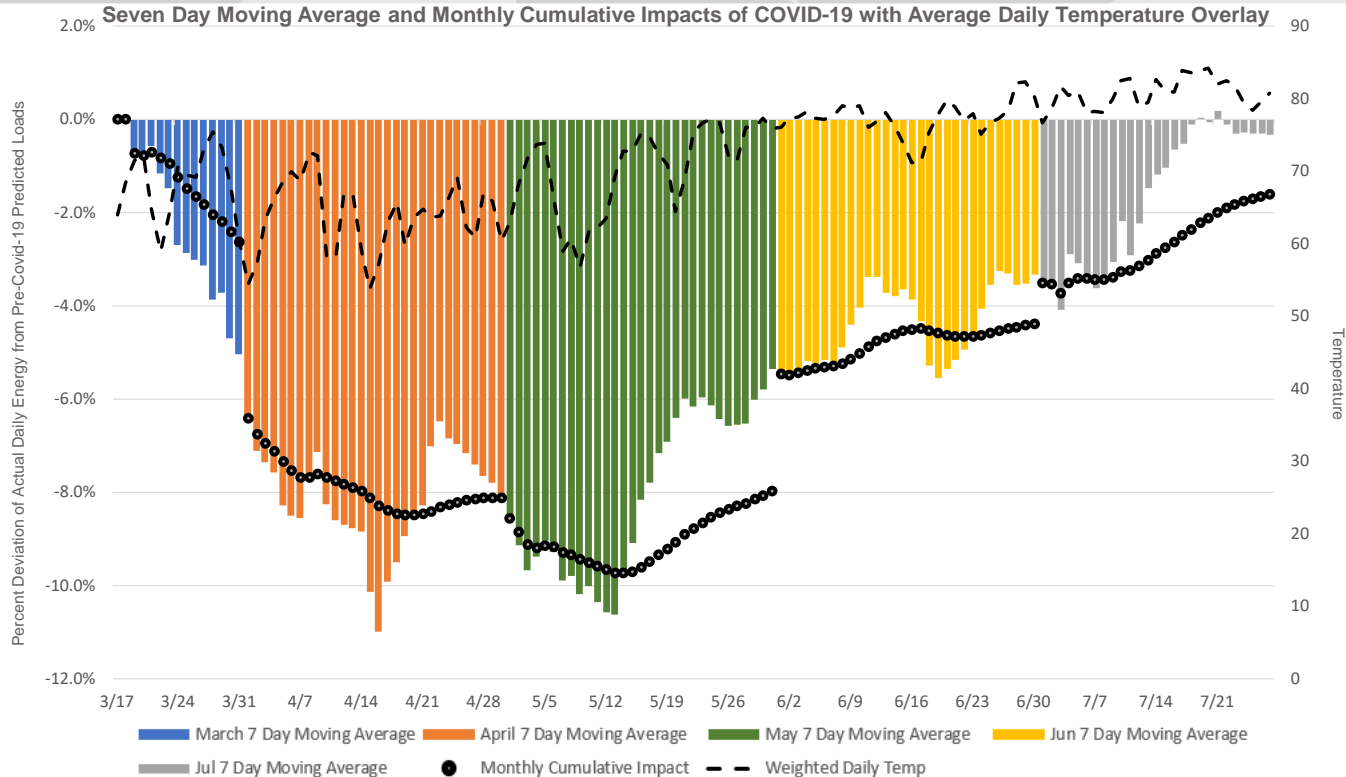
<sup>2</sup>Southern Power Company includes (1c) of divested earnings.

# COVID-19 Sales Impacts-to-Date and 2020 Outlook



- 2Q 2020 weather-normal total retail kilowatt hour sales were consistent with our projections
- Through June, COVID-19 impact on retail revenues lower than anticipated, with favorable O&M trends
- Continue to estimate 2020 COVID-19 impact on base revenues of \$250M to \$400M
  - Continue to expect COVID-19 sales impacts in 2020 can be mitigated through cost discipline
- Uncertainty remains through the second half of 2020 driven by shape and pace of economic recovery

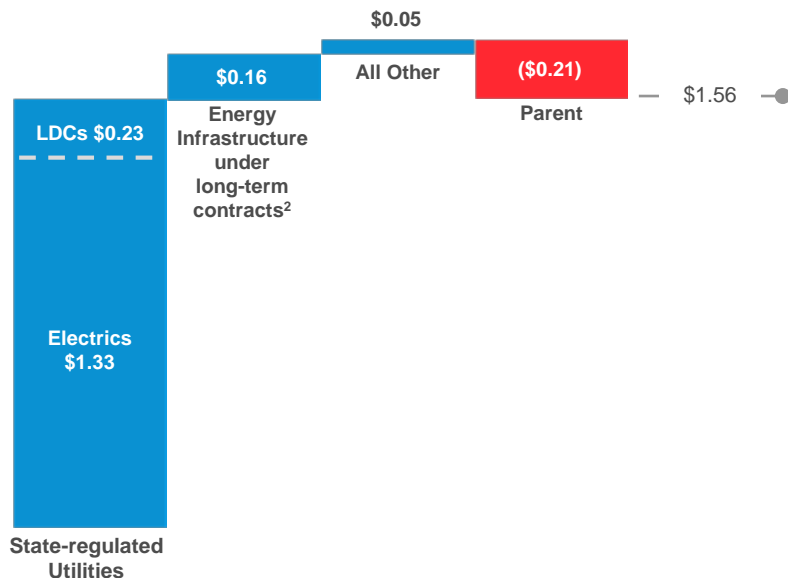
# Improving Trends, But Uncertainty Remains



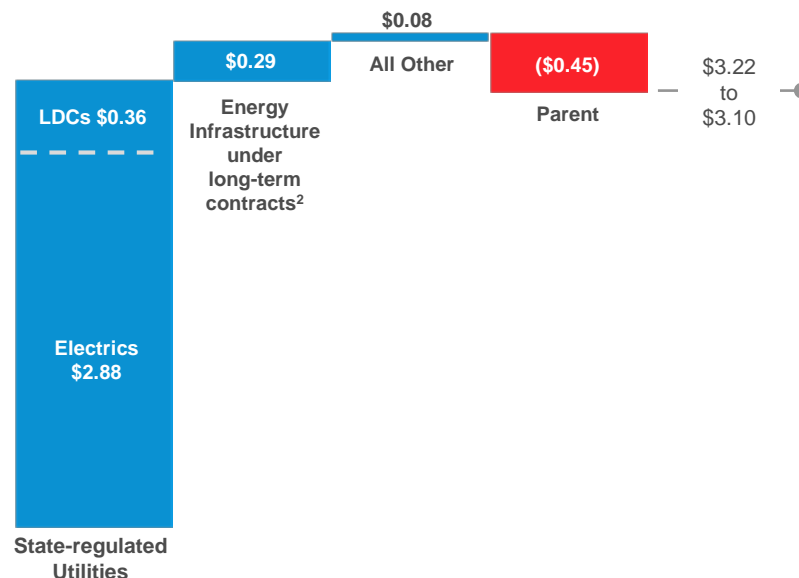
**Although much uncertainty remains for the remainder of 2020, retail sales trends through month-to-date July 2020 indicate continued improvement**

# Q2 YTD 2020 and Projected Full Year Adjusted EPS

## Q2 YTD 2020 Adjusted EPS<sup>1</sup>



## 2020 Projected Full Year Adjusted EPS<sup>3</sup>



**Q3 2020 Estimate = \$1.15 per share**

### Notes

Excludes wholesale gas services business, charges associated legal expenses and/or taxes related to the Kemper IGCC, charges associated with the construction of Plant Vogtle Units 3 and 4, and acquisition and disposition impacts.

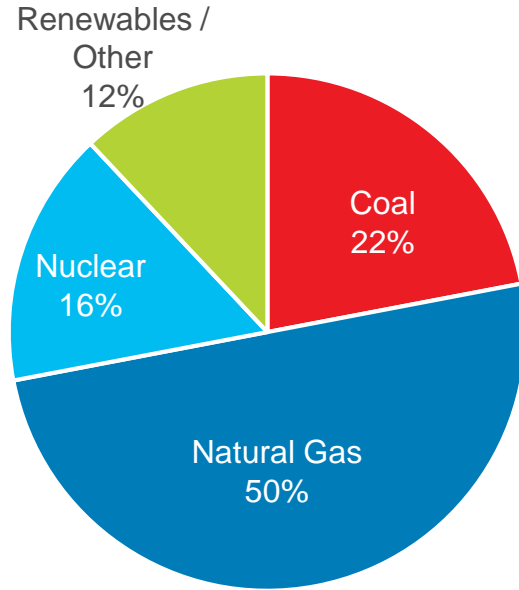
1. Q2 2020 YTD average shares outstanding = 1,057M

2. Includes Southern Power, interstate natural gas pipelines and Southern Company system-owned distributed energy resources

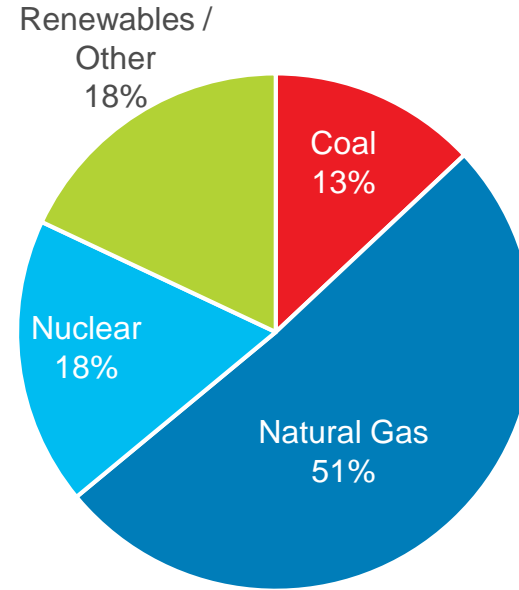
3. Guidance provided as of February 20, 2020

# Significant Year-Over-Year Decrease in Coal Generation<sup>1</sup>

## 2019 Total Energy Mix



## 2020 YTD Total Energy Mix



<sup>1</sup>Energy mix represents all of the energy used to serve retail and wholesale customers. This energy mix includes resources under the direct financial control of Southern Company subsidiaries, as well as energy purchased from others. It is not meant to represent delivered energy mix to any particular retail customer or class of customers. With respect to renewable generation and associated renewable energy credits (RECs), to the extent an affiliate of Southern Company has the right to the RECs associated with renewable energy it generates or purchases, it retains the right to sell the energy and RECs, either bundled separately, to retail customers or third parties.

# Summary

- Remain committed to meeting our financial objectives for 2020, including mitigation of COVID-19 impacts
- Remain focused on meeting regulatory-approved in-service dates for Vogtle 3 & 4
- Continued track record of ESG leadership and transparency
  - Committed to a goal of net-zero emissions by 2050
  - Multi-faceted support for our communities during the pandemic and beyond
  - Commitment to pursuit of racial justice for the long term

# Appendix





# Capital Markets / Financing



# Projected Long-term Debt Financings<sup>1</sup>

<u>Long-term Debt (\$ in millions)</u>	<u>Actual</u>	<u>Projected</u>			
	<u>YTD 2020<sup>2</sup></u>	<u>2020 (Remaining)</u>	<u>2021</u>	<u>2022</u>	<u>2020 - 2022</u>
Alabama Power		\$300	\$450	\$900	\$1,650
Georgia Power <sup>3</sup>	\$2,019	330	1,450	800	2,580
Mississippi Power <sup>4</sup>		-	400	-	400
<b>State-regulated Electric</b> s	<b>\$2,019</b>	<b>\$630</b>	<b>\$2,300</b>	<b>\$1,700</b>	<b>\$4,630</b>
Southern Power		-	-	-	-
Southern Company Gas Capital		350	600	750	1,700
Nicor		325	125	195	645
Parent Company <sup>5</sup>	2,000	1,000	1,000	1,000	3,000
<b>Total Long-term Debt Issuance</b>	<b>\$4,019</b>	<b>\$2,305</b>	<b>\$4,025</b>	<b>\$3,645</b>	<b>\$9,975</b>

1. Amounts and timing are subject to change based upon numerous factors, including market conditions, regulatory approvals, the Southern Company system's capital requirements and available investment opportunities. Does not include remarketing of tax-exempt securities currently held by subsidiaries of the Company

2. As of 6/30/2020

3. Could include further DOE draws; excludes \$125M of long-term bank notes

4. Excludes \$100M of long-term bank notes

5. 2022 excludes \$1,725M Junior Subordinated Notes remarketing related to the Company's 2019 Equity Units

# Long-term Debt Maturity Schedule<sup>1,2,3</sup>

2020-2022 maturities total \$6.1 billion

<u>Long-term Debt (\$ in millions)</u>	<u>Remaining 2020</u>	<u>2021</u>	<u>2022</u>	<u>2020-2022</u>
Alabama Power <sup>4</sup>	\$250	\$310	\$750	\$1,310
Georgia Power	41	523	526	1,089
Mississippi Power	-	330	15	345
<b>State-regulated Electrics</b>	<b>\$291</b>	<b>\$1,163</b>	<b>\$1,291</b>	<b>\$2,744</b>
Southern Power	525	300	677	1,502
Southern Company Gas Capital <sup>5</sup>	-	330	46	376
Nicor	-	-	-	-
Parent Company	-	1,500	-	1,500
<b>Total Long-term Debt Maturities<sup>4</sup></b>	<b>\$816</b>	<b>\$3,393</b>	<b>\$2,014</b>	<b>\$6,222</b>

1. As of 6/30/2020

2. Due to rounding, amounts may not foot

3. Excludes capital leases and fixed rate pollution control bonds subject to remarketing

4. 2021 Total Long-term Debt Maturities includes \$100M SEGCO maturity

5. Southern Company Gas includes maturities at Southern Company Gas Capital and AGL

# Liquidity and Credit<sup>1</sup>

as of 6/30/2020

Over \$7.7 billion in committed credit facilities and available liquidity of \$7.8 billion

<i>(in millions)</i>	2020	2021	2022	2023	2024	Total
Credit Facility Expirations	\$3	\$30	\$675	\$125	\$6,900	\$7,733

<i>(in millions)</i>	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas	Southern Power	Parent	Other <sup>2</sup>	Consolidated
Unused Credit Lines	\$1,328	\$1,733	\$250	\$1,745	\$590	\$1,999	\$30	\$7,675
Cash	901	386	34	120	154	163	120	1,879
<b>Total</b>	<b>\$2,229</b>	<b>\$2,119</b>	<b>\$284</b>	<b>\$1,865</b>	<b>\$744</b>	<b>\$2,162</b>	<b>\$150</b>	<b>\$9,553</b>
Less: Outstanding CP	-	90	4	84	92	-	21	291
Less: PCB Floaters <sup>3</sup>	854	550	34	-	-	-	-	1,438
<b>Net Available Liquidity</b>	<b>\$1,375</b>	<b>\$1,479</b>	<b>\$246</b>	<b>\$1,781</b>	<b>\$652</b>	<b>\$2,162</b>	<b>\$129</b>	<b>\$7,825</b>

1. Due to rounding, amounts may not foot

2. Other includes amounts from non-SEC reporting subsidiaries including SEGCO, PowerSecure, Southern Nuclear, Southern LINC and others

3. PCB Floaters include all variable rate demand pollution control revenue bonds outstanding

## Vogle 3 & 4



# Vogtle 3 & 4 Major Milestone Definitions

## **Initial Energization-**

Energizing the main transformers to provide the initial supply of off-site power to the plant's electrical distribution system needed for testing. Individual electrical components – pumps, valve, motors - will be powered providing 'life' to the plant. Previously, plant equipment has been running on temporary power. This important milestone is needed to perform all subsequent testing.

## **Integrated Flush-**

To clean and remove any foreign material that could potentially impact operation of equipment, all system piping and mechanical components that feed into the reactor vessel or coolant loops will be flushed. This flush will be performed utilizing permanent plant pumps and clean water, hydrolasing, air flushing, and some hand cleaning. Integrated flushing ensures systems can be tested without concern for damage from debris to meet the cleanliness and chemistry requirements necessary to operate systems per design.

## **Open Vessel Testing-**

Verifies the water flows between the primary systems and the reactor vessel and that the pumps, motors, valves, pipes and other system components function as designed.

## **Main Control Room Ready for Testing-**

To prepare for testing, the main control room must be able to be safely staffed by plant operators, which includes complete lighting, ventilation, fire protection and communication capabilities. Operators monitor and control equipment essential for safely starting and operating the plant. Having the equipment installed and operable in the main control room is a necessary step for completion of testing and start-up.

# Vogtle 3 & 4 Major Milestone Definitions

## **Cold Hydro Test-**

Cold Hydro Testing contains several separate tests in different areas of the plant to verify that welds, joints, pipes, and other components of the reactor coolant system, steam-supply system and associated high pressure systems do not leak and will hold pressure. To accomplish these tests, internals will be installed in the reactor vessel and the integrated head package will be installed with all head bolts tensioned. The reactor coolant system will be filled and pressurized above normal operating conditions, backed down to normal design pressure, and held there while the comprehensive inspection is conducted.

## **Hot Functional Test-**

Hot Functional Testing will demonstrate the integrated operation of the primary coolant system and steam supply system at design temperature and pressure with no fuel in the reactor. Operators use the heat generated by plant equipment to raise the temperature and pressure of plant systems to normal operating levels. The unit's main turbine will be raised to normal operating speed using the plant's steam. This test is the first time components and systems are operated together, allowing operators to exercise and validate procedures and is required before fuel is loaded into the reactor. Completion of the test marks the end of major construction.

## **Fuel Load-**

Operators load nuclear fuel into the reactor for the first time in preparation for start-up testing and, ultimately, commercial operation. Completion of fuel load marks the end of major testing.