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

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2020

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

<u>Commission File Number</u>	<u>Registrant, State of Incorporation, Address and Telephone Number</u>	<u>I.R.S. Employer Identification No.</u>
1-3526	The Southern Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-0690070
1-3164	Alabama Power Company (An Alabama Corporation) 600 North 18th Street Birmingham, Alabama 35203 (205) 257-1000	63-0004250
1-6468	Georgia Power Company (A Georgia Corporation) 241 Ralph McGill Boulevard, N.E. Atlanta, Georgia 30308 (404) 506-6526	58-0257110
001-11229	Mississippi Power Company (A Mississippi Corporation) 2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820
001-37803	Southern Power Company (A Delaware Corporation) 30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-2598670
1-14174	Southern Company Gas (A Georgia Corporation) Ten Peachtree Place, N.E. Atlanta, Georgia 30309 (404) 584-4000	58-2210952

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
			New York Stock Exchange
The Southern Company	Common Stock, par value \$5 per share	SO	(NYSE)
The Southern Company	Series 2016A 5.25% Junior Subordinated Notes due 2076	SOJB	NYSE
The Southern Company	Series 2017B 5.25% Junior Subordinated Notes due 2077	SOJC	NYSE
The Southern Company	2019 Series A Corporate Units	SOLN	NYSE
The Southern Company	Series 2020A 4.95% Junior Subordinated Notes due 2080	SOJD	NYSE
The Southern Company	Series 2020C 4.20% Junior Subordinated Notes due 2060	SOJE	NYSE
Alabama Power Company	5.00% Series Class A Preferred Stock	ALP PR Q	NYSE
Georgia Power Company	Series 2017A 5.00% Junior Subordinated Notes due 2077	GPJA	NYSE
Southern Power Company	Series 2016A 1.000% Senior Notes due 2022	SO/22B	NYSE
Southern Power Company	Series 2016B 1.850% Senior Notes due 2026	SO/26A	NYSE

Securities registered pursuant to Section 12(g) of the Act: (*)

Registrant	Title of Each Class
Alabama Power Company	Preferred stock, cumulative, \$100 par value:
	4.20% Series
	4.52% Series
	4.60% Series
	4.64% Series
	4.72% Series
	4.92% Series

(*) At December 31, 2020

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Registrant	Yes	No
The Southern Company	X	
Alabama Power Company	X	
Georgia Power Company	X	
Mississippi Power Company		X
Southern Power Company		X
Southern Company Gas		X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No (Response applicable to all registrants.)

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

Indicate by check mark whether the registrants have submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrants were required to submit such files). Yes No

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Registrant	Yes	No
The Southern Company	X	
Alabama Power Company		X
Georgia Power Company		X
Mississippi Power Company		X
Southern Power Company		X
Southern Company Gas		X

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

Aggregate market value of The Southern Company's common stock held by non-affiliates of The Southern Company at June 30, 2020: \$54.8 billion. All of the common stock of the other registrants is held by The Southern Company. A description of each registrant's common stock follows:

Registrant	Description of Common Stock	Shares Outstanding at January 31, 2021
The Southern Company	Par Value \$5 Per Share	1,056,609,660
Alabama Power Company	Par Value \$40 Per Share	30,537,500
Georgia Power Company	Without Par Value	9,261,500
Mississippi Power Company	Without Par Value	1,121,000
Southern Power Company	Par Value \$0.01 Per Share	1,000
Southern Company Gas	Par Value \$0.01 Per Share	100

Documents incorporated by reference: specified portions of The Southern Company's Definitive Proxy Statement on Schedule 14A relating to the 2021 Annual Meeting of Stockholders are incorporated by reference into PART III. In addition, specified portions of Alabama Power Company's Definitive Proxy Statement on Schedule 14A relating to its 2021 Annual Meeting of Shareholders are incorporated by reference into PART III.

Each of Georgia Power Company, Mississippi Power Company, Southern Power Company, and Southern Company Gas meets the conditions set forth in General Instructions I(1)(a) and (b) of Form 10-K and is therefore filing this Form 10-K with the reduced disclosure format specified in General Instructions I(2)(b), (c), and (d) of Form 10-K.

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

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DEFINITIONS

When used in this Form 10-K, the following terms will have the meanings indicated.

Term	Meaning
2013 ARP	Alternate Rate Plan approved by the Georgia PSC in 2013 for Georgia Power for the years 2014 through 2016 and subsequently extended through 2019
2019 ARP	Alternate Rate Plan approved by the Georgia PSC in 2019 for Georgia Power for the years 2020 through 2022
AFUDC	Allowance for funds used during construction
Alabama Power	Alabama Power Company
AMEA	Alabama Municipal Electric Authority
Amended and Restated Loan Guarantee Agreement	Loan guarantee agreement entered into by Georgia Power with the DOE in 2014, as amended and restated in March 2019, under which the proceeds of borrowings may be used to reimburse Georgia Power for Eligible Project Costs incurred in connection with its construction of Plant Vogtle Units 3 and 4
AOCI	Accumulated other comprehensive income
ARO	Asset retirement obligation
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Atlanta Gas Light	Atlanta Gas Light Company, a wholly-owned subsidiary of Southern Company Gas
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas held a 5% interest through March 24, 2020
Bcf	Billion cubic feet
Bechtel	Bechtel Power Corporation, the primary contractor for the remaining construction activities for Plant Vogtle Units 3 and 4
Bechtel Agreement	The 2017 construction completion agreement between the Vogtle Owners and Bechtel
CCN	Certificate of convenience and necessity
CCR	Coal combustion residuals
CCR Rule	Disposal of Coal Combustion Residuals from Electric Utilities final rule published by the EPA in 2015
Chattanooga Gas	Chattanooga Gas Company, a wholly-owned subsidiary of Southern Company Gas
Clean Air Act	Clean Air Act Amendments of 1990
CO ₂	Carbon dioxide
COD	Commercial operation date
Contractor Settlement Agreement	The December 31, 2015 agreement between Westinghouse and the Vogtle Owners resolving disputes between the Vogtle Owners and the EPC Contractor under the Vogtle 3 and 4 Agreement
Cooperative Energy	Electric generation and transmission cooperative in Mississippi
COVID-19	The novel coronavirus disease declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention in March 2020
CPCN	Certificate of public convenience and necessity
CPP	Clean Power Plan, the final action published by the EPA in 2015 that established guidelines for states to develop plans to meet EPA-mandated CO ₂ emission rates or emission reduction goals for existing electric generating units
CWIP	Construction work in progress
Dalton	City of Dalton, Georgia, an incorporated municipality in the State of Georgia, acting by and through its Board of Water, Light, and Sinking Fund Commissioners
Dalton Pipeline	A pipeline facility in Georgia in which Southern Company Gas has a 50% undivided ownership interest
DOE	U.S. Department of Energy
DSGP	Diamond State Generation Partners
ECO Plan	Mississippi Power's environmental compliance overview plan

DEFINITIONS

(continued)

Term	Meaning
Eligible Project Costs	Certain costs of construction relating to Plant Vogtle Units 3 and 4 that are eligible for financing under the loan guarantee program established under Title XVII of the Energy Policy Act of 2005
EMC	Electric membership corporation
EPA	U.S. Environmental Protection Agency
EPC Contractor	Westinghouse and its affiliate, WECTEC Global Project Services Inc.; the former engineering, procurement, and construction contractor for Plant Vogtle Units 3 and 4
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
FFB Credit Facilities	Note purchase agreements among the DOE, Georgia Power, and the FFB and related promissory notes which provide for two multi-advance term loan facilities
Fitch	Fitch Ratings, Inc.
GAAP	U.S. generally accepted accounting principles
Georgia Power	Georgia Power Company
Georgia Power Tax Reform Settlement Agreement	A settlement agreement between Georgia Power and the staff of the Georgia PSC regarding the retail rate impact of the Tax Reform Legislation, as approved by the Georgia PSC in April 2018
GHG	Greenhouse gas
GRAM	Atlanta Gas Light's Georgia Rate Adjustment Mechanism
Guarantee Settlement Agreement	The June 9, 2017 settlement agreement between the Vogtle Owners and Toshiba related to certain payment obligations of the EPC Contractor guaranteed by Toshiba
Gulf Power	Gulf Power Company, until January 1, 2019 a wholly-owned subsidiary of Southern Company; effective January 1, 2021, Gulf Power Company merged with and into Florida Power and Light Company, with Florida Power and Light Company remaining as the surviving company
Heating Degree Days	A measure of weather, calculated when the average daily temperatures are less than 65 degrees Fahrenheit
Heating Season	The period from November through March when Southern Company Gas' natural gas usage and operating revenues are generally higher
HLBV	Hypothetical liquidation at book value
IBEW	International Brotherhood of Electrical Workers
IGCC	Integrated coal gasification combined cycle, the technology originally approved for Mississippi Power's Kemper County energy facility
IIC	Intercompany Interchange Contract
Illinois Commission	Illinois Commerce Commission
Internal Revenue Code	Internal Revenue Code of 1986, as amended
IPP	Independent power producer
IRP	Integrated resource plan
IRS	Internal Revenue Service
ITAAC	Inspections, Tests, Analyses, and Acceptance Criteria, standards established by the NRC
ITC	Investment tax credit
JEA	Jacksonville Electric Authority
Jefferson Island	Jefferson Island Storage and Hub, L.L.C, which owns a natural gas storage facility in Louisiana consisting of two salt dome caverns; a subsidiary of Southern Company Gas through December 1, 2020
KW	Kilowatt
KWH	Kilowatt-hour
LIBOR	London Interbank Offered Rate
LIFO	Last-in, first-out
LNG	Liquefied natural gas
LOCOM	Lower of weighted average cost or current market price

DEFINITIONS

(continued)

Term	Meaning
LTSA	Long-term service agreement
Marketers	Marketers selling retail natural gas in Georgia and certificated by the Georgia PSC
MEAG Power	Municipal Electric Authority of Georgia
MGP	Manufactured gas plant
Mississippi Power	Mississippi Power Company
mmBtu	Million British thermal units
Moody's	Moody's Investors Service, Inc.
MPUS	Mississippi Public Utilities Staff
MRA	Municipal and Rural Associations
MW	Megawatt
MWH	Megawatt hour
natural gas distribution utilities	Southern Company Gas' natural gas distribution utilities (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, Elizabethtown Gas, Florida City Gas, Chattanooga Gas, and Elkton Gas through June 30, 2018) (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas after July 29, 2018)
NCCR	Georgia Power's Nuclear Construction Cost Recovery
NDR	Alabama Power's Natural Disaster Reserve
NextEra Energy	NextEra Energy, Inc.
Nicor Gas	Northern Illinois Gas Company, a wholly-owned subsidiary of Southern Company Gas
NO _x	Nitrogen oxide
NRC	U.S. Nuclear Regulatory Commission
NYMEX	New York Mercantile Exchange, Inc.
NYSE	New York Stock Exchange
OCI	Other comprehensive income
OPC	Oglethorpe Power Corporation (an EMC)
OTC	Over-the-counter
PennEast Pipeline	PennEast Pipeline Company, LLC, a joint venture to construct and operate a natural gas pipeline in which Southern Company Gas has a 20% ownership interest
PEP	Mississippi Power's Performance Evaluation Plan
Pivotal Home Solutions	Nicor Energy Services Company, until June 4, 2018 a wholly-owned subsidiary of Southern Company Gas, doing business as Pivotal Home Solutions
Pivotal LNG	Pivotal LNG, Inc., through March 24, 2020, a wholly-owned subsidiary of Southern Company Gas
Pivotal Utility Holdings	Pivotal Utility Holdings, Inc., until July 29, 2018 a wholly-owned subsidiary of Southern Company Gas, doing business as Elizabethtown Gas (until July 1, 2018), Elkton Gas (until July 1, 2018), and Florida City Gas (until July 29, 2018)
PowerSecure	PowerSecure, Inc., a wholly-owned subsidiary of Southern Company
PowerSouth	PowerSouth Energy Cooperative
PPA	Power purchase agreements, as well as, for Southern Power, contracts for differences that provide the owner of a renewable facility a certain fixed price for the electricity sold to the grid
PRP	Pipeline Replacement Program, an Atlanta Gas Light infrastructure program through 2013
PSC	Public Service Commission
PTC	Production tax credit
Rate CNP	Alabama Power's Rate Certificated New Plant, consisting of Rate CNP New Plant, Rate CNP Compliance, and Rate CNP PPA
Rate ECR	Alabama Power's Rate Energy Cost Recovery
Rate NDR	Alabama Power's Rate Natural Disaster Reserve
Rate RSE	Alabama Power's Rate Stabilization and Equalization

DEFINITIONS

(continued)

Term	Meaning
Registrants	Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power Company, and Southern Company Gas
RMP	Mississippi Power's Reserve Margin Plan
ROE	Return on equity
S&P	S&P Global Ratings, a division of S&P Global Inc.
SCS	Southern Company Services, Inc., the Southern Company system service company and a wholly-owned subsidiary of Southern Company
SEC	U.S. Securities and Exchange Commission
SEGCO	Southern Electric Generating Company, 50% owned by each of Alabama Power and Georgia Power
SEPA	Southeastern Power Administration
Sequent	Sequent Energy Management, L.P., a wholly-owned subsidiary of Southern Company Gas
SERC	Southeastern Electric Reliability Corporation
SNG	Southern Natural Gas Company, L.L.C., a pipeline system in which Southern Company Gas has a 50% ownership interest
SO ₂	Sulfur dioxide
Southern Company	The Southern Company
Southern Company Gas	Southern Company Gas and its subsidiaries
Southern Company Gas Capital	Southern Company Gas Capital Corporation, a 100%-owned subsidiary of Southern Company Gas
Southern Company power pool	The operating arrangement whereby the integrated generating resources of the traditional electric operating companies and Southern Power (excluding subsidiaries) are subject to joint commitment and dispatch in order to serve their combined load obligations
Southern Company system	Southern Company, the traditional electric operating companies, Southern Power, Southern Company Gas, SEGCO, Southern Nuclear, SCS, Southern Linc, PowerSecure, and other subsidiaries
Southern Holdings	Southern Company Holdings, Inc., a wholly-owned subsidiary of Southern Company
Southern Linc	Southern Communications Services, Inc., a wholly-owned subsidiary of Southern Company, doing business as Southern Linc
Southern Nuclear	Southern Nuclear Operating Company, Inc., a wholly-owned subsidiary of Southern Company
Southern Power	Southern Power Company and its subsidiaries
SouthStar	SouthStar Energy Services, LLC (a Marketer), a wholly-owned subsidiary of Southern Company Gas
SP Solar	SP Solar Holdings I, LP, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, in which Southern Power has a 67% ownership interest
SP Wind	SP Wind Holdings II, LLC, a holding company owning a portfolio of eight operating wind facilities, in which Southern Power is the controlling partner in a tax equity arrangement
SRR	Mississippi Power's System Restoration Rider, a tariff for retail property damage cost recovery and reserve
Subsidiary Registrants	Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas
Tax Reform Legislation	The Tax Cuts and Jobs Act, which became effective on January 1, 2018
Toshiba	Toshiba Corporation, the parent company of Westinghouse
traditional electric operating companies	Alabama Power, Georgia Power, Gulf Power, and Mississippi Power through December 31, 2018; Alabama Power, Georgia Power, and Mississippi Power as of January 1, 2019
Triton	Triton Container Investments, LLC, an investment of Southern Company Gas through May 29, 2019
VCM	Vogtle Construction Monitoring
VIE	Variable interest entity
Virginia Commission	Virginia State Corporation Commission
Virginia Natural Gas	Virginia Natural Gas, Inc., a wholly-owned subsidiary of Southern Company Gas

DEFINITIONS

(continued)

<u>Term</u>	<u>Meaning</u>
Vogtle 3 and 4 Agreement	Agreement entered into with the EPC Contractor in 2008 by Georgia Power, acting for itself and as agent for the Vogtle Owners, and rejected in bankruptcy in July 2017, pursuant to which the EPC Contractor agreed to design, engineer, procure, construct, and test Plant Vogtle Units 3 and 4
Vogtle Owners	Georgia Power, Oglethorpe Power Corporation, MEAG Power, and Dalton
Vogtle Services Agreement	The June 2017 services agreement between the Vogtle Owners and the EPC Contractor, as amended and restated in July 2017, for the EPC Contractor to transition construction management of Plant Vogtle Units 3 and 4 to Southern Nuclear and to provide ongoing design, engineering, and procurement services to Southern Nuclear
WACOG	Weighted average cost of gas
Westinghouse	Westinghouse Electric Company LLC
Xcel	Xcel Energy Inc.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Annual Report on Form 10-K contains forward-looking statements. Forward-looking statements include, among other things, statements concerning the potential and expected effects of the COVID-19 pandemic, regulated rates, the strategic goals for the business, customer and sales growth, economic conditions, cost recovery and other rate actions, projected equity ratios, current and proposed environmental regulations and related compliance plans and estimated expenditures, GHG emissions reduction goals, pending or potential litigation matters, access to sources of capital, projections for the qualified pension plans, postretirement benefit plans, and nuclear decommissioning trust fund contributions, financing activities, completion dates and costs of construction projects, matters related to the abandonment of the Kemper IGCC, completion of announced acquisitions and dispositions, filings with state and federal regulatory authorities, federal and state income tax benefits, estimated sales and purchases under power sale and purchase agreements, and estimated construction plans and expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "would," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory 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, including, but not limited to, those described in Item 1A "Risk Factors" herein;
- the extent and timing of costs and legal requirements related to CCR;
- 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 Plant Barry Unit 8, due to current and future challenges which include, but are not limited to, 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, inspections and the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the 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; and challenges related to the COVID-19 pandemic;
- the ability to overcome or mitigate the current challenges at Plant Vogtle Units 3 and 4, as described in Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein, 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, Plant Barry Unit 8, and pipeline projects, including PSC approvals and FERC 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;

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION**(continued)**

- in the event Georgia Power becomes obligated to provide funding to MEAG Power with respect to the portion of MEAG Power's ownership interest in Plant Vogtle Units 3 and 4 involving JEA, 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, including the pace and extent of development of low- to no-carbon energy technologies and negative carbon concepts;
- 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 ROE, 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, political unrest, 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;
- the effect of accounting pronouncements issued periodically by standard-setting bodies; and
- other factors discussed elsewhere herein and in other reports filed by the Registrants from time to time with the SEC.

The Registrants expressly disclaim any obligation to update any forward-looking statements.

PART I

Item 1. BUSINESS

Southern Company is a holding company that owns all of the outstanding common stock of three traditional electric operating companies, Southern Power Company, and Southern Company Gas.

- The traditional electric operating companies – Alabama Power, Georgia Power, and Mississippi Power – are each operating public utility companies providing electric service to retail customers in three Southeastern states in addition to wholesale customers in the Southeast.
- Southern Power Company is also an operating public utility company. The term "Southern Power" when used herein refers to Southern Power Company and its subsidiaries, while the term "Southern Power Company" when used herein refers only to the Southern Power parent company. Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy and battery energy storage projects, and sells electricity at market-based rates in the wholesale market.
- Southern Company Gas is an energy services holding company whose primary business is the distribution of natural gas in four states – Illinois, Georgia, Virginia, and Tennessee – through the natural gas distribution utilities. Southern Company Gas is also involved in several other businesses that are complementary to the distribution of natural gas.

Southern Company also owns all of the outstanding common stock or membership interests of SCS, Southern Linc, Southern Holdings, Southern Nuclear, PowerSecure, and other direct and indirect subsidiaries. SCS, the system service company, has contracted with Southern Company, each traditional electric operating company, Southern Power, Southern Company Gas, Southern Nuclear, SEGCO, and other subsidiaries to furnish, at direct or allocated cost and upon request, the following services: general executive and advisory, general and design engineering, operations, purchasing, accounting, finance, treasury, legal, tax, information technology, marketing, auditing, insurance and pension administration, human resources, systems and procedures, digital wireless communications, cellular tower space, and other services with respect to business and operations, construction management, and Southern Company power pool transactions. Southern Linc provides digital wireless communications for use by Southern Company and its subsidiary companies and also markets these services to the public and provides fiber optics services through its subsidiary, Southern Telecom, Inc. Southern Linc's system covers approximately 127,000 square miles in the Southeast. Southern Holdings is an intermediate holding company subsidiary, primarily for Southern Company's leveraged lease and other investments. Southern Nuclear operates and provides services to the Southern Company system's nuclear power plants and is currently managing construction of and developing Plant Vogtle Units 3 and 4, which are co-owned by Georgia Power. PowerSecure provides energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency.

See "The Southern Company System" herein for additional information. Also see Note 15 to the financial statements in Item 8 herein for information regarding recent acquisition and disposition activity, including Southern Company's sale of Gulf Power. Segment information for Southern Company and Southern Company Gas is included in Note 16 to the financial statements in Item 8 herein.

The Registrants' Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports are made available on Southern Company's website, free of charge, as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Southern Company's internet address is www.southerncompany.com.

The Southern Company System

Traditional Electric Operating Companies

The traditional electric operating companies are vertically integrated utilities that own generation, transmission, and distribution facilities. See PROPERTIES in Item 2 herein for additional information on the traditional electric operating companies' generating facilities. Each company's transmission facilities are connected to the respective company's own generating plants and other sources of power (including certain generating plants owned by Southern Power) and are interconnected with the transmission facilities of the other traditional electric operating companies and SEGCO. For information on the State of Georgia's integrated transmission system, see "Territory Served by the Southern Company System – Traditional Electric Operating Companies and Southern Power" herein.

Agreements in effect with principal neighboring utility systems provide for capacity and energy transactions that may be entered into from time to time for reasons related to reliability or economics. Additionally, the traditional electric operating companies have entered into various reliability agreements with certain neighboring utilities, each of which provides for the establishment and periodic review of principles and procedures for planning and operation of generation and transmission

facilities, maintenance schedules, load retention programs, emergency operations, and other matters affecting the reliability of bulk power supply. The traditional electric operating companies have joined with other utilities in the Southeast to form the SERC to augment further the reliability and adequacy of bulk power supply. Through the SERC, the traditional electric operating companies are represented at the North American Electric Reliability Corporation. Southern Company recently joined a filing at the FERC proposing a Southeast Energy Exchange Market (SEEM) that includes many of the electric service providers in the Southeast. SEEM is an extension of the existing bilateral market where participants would use an automated, intra-hour energy exchange to buy and sell power close to the time the energy is consumed, utilizing available unreserved transmission. If approved by the FERC, SEEM is expected to begin service in early 2022. The ultimate outcome of this matter cannot be determined at this time.

The utility assets of the traditional electric operating companies and certain utility assets of Southern Power Company are operated as a single integrated electric system, or Southern Company power pool, pursuant to the IIC. Activities under the IIC are administered by SCS, which acts as agent for the traditional electric operating companies and Southern Power Company. The fundamental purpose of the Southern Company power pool is to provide for the coordinated operation of the electric facilities in an effort to achieve the maximum possible economies consistent with the highest practicable reliability of service. Subject to service requirements and other operating limitations, system resources are committed and controlled through the application of centralized economic dispatch. Under the IIC, each traditional electric operating company and Southern Power Company retains its lowest cost energy resources for the benefit of its own customers and delivers any excess energy to the Southern Company power pool for use in serving customers of other traditional electric operating companies or Southern Power Company or for sale by the Southern Company power pool to third parties. The IIC provides for the recovery of specified costs associated with the affiliated operations thereunder, as well as the proportionate sharing of costs and revenues resulting from Southern Company power pool transactions with third parties. In connection with the sale of former subsidiary Gulf Power in January 2019, an appendix was added to the IIC setting forth terms and conditions governing Gulf Power's continued participation in the IIC for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024.

Southern Power and Southern Linc have secured from the traditional electric operating companies certain services which are furnished in compliance with FERC regulations.

Alabama Power and Georgia Power each have agreements with Southern Nuclear to operate the Southern Company system's existing nuclear plants, Plants Farley, Hatch, and Vogtle. In addition, Georgia Power has an agreement with Southern Nuclear to develop, license, construct, and operate Plant Vogtle Units 3 and 4. See "Regulation – Nuclear Regulation" herein for additional information.

Southern Power

Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy and battery energy storage projects, and sells electricity at market-based rates (under authority from the FERC) in the wholesale market. Southern Power seeks opportunities to execute its strategy to create value through various transactions including acquisitions, dispositions, and sales of partnership interests, development and construction of new generating facilities, and entry into PPAs, including contracts for differences that provide the owner of a renewable facility a certain fixed price for electricity sold to the grid, primarily with investor-owned utilities, IPPs, municipalities, electric cooperatives, and other load-serving entities, as well as commercial and industrial customers. The electricity from the natural gas generating facilities owned by Southern Power is primarily sold under long-term, fixed-price capacity PPAs both with unaffiliated wholesale purchasers as well as with the traditional electric operating companies. Southern Power has attempted to insulate itself from significant fuel supply, fuel transportation, and electric transmission risks by generally making such risks the responsibility of the counterparties to its PPAs. However, Southern Power's future earnings will depend on the parameters of the wholesale market and the efficient operation of its wholesale generating assets, as well as Southern Power's ability to execute its growth strategy and to develop and construct generating facilities. Southern Power's business activities are not subject to traditional state regulation like the traditional electric operating companies, but the majority of its business activities are subject to regulation by the FERC. For additional information on Southern Power's business activities, see MANAGEMENT'S DISCUSSION AND ANALYSIS – OVERVIEW – "Business Activities" in Item 7 herein.

Southern Power Company directly owns and manages generation assets primarily in the Southeast, which are included in the Southern Company power pool, and has various subsidiaries whose generation assets are not included in the Southern Company power pool. These subsidiaries were created to own, operate, and pursue natural gas and renewable generation facilities either wholly or in partnership with various third parties. At December 31, 2020, Southern Power's generation fleet, which is owned in part with various partners, totaled 11,920 MWs of nameplate capacity in commercial operation (including 4,540 MWs of nameplate capacity owned by its subsidiaries). See "Traditional Electric Operating Companies" herein for additional information on the Southern Company power pool.

A majority of Southern Power's partnerships in renewable facilities allow for the sharing of cash distributions and tax benefits at differing percentages, with Southern Power being the controlling member and thus consolidating the assets and operations of the partnerships. At December 31, 2020, Southern Power had six tax-equity partnership arrangements where the tax-equity investors receive substantially all of the tax benefits from the facilities, including ITCs and PTCs. In addition, Southern Power holds controlling interests in eight partnerships in solar facilities through SP Solar. For seven of these solar partnerships, Southern Power and its 33% partner, Global Atlantic, are entitled to 51% of all cash distributions and the respective partner that holds the Class B membership interests is entitled to 49% of all cash distributions. For the Desert Stateline partnership, Southern Power and Global Atlantic are entitled to 66% of all cash distributions and the Class B member is entitled to 34% of all cash distributions. In addition, Southern Power and Global Atlantic are entitled to substantially all of the federal tax benefits with respect to these eight partnership entities.

See PROPERTIES in Item 2 herein and Note 15 to the financial statements under "Southern Power" in Item 8 herein for additional information regarding Southern Power's acquisitions, dispositions, construction, and development projects.

Southern Power calculates an investment coverage ratio for its generating assets, including those owned with various partners, based on the ratio of investment under contract to total investment using the respective generation facilities' net book value (or expected in-service value for facilities under construction) as the investment amount. With the inclusion of investments associated with the facilities currently under construction, as well as other capacity and energy contracts, Southern Power's average investment coverage ratio at December 31, 2020 was 94% through 2025 and 91% through 2030, with an average remaining contract duration of approximately 14 years. For the year ended December 31, 2020, approximately 69% of contracted MWs were with AAA to A- or equivalent rated counterparties, 21% were with BBB+ to BBB- or equivalent rated counterparties, and 8% were either with unrated entities that have ratemaking authority or those who have posted collateral to cover potential credit exposure.

Southern Power's electricity sales from natural gas generating facilities are primarily through long-term PPAs that consist of two types of agreements. The first type, referred to as a unit or block sale, is a customer purchase from a dedicated plant unit where all or a portion of the generation from that unit is reserved for that customer. Southern Power typically has the ability to serve the unit or block sale customer from an alternate resource. The second type, referred to as requirements service, provides that Southern Power serves the customer's capacity and energy requirements from a combination of the customer's own generating units and from Southern Power resources not dedicated to serve unit or block sales. Southern Power has rights to purchase power provided by the requirements customers' resources when economically viable. Capacity charges that form part of the PPA payments are designed to recover fixed and variable operations and maintenance costs based on dollars-per-kilowatt year and to provide a return on investment.

Southern Power's electricity sales from solar and wind (renewable) generating facilities are also primarily through long-term PPAs; however, these solar and wind PPAs do not have a capacity charge and customers either purchase the energy output of a dedicated renewable facility through an energy charge or provide Southern Power a certain fixed price for the electricity sold to the grid. As a result, Southern Power's ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors. Generally, under the renewable generation PPAs, the purchasing party retains the right to keep or resell the renewable energy credits.

Southern Power actively pursues replacement PPAs prior to the expiration of its current PPAs and anticipates that the revenues attributable to one customer may be replaced by revenues from a new customer; however, the expiration of any of Southern Power's current PPAs without the successful remarketing of a replacement PPA could have a material negative impact on Southern Power's earnings but is not expected to have a material impact on Southern Company's earnings.

Southern Company Gas

Southern Company Gas is an energy services holding company whose primary business is the distribution of natural gas through the natural gas distribution utilities. Southern Company Gas is also involved in several other businesses that are complementary to the distribution of natural gas, including gas pipeline investments, wholesale gas services, and gas marketing services. Southern Company Gas also has an "all other" non-reportable segment that includes segments below the quantitative threshold for separate disclosure, including storage operations and subsidiaries that fall below the quantitative threshold for separate disclosure. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for information regarding Southern Company Gas' dispositions during 2020.

Gas distribution operations, the largest segment of Southern Company Gas' business, operates, constructs, and maintains approximately 75,924 miles of natural gas pipelines and 14 storage facilities, with total capacity of 157 Bcf, to provide natural gas to residential, commercial, and industrial customers. Gas distribution operations serves approximately 4.3 million customers across four states.

Gas pipeline investments primarily consists of joint ventures in natural gas pipeline investments including a 50% interest in SNG, a 20% ownership interest in the PennEast Pipeline project, and a 50% joint ownership interest in the Dalton Pipeline. These natural gas pipelines enable the provision of diverse sources of natural gas supplies to the customers of Southern Company Gas. SNG, the largest natural gas pipeline investment, is the owner of a 7,000-mile pipeline connecting natural gas supply basins in Texas, Louisiana, Mississippi, and Alabama to markets in Louisiana, Mississippi, Alabama, Florida, Georgia, South Carolina, and Tennessee. For additional information on Southern Company Gas's pipeline investments, see Notes 3 and 7 to the financial statements under "Other Matters – Southern Company Gas" and "Southern Company Gas," respectively, in Item 8 herein.

Wholesale gas services consists of Sequent and engages in natural gas storage and gas pipeline arbitrage and provides natural gas asset management and related logistical services to most of the natural gas distribution utilities as well as non-affiliate companies.

Gas marketing services is comprised of SouthStar, which serves approximately 666,000 natural gas commodity customers, markets gas to residential, commercial, and industrial customers, and offers energy-related products that provide natural gas price stability and utility bill management in competitive markets or markets that provide for customer choice.

Construction Programs

The subsidiary companies of Southern Company are engaged in continuous construction programs, including capital expenditures to accommodate existing and estimated future loads on their respective systems and to comply with environmental laws and regulations, as applicable. In 2021, the Southern Company system's construction program is expected to be apportioned approximately as follows:

	Southern Company system ^{(a)(b)}	Alabama Power ^(a)	Georgia Power	Mississippi Power
			(in billions)	
New generation	\$ 1.5	\$ 0.2	\$ 1.3	\$ —
Environmental compliance ^(c)	0.1	0.1	—	—
Generation maintenance	0.9	0.4	0.4	0.1
Transmission	1.0	0.4	0.6	0.1
Distribution	1.5	0.5	1.0	0.1
Nuclear fuel	0.2	0.1	0.2	—
General plant	0.5	0.3	0.3	—
	5.9	1.9	3.8	0.3
Southern Power ^(d)	0.7			
Southern Company Gas ^(e)	1.5			
Other subsidiaries	0.1			
Total^(a)	\$ 8.2	\$ 1.9	\$ 3.8	\$ 0.3

(a) Totals may not add due to rounding.

(b) Includes the Subsidiary Registrants, as well as other subsidiaries.

(c) Reflects cost estimates for environmental laws and regulations. These estimated expenditures do not include any potential compliance costs associated with any future regulation of CO₂ emissions from fossil fuel-fired electric generating units or costs associated with closure and monitoring of ash ponds and landfills in accordance with the CCR Rule and the related state rules. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" and FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements" in Item 7 herein for additional information. No material capital expenditures are expected for non-environmental government regulations.

(d) Does not include approximately \$0.5 billion for planned acquisitions and placeholder growth, which may vary materially due to market opportunities and Southern Power's ability to execute its growth strategy.

(e) Includes costs for ongoing capital projects associated with infrastructure improvement programs for certain natural gas distribution utilities that have been previously approved by their applicable state regulatory agencies. See Note 2 to the financial statements under "Southern Company Gas" in Item 8 herein for additional information.

The construction programs are subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements" in Item 7 herein for additional information, including estimated construction and environmental expenditures for the years 2022 through 2025.

Also see MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" in Item 7 herein for additional information with respect to certain existing and proposed environmental requirements and PROPERTIES – "Electric – Jointly-Owned Facilities" and – "Natural Gas – Jointly-Owned Properties" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information concerning the Registrants' joint ownership of certain facilities.

Financing Programs

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY in Item 7 herein and Note 8 to the financial statements in Item 8 herein for information concerning financing programs.

Fuel Supply

Electric

The traditional electric operating companies' and SEGCO's supply of electricity is primarily fueled by natural gas and coal. Southern Power's supply of electricity is primarily fueled by natural gas. See MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATION – "Southern Company – Electricity Business – Fuel and Purchased Power Expenses" and MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATION under "Fuel and Purchased Power Expenses" for each of the traditional electric operating companies in Item 7 herein for information regarding the electricity generated and the average cost of fuel in cents per net KWH generated for the years 2019 and 2020.

SCS, acting on behalf of the traditional electric operating companies and Southern Power Company, has agreements in place for the natural gas burn requirements of the Southern Company system. For 2021, SCS has contracted for 574 Bcf of natural gas supply under agreements with remaining terms up to 13 years. In addition to natural gas supply, SCS has contracts in place for both firm natural gas transportation and storage. Management believes these contracts provide sufficient natural gas supplies, transportation, and storage to ensure normal operations of the Southern Company system's natural gas generating units.

The traditional electric operating companies have agreements in place from which they expect to receive substantially all of their 2021 coal burn requirements. These agreements have terms ranging between one and three years. Fuel procurement specifications, emission allowances, environmental control systems, and fuel changes have allowed the traditional electric operating companies to remain within limits set by applicable environmental regulations. As new environmental regulations are proposed that impact the utilization of coal, the traditional electric operating companies' fuel mix will be monitored to help ensure compliance with applicable laws and regulations. Additionally, Southern Company and the traditional electric operating companies will continue to evaluate the need to purchase additional emissions allowances, the timing of capital expenditures for environmental control equipment, and potential unit retirements and replacements. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" in Item 7 herein for additional information.

Alabama Power and Georgia Power have multiple contracts covering their nuclear fuel needs for uranium, conversion services, enrichment services, and fuel fabrication with remaining terms ranging from one to 14 years. Management believes suppliers have sufficient nuclear fuel production capability to permit normal operation of the Southern Company system's nuclear generating units. Alabama Power and Georgia Power also have contracts with the United States, acting through the DOE, that provide for the permanent disposal of spent nuclear fuel. The DOE failed to begin disposing of spent fuel in 1998, as required by the contracts, and Alabama Power and Georgia Power have pursued and are pursuing legal remedies against the government for breach of contract. See Note 3 to the financial statements under "Nuclear Fuel Disposal Costs" in Item 8 herein for additional information.

Changes in fuel prices to the traditional electric operating companies are generally reflected in fuel adjustment clauses contained in rate schedules. See "Rate Matters – Rate Structure and Cost Recovery Plans" herein for additional information. Southern Power's natural gas PPAs generally provide that the counterparty is responsible for substantially all of the cost of fuel.

Natural Gas

Advances in natural gas drilling in shale producing regions of the United States have resulted in historically high supplies of natural gas and low prices for natural gas. Procurement plans for natural gas supply and transportation to serve regulated utility customers are reviewed and approved by the regulatory agencies in the states where Southern Company Gas operates. Southern Company Gas purchases natural gas supplies in the open market by contracting with producers and marketers and, for the natural gas distribution utilities other than Nicor Gas, from its wholly-owned subsidiary, Sequent, under asset management agreements approved by the applicable state regulatory agency. Southern Company Gas also contracts for transportation and storage services from interstate pipelines that are regulated by the FERC. When firm pipeline services are temporarily not needed, Southern Company Gas may release the services in the secondary market under FERC-approved capacity release

provisions or utilize asset management arrangements, thereby reducing the net cost of natural gas charged to customers for most of the natural gas distribution utilities. Peak-use requirements are met through utilization of company-owned storage facilities, pipeline transportation capacity, purchased storage services, peaking facilities, and other supply sources, arranged by either transportation customers or Southern Company Gas.

Territory Served by the Southern Company System

Traditional Electric Operating Companies and Southern Power

The territory in which the traditional electric operating companies provide retail electric service comprises most of the states of Alabama and Georgia, together with southeastern Mississippi. In this territory there are non-affiliated electric distribution systems that obtain some or all of their power requirements either directly or indirectly from the traditional electric operating companies. As of December 31, 2020, the territory had an area of approximately 116,000 square miles and an estimated population of approximately 16 million. Southern Power sells wholesale electricity at market-based rates across various U.S. utility markets, primarily to investor-owned utilities, IPPs, municipalities, and other load-serving entities, as well as commercial and industrial customers.

Alabama Power is engaged, within the State of Alabama, in the generation, transmission, distribution, and purchase of electricity and the sale of electric service, at retail in approximately 400 cities and towns (including Anniston, Birmingham, Gadsden, Mobile, Montgomery, and Tuscaloosa), as well as in rural areas, and at wholesale to 11 municipally-owned electric distribution systems, all of which are served indirectly through sales to AMEA, and two rural distributing cooperative associations. The sales contract with AMEA is scheduled to expire on December 31, 2025. Alabama Power owns coal reserves near its Plant Gorgas site and uses their output in its generating plants. In addition, Alabama Power sells, and cooperates with dealers in promoting the sale of, electric appliances and products and also markets and sells outdoor lighting services.

Georgia Power is engaged in the generation, transmission, distribution, and purchase of electricity and the sale of electric service within the State of Georgia, at retail in over 530 cities and towns (including Athens, Atlanta, Augusta, Columbus, Macon, Rome, and Savannah), as well as in rural areas, and at wholesale to OPC, MEAG Power, Dalton, various EMCs, and non-affiliated utilities. Georgia Power also markets and sells outdoor lighting services and other customer-focused utility services.

Mississippi Power is engaged in the generation, transmission, distribution, and purchase of electricity and the sale of electric service within 23 counties in southeastern Mississippi, at retail in 123 communities (including Biloxi, Gulfport, Hattiesburg, Laurel, Meridian, and Pascagoula), as well as in rural areas, and at wholesale to one municipality, six rural electric distribution cooperative associations, and one generating and transmitting cooperative.

The following table provides the number of retail customers served by customer classification for the traditional electric operating companies at December 31, 2020:

	Alabama Power	Georgia Power	Mississippi Power	Total ^(*)
		<i>(in thousands)</i>		
Residential	1,290	2,296	156	3,741
Commercial	200	319	34	553
Industrial	6	11	—	17
Other	1	10	—	11
Total^(*)	1,497	2,635	190	4,322

(*) Totals may not add due to rounding.

For information relating to KWH sales by customer classification for the traditional electric operating companies, see MANAGEMENT'S DISCUSSION AND ANALYSIS – RESULTS OF OPERATIONS in Item 7 herein. Also, for information relating to the sources of revenues for Southern Company, each traditional electric operating company, and Southern Power, see Item 7 herein and Note 1 to the financial statements under "Revenues – Traditional Electric Operating Companies" and " – Southern Power" and Note 4 to the financial statements in Item 8 herein.

As of December 31, 2020, there were approximately 62 electric cooperative distribution systems operating in the territories in which the traditional electric operating companies provide electric service at retail or wholesale.

PowerSouth is a generating and transmitting cooperative selling power to several distributing cooperatives, municipal systems, and other customers in south Alabama. As of December 31, 2020, PowerSouth owned generating units with more than 2,000 MWs of nameplate capacity, including an undivided 8.16% ownership interest in Alabama Power's Plant Miller Units 1 and 2.

See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Alabama Power has system supply agreements with PowerSouth to provide 200 MWs of year-round capacity service through January 31, 2024 and 200 MWs of winter-only capacity service through December 31, 2023. In August 2019, Alabama Power agreed to provide PowerSouth an additional 100 MWs of year-round capacity service from November 1, 2020 through February 28, 2023, with the option to extend through May 31, 2023. Alabama Power also has a separate agreement with PowerSouth involving interconnection between their systems. The delivery of capacity and energy from PowerSouth to certain distributing cooperatives in the service territory of Alabama Power is governed by the Southern Company/PowerSouth Network Transmission Service Agreement. The rates for this service to PowerSouth are on file with the FERC.

OPC is an EMC owned by its 38 retail electric distribution cooperatives, which provide retail electric service to customers in Georgia. OPC provides wholesale electric power to its members through its generation assets, some of which are jointly owned with Georgia Power, and power purchased from other suppliers. OPC and the 38 retail electric distribution cooperatives are members of Georgia Transmission Corporation, an EMC (GTC), which provides transmission services to its members and third parties. See PROPERTIES – "Electric – Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information regarding Georgia Power's jointly-owned facilities.

Mississippi Power has an interchange agreement with Cooperative Energy, a generating and transmitting cooperative, pursuant to which various services are provided.

As of December 31, 2020, there were approximately 72 municipally-owned electric distribution systems operating in the territory in which the traditional electric operating companies provide electric service at retail or wholesale.

As of December 31, 2020, 48 municipally-owned electric distribution systems and one county-owned system received their requirements through MEAG Power. MEAG Power serves these requirements from self-owned generation facilities, some of which are jointly-owned with Georgia Power, and purchases from other resources. MEAG Power also has a pseudo scheduling and services agreement with Georgia Power. Dalton serves its requirements from self-owned generation facilities, some of which are jointly-owned with Georgia Power, and through purchases from Southern Power through a service agreement. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Georgia Power has entered into substantially similar agreements with GTC, MEAG Power, and Dalton providing for the establishment of an integrated transmission system to carry the power and energy of all parties. The agreements require an investment by each party in the integrated transmission system in proportion to its respective share of the aggregate system load. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein for additional information.

Southern Power has PPAs with Georgia Power, investor-owned utilities, IPPs, municipalities, electric cooperatives, and other load-serving entities, as well as commercial and industrial customers. See "The Southern Company System – Southern Power" herein and MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Southern Power's Power Sales Agreements" in Item 7 herein for additional information.

SCS, acting on behalf of the traditional electric operating companies, also has a contract with SEPA providing for the use of the traditional electric operating companies' facilities at government expense to deliver to certain cooperatives and municipalities, entitled by federal statute to preference in the purchase of power from SEPA, quantities of power equivalent to the amounts of power allocated to them by SEPA from certain U.S. government hydroelectric projects.

Southern Company Gas

Southern Company Gas is engaged in the distribution of natural gas in four states through the natural gas distribution utilities. The natural gas distribution utilities construct, manage, and maintain intrastate natural gas pipelines and distribution facilities. Details of the natural gas distribution utilities at December 31, 2020 are as follows:

Utility	State	Number of customers	Approximate miles of pipe
		<i>(in thousands)</i>	
Nicor Gas	Illinois	2,255	34.4
Atlanta Gas Light	Georgia	1,675	34.0
Virginia Natural Gas	Virginia	309	5.8
Chattanooga Gas	Tennessee	69	1.7
Total		4,308	75.9

For information relating to the sources of revenue for Southern Company Gas, see Item 7 herein and Note 1 to the financial statements under "Revenues – Southern Company Gas" and Note 4 to the financial statements in Item 8 herein.

Competition

Electric

The electric utility industry in the U.S. is continuing to evolve as a result of regulatory and competitive factors. The competition for retail energy sales among competing suppliers of energy is influenced by various factors, including price, availability, technological advancements, service, and reliability. These factors are, in turn, affected by, among other influences, regulatory, political, and environmental considerations, taxation, and supply.

The retail service rights of all electric suppliers in the State of Georgia are regulated by the Territorial Electric Service Act of 1973. Pursuant to standards set forth in this Act, the Georgia PSC has assigned substantially all of the land area in the state to a supplier. Notwithstanding such assignments, this Act provides that any new customer locating outside of 1973 municipal limits and having a connected load of at least 900 KWs may exercise a one-time choice for the life of the premises to receive electric service from the supplier of its choice.

Pursuant to the 1956 Utility Act, the Mississippi PSC issued "Grandfather Certificates" of public convenience and necessity to Mississippi Power and to six distribution rural cooperatives operating in southeastern Mississippi, then served in whole or in part by Mississippi Power, authorizing them to distribute electricity in certain specified geographically described areas of the state. The six cooperatives serve approximately 325,000 retail customers in a certificated area of approximately 10,300 square miles. In areas included in a "Grandfather Certificate," the utility holding such certificate may extend or maintain its electric system subject to certain regulatory approvals; extensions of facilities by such utility, or extensions of facilities into that area by other utilities, may not be made unless the Mississippi PSC grants a CPCN. Areas included in a CPCN that are subsequently annexed to municipalities may continue to be served by the holder of the CPCN, irrespective of whether it has a franchise in the annexing municipality. On the other hand, the holder of the municipal franchise may not extend service into such newly annexed area without authorization by the Mississippi PSC.

Generally, the traditional electric operating companies have experienced, and expect to continue to experience, competition in their respective retail service territories in varying degrees from the development and deployment of alternative energy sources such as self-generation (as described below) and distributed generation technologies, as well as other factors.

Southern Power competes with investor-owned utilities, IPPs, and others for wholesale energy sales across various U.S. utility markets. The needs of these markets are driven by the demands of end users and the generation available. Southern Power's success in wholesale energy sales is influenced by various factors including reliability and availability of Southern Power's plants, availability of transmission to serve the demand, price, and Southern Power's ability to contain costs.

As of December 31, 2020, Alabama Power had cogeneration contracts in effect with seven industrial customers. Under the terms of these contracts, Alabama Power purchases excess energy generated by such companies. During 2020, Alabama Power purchased approximately 107 million KWHs from such companies at a cost of \$3 million.

As of December 31, 2020, Georgia Power had contracts in effect to purchase generation from 36 small IPPs. During 2020, Georgia Power purchased 4.5 billion KWHs from such companies at a cost of \$253 million. Georgia Power also has PPAs for electricity with five cogeneration facilities. Payments are subject to reductions for failure to meet minimum capacity output. During 2020, Georgia Power purchased 416 million KWHs at a cost of \$34 million from these facilities.

As of December 31, 2020, Mississippi Power had a cogeneration agreement in effect with one of its industrial customers. Under the terms of this contract, Mississippi Power purchases any excess generation. During 2020, Mississippi Power did not make any such purchases.

Natural Gas

Southern Company Gas' natural gas distribution utilities do not compete with other distributors of natural gas in their exclusive franchise territories but face competition from other energy products. Their principal competitors are electric utilities and fuel oil and propane providers serving the residential, commercial, and industrial markets in their service areas for customers who are considering switching to or from a natural gas appliance.

Competition for heating as well as general household and small commercial energy needs generally occurs at the initial installation phase when the customer or builder makes decisions as to which types of equipment to install. Customers generally use the chosen energy source for the life of the equipment.

Customer demand for natural gas could be affected by numerous factors, including:

- changes in the availability or price of natural gas and other forms of energy;
- general economic conditions;
- energy conservation, including state-supported energy efficiency programs;
- legislation and regulations;
- the cost and capability to convert from natural gas to alternative energy products; and
- technological changes resulting in displacement or replacement of natural gas appliances.

The natural gas-related programs generally emphasize natural gas as the fuel of choice for customers and seek to expand the use of natural gas through a variety of promotional activities. In addition, Southern Company Gas partners with third-party entities to market the benefits of natural gas appliances.

The availability and affordability of natural gas have provided cost advantages and further opportunity for growth of the businesses.

Seasonality and Demand

The demand for electric power and natural gas supply is affected by seasonal differences in the weather. While the electric power sales of some electric utilities peak in the summer, others peak in the winter. In the aggregate, during normal weather conditions, the Southern Company system's electric power sales peak during both the summer and winter. In most of the areas Southern Company Gas serves, natural gas demand peaks during the winter. As a result, the overall operating results of the Registrants in the future may fluctuate substantially on a seasonal basis. In addition, the Subsidiary Registrants have historically sold less power and natural gas when weather conditions are milder.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "General" and – RESULTS OF OPERATIONS – "Southern Company Gas – Seasonality of Results" in Item 7 herein for information regarding trends in market demand for electricity and natural gas and the impact of seasonality on Southern Company Gas' business, respectively.

Regulation

States

The traditional electric operating companies and the natural gas distribution utilities are subject to the jurisdiction of their respective state PSCs or applicable state regulatory agencies. These regulatory bodies have broad powers of supervision and regulation over public utilities operating in the respective states, including their rates, service regulations, sales of securities (except for the Mississippi PSC), and, in the cases of the Georgia PSC and the Mississippi PSC, in part, retail service territories. See "Territory Served by the Southern Company System" and "Rate Matters" herein for additional information.

Federal Power Act

The traditional electric operating companies, Southern Power Company and certain of its generation subsidiaries, and SEGCO are all public utilities engaged in wholesale sales of energy in interstate commerce and, therefore, are subject to the rate, financial, and accounting jurisdiction of the FERC under the Federal Power Act. The FERC must approve certain financings and allows an "at cost standard" for services rendered by system service companies such as SCS and Southern Nuclear. The FERC is also authorized to establish regional reliability organizations which enforce reliability standards, address impediments to the construction of transmission, and prohibit manipulative energy trading practices.

Alabama Power and Georgia Power are also subject to the provisions of the Federal Power Act or the earlier Federal Water Power Act applicable to licensees with respect to their hydroelectric developments. As of December 31, 2020, among the hydroelectric projects subject to licensing by the FERC are 14 existing Alabama Power generating stations having an aggregate installed capacity of 1.7 million KWs and 17 existing Georgia Power generating stations and one generating station partially owned by Georgia Power, with a combined aggregate installed capacity of 1.1 million KWs.

In 2013, the FERC issued a new 30-year license to Alabama Power for Alabama Power's seven hydroelectric developments on the Coosa River (Weiss, Henry, Logan Martin, Lay, Mitchell, Jordan, and Bouldin). Alabama Power filed a petition requesting rehearing of the FERC order granting the relicensing seeking revisions to several conditions of the license. In 2016, the FERC issued an order granting in part and denying in part Alabama Power's rehearing request. American Rivers and Alabama Rivers Alliance also filed multiple appeals of the FERC's 2013 order for the new 30-year license and, in 2018, the U.S. Court of Appeals for the District of Columbia Circuit vacated the order and remanded the proceeding to the FERC. Alabama Power continues to operate the Coosa River developments under annual licenses issued by the FERC. The ultimate outcome of this matter cannot be determined at this time.

In 2020, Alabama Power continued the process of developing an application to relicense the Harris Dam project on the Tallapoosa River, which is expected to be filed with the FERC by November 30, 2021. The current Harris Dam project license will expire on November 30, 2023.

In 2020, the FERC issued a new 40-year license to Georgia Power for the Wallace Dam project on the Oconee River. In 2018, Georgia Power filed a Notice of Intent to relicense the Lloyd Shoals project on the Ocmulgee River. The application to relicense the Lloyd Shoals project is expected to be filed with the FERC by December 31, 2021. The current Lloyd Shoals project license will expire on December 31, 2023. Also in 2018, Georgia Power filed applications to surrender the Langdale and Riverview hydroelectric projects on the Chattahoochee River upon their license expirations on December 31, 2023. Both projects together represent 1,520 KWs of Georgia Power's hydro fleet capacity.

Georgia Power and OPC also have a license, expiring in 2026, for the Rocky Mountain project, a pure pumped storage facility of 903,000 KW installed capacity. See PROPERTIES – "Jointly-Owned Facilities" in Item 2 herein for additional information.

Licenses for all projects, excluding those discussed above, expire in the years 2034-2066 in the case of Alabama Power's projects and in the years 2035-2044 in the case of Georgia Power's projects.

Upon or after the expiration of each license, the U.S. Government, by act of Congress, may take over the project or the FERC may relicense the project either to the original licensee or to a new licensee. In the event of takeover or relicensing to another, the original licensee is to be compensated in accordance with the provisions of the Federal Power Act, such compensation to reflect the net investment of the licensee in the project, not in excess of the fair value of the property, plus reasonable damages to other property of the licensee resulting from the severance therefrom of the property. The FERC may grant relicenses subject to certain requirements that could result in additional costs.

The ultimate outcome of these matters cannot be determined at this time.

Nuclear Regulation

Alabama Power, Georgia Power, and Southern Nuclear are subject to regulation by the NRC. The NRC is responsible for licensing and regulating nuclear facilities and materials and for conducting research in support of the licensing and regulatory process, as mandated by the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974, as amended; and the Nuclear Nonproliferation Act of 1978, as amended; and in accordance with the National Environmental Policy Act of 1969, as amended, and other applicable statutes. These responsibilities also include protecting public health and safety, protecting the environment, protecting and safeguarding nuclear materials and nuclear power plants in the interest of national security, and assuring conformity with antitrust laws.

The NRC licenses for Georgia Power's Plant Hatch Units 1 and 2 expire in 2034 and 2038, respectively. The NRC licenses for Alabama Power's Plant Farley Units 1 and 2 expire in 2037 and 2041, respectively. The NRC licenses for Plant Vogtle Units 1 and 2 expire in 2047 and 2049, respectively.

In 2012, the NRC issued combined construction and operating licenses (COLs) for Plant Vogtle Units 3 and 4. Receipt of the COLs allowed full construction to begin. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein for additional information.

See Notes 3 and 6 to the financial statements under "Nuclear Insurance" and "Nuclear Decommissioning," respectively, in Item 8 herein for additional information.

Environmental Laws and Regulations

See "Construction Programs" herein, MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" in Item 7 herein, and Note 3 to the financial statements under "Environmental Remediation" and Note 6 to the financial statements in Item 8 herein for information concerning environmental laws and regulations impacting the Registrants.

Rate Matters

Rate Structure and Cost Recovery Plans

Electric

The rates and service regulations of the traditional electric operating companies are uniform for each class of service throughout their respective retail service territories. Rates for residential electric service are generally of the block type based upon KWHs used and include minimum charges. Residential and other rates contain separate customer charges. Rates for commercial service are presently of the block type and, for large customers, the billing demand is generally used to determine capacity and minimum bill charges. These large customers' rates are generally based upon usage by the customer and include rates with

special features to encourage off-peak usage. Additionally, Alabama Power and Mississippi Power are generally allowed by their respective state PSCs to negotiate the terms and cost of service to large customers. Such terms and cost of service, however, are subject to final state PSC approval.

The traditional electric operating companies recover certain costs through a variety of forward-looking, cost-based rate mechanisms. Fuel and net purchased energy costs are recovered through specific fuel cost recovery provisions. These fuel cost recovery provisions are adjusted to reflect increases or decreases in such costs as needed or on schedules as required by the respective PSCs. Approved compliance, storm damage, and certain other costs are recovered at Alabama Power and Mississippi Power through specific cost recovery mechanisms approved by their respective PSCs. Certain similar costs at Georgia Power are recovered through various base rate tariffs as approved by the Georgia PSC. Costs not recovered through specific cost recovery mechanisms are recovered at Alabama Power and Mississippi Power through annual, formulaic cost recovery proceedings and at Georgia Power through periodic base rate proceedings.

See Note 2 to the financial statements in Item 8 herein for a discussion of rate matters and certain cost recovery mechanisms. Also see "Integrated Resource Planning" herein for additional information.

The traditional electric operating companies and Southern Power Company and certain of its generation subsidiaries are authorized by the FERC to sell power to non-affiliates, including short-term opportunity sales, at market-based prices. Specific FERC approval must be obtained with respect to a market-based contract with an affiliate.

Mississippi Power provides service under long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under full requirements cost-based electric tariffs, which are subject to regulation by the FERC. The contracts with these wholesale customers represented 15.3% of Mississippi Power's total operating revenues in 2020 and are generally subject to 10-year rolling cancellation notices. Historically, these wholesale customers have acted as a group and any changes in contractual relationships for one customer are likely to be followed by the other wholesale customers.

Natural Gas

Southern Company Gas' natural gas distribution utilities are subject to regulation and oversight by their respective state regulatory agencies. Rates charged to customers vary according to customer class (residential, commercial, or industrial) and rate jurisdiction. These agencies approve rates designed to provide the opportunity to generate revenues to recover all prudently-incurred costs, including a return on rate base sufficient to pay interest on debt and provide a reasonable ROE.

With the exception of Atlanta Gas Light, the earnings of the natural gas distribution utilities can be affected by customer consumption patterns that are largely a function of weather conditions and price levels for natural gas. The natural gas distribution utilities have weather or revenue normalization mechanisms that mitigate revenue fluctuations from customer consumption changes. Atlanta Gas Light operates in a deregulated environment in which Marketers rather than a traditional utility sell natural gas to end-use customers and earns revenue by charging rates to its customers based primarily on monthly fixed charges that are set by the Georgia PSC.

In addition to natural gas cost recovery mechanisms, other cost recovery mechanisms and regulatory riders, which vary by utility, allow recovery of certain costs, such as those related to infrastructure replacement programs as well as environmental remediation, energy efficiency plans, and bad debts.

See Note 2 to the financial statements under "Southern Company Gas" in Item 8 herein for a discussion of rate matters and certain cost recovery mechanisms.

Integrated Resource Planning

Each of the traditional electric operating companies continually evaluates its electric generating resources in order to ensure that it maintains a cost-effective and reliable mix of resources to meet the existing and future demand requirements of its customers. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters" in Item 7 herein for a discussion of existing and potential environmental regulations that may impact the future generating resource needs of the traditional electric operating companies.

Alabama Power

Triennially, Alabama Power provides an IRP report to the Alabama PSC. This report overviews Alabama Power's resource planning process and contains information that serves as the foundation for certain decisions affecting Alabama Power's portfolio of supply-side and demand-side resources. The IRP report facilitates Alabama Power's ability to provide reliable and cost-effective electric service to customers, while accounting for the risks and uncertainties inherent in planning for resources sufficient to meet expected customer demand. Under State of Alabama law, a CCN must be obtained from the Alabama PSC before Alabama Power constructs any new generating facility, unless such construction is an ordinary extension of an existing

system in the usual course of business. See Note 2 to the financial statements under "Alabama Power – Petition for Certificate of Convenience and Necessity" in Item 8 herein for additional information.

Georgia Power

Triennially, Georgia Power must file an IRP with the Georgia PSC that specifies how it intends to meet the future electric service needs of its customers through a combination of demand-side and supply-side resources. The Georgia PSC, under state law, must certify any new demand-side or supply-side resources for Georgia Power to receive cost recovery. Once certified, the lesser of actual or certified construction costs and purchased power costs is recoverable through rates. Certified costs may be excluded from recovery only on the basis of fraud, concealment, failure to disclose a material fact, imprudence, or criminal misconduct. See Note 2 to the financial statements under "Georgia Power – Rate Plans." Also see Note 2 to the financial statements under and "Georgia Power – Nuclear Construction" in Item 8 herein for additional information on the Georgia Nuclear Energy Financing Act and the Georgia PSC certification of Plant Vogtle Units 3 and 4, which allow Georgia Power to recover certain financing costs for construction of Plant Vogtle Units 3 and 4.

Mississippi Power

In November 2019, the Mississippi PSC established the Integrated Resource Planning and Reporting Rule (IRP Rule), which is intended to allow electric utilities the flexibility to formulate long-term plans to best meet the needs of their customers through a combination of demand-side and supply-side resources and considering transmission needs. The IRP Rule establishes reporting requirements that include the triennial filing of an IRP, with supply-side updates midway through the three-year cycle, and an annual report on energy delivery improvements. The IRP filing is not intended to supplant or replace the Mississippi PSC's existing regulatory processes for petition and approval of CPCNs for new generating resources. Mississippi Power will file its first triennial IRP in compliance with the IRP Rule in April 2021.

See Note 2 to the financial statements under "Mississippi Power – Reserve Margin Plan" in Item 8 herein for information regarding an order issued by the Mississippi PSC on December 17, 2020 requiring Mississippi Power to incorporate into its 2021 IRP a schedule of early or anticipated retirement of 950 MWs of fossil-steam generation by year-end 2027 to reduce Mississippi Power's excess reserve margin.

Human Capital

Southern Company system management is committed to attracting, developing, and retaining a sustainable workforce and aims to foster a diverse, equitable, inclusive, and innovative culture. The Southern Company system's values – safety first, unquestionable trust, superior performance, and total commitment – guide behavior. The Southern Company system had approximately 27,700 employees on its payroll at December 31, 2020 comprised of the following:

	At December 31, 2020^(*)
Alabama Power	6,200
Georgia Power	6,700
Mississippi Power	1,000
Southern Power	400
Southern Company Gas	4,500
SCS	3,800
Southern Nuclear	4,000
PowerSecure and other	1,100
Total Southern Company system	27,700

(*) Numbers are rounded to 100s.

All Southern Company system employees are located within the United States. Part-time employees represent less than 1% of total employees.

Southern Company system management values a diverse, equitable, and inclusive workforce. Southern Company's subsidiaries have policies, programs, and processes to help ensure that all groups are represented, included, and fairly treated across all job levels. The Southern Company Board of Directors and management believe that diversity is important to provide different perspectives on risk, business strategy, and innovation. Southern Company management leads the Southern Company system's diversity, equity, and inclusion initiatives and employee recruitment, retention, and development efforts. The Board, principally through its Compensation and Management Succession Committee, oversees these efforts. At December 31, 2020, people of color and women represented 28% and 25%, respectively, of the Southern Company system's workforce.

Southern Company system management recognizes the importance of attracting and retaining an appropriately qualified workforce. Southern Company system management uses a variety of strategies to attract and retain talent, including working with high schools, technical schools, universities, and military installations to fill many entry-level positions. The recruiting strategy also includes partnerships with professional associations and local communities to recruit mid-career talent. The addition of external hires augments the existing workforce to meet changing business needs, address any critical skill gaps, and supplement and diversify the Southern Company system's talent pipeline.

The Southern Company system supports the well-being of its employees through a total rewards strategy with three measurable categories: physical, financial, and emotional well-being. The Southern Company system provides competitive salaries, annual incentive awards for nearly all employees, and health, welfare, and retirement benefits. The Southern Company system has a qualified defined benefit, trustee pension plan and a qualified defined contribution, trustee 401(k) plan which provides a competitive company matching contribution. Substantially all Southern Company system employees are eligible to participate in these plans. There are differences between the pension plan benefit formulas based on when and by which subsidiary an employee is hired. See Note 11 to the financial statements for additional information. At December 31, 2020, the average age of the Southern Company system employees was 45 and the average tenure with the Southern Company system was 15 years. Turnover rate, calculated as the percent of employees that terminated employment with the Southern Company system, including voluntary and involuntary terminations and retirements, divided by total employees, was 5.7%.

Southern Company system management is committed to developing talent and helping employees succeed by providing development opportunities along with purposeful people moves as part of individual development plans and succession planning processes. The Southern Company system has multiple development programs, including programs targeted toward all employees, high potential employees, first-level managers, managers of managers, and executives. Additionally, Southern Company system management strives to deliver consistent needs-based training and solutions as workplace needs evolve.

Southern Company system management believes the safety of employees and customers is paramount. The Southern Company system seeks to meet or exceed applicable laws and regulations while continually improving its safety technologies and processes. The Southern Company System Safety and Health Council, which includes leaders from each Registrant, works collectively across the Southern Company system to provide safety leadership, share learning, work collaboratively to address safety-related issues, and govern the consistency of safety programs. The safety programs are focused on the prevention and elimination of life-altering events, serious injuries, and fatalities. These programs include continuous process improvements to put critical controls in place to prevent serious injuries, promote learning, and implement appropriate corrective actions. In 2020, the Southern Company system had a serious injury rate of 0.10, which represent the number of incidents per 100 employees (calculated by taking the number of serious injuries multiplied by 200,000 workhours and divided by the total employee workhours during the year). A serious injury is one that is life-threatening or life-changing for the employee. Serious injury examples, as defined by applicable safety regulators, include fatalities, amputations, trauma to organs, certain bone fractures, severe burns, and eye injuries.

Since the onset of the COVID-19 pandemic in early 2020, the Southern Company system has continued to provide essential services to customers while protecting employees, customers, and communities by implementing applicable business continuity plans, including teleworking, canceling nonessential business travel, increasing cleaning frequency at business locations, implementing applicable safety and health guidelines issued by federal, state, and local officials, and establishing protocols for required work on customer premises. To date, these procedures have been effective in maintaining the Southern Company system's critical operations, while also emphasizing employee, customer, and community safety.

The Southern Company system also has longstanding relationships with labor unions. The traditional electric operating companies, Southern Nuclear, and the natural gas distribution utilities have separate agreements with local unions of the IBEW, which generally apply to operating, maintenance, and construction employees. These agreements cover wages, benefits, terms of the pension plans, working conditions, and procedures for handling grievances and arbitration. The Southern Company system also partners with the IBEW to provide training programs to develop technical skills and career opportunities.

At December 31, 2020, approximately 32% of Southern Company system employees were covered by agreements with unions, with agreements expiring between 2021 and 2025. Negotiations related to the agreement expiring in 2021 are expected to commence later in the first quarter 2021.

Item 1A. RISK FACTORS

In addition to the other information in this Form 10-K, including MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL in Item 7, and other documents filed by Southern Company and/or its subsidiaries with the SEC from time to time, the following factors should be carefully considered in evaluating Southern Company and its subsidiaries. Such factors could affect actual results and cause results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Southern Company and/or its subsidiaries. The risk factors discussed below could adversely affect a Registrant's results of operations, financial condition, liquidity, and cash flow.

UTILITY REGULATORY, LEGISLATIVE, AND LITIGATION RISKS

Southern Company and its subsidiaries are subject to substantial federal, state, and local governmental regulation, including with respect to rates. Compliance with current and future regulatory requirements and procurement of necessary approvals, permits, and certificates may result in substantial costs to Southern Company and its subsidiaries.

Laws and regulations govern the terms and conditions of the services the Southern Company system offers, protection of critical electric infrastructure assets, transmission planning, reliability, pipeline safety, interaction with wholesale markets, and relationships with affiliates, among other matters. The Registrants' businesses are subject to regulatory regimes which could result in substantial monetary penalties if a Registrant is found to be noncompliant.

The traditional electric operating companies and the natural gas distribution utilities seek to recover their costs, including compliance costs (including a reasonable return on invested capital), through their retail rates, which must be approved by the applicable state PSC or other applicable state regulatory agency. Such regulators, in a future rate proceeding, may alter the timing or amount of certain costs for which recovery is allowed or modify the current authorized rate of return. Rate refunds may also be required. Additionally, the rates charged to wholesale customers by the traditional electric operating companies and by Southern Power and the rates charged to natural gas transportation customers by Southern Company Gas' pipeline investments and for some of its storage assets must be approved by the FERC. Changes to Southern Power's and the traditional electric operating companies' ability to conduct business pursuant to FERC market-based rate authority could affect these entities' wholesale rates. Also, a small percentage of transmission revenues are collected through wholesale electric tariffs but the majority are collected through retail rates, and transmission planning could be impacted by FERC policy changes.

The impact of any future revision or changes in interpretations of existing regulations or the adoption of new laws and regulations applicable to Southern Company or any of its subsidiaries is uncertain. Changes in regulation, the imposition of additional regulations, changes in enforcement practices of regulators, or penalties imposed for noncompliance with existing laws or regulations could influence the operating environment of Southern Company and its subsidiaries and may result in substantial costs.

The Southern Company system's costs of compliance with environmental laws and satisfying related AROs are significant.

The Southern Company system's operations are regulated by state and federal environmental agencies through a variety of laws and regulations governing air, GHGs, water, land, and other natural resources. Compliance with existing environmental requirements involves significant capital and operating costs including the settlement of AROs, a major portion of which is expected to be recovered through retail and wholesale rates. There is no assurance, however, that all such costs will be recovered. The Registrants expect future compliance expenditures will continue to be significant.

The EPA has adopted and is implementing regulations governing air and GHG emissions under the Clean Air Act and water quality under the Clean Water Act. The EPA and certain states have also adopted and continue to propose regulations governing the disposal of CCR, including coal ash and gypsum, in landfills and surface impoundments at active generating power plants. The cost estimates for AROs related to the disposal of CCR are based on information using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential compliance methods. The traditional electric operating companies will continue to periodically update their ARO cost estimates.

Additionally, environmental laws and regulations covering the handling and disposal of waste and release of hazardous substances could require the Southern Company system to incur substantial costs to clean up affected sites, including certain current and former operating sites, and locations subject to contractual obligations.

Litigation over environmental issues and claims of various types, including property damage, personal injury, and citizen enforcement of environmental requirements has occurred throughout the U.S. This litigation has included, but is not limited to, claims for damages alleged to have been caused by CO₂ and other emissions, CCR, releases of regulated substances, and alleged exposure to regulated substances, and/or requests for injunctive relief in connection with such matters.

Compliance with any new or revised environmental laws or regulations could affect many areas of operations for the Southern Company system. The Southern Company system's ultimate environmental compliance strategy and future environmental

expenditures will depend on various factors, such as state adoption and implementation of requirements, the availability and cost of any deployed control technology, fuel prices, and the outcome of pending and/or future legal challenges. Compliance costs may result from the installation of additional environmental controls, closure and monitoring of CCR facilities, unit retirements, operational changes, or changing fuel sources for certain existing units, as well as related upgrades to the Southern Company system's transmission and distribution (electric and natural gas) systems. Environmental compliance spending over the next several years may differ materially from the amounts estimated and could adversely affect the Registrants if such costs cannot continue to be recovered on a timely basis. Further, increased costs that are recovered through regulated rates could contribute to reduced demand for electricity and natural gas. Additionally, many commercial and industrial customers may also be affected by existing and future environmental requirements, which for some may have the potential to reduce their demand for electricity or natural gas.

The Southern Company system may be exposed to regulatory and financial risks related to the impact of GHG legislation, regulation, and emission reduction goals.

Costs associated with GHG legislation, regulation, and emission reduction goals could be significant. Additional GHG policies, including legislation, may emerge in the future requiring the United States to transition to a lower GHG emitting economy. However, the ultimate impact will depend on various factors, such as state adoption and implementation of requirements, low natural gas prices, the development, deployment, and advancement of relevant energy technologies, the ability to recover costs through existing ratemaking provisions, and the outcome of pending and/or future legal challenges.

Because natural gas is a fossil fuel with lower carbon content relative to other fossil fuels, future GHG constraints, including, but not limited to, the imposition of a carbon tax, may create additional demand for natural gas, both for production of electricity and direct use in homes and businesses. However, such demand may be tempered by legislation limiting the use of natural gas in certain situations, such as new construction. Future GHG constraints designed to minimize emissions from natural gas could likewise result in increased costs to the Southern Company system and affect the demand for natural gas as well as the prices charged to customers and the competitive position of natural gas.

Southern Company has established an intermediate goal of a 50% reduction in carbon emissions from 2007 levels by 2030 and a long-term goal of net zero emissions by 2050. Achievement of these goals is dependent on many factors, including natural gas prices and the pace and extent of development and deployment of low- to no-carbon energy technologies and negative carbon concepts. The strategy to achieve these goals also relies on continuing to pursue a diverse portfolio including low-carbon and carbon-free resources and energy efficiency resources; continuing research and development with a particular focus on technologies that lower GHG emissions including methods of removing carbon from the atmosphere; and constructively engaging with policymakers, regulators, investors, customers, and other stakeholders to support outcomes leading to a net zero future.

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FUTURE EARNINGS POTENTIAL – "Environmental Matters – Global Climate Issues" in Item 7 herein for additional information.

OPERATIONAL RISKS

The financial performance of Southern Company and its subsidiaries may be adversely affected if the subsidiaries are unable to successfully operate their facilities or perform certain corporate functions.

The financial performance of Southern Company and its subsidiaries depends on the successful operation of the electric generation, transmission, and distribution facilities, natural gas distribution and storage facilities, and distributed generation storage technologies and the successful performance of necessary corporate functions. There are many risks that could affect these operations and performance of corporate functions, including operator error or failure of equipment or processes, accidents, operating limitations that may be imposed by environmental or other regulatory requirements or in connection with joint owner arrangements, labor disputes, physical attacks, fuel or material supply interruptions and/or shortages, transmission disruption or capacity constraints, including with respect to the Southern Company system's and third parties' transmission, storage, and transportation facilities, compliance with mandatory reliability standards, including mandatory cyber security standards, implementation of new technologies, technology system failures, cyber intrusions, environmental events, such as spills or releases, and catastrophic events such as fires, earthquakes, explosions, floods, tornadoes, hurricanes and other storms, droughts, pandemic health events, political unrest, or other similar occurrences.

Operation of nuclear facilities involves inherent risks, including environmental, safety, health, regulatory, natural disasters, cyber intrusions or physical attacks, and financial risks, that could result in fines or the closure of the nuclear units owned by Alabama Power or Georgia Power and which may present potential exposures in excess of insurance coverage.

Alabama Power owns, and contracts for the operation of, two nuclear units and Georgia Power holds undivided interests in, and contracts for the operation of, four existing nuclear units. The six existing units are operated by Southern Nuclear and

represented approximately 27% of the total KWHs generated by each of Alabama Power and Georgia Power in the year ended December 31, 2020. In addition, Southern Nuclear, on behalf of Georgia Power and the other Vogtle Owners, is managing the construction of Plant Vogtle Units 3 and 4. Nuclear facilities are subject to environmental, safety, health, operational, and financial risks such as: the potential harmful effects on the environment and human health and safety resulting from a release of radioactive materials; uncertainties with respect to the ability to dispose of spent nuclear fuel and the need for longer term on-site storage; uncertainties with respect to the technological and financial aspects of decommissioning nuclear plants at the end of licensed lives and the ability to maintain and anticipate adequate capital reserves for decommissioning; limitations on the amounts and types of insurance commercially available to cover losses that might arise in connection with any nuclear operations; and significant capital expenditures relating to maintenance, operation, security, and repair of these facilities.

Damages, decommissioning, or other costs could exceed the amount of decommissioning trusts or external insurance coverage, including statutorily required nuclear incident insurance.

The NRC has broad authority under federal law to impose licensing and safety-related requirements for the operation of nuclear facilities. In the event of non-compliance, the NRC has the authority to impose fines and/or shut down any unit, depending upon its assessment of the severity of the situation, until compliance is achieved. NRC orders or regulations related to increased security measures and any future NRC safety requirements could require Alabama Power and Georgia Power to make substantial operating and capital expenditures at their nuclear plants. In addition, if a serious nuclear incident were to occur, it could result in substantial costs to Alabama Power or Georgia Power and Southern Company. A major incident at a nuclear facility anywhere in the world could cause the NRC to delay or prohibit construction of new nuclear units or require additional safety measures at new and existing units. Moreover, a major incident at any nuclear facility in the U.S., including facilities owned and operated by third parties, could require Alabama Power and Georgia Power to make material contributory payments.

In addition, actual or potential threats of cyber intrusions or physical attacks could result in increased nuclear licensing or compliance costs that are difficult to predict.

Transporting and storing natural gas involve risks that may result in accidents and other operating risks and costs.

Southern Company Gas' natural gas distribution and storage activities involve a variety of inherent hazards and operating risks, such as leaks, accidents, explosions, and mechanical problems, which could result in serious injury, loss of life, significant damage to property, environmental pollution, and impairment of its operations. The location of pipelines and storage facilities near populated areas could increase the level of damage resulting from these risks. Additionally, these pipeline and storage facilities are subject to various state and other regulatory requirements. Failure to comply with these requirements could result in substantial monetary penalties or potential early retirement of storage facilities, which could trigger an associated impairment.

Physical attacks, both threatened and actual, could impact the ability of the Subsidiary Registrants to operate.

The Subsidiary Registrants face the risk of physical attacks, both threatened and actual, against their respective generation and storage facilities and the transmission and distribution infrastructure used to transport energy, which could negatively impact their ability to generate, transport, and deliver power, or otherwise operate their respective facilities, or, with respect to Southern Company Gas, its ability to distribute or store natural gas, or otherwise operate its facilities, in the most efficient manner or at all. In addition, physical attacks against third-party providers could have a similar effect on the Southern Company system.

Despite the implementation of robust security measures, all assets are potentially vulnerable to disability, failures, or unauthorized access due to human error, natural disasters, technological failure, or internal or external physical attacks. If assets were to fail, be physically damaged, or be breached and were not restored in a timely manner, the affected Subsidiary Registrant may be unable to fulfill critical business functions, which would cause reputational damage. Insurance may not be adequate to cover any associated losses.

An information security incident, including a cybersecurity breach, or the failure of, or inability to remotely access, one or more key technology systems, networks, or processes could impact the ability of the Registrants to operate.

The Subsidiary Registrants operate in highly regulated industries that require the continued operation of sophisticated technology systems and network infrastructure, which are part of interconnected systems. Because of the critical nature of the infrastructure and the technology systems' inherent vulnerability to disability or failures due to hacking, viruses, denial of service, ransomware, acts of war or terrorism, or other types of data security breaches, the Southern Company system faces a heightened risk of cyberattack. There have been attacks and threats of attacks on energy infrastructure by cyber actors, including those associated with foreign governments. The Registrants and their third-party vendors have been subject, and will likely continue to be subject, to attempts to gain unauthorized access to their technology systems and confidential data or to attempts to disrupt utility and related business operations. While there have been immaterial incidents of phishing, unauthorized access to technology systems, financial fraud, and disruption of remote access across the Southern Company system, there has

been no material impact on business or operations from these attacks. However, the Registrants cannot guarantee that security efforts will detect or prevent breaches, operational incidents, or other breakdowns of technology systems and network infrastructure and cannot provide any assurance that such incidents will not have a material adverse effect in the future.

In addition, in the ordinary course of business, Southern Company and its subsidiaries collect and retain sensitive information, including personally identifiable information about customers, employees, and stockholders, and other confidential information. In some cases, administration of certain functions may be outsourced to third-party service providers that could also be targets of cyber attacks.

Internal or external cyber attacks may inhibit the affected Registrant's ability to fulfill critical business functions, compromise sensitive and other data, and cause reputational damage. Any cyber breach or theft, damage, or improper disclosure of sensitive electronic data may also subject the affected Registrant to penalties and claims from regulators or other third parties. Insurance may not be adequate to cover any associated losses.

The Southern Company system may not be able to obtain adequate natural gas, fuel supplies, and other resources required to operate the traditional electric operating companies' and Southern Power's electric generating plants or serve Southern Company Gas' natural gas customers.

SCS, on behalf of the traditional electric operating companies and Southern Power, purchases fuel for the Southern Company system's generation fleet from a diverse set of suppliers. Southern Company Gas' primary business is the distribution of natural gas through the natural gas distribution utilities. Natural gas is delivered daily from different regions of the country. This daily supply is complemented by natural gas supplies stored in third party storage locations. To deliver this daily supply and storage, the Southern Company system has firm transportation capacity contracted with third party interstate pipelines. Disruption in the supply and/or delivery of fuel as a result of matters such as transportation delays, weather, labor relations, force majeure events, or environmental regulations affecting fuel suppliers could limit the ability of the traditional electric operating companies and Southern Power to operate certain facilities, which could result in higher fuel and operating costs, and the ability of Southern Company Gas to serve its natural gas customers.

The Southern Company system has become more dependent upon natural gas as a fuel source for its power generation needs, which not only has the potential to impact the traditional electric operating companies' and Southern Power's costs of generation but the costs of purchased power as well. The robust growth in supply over the last several years has allowed natural gas prices, for the most part, to remain below \$3 per mmBtu; however, prices continue to be very volatile. With the majority of natural gas production being from shale gas formations, any limitation on shale gas production would be expected to have a material impact on the supply availability as well as the cost of natural gas. In addition, new demand, in particular exports to Mexico and those from LNG facilities, has grown significantly and is having greater impact on the traditional electric operating companies' and Southern Power's natural gas markets.

The traditional electric operating companies are also dependent on coal, and related coal supply contracts, for a portion of their electric generating capacity. The counterparties to coal supply contracts may not fulfill their obligations to supply coal because of financial or technical problems. In addition, the suppliers may be delayed in supplying or may not be required to supply coal under certain circumstances, such as in the event of a natural disaster. If the traditional electric operating companies are unable to obtain their contracted coal requirements, they may be required to purchase their coal requirements at higher prices, and these increased costs may not be recoverable through rates.

In addition to fuel supply, the traditional electric operating companies and Southern Power also need adequate access to water, which is drawn from nearby sources, to aid in the production of electricity returned to its source after use. Any impact to their water resources could also limit the ability of the traditional electric operating companies and Southern Power to operate certain facilities, which could result in higher fuel and operating costs.

The revenues of Southern Company, the traditional electric operating companies, and Southern Power depend in part on sales under PPAs, the success of which depend on PPA counterparties performing their obligations, Southern Company subsidiaries satisfying minimum requirements under the PPAs, and renewal or replacement of the PPAs for the related generating capacity.

Most of Southern Power's generating capacity has been sold to purchasers under PPAs. Southern Power's top three customers, Southern California Edison, Georgia Power, and Duke Energy Corporation accounted for 9.4%, 8.0%, and 6.7%, respectively, of Southern Power's total revenues for the year ended December 31, 2020. The traditional electric operating companies have entered into PPAs with non-affiliated parties.

The revenues related to PPAs are dependent on the continued performance by the purchasers of their obligations. Although the credit evaluations undertaken and contractual protections implemented by Southern Power and the traditional electric operating companies take into account the possibility of default by a purchaser, actual exposure to a default by a purchaser may be greater than predicted or specified in the applicable contract.

Additionally, neither Southern Power nor any traditional electric operating company can predict whether the PPAs will be renewed at the end of their respective terms or on what terms any renewals may be made. The failure of a Southern Company subsidiary to satisfy minimum operational or availability requirements under these PPAs, including PPAs related to fuel cell technology and/or renewable projects, including projects under construction, could result in payment of damages or termination of the PPAs.

The asset management arrangements between Southern Company Gas' wholesale gas services and its customers, including the natural gas distribution utilities, may not be renewed or may be renewed at lower levels.

Southern Company Gas' wholesale gas services currently manages the storage and transportation assets of the natural gas distribution utilities (except Nicor Gas) as well as certain non-affiliated customers. Southern Company Gas' wholesale gas services has a concentration of credit risk in 20 of its counterparties for services it provides.

The profits earned from the management of affiliate assets are shared with the respective affiliate's customers (and for Atlanta Gas Light with the Georgia PSC's Universal Service Fund), except for Chattanooga Gas where wholesale gas services are provided under annual fixed-fee agreements. These asset management agreements are subject to regulatory approval.

These asset management agreements may not be renewed at the end of their respective terms or may be renewed with less favorable terms. Additionally, sustained low natural gas prices could reduce the demand for these types of asset management arrangements.

Increased competition from other companies that supply energy or generation and storage technologies and changes in customer demand for energy could negatively impact Southern Company and its subsidiaries.

The traditional electric operating companies operate under a business model that invests capital to serve customers and recovers those investments and earns a return for investors through state regulation. Southern Power's business model is primarily focused on investing capital or building energy assets to serve creditworthy counterparties using a bilateral contract model. A key premise of these business models is that generating power at power plants achieves economies of scale and produces power at a competitive cost.

New technologies such as distributed energy resources and microgrids and increased customer demand for sustainable assets could change the type of assets constructed and/or the methods for cost recovery. Advances in these technologies or changes in laws or regulations could reduce the cost of distributed generation storage technologies or other alternative methods of producing power to a level that is competitive with that of most power generation production or result in smaller-scale, more fuel efficient, and/or more cost effective distributed generation that allows for increased self-generation by customers. Broader use of distributed generation by retail energy customers may also result from customers' changing perceptions of the merits of utilizing existing generation technology or tax or other economic incentives. Additionally, a state PSC or legislature may modify certain aspects of the traditional electric operating companies' business as a result of these advances in technology.

It is also possible that rapid advances in power generation technology could reduce the value of the current electric generating facilities owned by the traditional electric operating companies and Southern Power. Changes in technology could also alter the channels through which electric customers buy or utilize power.

Southern Company Gas' business is dependent on natural gas prices remaining competitive as compared to other forms of energy. Southern Company Gas' gas marketing services segment also is affected by competition from other energy marketers providing similar services in Southern Company Gas' unregulated service territories, most notably in Illinois and Georgia. Southern Company Gas' wholesale gas services competes for sales with national and regional full-service energy providers, energy merchants and producers, and pipelines based on the ability to aggregate competitively-priced commodities with transportation and storage capacity. Southern Company Gas competes with natural gas facilities in the Gulf Coast region of the U.S., where the majority of the existing and proposed high deliverability salt-dome natural gas storage facilities in North America are located.

If new technologies become cost competitive and achieve sufficient scale, the market share of the Subsidiary Registrants could be eroded, and the value of their respective electric generating facilities or natural gas distribution and storage facilities could be reduced. Additionally, these technology and customer-induced changes to the electric generation business models could change the risk profile of the Southern Company system's historical capital investments. Southern Company Gas' market share could be reduced if Southern Company Gas cannot remain price competitive in its unregulated markets.

The Subsidiary Registrants are subject to workforce factors that could affect operations.

The Southern Company system must attract, train, and retain a workforce to meet current and future needs. Events such as an aging workforce without appropriate replacements, mismatch of skill sets to future needs, or unavailability of contract resources may lead to operating challenges such as lack of resources, loss of knowledge, and a lengthy time period associated with skill development, including workforce needs associated with major construction projects and ongoing operations. The Southern

Company system's costs, including costs for contractors to replace employees, productivity costs, and safety costs, may rise. Failure to hire and adequately obtain replacement employees, including the ability to transfer significant internal historical knowledge and expertise to the new employees, or the future availability and cost of contract labor may adversely affect Southern Company and its subsidiaries' ability to manage and operate their businesses.

The Registrants are subject to risks related to the COVID-19 pandemic, including, but not limited to, disruption to the construction of Plant Vogtle Units 3 and 4 for Southern Company and Georgia Power.

COVID-19 has been declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the United States. In response, most jurisdictions, including in the United States, initially instituted restrictions on travel, public gatherings, and non-essential business operations. While some jurisdictions, including some in the Southern Company system's service territory, have relaxed some of these restrictions, many of these restrictions remain and there is no guarantee restrictions will not be reimposed in the future. These restrictions have significantly disrupted economic activity in the service territories of the traditional electric operating companies and the natural gas distribution utilities and caused volatility in capital markets at certain periods during 2020. For example, retail electric revenues have declined slightly compared to 2019, as discussed further in RESULTS OF OPERATIONS – "Southern Company – Electricity Business" in Item 7 herein. In addition, the traditional electric operating companies and the natural gas distribution utilities temporarily suspended disconnections for non-payment by customers and waived late fees for certain periods. The effects of the continued COVID-19 pandemic and related global, federal, state, and local responses could include extended disruptions to supply chains and capital markets, further reduced labor availability and productivity, and a prolonged reduction in economic activity. These effects could have a variety of adverse impacts on the Registrants, including, but not limited to, continued reduced demand for energy, particularly from commercial and industrial customers, impairment of goodwill or long-lived assets, reductions in investments recorded at fair value, and further impairment of the ability of the Registrants to develop, construct, and operate facilities, including electric generation, transmission, and distribution assets, to perform necessary corporate and customer service functions, and to access funds from financial institutions and capital markets. In addition, the COVID-19 pandemic could cause delays or cancellations of regulatory proceedings.

The effects of the COVID-19 pandemic also could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4, as discussed in Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein.

CONSTRUCTION RISKS

The Registrants have incurred and may incur additional costs or delays in the construction of new plants or other facilities and may not be able to recover their investments. Also, existing facilities of the Subsidiary Registrants require ongoing expenditures, including those to meet AROs and other environmental standards and goals.

General

The businesses of the Registrants require substantial expenditures for investments in new facilities as well as capital improvements, including transmission, distribution, and generation facilities for the traditional electric operating companies, generation facilities for Southern Power, and capital improvements to natural gas distribution and storage facilities for Southern Company Gas. These expenditures also include those to settle AROs and meet environmental standards and goals. The traditional electric operating companies and Southern Power are in the process of constructing new generating facilities and adding environmental modifications to certain existing generating facilities. The traditional electric operating companies also are in the process of closing ash ponds to comply with the CCR Rule and, where applicable, state CCR rules. Southern Company Gas is replacing certain pipelines in its natural gas distribution system and is involved in certain gas pipeline construction projects. The Southern Company system intends to continue its strategy of developing and constructing new electric generating facilities, expanding and improving the electric transmission and electric and natural gas distribution systems, and undertaking projects to comply with environmental laws and regulations. These projects are long term in nature and in some cases may include the development and construction of facilities with designs that have not been finalized or previously constructed.

The completion of these types of projects without delays or significant cost overruns is subject to substantial risks that have occurred or may occur, including labor costs, availability, and productivity; challenges with managing contractors and/or vendors; subcontractor performance; adverse weather conditions or natural disasters; contractor and/or vendor delays, increased costs, shortages, or inconsistent quality of equipment, materials, and labor; 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; additional negative impacts of the COVID-19 pandemic or future pandemic health events; work stoppages; challenges with start-up activities (including major equipment failure or system integration) and/or operational performance; continued public and policymaker support for projects; environmental and geological conditions; delays or increased costs to interconnect

facilities to transmission grids; and increased financing costs as a result of changes in market interest rates or as a result of project delays.

If a Subsidiary Registrant is unable to complete the development or construction of a project or decides to delay or cancel construction of a project, it may not be able to recover its investment in that project and may incur substantial cancellation payments under equipment purchase orders or construction contracts, as well as other costs associated with the closure and/or abandonment of the construction project.

In addition, partnership and joint ownership agreements may provide partners or co-owners with certain decision-making authority in connection with projects under construction, including rights to cause the cancellation of a construction project under certain circumstances. Any failure by a partner or co-owner to perform its obligations under the applicable agreements could have a material negative impact on the applicable project under construction. Southern Company Gas is a minority investor in the joint venture constructing the PennEast Pipeline project, Southern Power participates in partnership agreements with respect to a majority of its renewable energy projects, and Georgia Power jointly owns Plant Vogtle Units 3 and 4 with other co-owners. See Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information regarding other jointly-owned facilities.

If construction projects are not completed according to specification, a Registrant may incur liabilities and suffer reduced plant efficiency, higher operating costs, and reduced net income. Furthermore, construction delays associated with renewable projects could result in the loss of otherwise available tax credits and incentives.

Even if a construction project (including a joint venture construction project) is completed, the total costs may be higher than estimated and may not be recoverable through regulated rates, if applicable. In addition, construction delays and contractor performance shortfalls can result in the loss of revenues. The largest construction project currently underway in the Southern Company system is Plant Vogtle Units 3 and 4. Southern Company and Georgia Power recorded total pre-tax charges to income of \$1.4 billion (\$1.0 billion after tax) through December 31, 2020 to reflect Georgia Power's revised estimate to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein for information regarding Plant Vogtle Units 3 and 4. Also see Note 3 to the financial statements under "Other Matters – Southern Company Gas – PennEast Pipeline Project" in Item 8 herein for information regarding the PennEast Pipeline project and Note 2 to the financial statements under "Alabama Power – Petition for Certificate of Convenience and Necessity" in Item 8 herein for information regarding Alabama Power's construction of Plant Barry Unit 8.

Once facilities become operational, ongoing capital expenditures are required to maintain reliable levels of operation. Significant portions of the traditional electric operating companies' existing facilities were constructed many years ago. Older equipment, even if maintained in accordance with good engineering practices, may require significant expenditures to maintain efficiency, to comply with changing environmental requirements, to provide safe and reliable operations, and/or to meet related retirement obligations.

Southern Company Gas' significant investments in pipelines and the PennEast Pipeline project involve financial and execution risks.

Southern Company Gas has made significant investments in existing pipelines and the PennEast Pipeline project. Many of the existing pipelines are, and, when completed, the PennEast Pipeline project will be, operated by third parties. If one of these agents fails to perform in a proper manner, the value of the investment could decline and Southern Company Gas could lose part or all of its investment. In addition, Southern Company Gas is required to fulfill capital obligations to pipeline joint ventures.

With respect to the PennEast Pipeline project, Southern Company Gas will rely on its joint venture partners for construction management and will not exercise direct control over the process. The PennEast Pipeline project is dependent on contractors for the successful and timely completion of the project. Further, the development of the PennEast Pipeline involves numerous regulatory, environmental, construction, safety, political, and legal uncertainties and may require the expenditure of significant amounts of capital. This project may not be completed on schedule, at the budgeted cost, or at all. There may be cost overruns and construction difficulties that cause Southern Company Gas' capital expenditures to exceed its initial expectations. See Note 3 to the financial statements under "Other Matters – Southern Company Gas – PennEast Pipeline Project" in Item 8 herein for information regarding this project.

FINANCIAL, ECONOMIC, AND MARKET RISKS

The electric generation and energy marketing operations of the traditional electric operating companies and Southern Power and the natural gas operations of Southern Company Gas are subject to changes in energy prices and fuel costs.

The generation, energy marketing, and natural gas operations of the Southern Company system are subject to changes in energy prices and fuel costs, which could increase the cost of producing power, decrease the amount received from the sale of energy, and/or make electric generating facilities less competitive. The market prices for these commodities may fluctuate significantly

over relatively short periods of time as a result of changes in supply and/or demand, which could increase the expenses and/or reduce the revenues of the Registrants. For the traditional electric operating companies and Southern Company Gas' regulated gas distribution operations, such impacts may not be fully recoverable through rates.

The traditional electric operating companies and Southern Company Gas from time to time have experienced and may continue to experience underrecovered fuel and/or purchased gas cost balances. While the traditional electric operating companies and Southern Company Gas are generally authorized to recover fuel and/or purchased gas costs through cost recovery clauses, recovery may be delayed or may be denied if costs are deemed to be imprudently incurred.

The Registrants are subject to risks associated with a changing economic environment, customer behaviors, including increased energy conservation, and adoption patterns of technologies by the customers of the Subsidiary Registrants.

The consumption and use of energy are linked to economic activity. This relationship is affected over time by changes in the economy, customer behaviors, and technologies. Any economic downturn could negatively impact customer growth and usage per customer. Additionally, any economic downturn or disruption of financial markets, both nationally and internationally, could negatively affect the financial stability of customers and counterparties of the Subsidiary Registrants.

Outside of economic disruptions, changes in customer behaviors in response to energy efficiency programs, changing conditions and preferences, legislation, or changes in the adoption of technologies could affect the relationship of economic activity to the consumption of energy. For example, some cities in the United States have banned the use of natural gas in new construction.

Both federal and state programs exist to influence how customers use energy, and several of the traditional electric operating companies and Southern Company Gas have PSC or other applicable state regulatory agency mandates to promote energy efficiency.

Customers could also voluntarily reduce their consumption of energy in response to decreases in their disposable income, increases in energy prices, or individual conservation efforts.

In addition, the adoption of technology by customers can have both positive and negative impacts on sales. Many new technologies utilize less energy than in the past. However, electric and natural gas technologies such as electric and natural gas vehicles can create additional demand. The Southern Company system uses best available methods and experience to incorporate the effects of changes in customer behavior, state and federal programs, PSC or other applicable state regulatory agency mandates, and technology, but the Southern Company system's planning processes may not accurately estimate and incorporate these effects.

The operating results of the Registrants are affected by weather conditions and may fluctuate on a seasonal basis. In addition, catastrophic events could result in substantial damage to or limit the operation of the properties of a Subsidiary Registrant.

Electric power and natural gas supply are generally seasonal businesses. The Subsidiary Registrants have historically sold less power and natural gas when weather conditions are milder.

Volatile or significant weather events could result in substantial damage to the transmission and distribution lines of the traditional electric operating companies, the generating facilities of the traditional electric operating companies and Southern Power, and the natural gas distribution and storage facilities of Southern Company Gas. The Subsidiary Registrants have significant investments in the Atlantic and Gulf Coast regions and Southern Power and Southern Company Gas have investments in various states which could be subject to severe weather and natural disasters, including hurricanes and wildfires. Further, severe drought conditions can reduce the availability of water and restrict or prevent the operation of certain generating facilities.

In the event a traditional electric operating company or Southern Company Gas experiences any of these weather events or any natural disaster or other catastrophic event, recovery of costs in excess of reserves and insurance coverage is subject to the approval of its state PSC or other applicable state regulatory agency. The traditional electric operating companies from time to time have experienced and may continue to experience deficits in their storm cost recovery reserve balances. Additionally, the applicable state PSC or other applicable state regulatory agency may deny or delay recovery of any portion of such costs.

In addition, damages resulting from significant weather events occurring within a Subsidiary Registrant's service territory or otherwise affecting its customers may result in the loss of customers and reduced demand for energy for extended periods and may impact customers' ability to perform under existing PPAs.

Acquisitions, dispositions, or other strategic ventures or investments may not result in anticipated benefits and may present risks not originally contemplated.

Southern Company and its subsidiaries have made significant acquisitions, dispositions, and investments in the past, and may continue to do so. Such actions cannot be assured to be completed or beneficial to Southern Company or its subsidiaries. Southern Company and its subsidiaries continually seek opportunities to create value through various transactions, including acquisitions or sales of assets. Specifically, Southern Power continually seeks opportunities to execute its strategy to create value through various transactions, including acquisitions, dispositions, and sales of partnership interests, development and construction of new generating facilities, and entry into PPAs primarily with investor-owned utilities, IPPs, municipalities, and other load-serving entities, as well as commercial and industrial customers.

Southern Company and its subsidiaries may face significant competition for transactional opportunities and anticipated transactions may not be completed on acceptable terms or at all. In addition, these transactions are intended to, but may not, result in the generation of cash or income, the realization of savings, the creation of efficiencies, or the reduction of risk.

These transactions also involve risks, including that they may not result in an increase in income or provide adequate or expected funds or return on capital or other anticipated benefits; they may result in Southern Company or its subsidiaries entering into new or additional lines of business, which may have new or different business or operational risks; they may not be successfully integrated into the acquiring company's operations, internal control processes and/or accounting systems; the due diligence conducted prior to a transaction may not uncover situations that could result in financial or legal exposure or may not appropriately evaluate the likelihood or quantify the exposure from identified risks; they may result in decreased earnings, revenues, or cash flow; they may involve retained obligations in connection with transitional agreements or deferred payments related to dispositions that subject Southern Company or its subsidiaries to additional risk; Southern Company or the applicable subsidiary may not be able to achieve the expected financial benefits from the use of funds generated by any dispositions; expected benefits of a transaction may be dependent on the cooperation, performance, or credit risk of a counterparty; minority investments in growth companies may not result in a positive return on investment; or, for the traditional electric operating companies and Southern Company Gas, costs associated with such investments that were expected to be recovered through regulated rates may not be recoverable.

Southern Company and Southern Company Gas are holding companies and Southern Power owns many of its assets indirectly through subsidiaries. Each of these companies is dependent on cash flows from their respective subsidiaries to meet their ongoing and future financial obligations.

Southern Company and Southern Company Gas are holding companies and, as such, they have no operations of their own. Substantially all of Southern Company's and Southern Company Gas' and many of Southern Power's respective consolidated assets are held by subsidiaries. Southern Company's, Southern Company Gas' and, to a certain extent, Southern Power's ability to meet their respective financial obligations, including making interest and principal payments on outstanding indebtedness, and, for Southern Company, to pay dividends on its common stock, is dependent on the net income and cash flows of their respective subsidiaries and the ability of those subsidiaries to pay upstream dividends or to repay borrowed funds. Prior to funding Southern Company, Southern Company Gas, or Southern Power, the respective subsidiaries have financial obligations and, with respect to Southern Company and Southern Company Gas, regulatory restrictions that must be satisfied, including among others, debt service and preferred stock dividends. In addition, Southern Company, Southern Company Gas, and Southern Power may provide capital contributions or debt financing to subsidiaries under certain circumstances, which would reduce the funds available to meet their respective financial obligations, including making interest and principal payments on outstanding indebtedness, and to pay dividends on Southern Company's common stock.

A downgrade in the credit ratings of any of the Registrants, Southern Company Gas Capital, or Nicor Gas could negatively affect their ability to access capital at reasonable costs and/or could require posting of collateral or replacing certain indebtedness.

There are numerous factors that rating agencies evaluate to arrive at credit ratings for the Registrants, Southern Company Gas Capital, and Nicor Gas, including capital structure, regulatory environment, the ability to cover liquidity requirements, other commitments for capital, and certain other controllable and uncontrollable events. The Registrants, Southern Company Gas Capital, and Nicor Gas could experience a downgrade in their ratings if any rating agency concludes that the level of business or financial risk of the industry or the applicable company has deteriorated. Changes in ratings methodologies by the agencies could also have a negative impact on credit ratings. If one or more rating agencies downgrade any Registrant, Southern Company Gas Capital, or Nicor Gas borrowing costs likely would increase, including potential automatic increases in interest rates under applicable term loans and credit facilities, the pool of investors and funding sources would likely decrease, and, particularly for any downgrade to below investment grade, significant collateral requirements may be triggered in a number of contracts. Any credit rating downgrades could require altering the mix of debt financing currently used, and could require the issuance of secured indebtedness and/or indebtedness with additional restrictive covenants binding the applicable company.

Uncertainty in demand for energy can result in lower earnings or higher costs.

Southern Company, the traditional electric operating companies, and Southern Power each engage in a long-term planning process to estimate the optimal mix and timing of new generation assets required to serve future load obligations. Southern Company Gas engages in a long-term planning process to estimate the optimal mix and timing of building new pipelines and storage facilities, replacing existing pipelines, rewatering storage facilities, and entering new markets and/or expanding in existing markets. These planning processes must project many years into the future in order to accommodate the long lead times associated with the permitting and construction of new generation and associated transmission facilities and natural gas distribution and storage facilities. Inherent risk exists in predicting demand as future loads are dependent on many uncertain factors, including economic conditions, customer usage patterns, efficiency programs, customer technology adoption, and the duration and extent of the COVID-19 pandemic. Because regulators may not permit the traditional electric operating companies or Southern Company Gas' regulated operating companies to adjust rates to recover the costs of new generation and associated transmission assets and/or new pipelines and related infrastructure in a timely manner or at all, these subsidiaries may not be able to fully recover these costs or may have exposure to regulatory lag associated with the time between the incurrence of costs and the recovery in customers' rates. In addition, under Southern Power's model of selling capacity and energy at negotiated market-based rates under long-term PPAs, Southern Power might not be able to fully execute its business plan if market prices drop below original forecasts. Southern Power and/or the traditional electric operating companies may not be able to extend or replace existing PPAs upon expiration, or they may be forced to market these assets at prices lower than originally intended.

The traditional electric operating companies are currently obligated to supply power to retail customers and wholesale customers under long-term PPAs. Southern Power is currently obligated to supply power to wholesale customers under long-term PPAs. At peak times, the demand for power required to meet this obligation could exceed the Southern Company system's available generation capacity. Market or competitive forces may require that the traditional electric operating companies purchase capacity on the open market or build additional generation and transmission facilities and that Southern Power purchase energy or capacity on the open market. Because regulators may not permit the traditional electric operating companies to pass all of these purchase or construction costs on to their customers, the traditional electric operating companies may not be able to recover some or all of these costs or may have exposure to regulatory lag associated with the time between the incurrence of costs of purchased or constructed capacity and the traditional electric operating companies' recovery in customers' rates. Under Southern Power's long-term fixed price PPAs, Southern Power may not be able to recover all of these costs.

The businesses of the Registrants and Nicor Gas are dependent on their ability to successfully access capital through capital markets and financial institutions.

The Registrants and Nicor Gas rely on access to both short-term money markets and longer-term capital markets as a significant source of liquidity to meet capital requirements not satisfied by the cash flow from their respective operations. If any of the Registrants or Nicor Gas is not able to access capital at competitive rates or on favorable terms, its ability to implement its business plan will be limited due to weakened capacity to fund capital investments or acquisitions that it may otherwise rely on to achieve future earnings and cash flows. In addition, the Registrants and Nicor Gas rely on committed credit facilities as back-up liquidity for access to low cost money markets. Certain market disruptions, including an economic downturn or uncertainty, bankruptcy or financial distress at an unrelated utility company, financial institution, or sovereign entity, capital markets volatility and disruption, either nationally or internationally, changes in tax policy, volatility in market prices for electricity and natural gas, actual or threatened cyber or physical attacks on facilities within the Southern Company system or owned by unrelated utility companies, future impacts of the COVID-19 pandemic or other pandemic health events, war or threat of war, or the overall health of the utility and financial institution industries, may increase the cost of borrowing or adversely affect the ability to raise capital through the issuance of securities or other borrowing arrangements or the ability to secure committed bank lending agreements used as back-up sources of capital.

Additionally, due to a portion of the Registrants' indebtedness bearing interest at variable rates based on LIBOR or other floating benchmark rates, the potential phasing out of these rates may adversely affect the costs of financing. The discontinuation, reform, or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual relationships in the credit markets or cause disruption to the broader financial markets and could result in adverse consequences to the return on, value of, and market for the Registrants' securities and other instruments whose returns are linked to any such benchmark.

Failure to comply with debt covenants or conditions could adversely affect the ability of the Registrants, SEGCO, Southern Company Gas Capital, or Nicor Gas to execute future borrowings.

The debt and credit agreements of the Registrants, SEGCO, Southern Company Gas Capital, and Nicor Gas contain various financial and other covenants. Georgia Power's loan guarantee agreement with the DOE contains additional covenants, events of default, and mandatory prepayment events relating to the construction of Plant Vogtle Units 3 and 4. Failure to meet those covenants beyond applicable grace periods could result in accelerated due dates and/or termination of the agreements.

Volatility in the securities markets, interest rates, and other factors could substantially increase defined benefit pension and other postretirement plan costs and the funding available for nuclear decommissioning.

The costs of providing pension and other postretirement benefit plans are dependent on a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plan, changes in actuarial assumptions, government regulations, and/or life expectancy, and the frequency and amount of the Southern Company system's required or voluntary contributions made to the plans. Changes in actuarial assumptions and differences between the assumptions and actual values, as well as a significant decline in the value of investments that fund the pension and other postretirement plans, if not offset or mitigated by a decline in plan liabilities, could increase pension and other postretirement expense, and the Southern Company system could be required from time to time to fund the pension plans with significant amounts of cash. See MANAGEMENT'S DISCUSSION AND ANALYSIS – ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates – Pension and Other Postretirement Benefits" in Item 7 herein and Note 11 to the financial statements in Item 8 herein for additional information regarding the defined benefit pension and other postretirement plans. Additionally, Alabama Power and Georgia Power each hold significant assets in their nuclear decommissioning trusts to satisfy obligations to decommission their nuclear plants. The rate of return on assets held in those trusts can significantly impact both the funding available for decommissioning and the funding requirements for the trusts. See Note 6 to the financial statements under "Nuclear Decommissioning" in Item 8 herein for additional information.

The Registrants are subject to risks associated with their ability to obtain adequate insurance at acceptable costs.

The financial condition of some insurance companies, actual or threatened physical or cyber attacks, and natural disasters, among other things, could have disruptive effects on insurance markets. The availability of insurance may decrease, and the insurance that the Registrants are able to obtain may have higher deductibles, higher premiums, and more restrictive policy terms. Further, the insurance policies may not cover all of the potential exposures or the actual amount of loss incurred.

The use of derivative contracts by Southern Company and its subsidiaries in the normal course of business could result in financial losses that negatively impact the net income of the Registrants or in reported net income volatility.

Southern Company and its subsidiaries use derivative instruments, such as swaps, options, futures, and forwards, to manage their commodity and interest rate exposures and, to a lesser extent, manage foreign currency exchange rate exposure and engage in limited trading activities. The Registrants could recognize financial losses as a result of volatility in the market values of these contracts or if a counterparty fails to perform. These risks are managed through risk management policies, limits, and procedures, which might not work as planned and cannot entirely eliminate the risks associated with these activities. In addition, derivative contracts entered into for hedging purposes might not offset the underlying exposure being hedged as expected, resulting in financial losses. In the absence of actively quoted market prices and pricing information from external sources, the valuation of these financial instruments can involve management's judgment or use of estimates. The factors used in the valuation of these instruments become more difficult to predict and the calculations become less reliable further into the future. As a result, changes in the underlying assumptions or use of alternative valuation methods could affect the reported fair value of these contracts.

In addition, Southern Company Gas utilizes derivative instruments to lock in economic value in wholesale gas services, which may not qualify as, or may not be designated as, hedges for accounting purposes. The difference in accounting treatment for the underlying position and the financial instrument used to hedge the value of the contract can cause volatility in reported net income of Southern Company and Southern Company Gas while the positions are open due to mark-to-market accounting.

See Notes 13 and 14 to the financial statements in Item 8 herein for additional information.

Future impairments of goodwill or long-lived assets could have a material adverse effect on the Registrants' results of operations.

Goodwill is assessed for impairment at least annually and more frequently if events or circumstances occur that would more likely than not reduce the fair value of a reporting unit below its carrying value and long-lived assets are assessed for impairment whenever events or circumstances indicate that an asset's carrying amount may not be recoverable. At December 31, 2020, goodwill was \$5.3 billion and \$5.0 billion for Southern Company and Southern Company Gas, respectively.

In addition, Southern Company and its subsidiaries have long-lived assets recorded on their balance sheets. To the extent the value of goodwill or long-lived assets become impaired, the affected Registrant may be required to incur impairment charges that could have a material impact on their results of operations. See Note 3 to the financial statements under "Other Matters" in Item 8 herein for information regarding certain impairment charges at Southern Company and Southern Company Gas.

Item 1B. UNRESOLVED STAFF COMMENTS.

None.

Item 2. PROPERTIES**Electric**

The traditional electric operating companies, Southern Power, and SEGCO, at December 31, 2020, owned and/or operated 30 hydroelectric generating stations, 24 fossil fuel generating stations, three nuclear generating stations, 13 combined cycle/cogeneration stations, 44 solar facilities, 13 wind facilities, one fuel cell facility, and one battery storage facility. The amounts of capacity for each company at December 31, 2020 are shown in the table below. The traditional electric operating companies have certain jointly-owned generating stations. For these facilities, the nameplate capacity shown represents the Registrant's portion of total plant capacity, with ownership percentages provided if less than 100%. See "Jointly-Owned Facilities" and "Titles to Property" herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Generating Station/Ownership Percentage	Location	Nameplate Capacity (KWs)
FOSSIL STEAM		
Gadsden	Gadsden, AL	120,000
Barry	Mobile, AL	1,300,000
Greene County (60%)	Demopolis, AL	300,000
Gaston Unit 5	Wilsonville, AL	880,000
Miller (95.92%)	Birmingham, AL	2,532,288
Alabama Power Total		5,132,288
Bowen	Cartersville, GA	3,160,000
Scherer (8.4% of Units 1 and 2 and 75% of Unit 3)	Macon, GA	750,924
Wansley (53.5%)	Carrollton, GA	925,550
Yates	Newnan, GA	700,000
Georgia Power Total		5,536,474
Daniel (50%)	Pascagoula, MS	500,000
Greene County (40%)	Demopolis, AL	200,000
Watson	Gulfport, MS	750,000
Mississippi Power Total		1,450,000
Gaston Units 1-4	Wilsonville, AL	
SEGCO Total		1,000,000 ^(a)
Total Fossil Steam		13,118,762
NUCLEAR STEAM		
Farley	Dothan, AL	
Alabama Power Total		1,720,000
Hatch (50.1%)	Baxley, GA	899,612
Vogtle Units 1 and 2 (45.7%)	Augusta, GA	1,060,240
Georgia Power Total		1,959,852
Total Nuclear Steam		3,679,852

Generating Station/Ownership Percentage	Location	Nameplate Capacity
COMBUSTION TURBINES		
Greene County	Demopolis, AL	
Alabama Power Total		720,000
Boulevard	Savannah, GA	19,700
McDonough Unit 3	Atlanta, GA	78,800
McIntosh Units 1 through 8	Effingham County, GA	640,000
McManus	Brunswick, GA	481,700
Robins	Warner Robins, GA	158,400
Wansley (53.5%)	Carrollton, GA	26,322
Wilson	Augusta, GA	354,100
Georgia Power Total		1,759,022
Sweatt	Meridian, MS	39,400
Watson	Gulfport, MS	39,360
Mississippi Power Total		78,760
Addison	Thomaston, GA	668,800
Cleveland County	Cleveland County, NC	720,000
Dahlberg	Jackson County, GA	756,000
Rowan	Salisbury, NC	455,250
Southern Power Total		2,600,050
Gaston (SEGCO)	Wilsonville, AL	19,680 ^(a)
Total Combustion Turbines		5,177,512
COGENERATION		
Washington County	Washington County, AL	123,428
Lowndes County	Burkeville, AL	104,800
Theodore	Theodore, AL	236,418
Alabama Power Total		464,646
Chevron Cogenerating Station	Pascagoula, MS	147,292 ^(b)
Mississippi Power Total		147,292
Total Cogeneration		611,938
COMBINED CYCLE		
Barry	Mobile, AL	1,070,424
Central Alabama Generating Station	Autauga County, AL	885,000
Alabama Power Total		1,955,424
McIntosh Units 10 and 11	Effingham County, GA	1,318,920
McDonough-Atkinson Units 4 through 6	Atlanta, GA	2,520,000
Georgia Power Total		3,838,920
Daniel	Pascagoula, MS	1,070,424
Ratcliffe	Kemper County, MS	769,898
Mississippi Power Total		1,840,322
Franklin	Smiths, AL	1,857,820
Harris	Autaugaville, AL	1,318,920
Rowan	Salisbury, NC	530,550
Wansley Units 6 and 7	Carrollton, GA	1,073,000
Southern Power Total		4,780,290
Total Combined Cycle		12,414,956

Generating Station/Ownership Percentage	Location	Nameplate Capacity
HYDROELECTRIC FACILITIES		
Bankhead	Holt, AL	53,985
Bouldin	Wetumpka, AL	225,000
Harris	Wedowee, AL	132,000
Henry	Ohatchee, AL	72,900
Holt	Holt, AL	46,944
Jordan	Wetumpka, AL	100,000
Lay	Clanton, AL	177,000
Lewis Smith	Jasper, AL	157,500
Logan Martin	Vincent, AL	135,000
Martin	Dadeville, AL	182,000
Mitchell	Verbena, AL	170,000
Thurlow	Tallassee, AL	81,000
Weiss	Leesburg, AL	87,750
Yates	Tallassee, AL	47,000
Alabama Power Total		1,668,079
Bartletts Ferry	Columbus, GA	173,000
Burton	Clayton, GA	6,120
Flint River	Albany, GA	5,400
Goat Rock	Columbus, GA	38,600
Lloyd Shoals	Jackson, GA	14,400
Morgan Falls	Atlanta, GA	16,800
Nacoochee	Lakemont, GA	4,800
North Highlands	Columbus, GA	29,600
Oliver Dam	Columbus, GA	60,000
Rocky Mountain (25.4%)	Rome, GA	229,362 ^(c)
Sinclair Dam	Milledgeville, GA	45,000
Tallulah Falls	Clayton, GA	72,000
Terrora	Clayton, GA	16,000
Tugalo	Clayton, GA	45,000
Wallace Dam	Eatonton, GA	321,300
Yonah	Toccoa, GA	22,500
Georgia Power Total		1,099,882
Total Hydroelectric Facilities		2,767,961

Generating Station/Ownership Percentage	Location	Nameplate Capacity
RENEWABLE SOURCES:		
SOLAR FACILITIES		
Fort Rucker	Calhoun County, AL	10,560
Anniston Army Depot	Dale County, AL	7,380
Alabama Power Total		17,940
Fort Benning	Columbus, GA	30,005
Fort Gordon	Augusta, GA	30,000
Fort Stewart	Fort Stewart, GA	30,000
Kings Bay	Camden County, GA	30,161
Marine Corps Logistics Base	Albany, GA	31,161
Moody Air Force Base	Valdosta, GA	49,500
8 Other Plants	Various Georgia locations	18,479
Georgia Power Total		219,306
Adobe	Kern County, CA	20,000
Apex	North Las Vegas, NV	20,000
Boulder I	Clark County, NV	100,000
Butler	Taylor County, GA	104,000
Butler Solar Farm	Taylor County, GA	22,000
Calipatria	Imperial County, CA	20,000
Campo Verde	Imperial County, CA	147,420
Cimarron	Springer, NM	30,640
Decatur County	Decatur County, GA	20,000
Decatur Parkway	Decatur County, GA	84,000
Desert Stateline	San Bernadino County, CA	299,990
East Pecos	Pecos County, TX	120,000
Garland	Kern County, CA	205,290
Gaskell West I	Kern County, CA	20,000
Granville	Oxford, NC	2,500
Henrietta	Kings County, CA	102,000
Imperial Valley	Imperial County, CA	163,200
Lamesa	Dawson County, TX	102,000
Lost Hills - Blackwell	Kern County, CA	32,000
Macho Springs	Luna County, NM	55,000
Morelos del Sol	Kern County, CA	15,000
North Star	Fresno County, CA	61,600
Pawpaw	Taylor County, GA	30,480
Roserock	Pecos County, TX	160,000
Rutherford	Rutherford County, NC	74,800
Sandhills	Taylor County, GA	148,000
Spectrum	Clark County, NV	30,240
Tranquillity	Fresno County, CA	205,300
Southern Power Total		2,395,460 ^(d)
Total Solar		2,632,706

Generating Station/Ownership Percentage	Location	Nameplate Capacity
WIND FACILITIES		
Beech Ridge II	Greenbrier County, WV	56,200
Bethel	Castro County, TX	276,000
Cactus Flats	Concho County, TX	148,350
Grant Plains	Grant County, OK	147,200
Grant Wind	Grant County, OK	151,800
Kay Wind	Kay County, OK	299,000
Passadumkeag	Penobscot County, ME	42,900
Reading	Osage & Lyon Counties, KS	200,100
Salt Fork	Donley & Gray Counties TX	174,000
Skookumchuck	Lewis & Thurston Counties, WA	136,800
Tyler Bluff	Cooke County, TX	125,580
Wake Wind	Crosby & Floyd Counties, TX	257,250
Wildhorse Mountain	Pushmataha County, OK	100,000
Southern Power Total		2,115,180 ^(e)
FUEL CELL FACILITY		
Red Lion and Brookside	New Castle and Newark, DE	27,500 ^(f)
Southern Power Total		27,500
BATTERY STORAGE FACILITY		
Milliken	Orange County, CA	2,000 ^(g)
Southern Power Total		2,000
Total Alabama Power Generating Capacity		11,678,377
Total Georgia Power Generating Capacity		14,413,456
Total Mississippi Power Generating Capacity		3,516,374
Total Southern Power Generating Capacity		11,920,480
Total Generating Capacity		42,548,367

(a) Alabama Power and Georgia Power each own 50% of the outstanding common stock of SEGCO, an operating public utility company. Alabama Power and Georgia Power are each entitled to one-half of SEGCO's capacity and energy. Alabama Power acts as SEGCO's agent in the operation of SEGCO's units and furnishes fuel to SEGCO for its units. See Note 7 to the financial statements under "SEGCO" in Item 8 herein for additional information.

(b) Generation is dedicated to a single industrial customer. See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Credit Rating Risk" in Item 7 herein.

(c) Operated by OPC.

(d) Southern Power owns a 67% equity interest in SP Solar (a limited partnership indirectly owning all of Southern Power's solar facilities, except the Roserock and Gaskell West I facilities). SP Solar is the 51% majority owner of Boulder I, Garland, Henrietta, Imperial Valley, Lost Hills Blackwell, North Star, and Tranquillity; the 66% majority owner of Desert Stateline; and the sole owner of the remaining SP Solar facilities. Southern Power owns 100% of Roserock and is also the controlling partner in a tax equity partnership owning Gaskell West I. All of these entities are consolidated subsidiaries of Southern Power and the capacity shown in the table is 100% of the nameplate capacity for the respective facility.

(e) Southern Power is the controlling member in SP Wind (a tax equity entity owning all of Southern Power's wind facilities, except Cactus Flats, Wildhorse Mountain, Reading, Skookumchuck, and Beech Ridge II). SP Wind is the 90.1% majority owner of Wake Wind and owns 100% of the remaining SP Wind facilities. Southern Power is the controlling partner in other tax equity partnerships owning Cactus Flats, Wildhorse Mountain, Reading, and Skookumchuck (additionally for Skookumchuck a noncontrolling interest in Southern Power's remaining equity is owned by another partner). Southern Power is the controlling member in a non-tax equity partnership for Beech Ridge II. All of these entities are consolidated subsidiaries of Southern Power and the capacity shown in the table is 100% of the nameplate capacity for the respective facility.

(f) Southern Power has two noncontrolling interest partners that own approximately 10 MWs of the facility.

(g) Southern Power has an equity method investment in the facility as the Class B member.

Except as discussed below under "Titles to Property," the principal plants and other important units of the traditional electric operating companies, Southern Power, and SEGCO are owned in fee by the respective companies. It is the opinion of management of each such company that its operating properties are adequately maintained and are substantially in good operating condition, and suitable for their intended purpose.

Mississippi Power owns a 79-mile length of 500-kilovolt transmission line which is leased to Entergy Gulf States Louisiana, LLC. The line extends from Plant Daniel to the Louisiana state line. Entergy Gulf States Louisiana, LLC is paying a use fee through 2024 covering all expenses and the amortization of the original cost. At December 31, 2020, the unamortized portion was approximately \$8 million.

Mississippi Power owns a lignite mine and equipment that were intended to provide fuel for the Kemper IGCC. Mississippi Power also has mineral reserves located around the Kemper County energy facility. Liberty Fuels Company, LLC, the operator of the mine, has a legal obligation to perform mine reclamation and Mississippi Power has a contractual obligation to fund all reclamation activities. As a result of the abandonment of the Kemper IGCC, final mine reclamation began in 2018 and was substantially completed in 2020, with monitoring expected to continue through 2027. See Note 3 to the financial statements under "Other Matters – Mississippi Power – Kemper County Energy Facility" in Item 8 herein for additional information.

On December 17, 2020, the Mississippi PSC issued an order requiring Mississippi Power to incorporate into its 2021 IRP a schedule of early or anticipated retirement of 950 MWs of fossil-steam generation by year-end 2027 to reduce Mississippi Power's excess reserve margin. Mississippi Power's IRP is scheduled to be filed in April 2021. See BUSINESS in Item 1 herein under "Rate Matters – Integrated Resource Planning – Mississippi Power" and Note 2 to the financial statements under "Mississippi Power – Reserve Margin Plan" in Item 8 herein for additional information.

In conjunction with Southern Company's sale of Gulf Power, Mississippi Power and Gulf Power agreed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. In January 2019, Gulf Power provided notice to Mississippi Power that Gulf Power will retire its share of the generating capacity of Plant Daniel on January 15, 2024. Mississippi Power has the option to purchase Gulf Power's ownership interest for \$1 on January 15, 2024, provided that Mississippi Power exercises the option no later than 120 days prior to that date. See Note 3 to the financial statements under "Other Matters – Mississippi Power – Plant Daniel" in Item 8 herein for additional information.

In 2020, the maximum demand on the traditional electric operating companies, Southern Power Company, and SEGCO was 32,765,000 KWs and occurred on July 20, 2020. The all-time maximum demand of 38,777,000 KWs on the traditional electric operating companies (including Gulf Power), Southern Power Company, and SEGCO occurred on August 22, 2007. These amounts exclude demand served by capacity retained by MEAG Power, OPC, and SEPA. The reserve margin for the traditional electric operating companies, Southern Power Company, and SEGCO in 2020 was 32.6%.

Jointly-Owned Facilities

Alabama Power, Georgia Power, and Mississippi Power at December 31, 2020 had undivided interests in certain generating plants and other related facilities with non-affiliated parties. The percentages of ownership of the total plant or facility are as follows:

	Total Capacity	Percentage Ownership							
		Alabama Power	Power South	Georgia Power	Mississippi Power	OPC	MEAG Power	Dalton	Gulf Power
	(MWs)								
Plant Miller Units 1 and 2	1,320	91.8 %	8.2 %	— %	— %	— %	— %	— %	— %
Plant Hatch	1,796	—	—	50.1	—	30.0	17.7	2.2	—
Plant Vogtle Units 1 and 2	2,320	—	—	45.7	—	30.0	22.7	1.6	—
Plant Scherer Units 1 and 2	1,636	—	—	8.4	—	60.0	30.2	1.4	—
Plant Scherer Unit 3	818	—	—	75.0	—	—	—	—	25.0
Plant Wansley	1,779	—	—	53.5	—	30.0	15.1	1.4	—
Rocky Mountain	903	—	—	25.4	—	74.6	—	—	—
Plant Daniel Units 1 and 2	1,000	—	—	—	50.0	—	—	—	50.0

Alabama Power, Georgia Power, and Mississippi Power have contracted to operate and maintain the respective units in which each has an interest (other than Rocky Mountain) as agent for the joint owners. Southern Nuclear operates and provides services to Alabama Power's and Georgia Power's nuclear plants.

In addition, Georgia Power has commitments, in the form of capacity purchases totaling \$49 million, regarding a portion of a 5% interest in the original cost of Plant Vogtle Units 1 and 2 owned by MEAG Power that are in effect until the later of the retirement of the plant or the latest stated maturity date of MEAG Power's bonds issued to finance such ownership interest. See Note 3 to the financial statements under "Commitments" in Item 8 herein for additional information.

Construction continues on Plant Vogtle Units 3 and 4, which are jointly owned by the Vogtle Owners (with each owner holding the same undivided ownership interest as shown in the table above with respect to Plant Vogtle Units 1 and 2). See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" in Item 8 herein.

Titles to Property

The traditional electric operating companies', Southern Power's, and SEGCO's interests in the principal plants and other important units of the respective companies are owned in fee by such companies, subject to the following major encumbrances: (1) liens pursuant to the assumption of debt obligations by Mississippi Power in connection with the acquisition of Plant Daniel Units 3 and 4, (2) a leasehold interest granted by Mississippi Power's largest retail customer, Chevron Products Company (Chevron), at the Chevron refinery, where five combustion turbines owned by Mississippi Power are located and used for co-generation, as well as liens on these assets pursuant to the related co-generation agreements, and (3) liens associated with Georgia Power's reimbursement obligations to the DOE under its loan guarantee, which are secured by a first priority lien on (a) Georgia Power's 45.7% undivided ownership interest in Plant Vogtle Units 3 and 4 and (b) Georgia Power's rights and obligations under the principal contracts relating to Plant Vogtle Units 3 and 4. See Note 5 to the financial statements under "Assets Subject to Lien" and Note 8 to the financial statements under "Long-term Debt" in Item 8 herein for additional information. The traditional electric operating companies own the fee interests in certain of their principal plants as tenants in common. See "Jointly-Owned Facilities" herein and Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information. Properties such as electric transmission and distribution lines, steam heating mains, and gas pipelines are constructed principally on rights-of-way, which are maintained under franchise or are held by easement only. A substantial portion of lands submerged by reservoirs is held under flood right easements. In addition, certain of the renewable generating facilities occupy or use real property that is not owned, primarily through various leases, easements, rights-of-way, permits, or licenses from private landowners or governmental entities.

Natural Gas

Southern Company Gas considers its properties to be adequately maintained, substantially in good operating condition, and suitable for their intended purpose. The following sections provide the location and general character of the materially important properties that are used by the segments of Southern Company Gas. Substantially all of Nicor Gas' properties are subject to the lien of the indenture securing its first mortgage bonds. See Note 8 to the financial statements in Item 8 herein for additional information.

Distribution and Transmission Mains

Southern Company Gas' distribution systems transport natural gas from its pipeline suppliers to customers in its service areas. These systems consist primarily of distribution and transmission mains, compressor stations, peak shaving/storage plants, service lines, meters, and regulators. At December 31, 2020, Southern Company Gas' gas distribution operations segment owned approximately 75,924 miles of underground distribution and transmission mains, which are located on easements or rights-of-way that generally provide for perpetual use.

Storage Assets***Gas Distribution Operations***

Southern Company Gas owns and operates eight underground natural gas storage fields in Illinois with a total working capacity of approximately 150 Bcf, approximately 135 Bcf of which is usually cycled on an annual basis. This system is designed to meet about 50% of the estimated peak-day deliveries and approximately 40% of the normal winter deliveries in Illinois. This level of storage capability provides Nicor Gas with supply flexibility, improves the reliability of deliveries, and helps mitigate the risk associated with seasonal price movements.

Southern Company Gas also has four LNG plants located in Georgia and Tennessee with total LNG storage capacity of approximately 7.0 Bcf. In addition, Southern Company Gas owns two propane storage facilities in Virginia, each with storage capacity of approximately 0.3 Bcf. The LNG plants and propane storage facility are used by Southern Company Gas' gas distribution operations segment to supplement natural gas supply during peak usage periods.

All Other

Southern Company Gas subsidiaries own two high-deliverability natural gas storage and hub facilities that are included in the all other segment. Golden Triangle Storage, Inc. operates a storage facility in Texas consisting of two salt dome caverns. Central Valley Gas Storage, LLC operates a depleted field storage facility in California. See Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for information regarding the sale of Jefferson Island.

Jointly-Owned Properties

Southern Company Gas' gas pipeline investments segment has a 50% undivided ownership interest in a 115-mile pipeline facility in northwest Georgia that was placed in service in 2017. Southern Company Gas also has an agreement to lease its 50%

undivided ownership in the pipeline facility. See Note 5 to the financial statements under "Joint Ownership Agreements" in Item 8 herein for additional information.

Item 3. LEGAL PROCEEDINGS

See Note 3 to the financial statements in Item 8 herein for descriptions of legal and administrative proceedings discussed therein. The Registrants' threshold for disclosing material environmental legal proceedings involving a governmental authority where potential monetary sanctions are involved is \$1 million.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS – SOUTHERN COMPANY

(Identification of executive officers of Southern Company is inserted in Part I in accordance with Regulation S-K, Item 401) The ages of the officers set forth below are as of December 31, 2020.

Thomas A. Fanning

Chairman, President, and Chief Executive Officer

Age 63

First elected in 2003. Chairman and Chief Executive Officer since December 2010 and President since August 2010.

Andrew W. Evans

Executive Vice President and Chief Financial Officer

Age 54

First elected in 2016. Executive Vice President since July 2016 and Chief Financial Officer since June 2018. Previously served as Chief Executive Officer and Chairman of Southern Company Gas' Board of Directors from January 2016 through June 2018, and President of Southern Company Gas from May 2015 through June 2018.

Bryan D. Anderson

Executive Vice President

Age 54

First elected in 2020. Executive Vice President and President of External Affairs since January 2021. Executive Vice President of SCS since November 2020. Previously served as Senior Vice President of SCS with responsibility for governmental affairs from January 2015 to November 2020.

W. Paul Bowers⁽¹⁾

Chairman and Chief Executive Officer of Georgia Power

Age 64

First elected in 2001. Chief Executive Officer and Director of Georgia Power since January 2011. Chairman of Georgia Power's Board of Directors since May 2014. Previously served as President of Georgia Power from January 2011 to October 2020.

Stanley W. Connally, Jr.

Executive Vice President of SCS

Age 51

First elected in 2012. Executive Vice President for Operations of SCS since June 2018. Previously served as President, Chief Executive Officer, and Director of Gulf Power from July 2012 through December 2018 and Chairman of Gulf Power's Board of Directors from July 2015 through December 2018.

Mark A. Crosswhite

Chairman, President and Chief Executive Officer of Alabama Power

Age 58

First elected in 2011. President, Chief Executive Officer, and Director of Alabama Power since March 2014. Chairman of Alabama Power's Board of Directors since May 2014.

Christopher Cumiskey

Executive Vice President

Age 46

First elected in 2021. Executive Vice President since January 2021. Chairman of Southern Power since February 2021. Executive Vice President of SCS, Chief Executive Officer of Southern Power, and President and Chief Executive Officer of Southern PowerSecure Holdings, Inc. and Southern Holdings since July 2020. Previously served as Executive Vice President, External Affairs of Georgia Power from May 2015 to June 2020.

Kimberly S. Greene

Chairman, President, and Chief Executive Officer of Southern Company Gas

Age 54

First elected in 2013. Chairman, President, and Chief Executive Officer of Southern Company Gas since June 2018. Director of Southern Company Gas since July 2016. Previously served as Executive Vice President and Chief Operating Officer of Southern Company from March 2014 through June 2018.

James Y. Kerr II

Executive Vice President, Chief Legal Officer, and Chief Compliance Officer

Age 56

First elected in 2014. Executive Vice President, Chief Legal Officer (formerly known as General Counsel), and Chief Compliance Officer since March 2014.

Stephen E. Kuczynski

Chairman, President, and Chief Executive Officer of Southern Nuclear

Age 58

First elected in 2011. Chairman, President, and Chief Executive Officer of Southern Nuclear since July 2011.

Mark S. Lantrip⁽²⁾

Executive Vice President

Age 66

First elected in 2014. Executive Vice President since February 2019. Chairman, President, and Chief Executive Officer of SCS since March 2014 and Chairman of Southern Power from July 2020 through January 2021. Previously served as Chief Executive Officer of Southern Power from March 2018 to June 2020 and President of Southern Power from March 2018 to May 2019.

Anthony L. Wilson

Chairman, President, and Chief Executive Officer of Mississippi Power

Age 56

First elected in 2015. President of Mississippi Power since October 2015 and Chief Executive Officer and Director since January 2016. Chairman of Mississippi Power's Board of Directors since August 2016. Previously served as Executive Vice President of Mississippi Power from May 2015 to October 2015 and Executive Vice President of Georgia Power from January 2012 to May 2015.

Christopher C. Womack

President of Georgia Power

Age 62

First elected in 2008. President of Georgia Power since November 2020. Previously served as Executive Vice President and President of External Affairs of Southern Company from January 2009 to October 2020.

(1) On October 27, 2020, Mr. Bowers notified Georgia Power of his intention to retire during 2021.

(2) On December 17, 2020, Mr. Lantrip notified Southern Company of his intention to retire, effective in April 2021.

The officers of Southern Company were elected pursuant to a written consent in lieu of a meeting of the directors following the last annual meeting of stockholders held on May 27, 2020 for a term of one year or until their successors are elected and have qualified, except for Mr. Anderson, whose election as Executive Vice President of SCS was effective November 1, 2020 and Executive Vice President of Southern Company was effective January 1, 2021, and Mr. Cumiskey, whose election as Executive Vice President of Southern Company was effective January 1, 2021.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS – ALABAMA POWER

(Identification of executive officers of Alabama Power is inserted in Part I in accordance with Regulation S-K, Item 401.) The ages of the officers set forth below are as of December 31, 2020.

Mark A. Crosswhite

Chairman, President, and Chief Executive Officer

Age 58

First elected in 2014. President, Chief Executive Officer, and Director since March 1, 2014. Chairman since May 2014.

J. Jeffrey Peoples

Executive Vice President

Age 61

First elected in 2020. Executive Vice President of Customer and Employee Services since June 2020. Previously served as Senior Vice President of Employee Services and Labor Relations from June 2018 to June 2020 and as Vice President of Human Resources from December 2015 to June 2018.

Philip C. Raymond

Executive Vice President, Chief Financial Officer, and Treasurer

Age 61

First elected in 2010. Executive Vice President, Chief Financial Officer, and Treasurer since August 2010.

Zeke W. Smith

Executive Vice President

Age 61

First elected in 2010. Executive Vice President of External Affairs since November 2010.

James P. Heilbron

Senior Vice President and Senior Production Officer

Age 49

First elected in 2013. Senior Vice President and Senior Production Officer of Alabama Power since March 2013 and Senior Vice President and Senior Production Officer – West of SCS and Senior Production Officer of Mississippi Power since October 2018.

R. Scott Moore

Senior Vice President

Age 53

First elected in 2017. Senior Vice President of Power Delivery since May 2017. Previously served as Vice President of Transmission from August 2012 to May 2017.

The officers of Alabama Power were elected at the meeting of the directors held on April 24, 2020 for a term of one year or until their successors are elected and have qualified, except Mr. Peoples, whose election as Executive Vice President of Customer and Employee Services was effective June 8, 2020.

PART II

Item 5. MARKET FOR REGISTRANTS' COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a)(1) The common stock of Southern Company is listed and traded on the NYSE under the ticker symbol SO. The common stock is also traded on regional exchanges across the U.S.

There is no market for the other Registrants' common stock, all of which is owned by Southern Company.

(a)(2) Number of Southern Company's common stockholders of record at January 31, 2021: 107,362

Southern Company has paid dividends on its common stock since 1948. Dividends paid per share of common stock were \$2.54 in 2020 and \$2.46 in 2019. In January 2021, Southern Company declared a quarterly dividend of 64 cents per share. Dividends on Southern Company's common stock are payable at the discretion of Southern Company's Board of Directors and depend upon earnings, financial condition, and other factors. See Note 8 to the financial statements under "Dividend Restrictions" in Item 8 herein for additional information.

Each of the other Registrants have one common stockholder, Southern Company.

(a)(3) Securities authorized for issuance under equity compensation plans.

See Part III, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(b) Use of Proceeds

Not applicable.

(c) Issuer Purchases of Equity Securities

None.

Item 6. REMOVED AND RESERVED

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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This section generally discusses 2020 and 2019 items and year-to-year comparisons between 2020 and 2019. Discussions of 2018 items and year-to-year comparisons between 2019 and 2018 that are not included in this Annual Report on Form 10-K can be found in Item 7 of each Registrant's Annual Report on Form 10-K for the year ended December 31, 2019, which was filed with the SEC on February 19, 2020. The following Management's Discussion and Analysis of Financial Condition and Results of Operations is a combined presentation; however, information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf and each Registrant makes no representation as to information related to the other Registrants.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See MANAGEMENT'S DISCUSSION AND ANALYSIS – FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" in Item 7 herein and Note 1 to the financial statements under "Financial Instruments" in Item 8 herein. Also see Notes 13 and 14 to the financial statements in Item 8 herein.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS
Southern Company and Subsidiary Companies 2020 Annual Report**OVERVIEW****Business Activities**

Southern Company is a holding company that owns all of the common stock of three traditional electric operating companies, as well as Southern Power and Southern Company Gas, and owns other direct and indirect subsidiaries. The primary businesses of the Southern Company system are electricity sales by the traditional electric operating companies and Southern Power and the distribution of natural gas by Southern Company Gas. Southern Company's reportable segments are the sale of electricity by the traditional electric operating companies, the sale of electricity in the competitive wholesale market by Southern Power, and the sale of natural gas and other complementary products and services by Southern Company Gas. See Note 16 to the financial statements for additional information.

- The traditional electric operating companies – Alabama Power, Georgia Power, and Mississippi Power – are vertically integrated utilities providing electric service to retail customers in three Southeastern states in addition to wholesale customers in the Southeast.
- Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy and battery energy storage projects, and sells electricity at market-based rates in the wholesale market. Southern Power continually seeks opportunities to execute its strategy to create value through various transactions including acquisitions, dispositions, and sales of partnership interests, development and construction of new generating facilities, and entry into PPAs primarily with investor-owned utilities, IPPs, municipalities, electric cooperatives, and other load-serving entities, as well as commercial and industrial customers. In general, Southern Power commits to the construction or acquisition of new generating capacity only after entering into or assuming long-term PPAs for the new facilities.
- Southern Company Gas is an energy services holding company whose primary business is the distribution of natural gas. Southern Company Gas owns natural gas distribution utilities in four states – Illinois, Georgia, Virginia, and Tennessee – and is also involved in several other complementary businesses. Southern Company Gas manages its business through four reportable segments – gas distribution operations, gas pipeline investments, wholesale gas services, which includes Sequent, a natural gas asset optimization company, and gas marketing services, which includes SouthStar, a Marketer and provider of energy-related products and services to natural gas markets – and one non-reportable segment, all other. See Notes 7 and 16 to the financial statements for additional information.

Many factors affect the opportunities, challenges, and risks of the Southern Company system's electric service and natural gas businesses. These factors include the ability to maintain constructive regulatory environments, to maintain and grow sales and customers, and to effectively manage and secure timely recovery of prudently-incurred costs. These costs include those related to projected long-term demand growth; stringent environmental standards, including CCR rules; safety; system reliability and resilience; fuel; natural gas; restoration following major storms; and capital expenditures, including constructing new electric generating plants and expanding and improving the electric transmission and electric and natural gas distribution systems.

The traditional electric operating companies and the natural gas distribution utilities have various regulatory mechanisms that address cost recovery. Effectively operating pursuant to these regulatory mechanisms and appropriately balancing required costs and capital expenditures with customer prices will continue to challenge the Southern Company system for the foreseeable future. See Note 2 to the financial statements for additional information.

Southern Power's future earnings will depend upon the parameters of the wholesale market and the efficient operation of its wholesale generating assets, as well as Southern Power's ability to execute its growth strategy and to develop and construct generating facilities. In addition, Southern Power's future earnings will depend upon the availability of federal and state ITCs and PTCs on its renewable energy projects, which could be impacted by future tax legislation. See FUTURE EARNINGS POTENTIAL – "Income Tax Matters" herein and Notes 10 and 15 to the financial statements for additional information.

Southern Company's other business activities include providing energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency. Other business activities also include investments in telecommunications, leveraged lease projects, and gas storage facilities. Management continues to evaluate the contribution of each of these activities to total shareholder return and may pursue acquisitions, dispositions, and other strategic ventures or investments accordingly.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**Recent Developments*****COVID-19***

During March 2020, COVID-19 was declared a pandemic by the World Health Organization and the Centers for Disease Control and Prevention and has spread globally, including throughout the United States. The Southern Company system provides an essential service to its customers; therefore, it is critical that Southern Company system employees are able to continue to perform their essential duties safely and effectively. The Southern Company system has implemented applicable business continuity plans, including teleworking, canceling non-essential business travel, increasing cleaning frequency at business locations, implementing applicable safety and health guidelines issued by federal and state officials, and establishing protocols for required work on customer premises. To date, these procedures have been effective in maintaining the Southern Company system's critical operations. As a result of the COVID-19 pandemic, there have been economic disruptions in the Registrants' operating territories. The traditional electric operating companies and the natural gas distribution utilities temporarily suspended disconnections for non-payment by customers and waived late fees for certain periods. See Note 2 to the financial statements for information regarding deferral of certain incremental COVID-19-related costs, including bad debt, to a regulatory asset by certain of the traditional electric operating companies and the natural gas distribution utilities. In addition, the COVID-19 pandemic has impacted productivity and the pace of activity completion at Plant Vogtle Units 3 and 4, as discussed further herein. Additional information regarding the COVID-19 pandemic and its past and potential future impacts on the Registrants is provided throughout Management's Discussion and Analysis of Financial Condition and Results of Operations and in Item 1A herein.

Alabama Power

On August 14, 2020, the Alabama PSC issued an order granting Alabama Power a CCN to procure additional capacity, and, on August 31, 2020, Alabama Power completed its acquisition of the Central Alabama Generating Station.

In October 2020, Alabama Power reduced its over-collected fuel balance by \$94.3 million in accordance with an August 7, 2020 Alabama PSC order authorizing Alabama Power to reduce its over-collected fuel balance by \$100 million and return that amount to customers in the form of bill credits, with any undistributed amount remaining in the regulatory liability for the benefit of customers.

For the year ended December 31, 2020, Alabama Power's weighted common equity return exceeded 6.15%, resulting in Alabama Power establishing a current regulatory liability of \$50 million for Rate RSE refunds, which will be refunded to customers through bill credits in April 2021.

During 2020, Alabama Power recorded \$51 million and \$67 million against the NDR for damages incurred to its transmission and distribution facilities from Hurricane Sally and Hurricane Zeta, respectively. Alabama Power made an additional accrual of \$100 million to the NDR in December 2020.

Effective for the billing month of January 2021, Alabama Power's Rate RSE increased 4.09%, or approximately \$228 million annually, and Alabama Power's Rate ECR decreased 1.84%, or approximately \$103 million annually, as approved by the Alabama PSC.

See Notes 2 and 15 to the financial statements under "Alabama Power" for additional information.

Georgia Power***Rate Plans***

On December 15, 2020, in accordance with the terms of the 2019 ARP, the Georgia PSC approved tariff adjustments effective January 1, 2021 as follows: (i) increased traditional base tariffs by approximately \$120 million; (ii) increased the Environmental Compliance Cost Recovery (ECCR) tariff by approximately \$2 million; (iii) decreased Demand-Side Management tariffs by approximately \$15 million; and (iv) increased Municipal Franchise Fee tariffs by approximately \$4 million, for a total net increase in annual base revenues of approximately \$111 million. Georgia Power expects to submit a compliance filing in the third quarter 2021 to request tariff adjustments approved pursuant to the 2019 ARP effective January 1, 2022. The amounts requested in the 2019 ARP were as follows: (i) increase traditional base tariffs by approximately \$192 million; (ii) increase the ECCR tariff by approximately \$184 million; (iii) increase Demand-Side Management tariffs by approximately \$1 million; and (iv) increase Municipal Franchise Fee tariffs by approximately \$9 million, for a total increase in annual base revenues of approximately \$386 million. The ultimate outcome of this matter cannot be determined at this time. See Note 2 to the financial statements under "Georgia Power – Rate Plans – 2019 ARP" for additional information.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report*Plant Vogtle Units 3 and 4 Status*

Construction continues on Plant Vogtle Units 3 and 4 (with electric generating capacity of approximately 1,100 MWs each), in which Georgia Power holds a 45.7% ownership interest. Georgia Power's share of the total project capital cost forecast is \$8.7 billion, with expected in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4.

As of June 30, 2020, assignments of contingency to the base capital cost forecast exceeded the remaining balance of the construction contingency originally established in the second quarter 2018 and Georgia Power established \$115 million of additional construction contingency. During the third and fourth quarters 2020, this construction contingency, plus an additional \$5 million, was fully assigned to the base capital cost forecast. Assignment of contingency during 2020 addressed cost risks related to construction productivity, including the April 2020 reduction in workforce designed to mitigate impacts of the COVID-19 pandemic described below; other COVID-19 impacts; craft labor incentives; additional resources for supervision, field support, project management, initial test program, start-up, engineering support, and operations and maintenance support; subcontracts; and procurement, among other factors. These factors continue to represent further potential cost risk to the project; therefore, Georgia Power established \$171 million of additional contingency as of December 31, 2020.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded total pre-tax charges to income of \$149 million (\$111 million after tax) and \$176 million (\$131 million after tax) for the increases in the total project capital cost forecast as of June 30, 2020 and December 31, 2020, respectively. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site. In April 2020, Georgia Power, acting for itself and as agent for the other Vogtle Owners, announced a reduction in workforce at Plant Vogtle Units 3 and 4 and began reducing the then-existing site workforce by approximately 20%. This workforce reduction lowered absenteeism, providing an improvement in operational efficiency and allowing for increased social distancing. Since April 2020, the number of active cases at the site has fluctuated and has continued to impact productivity levels and pace of activity completion.

From November 2020 through January 2021, the number of active COVID-19 cases at the site increased significantly, consistent with a national rise in cases, and the project continued to face challenges. As a result, overall production levels were not achieved at the levels anticipated, contributing to the December 31, 2020 allocation of construction contingency and increase in total project capital cost forecast. Also, after considering these factors, Southern Nuclear has further extended certain milestone dates, including the start of hot functional testing and fuel load for Unit 3, from those established in October 2020. These updated milestone dates are expected to support the regulatory-approved in-service dates of November 2021 and November 2022 for Units 3 and 4, respectively. With minimal schedule margin remaining, the Unit 3 schedule is challenged, and any further extension of the hot functional testing or fuel load milestones, or other delays from the challenges described in Note 2 to the financial statements under "Georgia Power – Nuclear Construction," could impact the ability to achieve the November 2021 in-service date.

The continuing effects of the COVID-19 pandemic could further disrupt or delay construction and testing activities at Plant Vogtle Units 3 and 4. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$150 million and \$190 million and is included in the total project capital cost. The ultimate impact of the COVID-19 pandemic and other factors on the construction schedule and budget for Plant Vogtle Units 3 and 4 cannot be determined at this time.

See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

Mississippi Power

On March 17, 2020, the Mississippi PSC approved a settlement agreement between Mississippi Power and the Mississippi Public Utilities Staff related to Mississippi Power's base rate case filed in November 2019 (Mississippi Power Rate Case Settlement Agreement). Under the terms of the Mississippi Power Rate Case Settlement Agreement, annual retail rates decreased approximately \$16.7 million, or 1.85%, effective for the first billing cycle of April 2020.

During 2020, Mississippi Power substantially completed mine reclamation activities at the Kemper County energy facility. On September 3, 2020, Mississippi Power and Southern Company executed an agreement with the DOE completing Mississippi Power's 2018 request for property closeout certification under the contract related to DOE grants received for the Kemper County energy facility, which enabled Mississippi Power to proceed with full dismantlement of the abandoned gasifier-related assets and

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

site restoration activities. These activities are expected to be completed by 2026. See Note 3 to the financial statements under "Other Matters – Mississippi Power – Kemper County Energy Facility" for additional information.

On February 12, 2021, Mississippi Power submitted its 2021 ECO Plan filing to the Mississippi PSC, which requested an annual decrease in revenues of approximately \$9 million, as well as its ad valorem tax adjustment filing for 2021, which requested an annual increase in revenues of approximately \$28 million. Mississippi Power plans to submit its 2021 PEP filing in March 2021.

On December 17, 2020, the Mississippi PSC issued an order concluding the RMP docket and requiring Mississippi Power to incorporate into its 2021 IRP a schedule of early or anticipated retirement of 950 MWs of fossil-steam generation by year-end 2027 to reduce Mississippi Power's excess reserve margin. Mississippi Power's IRP is scheduled to be filed in April 2021.

See Note 2 to the financial statements under "Mississippi Power" for additional information. The ultimate outcome of these matters cannot be determined at this time.

Southern Power

During 2020, Southern Power completed construction of and placed in service the 200-MW Reading and 136-MW Skookumchuck wind facilities, commenced construction of the 88-MW Garland and 72-MW Tranquillity battery energy storage facilities, and acquired and commenced construction of the 118-MW Glass Sands wind facility.

In January 2020, Southern Power completed the sale of its equity interests in Plant Mankato (including the 385-MW expansion unit completed in May 2019) to a subsidiary of Xcel for a purchase price of approximately \$663 million, including final working capital adjustments.

In March 2020, Southern Power entered into an agreement to acquire a controlling membership interest in an approximately 300-MW wind facility located in South Dakota. The acquisition is subject to certain customary conditions to closing, including commercial operation of the facility, which is expected to occur in the first quarter 2021. Subsequent to the acquisition, Southern Power expects to complete a tax equity transaction. The facility's output is contracted under two long-term PPAs. The ultimate outcome of this matter cannot be determined at this time.

In May 2020, Southern Power purchased a controlling interest in the 56-MW Beech Ridge II wind facility located in West Virginia from Invenenergy Renewables LLC. The facility's output is contracted under a 12-year PPA.

Southern Power calculates an investment coverage ratio for its generating assets, including those owned with various partners, based on the ratio of investment under contract to total investment using the respective generation facilities' net book value (or expected in-service value for facilities under construction) as the investment amount. With the inclusion of investments associated with the facilities currently under construction, as well as other capacity and energy contracts, Southern Power's average investment coverage ratio at December 31, 2020 was 94% through 2025 and 91% through 2030, with an average remaining contract duration of approximately 14 years.

See Note 15 to the financial statements under "Southern Power" for additional information.

Southern Company Gas

On March 24, 2020, Southern Company Gas completed the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline with aggregate proceeds of \$178 million, including final working capital adjustments. On December 1, 2020, Southern Company Gas completed the sale of Jefferson Island for a purchase price of \$33 million, including estimated working capital adjustments. See Note 15 to the financial statements under "Southern Company Gas" for additional information.

On June 1, 2020, Virginia Natural Gas filed a general rate case with the Virginia Commission seeking an increase in annual base revenues of \$49.6 million based on a ROE of 10.35% and an equity ratio of 54%. Interim rate adjustments became effective November 1, 2020, subject to refund. The Virginia Commission is expected to rule on the requested increase in the second quarter 2021. The ultimate outcome of this matter cannot be determined at this time.

On July 1, 2020, Atlanta Gas Light filed its 2020 GRAM filing with the Georgia PSC requesting an annual base rate increase of \$37.6 million. Rates became effective on January 1, 2021 in accordance with Atlanta Gas Light's 2019 rate case order.

On January 14, 2021, Nicor Gas filed a general base rate case with the Illinois Commission, requesting a \$293 million increase in annual base rate revenues, including \$94 million related to the recovery of investments under the Investing in Illinois program. The requested increase is based on a projected test year ending December 31, 2022, a ROE of 10.35%, and an equity ratio of 54.5%. The Illinois Commission has an 11-month statutory time limit to rule on the requested increase, after which rate adjustments will be effective. The ultimate outcome of this matter cannot be determined at this time.

See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" for additional information.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Key Performance Indicators

In striving to achieve attractive risk-adjusted returns while providing cost-effective energy to approximately 8.6 million electric and gas utility customers collectively, the traditional electric operating companies and Southern Company Gas continue to focus on several key performance indicators. These indicators include, but are not limited to, customer satisfaction, plant availability, electric and natural gas system reliability, and execution of major construction projects. In addition, Southern Company and the Subsidiary Registrants focus on earnings per share (EPS) and net income, respectively, as a key performance indicator. See RESULTS OF OPERATIONS herein for information on the Registrants' financial performance. See RESULTS OF OPERATIONS – "Southern Company Gas – Operating Metrics" for additional information on Southern Company Gas' operating metrics, including Heating Degree Days, customer count, and volumes of natural gas sold.

The financial success of the traditional electric operating companies and Southern Company Gas is directly tied to customer satisfaction. Key elements of ensuring customer satisfaction include outstanding service, high reliability, and competitive prices. The traditional electric operating companies use customer satisfaction surveys to evaluate their results and generally target the top quartile of these surveys in measuring performance. Reliability indicators are also used to evaluate results. See Note 2 to the financial statements under "Alabama Power – Rate RSE" and " – Mississippi Power – Performance Evaluation Plan" for additional information on Alabama Power's Rate RSE and Mississippi Power's PEP rate plan, respectively, both of which contain mechanisms that directly tie customer service indicators to the allowed equity return.

Southern Power continues to focus on several key performance indicators, including, but not limited to, the equivalent forced outage rate and contract availability to evaluate operating results and help ensure its ability to meet its contractual commitments to customers.

RESULTS OF OPERATIONS

Southern Company

Consolidated net income attributable to Southern Company was \$3.1 billion in 2020, a decrease of \$1.6 billion, or 34.2%, from the prior year. The decrease was primarily due to the \$2.6 billion (\$1.4 billion after tax) gain on the sale of Gulf Power in 2019 and after-tax charges totaling \$242 million in 2020 related to Georgia Power's construction of Plant Vogtle Units 3 and 4. See Notes 2 and 15 to the financial statements under "Georgia Power – Nuclear Construction" and "Southern Company," respectively, for additional information.

Basic EPS was \$2.95 in 2020 and \$4.53 in 2019. Diluted EPS, which factors in additional shares related to stock-based compensation, was \$2.93 in 2020 and \$4.50 in 2019. EPS for 2020 and 2019 was negatively impacted by \$0.03 and \$0.11 per share, respectively, as a result of increases in the average shares outstanding. See Note 8 to the financial statements under "Outstanding Classes of Capital Stock – Southern Company" for additional information.

Dividends paid per share of common stock were \$2.54 in 2020 and \$2.46 in 2019. In January 2021, Southern Company declared a quarterly dividend of 64 cents per share. For 2020, the dividend payout ratio was 86% compared to 54% for 2019. The increase was due to the decrease in earnings in 2020.

Discussion of Southern Company's results of operations is divided into three parts – the Southern Company system's primary business of electricity sales, its gas business, and its other business activities.

	2020	2019
	<i>(in millions)</i>	
Electricity business	\$ 3,115	\$ 3,268
Gas business	590	585
Other business activities	(586)	886
Net Income	\$ 3,119	\$ 4,739

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Electricity Business

Southern Company's electric utilities generate and sell electricity to retail and wholesale customers. A condensed statement of income for the electricity business follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Electric operating revenues	\$ 16,497	\$ (598)
Fuel	2,967	(655)
Purchased power	799	(17)
Cost of other sales	94	18
Other operations and maintenance	4,250	(253)
Depreciation and amortization	2,941	469
Taxes other than income taxes	1,024	13
Estimated loss on Plant Vogtle Units 3 and 4	325	325
Impairment charges	—	(3)
(Gain) loss on dispositions, net	(42)	(21)
Total electric operating expenses	12,358	(124)
Operating income	4,139	(474)
Allowance for equity funds used during construction	138	17
Interest expense, net of amounts capitalized	976	(11)
Other income (expense), net	315	81
Income taxes	517	(191)
Net income	3,099	(174)
Less:		
Dividends on preferred stock of subsidiaries	15	—
Net income (loss) attributable to noncontrolling interests	(31)	(21)
Net Income Attributable to Southern Company	\$ 3,115	\$ (153)

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Electric Operating Revenues

Electric operating revenues for 2020 were \$16.5 billion, reflecting a \$598 million decrease from 2019. Details of electric operating revenues were as follows:

	2020	2019
	<i>(in millions)</i>	
Retail electric — prior year	\$ 14,084	
Estimated change resulting from —		
Rates and pricing	484	
Sales decline	(132)	
Weather	(288)	
Fuel and other cost recovery	(505)	
Retail electric — current year	\$ 13,643	\$ 14,084
Wholesale electric revenues	1,945	2,152
Other electric revenues	672	636
Other revenues	237	223
Electric operating revenues	\$ 16,497	\$ 17,095
Percent change	(3.5)%	(7.9)%

Retail electric revenues decreased \$441 million, or 3.1%, in 2020 as compared to the prior year. The significant factors driving this change are shown in the preceding table. The increase in rates and pricing in 2020 was primarily due to Georgia Power's recovery of environmental compliance costs and the impacts of accruals for customer refunds in 2019 related to the Tax Reform Legislation and earnings in excess of the allowed retail ROE range as well as the rate pricing effects of decreased customer usage throughout 2020. The increase was also due to customer bill credits at Alabama Power in 2019 related to the Tax Reform Legislation. These increases were partially offset by lower contributions from commercial and industrial customers with variable demand-driven pricing at Georgia Power.

Electric rates for the traditional electric operating companies include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of PPA costs, and do not affect net income. The traditional electric operating companies each have one or more regulatory mechanisms to recover other costs such as environmental and other compliance costs, storm damage, new plants, and PPA capacity costs.

See Note 2 to the financial statements under "Alabama Power" and "Georgia Power" for additional information. Also see "Energy Sales" herein for a discussion of changes in the volume of energy sold, including changes related to sales growth (decline) and weather.

Wholesale electric revenues consist of PPAs and short-term opportunity sales. Wholesale electric revenues from PPAs (other than solar and wind PPAs) have both capacity and energy components. Capacity revenues generally represent the greatest contribution to net income and are designed to provide recovery of fixed costs plus a return on investment. Energy revenues will vary depending on fuel prices, the market prices of wholesale energy compared to the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. Energy sales from solar and wind PPAs do not have a capacity charge and customers either purchase the energy output of a dedicated renewable facility through an energy charge or through a fixed price related to the energy. As a result, the ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors. Wholesale electric revenues at Mississippi Power include FERC-regulated MRA sales as well as market-based sales. Short-term opportunity sales are made at market-based rates that generally provide a margin above the Southern Company system's variable cost to produce the energy.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Wholesale electric revenues from power sales were as follows:

	2020	2019
	<i>(in millions)</i>	
Capacity and other	\$ 476	\$ 529
Energy	1,469	1,623
Total	\$ 1,945	\$ 2,152

In 2020, wholesale electric revenues decreased \$207 million, or 9.6%, as compared to the prior year due to decreases of \$154 million in energy revenues and \$53 million in capacity revenues. Energy revenues decreased \$98 million at Southern Power and \$56 million at the traditional electric operating companies. The decrease at Southern Power primarily resulted from a net decrease in the volume of KWHs sold due to decreased demand and lower natural gas prices, partially offset by increases in sales from solar facilities, wind facilities, and fuel cell generation. The decrease at the traditional electric operating companies was primarily due to lower energy prices. The decrease in capacity revenues was primarily related to the sales of Southern Power's Plant Mankato in the first quarter 2020 and Southern Power's Plant Nacogdoches in the second quarter 2019. See Note 15 to the financial statements for additional information.

Other Electric Revenues

Other electric revenues increased \$36 million, or 5.7%, in 2020 as compared to the prior year. The increase was primarily due to an increase of \$23 million in transmission revenues, an increase of \$15 million from outdoor lighting at Georgia Power, and an increase of \$10 million in energy service revenues at Alabama Power, as well as an increase of \$6 million from pole attachment agreements at Alabama Power and Georgia Power. These increases were partially offset by a reduction of \$26 million largely resulting from the temporary suspension of customer disconnections and late fees related to the COVID-19 pandemic.

Energy Sales

Changes in revenues are influenced heavily by the change in the volume of energy sold from year to year. KWH sales for 2020 and the percent change from the prior year were as follows:

	2020		
	Total KWHs	Total KWH Percent Change	Weather-Adjusted Percent Change ^(*)
	<i>(in billions)</i>		
Residential	47.4	(2.2) %	3.1 %
Commercial	45.4	(7.5)	(5.7)
Industrial	47.0	(6.2)	(6.2)
Other	0.7	(9.5)	(9.3)
Total retail	140.5	(5.3)	(3.0) %
Wholesale	45.7	(4.9)	
Total energy sales	186.2	(5.2) %	

(*) Weather-adjusted KWH sales are estimated by removing from KWH sales the effect of deviations from normal temperature conditions, based on statistical models of the historical relationship between temperatures and energy sales. Normal temperature conditions are defined as those experienced in the applicable service territory over a specified historical period. This metric is useful because it allows trends in historical operations to be evaluated apart from the influence of weather conditions. Management also considers this metric in developing long-term capital and financial plans.

Changes in retail energy sales are generally the result of changes in electricity usage by customers, weather, and the number of customers. Weather-adjusted retail energy sales decreased 4.4 billion KWHs in 2020 as compared to the prior year largely due to the COVID-19 pandemic. Weather-adjusted residential usage increases are primarily due to customer growth and an increase in average customer usage, primarily due to work-from-home policies. Weather-adjusted commercial usage decreases are primarily due to lower customer usage resulting from changes in consumer and business behavior in response to the COVID-19 pandemic. Industrial usage decreases are primarily a result of disruptions in supply chain and business operations related to the COVID-19 pandemic and the overall decrease in business activity due to the resulting recession.

See "Electric Operating Revenues" above for a discussion of significant changes in wholesale revenues related to changes in price and KWH sales.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Other Revenues

Other revenues increased \$14 million, or 6.3%, in 2020 as compared to the prior year. The increase was primarily due to increases in unregulated sales of products and services of \$9 million at Georgia Power and \$5 million at Alabama Power.

Fuel and Purchased Power Expenses

The mix of fuel sources for the generation of electricity is determined primarily by demand, the unit cost of fuel consumed, and the availability of generating units. Additionally, the electric utilities purchase a portion of their electricity needs from the wholesale market.

Details of the Southern Company system's generation and purchased power were as follows:

	2020	2019
Total generation (in billions of KWHs)	176	187
Total purchased power (in billions of KWHs)	18	18
Sources of generation (percent) —		
Gas	53	52
Coal	18	22
Nuclear	17	16
Hydro	4	3
Wind, Solar, and Other	8	7
Cost of fuel, generated (in cents per net KWH) —		
Gas	2.00	2.36
Coal	2.91	2.87
Nuclear	0.78	0.79
Average cost of fuel, generated (in cents per net KWH)	1.95	2.20
Average cost of purchased power (in cents per net KWH) ^(*)	4.65	4.66

(*) Average cost of purchased power includes fuel purchased by the Southern Company system for tolling agreements where power is generated by the provider.

In 2020, total fuel and purchased power expenses were \$3.8 billion, a decrease of \$672 million, or 15.1%, as compared to the prior year. The decrease was primarily the result of a \$363 million decrease in the volume of KWHs generated and purchased and a \$309 million decrease primarily in the average cost of fuel.

Fuel and purchased power energy transactions at the traditional electric operating companies are generally offset by fuel revenues and do not have a significant impact on net income. See Note 2 to the financial statements for additional information. Fuel expenses incurred under Southern Power's PPAs are generally the responsibility of the counterparties and do not significantly impact net income.

Fuel

In 2020, fuel expense was \$3.0 billion, a decrease of \$655 million, or 18.1%, as compared to the prior year. The decrease was primarily due to a 23.9% decrease in the volume of KWHs generated by coal, a 15.3% decrease in the average cost of natural gas per KWH generated, and a 2.5% decrease in the volume of KWHs generated by natural gas, partially offset by a 1.4% increase in the average cost of coal per KWH generated.

Purchased Power

In 2020, purchased power expense was \$799 million, a decrease of \$17 million, or 2.1%, as compared to the prior year. The decrease was primarily due to a 2.7% decrease in the volume of KWHs purchased.

Energy purchases will vary depending on demand for energy within the Southern Company system's electric service territory, the market prices of wholesale energy as compared to the cost of the Southern Company system's generation, and the availability of the Southern Company system's generation.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report*Other Operations and Maintenance Expenses*

Other operations and maintenance expenses decreased \$253 million, or 5.6%, in 2020 as compared to the prior year. The decrease reflects the impacts of cost containment activities implemented in 2020 to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic. The decrease primarily results from decreases of \$195 million in transmission and distribution expenses at the traditional electric operating companies, including \$37 million of increases in reliability NDR credits at Alabama Power, \$180 million in scheduled generation outage and maintenance expenses, and \$32 million in compliance and environmental expenses at the traditional electric operating companies, partially offset by a \$183 million increase in storm damage recovery at Georgia Power as authorized in the 2019 ARP and a \$45 million increase in employee compensation and benefit expenses. The decrease also reflects a \$32 million increase in nuclear property insurance refunds at Alabama Power and Georgia Power. See Note 2 to the financial statements under "Alabama Power – Rate NDR" and "Georgia Power – Storm Damage Recovery" for additional information.

Depreciation and Amortization

Depreciation and amortization increased \$469 million, or 19.0%, in 2020 as compared to the prior year. The increase was due to increased amortization of regulatory assets related to CCR AROs of \$203 million and higher depreciation of \$178 million as authorized in Georgia Power's 2019 ARP, as well as an increase of \$104 million in depreciation associated with additional plant in service. See Note 2 to the financial statements under "Georgia Power – Rate Plans" for additional information.

Estimated Loss on Plant Vogtle Units 3 and 4

In the second and fourth quarters 2020, estimated probable losses of \$149 million and \$176 million, respectively, were recorded to reflect Georgia Power's revised total project capital cost forecast to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

(Gain) Loss on Dispositions, Net

Gain on dispositions, net increased \$21 million in 2020 as compared to the prior year primarily related to the sale of Plant Mankato in the first quarter 2020 and the sale of Plant Nacogdoches in the second quarter 2019. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas and Biomass Plants" for additional information.

Allowance for Equity Funds Used During Construction

Allowance for equity funds used during construction increased \$17 million, or 14.0%, in 2020 as compared to the prior year primarily associated with the construction of Plant Vogtle Units 3 and 4 at Georgia Power. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction – Regulatory Matters" for additional information.

Other Income (Expense), Net

Other income (expense), net increased \$81 million, or 34.6%, in 2020 as compared to the prior year primarily related to a \$131 million increase in non-service cost-related retirement benefits income, partially offset by a \$24 million net decrease associated with a 2019 litigation settlement at Southern Power and a \$21 million increase in charitable donations, primarily at Georgia Power. See Note 11 to the financial statements for additional information.

Income Taxes

Income taxes decreased \$191 million, or 27.0%, in 2020 as compared to the prior year. The decrease was primarily due to \$208 million of flowback of excess deferred income taxes in 2020 as authorized in Georgia Power's 2019 ARP and a \$90 million decrease associated with lower pre-tax earnings, primarily from charges associated with the construction of Plant Vogtle Units 3 and 4 at Georgia Power, partially offset by a \$75 million income tax benefit in 2019 resulting from ITCs recognized upon the sale of Plant Nacogdoches and a \$24 million net increase related to the application of an accounting order associated with the Tax Reform Legislation in the prior year at Alabama Power. See Note 2 to the financial statements under "Georgia Power – Rate Plans" and – "Nuclear Construction" for additional information.

Net Income (Loss) Attributable to Noncontrolling Interests

Substantially all noncontrolling interests relate to renewable projects at Southern Power. Net loss attributable to noncontrolling interests increased \$21 million in 2020 as compared to the prior year. The increased loss was primarily due to an allocation to the noncontrolling interest partner of approximately \$26 million of income related to a litigation settlement at Southern Power in 2019.

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Gas Business

Southern Company Gas distributes natural gas through utilities in four states and is involved in several other complementary businesses including gas pipeline investments, wholesale gas services, and gas marketing services.

A condensed statement of income for the gas business follows:

	2020	Increase (Decrease) from 2019	
	<i>(in millions)</i>		
Operating revenues	\$ 3,434	\$	(358)
Cost of natural gas	972		(347)
Other operations and maintenance	966		78
Depreciation and amortization	500		13
Taxes other than income taxes	206		(7)
Impairment charges	—		(115)
(Gain) loss on dispositions, net	(22)		(22)
Total operating expenses	2,622		(400)
Operating income	812		42
Earnings from equity method investments	141		(16)
Interest expense, net of amounts capitalized	231		(1)
Other income (expense), net	41		21
Income taxes	173		43
Net income	\$ 590	\$	5

Seasonality of Results

During the period from November through March when natural gas usage and operating revenues are generally higher (Heating Season), more customers are connected to Southern Company Gas' distribution systems and natural gas usage is higher in periods of colder weather. Occasionally in the summer, operating revenues are impacted due to peak usage by power generators in response to summer energy demands. Southern Company Gas' base operating expenses, excluding cost of natural gas, bad debt expense, and certain incentive compensation costs, are incurred relatively equally over any given year. Thus, operating results can vary significantly from quarter to quarter as a result of seasonality. For 2020, the percentage of operating revenues and net income generated during the Heating Season (January through March and November through December) were 67.6% and 85.6%, respectively. For 2019, the percentage of operating revenues and net income generated during the Heating Season were 68.7% and 86.8%, respectively.

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Operating Revenues

Operating revenues in 2020 were \$3.4 billion, a \$358 million decrease compared to 2019. Details of operating revenues were as follows:

	2020
	<i>(in millions)</i>
Operating revenues – prior year	\$ 3,792
Estimated change resulting from –	
Infrastructure replacement programs and base rate changes	186
Gas costs and other cost recovery	(319)
Wholesale gas services	(220)
Other	(5)
Operating revenues – current year	\$ 3,434
Percent change	(9.4)%

Revenues at the natural gas distribution utilities increased in 2020 compared to the prior year due to base rate increases and continued investments recovered through infrastructure replacement programs, including increases of \$107 million at Nicor Gas and \$68 million at Atlanta Gas Light. See Note 2 to the financial statements under "Southern Company Gas" for additional information.

Revenues associated with gas costs and other cost recovery decreased in 2020 compared to the prior year primarily due to lower natural gas prices and lower sales volumes as a result of warmer weather. The natural gas distribution utilities have weather or revenue normalization mechanisms that mitigate revenue fluctuations from customer consumption changes. Natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities. See "Cost of Natural Gas" herein for additional information.

Revenues from wholesale gas services decreased in 2020 primarily due to lower derivative gains and decreased commercial activity as a result of warmer weather. Southern Company Gas hedged its exposure to warmer-than-normal weather in Illinois for gas distribution operations and in Illinois and Georgia for gas marketing services. The remaining impacts of weather on earnings were immaterial.

Cost of Natural Gas

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, the natural gas distribution utilities charge their utility customers for natural gas consumed using natural gas cost recovery mechanisms set by the applicable state regulatory agencies. Under these mechanisms, all prudently-incurred natural gas costs are passed through to customers without markup, subject to regulatory review. The natural gas distribution utilities defer or accrue the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred natural gas costs are reflected as regulatory assets and accrued natural gas costs are reflected as regulatory liabilities. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from the natural gas distribution utilities. Cost of natural gas at the natural gas distribution utilities represented 88.3% of the total cost of natural gas for 2020.

Gas marketing services customers are charged for actual and estimated natural gas consumed. Cost of natural gas includes the cost of fuel and associated transportation costs, lost and unaccounted for gas, adjustments to reduce the value of inventories to market value, if applicable, and gains and losses associated with certain derivatives.

Cost of natural gas was \$1.0 billion, a decrease of \$347 million, or 26.3%, in 2020 compared to the prior year, which reflects a 23.6% decrease in natural gas prices compared to 2019 and decreased volumes primarily as a result of warmer weather.

Other Operations and Maintenance Expenses

Other operations and maintenance expenses increased \$78 million, or 8.8%, in 2020 compared to the prior year. The increase was primarily due to increases of \$40 million in compensation and benefit expenses, \$10 million in charitable donations, \$12 million

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in pipeline repair, compliance, and maintenance activities, and \$19 million in expenses passed through directly to customers primarily related to bad debt.

Depreciation and Amortization

Depreciation and amortization increased \$13 million, or 2.7%, in 2020 compared to the prior year. This increase was primarily due to continued infrastructure investments at the natural gas distribution utilities. See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" for additional information.

Impairment Charges

In 2019, Southern Company Gas recorded impairment charges of \$91 million related to Jefferson Island and \$24 million in contemplation of the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline. See Notes 3 and 15 to the financial statements under "Other Matters – Southern Company Gas" and "Southern Company Gas," respectively, for additional information.

(Gain) Loss on Dispositions, Net

In 2020, gain on dispositions, net was \$22 million resulting from the sale of Jefferson Island. See Note 15 to the financial statements under "Southern Company Gas" for additional information.

Earnings from Equity Method Investments

Earnings from equity method investments decreased \$16 million, or 10.2%, in 2020 compared to the prior year. This decrease was primarily due to a \$12 million decrease in earnings from SNG as a result of lower demand and firm revenues and a \$9 million decrease in earnings as a result of the sale of Atlantic Coast Pipeline in the first quarter 2020, partially offset by a \$6 million pre-tax loss on the sale of Triton in May 2019. See Notes 7 and 15 to the financial statements under "Southern Company Gas" for additional information.

Other Income (Expense), Net

Other income (expense), net increased \$21 million in 2020 compared to the prior year. This increase primarily resulted from an increase in non-service cost-related retirement benefits income. See Note 11 to the financial statements for additional information.

Income Taxes

Income taxes increased \$43 million, or 33.1%, in 2020 compared to the prior year. This increase was primarily due to the reversal of a federal income tax valuation allowance in connection with the sale of Triton in 2019, a decrease in the flowback of excess deferred income taxes in 2020 at Atlanta Gas Light as previously authorized by the Georgia PSC, and higher pre-tax earnings. See Note 2 to the financial statements under "Southern Company Gas," Note 10 to the financial statements, and Note 15 to the financial statements under "Southern Company Gas" for additional information.

Other Business Activities

Southern Company's other business activities primarily include the parent company (which does not allocate operating expenses to business units); PowerSecure, a provider of energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency; Southern Holdings, which invests in various projects, including leveraged lease projects; and Southern Linc, which provides digital wireless communications for use by the Southern Company system and also markets these services to the public and provides fiber optics services within the Southeast.

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A condensed statement of income for Southern Company's other business activities follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Operating revenues	\$ 444	\$ (88)
Cost of other sales	234	(125)
Other operations and maintenance	196	(35)
Depreciation and amortization	77	(3)
Taxes other than income taxes	4	(2)
Impairment charges	—	(50)
(Gain) loss on dispositions, net	(1)	2,547
Total operating expenses	510	2,332
Operating income (loss)	(66)	(2,420)
Interest expense	614	97
Impairment of leveraged leases	206	206
Other income (expense), net	3	(6)
Income taxes (benefit)	(297)	(1,257)
Net income (loss)	\$ (586)	\$ (1,472)

Operating Revenues

Southern Company's operating revenues for these other business activities decreased \$88 million, or 16.5%, in 2020 as compared to the prior year primarily from the sales of PowerSecure's utility infrastructure services business in July 2019 and its lighting business in December 2019, as well as the wind-down of a segment of PowerSecure's distributed infrastructure business in the first quarter 2020. These decreases were partially offset by PowerSecure's continued growth in the core distributed infrastructure business and an increase at Southern Linc related to a contract for the design and construction of a fiber optic system. See Note 15 to the financial statements under "Southern Company" for additional information.

Cost of Other Sales

Cost of other sales for these other business activities decreased \$125 million, or 34.8%, in 2020 as compared to the prior year primarily from the sales of PowerSecure's utility infrastructure services business in July 2019 and its lighting business in December 2019, as well as the wind-down of a segment of PowerSecure's distributed infrastructure business in the first quarter 2020. These decreases were partially offset by PowerSecure's continued growth in the core distributed infrastructure business. See Note 15 to the financial statements under "Southern Company" for additional information.

Other Operations and Maintenance Expenses

Other operations and maintenance expenses for these other business activities decreased \$35 million, or 15.2%, in 2020 as compared to the prior year. The decrease was primarily due to the sales of PowerSecure's utility infrastructure services business in July 2019 and its lighting business in December 2019, partially offset by an increase at Southern Linc related to the design and construction of a fiber optic system. See Note 15 to the financial statements under "Southern Company" for additional information.

Impairment Charges

In 2019, goodwill and asset impairment charges totaling \$50 million were recorded related to the sale of PowerSecure's utility infrastructure services business and in contemplation of the sale of its lighting business. See Note 15 to the financial statements under "Southern Company" for additional information.

(Gain) Loss on Dispositions, Net

The 2019 gain on dispositions, net primarily relates to the gain of \$2.6 billion (\$1.4 billion after tax) on the sale of Gulf Power. See Note 15 to the financial statements under "Southern Company" for additional information.

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Interest Expense

Interest expense for these other business activities increased \$97 million, or 18.8%, in 2020 as compared to the prior year primarily due to an increase in average outstanding long-term borrowings and fees associated with the extinguishment of debt at the parent company. See Note 8 to the financial statements for additional information.

Impairment of Leveraged Leases

Impairment charges totaling \$206 million were recorded in 2020 related to leveraged lease investments at Southern Holdings. See Notes 1 and 3 to the financial statements under "Leveraged Leases" and "Other Matters – Southern Company," respectively, for additional information.

Other Income (Expense), Net

Other income (expense), net for these other business activities decreased \$6 million, or 66.7%, in 2020 as compared to the prior year primarily due to a \$32 million increase in charitable donations at the parent company, partially offset by a \$15 million increase in leveraged lease income at Southern Holdings, primarily due to an impairment charge in 2019, and a \$9 million increase related to investment income at Southern Holdings.

Income Taxes (Benefit)

Income taxes for these other business activities decreased \$1.3 billion in 2020 as compared to the prior year primarily due to the tax impacts related to the sale of Gulf Power. See Note 10 to the financial statements and Note 15 to the financial statements under "Southern Company" for additional information.

Alabama Power

Alabama Power's 2020 net income after dividends on preferred stock was \$1.15 billion, representing an \$80 million, or 7.5%, increase over the previous year. The increase was primarily due to a decrease in operations and maintenance expenses, an increase in retail revenues associated with the impact of customer bill credits issued in 2019 related to the Tax Reform Legislation, and an increase in non-service cost-related retirement benefits income. These increases to income were partially offset by decreases in retail revenues associated with milder weather in 2020 when compared to 2019 and lower customer usage in the industrial and commercial sectors as a result of the COVID-19 pandemic. See Note 2 to the financial statements under "Alabama Power – Rate RSE" for additional information.

A condensed income statement for Alabama Power follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Operating revenues	\$ 5,830	\$ (295)
Fuel	970	(142)
Purchased power	319	(84)
Other operations and maintenance	1,619	(202)
Depreciation and amortization	812	19
Taxes other than income taxes	416	13
Total operating expenses	4,136	(396)
Operating income	1,694	101
Allowance for equity funds used during construction	46	(6)
Interest expense, net of amounts capitalized	338	2
Other income (expense), net	100	54
Income taxes	337	67
Net income	1,165	80
Dividends on preferred stock	15	—
Net income after dividends on preferred stock	\$ 1,150	\$ 80

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Operating Revenues

Operating revenues for 2020 were \$5.8 billion, reflecting a \$295 million decrease from 2019. Details of operating revenues were as follows:

	2020	2019
	<i>(in millions)</i>	
Retail — prior year	\$ 5,501	
Estimated change resulting from —		
Rates and pricing	51	
Sales decline	(50)	
Weather	(105)	
Fuel and other cost recovery	(184)	
Retail — current year	\$ 5,213	\$ 5,501
Wholesale revenues —		
Non-affiliates	269	258
Affiliates	46	81
Total wholesale revenues	315	339
Other operating revenues	302	285
Total operating revenues	\$ 5,830	\$ 6,125
Percent change	(4.8)%	1.5 %

Retail revenues in 2020 were \$5.2 billion. These revenues decreased \$288 million, or 5.2%, in 2020 as compared to the prior year. The decrease in 2020 was primarily due to fuel and other cost recovery driven by decreases in generation and the average cost of fuel, milder weather in 2020 when compared to 2019, and a decline in commercial and industrial sales due to social distancing and safer-at-home guidelines related to the COVID-19 pandemic. These decreases were partially offset by customer bill credits issued in 2019 related to the Tax Reform Legislation and an increase in Rate CNP Compliance revenue in 2020.

See Note 2 to the financial statements under "Alabama Power – Rate RSE" and " – Rate CNP Compliance" for additional information. See "Energy Sales" herein for a discussion of changes in the volume of energy sold, including changes related to sales decline and weather.

Electric rates include provisions to recognize the recovery of fuel costs, purchased power costs, PPAs certificated by the Alabama PSC, and costs associated with the NDR. Under these provisions, fuel and other cost recovery revenues generally equal fuel and other cost recovery expenses and do not affect net income. See Note 2 to the financial statements under "Alabama Power – Rate ECR" for additional information.

Wholesale revenues from power sales to non-affiliated utilities were as follows:

	2020	2019
	<i>(in millions)</i>	
Capacity and other	\$ 127	\$ 102
Energy	142	156
Total non-affiliated	\$ 269	\$ 258

Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Alabama Power's and the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not affect net income. Short-term opportunity energy sales are also included in wholesale energy sales to non-affiliates. These opportunity sales are made at market-based rates that generally provide a margin above Alabama Power's variable cost to produce the energy.

In 2020, wholesale revenues from sales to non-affiliates increased \$11 million, or 4.3%, as compared to the prior year primarily due to a \$25 million increase in non-affiliated capacity revenues as a result of a new power sales agreement which began in

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September 2020, partially offset by a 17% decrease in the price of energy due to lower natural gas prices. See Notes 2 and 15 to the financial statements under "Alabama Power – Petition for Certificate of Convenience and Necessity" and "Alabama Power," respectively, for additional information.

Wholesale revenues from sales to affiliated companies will vary depending on demand and the availability and cost of generating resources at each company. These affiliate sales and purchases are made in accordance with the IIC, as approved by the FERC. These transactions do not have a significant impact on earnings since this energy is generally sold at marginal cost and energy purchases are generally offset by energy revenues through Alabama Power's energy cost recovery clause.

In 2020, wholesale revenues from sales to affiliates decreased \$35 million, or 43.2%, as compared to the prior year. In 2020, KWH sales decreased 30% due to decreased generation related to lower demand and the price of energy decreased 18.4% as a result of lower natural gas prices.

In 2020, other operating revenues increased \$17 million, or 6.0%, as compared to the prior year primarily due to increases in transmission and energy service revenues and unregulated sales of products and services, partially offset by decreased revenues resulting from the temporary suspension of customer disconnections and late fees related to the COVID-19 pandemic.

Energy Sales

Changes in revenues are influenced heavily by the change in the volume of energy sold from year to year. KWH sales for 2020 and the percent change from the prior year were as follows:

	2020		
	Total KWHs	Total KWH Percent Change	Weather-Adjusted Percent Change
	<i>(in billions)</i>		
Residential	17.6	(3.5) %	2.7 %
Commercial	12.4	(8.3)	(6.3)
Industrial	20.4	(8.0)	(8.0)
Other	0.2	(11.3)	(11.3)
Total retail	50.6	(6.6)	(4.0) %
Wholesale			
Non-affiliates	6.3	23.8	
Affiliates	2.5	(30.0)	
Total wholesale	8.8	1.9	
Total energy sales	59.4	(5.4) %	

Changes in retail energy sales are generally the result of changes in electricity usage by customers, weather, and the number of customers. Revenues attributable to changes in sales decreased in 2020 when compared to 2019 largely due to the COVID-19 pandemic. In 2020, weather-adjusted residential KWH sales were 2.7% higher compared to 2019 primarily due to COVID-19 pandemic impacts. Weather-adjusted commercial KWH sales decreased 6.3% primarily due to lower customer usage resulting from social distancing and safer-at-home guidelines related to the COVID-19 pandemic. Industrial KWH sales decreased 8.0% primarily as a result of disruptions in supply chain and business operations related to the COVID-19 pandemic.

See "Operating Revenues" above for a discussion of significant changes in wholesale revenues from sales to non-affiliates and wholesale revenues from sales to affiliated companies related to changes in price and KWH sales.

Fuel and Purchased Power Expenses

The mix of fuel sources for generation of electricity is determined primarily by the unit cost of fuel consumed, demand, and the availability of generating units. Additionally, Alabama Power purchases a portion of its electricity needs from the wholesale market.

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Details of Alabama Power's generation and purchased power were as follows:

	2020	2019
Total generation (in billions of KWHs)	55.2	56.9
Total purchased power (in billions of KWHs)	6.9	9.5
Sources of generation (percent) —		
Coal	39	45
Nuclear	27	25
Gas	24	21
Hydro	10	9
Cost of fuel, generated (in cents per net KWH) —		
Coal	2.74	2.69
Nuclear	0.75	0.77
Gas	1.90	2.47
Average cost of fuel, generated (in cents per net KWH) ^(a)	1.92	2.11
Average cost of purchased power (in cents per net KWH) ^(b)	4.82	4.39

(a) KWHs generated by hydro are excluded from the average cost of fuel, generated.

(b) Average cost of purchased power includes fuel, energy, and transmission purchased by Alabama Power for tolling agreements where power is generated by the provider.

Fuel and purchased power expenses were \$1.3 billion in 2020, a decrease of \$226 million, or 14.9%, compared to 2019. The decrease was primarily due to a \$189 million decrease related to the volume of KWHs purchased and generated and a \$37 million net decrease in the average cost of fuel and purchased power.

Fuel and purchased power energy transactions do not have a significant impact on earnings, since energy expenses are generally offset by energy revenues through Alabama Power's energy cost recovery clause. Alabama Power, along with the Alabama PSC, continuously monitors the under/over recovered balance to determine whether adjustments to billing rates are required. See Note 2 to the financial statements under "Alabama Power – Rate ECR" for additional information.

Fuel

Fuel expenses were \$970 million in 2020, a decrease of \$142 million, or 12.8%, compared to 2019. The decrease was primarily due to a 23.1% decrease in the average cost of KWHs generated by natural gas, which excludes tolling agreements, a 15.6% decrease in the volume of KWHs generated by coal, and a 14.2% increase in the volume of KWHs generated by hydro.

Purchased Power – Non-Affiliates

Purchased power expense from non-affiliates was \$191 million in 2020, a decrease of \$12 million, or 5.9%, compared to 2019. This decrease was primarily due to a 6.4% decrease in the amount of energy purchased as a result of milder weather during 2020 as compared to 2019, partially offset by a 1.9% increase in the average cost per KWH purchased due to decreased generation from PPAs.

Energy purchases from non-affiliates will vary depending on the market prices of wholesale energy as compared to the cost of the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and the availability of the Southern Company system's generation.

Purchased Power – Affiliates

Purchased power expense from affiliates was \$128 million in 2020, a decrease of \$72 million, or 36.0%, compared to 2019. This decrease was primarily due to a 41.9% decrease in the amount of energy purchased primarily related to milder weather during 2020 as compared to 2019. This decrease was partially offset by a 10.3% increase in the average cost per KWH purchased due to decreased generation from PPAs.

Energy purchases from affiliates will vary depending on demand for energy and the availability and cost of generating resources at each company within the Southern Company system. These purchases are made in accordance with the IIC or other contractual agreements, as approved by the FERC.

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Other Operations and Maintenance Expenses

In 2020, other operations and maintenance expenses decreased \$202 million, or 11.1%, as compared to the prior year. The decrease reflects the impact of cost containment activities implemented to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic. The decrease was primarily due to decreases of \$88 million in generation expenses, \$27 million in vegetation management costs, \$27 million in accruals to the NDR, and \$20 million in Rate CNP Compliance-related expenses, as well as a \$37 million increase in reliability NDR credits. See Note 2 to the financial statements under "Alabama Power – Rate NDR" and "– Rate CNP Compliance" for additional information.

Other Income (Expense), Net

Other income (expense), net increased \$54 million, or 117.4%, in 2020 as compared to the prior year primarily due to an increase in non-service cost-related retirements benefits income. See Note 11 to the financial statements for additional information.

Income Taxes

Income taxes increased \$67 million, or 24.8%, in 2020 as compared to the prior year primarily due to an increase in pre-tax net income and the application in 2019 of an Alabama PSC accounting order related to the Tax Reform Legislation. See Note 2 to the financial statements under "Alabama Power – Tax Reform Accounting Order" for additional information.

Georgia Power

Georgia Power's 2020 net income was \$1.6 billion, representing a \$145 million, or 8.4%, decrease from the previous year. The decrease was primarily due to after-tax charges totaling \$242 million in 2020 related to the construction of Plant Vogtle Units 3 and 4, as well as lower retail revenues associated with milder weather as compared to 2019 and decreased customer usage resulting from the COVID-19 pandemic, partially offset by related cost containment activities and the impacts of accruals in 2019 for customer refunds. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information on the construction of Plant Vogtle Units 3 and 4.

A condensed income statement for Georgia Power follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Operating revenues	\$ 8,309	\$ (99)
Fuel	1,141	(303)
Purchased power	1,049	(47)
Other operations and maintenance	1,953	(19)
Depreciation and amortization	1,425	444
Taxes other than income taxes	444	(10)
Estimated loss on Plant Vogtle Units 3 and 4	325	325
Total operating expenses	6,337	390
Operating income	1,972	(489)
Interest expense, net of amounts capitalized	425	16
Other income (expense), net	180	40
Income taxes	152	(320)
Net income	\$ 1,575	\$ (145)

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Operating Revenues

Operating revenues for 2020 were \$8.3 billion, a \$99 million decrease from 2019. Details of operating revenues were as follows:

	2020	2019
	<i>(in millions)</i>	
Retail — prior year	\$ 7,707	
Estimated change resulting from —		
Rates and pricing	462	
Sales decline	(71)	
Weather	(179)	
Fuel cost recovery	(310)	
Retail — current year	7,609	\$ 7,707
Wholesale revenues	115	140
Other operating revenues	585	561
Total operating revenues	\$ 8,309	\$ 8,408
Percent change	(1.2)%	(0.1)%

Retail revenues of \$7.6 billion in 2020 decreased \$98 million, or 1.3%, compared to 2019. The significant factors driving this change are shown in the preceding table. The increase in rates and pricing was primarily due to an increase in revenue recognized under the ECCR tariff effective January 1, 2020 as authorized in the 2019 ARP and the impacts of accruals in 2019 for customer refunds related to the Tax Reform Legislation and earnings in excess of the allowed retail ROE range, as well as the rate pricing effects of decreased customer usage throughout 2020 in the commercial and industrial classes. Partially offsetting these increases were lower contributions from commercial and industrial customers with variable demand-driven pricing. See Note 2 to the financial statements under "Georgia Power – Rate Plans" for additional information.

See "Energy Sales" below for a discussion of changes in the volume of energy sold, including changes related to the sales decline in 2020.

Electric rates include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these fuel cost recovery provisions, fuel revenues generally equal fuel expenses and do not affect net income. See Note 2 to the financial statements under "Georgia Power – Fuel Cost Recovery" for additional information.

Wholesale revenues from power sales were as follows:

	2020	2019
	<i>(in millions)</i>	
Capacity and other	\$ 51	\$ 55
Energy	64	85
Total	\$ 115	\$ 140

Wholesale capacity revenues from PPAs are recognized in amounts billable under the contract terms and provide for recovery of fixed costs and a return on investment. Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Georgia Power's and the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. Short-term opportunity sales are made at market-based rates that generally provide a margin above Georgia Power's variable cost of energy.

Wholesale revenues from sales to affiliated companies will vary depending on demand and the availability and cost of generating resources at each company. These affiliate sales are made in accordance with the IIC, as approved by the FERC. These transactions do not have a significant impact on earnings since this energy is generally sold at marginal cost.

In 2020, wholesale revenues decreased \$25 million, or 17.9%, as compared to 2019 primarily due to the expiration of a non-affiliate PPA and lower energy prices.

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Other operating revenues increased \$24 million, or 4.3%, in 2020 from the prior year primarily due to increases of \$33 million in unregulated sales associated with power delivery construction and maintenance contracts and outdoor lighting, \$8 million in pole attachment revenues, and \$6 million in open access transmission tariff sales, partially offset by decreases of \$13 million largely resulting from the temporary suspension of customer disconnections and late fees related to the COVID-19 pandemic and \$10 million from unregulated sales associated with energy conservation projects.

Energy Sales

Changes in revenues are influenced heavily by the change in the volume of energy sold from year to year. KWH sales for 2020 and the percent change from the prior year were as follows:

	2020		
	Total KWHs <i>(in billions)</i>	Total KWH Percent Change	Weather-Adjusted Percent Change
Residential	27.8	(1.3) %	3.4 %
Commercial	30.5	(7.1)	(5.3)
Industrial	22.0	(4.8)	(4.5)
Other	0.5	(9.3)	(9.1)
Total retail	80.8	(4.6)	(2.2) %
Wholesale	2.7	(9.8)	
Total energy sales	83.5	(4.8) %	

Changes in retail energy sales are generally the result of changes in electricity usage by customers, weather, and the number of customers. Revenues attributable to changes in sales decreased in 2020 when compared to 2019 largely due to the COVID-19 pandemic. In 2020, weather-adjusted residential KWH sales increased 3.4% compared to 2019 primarily due to customer growth and an increase in average customer usage, primarily due to work-from-home policies. Weather-adjusted commercial KWH sales decreased 5.3% primarily due to lower customer usage resulting from changes in consumer and business behavior in response to the COVID-19 pandemic. Weather-adjusted industrial KWH sales decreased 4.5% primarily as a result of disruptions in supply chain and business operations related to the COVID-19 pandemic.

See "Operating Revenues" above for a discussion of significant changes in wholesale sales to non-affiliates and affiliated companies.

Fuel and Purchased Power Expenses

Fuel costs constitute one of the largest expenses for Georgia Power. The mix of fuel sources for the generation of electricity is determined primarily by demand, the unit cost of fuel consumed, and the availability of generating units. Additionally, Georgia Power purchases a portion of its electricity needs from the wholesale market.

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Details of Georgia Power's generation and purchased power were as follows:

	2020	2019
Total generation (in billions of KWHs)	56.8	62.6
Total purchased power (in billions of KWHs)	30.5	29.1
Sources of generation (percent) —		
Gas	52	47
Nuclear	27	26
Coal	16	24
Hydro and other	5	3
Cost of fuel, generated (in cents per net KWH) —		
Gas	2.19	2.42
Nuclear	0.80	0.81
Coal	3.23	3.09
Average cost of fuel, generated (in cents per net KWH)	1.96	2.16
Average cost of purchased power (in cents per net KWH) ^(*)	3.69	4.21

(*) Average cost of purchased power includes fuel purchased by Georgia Power for tolling agreements where power is generated by the provider.

Fuel and purchased power expenses were \$2.2 billion in 2020, a decrease of \$350 million, or 13.8%, compared to 2019. The decrease was due to a decrease of \$215 million related to the average cost of fuel and purchased power and a net decrease of \$135 million related to the volume of KWHs generated and purchased.

Fuel and purchased power energy transactions do not have a significant impact on earnings since these fuel expenses are generally offset by fuel revenues through Georgia Power's fuel cost recovery mechanism. See Note 2 to the financial statements under "Georgia Power – Fuel Cost Recovery" for additional information.

Fuel

Fuel expense was \$1.1 billion in 2020, a decrease of \$303 million, or 21.0%, compared to 2019. The decrease was primarily due to a 40.3% decrease in the volume of KWHs generated by coal and a 9.5% decrease in the average cost of natural gas per KWH generated.

Purchased Power - Non-Affiliates

Purchased power expense from non-affiliates was \$540 million in 2020, an increase of \$19 million, or 3.6%, compared to 2019. The increase was primarily due to an increase of 4.7% in the volume of KWHs purchased primarily due to the availability of lower cost market resources, partially offset by a 2.8% decrease in the average cost per KWH purchased primarily resulting from lower energy prices.

Energy purchases from non-affiliates will vary depending on the market prices of wholesale energy as compared to the cost of the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation.

Purchased Power - Affiliates

Purchased power expense from affiliates was \$509 million in 2020, a decrease of \$66 million, or 11.5%, compared to 2019. The decrease was primarily due to the expiration of a PPA and a 19.9% decrease in the average cost per KWH purchased primarily resulting from lower energy prices, partially offset by an increase of 4.4% in the volume of KWHs purchased due to lower cost Southern Company system resources as compared to available Georgia Power-owned generation.

Energy purchases from affiliates will vary depending on the demand and the availability and cost of generating resources at each company within the Southern Company system. These purchases are made in accordance with the IIC or other contractual agreements, all as approved by the FERC.

Other Operations and Maintenance Expenses

In 2020, other operations and maintenance expenses decreased \$19 million, or 1.0%, compared to 2019. The decrease was primarily due to decreases of \$85 million in distribution- and transmission-related expenses, \$78 million associated with

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generation maintenance and scheduled outages, \$19 million in customer service and sales expense, and \$12 million associated with generation environmental projects. These decreases reflect the impacts of cost containment activities implemented to help offset the effects of the recessionary economy resulting from the COVID-19 pandemic. Other expense reductions include a decrease of \$15 million related to an adjustment in 2019 for FERC fees following the conclusion of a multi-year audit of headwater benefits associated with hydro facilities and an \$11 million increase in nuclear property insurance refunds. Partially offsetting these decreases were increases of \$183 million in storm damage recovery as authorized in the 2019 ARP and \$20 million in employee benefit expenses. See Note 2 to the financial statements under "Georgia Power – Storm Damage Recovery" for additional information.

Depreciation and Amortization

Depreciation and amortization increased \$444 million, or 45.3%, in 2020 compared to 2019. The increase primarily reflects increased amortization of regulatory assets related to CCR AROs of \$203 million and higher depreciation of \$178 million as authorized in the 2019 ARP. Also contributing to the increase was a \$67 million increase in depreciation associated with additional plant in service. See Notes 2 and 5 to the financial statements under "Georgia Power – Rate Plans – 2019 ARP" and "Depreciation and Amortization," respectively, for additional information.

Estimated Loss on Plant Vogtle Units 3 and 4

In the second and fourth quarters 2020, estimated probable losses of \$149 million and \$176 million, respectively, were recorded to reflect Georgia Power's revised total project capital cost forecast to complete construction and start-up of Plant Vogtle Units 3 and 4. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

Interest Expense, Net of Amounts Capitalized

In 2020, interest expense, net of amounts capitalized increased \$16 million, or 3.9%, compared to 2019. The increase was primarily due to a \$36 million increase in interest expense associated with an increase in average outstanding long-term borrowings, partially offset by a \$20 million increase in amounts capitalized in connection with the construction of Plant Vogtle Units 3 and 4. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein for additional information on borrowings and Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information regarding Plant Vogtle Units 3 and 4.

Other Income (Expense), Net

In 2020, other income (expense), net increased \$40 million, or 28.6%, compared to the prior year primarily due to a \$42 million increase in non-service cost-related retirement benefits income and a \$23 million increase in AFUDC equity primarily associated with the construction of Plant Vogtle Units 3 and 4, partially offset by a \$20 million increase in charitable donations. See Note 11 to the financial statements for additional information on Georgia Power's net periodic pension and other postretirement benefit costs and Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information regarding Plant Vogtle Units 3 and 4.

Income Taxes

Income taxes decreased \$320 million, or 67.8%, in 2020 compared to the prior year primarily as a result of the flowback of excess deferred income taxes in 2020 as authorized in the 2019 ARP and lower pre-tax earnings, which includes the charges in the second and fourth quarters 2020 associated with the construction of Plant Vogtle Units 3 and 4. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" and Note 10 to the financial statements for additional information.

Mississippi Power

Mississippi Power's net income was \$152 million in 2020 compared to \$139 million in 2019. The increase was primarily due to a decrease in operations and maintenance expenses primarily associated with a 2019 accrual for the closeout of a DOE contract related to the Kemper County energy facility, a decrease in income taxes associated with the flowback of excess deferred income taxes, and a decrease in amortization associated with ECO Plan regulatory assets, substantially offset by a decrease in revenues as a result of a base rate reduction that became effective for the first billing cycle of April 2020, as well as a decrease in customer usage due to the COVID-19 pandemic.

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A condensed income statement for Mississippi Power follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Operating revenues	\$ 1,172	\$ (92)
Fuel	350	(57)
Purchased power	22	2
Other operations and maintenance	284	(23)
Depreciation and amortization	183	(9)
Taxes other than income taxes	124	11
Total operating expenses	963	(76)
Operating income	209	(16)
Interest expense, net of amounts capitalized	60	(9)
Other income (expense), net	17	4
Income taxes (benefit)	14	(16)
Net income	\$ 152	\$ 13

Operating Revenues

Operating revenues for 2020 were \$1.2 billion, a \$92 million decrease from 2019. Details of operating revenues were as follows:

	2020	2019
	<i>(in millions)</i>	
Retail — prior year	\$ 877	
Estimated change resulting from —		
Rates and pricing	(29)	
Sales decline	(11)	
Weather	(5)	
Fuel and other cost recovery	(11)	
Retail — current year	821	\$ 877
Wholesale revenues —		
Non-affiliates	215	237
Affiliates	111	132
Total wholesale revenues	326	369
Other operating revenues	25	18
Total operating revenues	\$ 1,172	\$ 1,264
Percent change	(7.3)%	(0.1)%

Total retail revenues for 2020 decreased \$56 million, or 6.4%, compared to 2019 primarily due to decreases in rates in accordance with the Mississippi Power Rate Case Settlement Agreement, a decrease in customer usage due to the COVID-19 pandemic, and a decrease in fuel and other cost recovery revenues primarily as a result of lower recoverable fuel costs.

See Note 2 to the financial statements under "Mississippi Power – 2019 Base Rate Case" for additional information. See "Energy Sales" below for a discussion of changes in the volume of energy sold, including changes related to sales and weather.

Electric rates for Mississippi Power include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of purchased power costs, and do not affect net income. Recoverable fuel costs include fuel and purchased power expenses reduced by the fuel and emissions portion of wholesale revenues from energy sold to customers outside Mississippi.

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Power's service territory. See Note 2 to the financial statements under "Mississippi Power – Fuel Cost Recovery" for additional information.

Wholesale revenues from power sales to non-affiliated utilities, including FERC-regulated MRA sales as well as market-based sales, were as follows:

	2020	2019
	<i>(in millions)</i>	
Capacity and other	\$ 3	\$ 3
Energy	212	234
Total non-affiliated	\$ 215	\$ 237

Wholesale revenues from sales to non-affiliates will vary depending on fuel prices, the market prices of wholesale energy compared to the cost of Mississippi Power's and the Southern Company system's generation, demand for energy within the Southern Company system's electric service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. In addition, Mississippi Power provides service under long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under full requirements cost-based electric tariffs which are subject to regulation by the FERC. The contracts with these wholesale customers represented 15.3% of Mississippi Power's total operating revenues in 2020 and are generally subject to 10-year rolling cancellation notices. Historically, these wholesale customers have acted as a group and any changes in contractual relationships for one customer are likely to be followed by the other wholesale customers. Short-term opportunity energy sales are also included in sales for resale to non-affiliates. These opportunity sales are made at market-based rates that generally provide a margin above Mississippi Power's variable cost to produce the energy.

Wholesale revenues from sales to non-affiliates decreased \$22 million, or 9.3%, compared to 2019. This decrease was primarily due to decreases in revenue from MRA customers as a result of lower fuel costs, milder weather, decreased customer usage as a result of the COVID-19 pandemic, and fewer opportunity sales.

Wholesale revenues from sales to affiliates will vary depending on demand and the availability and cost of generating resources at each company. These affiliate sales are made in accordance with the IIC, as approved by the FERC. These transactions do not have a significant impact on earnings since this energy is generally sold at marginal cost.

Wholesale revenues from sales to affiliates decreased \$21 million, or 15.9%, in 2020 compared to 2019. This decrease was primarily due to a \$34 million decrease associated with lower natural gas prices, partially offset by a \$13 million increase associated with higher KWH sales due to the dispatch of Mississippi Power's generation resources to serve the Southern Company system's territorial load.

Other operating revenues increased \$7 million, or 38.9%, in 2020 as compared to the prior year primarily due to an increase in open access transmission tariff revenues.

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Energy Sales

Changes in revenues are influenced heavily by the change in the volume of energy sold from year to year. KWH sales for 2020 and the percent change from the prior year were as follows:

	2020	
	Total KWHs	Total KWH Percent Change
	<i>(in millions)</i>	
Residential	2,023	(1.9) %
Commercial	2,513	(7.4)
Industrial	4,558	(4.9)
Other	35	(3.3)
Total retail	9,129	(5.0)
Wholesale		
Non-affiliated	3,784	(4.6)
Affiliated	5,226	9.8
Total wholesale	9,010	3.3
Total energy sales	18,139	(1.1) %

Changes in retail energy sales are generally the result of changes in electricity usage by customers, weather, and the number of customers. Revenues attributable to changes in sales decreased in 2020 when compared to 2019 largely due to the COVID-19 pandemic. Weather-adjusted residential KWH sales increased 3.3% compared to 2019 primarily due to an increase in average customer usage as a result of changes in customer behavior and work-from-home policies in response to the COVID-19 pandemic. Weather-adjusted commercial KWH sales decreased 7.0% primarily due to lower customer usage resulting from changes in consumer and business behavior, including the temporary closure of casinos, in response to the COVID-19 pandemic. Industrial KWH sales decreased 4.9% primarily as a result of disruptions in supply chain and business operations driven by the COVID-19 pandemic and the overall decrease in business activity due to the resulting recession.

See "Operating Revenues" above for a discussion of significant changes in wholesale revenues to affiliated companies.

Fuel and Purchased Power Expenses

The mix of fuel sources for generation of electricity is determined primarily by demand, the unit cost of fuel consumed, and the availability of generating units. Additionally, Mississippi Power purchases a portion of its electricity needs from the wholesale market.

Details of Mississippi Power's generation and purchased power were as follows:

	2020	2019
Total generation <i>(in millions of KWHs)</i>	17,833	18,269
Total purchased power <i>(in millions of KWHs)</i>	688	529
Sources of generation <i>(percent) –</i>		
Gas	94	94
Coal	6	6
Cost of fuel, generated <i>(in cents per net KWH) –</i>		
Gas	1.97	2.26
Coal	3.62	4.05
Average cost of fuel, generated <i>(in cents per net KWH)</i>	2.08	2.37
Average cost of purchased power <i>(in cents per net KWH)</i>	3.27	3.71

Fuel and purchased power expenses were \$372 million in 2020, a decrease of \$55 million, or 12.9%, as compared to the prior year. The decrease was primarily due to the lower average cost of natural gas.

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Fuel and purchased power energy transactions do not have a significant impact on earnings, since energy expenses are generally offset by energy revenues through Mississippi Power's fuel cost recovery clauses. See Note 2 to the financial statements under "Mississippi Power – Fuel Cost Recovery and Note 1 to the financial statements under "Fuel Costs" for additional information.

Fuel

Fuel expense decreased \$57 million, or 14.0%, in 2020 compared to 2019 primarily due to a 12.6% decrease in the average cost of natural gas per KWH generated, a 10.7% decrease in the average cost of coal per KWH generated, and a 3.0% decrease in the volume of KWHs generated by natural gas.

Purchased Power

Purchased power expense increased \$2 million, or 10.0%, in 2020 compared to 2019. The increase was primarily the result of a 30.2% increase in the volume of KWHs purchased, partially offset by an 11.9% decrease in the average cost per KWH purchased.

Energy purchases will vary depending on the market prices of wholesale energy as compared to the cost of the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and the availability of the Southern Company system's generation. These purchases are made in accordance with the IIC or other contractual agreements, as approved by the FERC.

Other Operations and Maintenance Expenses

Other operations and maintenance expenses decreased \$23 million, or 7.5%, in 2020 compared to the prior year. The decrease primarily reflects the impacts of a \$23 million accrual in 2019 for the closeout of a DOE contract related to the Kemper County energy facility. See Note 3 to the financial statements under "Other Matters – Mississippi Power – Kemper County Energy Facility" for additional information.

Depreciation and Amortization

Depreciation and amortization decreased \$9 million, or 4.7%, in 2020 compared to 2019. The decrease was primarily due to a decrease in regulatory asset amortization of \$21 million primarily as a result of completing amortization of the ECO Plan regulatory asset in 2019. This decrease was partially offset by an increase in depreciation of \$12 million related to additional plant in service and an increase in depreciation rates in accordance with the Mississippi Power Rate Case Settlement Agreement. See Note 2 to the financial statements under "Mississippi Power – 2019 Base Rate Case" and " – Environmental Compliance Overview Plan" for additional information.

Taxes Other Than Income Taxes

Taxes other than income taxes increased \$11 million, or 9.7%, in 2020 compared to 2019 primarily due to an increase in ad valorem taxes.

Interest Expense, Net of Amounts Capitalized

Interest expense, net of amounts capitalized decreased \$9 million, or 13.0%, in 2020 compared to 2019 primarily as the result of a decrease in outstanding long-term borrowings. See Note 8 to the financial statements for additional information.

Income Taxes (Benefit)

Income tax expense decreased \$16 million, or 53.3%, in 2020 compared to 2019 primarily due to the flowback of excess deferred income taxes as a result of the Mississippi Power Rate Case Settlement Agreement. See Note 2 to the financial statements under "Mississippi Power – 2019 Base Rate Case" and Note 10 to the financial statements for additional information.

Southern Power

Net income attributable to Southern Power for 2020 was \$238 million, a \$101 million decrease from 2019, primarily due to the \$88 million after-tax gain on the sale of Plant Nacogdoches in the second quarter 2019, partially offset by the \$23 million after-tax gain on the sale of Plant Mankato in the first quarter 2020. In addition, the decrease reflects the reduced net income resulting from these dispositions. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas and Biomass Plants" for additional information.

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A condensed statement of income follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Operating revenues	\$ 1,733	\$ (205)
Fuel	470	(107)
Purchased power	74	(34)
Other operations and maintenance	353	(6)
Depreciation and amortization	494	15
Taxes other than income taxes	39	(1)
Asset impairment	—	(3)
(Gain) loss on dispositions, net	(39)	(16)
Total operating expenses	1,391	(152)
Operating income	342	(53)
Interest expense, net of amounts capitalized	151	(18)
Other income (expense), net	19	(28)
Income taxes (benefit)	3	59
Net income	207	(122)
Net income (loss) attributable to noncontrolling interests	(31)	(21)
Net income attributable to Southern Power	\$ 238	\$ (101)

Operating Revenues

Total operating revenues include PPA capacity revenues, which are derived primarily from long-term contracts involving natural gas facilities and a biomass generating facility (through the second quarter 2019 sale of Plant Nacogdoches), and PPA energy revenues from Southern Power's generation facilities. To the extent Southern Power has capacity not contracted under a PPA, it may sell power into an accessible wholesale market, or, to the extent those generation assets are part of the FERC-approved IIC, it may sell power into the Southern Company power pool.

Natural Gas and Biomass Capacity and Energy Revenue

Capacity revenues generally represent the greatest contribution to operating income and are designed to provide recovery of fixed costs plus a return on investment.

Energy is generally sold at variable cost or is indexed to published natural gas indices. Energy revenues will vary depending on the energy demand of Southern Power's customers and their generation capacity, as well as the market prices of wholesale energy compared to the cost of Southern Power's energy. Energy revenues also include fees for support services, fuel storage, and unit start charges. Increases and decreases in energy revenues under PPAs that are driven by fuel or purchased power prices are accompanied by an increase or decrease in fuel and purchased power costs and do not have a significant impact on net income.

Solar and Wind Energy Revenue

Southern Power's energy sales from solar and wind generating facilities are predominantly through long-term PPAs that do not have capacity revenue. Customers either purchase the energy output of a dedicated renewable facility through an energy charge or pay a fixed price related to the energy generated from the respective facility and sold to the grid. As a result, Southern Power's ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors.

See FUTURE EARNINGS POTENTIAL – "Southern Power's Power Sales Agreements" herein for additional information regarding Southern Power's PPAs.

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Operating Revenues Details

Details of Southern Power's operating revenues were as follows:

	2020	2019
	<i>(in millions)</i>	
PPA capacity revenues	\$ 384	\$ 482
PPA energy revenues	1,019	1,081
Total PPA revenues	1,403	1,563
Non-PPA revenues	316	363
Other revenues	14	12
Total operating revenues	\$ 1,733	\$ 1,938

Operating revenues for 2020 were \$1.7 billion, a \$205 million, or 11%, decrease from 2019. The decrease in operating revenues was primarily due to the following:

- PPA capacity revenues decreased \$98 million, or 20%, primarily due to decreases of \$72 million related to the dispositions of Plant Nacogdoches in the second quarter 2019 and Plant Mankato in the first quarter 2020 and \$24 million from the contractual expiration of an affiliate natural gas PPA.
- PPA energy revenues decreased \$62 million, or 6%, primarily due to a \$125 million decrease in sales from natural gas facilities resulting from an \$89 million decrease in the volume of KWHs sold due to decreased demand and a \$36 million decrease in the price of fuel and purchased power. This decrease was partially offset by increases of \$33 million in sales primarily driven by the volume of KWHs generated by solar and wind facilities and \$30 million in sales from fuel cell generation acquired in 2019.
- Non-PPA revenues decreased \$47 million, or 13%, due to a \$99 million decrease in the market price of energy, partially offset by a \$52 million increase in the volume of KWHs sold through short-term sales.

Fuel and Purchased Power Expenses

Details of Southern Power's generation and purchased power were as follows:

	Total KWHs 2020	Total KWH % Change	Total KWHs 2019
	<i>(in billions of KWHs)</i>		
Generation	44		47
Purchased power	3		3
Total generation and purchased power	47	(6)%	50
Total generation and purchased power (excluding solar, wind, and tolling agreements)	28	(3)%	29

Southern Power's PPAs for natural gas generation generally provide that the purchasers are responsible for either procuring the fuel (tolling agreements) or reimbursing Southern Power for substantially all of the cost of fuel relating to the energy delivered under such PPAs. Consequently, changes in such fuel costs are generally accompanied by a corresponding change in related fuel revenues and do not have a significant impact on net income. Southern Power is responsible for the cost of fuel for generating units that are not covered under PPAs. Power from these generating units is sold into the wholesale market or into the Southern Company power pool for capacity owned directly by Southern Power.

Purchased power expenses will vary depending on demand, availability, and the cost of generating resources throughout the Southern Company system and other contract resources. Load requirements are submitted to the Southern Company power pool on an hourly basis and are fulfilled with the lowest cost alternative, whether that is generation owned by Southern Power, an affiliate company, or external parties. Such purchased power costs are generally recovered through PPA revenues.

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Details of Southern Power's fuel and purchased power expenses were as follows:

	2020	2019
	<i>(in millions)</i>	
Fuel	\$ 470	\$ 577
Purchased power	74	108
Total fuel and purchased power expenses	\$ 544	\$ 685

In 2020, total fuel and purchased power expenses decreased \$141 million, or 21%, compared to 2019. Fuel expense decreased \$107 million, or 19%, due to an \$82 million decrease in the average cost of fuel per KWH generated and a \$25 million decrease associated with the volume of KWHs generated. Purchased power expense decreased \$34 million, or 31%, due to a \$21 million decrease associated with the average cost of purchased power and a \$13 million decrease associated with the volume of KWHs purchased.

(Gain) Loss on Dispositions, Net

In 2020, gain on dispositions, net increased \$16 million, or 70%, compared to 2019 reflecting the sale of Plant Mankato in the first quarter 2020 and the sale of Plant Nacogdoches in the second quarter 2019. See Note 15 to the financial statements under "Southern Power – Sales of Natural Gas and Biomass Plants" for additional information.

Interest Expense, Net of Amounts Capitalized

In 2020, interest expense, net of amounts capitalized decreased \$18 million, or 11%, compared to 2019, primarily due to a decrease in the amount of outstanding debt. See Note 8 to the financial statements for additional information.

Other Income (Expense), Net

In 2020, other income (expense), net decreased \$28 million, or 60%, compared to 2019 primarily due to a \$36 million gain arising from a litigation settlement in 2019, partially offset by the resolution of certain related contingencies in the third quarter 2020.

Income Taxes (Benefit)

In 2020, income tax expense was \$3 million compared to a \$56 million benefit for 2019, a change of \$59 million, primarily due to a \$75 million income tax benefit in 2019 resulting from ITCs recognized upon the sale of Plant Nacogdoches, partially offset by a decrease in income tax expense as a result of lower pre-tax earnings in 2020. See Notes 1, 10, and 15 to the financial statements under "Income Taxes," "Effective Tax Rate," and "Southern Power," respectively, for additional information.

Net Income (Loss) Attributable to Noncontrolling Interests

In 2020, net loss attributable to noncontrolling interests increased \$21 million compared to 2019. The increased loss was primarily due to an allocation to the noncontrolling interest partner of approximately \$26 million of income related to a litigation settlement in 2019.

Southern Company Gas

Operating Metrics

Southern Company Gas continues to focus on several operating metrics, including Heating Degree Days, customer count, and volumes of natural gas sold.

Southern Company Gas measures weather and the effect on its business using Heating Degree Days. Generally, increased Heating Degree Days result in higher demand for natural gas on Southern Company Gas' distribution system. Southern Company Gas has various regulatory mechanisms, such as weather and revenue normalization and straight-fixed-variable rate design, which limit its exposure to weather changes within typical ranges in each of its utility's respective service territory, including Nicor Gas following the approval of a revenue decoupling mechanism for residential customers in its base rate case that concluded in 2019. Southern Company Gas also utilizes weather hedges to limit the negative income impacts in the event of warmer-than-normal weather.

The number of customers served by gas distribution operations and gas marketing services can be impacted by natural gas prices, economic conditions, and competition from alternative fuels. Gas distribution operations and gas marketing services' customers are primarily located in Georgia and Illinois.

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Southern Company Gas' natural gas volume metrics for gas distribution operations and gas marketing services illustrate the effects of weather and customer demand for natural gas. Wholesale gas services' physical sales volumes represent the daily average natural gas volumes sold to its customers.

Seasonality of Results

During the Heating Season, natural gas usage and operating revenues are generally higher as more customers are connected to the gas distribution systems and natural gas usage is higher in periods of colder weather. Occasionally in the summer, wholesale gas services' operating revenues are impacted due to peak usage by power generators in response to summer energy demands. Southern Company Gas' base operating expenses, excluding cost of natural gas, bad debt expense, and certain incentive compensation costs, are incurred relatively evenly throughout the year. Seasonality also affects the comparison of certain balance sheet items across quarters, including receivables, unbilled revenues, natural gas for sale, and notes payable. However, these items are comparable when reviewing Southern Company Gas' annual results. Thus, Southern Company Gas' operating results can vary significantly from quarter to quarter as a result of seasonality, which is illustrated in the table below.

	Percent Generated During Heating Season	
	Operating Revenues	Net Income
2020	67.6 %	85.6 %
2019	68.7 %	86.8 %

Net Income

Net income attributable to Southern Company Gas in 2020 was \$590 million, an increase of \$5 million, or 0.9%, compared to the prior year. This increase was primarily due to impairment charges in 2019 of \$69 million related to Jefferson Island and \$17 million in contemplation of the sale of interests in Pivotal LNG and Atlantic Coast Pipeline, a \$16 million gain in 2020 related to the sale of Jefferson Island, and a \$53 million increase at gas distribution operations primarily due to base rate increases for all of the natural gas distribution utilities and continued investment in infrastructure replacement programs, partially offset by reduced flowback of excess deferred income taxes at Atlanta Gas Light in 2020. These increases were partially offset by a \$149 million decrease at wholesale gas services in 2020 primarily due to lower commercial activity and lower derivative gains. See Note 2 to the financial statements under "Southern Company Gas" for additional information.

A condensed income statement for Southern Company Gas follows:

	2020	Increase (Decrease) from 2019
	<i>(in millions)</i>	
Operating revenues	\$ 3,434	\$ (358)
Cost of natural gas	972	(347)
Other operations and maintenance	966	78
Depreciation and amortization	500	13
Taxes other than income taxes	206	(7)
Impairment charges	—	(115)
(Gain) loss on dispositions, net	(22)	(22)
Total operating expenses	2,622	(400)
Operating income	812	42
Earnings from equity method investments	141	(16)
Interest expense, net of amounts capitalized	231	(1)
Other income (expense), net	41	21
Income taxes	173	43
Net Income	\$ 590	\$ 5

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Operating Revenues

Operating revenues in 2020 were \$3.4 billion, a \$358 million decrease compared to 2019. Details of operating revenues were as follows:

	2020
	<i>(in millions)</i>
Operating revenues – prior year	\$ 3,792
Estimated change resulting from –	
Infrastructure replacement programs and base rate changes	186
Gas costs and other cost recovery	(319)
Wholesale gas services	(220)
Other	(5)
Operating revenues – current year	\$ 3,434
Percent change	(9.4)%

Revenues at the natural gas distribution utilities increased in 2020 compared to the prior year due to base rate increases and continued investments recovered through infrastructure replacement programs, including increases of \$107 million at Nicor Gas and \$68 million at Atlanta Gas Light. See Note 2 to the financial statements under "Southern Company Gas" for additional information.

Revenues associated with gas costs and other cost recovery decreased in 2020 compared to the prior year primarily due to lower natural gas prices and lower sales volumes as a result of warmer weather. The natural gas distribution utilities have weather or revenue normalization mechanisms that mitigate revenue fluctuations from customer consumption changes. Natural gas distribution rates include provisions to adjust billings for fluctuations in natural gas costs. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from gas distribution operations. See "Cost of Natural Gas" herein for additional information.

Revenues from wholesale gas services decreased in 2020 primarily due to lower derivative gains and decreased commercial activity as a result of warmer weather. See "Segment Information – Wholesale Gas Services" herein for additional information.

Heating Degree Days

During Heating Season, natural gas usage and operating revenues are generally higher. Weather typically does not have a significant net income impact other than during the Heating Season. The following table presents Heating Degree Days information for Illinois and Georgia, the primary locations where Southern Company Gas' operations are impacted by weather.

	Years Ended December 31,			2020 vs. normal	2020 vs. 2019
	Normal ^(a)	2020	2019		
		<i>(in thousands)</i>		(warmer)	(warmer)
Illinois ^(b)	5,777	5,477	6,136	(5.2) %	(10.7) %
Georgia	2,483	2,122	2,157	(14.5) %	(1.6) %

(a) Normal represents the 10-year average from January 1, 2010 through December 31, 2019 for Illinois at Chicago Midway International Airport and for Georgia at Atlanta Hartsfield-Jackson International Airport, based on information obtained from the National Oceanic and Atmospheric Administration, National Climatic Data Center.

(b) Heating Degree Days in Illinois had a limited financial impact in 2020 and the impact is expected to be limited in future years. In October 2019, Nicor Gas received approval for a volume balancing adjustment, a revenue decoupling mechanism for residential customers that provides a monthly benchmark level of revenue per rate class for recovery.

Southern Company Gas hedged its exposure to warmer-than-normal weather in Illinois for gas distribution operations and in Illinois and Georgia for gas marketing services. The remaining impacts of weather on earnings were immaterial.

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Customer Count

The following table provides the number of customers served by Southern Company Gas at December 31, 2020 and 2019:

	2020	2019
	<i>(in thousands, except market share %)</i>	
Gas distribution operations	4,308	4,277
Gas marketing services		
Energy customers ^(*)	666	631
Market share of energy customers in Georgia	28.9 %	28.9 %

(*) Gas marketing services' customers are primarily located in Georgia and Illinois. December 31, 2020 also includes approximately 50,000 customers in Ohio contracted through an annual auction process to serve for 12 months beginning April 1, 2020.

Southern Company Gas anticipates continued customer growth as it expects continued low natural gas prices. Southern Company Gas uses a variety of targeted marketing programs to attract new customers and to retain existing customers.

Cost of Natural Gas

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, gas distribution operations charges its utility customers for natural gas consumed using natural gas cost recovery mechanisms set by the applicable state regulatory agencies. Under these mechanisms, all prudently-incurred natural gas costs are passed through to customers without markup, subject to regulatory review. Gas distribution operations defers or accrues the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred natural gas costs are reflected as regulatory assets and accrued natural gas costs are reflected as regulatory liabilities. Therefore, gas costs recovered through natural gas revenues generally equal the amount expensed in cost of natural gas and do not affect net income from gas distribution operations. Cost of natural gas at gas distribution operations represented 88.3% of the total cost of natural gas for 2020.

Gas marketing services customers are charged for actual and estimated natural gas consumed. Cost of natural gas includes the cost of fuel and associated transportation costs, lost and unaccounted for gas, adjustments to reduce the value of inventories to market value, if applicable, and gains and losses associated with certain derivatives.

In 2020, cost of natural gas was \$1.0 billion, a decrease of \$347 million, or 26.3%, compared to the prior year, which reflects a 23.6% decrease in natural gas prices compared to 2019 and decreased volumes primarily as a result of warmer weather.

Volumes of Natural Gas Sold

The following table details the volumes of natural gas sold during all periods presented.

	2020	2019	2020 vs. 2019 % Change
Gas distribution operations (mmBtu in millions)			
Firm	623	677	(8.0)%
Interruptible	92	92	— %
Total	715	769	(7.0)%
Wholesale gas services (mmBtu in millions/day)			
Daily physical sales	6.9	6.4	7.8 %
Gas marketing services (mmBtu in millions)			
Firm:			
Georgia	33	33	— %
Illinois	9	12	(25.0)%
Other	13	15	(13.3)%
Interruptible large commercial and industrial	14	14	— %
Total	69	74	(6.8)%

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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In 2020, other operations and maintenance expenses increased \$78 million, or 8.8%, compared to the prior year. The increase was primarily due to increases of \$40 million in compensation and benefit expenses, \$10 million in charitable donations, \$12 million in pipeline repair, compliance, and maintenance activities, and \$19 million in expenses passed through directly to customers primarily related to bad debt.

Depreciation and Amortization

In 2020, depreciation and amortization increased \$13 million, or 2.7%, compared to the prior year. This increase was primarily due to continued infrastructure investments at gas distribution operations. See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" for additional information.

Impairment Charges

In 2019, Southern Company Gas recorded impairment charges of \$91 million related to Jefferson Island and \$24 million in contemplation of the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline. See Notes 3 and 15 to the financial statements under "Other Matters – Southern Company Gas" and "Southern Company Gas," respectively, for additional information.

(Gain) Loss on Dispositions, Net

In 2020, gain on dispositions, net was \$22 million resulting from the sale of Jefferson Island. See Note 15 to the financial statements under "Southern Company Gas" for additional information.

Earnings from Equity Method Investments

In 2020, earnings from equity method investments decreased \$16 million, or 10.2%, compared to the prior year. This decrease was primarily due to a \$12 million decrease in earnings from SNG as a result of lower demand and firm revenues and a \$9 million decrease in earnings as a result of the sale of Atlantic Coast Pipeline in the first quarter 2020, partially offset by a \$6 million pre-tax loss on the sale of Triton in May 2019. See Notes 7 and 15 to the financial statements under "Southern Company Gas" for additional information.

Other Income (Expense), Net

In 2020, other income (expense), net increased \$21 million compared to the prior year. This increase primarily resulted from an increase in non-service cost-related retirement benefits income. See Note 11 to the financial statements for additional information.

Income Taxes

In 2020, income taxes increased \$43 million, or 33.1%, compared to the prior year. This increase was primarily due to the reversal of a federal income tax valuation allowance in connection with the sale of Triton in 2019, a decrease in the flowback of excess deferred income taxes in 2020 at Atlanta Gas Light as previously authorized by the Georgia PSC, and higher pre-tax earnings. See Note 2 to the financial statements under "Southern Company Gas," Note 10 to the financial statements, and Note 15 to the financial statements under "Southern Company Gas" for additional information.

Performance and Non-GAAP Measures

Adjusted operating margin is a non-GAAP measure that is calculated as operating revenues less cost of natural gas, cost of other sales, and revenue tax expense. Adjusted operating margin excludes other operations and maintenance expenses, depreciation and amortization, taxes other than income taxes, impairment charges, and (gain) loss on dispositions, net, which are included in the calculation of operating income as calculated in accordance with GAAP and reflected in the statements of income. The presentation of adjusted operating margin is believed to provide useful information regarding the contribution resulting from base rate changes, infrastructure replacement programs and capital projects, and customer growth at gas distribution operations since the cost of natural gas and revenue tax expense can vary significantly and are generally billed directly to customers. Southern Company Gas further believes that utilizing adjusted operating margin at gas pipeline investments, wholesale gas services, and gas marketing services allows it to focus on a direct measure of performance before overhead costs. The applicable reconciliation of operating income to adjusted operating margin is provided herein.

Adjusted operating margin should not be considered an alternative to, or a more meaningful indicator of, Southern Company Gas' operating performance than operating income as determined in accordance with GAAP. In addition, Southern Company Gas' adjusted operating margin may not be comparable to similarly titled measures of other companies.

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Detailed variance explanations of Southern Company Gas' financial performance are provided herein.

Reconciliations of operating income to adjusted operating margin are as follows:

	2020	2019
	<i>(in millions)</i>	
Operating Income	\$ 812	\$ 770
Other operating expenses ^(a)	1,650	1,703
Revenue taxes ^(b)	(104)	(114)
Adjusted Operating Margin	\$ 2,358	\$ 2,359

(a) Includes other operations and maintenance, depreciation and amortization, taxes other than income taxes, impairment charges, and (gain) loss on dispositions, net.

(b) Nicor Gas' revenue tax expenses, which are passed through directly to customers.

Segment Information

	2020			2019		
	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)	Adjusted Operating Margin ^(*)	Operating Expenses ^(*)	Net Income (Loss)
	<i>(in millions)</i>			<i>(in millions)</i>		
Gas distribution operations	\$ 1,990	\$ 1,335	\$ 390	\$ 1,799	\$ 1,226	\$ 337
Gas pipeline investments	32	12	99	32	12	94
Wholesale gas services	73	53	14	273	54	163
Gas marketing services	240	121	89	234	122	83
All other	29	36	(2)	28	182	(92)
Intercompany eliminations	(6)	(11)	—	(7)	(7)	—
Consolidated	\$ 2,358	\$ 1,546	\$ 590	\$ 2,359	\$ 1,589	\$ 585

(*) Adjusted operating margin and operating expenses are adjusted for Nicor Gas' revenue tax expenses, which are passed through directly to customers.

Gas Distribution Operations

Gas distribution operations is the largest component of Southern Company Gas' business and is subject to regulation and oversight by regulatory agencies in each of the states it serves. These agencies approve natural gas rates designed to provide Southern Company Gas with the opportunity to generate revenues to recover the cost of natural gas delivered to its customers and its fixed and variable costs, including depreciation, interest expense, operations and maintenance, taxes, and overhead costs, and to earn a reasonable return on its investments.

With the exception of Atlanta Gas Light, Southern Company Gas' second largest utility that operates in a deregulated natural gas market and has a straight-fixed-variable rate design that minimizes the variability of its revenues based on consumption, the earnings of the natural gas distribution utilities can be affected by customer consumption patterns that are a function of weather conditions, price levels for natural gas, and general economic conditions that may impact customers' ability to pay for natural gas consumed. Southern Company Gas has various regulatory and other mechanisms, such as weather and revenue normalization mechanisms and weather derivative instruments, that limit its exposure to changes in customer consumption, including weather changes within typical ranges in its natural gas distribution utilities' service territories.

In 2020, net income increased \$53 million, or 16%, compared to the prior year. The increase primarily relates to \$191 million in adjusted operating margin which reflects base rate increases for all of the natural gas distribution utilities and continued investments recovered through infrastructure replacement programs. The \$109 million increase in operating expenses includes increases for compensation and benefit expenses and pipeline compliance as well as bad debt costs passed through directly to customers. The increase also reflects higher depreciation primarily due to additional assets placed in service. The \$27 million increase in other income is primarily due to an increase in non-service cost-related retirement benefits income. The \$51 million increase in income tax expense is primarily due to higher pre-tax earnings and a decrease in the flowback of excess deferred income taxes at Atlanta Gas Light as authorized by the Georgia PSC.

See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings – Atlanta Gas Light" and " – Infrastructure Replacement Programs and Capital Projects – Atlanta Gas Light" herein for additional information on Atlanta Gas

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Light's stipulation reflecting the impacts of the Tax Reform Legislation. Also see Note 11 to the financial statements for additional information on retirement benefits.

Gas Pipeline Investments

Gas pipeline investments consists primarily of joint ventures in natural gas pipeline investments including SNG, PennEast Pipeline, Dalton Pipeline, and Atlantic Coast Pipeline (until its sale on March 24, 2020). Net income in 2020 increased \$5 million, or 5%, compared to the prior year. This increase primarily relates to a \$25 million decrease in income taxes primarily related to a 2019 increase associated with changes in state apportionment rates, partially offset by a \$12 million decrease in earnings from SNG and a \$9 million decrease in earnings as a result of the sale of the interest in Atlantic Coast Pipeline. See Note 7 to the financial statements under "Southern Company Gas" for additional information.

Wholesale Gas Services

Wholesale gas services is involved in asset management and optimization, storage, transportation, producer and peaking services, natural gas supply, natural gas services, and wholesale gas marketing. Southern Company Gas has positioned the business to generate positive economic earnings on an annual basis even under low volatility market conditions that can result from a number of factors. When market price volatility increases, wholesale gas services is well positioned to capture significant value and generate stronger results. Operating expenses primarily reflect employee compensation and benefits.

Net income in 2020 decreased \$149 million, or 91%, compared to the prior year. This decrease primarily relates to a \$200 million decrease in adjusted operating margin, partially offset by a \$49 million decrease in income taxes due to lower pre-tax earnings.

Details of adjusted operating margin are provided in the table below.

	2020		2019
	<i>(in millions)</i>		
Commercial activity recognized	\$	(40)	\$ 54
Gain on storage derivatives		8	40
Gain on transportation and forward commodity derivatives		106	186
LOCOM adjustments, net of current period recoveries		—	(16)
Purchase accounting adjustments to fair value inventory and contracts		(1)	9
Adjusted operating margin	\$	73	\$ 273

Change in Commercial Activity

The commercial activity at wholesale gas services includes recognition of storage and transportation values that were generated in prior periods, which reflect the impact of prior period hedge gains and losses as associated physical transactions occur. The decrease in commercial activity in 2020 compared to the prior year was primarily due to warmer-than-normal weather conditions and tightening transportation spreads.

Change in Storage and Transportation Derivatives

Volatility in the natural gas market arises from a number of factors, such as weather fluctuations or changes in supply or demand for natural gas in different regions of the U.S. The volatility of natural gas commodity prices has a significant impact on Southern Company Gas' customer rates, long-term competitive position against other energy sources, and the ability of wholesale gas services to capture value from locational and seasonal spreads. Forward storage or time spreads applicable to the locations of wholesale gas services' specific storage positions in 2020 resulted in storage derivative gains. Transportation and forward commodity derivative gains in 2020 are primarily the result of narrowing transportation spreads due to supply constraints and increases in natural gas supply, which impacted forward prices at natural gas receipt and delivery points, primarily in the Northeast and Midwest regions.

The natural gas that wholesale gas services purchases and injects into storage is accounted for at the LOCOM value utilizing gas daily or spot prices at the end of the year. See Note 1 to the financial statements under "Natural Gas for Sale" for additional information.

Withdrawal Schedule and Physical Transportation Transactions

The expected natural gas withdrawals from storage and expected offset to prior hedge losses/gains associated with the transportation portfolio of wholesale gas services are presented in the following table, along with the net operating revenues expected at the time of withdrawal from storage and the physical flow of natural gas between contracted transportation receipt and

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delivery points. Wholesale gas services' expected net operating revenues exclude storage and transportation demand charges, as well as other variable fuel, withdrawal, receipt, and delivery charges, and exclude estimated profit sharing under asset management agreements. Further, the amounts that are realizable in future periods are based on the inventory withdrawal schedule, planned physical flow of natural gas between the transportation receipt and delivery points, and forward natural gas prices at December 31, 2020. A portion of wholesale gas services' storage inventory and transportation capacity is economically hedged with futures contracts, which results in the realization of substantially fixed net operating revenues.

	Storage Withdrawal		Physical Transportation Transactions	
	Total storage ^(a) <i>(in mmBtu in millions)</i>	Expected net operating gains (losses) ^(b) <i>(in millions)</i>	Expected net operating gains (losses) ^(c) <i>(in millions)</i>	
2021	40	\$ 23	\$	(65)
2022 and thereafter	7	6		(41)
Total at December 31, 2020	47	\$ 29	\$	(106)

(a) At December 31, 2020, the WACOG of wholesale gas services' expected natural gas withdrawals from storage was \$1.81 per mmBtu.

(b) Represents expected operating gains from planned storage withdrawals associated with existing inventory positions and could change as wholesale gas services adjusts its daily injection and withdrawal plans in response to changes in future market conditions and forward NYMEX price fluctuations.

(c) Represents the expected net losses during the periods in which the derivatives will be settled and the physical transportation transactions will occur that offset the derivative gains and losses previously recognized.

Gas Marketing Services

Gas marketing services provides energy-related products and services to natural gas markets and participants in customer choice programs that were approved in various states to increase competition. These programs allow customers to choose their natural gas supplier while the local distribution utility continues to provide distribution and transportation services. Gas marketing services is weather sensitive and uses a variety of hedging strategies, such as weather derivative instruments and other risk management tools, to partially mitigate potential weather impacts.

Net income increased \$6 million, or 7%, in 2020 compared to the prior year. This increase primarily relates to a \$6 million increase in adjusted operating margin, which primarily reflects recovery of prior period hedge losses.

All Other

All other includes natural gas storage businesses, including Jefferson Island through its sale on December 1, 2020, fuels operations through the sale of Southern Company Gas' interest in Pivotal LNG on March 24, 2020, the investment in Triton through its sale on May 29, 2019, AGL Services Company, and Southern Company Gas Capital, as well as various corporate operating expenses that are not allocated to the reportable segments and interest income (expense) associated with affiliate financing arrangements.

Net loss decreased \$90 million, or 98%, in 2020 compared to the prior year. This decrease primarily reflects a \$146 million decrease in operating expenses primarily related to impairment charges in 2019 of \$91 million related to Jefferson Island and \$24 million in contemplation of the sale of Southern Company Gas' interests in Pivotal LNG and Atlantic Coast Pipeline. Also included was the \$22 million pre-tax gain on the sale of Jefferson Island and a \$5 million increase in earnings from equity method investments primarily due to a pre-tax loss on the sale of Triton in 2019, partially offset by a \$65 million increase in income taxes as a result of lower pre-tax losses. See Note 15 to the financial statements under "Southern Company Gas" for additional information.

Segment Reconciliations

Reconciliations of operating income to adjusted operating margin for 2020 and 2019 are provided in the following tables. See Note 16 to the financial statements under "Southern Company Gas" for additional segment information.

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	2020						
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
	<i>(in millions)</i>						
Operating Income (Loss)	\$ 655	\$ 20	\$ 20	\$ 119	\$ (7)	\$ 5	\$ 812
Other operating expenses ^(a)	1,439	12	53	121	36	(11)	1,650
Revenue tax expense ^(b)	(104)	—	—	—	—	—	(104)
Adjusted Operating Margin	\$ 1,990	\$ 32	\$ 73	\$ 240	\$ 29	\$ (6)	\$ 2,358

	2019						
	Gas Distribution Operations	Gas Pipeline Investments	Wholesale Gas Services	Gas Marketing Services	All Other	Intercompany Elimination	Consolidated
	<i>(in millions)</i>						
Operating Income (Loss)	\$ 573	\$ 20	\$ 219	\$ 112	\$ (154)	\$ —	\$ 770
Other operating expenses ^(a)	1,340	12	54	122	182	(7)	1,703
Revenue tax expense ^(b)	(114)	—	—	—	—	—	(114)
Adjusted Operating Margin	\$ 1,799	\$ 32	\$ 273	\$ 234	\$ 28	\$ (7)	\$ 2,359

(a) Includes other operations and maintenance, depreciation and amortization, taxes other than income taxes, impairment charges and (gain) loss on dispositions, net.

(b) Nicor Gas' revenue tax expenses, which are passed through directly to customers.

FUTURE EARNINGS POTENTIAL
General

Prices for electric service provided by the traditional electric operating companies and natural gas distributed by the natural gas distribution utilities to retail customers are set by state PSCs or other applicable state regulatory agencies under cost-based regulatory principles. Retail rates and earnings are reviewed and may be adjusted periodically within certain limitations. Prices for wholesale electricity sales, interconnecting transmission lines, and the exchange of electric power are regulated by the FERC. Southern Power continues to focus on long-term PPAs. See ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates – Utility Regulation" herein and Note 2 to the financial statements for additional information about regulatory matters.

Each Registrant's results of operations are not necessarily indicative of its future earnings potential. The disposition activities described in Note 15 to the financial statements have reduced earnings for the applicable Registrants. The level of the Registrants' future earnings depends on numerous factors that affect the opportunities, challenges, and risks of the Registrants' primary businesses of selling electricity and/or distributing natural gas, as described further herein.

For the traditional electric operating companies, these factors include the ability to maintain constructive regulatory environments that allow for the timely recovery of prudently-incurred costs during a time of increasing costs, continued customer growth, and the trend of reduced electricity usage per customer, especially in residential and commercial markets. For Georgia Power, completing construction of Plant Vogtle Units 3 and 4 and related cost recovery proceedings is another major factor.

Earnings in the electricity business will also depend upon maintaining and growing sales, considering, among other things, the adoption and/or penetration rates of increasingly energy-efficient technologies and increasing volumes of electronic commerce transactions, which could contribute to a net reduction in customer usage.

Global and U.S. economic conditions have been significantly affected by a series of demand and supply shocks that have caused a global and national economic recession. Most prominently, the COVID-19 pandemic has negatively impacted global supply chains and global demand for goods and services and public policy responses of social distancing and closing non-essential businesses have further restricted economic activity. The drivers, speed, and depth of this economic contraction are unprecedented and have reduced energy demand across the Southern Company system's service territory, primarily in the commercial and industrial classes. The negative impacts, which started in late-March 2020, of the COVID-19 pandemic and related recession on the Southern Company system's retail electric sales began to improve in the middle of May 2020; however, retail electric revenues declined slightly in 2020 compared to 2019. Recovery is expected to continue into the second half of 2021, but responses to the

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COVID-19 pandemic by both customers and governments could significantly affect the pace of recovery. The ultimate extent of the negative impact on revenues depends on the depth and duration of the economic contraction in the Southern Company system's service territory and cannot be determined at this time. See RESULTS OF OPERATIONS herein for information on COVID-19-related impacts on energy demand in the Southern Company system's service territory during 2020.

The traditional electric operating companies have established installment payment plans to allow customers to repay over a period of time past due accounts resulting from the COVID-19 pandemic. See Note 2 to the financial statements for additional information on the status of disconnections and the deferral of costs resulting from the COVID-19 pandemic at Georgia Power, Mississippi Power, and the natural gas distribution utilities. The ultimate outcome of these matters cannot be determined at this time.

The level of future earnings for Southern Power's competitive wholesale electric business depends on numerous factors including Southern Power's ability to execute its growth strategy through the development or acquisition of renewable facilities and other energy projects while containing costs, as well as regulatory matters, creditworthiness of customers, total electric generating capacity available in Southern Power's market areas, and Southern Power's ability to successfully remarket capacity as current contracts expire. In addition, renewable portfolio standards, availability of tax credits, transmission constraints, cost of generation from units within the Southern Company power pool, and operational limitations could influence Southern Power's future earnings.

The level of future earnings for Southern Company Gas' primary business of distributing natural gas and its complementary businesses in the gas pipeline investments, wholesale gas services, and gas marketing services sectors depends on numerous factors. These factors include the natural gas distribution utilities' ability to maintain constructive regulatory environments that allow for the timely recovery of prudently-incurred costs, the completion and subsequent operation of ongoing infrastructure and other construction projects, creditworthiness of customers, and Southern Company Gas' ability to optimize its transportation and storage positions and to re-contract storage rates at favorable prices. The volatility of natural gas prices has an impact on Southern Company Gas' customer rates, its long-term competitive position against other energy sources, and the ability of Southern Company Gas' gas marketing services and wholesale gas services businesses to capture value from locational and seasonal spreads. Additionally, changes in commodity prices subject a portion of Southern Company Gas' operations to earnings variability. Over the longer term, volatility is expected to be low to moderate and locational and/or transportation spreads are expected to decrease as new pipelines are built to reduce the existing supply constraints in the shale areas of the Northeast U.S. To the extent these pipelines are delayed or not built, volatility could increase. See Note 3 to the financial statements under "Other Matters – Southern Company Gas – PennEast Pipeline Project" for additional information on permitting challenges experienced by the PennEast Pipeline. Additional economic factors may contribute to this environment, including a significant drop in oil and natural gas prices, which could lead to consolidation of natural gas producers or reduced levels of natural gas production. In addition, if the COVID-19 pandemic results in continued economic uncertainty for a sustained period, demand for natural gas may decrease, resulting in further downward pressure on natural gas prices and lower volatility in the natural gas markets on a longer-term basis.

Earnings for both the electricity and natural gas businesses are subject to a variety of other factors. These factors include weather, competition, developing new and maintaining existing energy contracts and associated load requirements with wholesale customers, energy conservation practiced by customers, the use of alternative energy sources by customers, government incentives to reduce overall energy usage, the prices of electricity and natural gas, and the price elasticity of demand. Demand for electricity and natural gas in the Registrants' service territories is primarily driven by the pace of economic growth or decline that may be affected by changes in regional and global economic conditions, which may impact future earnings.

Mississippi Power provides service under long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under full requirements cost-based electric tariffs which are subject to regulation by the FERC. The contracts with these wholesale customers represented 15.3% of Mississippi Power's total operating revenues in 2020 and are generally subject to 10-year rolling cancellation notices. Historically, these wholesale customers have acted as a group and any changes in contractual relationships for one customer are likely to be followed by the other wholesale customers.

As part of its ongoing effort to adapt to changing market conditions, Southern Company continues to evaluate and consider a wide array of potential business strategies. These strategies may include business combinations, partnerships, and acquisitions involving other utility or non-utility businesses or properties, disposition of certain assets or businesses, internal restructuring, or some combination thereof. Furthermore, Southern Company may engage in new business ventures that arise from competitive and regulatory changes in the utility industry. Pursuit of any of the above strategies, or any combination thereof, may significantly affect the business operations, risks, and financial condition of Southern Company. In addition, Southern Power and Southern Company Gas regularly consider and evaluate joint development arrangements as well as acquisitions and dispositions of businesses and assets as part of their business strategies. See Note 15 to the financial statements for additional information.

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Environmental Matters

The Southern Company system's operations are regulated by state and federal environmental agencies through a variety of laws and regulations governing air, water, land, and other natural resources. The Southern Company system maintains comprehensive environmental compliance and GHG strategies to assess both current and upcoming requirements and compliance costs associated with these environmental laws and regulations. The costs required to comply with environmental laws and regulations and to achieve stated goals, including capital expenditures, operations and maintenance costs, and costs reflected in ARO liabilities, may impact future electric generating unit retirement and replacement decisions (which are subject to approval from the traditional electric operating companies' respective state PSCs), results of operations, cash flows, and/or financial condition. Related costs may result from the installation of additional environmental controls, closure and monitoring of CCR facilities, unit retirements, or changing fuel sources for certain existing units, as well as related upgrades to the Southern Company system's transmission and distribution (electric and natural gas) systems. A major portion of these costs is expected to be recovered through retail and wholesale rates, including existing ratemaking and billing provisions. The ultimate impact of environmental laws and regulations and the GHG goals discussed herein cannot be determined at this time and will depend on various factors, such as state adoption and implementation of requirements, the availability and cost of any deployed technology, fuel prices, and the outcome of pending and/or future legal challenges.

New or revised environmental laws and regulations could affect many areas of operations for the Subsidiary Registrants. The impact of any such changes cannot be determined at this time. Environmental compliance costs could affect earnings, cash flows, and/or financial condition if such costs cannot continue to be recovered on a timely basis in rates for the traditional electric operating companies and the natural gas distribution utilities or through long-term wholesale agreements for the traditional electric operating companies and Southern Power.

Alabama Power and Mississippi Power recover environmental compliance costs through separate mechanisms, Rate CNP Compliance and the ECO Plan, respectively. Georgia Power's base rates include an ECCR tariff that allows for the recovery of environmental compliance costs. The natural gas distribution utilities of Southern Company Gas generally recover environmental remediation expenditures through rate mechanisms approved by their applicable state regulatory agencies. See Notes 2 and 3 to the financial statements for additional information.

Southern Power's PPAs generally contain provisions that permit charging the counterparty with some of the new costs incurred as a result of changes in environmental laws and regulations. Since Southern Power's units are generally newer natural gas and renewable generating facilities, costs associated with environmental compliance for these facilities have been less significant than for similarly situated coal or older natural gas generating facilities. Environmental, natural resource, and land use concerns, including the applicability of air quality limitations, the potential presence of wetlands or threatened and endangered species, the availability of water withdrawal rights, uncertainties regarding impacts such as increased light or noise, and concerns about potential adverse health impacts can, however, increase the cost of siting and operating any type of future electric generating facility. The impact of such laws, regulations, and other considerations on Southern Power and subsequent recovery through PPA provisions cannot be determined at this time.

Further, increased costs that are recovered through regulated rates could contribute to reduced demand for electricity and natural gas, which could negatively affect results of operations, cash flows, and/or financial condition. Additionally, many commercial and industrial customers may also be affected by existing and future environmental requirements, which for some may have the potential to affect their demand for electricity and natural gas.

Although the timing, requirements, and estimated costs could change as environmental laws and regulations are adopted or modified, as compliance plans are revised or updated, and as legal challenges to rules are initiated or completed, estimated capital expenditures through 2025 based on the current environmental compliance strategy for the Southern Company system and the traditional electric operating companies are as follows:

	2021	2022	2023	2024	2025	Total
	<i>(in millions)</i>					
Southern Company	\$ 120	\$ 145	\$ 257	\$ 255	\$ 152	\$ 929
Alabama Power	67	78	78	99	70	392
Georgia Power	34	42	164	151	59	450
Mississippi Power	19	15	9	5	14	62

These estimates do not include any costs associated with potential regulation of GHG emissions. See "Global Climate Issues" herein for additional information. The Southern Company system also anticipates substantial expenditures associated with ash

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pond closure and ground water monitoring under the CCR Rule and related state rules, which are reflected in the applicable Registrants' ARO liabilities. See FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements" herein and Note 6 to the financial statements for additional information.

Environmental Laws and Regulations*Executive Orders*

On January 20, 2021, President Biden issued a regulatory freeze that requires further reviews of certain regulatory actions authorized under the previous administration before they become effective. President Biden also signed executive orders related to federal regulations and subsequently signed additional orders to address climate change and other environmental issues.

Air Quality

The Southern Company system reduced SO₂ and NO_x air emissions by 99% and 91%, respectively, from 1990 to 2019. The Southern Company system reduced mercury air emissions by over 97% from 2005 to 2019.

The EPA finalized regional haze regulations in 2005 and 2017. These regulations require states, tribal governments, and various federal agencies to develop and implement plans to reduce pollutants that impair visibility and demonstrate reasonable progress toward the goal of restoring natural visibility conditions in certain areas, including national parks and wilderness areas. States are required to submit state implementation plans for the second 10-year planning period (2018 through 2028) by July 31, 2021. These plans could require further reductions in particulate matter, SO₂, and/or NO_x, which could result in increased compliance costs at affected electric generating units.

Water Quality

In 2014, the EPA finalized requirements under Section 316(b) of the Clean Water Act (CWA) to regulate cooling water intake structures (CWIS) to minimize their effects on fish and other aquatic life at existing power plants. The regulation requires plant-specific studies to determine applicable CWIS changes to protect organisms. The results of these plant-specific studies, which are ongoing within the Southern Company system, are being submitted with each plant's next National Pollutant Discharge Elimination System (NPDES) permit cycle. The Southern Company system anticipates applicable CWIS changes may include fish-friendly CWIS screens with fish return systems and minor additions of monitoring equipment at certain plants. The impact of this rule will depend on the outcome of these plant-specific studies, any additional protective measures required to be incorporated into each plant's NPDES permit based on site-specific factors, and the outcome of any legal challenges.

In 2015, the EPA finalized the steam electric effluent limitations guidelines (ELG) rule (2015 ELG Rule) that set national standards for wastewater discharges from new and existing steam electric generating units generating greater than 50 MWs, including substantially all of the coal-fired generating units in the Southern Company system. The 2015 ELG Rule prohibits effluent discharges of certain wastestreams and imposes stringent limits on flue gas desulfurization (FGD) wastewater discharges. On October 13, 2020, the EPA published the final ELG reconsideration rule, a reconsideration of the 2015 ELG Rule's limits on bottom ash transport water and FGD wastewater that extends the latest applicability date for both discharges to December 31, 2025. The ELG reconsideration rule also updates the voluntary incentive program and provides new subcategories for low utilization electric generating units and electric generating units that will permanently cease coal combustion by 2028. An initial notice of planned participation (NOPP) must be submitted to the applicable permitting authority no later than October 13, 2021 for units seeking to qualify for these subcategories. A subsequent NOPP must be submitted to transfer a unit to an alternative compliance option. The 2015 ELG Rule and the ELG reconsideration rule (ELG rules) are expected to require capital expenditures and increased operational costs for the traditional electric operating companies and SEGCO. For Georgia Power's Plant Wansley Units 1 and 2, which are currently challenged due to their operating profiles and positions within the economic dispatch, the anticipated cost of the controls necessary to comply with the ELG rules could accelerate a determination that continued operation is uneconomical. As a result, Georgia Power may request in its 2022 IRP filing to accelerate the retirement of these units, which had a net book value totaling approximately \$665 million at December 31, 2020. However, the ultimate impact of the ELG rules will depend on the Southern Company system's final assessment of compliance options, the incorporation of these assessments into each of the traditional electric operating company's IRP processes, the incorporation of these new requirements into each generating unit's NPDES permit, and the outcome of legal challenges. The ELG reconsideration rule has been challenged by several environmental organizations and the cases have been consolidated in the U.S. Court of Appeals for the Fourth Circuit.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report*Coal Combustion Residuals*

In 2015, the EPA finalized non-hazardous solid waste regulations for the disposal of CCR, including coal ash and gypsum, in landfills and surface impoundments (ash ponds) at active electric generating power plants. The CCR Rule requires landfills and ash ponds to be evaluated against a set of performance criteria and potentially closed if certain criteria are not met. Closure of existing landfills and ash ponds requires installation of equipment and infrastructure to manage CCR in accordance with the CCR Rule. The EPA is in the process of amending portions of the CCR Rule.

In addition to the CCR Rule, the States of Alabama and Georgia finalized state regulations regarding the handling of CCR within their respective states. The State of Georgia received approval from the EPA on its partial permit program implementing the state CCR permit program in lieu of the federal self-implementing rule in accordance with the Water Infrastructure Improvements for the Nation Act. On February 15, 2021, revisions to align State of Alabama regulations with the federal CCR Rule became effective, as approved by the Alabama Environmental Management Commission. The State of Mississippi has not yet developed a state CCR permit program.

Based on requirements for closure and monitoring of landfills and ash ponds pursuant to the CCR Rule and applicable state rules, the traditional electric operating companies have periodically updated, and expect to continue periodically updating, their related cost estimates and ARO liabilities for each CCR unit as additional information related to ash pond closure methodologies, schedules, and/or costs becomes available. Some of these updates have been, and future updates may be, material. Additionally, the closure designs and plans in the States of Alabama and Georgia are subject to approval by environmental regulatory agencies. Absent continued recovery of ARO costs through regulated rates, results of operations, cash flows, and financial condition for Southern Company and the traditional electric operating companies could be materially impacted. See FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements," Note 2 to the financial statements under "Georgia Power – Rate Plans," and Note 6 to the financial statements for additional information.

Environmental Remediation

The Southern Company system must comply with environmental laws and regulations governing the handling and disposal of waste and releases of hazardous substances. Under these various laws and regulations, the Southern Company system could incur substantial costs to clean up affected sites. The traditional electric operating companies and Southern Company Gas conduct studies to determine the extent of any required cleanup and have recognized the estimated costs to clean up known impacted sites in their financial statements. Amounts for cleanup and ongoing monitoring costs were not material for any year presented. The traditional electric operating companies and the natural gas distribution utilities in Illinois and Georgia (which represent substantially all of Southern Company Gas' accrued remediation costs) have all received authority from their respective state PSCs or other applicable state regulatory agencies to recover approved environmental remediation costs through regulatory mechanisms. These regulatory mechanisms are adjusted annually or as necessary within limits approved by the state PSCs or other applicable state regulatory agencies. The traditional electric operating companies and Southern Company Gas may be liable for some or all required cleanup costs for additional sites that may require environmental remediation. See Note 3 to the financial statements under "Environmental Remediation" for additional information.

Global Climate Issues

In July 2019, the EPA published the final Affordable Clean Energy rule (ACE Rule) to repeal and replace the CPP. The ACE Rule requires states to develop unit-specific CO₂ emission rate standards for existing coal-fired units based on heat-rate efficiency improvements. On January 19, 2021, the D.C. Circuit Court of Appeals vacated and remanded the ACE Rule back to the EPA. Once the decision becomes final, the ACE Rule will no longer be in effect.

On January 20, 2021, President Biden accepted the Paris Agreement on behalf of the United States, which will result in the United States officially becoming a party to the agreement on February 19, 2021. The Paris Agreement establishes a non-binding universal framework for addressing GHG emissions based on nationally determined emissions reduction contributions and sets in place a process for tracking progress towards the goals every five years.

Additional GHG policies, including legislation, may emerge in the future requiring the United States to transition to a lower GHG emitting economy; however, associated impacts are currently unknown. The Southern Company system has transitioned from an electric generating mix of 70% coal and 15% natural gas in 2007 to a mix of 18% coal and 53% natural gas in 2020, along with over 10,000 MWs of renewable resource capacity. This transition has been supported in part by the Southern Company system retiring over 5,600 MWs of coal- and oil-fired generating capacity since 2010 and converting over 3,400 MWs of generating capacity from coal to natural gas since 2015. In addition, Southern Company Gas has replaced over 6,000 miles of pipe material that was more prone to fugitive emissions (unprotected steel and cast-iron pipe), resulting in mitigation of more than 3.3 million metric tons of CO₂ equivalents from its natural gas distribution system since 1998.

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The following table provides the Registrants' 2019 and preliminary 2020 GHG emissions based on equity share of facilities:

	2019	Preliminary 2020
	<i>(in million metric tons of CO₂ equivalent)</i>	
Southern Company ^(*)	88	75
Alabama Power	33	28
Georgia Power	28	21
Mississippi Power	9	8
Southern Power ^(*)	13	12
Southern Company Gas	1	1

(*) Includes GHG emissions attributable to disposed assets through the date of the applicable disposition and to acquired assets beginning with the date of the applicable acquisition. See Note 15 to the financial statements for additional information.

With 2007 as a baseline, in 2018, Southern Company system management established an interim goal of a 50% reduction in carbon emissions by 2030 and a long-term goal of low- to no-carbon operations by 2050. In 2020, Southern Company system management updated the long-term GHG emissions reduction goal to net zero emissions by 2050. Based on the preliminary 2020 emissions, the Southern Company system achieved an estimated GHG emission reduction of 52% since 2007. In 2020, the combination of the COVID-19 pandemic and relatively mild weather significantly reduced demand. As these factors fluctuate, coal generation and GHG emissions may temporarily increase in future years. Southern Company system management expects to achieve sustained GHG emissions reductions of at least 50% as early as 2025. Southern Company system management, working with applicable regulators, plans to transition its generating fleet in a manner responsible to customers, communities, employees, and other stakeholders. Achievement of these goals is dependent on many factors, including natural gas prices and the pace and extent of development of low- to no-carbon energy technologies and negative carbon concepts. Southern Company system management will continue to pursue a diverse portfolio including low-carbon and carbon-free resources and energy efficiency resources; continue its research and development with a particular focus on technologies that lower GHG emissions, including methods of removing carbon from the atmosphere; and constructively engage with policymakers, regulators, investors, and customers to support outcomes leading to a net zero future.

Regulatory Matters

See OVERVIEW – "Recent Developments" herein and Note 2 to the financial statements for a discussion of regulatory matters related to Alabama Power, Georgia Power, Mississippi Power, and Southern Company Gas, including items that could impact the applicable registrants' future earnings, cash flows, and/or financial condition.

Construction Programs

The Subsidiary Registrants are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. The Southern Company system intends to continue its strategy of developing and constructing new electric generating facilities, expanding and improving the electric transmission and electric and natural gas distribution systems, and undertaking projects to comply with environmental laws and regulations.

For the traditional electric operating companies, major generation construction projects are subject to state PSC approval in order to be included in retail rates. The largest construction project currently underway in the Southern Company system is Plant Vogtle Units 3 and 4. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information. Also see Note 2 to the financial statements under "Alabama Power – Petition for Certificate of Convenience and Necessity" for information regarding Alabama Power's construction of Plant Barry Unit 8.

See Note 15 to the financial statements under "Southern Power" for information about costs relating to Southern Power's acquisitions that involve construction of renewable energy facilities.

Southern Company Gas is engaged in various infrastructure improvement programs designed to update or expand the natural gas distribution systems of the natural gas distribution utilities to improve reliability and meet operational flexibility and growth. The natural gas distribution utilities recover their investment and a return associated with these infrastructure programs through their regulated rates. See Notes 2 and 3 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" and "Other Matters – Southern Company Gas – PennEast Pipeline Project," respectively, for additional information on Southern Company Gas' construction program.

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See FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements" herein for additional information regarding the Registrants' capital requirements for their construction programs, including estimated totals for each of the next five years.

Southern Power's Power Sales Agreements***General***

Southern Power has PPAs with some of the traditional electric operating companies, other investor-owned utilities, IPPs, municipalities, and other load-serving entities, as well as commercial and industrial customers. The PPAs are expected to provide Southern Power with a stable source of revenue during their respective terms.

Many of Southern Power's PPAs have provisions that require Southern Power or the counterparty to post collateral or an acceptable substitute guarantee if (i) S&P or Moody's downgrades the credit ratings of the respective company to an unacceptable credit rating, (ii) the counterparty is not rated, or (iii) the counterparty fails to maintain a minimum coverage ratio.

Southern Power is working to maintain and expand its share of the wholesale markets. During 2020, Southern Power continued to be successful in remarketing 350 MWs to 1,130 MWs of annual natural gas generation capacity to load-serving entities through several PPAs extending over the next 17 years. Market demand is being driven by load-serving entities replacing expired purchase contracts and/or retired generation, as well as planning for future growth. However, generation capacity market forecasts indicate an oversupply, especially in the Southeast, and the highly competitive remarketing environment is expected to continue in the near term.

Natural Gas

Southern Power's electricity sales from natural gas facilities are primarily through long-term PPAs that consist of two types of agreements. The first type, referred to as a unit or block sale, is a customer purchase from a dedicated generating unit where all or a portion of the generation from that unit is reserved for that customer. Southern Power typically has the ability to serve the unit or block sale customer from an alternate resource. The second type, referred to as requirements service, provides that Southern Power serve the customer's capacity and energy requirements from a combination of the customer's own generating units and from Southern Power resources not dedicated to serve unit or block sales. Southern Power has rights to purchase power provided by the requirements customers' resources when economically viable.

As a general matter, substantially all of the PPAs provide that the purchasers are responsible for either procuring the fuel (tolling agreements) or reimbursing Southern Power for substantially all of the cost of fuel or purchased power relating to the energy delivered under such PPAs. To the extent a particular generating facility does not meet the operational requirements contemplated in the PPAs, Southern Power may be responsible for excess fuel costs. With respect to fuel transportation risk, most of Southern Power's PPAs provide that the counterparties are responsible for the availability of fuel transportation to the particular generating facility.

Capacity charges that form part of the PPA payments are designed to recover fixed and variable operation and maintenance costs based on dollars-per-kilowatt year. In general, to reduce Southern Power's exposure to certain operation and maintenance costs, Southern Power has LTSAs. See Note 1 to the financial statements under "Long-Term Service Agreements" for additional information.

Solar and Wind

Southern Power's electricity sales from solar and wind (renewable) generating facilities are also primarily through long-term PPAs; however, these solar and wind PPAs do not have a capacity charge and customers either purchase the energy output of a dedicated renewable facility through an energy charge or provide Southern Power a certain fixed price for the electricity sold to the grid. As a result, Southern Power's ability to recover fixed and variable operations and maintenance expenses is dependent upon the level of energy generated from these facilities, which can be impacted by weather conditions, equipment performance, transmission constraints, and other factors. Generally, under the renewable generation PPAs, the purchasing party retains the right to keep or resell the renewable energy credits.

Southern Company Gas' Affiliate Asset Management Agreements

With the exception of Nicor Gas, the natural gas distribution utilities use asset management agreements with an affiliate, Sequent, for the primary purpose of reducing utility customers' gas cost recovery rates through payments to the utilities by Sequent. For Atlanta Gas Light, these payments are set by the Georgia PSC and are utilized for infrastructure improvements and to fund heating assistance programs, rather than as a reduction to gas cost recovery rates. Under these asset management agreements, Sequent supplies natural gas to the utility and markets available pipeline and storage capacity to improve the overall cost of supplying gas to the utility customers. Currently, the natural gas distribution utilities primarily purchase their gas from

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Sequent. The purchase agreements require Sequent to provide firm gas to the natural gas distribution utilities, but the natural gas distribution utilities maintain the right and ability to make their own long-term supply arrangements if they believe it is in the best interest of their customers.

Each agreement provides for Sequent to make payments to the natural gas distribution utility through an annual minimum guarantee within a profit sharing structure, a profit sharing structure without an annual minimum guarantee, or a fixed fee.

Income Tax Matters***Consolidated Income Taxes***

The impact of certain tax events at Southern Company and/or its other subsidiaries can, and does, affect each Registrant's ability to utilize certain tax credits. See "Tax Credits" and ACCOUNTING POLICIES – "Application of Critical Accounting Policies and Estimates – Accounting for Income Taxes" herein and Note 10 to the financial statements for additional information.

Tax Credits

The Tax Reform Legislation, as modified by the 2021 Consolidated Appropriations Act signed into law in December 2020, retained solar energy incentives of 30% ITC for projects that commenced construction by December 31, 2019; 26% ITC for projects that commence construction in 2020 through 2022; 22% ITC for projects that commence construction in 2023; and a permanent 10% ITC for projects that commence construction on or after January 1, 2024, or projects which are placed in service after December 31, 2025 regardless of when construction began. In addition, the Tax Reform Legislation retained wind energy incentives for projects that commenced construction in 2016, 2017, 2018, and 2019 of 100% PTC, 80% PTC, 60% PTC, and 40% PTC, respectively. As a result of a tax extenders bill passed in December 2019 and the 2021 Consolidated Appropriations Act, projects that begin construction in 2020 or 2021 are entitled to 60% PTC. Projects commencing construction after 2021 will not be entitled to any PTCs. Southern Company has received ITCs and PTCs in connection with investments in solar, wind, fuel cell, and biomass facilities primarily at Southern Power and Georgia Power.

Southern Power's ITCs relate to its investment in new solar facilities acquired or constructed and its PTCs relate to the first 10 years of energy production from its wind facilities, which have had, and may continue to have, a material impact on Southern Power's cash flows and net income. At December 31, 2020, Southern Company and Southern Power had approximately \$1.4 billion and \$1.1 billion, respectively, of unutilized ITCs and PTCs, which are currently expected to be fully utilized by 2024, but could be further delayed. Since 2018, Southern Power has been utilizing tax equity partnerships for wind and solar projects, where the tax partner takes significantly all of the respective federal tax benefits. These tax equity partnerships are consolidated in Southern Company's and Southern Power's financial statements using the HLBV methodology to allocate partnership gains and losses. See Note 1 to the financial statements under "General" for additional information on the HLBV methodology and Note 1 to the financial statements under "Income Taxes" and Note 10 to the financial statements under "Deferred Tax Assets and Liabilities – Tax Credit Carryforwards" and "Effective Tax Rate" for additional information regarding utilization and amortization of credits and the tax benefit related to associated basis differences.

Alabama State Tax Reform Legislation

On February 12, 2021, the State of Alabama enacted tax legislation that changes the apportionment methodology effective for the 2021 tax year. This legislation is expected to reduce the amount of Southern Power's future earnings apportioned to the State of Alabama and, thus, reduce Southern Power's existing state accumulated deferred tax liabilities, which would have a favorable impact on Southern Power's net income. The ultimate outcome of this matter cannot be determined at this time.

General Litigation and Other Matters

The Registrants are involved in various matters being litigated and/or regulatory and other matters that could affect future earnings, cash flows, and/or financial condition. The ultimate outcome of such pending or potential litigation against each Registrant and any subsidiaries or regulatory and other matters cannot be determined at this time; however, for current proceedings and/or matters not specifically reported herein or in Notes 2 and 3 to the financial statements, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings and/or matters would have a material effect on such Registrant's financial statements. See Notes 2 and 3 to the financial statements for a discussion of various contingencies, including matters being litigated, regulatory matters, and other matters which may affect future earnings potential.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**ACCOUNTING POLICIES****Application of Critical Accounting Policies and Estimates**

The Registrants prepare their financial statements in accordance with GAAP. Significant accounting policies are described in the notes to the financial statements. In the application of these policies, certain estimates are made that may have a material impact on the results of operations and related disclosures of the applicable Registrants (as indicated in the section descriptions herein). Different assumptions and measurements could produce estimates that are significantly different from those recorded in the financial statements. Senior management has reviewed and discussed the following critical accounting policies and estimates with the Audit Committee of Southern Company's Board of Directors.

Utility Regulation (Southern Company, Alabama Power, Georgia Power, Mississippi Power, and Southern Company Gas)

The traditional electric operating companies and the natural gas distribution utilities are subject to retail regulation by their respective state PSCs or other applicable state regulatory agencies and wholesale regulation by the FERC. These regulatory agencies set the rates the traditional electric operating companies and the natural gas distribution utilities are permitted to charge customers based on allowable costs, including a reasonable ROE. As a result, the traditional electric operating companies and the natural gas distribution utilities apply accounting standards which require the financial statements to reflect the effects of rate regulation. Through the ratemaking process, the regulators may require the inclusion of costs or revenues in periods different than when they would be recognized by a non-regulated company. This treatment may result in the deferral of expenses and the recording of related regulatory assets based on anticipated future recovery through rates or the deferral of gains or creation of liabilities and the recording of related regulatory liabilities. The application of the accounting standards for rate regulated entities also impacts their financial statements as a result of the estimates of allowable costs used in the ratemaking process. These estimates may differ from those actually incurred by the traditional electric operating companies and the natural gas distribution utilities; therefore, the accounting estimates inherent in specific costs such as depreciation, AROs, and pension and other postretirement benefits have less of a direct impact on the results of operations and financial condition of the applicable Registrants than they would on a non-regulated company.

Revenues related to regulated utility operations as a percentage of total operating revenues in 2020 for the applicable Registrants were as follows: 89% for Southern Company, 99% for Alabama Power, 96% for Georgia Power, 99% for Mississippi Power, and 86% for Southern Company Gas.

As reflected in Note 2 to the financial statements, significant regulatory assets and liabilities have been recorded. Management reviews the ultimate recoverability of these regulatory assets and any requirement to refund these regulatory liabilities based on applicable regulatory guidelines and GAAP. However, adverse legislative, judicial, or regulatory actions could materially impact the amounts of such regulatory assets and liabilities and could adversely impact the financial statements of the applicable Registrants.

Estimated Cost, Schedule, and Rate Recovery for the Construction of Plant Vogtle Units 3 and 4 (Southern Company and Georgia Power)

In 2016, the Georgia PSC approved the Vogtle Cost Settlement Agreement, which resolved certain prudence matters in connection with Georgia Power's fifteenth VCM report. In 2017, the Georgia PSC approved Georgia Power's seventeenth VCM report, which included a recommendation to continue construction of Plant Vogtle Units 3 and 4, with Southern Nuclear serving as project manager and Bechtel serving as the primary construction contractor, as well as a modification of the Vogtle Cost Settlement Agreement. The Georgia PSC's related order stated that under the modified Vogtle Cost Settlement Agreement, (i) none of the \$3.3 billion of costs incurred through December 31, 2015 should be disallowed as imprudent; (ii) the Contractor Settlement Agreement was reasonable and prudent and none of the \$0.3 billion paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) capital costs incurred up to \$5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs; (iv) Georgia Power would have the burden of proof to show that any capital costs above \$5.68 billion were prudent; (v) Georgia Power's total project capital cost forecast of \$7.3 billion (net of \$1.7 billion received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds) was found reasonable and did not represent a cost cap; and (vi) prudence decisions would be made subsequent to achieving fuel load for Unit 4.

In its order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

As of December 31, 2020, Georgia Power revised its total project capital cost forecast to \$8.7 billion (net of \$1.7 billion received under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds). This forecast includes

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construction contingency of \$171 million and is based on the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4. Since 2018, construction contingency totaling \$0.5 billion has been assigned to the base capital cost forecast. Although Georgia Power believes these incremental costs are reasonable and necessary to complete the project and the Georgia PSC's order in the seventeenth VCM proceeding specifically states that the construction of Plant Vogtle Units 3 and 4 is not subject to a cost cap, Georgia Power did not seek rate recovery for a \$0.7 billion increase in the base capital cost forecast in 2018 and has not sought rate recovery for the construction contingency costs. After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in these future regulatory proceedings, Georgia Power recorded total pre-tax charges to income of \$1.1 billion (\$0.8 billion after tax) in the second quarter 2018 and \$149 million (\$111 million after tax) and \$176 million (\$131 million after tax) as of June 30, 2020 and December 31, 2020, respectively.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of engineering support, commodity installation, system turnovers and related test results, and workforce statistics. The project continues to face challenges including, but not limited to, higher than expected absenteeism; overall construction and subcontractor labor productivity; system turnover and testing activities; and electrical equipment and commodity installation. In addition, Georgia Power estimates the productivity impacts of the COVID-19 pandemic have consumed approximately three to four months of embedded schedule margin. With minimal schedule margin remaining, the Unit 3 schedule is challenged, and any further extension of the hot functional testing or fuel load milestones, or other delays from the challenges described below, could impact the ability to achieve the November 2021 in-service date.

As construction, including subcontract work, continues and testing and system turnover activities increase, challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of plant systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues could arise and change the projected schedule and estimated cost. In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction and testing activities at Plant Vogtle Units 3 and 4.

There have been technical and procedural challenges to the construction and licensing of Plant Vogtle Units 3 and 4 at the federal and state level and additional challenges may arise. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, including inspections by Southern Nuclear and the NRC that occur throughout construction. Findings resulting from such inspections could require additional remediation and/or further NRC oversight. In addition, certain license amendment requests have been filed and approved or are pending before the NRC. Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues, including inspections and ITAACs, are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

The ultimate outcome of these matters cannot be determined at this time. However, any schedule extension beyond the regulatory-approved in-service dates is currently estimated to result in additional base capital costs for Georgia Power of approximately \$25 million per month for Unit 3 and approximately \$15 million per month for Unit 4, as well as the related AFUDC. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Given the significant complexity involved in estimating the future costs to complete construction and start-up of Plant Vogtle Units 3 and 4 and the significant management judgment necessary to assess the related uncertainties surrounding future rate recovery of any projected cost increases, as well as the potential impact on results of operations and cash flows, Southern Company and Georgia Power consider these items to be critical accounting estimates. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

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The consolidated income tax provision and deferred income tax assets and liabilities, as well as any unrecognized tax benefits and valuation allowances, require significant judgment and estimates. These estimates are supported by historical tax return data, reasonable projections of taxable income, the ability and intent to implement tax planning strategies if necessary, and interpretations of applicable tax laws and regulations across multiple taxing jurisdictions. The effective tax rate reflects the statutory tax rates and calculated apportionments for the various states in which the Southern Company system operates.

Southern Company files a consolidated federal income tax return and the Registrants file various state income tax returns, some of which are combined or unitary. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and each subsidiary is allocated an amount of tax similar to that which would be paid if it filed a separate income tax return. In accordance with IRS regulations, each company is jointly and severally liable for the federal tax liability. Certain deductions and credits can be limited or utilized at the consolidated or combined level resulting in tax credit and/or state NOL carryforwards that would not otherwise result on a stand-alone basis. Utilization of these carryforwards and the assessment of valuation allowances are based on significant judgment and extensive analysis of Southern Company's and its subsidiaries' current financial position and results of operations, including currently available information about future years, to estimate when future taxable income will be realized.

Current and deferred state income tax liabilities and assets are estimated based on laws of multiple states that determine the income to be apportioned to their jurisdictions. States have various filing methodologies and utilize specific formulas to calculate the apportionment of taxable income. The calculation of deferred state taxes considers apportionment factors and filing methodologies that are expected to apply in future years. The apportionments and methodologies which are ultimately finalized in a manner inconsistent with expectations could have a material effect on the financial statements of the applicable Registrants.

Given the significant judgment involved in estimating tax credit and/or state NOL carryforwards and multi-state apportionments for all subsidiaries, the applicable Registrants consider deferred income tax liabilities and assets to be critical accounting estimates.

Asset Retirement Obligations (Southern Company, Alabama Power, Georgia Power, Mississippi Power, and Southern Company Gas)

AROs are computed as the present value of the estimated costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The estimated costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities.

The ARO liabilities for the traditional electric operating companies primarily relate to facilities that are subject to the CCR Rule and the related state rules, principally ash ponds. In addition, Alabama Power and Georgia Power have retirement obligations related to the decommissioning of nuclear facilities (Alabama Power's Plant Farley and Georgia Power's ownership interests in Plant Hatch and Plant Vogtle Units 1 and 2). Other significant AROs include various landfill sites and asbestos removal for Alabama Power, Georgia Power, and Mississippi Power and gypsum cells and mine reclamation for Mississippi Power.

The traditional electric operating companies and Southern Company Gas also have identified other retirement obligations, such as obligations related to certain electric transmission and distribution facilities, certain asbestos-containing material within long-term assets not subject to ongoing repair and maintenance activities, certain wireless communication towers, the disposal of polychlorinated biphenyls in certain transformers, leasehold improvements, equipment on customer property, and property associated with the Southern Company system's rail lines and natural gas pipelines. However, liabilities for the removal of these assets have not been recorded because the settlement timing for certain retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these retirement obligations will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

The cost estimates for AROs related to the disposal of CCR are based on information using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule and the related state rules. The traditional electric operating companies have periodically updated, and expect to continue periodically updating, their related cost estimates and ARO liabilities for each CCR unit as additional information related to these assumptions becomes available. Some of these updates have been, and future updates may be, material. See Note 6 to the financial statements for additional information, including increases to AROs related to ash ponds recorded during 2020 by certain Registrants.

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Given the significant judgment involved in estimating AROs, the applicable Registrants consider the liabilities for AROs to be critical accounting estimates.

Pension and Other Postretirement Benefits (Southern Company, Alabama Power, Georgia Power, Mississippi Power, and Southern Company Gas)

The applicable Registrants' calculations of pension and other postretirement benefits expense are dependent on a number of assumptions. These assumptions include discount rates, healthcare cost trend rates, expected long-term rate of return (LRR) on plan assets, mortality rates, expected salary and wage increases, and other factors. Components of pension and other postretirement benefits expense include interest and service cost on the pension and other postretirement benefit plans, expected return on plan assets, and amortization of certain unrecognized costs and obligations. Actual results that differ from the assumptions utilized are accumulated and amortized over future periods and, therefore, generally affect recognized expense and the recorded obligation in future periods. While the applicable Registrants believe the assumptions used are appropriate, differences in actual experience or significant changes in assumptions would affect their pension and other postretirement benefit costs and obligations.

Key elements in determining the applicable Registrants' pension and other postretirement benefit expense are the LRR and the discount rate used to measure the benefit plan obligations and the periodic benefit plan expense for future periods. For purposes of determining the applicable Registrants' liabilities related to the pension and other postretirement benefit plans, Southern Company discounts the future related cash flows using a single-point discount rate for each plan developed from the weighted average of market-observed yields for high quality fixed income securities with maturities that correspond to expected benefit payments. The discount rate assumption impacts both the service cost and non-service costs components of net periodic benefit costs as well as the projected benefit obligations.

The LRR on pension and other postretirement benefit plan assets is based on Southern Company's investment strategy, historical experience, and expectations that consider external actuarial advice, and represents the average rate of earnings expected over the long term on the assets invested to provide for anticipated future benefit payments. Southern Company determines the amount of the expected return on plan assets component of non-service costs by applying the LRR of various asset classes to Southern Company's target asset allocation. The LRR only impacts the non-service costs component of net periodic benefit costs for the following year and is set annually at the beginning of the year.

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The following table illustrates the sensitivity to changes in the applicable Registrants' long-term assumptions with respect to the discount rate, salary increases, and the long-term rate of return on plan assets:

25 Basis Point Change in:	Increase/(Decrease) in		
	Total Benefit Expense for 2021	Projected Obligation for Pension Plan at December 31, 2020	Projected Obligation for Other Postretirement Benefit Plans at December 31, 2020
	<i>(in millions)</i>		
Discount rate:			
Southern Company	\$42/\$(40)	\$628/\$(592)	\$57/\$(54)
Alabama Power	\$11/\$(10)	\$151/\$(142)	\$14/\$(14)
Georgia Power	\$12/\$(11)	\$187/\$(177)	\$20/\$(19)
Mississippi Power	\$2/\$(2)	\$28/\$(27)	\$2/\$(2)
Southern Company Gas	\$-/ \$-	\$43/\$(40)	\$6/\$(6)
Salaries:			
Southern Company	\$25/\$(24)	\$136/\$(132)	\$-/ \$-
Alabama Power	\$7/\$(7)	\$38/\$(37)	\$-/ \$-
Georgia Power	\$7/\$(7)	\$39/\$(38)	\$-/ \$-
Mississippi Power	\$1/\$(1)	\$6/\$(6)	\$-/ \$-
Southern Company Gas	\$1/\$(1)	\$3/\$(3)	\$-/ \$-
Long-term return on plan assets:			
Southern Company	\$38/\$(38)	N/A	N/A
Alabama Power	\$10/\$(10)	N/A	N/A
Georgia Power	\$12/\$(12)	N/A	N/A
Mississippi Power	\$2/\$(2)	N/A	N/A
Southern Company Gas	\$3/\$(3)	N/A	N/A

See Note 11 to the financial statements for additional information regarding pension and other postretirement benefits.

Asset Impairment (Southern Company, Southern Power, and Southern Company Gas)

Goodwill (Southern Company and Southern Company Gas)

The acquisition method of accounting requires the assets acquired and liabilities assumed to be recorded at the date of acquisition at their respective estimated fair values. The applicable Registrants have recognized goodwill as of the date of their acquisitions, as a residual over the fair values of the identifiable net assets acquired. Goodwill is tested for impairment at the reporting unit level on an annual basis in the fourth quarter of the year as well as on an interim basis as events and changes in circumstances occur, including, but not limited to, a significant change in operating performance, the business climate, legal or regulatory factors, or a planned sale or disposition of a significant portion of the business. A reporting unit is the operating segment, or a business one level below the operating segment (a component), if discrete financial information is prepared and regularly reviewed by management. Components are aggregated if they have similar economic characteristics.

As part of the impairment tests, the applicable Registrant may perform an initial qualitative assessment to determine whether it is more likely than not that the fair value of each reporting unit is less than its carrying amount before applying the quantitative goodwill impairment test. If the applicable Registrant elects to perform the qualitative assessment, it evaluates relevant events and circumstances, including but not limited to, macroeconomic conditions, industry and market conditions, cost factors, financial performance, entity specific events, and events specific to each reporting unit. If the applicable Registrant determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, or it elects not to perform a qualitative assessment, it compares the fair value of the reporting unit to its carrying value to determine if the fair value is greater than its carrying value.

Goodwill for Southern Company and Southern Company Gas was \$5.3 billion and \$5.0 billion, respectively, at December 31, 2020. For its annual impairment tests, Southern Company Gas performed the qualitative assessment and determined that it was

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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more likely than not that the fair value of all of its reporting units with goodwill exceeded their carrying amounts, and therefore no quantitative analysis was required. For its annual impairment tests for PowerSecure, Southern Company performed the quantitative assessment, which resulted in the fair value of goodwill at PowerSecure exceeding its carrying value in all years presented. However, Southern Company recorded goodwill impairment charges totaling \$34 million in 2019 as a result of its decision to sell certain PowerSecure business units. See Note 15 to the financial statements under "Southern Company" for additional information. The continued COVID-19 pandemic and related responses continue to disrupt supply chains, reduce labor availability and productivity, and reduce economic activity. These effects could have a variety of adverse impacts on Southern Company and its subsidiaries, including the \$263 million of goodwill recorded at PowerSecure. If the impact of the COVID-19 pandemic becomes significant to the operating results of PowerSecure and its businesses, a portion of the associated goodwill may become impaired. The ultimate outcome of this matter cannot be determined at this time.

The judgments made in determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can significantly impact the applicable Registrant's results of operations. Fair values and useful lives are determined based on, among other factors, the expected future period of benefit of the asset, the various characteristics of the asset, and projected cash flows. As the determination of an asset's fair value and useful life involves management making certain estimates and because these estimates form the basis for the determination of whether or not an impairment charge should be recorded, the applicable Registrants consider these estimates to be critical accounting estimates.

See Note 1 to the financial statements under "Goodwill and Other Intangible Assets and Liabilities" for additional information regarding the applicable Registrants' goodwill.

Long-Lived Assets (Southern Company, Southern Power, and Southern Company Gas)

Impairments of long-lived assets of the traditional electric utilities and natural gas distribution utilities are generally related to specific regulatory disallowances. The applicable Registrants assess their other long-lived assets for impairment whenever events or changes in circumstances indicate that an asset's carrying amount may not be recoverable. If an indicator exists, the asset is tested for recoverability by comparing the asset carrying value to the sum of the undiscounted expected future cash flows directly attributable to the asset's use and eventual disposition. If the estimate of undiscounted future cash flows is less than the carrying value of the asset, the fair value of the asset is determined and a loss is recorded equal to the difference between the carrying value and the fair value of the asset. In addition, when assets are identified as held for sale, an impairment loss is recognized to the extent the carrying value of the assets or asset group exceeds their fair value less cost to sell. A high degree of judgment is required in developing estimates related to these evaluations, which are based on projections of various factors, some of which have been quite volatile in recent years.

Southern Power's investments in long-lived assets are primarily generation assets. Excluding the natural gas distribution utilities, Southern Company Gas' investments in long-lived assets are primarily natural gas transportation and storage facility assets, whether in service or under construction. In addition, exclusive of the traditional electric operating companies and natural gas distribution utilities, Southern Company's investments in long-lived assets also include investments in leveraged leases. During 2020, Southern Company recorded impairment charges totaling \$206 million (\$105 million after tax) related to two of its leveraged lease investments.

For Southern Power, examples of impairment indicators could include significant changes in construction schedules, current period losses combined with a history of losses or a projection of continuing losses, a significant decrease in market prices, the inability to remarket generating capacity for an extended period, or the unplanned termination of a customer contract or the inability of a customer to perform under the terms of the contract. For Southern Company Gas, examples of impairment indicators could include, but are not limited to, significant changes in the U.S. natural gas storage market, construction schedules, current period losses combined with a history of losses or a projection of continuing losses, a significant decrease in market prices, the inability to renew or extend customer contracts or the inability of a customer to perform under the terms of the contract, attrition rates, or the inability to deploy a development project. For Southern Company's investments in leveraged leases, impairment indicators include changes in estimates of future rental payments to be received under the lease as well as the residual value of the leased asset at the end of the lease.

As the determination of the expected future cash flows generated from an asset, an asset's fair value, and useful life involves management making certain estimates and because these estimates form the basis for the determination of whether or not an impairment charge should be recorded, the applicable Registrants consider these estimates to be critical accounting estimates.

See Note 3 to the financial statements under "Other Matters" and Note 15 to the financial statements for additional information on certain assets recently evaluated for impairment, including Southern Company's leveraged lease investments.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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Determining whether a contract meets the definition of a derivative instrument, contains an embedded derivative requiring bifurcation, or qualifies for hedge accounting treatment is complex. The treatment of a single contract may vary from period to period depending upon accounting elections, changes in the applicable Registrant's assessment of the likelihood of future hedged transactions, or new interpretations of accounting guidance. As a result, judgment is required in determining the appropriate accounting treatment. In addition, the estimated fair value of derivative instruments may change significantly from period to period depending upon market conditions, and changes in hedge effectiveness may impact the accounting treatment.

Derivative instruments (including certain derivative instruments embedded in other contracts) are recorded on the balance sheets as either assets or liabilities measured at their fair value. If the transaction qualifies for, and is designated as, a normal purchase or normal sale, it is exempt from fair value accounting treatment and is, instead, subject to traditional accrual accounting. The applicable Registrant utilizes market data or assumptions that market participants would use in pricing the derivative asset or liability, including assumptions about risk and the risks inherent in the inputs of the valuation technique.

Changes in the derivatives' fair value are recognized concurrently in earnings unless specific hedge accounting criteria are met. If the derivatives meet those criteria, derivative gains and losses offset related results of the hedged item in the income statement in the case of a fair value hedge, or gains and losses are deferred in OCI on the balance sheets until the hedged transaction affects earnings in the case of a cash flow hedge. Additionally, a company is required to formally designate a derivative as a hedge as well as document and assess the effectiveness of derivatives associated with transactions that receive hedge accounting treatment.

Southern Company Gas uses derivative instruments primarily to reduce the impact to its results of operations due to the risk of changes in the price of natural gas and, to a lesser extent, Southern Company Gas hedges against warmer-than-normal weather and interest rates. The majority of these contracts are over-the-counter wholesale contracts for the purchase or sale of natural gas or consist of contracts which do not include asset management agreements, financial optionality, or potential embedded derivatives. The fair value of natural gas derivative instruments used to manage exposure to changing natural gas prices reflects the estimated amounts that Southern Company Gas would receive or pay to terminate or close the contracts at the reporting date, taking into account the current unrealized gains or losses on open contracts. For derivatives utilized at gas marketing services and wholesale gas services that are not designated as accounting hedges, changes in fair value are reported as gains or losses in results of operations in the period of change. Gas marketing services records derivative gains or losses arising from cash flow hedges in OCI and reclassifies them into earnings in the same period that the underlying hedged item is recognized in earnings.

Derivative assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy. The determination of the fair value of the derivative instruments incorporates various required factors. These factors include:

- the creditworthiness of the counterparties involved and the impact of credit enhancements (such as cash deposits and letters of credit);
- events specific to a given counterparty; and
- the impact of nonperformance risk on liabilities.

A significant change in the underlying market prices or pricing assumptions used in pricing derivative assets or liabilities may result in a significant financial statement impact.

Given the assumptions used in pricing the derivative asset or liability, Southern Company and Southern Company Gas consider the valuation of derivative assets and liabilities a critical accounting estimate. See FINANCIAL CONDITION AND LIQUIDITY – "Market Price Risk" herein and Note 14 to the financial statements for more information.

Revenue Recognition (Southern Power)

Southern Power's power sale transactions, which include PPAs, are classified in one of four general categories: leases, non-derivatives or normal sale derivatives, derivatives designated as cash flow hedges, and derivatives not designated as hedges. The two categories with the most judgment required for Southern Power are described further below. Southern Power's revenues are dependent upon significant judgments used to determine the appropriate transaction classification, which must be documented upon the inception of each contract.

Lease Transactions

Southern Power considers the terms of a sales contract to determine whether it should be accounted for as a lease. A contract is or contains a lease if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. If the contract meets the criteria for a lease, Southern Power performs further analysis to determine

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whether the lease is classified as operating, financing, or sales-type. Generally, all of Southern Power's power sales contracts that are determined to be leases are accounted for as operating leases and the capacity revenue is recognized on a straight-line basis over the term of the contract and is included in Southern Power's operating revenues. Energy revenues and other contingent revenues are recognized in the period the energy is delivered or the service is rendered. See Note 9 to the financial statements for additional information.

Non-Derivative and Normal Sale Derivative Transactions

If the power sales contract is not classified as a lease, Southern Power further considers whether the contract meets the definition of a derivative. If the contract does meet the definition of a derivative, Southern Power will assess whether it can be designated as a normal sale contract. The determination of whether a contract can be designated as a normal sale contract requires judgment, including whether the sale of electricity involves physical delivery in quantities within Southern Power's available generating capacity and that the purchaser will take quantities expected to be used or sold in the normal course of business.

Contracts that do not meet the definition of a derivative or are designated as normal sales are accounted for as executory contracts. For contracts that have a capacity charge, the revenue is generally recognized in the period that it becomes billable. Revenues related to energy and ancillary services are recognized in the period the energy is delivered or the service is rendered. See Note 4 to the financial statements for additional information.

Acquisition Accounting (Southern Power)

Southern Power may acquire generation assets as part of its overall growth strategy. At the time of an acquisition, Southern Power will assess if these assets and activities meet the definition of a business. For acquisitions that meet the definition of a business, the purchase price, including any contingent consideration, is allocated based on the fair value of the identifiable assets acquired and liabilities assumed (including any intangible assets, primarily related to acquired PPAs). Assets acquired that do not meet the definition of a business are accounted for as an asset acquisition. The purchase price of each asset acquisition is allocated based on the relative fair value of assets acquired.

Determining the fair value of assets acquired and liabilities assumed requires management judgment and Southern Power may engage independent valuation experts to assist in this process. Fair values are determined by using market participant assumptions, and typically include the timing and amounts of future cash flows, incurred construction costs, the nature of acquired contracts, discount rates, power market prices, and expected asset lives. Any due diligence or transition costs incurred by Southern Power for potential or successful acquisitions are expensed as incurred.

See Note 13 to the financial statements for additional fair value information and Note 15 to the financial statements for additional information on recent acquisitions.

Variable Interest Entities (Southern Power)

Southern Power enters into partnerships with varying ownership structures. Upon entering into these arrangements, membership interests and other variable interests are evaluated to determine if the legal entity is a VIE. If the legal entity is a VIE, Southern Power will assess if it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE, making it the primary beneficiary. Making this determination may require significant management judgment.

If Southern Power is the primary beneficiary and is considered to have a controlling ownership, the assets, liabilities, and results of operations of the entity are consolidated. If Southern Power is not the primary beneficiary, the legal entity is generally accounted for under the equity method of accounting. Southern Power reconsiders its conclusions as to whether the legal entity is a VIE and whether it is the primary beneficiary for events that impact the rights of variable interests, such as ownership changes in membership interests.

Southern Power has controlling ownership in certain legal entities for which the contractual provisions represent profit-sharing arrangements because the allocations of cash distributions and tax benefits are not based on fixed ownership percentages. For these arrangements, the noncontrolling interest is accounted for under a balance sheet approach utilizing the HLBV method. The HLBV method calculates each partner's share of income based on the change in net equity the partner can legally claim in a HLBV at the end of the period compared to the beginning of the period.

Contingent Obligations (All Registrants)

The Registrants are subject to a number of federal and state laws and regulations, as well as other factors and conditions that subject them to environmental, litigation, and other risks. See FUTURE EARNINGS POTENTIAL herein and Notes 2 and 3 to the financial statements for more information regarding certain of these contingencies. The Registrants periodically evaluate their

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exposure to such risks and record reserves for those matters where a non-tax-related loss is considered probable and reasonably estimable. The adequacy of reserves can be significantly affected by external events or conditions that can be unpredictable; thus, the ultimate outcome of such matters could materially affect the results of operations, cash flows, or financial condition of the Registrants.

Recently Issued Accounting Standards

See Note 1 to the financial statements under "Recently Adopted Accounting Standards" for additional information.

On March 12, 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (ASU 2020-04) providing temporary guidance to ease the potential burden in accounting for reference rate reform primarily resulting from the discontinuation of LIBOR, which is currently expected to begin phasing out on December 31, 2021. The amendments in ASU 2020-04 are elective and apply to all entities that have contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued. The new guidance provides the following optional expedients: (i) simplifies accounting analyses under current GAAP for contract modifications; (ii) simplifies the assessment of hedge effectiveness and allows hedging relationships affected by reference rate reform to continue; and (iii) allows a one-time election to sell or transfer debt securities classified as held to maturity that reference a rate affected by reference rate reform. An entity may elect to apply the amendments prospectively from March 12, 2020 through December 31, 2022 by accounting topic.

The Registrants currently reference LIBOR for certain debt and hedging arrangements. Contract language has been, or is expected to be, incorporated into each of these agreements to address the transition to an alternative rate for agreements that will be in place at the transition date. While existing effective hedging relationships are expected to continue, the Registrants will continue to evaluate the provisions of ASU 2020-04 and the impacts of transitioning to an alternative rate. The ultimate outcome of the transition cannot be determined at this time, but is not expected to have a material impact on the Registrants' financial statements. See FINANCIAL CONDITION AND LIQUIDITY – "Financing Activities" herein and Note 14 to the financial statements under "Interest Rate Derivatives" herein for additional information.

FINANCIAL CONDITION AND LIQUIDITY**Overview**

The financial condition of each Registrant remained stable at December 31, 2020. The Registrants maintained adequate access to capital throughout 2020, including through a period of volatility in the short-term financial markets during the first quarter 2020 primarily related to the COVID-19 pandemic. As a precautionary measure, in the first quarter 2020, Southern Company, Georgia Power, Mississippi Power, and Southern Company Gas increased their outstanding short-term debt and cash and cash equivalents by entering into new bank term loans, entering into and funding new committed and uncommitted credit facilities, and funding existing uncommitted credit facilities. During the second half of 2020, most of these additional borrowings were repaid. No material changes occurred in the terms of the applicable Registrants' bank credit arrangements or their interest expense on short-term debt as a result of these actions. The Registrants experienced no material counterparty credit losses during 2020 as a result of the volatility in the financial markets during the first half of 2020.

The Registrants' cash requirements primarily consist of funding ongoing operations, including unconsolidated subsidiaries, as well as common stock dividends, capital expenditures, and debt maturities. Southern Power's cash requirements also include distributions to noncontrolling interests. Capital expenditures and other investing activities for the traditional electric operating companies include investments to meet projected long-term demand requirements, including to build new generation facilities, to maintain existing generation facilities, to comply with environmental regulations including adding environmental modifications to certain existing generating units and closures of ash ponds, to expand and improve transmission and distribution facilities, and for restoration following major storms. Southern Power's capital expenditures and other investing activities may include acquisitions or new construction associated with its overall growth strategy and to maintain its existing generation fleet's performance. Southern Company Gas' capital expenditures and other investing activities include investments to meet projected long-term demand requirements, to maintain existing natural gas distribution systems as well as to update and expand these systems, and to comply with environmental regulations. See "Cash Requirements" herein for additional information.

Operating cash flows provide a substantial portion of the Registrants' cash needs. During 2020, Southern Power utilized tax credits, which provided \$340 million in operating cash flows. For the three-year period from 2021 through 2023, each Registrant's projected stock dividends, capital expenditures, and debt maturities, as well as distributions to noncontrolling interests for Southern Power, are expected to exceed its operating cash flows. Southern Company plans to finance future cash needs in excess of its operating cash flows primarily by accessing borrowings from financial institutions and issuing debt and hybrid securities in the capital markets. Each Subsidiary Registrant plans to finance its future cash needs in excess of its operating cash flows

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primarily through external securities issuances, borrowings from financial institutions, and equity contributions from Southern Company. In addition, Georgia Power plans to utilize borrowings through the FFB and Southern Power plans to utilize tax equity partnership contributions. The Registrants plan to use commercial paper to manage seasonal variations in operating cash flows and for other working capital needs and continue to monitor their access to short-term and long-term capital markets as well as their bank credit arrangements to meet future capital and liquidity needs. See "Sources of Capital" and "Financing Activities" herein for additional information.

The Registrants' investments in their qualified pension plans and Alabama Power's and Georgia Power's investments in their nuclear decommissioning trust funds increased in value at December 31, 2020 as compared to December 31, 2019. No contributions to the qualified pension plan were made during 2020 and no mandatory contributions to the qualified pension plans are anticipated during 2021. See Notes 6 and 11 to the financial statements under "Nuclear Decommissioning" and "Pension Plans," respectively, for additional information.

At the end of 2020, the market price of Southern Company's common stock was \$61.43 per share (based on the closing price as reported on the NYSE) and the book value was \$26.48 per share, representing a market-to-book value ratio of 232%, compared to \$63.70, \$26.11, and 244%, respectively, at the end of 2019.

Cash Requirements

Capital Expenditures

Total estimated capital expenditures, including LTSA and nuclear fuel commitments, for the Registrants through 2025 based on their current construction programs are as follows:

	2021	2022	2023	2024	2025
	<i>(in billions)</i>				
Southern Company ^{(a)(b)(c)}	\$ 8.2	\$ 7.0	\$ 7.0	\$ 6.8	\$ 6.7
Alabama Power ^(a)	1.9	1.8	1.7	1.6	1.6
Georgia Power ^(b)	3.8	3.0	3.1	3.1	3.1
Mississippi Power	0.3	0.2	0.3	0.3	0.3
Southern Power ^(c)	0.7	0.2	0.2	0.1	0.1
Southern Company Gas	1.5	1.7	1.7	1.7	1.6

(a) Includes amounts related to Plant Barry Unit 8. See Note 2 to the financial statements under "Alabama Power" for additional information.

(b) Includes expenditures of approximately \$1.3 billion and \$0.4 billion for the construction of Plant Vogtle Units 3 and 4 in 2021 and 2022, respectively.

(c) Excludes approximately \$0.5 billion per year for 2021 through 2025 for Southern Power's planned acquisitions and placeholder growth, which may vary materially due to market opportunities and Southern Power's ability to execute its growth strategy.

These capital expenditures include estimates to comply with environmental laws and regulations, but do not include any potential compliance costs associated with any future regulation of CO₂ emissions from fossil fuel-fired electric generating units. See FUTURE EARNINGS POTENTIAL – "Environmental Matters" herein for additional information. At December 31, 2020, significant purchase commitments were outstanding in connection with the Registrants' construction programs.

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The traditional electric operating companies also anticipate expenditures associated with closure and monitoring of ash ponds and landfills in accordance with the CCR Rule and the related state rules, which are reflected in the applicable Registrants' ARO liabilities. Alabama Power's cost estimates are based on closure-in-place for all of its ash ponds. The cost estimates for Georgia Power and Mississippi Power are based on a combination of closure-in-place for some ash ponds and closure by removal for others. These anticipated costs are likely to change, and could change materially, as assumptions and details pertaining to closure are refined and compliance activities continue. Current estimates of these costs through 2025 are provided in the table below. Material expenditures in future years for ARO settlements will also be required for ash ponds, nuclear decommissioning (for Alabama Power and Georgia Power), and other liabilities reflected in the applicable Registrants' AROs, as discussed further in Note 6 to the financial statements. Also see FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Laws and Regulations – Coal Combustion Residuals" herein.

	2021	2022	2023	2024	2025
	<i>(in millions)</i>				
Southern Company	\$ 585	\$ 759	\$ 957	\$ 903	\$ 931
Alabama Power	254	338	412	354	299
Georgia Power	287	354	467	498	601
Mississippi Power	28	23	23	20	14

The construction programs are subject to periodic review and revision, and actual construction costs may vary from these estimates because of numerous factors. These factors include: changes in business conditions; changes in load projections; changes in environmental laws and regulations; the outcome of any legal challenges to environmental rules; changes in electric generating plants, including unit retirements and replacements and adding or changing fuel sources at existing electric generating units, to meet regulatory requirements; changes in FERC rules and regulations; state regulatory agency approvals; changes in the expected environmental compliance program; changes in legislation; the cost and efficiency of construction labor, equipment, and materials; project scope and design changes; abnormal weather; delays in construction due to judicial or regulatory action; storm impacts; and the cost of capital. The continued COVID-19 pandemic could also impair the ability to develop, construct, and operate facilities, as discussed further in Item 1A herein. In addition, there can be no assurance that costs related to capital expenditures will be fully recovered. Additionally, expenditures associated with Southern Power's planned acquisitions may vary due to market opportunities and the execution of its growth strategy. See Note 15 to the financial statements under "Southern Power" for additional information regarding Southern Power's plant acquisitions and construction projects.

The construction program of Georgia Power includes 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 which may be subject to additional revised cost estimates during construction. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for information regarding Plant Vogtle Units 3 and 4 and additional factors that may impact construction expenditures.

See FUTURE EARNINGS POTENTIAL – "Construction Programs" herein for additional information.

Other Significant Cash Requirements

Long-term debt maturities and the interest payable on long-term debt each represent a significant cash requirement for the Registrants. See Note 8 to the financial statements for information regarding the Registrants' long-term debt at December 31, 2020, the weighted average interest rate applicable to each long-term debt category, and a schedule of long-term debt maturities over the next five years. The Registrants plan to continue, when economically feasible, to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit.

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Fuel and purchased power costs represent a significant component of funding ongoing operations for the traditional electric operating companies and Southern Power. See Note 3 to the financial statements under "Commitments" for information on Southern Company Gas' commitments for pipeline charges, storage capacity, and gas supply. Total estimated costs for fuel and purchased power commitments at December 31, 2020 for the applicable Registrants are provided in the table below. Fuel costs include purchases of coal (for the traditional electric operating companies) and natural gas (for the traditional electric operating companies and Southern Power), as well as the related transportation and storage. In most cases, these contracts contain provisions for price escalation, minimum purchase levels, and other financial commitments. Natural gas purchase commitments are based on various indices at the time of delivery; the amounts reflected below have been estimated based on the NYMEX future prices at December 31, 2020. As discussed under "Capital Expenditures" herein, estimated expenditures for nuclear fuel are included in the applicable Registrants' construction programs for the years 2021 through 2025. Nuclear fuel commitments at December 31, 2020 that extend beyond 2025 are included in the table below. Purchased power costs represent estimated minimum obligations for various PPAs for the purchase of capacity and energy, except for those accounted for as leases, which are discussed in Note 9 to the financial statements.

	2021	2022	2023	2024	2025	Thereafter
	<i>(in millions)</i>					
Southern Company ^(*)	\$ 2,818	\$ 1,831	\$ 883	\$ 705	\$ 659	\$ 5,607
Alabama Power	888	643	289	183	171	1,205
Georgia Power ^(*)	1,037	656	339	302	299	3,894
Mississippi Power	342	210	115	102	82	502
Southern Power	551	322	140	118	107	5

(*) Excludes capacity payments related to Plant Vogtle Units 1 and 2, which are discussed in Note 3 to the financial statements under "Commitments."

The traditional electric operating companies and Southern Power have entered into LTSAs for the purpose of securing maintenance support for certain of their generating facilities. See Note 1 to the financial statements under "Long-term Service Agreements" for additional information. As discussed under "Capital Expenditures" herein, estimated expenditures related to LTSAs are included in the applicable Registrants' construction programs for the years 2021 through 2025. Total estimated payments for LTSA commitments at December 31, 2020 that extend beyond 2025 are provided in the following table and include price escalation based on inflation indices:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power
	<i>(in millions)</i>				
LTSA commitments (after 2025)	\$ 1,871	\$ 206	\$ 191	\$ 178	\$ 1,296

In addition, Southern Power has certain other operations and maintenance agreements. Total estimated costs for these commitments at December 31, 2020 are provided in the table below.

	2021	2022	2023	2024	2025	Thereafter
	<i>(in millions)</i>					
Southern Power's operations and maintenance agreements	\$ 65	\$ 48	\$ 41	\$ 36	\$ 25	\$ 194

See Note 9 to the financial statements for information on the Registrants' operating lease obligations, including a maturity analysis of the lease liabilities over the next five years and thereafter.

Sources of Capital

Southern Company intends to meet its future capital needs through operating cash flows, borrowings from financial institutions, and debt and equity issuances in the capital markets. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings. Southern Company does not expect to issue any equity in the capital markets through 2025. See Note 8 to the financial statements under "Equity Units" for information on stock purchase contracts associated with Southern Company's equity units.

The Subsidiary Registrants plan to obtain the funds to meet their future capital needs from sources similar to those they used in the past, which were primarily from operating cash flows, external securities issuances, borrowings from financial institutions, and equity contributions from Southern Company. In addition, Georgia Power plans to utilize borrowings from the FFB (as

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discussed further in Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings") and Southern Power plans to utilize tax equity partnership contributions (as discussed further herein).

At certain periods during 2020, the traditional electric operating companies and the natural gas distribution utilities experienced a reduction in operating cash flows as a result of the temporary suspension of disconnections for non-payment by customers resulting from the COVID-19 pandemic and the related overall economic contraction. To date, this reduction of operating cash flows has not had a material impact on the liquidity of any of the Registrants, and, during the third quarter 2020, most of the temporary measures in place expired. The ultimate extent of the negative impact on the Registrants' liquidity depends on the duration of the COVID-19 pandemic and any federal, state, or local response and cannot be determined at this time. See Note 2 to the financial statements for information regarding suspended disconnections for non-payment by the traditional electric operating companies and the natural gas distribution utilities.

The amount, type, and timing of any financings in 2021, as well as in subsequent years, will be contingent on investment opportunities and the Registrants' capital requirements and will depend upon prevailing market conditions, regulatory approvals (for certain of the Subsidiary Registrants), and other factors. See "Cash Requirements" herein for additional information.

Southern Power utilizes tax equity partnerships as one of its financing sources, where the tax partner takes significantly all of the federal tax benefits. These tax equity partnerships are consolidated in Southern Power's financial statements and are accounted for using HLBV methodology to allocate partnership gains and losses. During 2020, Southern Power obtained tax equity funding for the Reading and Skookumchuck wind projects and received proceeds totaling \$277 million. In addition, Southern Power received tax equity funding totaling \$16 million from existing partnerships. See Notes 1 and 15 to the financial statements under "General" and "Southern Power," respectively, for additional information.

The issuance of securities by the traditional electric operating companies and Nicor Gas is generally subject to the approval of the applicable state PSC or other applicable state regulatory agency. The issuance of all securities by Mississippi Power and short-term securities by Georgia Power is generally subject to regulatory approval by the FERC. Additionally, with respect to the public offering of securities, Southern Company, the traditional electric operating companies, and Southern Power (excluding its subsidiaries), Southern Company Gas Capital, and Southern Company Gas (excluding its other subsidiaries) file registration statements with the SEC under the Securities Act of 1933, as amended (1933 Act). The amounts of securities authorized by the appropriate regulatory authorities, as well as the securities registered under the 1933 Act, are closely monitored and appropriate filings are made to ensure flexibility in the capital markets.

The Registrants generally obtain financing separately without credit support from any affiliate. See Note 8 to the financial statements under "Bank Credit Arrangements" for additional information. The Southern Company system does not maintain a centralized cash or money pool. Therefore, funds of each company are not commingled with funds of any other company in the Southern Company system, except in the case of Southern Company Gas, as described below.

The traditional electric operating companies and SEGCO may utilize a Southern Company subsidiary organized to issue and sell commercial paper at their request and for their benefit. Proceeds from such issuances for the benefit of an individual company are loaned directly to that company. The obligations of each traditional electric operating company and SEGCO under these arrangements are several and there is no cross-affiliate credit support. Alabama Power also maintains its own separate commercial paper program.

Southern Company Gas Capital obtains external financing for Southern Company Gas and its subsidiaries, other than Nicor Gas, which obtains financing separately without credit support from any affiliates. Southern Company Gas maintains commercial paper programs at Southern Company Gas Capital and Nicor Gas. Nicor Gas' commercial paper program supports its working capital needs as Nicor Gas is not permitted to make money pool loans to affiliates. All of the other Southern Company Gas subsidiaries benefit from Southern Company Gas Capital's commercial paper program.

By regulation, Nicor Gas is restricted, to the extent of its retained earnings balance, in the amount it can dividend or loan to affiliates and is not permitted to make money pool loans to affiliates. At December 31, 2020, the amount of subsidiary retained earnings restricted to dividend totaled \$1.1 billion. This restriction did not impact Southern Company Gas' ability to meet its cash obligations, nor does management expect such restriction to materially impact Southern Company Gas' ability to meet its currently anticipated cash obligations.

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Certain Registrants' current liabilities frequently exceed their current assets because of long-term debt maturities and the periodic use of short-term debt as a funding source, as well as significant seasonal fluctuations in cash needs. The Registrants generally plan to refinance long-term debt as it matures. See Note 8 to the financial statements for additional information. Also see "Financing Activities" herein for information on financing activities that occurred subsequent to December 31, 2020. The following table shows the amount by which current liabilities exceeded current assets at December 31, 2020 for the applicable Registrants:

At December 31, 2020	Southern Company	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
Current liabilities in excess of current assets	\$ 3,462	\$ 1,343	\$ 572	\$ 250	\$ 303

The Registrants believe the need for working capital can be adequately met by utilizing operating cash flows, as well as commercial paper, lines of credit, and short-term bank notes, as market conditions permit. In addition, under certain circumstances, the Subsidiary Registrants may utilize equity contributions and/or loans from Southern Company.

Bank Credit Arrangements

At December 31, 2020, the Registrants' unused committed credit arrangements with banks were as follows:

At December 31, 2020	Southern Company parent	Alabama Power	Georgia Power	Mississippi Power	Southern Power^(a)	Southern Company Gas^(b)	SEGCO	Southern Company
	<i>(in millions)</i>							
Unused committed credit	\$ 1,999	\$ 1,328	\$ 1,728	\$ 250	\$ 591	\$ 1,745	\$ 30	\$ 7,671

(a) At December 31, 2020, Southern Power also had two continuing letters of credit facilities for standby letters of credit, of which \$16 million was unused. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(b) Includes \$1.245 billion and \$500 million at Southern Company Gas Capital and Nicor Gas, respectively.

Subject to applicable market conditions, the Registrants, Nicor Gas, and SEGCO expect to renew or replace their bank credit arrangements as needed, prior to expiration. In connection therewith, the Registrants, Nicor Gas, and SEGCO may extend the maturity dates and/or increase or decrease the lending commitments thereunder. A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at December 31, 2020 was approximately \$1.4 billion (comprised of approximately \$854 million at Alabama Power, \$550 million at Georgia Power, and \$34 million at Mississippi Power). In addition, at December 31, 2020, Georgia Power and Mississippi Power had approximately \$174 million and \$50 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months. See Note 8 to the financial statements under "Bank Credit Arrangements" for additional information.

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Short-term Borrowings

The Registrants, Nicor Gas, and SEGCO make short-term borrowings primarily through commercial paper programs that have the liquidity support of the committed bank credit arrangements described above. Southern Power's subsidiaries are not issuers or obligors under its commercial paper program. Commercial paper and short-term bank term loans are included in notes payable in the balance sheets. Details of the Registrants' short-term borrowings were as follows:

	Short-term Debt at the End of the Period					
	Amount Outstanding			Weighted Average Interest Rate		
	December 31,			December 31,		
	2020	2019	2018	2020	2019	2018
	<i>(in millions)</i>					
Southern Company	\$ 609	\$ 2,055	\$ 2,915	0.3 %	2.1 %	3.1 %
Georgia Power	60	365	294	0.3	2.2	3.1
Mississippi Power	25	—	—	0.4	—	—
Southern Power	175	549	100	0.3	2.2	3.1
Southern Company Gas:						
Southern Company Gas Capital	\$ 220	\$ 372	\$ 403	0.3 %	2.1 %	3.1 %
Nicor Gas	104	278	247	0.2	1.8	3.0
Southern Company Gas Total	\$ 324	\$ 650	\$ 650	0.2 %	2.0 %	3.0 %

	Short-term Debt During the Period^(*)								
	Average Amount Outstanding			Weighted Average Interest Rate			Maximum Amount Outstanding		
	2020	2019	2018	2020	2019	2018	2020	2019	2018
	<i>(in millions)</i>						<i>(in millions)</i>		
Southern Company	\$ 1,017	\$ 1,240	\$ 3,377	1.6 %	2.6 %	2.6 %	\$ 2,113	\$ 2,914	\$ 5,447
Alabama Power	20	17	27	1.1	2.6	2.3	155	190	258
Georgia Power	264	371	139	1.7	2.7	2.5	478	935	710
Mississippi Power	9	—	68	1.6	—	2.0	40	—	300
Southern Power	64	76	188	1.5	2.7	2.5	550	578	385
Southern Company Gas:									
Southern Company Gas Capital	\$ 316	\$ 302	\$ 520	1.4 %	2.6 %	2.3 %	\$ 641	\$ 490	\$ 1,361
Nicor Gas	49	91	123	1.4	2.3	2.2	278	278	275
Southern Company Gas Total	\$ 365	\$ 393	\$ 643	1.4 %	2.5 %	2.3 %			

(*) Average and maximum amounts are based upon daily balances during the 12-month periods ended December 31, 2020, 2019, and 2018.

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Analysis of Cash Flows

Net cash flows provided from (used for) operating, investing, and financing activities in 2020 and 2019 are presented in the following table:

Net cash provided from (used for):	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
2020						
Operating activities	\$ 6,696	\$ 1,742	\$ 2,784	\$ 298	\$ 901	\$ 1,207
Investing activities	(7,030)	(2,122)	(3,503)	(323)	374	(1,417)
Financing activities	(576)	16	676	(222)	(1,372)	180
2019						
Operating activities	\$ 5,781	\$ 1,779	\$ 2,907	\$ 339	\$ 1,385	\$ 1,067
Investing activities	(3,392)	(1,963)	(3,885)	(263)	(167)	(1,386)
Financing activities	(1,930)	765	918	(83)	(1,120)	298

Fluctuations in cash flows from financing activities vary from year to year based on capital needs and the maturity or redemption of securities.

Southern Company

Net cash provided from operating activities increased \$0.9 billion in 2020 as compared to 2019 primarily due to a \$1.1 billion voluntary contribution to the qualified pension plan in 2019 and the timing of vendor payments, partially offset by the timing of receivable collections and customer bill credits issued in 2020 by Alabama Power and Georgia Power. See Note 2 to the financial statements under "Alabama Power" and "Georgia Power" and Note 11 to the financial statements for additional information.

The net cash used for investing activities in 2020 and 2019 was primarily related to the Subsidiary Registrants' construction programs, partially offset by proceeds from the sale transactions described in Note 15 to the financial statements, which totaled \$1.0 billion and \$5.1 billion in 2020 and 2019, respectively.

The net cash used for financing activities in 2020 and 2019 was primarily related to common stock dividend payments and net repayments of short-term bank debt and commercial paper, partially offset by net issuances of long-term debt and issuances of common stock.

Alabama Power

Net cash provided from operating activities decreased \$37 million in 2020 as compared to 2019 primarily due to approximately \$136 million in customer refunds, payments related to ARO settlements, timing of Rate CNP Compliance cost recovery, and purchases of materials and supplies, partially offset by a \$362 million voluntary contribution to the qualified pension plan in 2019. See Note 2 to the financial statements under "Alabama Power – Rate RSE" and " – Rate ECR" and Notes 6 and 11 to the financial statements for additional information.

The net cash used for investing activities in 2020 and 2019 was primarily related to gross property additions.

The net cash provided from financing activities in 2020 and 2019 was primarily related to capital contributions from Southern Company and net long-term debt issuances, partially offset by common stock dividend payments.

Georgia Power

Net cash provided from operating activities decreased \$123 million in 2020 as compared to 2019 primarily due to approximately \$220 million in customer bill credits issued in 2020 associated with the Georgia Power Tax Reform Settlement Agreement and 2018 and 2019 earnings in excess of the allowed retail ROE range, lower retail revenues, and higher income tax payments, partially offset by a \$200 million voluntary contribution to the qualified pension plan in 2019, higher recovery of storm damage costs, and the timing of vendor payments. See Note 2 to the financial statements under "Georgia Power" and Note 11 to the financial statements for additional information.

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The net cash used for investing activities in 2020 and 2019 was primarily related to gross property additions, including a total of \$2.7 billion related to the construction of Plant Vogtle Units 3 and 4. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information on construction of Plant Vogtle Units 3 and 4.

The net cash provided from financing activities in 2020 and 2019 was primarily related to capital contributions from Southern Company, borrowings from the FFB for construction of Plant Vogtle Units 3 and 4, and net issuances and reofferings of other debt, partially offset by common stock dividend payments.

Mississippi Power

Net cash provided from operating activities decreased \$41 million in 2020 as compared to 2019 primarily due to the closeout of the DOE contract related to the Kemper County energy facility, \$13 million of storm damage costs primarily associated with Hurricane Zeta, \$11 million primarily related to decreased fuel cost recovery, and higher income tax payments, partially offset by a \$54 million voluntary contribution to the qualified pension plan in 2019. See Note 3 to the financial statements under "Mississippi Power" and Note 11 to the financial statements for additional information.

The net cash used for investing activities in 2020 and 2019 was primarily related to gross property additions.

The net cash used for financing activities in 2020 was primarily related to the repayment of senior notes at maturity, a return of capital and common stock dividends paid to Southern Company, redemption of pollution control revenue bonds, and repayment of short-term borrowings, partially offset by debt issuances and capital contributions from Southern Company. The net cash used for financing activities in 2019 was primarily related to a return of capital to Southern Company and the redemption of senior notes, partially offset by capital contributions from Southern Company and pollution control revenue bonds reoffered to the public.

Southern Power

Net cash provided from operating activities decreased \$484 million in 2020 as compared to 2019 primarily due to a reduction in the utilization of tax credits in 2020. See FUTURE EARNINGS POTENTIAL – "Income Tax Matters – Tax Credits" herein and Note 10 to the financial statements for additional information.

The net cash provided from investing activities in 2020 was primarily related to proceeds from the disposition of Plant Mankato, partially offset by ongoing construction activities and the acquisition of the Beech Ridge II wind facility. The net cash used for investing activities in 2019 was primarily related to Southern Power's investment in DSGP and ongoing construction activities, largely offset by proceeds from the sales of Plant Nacogdoches and certain wind turbine equipment. See Note 15 to the financial statements under "Southern Power" for additional information.

The net cash used for financing activities in 2020 was primarily related to the repayment of senior notes at maturity, common stock dividend payments, and net repayments of short-term bank debt and commercial paper, partially offset by net contributions from noncontrolling interests. The net cash used for financing activities in 2019 was primarily related to returns of capital and common stock dividends paid to Southern Company, the repayment at maturity of senior notes, and distributions to noncontrolling interests, partially offset by proceeds from net issuances of commercial paper.

Southern Company Gas

Net cash provided from operating activities increased \$140 million in 2020 as compared to 2019 primarily due to a \$145 million voluntary contribution to the qualified pension plan in 2019, as well as the timing of vendor payments, energy marketing payables, and income tax payments, partially offset by the timing of customer receivable collections and energy marketing receivables. The timing of energy marketing payables and receivables was due to increased volumes of natural gas purchased and sold and higher natural gas prices. See Note 11 to the financial statements for additional information.

The net cash used for investing activities in 2020 was primarily related to construction of transportation and distribution assets recovered through base rates and infrastructure investments recovered through replacement programs at gas distribution operations and capital contributed to equity method investments, partially offset by proceeds from the sales of Jefferson Island and interests in Pivotal LNG and Atlantic Coast Pipeline. The net cash used for investing activities in 2019 was primarily related to gross property additions related to utility capital expenditures and infrastructure investments recovered through replacement programs at gas distribution operations and capital contributed to equity method pipeline investments, partially offset by proceeds from the sale of Triton and capital distributions in excess of earnings from equity method pipeline investments. See Notes 7 and 15 to the financial statements for additional information.

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The net cash provided from financing activities in 2020 was primarily related to proceeds from issuances of senior notes and first mortgage bonds, as well as capital contributions from Southern Company, partially offset by common stock dividend payments and net repayments of short-term borrowings. The net cash provided from financing activities in 2019 was primarily related to capital contributions from Southern Company and net proceeds from the issuance of long-term debt, partially offset by payments of common stock dividends.

Significant Balance Sheet Changes***Southern Company***

Significant balance sheet changes in 2020 for Southern Company included:

- an increase of \$4.6 billion in total property, plant, and equipment primarily related to the Subsidiary Registrants' construction programs;
- an increase of \$3.8 billion in long-term debt (including amounts due within one year) related to new issuances;
- a decrease of \$1.4 billion in notes payable related to net repayments of short-term bank debt and commercial paper;
- increases of \$0.9 billion and \$0.8 billion in AROs and regulatory assets associated with AROs, respectively, primarily related to cost estimate updates at Alabama Power and Georgia Power for ash pond facilities;
- a decrease of \$0.9 billion in cash and cash equivalents, as discussed further under "Analysis of Cash Flows – Southern Company" herein;
- a decrease of \$0.7 billion in assets held for sale related to the completion of Southern Power's sale of Plant Mankato and Southern Company Gas' sale of its interests in Pivotal LNG and Atlantic Coast Pipeline; and
- an increase of \$0.5 billion in total common stockholders' equity related to net income, partially offset by common stock dividend payments.

See "Financing Activities" herein and Notes 5, 6, 8, and 15 to the financial statements for additional information.

Alabama Power

Significant balance sheet changes in 2020 for Alabama Power included:

- an increase of \$1.3 billion in total property, plant, and equipment primarily related to the acquisition of the Central Alabama Generating Station, construction of distribution and transmission facilities, and the installation of equipment to comply with environmental standards;
- an increase of \$855 million in total common stockholder's equity primarily due to capital contributions from Southern Company;
- increases of \$422 million and \$375 million in regulatory assets associated with AROs and ARO deferred liabilities, respectively, primarily related to cost estimate updates for certain ash pond facilities;
- a decrease of \$364 million in cash and cash equivalents primarily due to the acquisition of the Central Alabama Generation Station; and
- an increase of \$348 million in long-term debt (including securities due within one year) primarily due to an increase in outstanding senior notes.

See "Financing Activities – Alabama Power" herein and Notes 5, 6, and 15 to the financial statements for additional information.

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Significant balance sheet changes in 2020 for Georgia Power included:

- an increase of \$2.2 billion in total property, plant, and equipment primarily related to the construction of generation, transmission, and distribution facilities, including \$1.1 billion for Plant Vogtle Units 3 and 4 (net of pre-tax charges totaling \$325 million for estimated probable losses);
- an increase of \$1.4 billion in common stockholder's equity primarily due to capital contributions from Southern Company;
- an increase of \$1.2 billion in long-term debt (including securities due within one year) primarily due to a net increase in outstanding senior notes and borrowings from the FFB for construction of Plant Vogtle Units 3 and 4, partially offset by pollution control revenue bond repurchases; and
- increases of \$0.5 billion and \$0.3 billion in AROs and regulatory assets associated with AROs, respectively, primarily due to cost estimate updates for ash pond closures.

See "Financing Activities – Georgia Power" herein and Notes 2, 5, 6, and 8 to the financial statements for additional information.

Mississippi Power

Significant balance sheet changes in 2020 for Mississippi Power included:

- a decrease of \$247 million in cash and cash equivalents and a decrease of \$170 million in outstanding long-term debt (including amounts due within one year) primarily related to the repayment of senior notes at maturity;
- an increase of \$92 million in total property, plant, and equipment primarily related to the installation of equipment to comply with environmental standards and the construction of transmission and distribution facilities;
- an increase of \$90 million in common stockholder's equity primarily from net income and capital contributions from Southern Company, partially offset by dividends paid and a return of capital to Southern Company;
- a decrease of \$65 million in deferred credits related to income taxes due to amortization and reclassification of certain amounts to other regulatory liabilities, current for the expected flowback of excess deferred income taxes; and
- a decrease of \$61 million in other regulatory liabilities, deferred primarily due to a reduction in the property damage reserve primarily associated with Hurricane Zeta.

See "Financing Activities – Mississippi Power" herein and Notes 2 and 10 to the financial statements for additional information.

Southern Power

Significant balance sheet changes in 2020 for Southern Power included:

- an increase of \$634 million in property, plant, and equipment in service and a decrease of \$388 million in CWIP primarily due to the Skookumchuck and Reading wind facilities being placed in service and the acquisition of the Beech Ridge II wind facility;
- a decrease of \$618 million in assets held for sale (of which \$17 million related to current assets) due to completion of the sale of Plant Mankato;
- a decrease of \$525 million in securities due within one year primarily related to the maturity of senior notes;
- a decrease of \$374 million in notes payable due to net repayments of short-term bank debt and commercial paper; and
- a decrease of \$289 million in accumulated deferred income tax assets primarily related to the utilization of tax credits in 2020.

See "Financing Activities – Southern Power" herein and Notes 5, 10, and 15 to the financial statements for additional information.

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Southern Company Gas

Significant balance sheet changes in 2020 for Southern Company Gas included:

- an increase of \$1.1 billion in total property, plant, and equipment primarily related to the construction of transportation and distribution assets recovered through base rates and infrastructure investments recovered through replacement programs;
- an increase of \$781 million in long-term debt (including securities due within one year) due to the issuance of senior notes and mortgage bonds;
- a decrease of \$326 million in notes payable due to net repayments of short-term borrowings;
- an increase of \$261 million in common stockholder's equity primarily from net income and capital contributions from Southern Company, partially offset by dividends paid to Southern Company;
- a decrease of \$171 million in assets held for sale due to the completed sale of interests in Pivotal LNG and Atlantic Coast Pipeline; and
- increases of \$88 million and \$52 million in energy marketing receivables and payables, respectively, due to increased volumes of natural gas purchased and sold and higher natural gas prices.

See "Financing Activities – Southern Company Gas" herein and Notes 5 and 15 to the financial statements for additional information.

Financing Activities

The following table outlines the Registrants' long-term debt financing activities for the year ended December 31, 2020:

Company	Senior Note Issuances	Senior Note Maturities, Redemptions, and Repurchases	Revenue Bond Issuances and Reofferings of Purchased Bonds	Revenue Bond Maturities, Redemptions, and Repurchases	Other Long-Term Debt Issuances	Other Long-Term Debt Redemptions and Maturities ^(a)
	<i>(in millions)</i>					
Southern Company parent	\$ 1,000	\$ 600	\$ —	\$ —	\$ 3,000	\$ 1,000
Alabama Power	600	250	87	87	—	—
Georgia Power	1,500	950	53	336	848	84
Mississippi Power	—	275	34	41	100	—
Southern Power	—	825	—	—	—	—
Southern Company Gas	500	—	—	—	325	—
Other	—	—	—	—	—	16
Elimination ^(b)	—	—	—	—	—	(6)
Southern Company	\$ 3,600	\$ 2,900	\$ 174	\$ 464	\$ 4,273	\$ 1,094

(a) Includes reductions in finance lease obligations resulting from cash payments under finance leases and, for Georgia Power, principal amortization payments for FFB borrowings.

(b) Represents reductions in affiliate finance lease obligations at Georgia Power, which are eliminated in Southern Company's consolidated financial statements.

Except as otherwise described herein, the Registrants used the proceeds of debt issuances for their redemptions and maturities shown in the table above, to repay short-term indebtedness, and for general corporate purposes, including working capital. The Subsidiary Registrants also used the proceeds for their construction programs.

In addition to any financings that may be necessary to meet capital requirements and contractual obligations, the Registrants plan to continue, when economically feasible, a program to retire higher-cost securities and replace these obligations with lower-cost capital if market conditions permit.

Southern Company

During 2020, Southern Company issued approximately 3.3 million shares of common stock through employee equity compensation plans and received proceeds of approximately \$74 million.

In January 2020, Southern Company issued \$1.0 billion aggregate principal amount of Series 2020A 4.95% Junior Subordinated Notes due January 30, 2080.

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In March 2020, Southern Company borrowed \$250 million pursuant to a short-term uncommitted bank credit arrangement. In April 2020 and September 2020, Southern Company repaid \$50 million and \$200 million, respectively.

Also in March 2020, Southern Company entered into a \$75 million short-term floating rate bank loan bearing interest based on one-month LIBOR, which it repaid in September 2020.

In April 2020, Southern Company issued \$1.0 billion aggregate principal amount of Series 2020A 3.70% Senior Notes due April 30, 2030.

In May 2020, Southern Company redeemed all \$600 million aggregate principal amount of its Series 2015A 2.750% Senior Notes due June 15, 2020.

In September 2020, Southern Company issued \$1.25 billion aggregate principal amount of Series 2020B 4.00% Fixed-to-Fixed Reset Rate Junior Subordinated Notes due January 15, 2051 and \$750 million aggregate principal amount of Series 2020C 4.20% Junior Subordinated Notes due October 15, 2060.

In October 2020, Southern Company redeemed all of its \$1.0 billion aggregate principal amount outstanding of Series 2015A 6.25% Junior Subordinated Notes due October 15, 2075.

Subsequent to December 31, 2020, Southern Company borrowed \$25 million pursuant to a short-term uncommitted bank credit arrangement, bearing interest at a rate agreed upon by Southern Company and the bank from time to time.

Alabama Power

In March 2020, Alabama Power purchased and held approximately \$87 million aggregate principal amount of The Industrial Development Board of the City of Mobile, Alabama Pollution Control Revenue Bonds (Alabama Power Company Plant Barry Project), Series 2007-A, which were remarketed to the public in June 2020.

In August 2020, Alabama Power issued \$600 million aggregate principal amount of Series 2020A 1.45% Senior Notes due September 15, 2030.

In October 2020, Alabama Power repaid at maturity \$250 million aggregate principal amount of its Series 2010A 3.375% Senior Notes.

Subsequent to December 31, 2020, Alabama Power received a capital contribution totaling \$600 million from Southern Company.

Georgia Power

In January 2020, Georgia Power issued \$700 million aggregate principal amount of Series 2020A 2.10% Senior Notes due July 30, 2023, \$500 million aggregate principal amount of Series 2020B 3.70% Senior Notes due January 30, 2050, and an additional \$300 million aggregate principal amount of Series 2019B 2.65% Senior Notes due September 15, 2029.

In February 2020, Georgia Power redeemed all \$500 million aggregate principal amount of its Series 2017C 2.00% Senior Notes due September 8, 2020.

Also in February 2020, Georgia Power purchased and held approximately \$28 million, \$49 million, and \$18 million aggregate principal amounts of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), Second Series 2006, First Series 2012, and First Series 2013, respectively, which may be remarketed to the public at a later date.

In March 2020, Georgia Power repaid at maturity \$450 million aggregate principal amount of its Series 2017A 2.00% Senior Notes.

Also in March 2020, Georgia Power purchased and subsequently remarketed to the public approximately \$53 million of pollution control revenue bonds.

Also in March 2020, Georgia Power borrowed \$200 million pursuant to a \$250 million short-term uncommitted bank credit arrangement. In April 2020, Georgia Power borrowed the remaining \$50 million pursuant to this bank credit arrangement. In September 2020, Georgia Power repaid the full \$250 million.

Also in March 2020, Georgia Power extended one of its \$125 million short-term floating rate bank loans to a long-term term loan, which matures in June 2021.

In June 2020, Georgia Power extended its other \$125 million short-term floating rate bank loan to mature in December 2020. In September 2020, Georgia Power repaid this \$125 million bank loan.

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Southern Company and Subsidiary Companies 2020 Annual Report

In June and December 2020, Georgia Power made additional borrowings under the FFB Credit Facilities in an aggregate principal amount of \$519 million and \$329 million, respectively, at an interest rate of 1.652% and 1.737%, respectively, through the final maturity date of February 20, 2044. The proceeds were used to reimburse Georgia Power for Eligible Project Costs relating to the construction of Plant Vogtle Units 3 and 4. During 2020, Georgia Power made principal amortization payments of \$73 million under the FFB Credit Facilities. See Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings" for additional information.

In December 2020, Georgia Power purchased and held approximately \$89 million aggregate principal amount of Development Authority of Monroe County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Scherer Project), Second Series 2009, \$53 million aggregate principal amount of Development Authority of Floyd County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Hammond Project), First Series 2010, and \$46 million aggregate principal amounts of Development Authority of Burke County (Georgia) Pollution Control Revenue Bonds (Georgia Power Company Plant Vogtle Project), First Series 1996, which may be remarketed to the public at a later date.

Subsequent to December 31, 2020, Georgia Power received a capital contribution totaling \$330 million from Southern Company and called for redemption all \$325 million aggregate principal amount of its Series 2016B 2.40% Senior Notes due April 1, 2021.

Mississippi Power

In February 2020, Mississippi Power entered into \$60 million and \$15 million floating rate bank term loans, which mature in December 2021 and January 2022, respectively, each bearing interest based on one-month LIBOR.

In March 2020, Mississippi Power entered into a \$125 million revolving credit arrangement that matures in March 2023 and borrowed \$40 million (short term) and \$25 million (long term) pursuant to the arrangement, each bearing interest based on one-month LIBOR. In May 2020, Mississippi Power repaid the \$40 million short-term portion.

In March 2020, Mississippi Power repaid at maturity the remaining \$275 million aggregate principal amount of its Series 2018A Floating Rate Senior Notes.

In April 2020, Mississippi Power purchased and held approximately \$11 million, \$14 million, and \$9 million aggregate principal amount of Mississippi Business Finance Corporation Solid Waste Disposal Facilities Revenue Bonds, Series 1995 (Mississippi Power Company Project), Solid Waste Disposal Facilities Revenue Refunding Bonds, Series 1998 (Mississippi Power Company Project), and Revenue Bonds, Series 1999 (Mississippi Power Company Project), respectively, which were remarketed to the public in May 2020.

Also in April 2020, Mississippi Power redeemed approximately \$7 million aggregate principal amount of The Industrial Development Board of the City of Eutaw, Alabama Pollution Control Revenue Refunding Bonds, Series 1992 (Mississippi Power Greene County Plant Project) due December 1, 2020.

Subsequent to December 31, 2020, Mississippi Power received capital contributions totaling \$100 million from Southern Company.

Southern Power

In February 2020, Southern Power repaid its \$100 million short-term floating rate bank loan entered into in December 2019.

In June 2020, Southern Power repaid at maturity \$300 million aggregate principal amount of its Series 2015B 2.375% Senior Notes.

In December 2020, Southern Power repaid at maturity \$525 million aggregate principal amount of its Series 2017A Floating Rate Senior Notes.

Subsequent to December 31, 2020, Southern Power issued \$400 million aggregate principal amount of Series 2021A 0.90% Senior Notes due January 15, 2026. An amount equal to the net proceeds of the senior notes is being allocated to finance or refinance, in whole or in part, one or more renewable energy projects.

Also subsequent to December 31, 2020, Southern Power made a return of capital to Southern Company totaling \$271 million.

Southern Company Gas

In March 2020, Southern Company Gas Capital, as borrower, and Southern Company Gas, as guarantor, entered into a \$150 million short-term floating rate bank loan bearing interest based on one-month LIBOR. In December 2020, Southern Company Gas Capital repaid the outstanding balance.

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Also in March 2020, Southern Company Gas Capital borrowed approximately \$95 million pursuant to a short-term uncommitted bank credit arrangement, guaranteed by Southern Company Gas. In August 2020, Southern Company Gas Capital repaid the outstanding balance.

In August 2020, Southern Company Gas Capital, as borrower, and Southern Company Gas, as guarantor, issued \$500 million aggregate principal amount of Series 2020A 1.75% Senior Notes due January 15, 2031.

In August 2020 and November 2020, Nicor Gas issued \$150 million and \$175 million, respectively, aggregate principal amount of first mortgage bonds in a private placement.

Subsequent to December 31, 2020, Atlanta Gas Light repaid at maturity \$30 million aggregate principal amount of 9.1% medium-term notes.

Credit Rating Risk

At December 31, 2020, the Registrants did not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade.

There are certain contracts that could require collateral, but not accelerated payment, in the event of a credit rating change of certain Registrants to BBB and/or Baa2 or below. These contracts are primarily for physical electricity and natural gas purchases and sales, fuel purchases, fuel transportation and storage, energy price risk management, transmission, interest rate management, and, for Georgia Power, construction of new generation at Plant Vogtle Units 3 and 4.

The maximum potential collateral requirements under these contracts at December 31, 2020 were as follows:

Credit Ratings	Southern Company ^(*)	Alabama Power	Georgia Power	Mississippi Power	Southern Power ^(*)	Southern Company Gas
	<i>(in millions)</i>					
At BBB and/or Baa2	\$ 36	\$ 1	\$ —	\$ —	\$ 35	\$ —
At BBB- and/or Baa3	416	2	61	1	355	—
At BB+ and/or Ba1 or below	1,929	366	958	313	1,201	12

(*) Southern Power has PPAs that could require collateral, but not accelerated payment, in the event of a downgrade of Southern Power's credit. The PPAs require credit assurances without stating a specific credit rating. The amount of collateral required would depend upon actual losses resulting from a credit downgrade. Southern Power had \$105 million of cash collateral posted related to PPA requirements at December 31, 2020.

The amounts in the previous table for the traditional electric operating companies and Southern Power include certain agreements that could require collateral if either Alabama Power or Georgia Power has a credit rating change to below investment grade. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. Additionally, a credit rating downgrade could impact the ability of the Registrants to access capital markets and would be likely to impact the cost at which they do so.

Mississippi Power and its largest retail customer, Chevron, have agreements under which Mississippi Power continues to provide retail service to the Chevron refinery in Pascagoula, Mississippi through 2038. The agreements grant Chevron a security interest in the co-generation assets owned by Mississippi Power located at the refinery that is exercisable upon the occurrence of (i) certain bankruptcy events or (ii) other events of default coupled with specific reductions in steam output at the facility and a downgrade of Mississippi Power's credit rating to below investment grade by two of the three rating agencies.

On August 27, 2020, Moody's upgraded Mississippi Power's senior unsecured long-term debt rating to Baa1 from Baa2 and revised its rating outlook to stable from positive.

On September 25, 2020, Fitch upgraded Mississippi Power's senior unsecured long-term debt rating to A- from BBB+ and revised its rating outlook to stable from positive.

Also on September 25, 2020, Fitch revised the ratings outlook of Southern Company and its subsidiaries (excluding Georgia Power and Mississippi Power) to stable from negative.

Market Price Risk

The Registrants had no material change in market risk exposure for the year ended December 31, 2020 when compared to the year ended December 31, 2019. See Note 14 to the financial statements for an in-depth discussion of the Registrants' derivatives, as well as Note 1 to the financial statements under "Financial Instruments" for additional information.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Due to cost-based rate regulation and other various cost recovery mechanisms, the traditional electric operating companies and the natural gas distribution utilities that sell natural gas directly to end-use customers continue to have limited exposure to market volatility in interest rates, foreign currency exchange rates, commodity fuel prices, and prices of electricity. The traditional electric operating companies and certain of the natural gas distribution utilities manage fuel-hedging programs implemented per the guidelines of their respective state PSCs or other applicable state regulatory agencies to hedge the impact of market fluctuations in natural gas prices for customers. Mississippi Power also manages wholesale fuel-hedging programs under agreements with its wholesale customers. Because energy from Southern Power's facilities is primarily sold under long-term PPAs with tolling agreements and provisions shifting substantially all of the responsibility for fuel cost to the counterparties, Southern Power's exposure to market volatility in commodity fuel prices and prices of electricity is generally limited. However, Southern Power has been and may continue to be exposed to market volatility in energy-related commodity prices as a result of uncontracted generating capacity. To mitigate residual risks relative to movements in electricity prices, the traditional electric operating companies and Southern Power may enter into physical fixed-price contracts for the purchase and sale of electricity through the wholesale electricity market and, to a lesser extent, financial hedge contracts for natural gas purchases; however, a significant portion of contracts are priced at market.

Certain of Southern Company Gas' non-regulated operations routinely utilize various types of derivative instruments to economically hedge certain commodity price and weather risks inherent in the natural gas industry. These instruments include a variety of exchange-traded and OTC energy contracts, such as forward contracts, futures contracts, options contracts, and swap agreements. Southern Company Gas' gas marketing services and wholesale gas services businesses also actively manage storage positions through a variety of hedging transactions for the purpose of managing exposures arising from changing natural gas prices. These hedging instruments are used to substantially protect economic margins (as spreads between wholesale and retail natural gas prices widen between periods) and thereby minimize exposure to declining operating margins. Some of these economic hedge activities may not qualify, or may not be designated, for hedge accounting treatment.

The following table provides information related to variable interest rate exposure on long-term debt (including amounts due within one year) at December 31, 2020 for the applicable Registrants:

At December 31, 2020	Southern Company^(*)		Alabama Power		Georgia Power		Mississippi Power	
	<i>(in millions, except percentages)</i>							
Long-term variable interest rate exposure	\$	3,428	\$	1,079	\$	675	\$	74
Weighted average interest rate on long-term variable interest rate exposure		0.77 %		0.76 %		0.23 %		0.70 %
Impact on annualized interest expense of 100 basis point change in interest rates	\$	34	\$	11	\$	7	\$	1

(*) Includes \$1.5 billion of long-term variable interest rate exposure at the Southern Company parent entity.

The Registrants may enter into interest rate derivatives designated as hedges, which are intended to mitigate interest rate volatility related to forecasted debt financings and existing fixed and floating rate obligations. See Note 14 to the financial statements under "Interest Rate Derivatives" for additional information.

Southern Power had foreign currency denominated debt of €1.1 billion at December 31, 2020. Southern Power has mitigated its exposure to foreign currency exchange rate risk through the use of foreign currency swaps converting all interest and principal payments to fixed-rate U.S. dollars. See Note 14 to the financial statements under "Foreign Currency Derivatives" for additional information.

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Changes in fair value of energy-related derivative contracts for Southern Company and Southern Company Gas for the years ended December 31, 2020 and 2019 are provided in the table below. The fair value of energy-related derivative contracts was not material for the other Registrants. At December 31, 2020 and 2019, substantially all of the traditional electric operating companies' and certain of the natural gas distribution utilities' energy-related derivative contracts were designated as regulatory hedges and were related to the applicable company's fuel-hedging program.

	Southern Company ^(a)	Southern Company Gas ^(a)	
		<i>(in millions)</i>	
Contracts outstanding at December 31, 2018, assets (liabilities), net	\$	(201)	\$ (167)
Contracts realized or settled		69	26
Current period changes ^(b)		105	213
Disposition		6	—
Contracts outstanding at December 31, 2019, assets (liabilities), net	\$	(21)	\$ 72
Contracts realized or settled		(14)	(98)
Current period changes ^(b)		142	127
Contracts outstanding at December 31, 2020, assets (liabilities), net	\$	107	\$ 101

(a) Excludes cash collateral held on deposit in broker margin accounts of \$28 million, \$99 million, and \$277 million at December 31, 2020, 2019, and 2018, respectively, and premium and intrinsic value associated with weather derivatives of \$6 million, \$4 million, and \$8 million at December 31, 2020, 2019, and 2018, respectively.

(b) The changes in fair value of energy-related derivative contracts are substantially attributable to both the volume and the price of natural gas. Current period changes also include the changes in fair value of new contracts entered into during the period, if any.

The net hedge volumes of energy-related derivative contracts for natural gas purchased (sold) at December 31, 2020 and 2019 for Southern Company and Southern Company Gas were as follows:

	Southern Company	Southern Company Gas	
		<i>mmBtu Volume (in millions)</i>	
At December 31, 2020:			
Commodity – Natural gas swaps		262	—
Commodity – Natural gas options		574	523
Total hedge volume		836	523
At December 31, 2019:			
Commodity – Natural gas swaps		327	—
Commodity – Natural gas options		262	218
Total hedge volume		589	218

Southern Company Gas' derivative contracts are comprised of both long and short natural gas positions. A long position is a contract to purchase natural gas, and a short position is a contract to sell natural gas. The volumes presented above for Southern Company Gas represent the net of long natural gas positions of 4.42 billion mmBtu and short natural gas positions of 3.90 billion mmBtu at December 31, 2020 and the net of long natural gas positions of 4.10 billion mmBtu and short natural gas positions of 3.88 billion mmBtu at December 31, 2019.

For the Southern Company system, the weighted average swap contract cost per mmBtu was equal to market prices at December 31, 2020 and was approximately \$0.28 per mmBtu above market prices at December 31, 2019. The change in option fair value is primarily attributable to the volatility of the market and the underlying change in the natural gas price. Substantially all of the traditional electric operating companies' natural gas hedge gains and losses are recovered through their respective fuel cost recovery clauses.

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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The Registrants use over-the-counter contracts that are not exchange traded but are fair valued using prices which are market observable, and thus fall into Level 2 of the fair value hierarchy. In addition, Southern Company Gas uses exchange-traded market-observable contracts, which are categorized as Level 1, and contracts that include a combination of observable and unobservable components, which are categorized as Level 3. See Note 13 to the financial statements for further discussion of fair value measurements. The maturities of the energy-related derivative contracts for Southern Company and Southern Company Gas at December 31, 2020 were as follows:

	Fair Value Measurements of Contracts at			
	December 31, 2020			
	Total Fair Value	Maturity		
	2021	2022 – 2023	2024 – 2025	
<i>(in millions)</i>				
Southern Company				
Level 1 ^(a)	\$ 13	\$ 10	\$ (11)	\$ 14
Level 2 ^(b)	66	49	5	12
Level 3	28	9	8	11
Southern Company total^(c)	\$ 107	\$ 68	\$ 2	\$ 37
Southern Company Gas				
Level 1 ^(a)	\$ 13	\$ 10	\$ (11)	\$ 14
Level 2 ^(b)	60	43	5	12
Level 3	28	9	8	11
Southern Company Gas total^(c)	\$ 101	\$ 62	\$ 2	\$ 37

(a) Valued using NYMEX futures prices.

(b) Level 2 amounts for Southern Company Gas are valued using basis transactions that represent the cost to transport natural gas from a NYMEX delivery point to the contract delivery point. These transactions are based on quotes obtained either through electronic trading platforms or directly from brokers.

(c) Excludes cash collateral of \$28 million as well as premium and associated intrinsic value associated with weather derivatives of \$6 million at December 31, 2020.

The Registrants are exposed to risk in the event of nonperformance by counterparties to energy-related and interest rate derivative contracts, as applicable. The Registrants only enter into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's and S&P, or with counterparties who have posted collateral to cover potential credit exposure. Therefore, the Registrants do not anticipate market risk exposure from nonperformance by the counterparties. For additional information, see Note 1 to the financial statements under "Financial Instruments" and Note 14 to the financial statements.

Southern Company performs periodic reviews of its leveraged lease transactions, both domestic and international, and the creditworthiness of the lessees, including a review of the value of the underlying leased assets and the credit ratings of the lessees. Southern Company's domestic lease transactions generally do not have any credit enhancement mechanisms; however, the lessees in its international lease transactions have pledged various deposits as additional security to secure the obligations. The lessees in Southern Company's international lease transactions are also required to provide additional collateral in the event of a credit downgrade below a certain level. See Notes 1 and 3 to the financial statements under "Leveraged Leases" and "Other Matters – Southern Company," respectively, for additional information, including recent impairment charges related to certain leveraged lease investments.

Southern Company Gas Value at Risk (VaR)

VaR is the maximum potential loss in portfolio value over a specified time period that is not expected to be exceeded within a given degree of probability. Southern Company Gas' VaR may not be comparable to that of other companies due to differences in the factors used to calculate VaR. Southern Company Gas' VaR is determined on a 95% confidence interval and a one-day holding period, which means that 95% of the time, the risk of loss in a day from a portfolio of positions is expected to be less than or equal to the amount of VaR calculated. The open exposure of Southern Company Gas is managed in accordance with established policies that limit market risk and require daily reporting of potential financial exposure to senior management. Because Southern Company Gas generally manages physical gas assets and economically protects its positions by hedging in the

COMBINED MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)
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futures markets, Southern Company Gas' open exposure is generally mitigated. Southern Company Gas employs daily risk testing, using both VaR and stress testing, to evaluate the risk of its positions.

Southern Company Gas actively monitors open commodity positions and the resulting VaR and maintains a relatively small risk exposure as total buy volume is close to sell volume, with minimal open natural gas price risk. Based on a 95% confidence interval and employing a one-day holding period, SouthStar's portfolio of positions for all periods presented was immaterial.

Southern Company Gas' wholesale gas services segment had the following VaRs at December 31:

	2020	2019	2018
		<i>(in millions)</i>	
Period end ^(*)	\$ 1.3	\$ 2.6	\$ 6.4
Average	2.5	3.4	3.7
High ^(*)	4.6	7.0	11.7
Low	1.2	2.1	1.2

(*) The VaR at December 31, 2018 reflects significant natural gas price increases in Sequent's key markets driven by an industry-wide lower-than-normal natural gas storage inventory position and colder-than-normal weather in the middle of fourth quarter 2018. As weather and natural gas prices moderated subsequent to December 31, 2018, VaR declined.

Credit Risk

Southern Company (except as discussed herein), the traditional electric operating companies, and Southern Power are not exposed to any concentrations of credit risk. Southern Company Gas' exposure to concentrations of credit risk is discussed herein.

Southern Company Gas

Gas Distribution Operations

Concentration of credit risk occurs at Atlanta Gas Light for amounts billed for services and other costs to its customers, which consist of the 16 Marketers in Georgia. The credit risk exposure to the Marketers varies seasonally, with the lowest exposure in the non-peak summer months and the highest exposure in the peak winter months. Marketers are responsible for the retail sale of natural gas to end-use customers in Georgia. The provisions of Atlanta Gas Light's tariff allow Atlanta Gas Light to obtain credit security support in an amount equal to a minimum of two times a Marketer's highest month's estimated bill from Atlanta Gas Light. For 2020, the four largest Marketers based on customer count, which includes SouthStar, accounted for 21% of Southern Company Gas' adjusted operating margin and 25% of adjusted operating margin for Southern Company Gas' gas distribution operations segment.

Several factors are designed to mitigate Southern Company Gas' risks from the increased concentration of credit that has resulted from deregulation. In addition to the security support described above, Atlanta Gas Light bills intrastate delivery service to Marketers in advance rather than in arrears. Atlanta Gas Light accepts credit support in the form of cash deposits, letters of credit/surety bonds from acceptable issuers, and corporate guarantees from investment-grade entities. Southern Company Gas reviews the adequacy of credit support coverage, credit rating profiles of credit support providers, and payment status of each Marketer. Southern Company Gas believes that adequate policies and procedures are in place to properly quantify, manage, and report on Atlanta Gas Light's credit risk exposure to Marketers.

Atlanta Gas Light also faces potential credit risk in connection with assignments of interstate pipeline transportation and storage capacity to Marketers. Although Atlanta Gas Light assigns this capacity to Marketers, in the event that a Marketer fails to pay the interstate pipelines for the capacity, the interstate pipelines would likely seek repayment from Atlanta Gas Light.

Wholesale Gas Services

Southern Company Gas has established credit policies to determine and monitor the creditworthiness of counterparties, including requirements to post collateral or other credit security, as well as the quality of pledged collateral. Southern Company Gas also utilizes netting agreements whenever possible to mitigate exposure to counterparty credit risk. When more than one derivative transaction with the same counterparty is outstanding and a legally enforceable netting agreement exists with that counterparty, the "net" mark-to-market exposure represents a reasonable measure of Southern Company Gas' credit risk with that counterparty. Netting agreements also enable Southern Company Gas to net certain assets and liabilities by counterparty across product lines and against cash collateral, provided the netting and cash collateral agreements include such provisions. While the amounts due from, or owed to, counterparties are settled net, they are recorded on a gross basis on the balance sheet as energy marketing receivables and energy marketing payables.

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Southern Company and Subsidiary Companies 2020 Annual Report

Southern Company Gas may require counterparties to pledge additional collateral when deemed necessary. Collateral or credit security is most often in the form of cash or letters of credit from an investment-grade financial institution but may also include cash or U.S. government securities held by a trustee. Southern Company Gas conducts credit evaluations and obtains appropriate internal approvals for a counterparty's line of credit before any transaction with the counterparty is executed. In most cases, the counterparty must have an investment grade rating, which includes a minimum long-term debt rating of Baa3 from Moody's and BBB- from S&P. Generally, Southern Company Gas requires credit enhancements by way of a guaranty, cash deposit, or letter of credit for transaction counterparties that do not have investment grade ratings.

Certain of Southern Company Gas' derivative instruments contain credit-risk-related or other contingent features that could increase the payments for collateral it posts in the normal course of business when its financial instruments are in net liability positions. At December 31, 2020, for agreements with such features, Southern Company Gas' derivative instruments with liability fair values were immaterial and Southern Company Gas had no collateral posted with derivatives counterparties to satisfy these arrangements.

Southern Company Gas has a concentration of credit risk as measured by its 30-day receivable exposure plus forward exposure. At December 31, 2020, the top 20 counterparties of Southern Company Gas' wholesale gas services segment represented approximately 58%, or \$234 million, of its total counterparty exposure and had a weighted average S&P equivalent credit rating of A-, all of which is consistent with the prior year. The S&P equivalent credit rating is determined by a process of converting the lower of the S&P or Moody's ratings to an internal rating ranging from 9 to 1, with 9 being equivalent to AAA/Aaa by S&P and Moody's, respectively, and 1 being D / Default by S&P and Moody's, respectively. A counterparty that does not have an external rating is assigned an internal rating based on the strength of the financial ratios of that counterparty. To arrive at the weighted average credit rating, each counterparty is assigned an internal ratio, which is multiplied by their credit exposure and summed for all counterparties. The sum is divided by the aggregate total counterparties' exposures, and this numeric value is then converted to a S&P equivalent.

The following table provides credit risk information related to Southern Company Gas' third-party natural gas contracts receivable and payable positions at December 31:

	Gross Receivables		Gross Payables	
	2020	2019	2020	2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Netting agreements in place:				
Counterparty is investment grade	\$ 265	\$ 238	\$ 104	\$ 127
Counterparty is non-investment grade	3	1	46	43
Counterparty has no external rating	235	175	342	272
No netting agreements in place:				
Counterparty is investment grade	13	14	2	—
Amount recorded in balance sheets	\$ 516	\$ 428	\$ 494	\$ 442

Gas Marketing Services

Southern Company Gas obtains credit scores for its firm residential and small commercial customers using a national credit reporting agency, enrolling only those customers that meet or exceed Southern Company Gas' credit threshold. Southern Company Gas considers potential interruptible and large commercial customers based on reviews of publicly available financial statements and commercially available credit reports. Prior to entering into a physical transaction, Southern Company Gas also assigns physical wholesale counterparties an internal credit rating and credit limit based on the counterparties' Moody's, S&P, and Fitch ratings, commercially available credit reports, and audited financial statements.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of The Southern Company and Subsidiary Companies

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Southern Company and subsidiary companies (Southern Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). We also have audited Southern Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southern Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, Southern Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

Basis for Opinions

Southern Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on Southern Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Southern Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Audit Committee of Southern Company's Board of Directors and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impact of Rate Regulation on the Financial Statements – Refer to Note 1 (Summary of Significant Accounting Policies – Regulatory Assets and Liabilities) and Note 2 (Regulatory Matters) to the financial statements

Critical Audit Matter Description

Southern Company's traditional electric operating companies and natural gas distribution utilities (the "regulated utility subsidiaries"), which represent approximately 89% of Southern Company's consolidated operating revenues for the year ended December 31, 2020 and 85% of its consolidated total assets at December 31, 2020, are subject to rate regulation by their respective state Public Service Commissions or other applicable state regulatory agencies and wholesale regulation by the Federal Energy Regulatory Commission (collectively, the "Commissions"). Management has determined that the regulated utility subsidiaries meet the requirements under accounting principles generally accepted in the United States of America to utilize specialized rules to account for the effects of rate regulation in the preparation of its financial statements. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, including, but not limited to, property, plant, and equipment; other regulatory assets; other regulatory liabilities; other cost of removal obligations; deferred charges and credits related to income taxes; under and over recovered regulatory clause revenues; operating revenues; operations and maintenance expenses; and depreciation and amortization.

The Commissions set the rates the regulated utility subsidiaries are permitted to charge customers. Rates are determined and approved in regulatory proceedings based on an analysis of the applicable regulated utility subsidiary's costs to provide utility service and a return on, and recovery of, its investment in the utility business. Current and future regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investments, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. While Southern Company's regulated utility subsidiaries expect to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures (e.g., asset retirement costs, property damage reserves, and net book value of retired assets) and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of part of the cost of recently completed plant or plant under construction, and/or (3) a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities and significant auditor judgment to evaluate management estimates and the subjectivity of audit evidence.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We read relevant regulatory orders issued by the Commissions for the regulated utility subsidiaries, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.

- For regulatory matters in process, we inspected filings with the Commissions by Southern Company's regulated utility subsidiaries and other interested parties that may impact the regulated utility subsidiaries' future rates for any evidence that might contradict management's assertions.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects. We tested selected costs included in the capitalized project costs for completeness and accuracy.
- We obtained representation from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.
- We evaluated Southern Company's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Disclosure of Uncertainties – Plant Vogtle Units 3 and 4 Construction – Refer to Note 2 (Regulatory Matters – Georgia Power – Nuclear Construction) to the financial statements

Critical Audit Matter Description

As discussed in Note 2 to the financial statements, the ultimate recovery of Georgia Power Company's (Georgia Power) investment in the construction of Plant Vogtle Units 3 and 4 is subject to multiple uncertainties. Such uncertainties include the potential impact of future decisions by Georgia Power's regulators (particularly the Georgia Public Service Commission), actions by the co-owners of the Vogtle project, and litigation or other legal proceedings involving the project. In addition, Georgia Power's ability to meet its cost and schedule forecasts could impact its capacity to fully recover its investment in the project. While the project is not subject to a cost cap, Georgia Power's cost and schedule forecasts are subject to numerous uncertainties which could impact cost recovery, including challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related craft labor productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of plant systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues that could arise and change the projected schedule and estimated cost. In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4. The ultimate recovery of Georgia Power's investment in Plant Vogtle Units 3 and 4 is subject to the outcome of future assessments by management as well as Georgia Public Service Commission decisions in future regulatory proceedings.

Management has recorded charges to income, including a total of \$325 million in 2020, when it has determined that it is likely to incur costs for which it will not seek recovery or which it has concluded are probable of disallowance for ratemaking purposes. In addition, management has disclosed the status, risks, and uncertainties associated with Plant Vogtle Units 3 and 4, including (1) the status of construction; (2) the status of regulatory proceedings; (3) the status of legal actions or issues involving the co-owners of the project; and (4) other matters which could impact the ultimate recoverability of Georgia Power's investment in the project. We identified as a critical audit matter the evaluation of Georgia Power's identification and disclosure of events and uncertainties that could impact the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4. This critical audit matter involved significant audit effort requiring specialized industry and construction expertise, extensive knowledge of rate regulation, and difficult and subjective judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to Georgia Power's identification and disclosure of events and uncertainties that could impact the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4 included the following, among others:

- We tested the effectiveness of internal controls over the on-going evaluation, monitoring, and disclosure of matters related to the construction and ultimate cost recovery of Plant Vogtle Units 3 and 4.
- We involved construction specialists to assist in our evaluation of Georgia Power's processes for on-going evaluation and monitoring of the construction schedule and to assess the disclosures of the uncertainties impacting the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4.
- We attended meetings with Georgia Power and Southern Company officials, project managers (including contractors), independent regulatory monitors, and co-owners of the project to evaluate and monitor construction status and identify cost and schedule challenges.

- We read reports of external independent monitors employed by the Georgia Public Service Commission to monitor the status of construction at Plant Vogtle Units 3 and 4 to evaluate the completeness of Georgia Power's disclosure of the uncertainties impacting the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4.
- We inquired of Georgia Power and Southern Company officials and project managers regarding the status of construction, the construction schedule, and cost forecasts to assess the financial statement disclosures with respect to project status and potential risks and uncertainties to the achievement of such forecasts.
- We inspected regulatory filings and transcripts of Georgia Public Service Commission hearings regarding the construction of Plant Vogtle Units 3 and 4 to identify potential challenges to the recovery of Georgia Power's construction costs and to evaluate the disclosures with respect to such uncertainties.
- We inquired of Georgia Power and Southern Company management and internal and external legal counsel regarding any potential legal actions or issues arising from project construction or issues involving the co-owners of the project.
- We monitored the status of reviews by the Nuclear Regulatory Commission to identify potential impediments to the licensing and commercial operation of the project.
- We compared the financial statement disclosures relating to this matter to the information gathered through the conduct of all our procedures to evaluate whether there were omissions relating to significant facts or uncertainties regarding the status of construction or other factors which could impact the ultimate cost recovery of Plant Vogtle Units 3 and 4.
- We obtained representation from management regarding disclosure of all matters related to the cost and/or status of the construction of Plant Vogtle Units 3 and 4, including matters related to a co-owner or regulatory development, that could impact the recovery of the related costs.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

February 17, 2021

We have served as Southern Company's auditor since 2002.

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Revenues:			
Retail electric revenues	\$ 13,643	\$ 14,084	\$ 15,222
Wholesale electric revenues	1,945	2,152	2,516
Other electric revenues	672	636	664
Natural gas revenues	3,434	3,792	3,854
Other revenues	681	755	1,239
Total operating revenues	20,375	21,419	23,495
Operating Expenses:			
Fuel	2,967	3,622	4,637
Purchased power	799	816	971
Cost of natural gas	972	1,319	1,539
Cost of other sales	327	435	806
Other operations and maintenance	5,413	5,624	5,926
Depreciation and amortization	3,518	3,038	3,131
Taxes other than income taxes	1,234	1,230	1,315
Estimated loss on Plant Vogtle Units 3 and 4	325	—	1,060
Impairment charges	—	168	210
(Gain) loss on dispositions, net	(65)	(2,569)	(291)
Total operating expenses	15,490	13,683	19,304
Operating Income	4,885	7,736	4,191
Other Income and (Expense):			
Allowance for equity funds used during construction	149	128	138
Earnings from equity method investments	153	162	148
Interest expense, net of amounts capitalized	(1,821)	(1,736)	(1,842)
Impairment of leveraged leases	(206)	—	—
Other income (expense), net	336	252	114
Total other income and (expense)	(1,389)	(1,194)	(1,442)
Earnings Before Income Taxes	3,496	6,542	2,749
Income taxes	393	1,798	449
Consolidated Net Income	3,103	4,744	2,300
Dividends on preferred stock of subsidiaries	15	15	16
Net income (loss) attributable to noncontrolling interests	(31)	(10)	58
Consolidated Net Income Attributable to Southern Company	\$ 3,119	\$ 4,739	\$ 2,226
Common Stock Data:			
Earnings per share —			
Basic	\$ 2.95	\$ 4.53	\$ 2.18
Diluted	2.93	4.50	2.17
Average number of shares of common stock outstanding — (in millions)			
Basic	1,058	1,046	1,020
Diluted	1,065	1,054	1,025

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Consolidated Net Income	\$ 3,103	\$ 4,744	\$ 2,300
Other comprehensive income (loss):			
Qualifying hedges:			
Changes in fair value, net of tax of \$3, \$(39), and \$(16), respectively	10	(115)	(47)
Reclassification adjustment for amounts included in net income, net of tax of \$(13), \$19, and \$24, respectively	(40)	57	72
Pension and other postretirement benefit plans:			
Benefit plan net gain (loss), net of tax of \$(17), \$(31), and \$(2), respectively	(55)	(64)	(5)
Reclassification adjustment for amounts included in net income, net of tax of \$3, \$1, and \$5, respectively	10	4	6
Total other comprehensive income (loss)	(75)	(118)	26
Dividends on preferred stock of subsidiaries	15	15	16
Comprehensive income (loss) attributable to noncontrolling interests	(31)	(10)	58
Consolidated Comprehensive Income Attributable to Southern Company	\$ 3,044	\$ 4,621	\$ 2,252

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Activities:			
Consolidated net income	\$ 3,103	\$ 4,744	\$ 2,300
Adjustments to reconcile consolidated net income to net cash provided from operating activities —			
Depreciation and amortization, total	3,905	3,331	3,549
Deferred income taxes	(241)	611	89
Utilization of federal investment tax credits	341	757	5
Allowance for equity funds used during construction	(149)	(128)	(138)
Pension, postretirement, and other employee benefits	(259)	(204)	(103)
Pension and postretirement funding	(2)	(1,136)	(4)
Settlement of asset retirement obligations	(442)	(328)	(244)
Storm damage accruals	325	168	74
Stock based compensation expense	113	107	125
Estimated loss on Plant Vogtle Units 3 and 4	325	—	1,060
Impairment charges	206	168	210
(Gain) loss on dispositions, net	(66)	(2,588)	(301)
Other, net	(74)	115	47
Changes in certain current assets and liabilities —			
-Receivables	(222)	630	(426)
-Fossil fuel for generation	(29)	(120)	123
-Materials and supplies	(157)	(17)	(176)
-Other current assets	(132)	132	98
-Accounts payable	(27)	(693)	291
-Accrued taxes	242	117	267
-Retail fuel cost over recovery	96	62	36
-Customer refunds	(236)	126	67
-Other current liabilities	76	(73)	(4)
Net cash provided from operating activities	6,696	5,781	6,945
Investing Activities:			
Business acquisitions, net of cash acquired	(81)	(50)	(65)
Property additions	(7,441)	(7,555)	(8,001)
Nuclear decommissioning trust fund purchases	(877)	(888)	(1,117)
Nuclear decommissioning trust fund sales	871	882	1,111
Proceeds from dispositions and asset sales	1,049	5,122	2,956
Cost of removal, net of salvage	(361)	(393)	(388)
Change in construction payables, net	37	(169)	50
Investments in unconsolidated subsidiaries	(80)	(148)	(114)
Payments pursuant to LTSAs	(211)	(234)	(186)
Other investing activities	64	41	(6)
Net cash used for investing activities	(7,030)	(3,392)	(5,760)
Financing Activities:			
Increase (decrease) in notes payable, net	(1,096)	640	(774)
Proceeds —			
Long-term debt	8,047	5,220	2,478
Common stock	74	844	1,090
Short-term borrowings	615	350	3,150
Redemptions and repurchases —			
Long-term debt	(4,458)	(4,347)	(5,533)
Preferred and preference stock	—	—	(33)
Short-term borrowings	(840)	(1,850)	(1,900)
Distributions to noncontrolling interests	(271)	(256)	(153)
Capital contributions from noncontrolling interests	363	196	2,551
Payment of common stock dividends	(2,685)	(2,570)	(2,425)
Other financing activities	(325)	(157)	(264)
Net cash used for financing activities	(576)	(1,930)	(1,813)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(910)	459	(628)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	1,978	1,519	2,147
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 1,068	\$ 1,978	\$ 1,519
Supplemental Cash Flow Information:			
Cash paid during the period for —			
Interest (net of \$81, \$74, and \$72 capitalized, respectively)	\$ 1,683	\$ 1,651	\$ 1,794

Income taxes (net of refunds)	64	276	172
Noncash transactions — Accrued property additions at year-end	989	932	1,103

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
At December 31, 2020 and 2019
Southern Company and Subsidiary Companies 2020 Annual Report

Assets	2020	2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 1,065	\$ 1,975
Receivables —		
Customer accounts	1,753	1,614
Energy marketing	516	428
Unbilled revenues	672	599
Other accounts and notes	512	817
Accumulated provision for uncollectible accounts	(118)	(49)
Materials and supplies	1,478	1,388
Fossil fuel for generation	550	521
Natural gas for sale	460	479
Prepaid expenses	276	314
Assets from risk management activities, net of collateral	147	183
Regulatory assets – asset retirement obligations	214	287
Other regulatory assets	810	885
Assets held for sale	60	188
Other current assets	222	188
Total current assets	8,617	9,817
Property, Plant, and Equipment:		
In service	110,516	105,114
Less: Accumulated depreciation	32,397	30,765
Plant in service, net of depreciation	78,119	74,349
Nuclear fuel, at amortized cost	818	851
Construction work in progress	8,697	7,880
Total property, plant, and equipment	87,634	83,080
Other Property and Investments:		
Goodwill	5,280	5,280
Nuclear decommissioning trusts, at fair value	2,303	2,036
Equity investments in unconsolidated subsidiaries	1,362	1,303
Other intangible assets, net of amortization of \$328 and \$280, respectively	487	536
Leveraged leases	556	788
Miscellaneous property and investments	398	391
Total other property and investments	10,386	10,334
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,802	1,800
Deferred charges related to income taxes	796	798
Unamortized loss on reacquired debt	280	300
Regulatory assets – asset retirement obligations, deferred	4,934	4,094
Other regulatory assets, deferred	7,198	6,805
Assets held for sale, deferred	—	601
Other deferred charges and assets	1,288	1,071
Total deferred charges and other assets	16,298	15,469
Total Assets	\$ 122,935	\$ 118,700

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS
At December 31, 2020 and 2019
Southern Company and Subsidiary Companies 2020 Annual Report

Liabilities and Stockholders' Equity	2020	2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 3,507	\$ 2,989
Notes payable	609	2,055
Energy marketing trade payables	494	442
Accounts payable	2,312	2,115
Customer deposits	487	496
Accrued taxes —		
Accrued income taxes	130	—
Other accrued taxes	699	659
Accrued interest	513	474
Accrued compensation	1,025	992
Asset retirement obligations	585	504
Other regulatory liabilities	509	756
Liabilities held for sale	—	5
Operating lease obligations	241	229
Other current liabilities	968	830
Total current liabilities	12,079	12,546
Long-Term Debt	45,073	41,798
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	8,175	7,888
Deferred credits related to income taxes	5,767	6,078
Accumulated deferred ITCs	2,235	2,291
Employee benefit obligations	2,213	1,814
Operating lease obligations, deferred	1,611	1,615
Asset retirement obligations, deferred	10,099	9,282
Accrued environmental remediation	216	234
Other cost of removal obligations	2,211	2,239
Other regulatory liabilities, deferred	251	256
Other deferred credits and liabilities	480	609
Total deferred credits and other liabilities	33,258	32,306
Total Liabilities	90,410	86,650
Redeemable Preferred Stock of Subsidiaries:		
Cumulative preferred stock		
\$100 par or stated value - 4.20% to 4.92% (Authorized - 10 million shares; Outstanding - 0.5 million shares)	48	48
\$1 par value - 5.00% (Authorized - 28 million shares; Outstanding - 10 million shares)	243	243
Total redeemable preferred stock of subsidiaries (annual dividend requirement - \$15 million)	291	291
Common Stockholders' Equity:		
Common stock, par value \$5 per share (Authorized - 1.5 billion shares) (Issued - 1.1 billion shares; Treasury - 1.0 million shares)	5,268	5,257
Paid-in capital	11,834	11,734
Treasury, at cost	(46)	(42)
Retained earnings	11,311	10,877
Accumulated other comprehensive loss	(395)	(321)
Total common stockholders' equity	27,972	27,505
Noncontrolling interests	4,262	4,254
Total Stockholders' Equity (See accompanying statements)	32,234	31,759
Total Liabilities and Stockholders' Equity	\$ 122,935	\$ 118,700
Commitments and Contingent Matters (See notes)		

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company and Subsidiary Companies 2020 Annual Report

Southern Company Common Stockholders' Equity									
	Number of Common Shares		Common Stock			Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total
	Issued	Treasury	Par Value	Paid-In Capital	Treasury				
	<i>(in millions)</i>								
Balance at December 31, 2017	1,009	(1)	\$ 5,038	\$ 10,469	\$ (36)	\$ 8,885	\$ (189)	\$ 1,361	\$ 25,528
Consolidated net income	—	—	—	—	—	2,226	—	58	2,284
Other comprehensive income	—	—	—	—	—	—	26	—	26
Stock issued	26	—	126	964	—	—	—	—	1,090
Stock-based compensation	—	—	—	84	—	—	—	—	84
Cash dividends of \$2.3800 per share	—	—	—	—	—	(2,425)	—	—	(2,425)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	1,372	1,372
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(164)	(164)
Sale of noncontrolling interests	—	—	—	(417)	—	—	—	1,690	1,273
Other	—	—	—	(6)	(2)	20	(40)	(1)	(29)
Balance at December 31, 2018	1,035	(1)	5,164	11,094	(38)	8,706	(203)	4,316	29,039
Consolidated net income (loss)	—	—	—	—	—	4,739	—	(10)	4,729
Other comprehensive income (loss)	—	—	—	—	—	—	(118)	—	(118)
Issuance of equity units ^(*)	—	—	—	(198)	—	—	—	—	(198)
Stock issued	19	—	93	751	—	—	—	—	844
Stock-based compensation	—	—	—	66	—	—	—	—	66
Cash dividends of \$2.4600 per share	—	—	—	—	—	(2,570)	—	—	(2,570)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	276	276
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(327)	(327)
Other	—	—	—	21	(4)	2	—	(1)	18
Balance at December 31, 2019	1,054	(1)	5,257	11,734	(42)	10,877	(321)	4,254	31,759
Consolidated net income (loss)	—	—	—	—	—	3,119	—	(31)	3,088
Other comprehensive income (loss)	—	—	—	—	—	—	(75)	—	(75)
Stock issued	4	—	11	63	—	—	—	—	74
Stock-based compensation	—	—	—	44	—	—	—	—	44
Cash dividends of \$2.5400 per share	—	—	—	—	—	(2,685)	—	—	(2,685)
Contributions from noncontrolling interests	—	—	—	—	—	—	—	307	307
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(271)	(271)
Purchase of membership interests from noncontrolling interests	—	—	—	5	—	—	—	(65)	(60)
Sale of noncontrolling interests	—	—	—	(2)	—	—	—	67	65
Other	—	—	—	(10)	(4)	—	1	1	(12)
Balance at December 31, 2020	1,058	(1)	\$ 5,268	\$ 11,834	\$ (46)	\$ 11,311	\$ (395)	\$ 4,262	\$ 32,234

(*) See Note 8 under "Equity Units" for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Alabama Power Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Alabama Power Company (Alabama Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, the related statements of income, comprehensive income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Alabama Power as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Alabama Power's management. Our responsibility is to express an opinion on Alabama Power's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Alabama Power in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Alabama Power is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Alabama Power's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the Audit Committee of Southern Company's Board of Directors and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements – Refer to Note 1 (Summary of Significant Accounting Policies – Regulatory Assets and Liabilities) and Note 2 (Regulatory Matters – Alabama Power) to the financial statements***Critical Audit Matter Description***

Alabama Power is subject to retail rate regulation by the Alabama Public Service Commission and wholesale regulation by the Federal Energy Regulatory Commission (collectively, the "Commissions"). Management has determined that it meets the requirements under accounting principles generally accepted in the United States of America to utilize specialized rules to account for the effects of rate regulation in the preparation of its financial statements. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, including, but not limited to, property, plant, and equipment; other regulatory assets; other regulatory liabilities; other cost of removal obligations; deferred charges and credits related to income taxes; under and over recovered regulatory clause revenues; operating revenues; operations and maintenance expenses; and depreciation and amortization.

The Commissions set the rates Alabama Power is permitted to charge customers. Rates are determined and approved in regulatory proceedings based on an analysis of Alabama Power's costs to provide utility service and a return on, and recovery of, its investment in the utility business. Current and future regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investments, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. While Alabama Power expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1)

full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures (e.g., asset retirement costs and the net book value of retired assets) and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of part of the cost of recently completed plant or plant under construction, and/or (3) a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities and significant auditor judgment to evaluate management estimates and the subjectivity of audit evidence.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We read relevant regulatory orders issued by the Commissions for Alabama Power, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected filings with the Commissions by Alabama Power and other interested parties that may impact Alabama Power's future rates for any evidence that might contradict management's assertions.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects. We tested selected costs included in the capitalized project costs for completeness and accuracy.
- We obtained representation from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.
- We evaluated Alabama Power's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP
Birmingham, Alabama
February 17, 2021

We have served as Alabama Power's auditor since 2002.

STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Alabama Power Company 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Revenues:			
Retail revenues	\$ 5,213	\$ 5,501	\$ 5,367
Wholesale revenues, non-affiliates	269	258	279
Wholesale revenues, affiliates	46	81	119
Other revenues	302	285	267
Total operating revenues	5,830	6,125	6,032
Operating Expenses:			
Fuel	970	1,112	1,301
Purchased power, non-affiliates	191	203	216
Purchased power, affiliates	128	200	216
Other operations and maintenance	1,619	1,821	1,669
Depreciation and amortization	812	793	764
Taxes other than income taxes	416	403	389
Total operating expenses	4,136	4,532	4,555
Operating Income	1,694	1,593	1,477
Other Income and (Expense):			
Allowance for equity funds used during construction	46	52	62
Interest expense, net of amounts capitalized	(338)	(336)	(323)
Other income (expense), net	100	46	20
Total other income and (expense)	(192)	(238)	(241)
Earnings Before Income Taxes	1,502	1,355	1,236
Income taxes	337	270	291
Net Income	1,165	1,085	945
Dividends on Preferred Stock	15	15	15
Net Income After Dividends on Preferred Stock	\$ 1,150	\$ 1,070	\$ 930

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Alabama Power Company 2020 Annual Report

	2020	2019	2018
		<i>(in millions)</i>	
Net Income	\$ 1,165	\$ 1,085	\$ 945
Other comprehensive income (loss):			
Qualifying hedges:			
Reclassification adjustment for amounts included in net income, net of tax of \$2, \$2, and \$2, respectively	4	4	4
Total other comprehensive income (loss)	4	4	4
Comprehensive Income	\$ 1,169	\$ 1,089	\$ 949

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019, and 2018
Alabama Power Company 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Activities:			
Net income	\$ 1,165	\$ 1,085	\$ 945
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	963	951	917
Deferred income taxes	78	197	174
Allowance for equity funds used during construction	(46)	(52)	(62)
Pension and postretirement funding	(2)	(362)	(4)
Settlement of asset retirement obligations	(219)	(127)	(55)
Natural disaster reserve accruals	112	138	16
Other deferred charges – affiliated	—	(42)	—
Other, net	(38)	(91)	(17)
Changes in certain current assets and liabilities —			
-Receivables	(49)	9	(149)
-Materials and supplies	(47)	23	(82)
-Other current assets	(66)	(89)	28
-Accounts payable	(90)	(41)	24
-Accrued taxes	84	49	10
-Accrued compensation	(32)	(14)	8
-Retail fuel cost over recovery	(31)	47	—
-Customer refunds	(12)	30	114
-Other current liabilities	(28)	68	14
Net cash provided from operating activities	1,742	1,779	1,881
Investing Activities:			
Property additions	(1,970)	(1,757)	(2,158)
Nuclear decommissioning trust fund purchases	(268)	(261)	(279)
Nuclear decommissioning trust fund sales	267	260	278
Cost of removal net of salvage	(98)	(103)	(130)
Change in construction payables	(34)	(71)	26
Other investing activities	(19)	(31)	(26)
Net cash used for investing activities	(2,122)	(1,963)	(2,289)
Financing Activities:			
Proceeds —			
Senior notes	600	600	500
Pollution control revenue bonds	87	—	120
Capital contributions from parent company	653	1,240	511
Redemptions and repurchases —			
Senior notes	(250)	(200)	—
Pollution control revenue bonds	(87)	—	(120)
Payment of common stock dividends	(957)	(844)	(801)
Other financing activities	(30)	(31)	(33)
Net cash provided from financing activities	16	765	177
Net Change in Cash, Cash Equivalents, and Restricted Cash	(364)	581	(231)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	894	313	544
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 530	\$ 894	\$ 313
Supplemental Cash Flow Information:			
Cash paid during the period for —			
Interest (net of \$15, \$19, and \$22 capitalized, respectively)	\$ 321	\$ 311	\$ 284
Income taxes (net of refunds)	187	26	106
Noncash transactions — Accrued property additions at year-end	166	200	272

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

At December 31, 2020 and 2019

Alabama Power Company 2020 Annual Report

Assets	2020	2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 530	\$ 894
Receivables —		
Customer accounts	429	425
Unbilled revenues	152	134
Affiliated	31	37
Other accounts and notes	66	72
Accumulated provision for uncollectible accounts	(43)	(22)
Fossil fuel stock	235	212
Materials and supplies	546	512
Prepaid expenses	42	50
Other regulatory assets	226	242
Other current assets	33	30
Total current assets	2,247	2,586
Property, Plant, and Equipment:		
In service	31,816	30,023
Less: Accumulated provision for depreciation	10,009	9,540
Plant in service, net of depreciation	21,807	20,483
Nuclear fuel, at amortized cost	270	296
Construction work in progress	866	890
Total property, plant, and equipment	22,943	21,669
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,157	1,023
Equity investments in unconsolidated subsidiaries	63	66
Miscellaneous property and investments	131	128
Total other property and investments	1,351	1,217
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	151	132
Deferred charges related to income taxes	235	244
Regulatory assets – asset retirement obligations	1,441	1,019
Other regulatory assets, deferred	2,162	2,016
Other deferred charges and assets	273	269
Total deferred charges and other assets	4,262	3,680
Total Assets	\$ 30,803	\$ 29,152

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS
At December 31, 2020 and 2019
Alabama Power Company 2020 Annual Report

Liabilities and Stockholder's Equity	2020	2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 311	\$ 251
Accounts payable —		
Affiliated	316	316
Other	545	514
Customer deposits	104	100
Accrued taxes	152	78
Accrued interest	90	92
Accrued compensation	212	216
Asset retirement obligations	254	195
Other regulatory liabilities	108	193
Other current liabilities	107	105
Total current liabilities	2,199	2,060
Long-Term Debt	8,558	8,270
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,273	3,260
Deferred credits related to income taxes	2,016	1,960
Accumulated deferred ITCs	94	100
Employee benefit obligations	214	206
Operating lease obligations	119	107
Asset retirement obligations, deferred	3,720	3,345
Other cost of removal obligations	335	412
Other regulatory liabilities, deferred	124	146
Other deferred credits and liabilities	50	40
Total deferred credits and other liabilities	9,945	9,576
Total Liabilities	20,702	19,906
Redeemable Preferred Stock:		
Cumulative redeemable preferred stock		
\$100 par or stated value - 4.20% to 4.92% (Authorized - 3.9 million shares; Outstanding - 0.5 million shares)	48	48
\$1 par value - 5.00% (Authorized - 27.5 million shares; Outstanding - 10 million shares: \$25 stated value)	243	243
Total redeemable preferred stock (annual dividend requirement - \$15 million)	291	291
Common Stockholder's Equity:		
Common stock, par value \$40 per share (Authorized - 40 million shares; Outstanding - 31 million shares)	1,222	1,222
Paid-in capital	5,413	4,755
Retained earnings	3,194	3,001
Accumulated other comprehensive loss	(19)	(23)
Total common stockholder's equity (See accompanying statements)	9,810	8,955
Total Liabilities and Stockholder's Equity	\$ 30,803	\$ 29,152
Commitments and Contingent Matters (See notes)		

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2020, 2019, and 2018
Alabama Power Company 2020 Annual Report

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
				<i>(in millions)</i>		
Balance at December 31, 2017	31	\$ 1,222	\$ 2,986	\$ 2,647	\$ (26)	\$ 6,829
Net income after dividends on preferred stock	—	—	—	930	—	930
Capital contributions from parent company	—	—	522	—	—	522
Other comprehensive income	—	—	—	—	4	4
Cash dividends on common stock	—	—	—	(801)	—	(801)
Other	—	—	—	(1)	(6)	(7)
Balance at December 31, 2018	31	1,222	3,508	2,775	(28)	7,477
Net income after dividends on preferred stock	—	—	—	1,070	—	1,070
Capital contributions from parent company	—	—	1,247	—	—	1,247
Other comprehensive income	—	—	—	—	4	4
Cash dividends on common stock	—	—	—	(844)	—	(844)
Other	—	—	—	—	1	1
Balance at December 31, 2019	31	1,222	4,755	3,001	(23)	8,955
Net income after dividends on preferred stock	—	—	—	1,150	—	1,150
Capital contributions from parent company	—	—	658	—	—	658
Other comprehensive income	—	—	—	—	4	4
Cash dividends on common stock	—	—	—	(957)	—	(957)
Balance at December 31, 2020	31	\$ 1,222	\$ 5,413	\$ 3,194	\$ (19)	\$ 9,810

The accompanying notes are an integral part of these financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Georgia Power Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Georgia Power Company (Georgia Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, the related statements of income, comprehensive income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Georgia Power as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Georgia Power's management. Our responsibility is to express an opinion on Georgia Power's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Georgia Power in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Georgia Power is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Georgia Power's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Audit Committee of Southern Company's Board of Directors and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impact of Rate Regulation on the Financial Statements – Refer to Note 1 (Summary of Significant Accounting Policies – Regulatory Assets and Liabilities) and Note 2 (Regulatory Matters – Georgia Power) to the financial statements***Critical Audit Matter Description***

Georgia Power is subject to retail rate regulation by the Georgia Public Service Commission and wholesale regulation by the Federal Energy Regulatory Commission (collectively, the "Commissions"). Management has determined that it meets the requirements under accounting principles generally accepted in the United States of America to utilize specialized rules to account for the effects of rate regulation in the preparation of its financial statements. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, including, but not limited to, property, plant, and equipment; other regulatory assets; other regulatory liabilities; other cost of removal obligations; deferred charges and credits related to income taxes; under and over recovered regulatory clause revenues; operating revenues; operations and maintenance expenses; and depreciation and amortization.

The Commissions set the rates Georgia Power is permitted to charge customers. Rates are determined and approved in regulatory proceedings based on an analysis of Georgia Power's costs to provide utility service and a return on, and recovery of, its investment in the utility business. Current and future regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investments, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. While Georgia Power expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1)

full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures (e.g., asset retirement costs, property damage reserves, and net book value of retired assets) and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of part of the cost of recently completed plant or plant under construction, and/or (3) a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities and significant auditor judgment to evaluate management estimates and the subjectivity of audit evidence.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We read relevant regulatory orders issued by the Commissions for Georgia Power, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected filings with the Commissions by Georgia Power and other interested parties that may impact Georgia Power's future rates for any evidence that might contradict management's assertions.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects. We tested selected costs included in the capitalized project costs for completeness and accuracy.
- We obtained representation from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.
- We evaluated Georgia Power's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Disclosure of Uncertainties – Plant Vogtle Units 3 and 4 Construction – Refer to Note 2 (Regulatory Matters – Georgia Power – Nuclear Construction) to the financial statements

Critical Audit Matter Description

As discussed in Note 2 to the financial statements, the ultimate recovery of Georgia Power Company's (Georgia Power) investment in the construction of Plant Vogtle Units 3 and 4 is subject to multiple uncertainties. Such uncertainties include the potential impact of future decisions by Georgia Power's regulators (particularly the Georgia Public Service Commission), actions by the co-owners of the Vogtle project, and litigation or other legal proceedings involving the project. In addition, Georgia Power's ability to meet its cost and schedule forecasts could impact its capacity to fully recover its investment in the project. While the project is not subject to a cost cap, Georgia Power's cost and schedule forecasts are subject to numerous uncertainties which could impact cost recovery, including challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related craft labor productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of plant systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues that could arise and change the projected schedule and estimated cost. In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction, testing, supervisory, and support activities at Plant Vogtle Units 3 and 4. The ultimate recovery of Georgia Power's investment in Plant

Vogtle Units 3 and 4 is subject to the outcome of future assessments by management as well as Georgia Public Service Commission decisions in future regulatory proceedings.

Management has recorded charges to income, including a total of \$325 million in 2020, when it has determined that it is likely to incur costs for which it will not seek recovery or which it cannot conclude are probable of recovery through the ratemaking process. In addition, management has disclosed the status, risks, and uncertainties associated with Plant Vogtle Units 3 and 4, including (1) the status of construction; (2) the status of regulatory proceedings; (3) the status of legal actions or issues involving the co-owners of the project; and (4) other matters which could impact the ultimate recoverability of Georgia Power's investment in the project. We identified as a critical audit matter the evaluation of Georgia Power's identification and disclosure of events and uncertainties that could impact the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4. This critical audit matter involved significant audit effort requiring specialized industry and construction expertise, extensive knowledge of rate regulation, and difficult and subjective judgments.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to Georgia Power's identification and disclosure of events and uncertainties that could impact the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4 included the following, among others:

- We tested the effectiveness of internal controls over the on-going evaluation, monitoring, and disclosure of matters related to the construction and ultimate cost recovery of Plant Vogtle Units 3 and 4.
- We involved construction specialists to assist in our evaluation of Georgia Power's processes for on-going evaluation and monitoring of the construction schedule and to assess the disclosures of the uncertainties impacting the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4.
- We attended meetings with Georgia Power and Southern Company officials, project managers (including contractors), independent regulatory monitors, and co-owners of the project to evaluate and monitor construction status and identify cost and schedule challenges.
- We read reports of external independent monitors employed by the Georgia Public Service Commission to monitor the status of construction at Plant Vogtle Units 3 and 4 to evaluate the completeness of Georgia Power's disclosure of the uncertainties impacting the ultimate cost recovery of its investment in the construction of Plant Vogtle Units 3 and 4.
- We inquired of Georgia Power and Southern Company officials and project managers regarding the status of construction, the construction schedule, and cost forecasts to assess the financial statement disclosures with respect to project status and potential risks and uncertainties to the achievement of such forecasts.
- We inspected regulatory filings and transcripts of Georgia Public Service Commission hearings regarding the construction of Plant Vogtle Units 3 and 4 to identify potential challenges to the recovery of Georgia Power's construction costs and to evaluate the disclosures with respect to such uncertainties.
- We inquired of Georgia Power and Southern Company management and internal and external legal counsel regarding any potential legal actions or issues arising from project construction or issues involving the co-owners of the project.
- We monitored the status of reviews by the Nuclear Regulatory Commission to identify potential impediments to the licensing and commercial operation of the project.
- We compared the financial statement disclosures relating to this matter to the information gathered through the conduct of all our procedures to evaluate whether there were omissions relating to significant facts or uncertainties regarding the status of construction or other factors which could impact the ultimate cost recovery of Plant Vogtle Units 3 and 4.
- We obtained representation from management regarding disclosure of all matters related to the cost and/or status of the construction of Plant Vogtle Units 3 and 4, including matters related to a co-owner or regulatory development, that could impact the recovery of the related costs.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

We have served as Georgia Power's auditor since 2002.

STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Georgia Power Company 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Revenues:			
Retail revenues	\$ 7,609	\$ 7,707	\$ 7,752
Wholesale revenues	115	140	187
Other revenues	585	561	481
Total operating revenues	8,309	8,408	8,420
Operating Expenses:			
Fuel	1,141	1,444	1,698
Purchased power, non-affiliates	540	521	430
Purchased power, affiliates	509	575	723
Other operations and maintenance	1,953	1,972	1,860
Depreciation and amortization	1,425	981	923
Taxes other than income taxes	444	454	437
Estimated loss on Plant Vogtle Units 3 and 4	325	—	1,060
Total operating expenses	6,337	5,947	7,131
Operating Income	1,972	2,461	1,289
Other Income and (Expense):			
Interest expense, net of amounts capitalized	(425)	(409)	(397)
Other income (expense), net	180	140	115
Total other income and (expense)	(245)	(269)	(282)
Earnings Before Income Taxes	1,727	2,192	1,007
Income taxes	152	472	214
Net Income	\$ 1,575	\$ 1,720	\$ 793

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Georgia Power Company 2020 Annual Report

	2020	2019	2018
		<i>(in millions)</i>	
Net Income	\$ 1,575	\$ 1,720	\$ 793
Other comprehensive income (loss):			
Qualifying hedges:			
Changes in fair value, net of tax of \$(1), \$(15), and \$—, respectively	(2)	(44)	—
Reclassification adjustment for amounts included in net income, net of tax of \$2, \$1, and \$1, respectively	6	2	3
Total other comprehensive income (loss)	4	(42)	3
Comprehensive Income	\$ 1,579	\$ 1,678	\$ 796

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019, and 2018
Georgia Power Company 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Activities:			
Net income	\$ 1,575	\$ 1,720	\$ 793
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	1,607	1,193	1,142
Deferred income taxes	(273)	179	(260)
Allowance for equity funds used during construction	(91)	(68)	(69)
Pension, postretirement, and other employee benefits	(137)	(146)	(75)
Pension and postretirement funding	—	(200)	—
Settlement of asset retirement obligations	(185)	(151)	(116)
Storm damage accruals	213	30	30
Retail fuel cost over recovery – long-term	(73)	73	—
Other deferred charges – affiliated	—	(108)	—
Estimated loss on Plant Vogtle Units 3 and 4	325	—	1,060
Other, net	14	50	18
Changes in certain current assets and liabilities —			
-Receivables	(114)	177	8
-Fossil fuel stock	(6)	(41)	83
-Materials and supplies	(91)	(4)	(19)
-Prepaid income taxes	—	102	152
-Other current assets	(48)	(15)	(24)
-Accounts payable	59	(92)	95
-Accrued taxes	55	58	58
-Retail fuel cost over recovery	113	—	—
-Customer refunds	(223)	116	(69)
-Other current liabilities	64	34	(38)
Net cash provided from operating activities	2,784	2,907	2,769
Investing Activities:			
Property additions	(3,445)	(3,510)	(3,116)
Nuclear decommissioning trust fund purchases	(609)	(628)	(839)
Nuclear decommissioning trust fund sales	604	622	833
Cost of removal, net of salvage	(143)	(186)	(107)
Change in construction payables, net of joint owner portion	16	(122)	68
Payments pursuant to LTSAs	(86)	(81)	(54)
Proceeds from dispositions and asset sales	153	14	138
Other investing activities	7	6	(32)
Net cash used for investing activities	(3,503)	(3,885)	(3,109)
Financing Activities:			
Increase (decrease) in notes payable, net	(55)	(179)	294
Proceeds —			
FFB loan	848	1,218	—
Senior notes	1,500	750	—
Pollution control revenue bonds issuances and remarketings	53	584	108
Capital contributions from parent company	1,392	634	2,985
Short-term borrowings	250	250	—
Redemptions and repurchases —			
Senior notes	(950)	(500)	(1,500)
Pollution control revenue bonds	(336)	(223)	(469)
Short-term borrowings	(375)	—	(150)
FFB loan	(73)	—	—
Other long-term debt	—	—	(100)
Payment of common stock dividends	(1,542)	(1,576)	(1,396)
Premiums on redemption and repurchases of senior notes	—	—	(152)
Other financing activities	(36)	(40)	(20)
Net cash provided from (used for) financing activities	676	918	(400)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(43)	(60)	(740)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	52	112	852
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 9	\$ 52	\$ 112
Supplemental Cash Flow Information:			
Cash paid during the period for —			

Interest (net of \$47, \$35, and \$26 capitalized, respectively)	\$	380	\$	373	\$	408
Income taxes (net of refunds)		373		110		300
Noncash transactions — Accrued property additions at year-end		553		560		683

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

At December 31, 2020 and 2019

Georgia Power Company 2020 Annual Report

Assets	2020	2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 9	\$ 52
Receivables —		
Customer accounts	621	533
Unbilled revenues	233	203
Joint owner accounts	123	136
Affiliated	21	21
Other accounts and notes	67	209
Accumulated provision for uncollectible accounts	(26)	(2)
Fossil fuel stock	278	272
Materials and supplies	592	501
Prepaid expenses	54	63
Regulatory assets – storm damage	213	213
Regulatory assets – asset retirement obligations	166	254
Other regulatory assets	248	263
Other current assets	89	77
Total current assets	2,688	2,795
Property, Plant, and Equipment:		
In service	39,682	38,137
Less: Accumulated provision for depreciation	12,251	11,753
Plant in service, net of depreciation	27,431	26,384
Nuclear fuel, at amortized cost	548	555
Construction work in progress	6,857	5,650
Total property, plant, and equipment	34,836	32,589
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	1,145	1,013
Equity investments in unconsolidated subsidiaries	51	52
Miscellaneous property and investments	63	64
Total other property and investments	1,259	1,129
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,308	1,428
Deferred charges related to income taxes	527	519
Regulatory assets – asset retirement obligations, deferred	3,291	2,865
Other regulatory assets, deferred	2,692	2,716
Other deferred charges and assets	479	500
Total deferred charges and other assets	8,297	8,028
Total Assets	\$ 47,080	\$ 44,541

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

At December 31, 2020 and 2019

Georgia Power Company 2020 Annual Report

Liabilities and Stockholder's Equity	2020	2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 542	\$ 1,025
Notes payable	60	365
Accounts payable —		
Affiliated	597	512
Other	753	711
Customer deposits	276	283
Accrued taxes	407	407
Accrued interest	130	118
Accrued compensation	233	233
Operating lease obligations	151	144
Asset retirement obligations	287	265
Over recovered fuel clause revenues	113	—
Other regulatory liabilities	228	447
Other current liabilities	254	187
Total current liabilities	4,031	4,697
Long-Term Debt	12,428	10,791
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	3,272	3,257
Deferred credits related to income taxes	2,588	2,862
Accumulated deferred ITCs	273	255
Employee benefit obligations	586	540
Operating lease obligations, deferred	1,156	1,282
Asset retirement obligations, deferred	5,978	5,519
Other deferred credits and liabilities	267	273
Total deferred credits and other liabilities	14,120	13,988
Total Liabilities	30,579	29,476
Common Stockholder's Equity:		
Common stock, without par value (Authorized - 20 million shares; Outstanding - 9 million shares)	398	398
Paid-in capital	12,361	10,962
Retained earnings	3,789	3,756
Accumulated other comprehensive loss	(47)	(51)
Total common stockholder's equity (See accompanying statements)	16,501	15,065
Total Liabilities and Stockholder's Equity	\$ 47,080	\$ 44,541
Commitments and Contingent Matters (See notes)		

The accompanying notes are an integral part of these financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Mississippi Power Company

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Mississippi Power Company (Mississippi Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, the related statements of income, comprehensive income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Mississippi Power as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Mississippi Power's management. Our responsibility is to express an opinion on Mississippi Power's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Mississippi Power in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Mississippi Power is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Mississippi Power's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the Audit Committee of Southern Company's Board of Directors and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Impact of Rate Regulation on the Financial Statements – Refer to Note 1 (Summary of Significant Accounting Policies – Regulatory Assets and Liabilities) and Note 2 (Regulatory Matters – Mississippi Power) to the financial statements***Critical Audit Matter Description***

Mississippi Power is subject to retail rate regulation by the Mississippi Public Service Commission and wholesale regulation by the Federal Energy Regulatory Commission (collectively, the "Commissions"). Management has determined that it meets the requirements under accounting principles generally accepted in the United States of America to utilize specialized rules to account for the effects of rate regulation in the preparation of its financial statements. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, including, but not limited to, property, plant, and equipment; other regulatory assets; other regulatory liabilities; regulatory assets – asset retirement obligations; other cost of removal obligations; deferred charges and credits related to income taxes; under and over recovered regulatory clause revenues; operating revenues; operations and maintenance expenses; and depreciation and amortization.

The Commissions set the rates Mississippi Power is permitted to charge customers. Rates are determined and approved in regulatory proceedings based on an analysis of Mississippi Power's costs to provide utility service and a return on, and recovery of, its investment in the utility business. Current and future regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investments, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. While Mississippi Power expects to recover costs from customers through regulated rates, there is a risk that the Commissions will not

approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures (e.g., asset retirement costs) and the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of part of the cost of recently completed plant, and/or (3) a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities and significant auditor judgment to evaluate management estimates and the subjectivity of audit evidence.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We read relevant regulatory orders issued by the Commissions for Mississippi Power, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected filings with the Commissions by Mississippi Power and other interested parties that may impact Mississippi Power's future rates for any evidence that might contradict management's assertions.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects. We tested selected costs included in the capitalized project costs for completeness and accuracy.
- We obtained representation from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery, refund, or a future reduction in rates.
- We evaluated Mississippi Power's disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

February 17, 2021

We have served as Mississippi Power's auditor since 2002.

STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Mississippi Power Company 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Revenues:			
Retail revenues	\$ 821	\$ 877	\$ 889
Wholesale revenues, non-affiliates	215	237	263
Wholesale revenues, affiliates	111	132	91
Other revenues	25	18	22
Total operating revenues	1,172	1,264	1,265
Operating Expenses:			
Fuel	350	407	405
Purchased power	22	20	41
Other operations and maintenance	284	307	350
Depreciation and amortization	183	192	169
Taxes other than income taxes	124	113	107
Total operating expenses	963	1,039	1,072
Operating Income	209	225	193
Other Income and (Expense):			
Interest expense, net of amounts capitalized	(60)	(69)	(76)
Other income (expense), net	17	13	17
Total other income and (expense)	(43)	(56)	(59)
Earnings Before Income Taxes	166	169	134
Income taxes (benefit)	14	30	(102)
Net Income	152	139	236
Dividends on Preferred Stock	—	—	1
Net Income After Dividends on Preferred Stock	\$ 152	\$ 139	\$ 235

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For the Years Ended December 31, 2020, 2019, and 2018
Mississippi Power Company 2020 Annual Report

	2020	2019	2018
		<i>(in millions)</i>	
Net Income	\$ 152	\$ 139	\$ 236
Other comprehensive income (loss):			
Qualifying hedges:			
Changes in fair value, net of tax of \$—, \$—, and \$(1), respectively	—	—	(1)
Reclassification adjustment for amounts included in net income, net of tax of \$—, \$—, and \$—, respectively	1	1	1
Total other comprehensive income (loss)	1	1	—
Comprehensive Income	\$ 153	\$ 140	\$ 236

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019, and 2018
Mississippi Power Company 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Activities:			
Net income	\$ 152	\$ 139	\$ 236
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	191	197	177
Deferred income taxes	(4)	37	475
Pension and postretirement funding	—	(54)	—
Settlement of asset retirement obligations	(22)	(35)	(35)
Other, net	(1)	35	51
Changes in certain current assets and liabilities —			
-Receivables	(7)	6	(19)
-Prepaid income taxes	(3)	12	(12)
-Other current assets	(28)	(8)	(10)
-Accounts payable	20	3	15
-Accrued taxes	10	11	(46)
-Over recovered regulatory clause revenues	5	16	14
-Other current liabilities	(15)	(20)	(42)
Net cash provided from operating activities	298	339	804
Investing Activities:			
Property additions	(274)	(202)	(188)
Payments pursuant to LTSAs	(28)	(23)	(29)
Other investing activities	(21)	(38)	(15)
Net cash used for investing activities	(323)	(263)	(232)
Financing Activities:			
Increase (decrease) in notes payable, net	25	—	(4)
Proceeds —			
Capital contributions from parent company	85	51	15
Senior notes	—	—	600
Short-term borrowings	40	—	300
Pollution control revenue bonds	34	43	—
Other long-term debt	100	—	—
Redemptions —			
Preferred stock	—	—	(33)
Pollution control revenue bonds	(41)	—	(43)
Short-term borrowings	(40)	—	(300)
Senior notes	(275)	(25)	(155)
Other long-term debt	—	—	(900)
Return of capital to parent company	(74)	(150)	—
Payment of common stock dividends	(74)	—	—
Other financing activities	(2)	(2)	(7)
Net cash used for financing activities	(222)	(83)	(527)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(247)	(7)	45
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	286	293	248
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 39	\$ 286	\$ 293
Supplemental Cash Flow Information:			
Cash paid (received) during the period for —			
Interest (net of \$—, \$(1), and \$— capitalized, respectively)	\$ 63	\$ 71	\$ 80
Income taxes (net of refunds)	28	(27)	(525)
Noncash transactions — Accrued property additions at year-end	34	35	35

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS
At December 31, 2020 and 2019
Mississippi Power Company 2020 Annual Report

Assets	2020	2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 39	\$ 286
Receivables —		
Customer accounts	34	35
Unbilled revenues	38	39
Affiliated	32	27
Other accounts and notes	32	26
Fossil fuel stock	24	26
Materials and supplies	65	61
Other regulatory assets	60	99
Other current assets	20	10
Total current assets	344	609
Property, Plant, and Equipment:		
In service	5,011	4,857
Less: Accumulated provision for depreciation	1,545	1,463
Plant in service, net of depreciation	3,466	3,394
Construction work in progress	146	126
Total property, plant, and equipment	3,612	3,520
Other Property and Investments	151	131
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	32	32
Regulatory assets – asset retirement obligations	201	210
Other regulatory assets, deferred	388	360
Accumulated deferred income taxes	129	139
Other deferred charges and assets	55	34
Total deferred charges and other assets	805	775
Total Assets	\$ 4,912	\$ 5,035

The accompanying notes are an integral part of these financial statements.

BALANCE SHEETS

At December 31, 2020 and 2019

Mississippi Power Company 2020 Annual Report

Liabilities and Stockholder's Equity	2020	2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 406	\$ 281
Notes payable	25	—
Accounts payable —		
Affiliated	63	76
Other	109	75
Accrued taxes	114	105
Accrued interest	15	15
Accrued compensation	34	35
Asset retirement obligations	27	33
Over recovered regulatory clause liabilities	34	29
Other regulatory liabilities	49	21
Other current liabilities	40	64
Total current liabilities	916	734
Long-Term Debt	1,013	1,308
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	447	424
Deferred credits related to income taxes	287	352
Employee benefit obligations	113	99
Asset retirement obligations, deferred	150	157
Other cost of removal obligations	194	189
Other regulatory liabilities, deferred	15	76
Other deferred credits and liabilities	35	44
Total deferred credits and other liabilities	1,241	1,341
Total Liabilities	3,170	3,383
Common Stockholder's Equity:		
Common stock, without par value (Authorized and outstanding - 1 million shares)	38	38
Paid-in capital	4,460	4,449
Accumulated deficit	(2,754)	(2,832)
Accumulated other comprehensive loss	(2)	(3)
Total common stockholder's equity (See accompanying statements)	1,742	1,652
Total Liabilities and Stockholder's Equity	\$ 4,912	\$ 5,035
Commitments and Contingent Matters (See notes)		

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2020, 2019, and 2018
Mississippi Power Company 2020 Annual Report

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
				<i>(in millions)</i>		
Balance at December 31, 2017	1	\$ 38	\$ 4,529	\$ (3,205)	\$ (4)	\$ 1,358
Net income after dividends on preferred stock	—	—	—	235	—	235
Capital contributions from parent company	—	—	17	—	—	17
Other	—	—	—	(1)	—	(1)
Balance at December 31, 2018	1	38	4,546	(2,971)	(4)	1,609
Net income after dividends on preferred stock	—	—	—	139	—	139
Return of capital to parent company	—	—	(150)	—	—	(150)
Capital contributions from parent company	—	—	53	—	—	53
Other comprehensive income (loss)	—	—	—	—	1	1
Balance at December 31, 2019	1	38	4,449	(2,832)	(3)	1,652
Net income after dividends on preferred stock	—	—	—	152	—	152
Return of capital to parent company	—	—	(74)	—	—	(74)
Capital contributions from parent company	—	—	86	—	—	86
Other comprehensive income	—	—	—	—	1	1
Cash dividends on common stock	—	—	—	(74)	—	(74)
Other	—	—	(1)	—	—	(1)
Balance at December 31, 2020	1	\$ 38	\$ 4,460	\$ (2,754)	\$ (2)	\$ 1,742

The accompanying notes are an integral part of these financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Southern Power Company and Subsidiary Companies

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Southern Power Company and subsidiary companies (Southern Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Southern Power as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of Southern Power's management. Our responsibility is to express an opinion on Southern Power's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Southern Power in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Southern Power is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Southern Power's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the Audit Committee of Southern Company's Board of Directors and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income/Loss Allocation to Noncontrolling Interests – Refer to Notes 1 and 7 to the financial statements***Critical Audit Matter Description***

Southern Power has entered into a number of tax equity partnership arrangements, wherein they agree to sell 100% of a class of membership interests (e.g. Class A) in an entity to a noncontrolling investor in exchange for cash contributions, while retaining control of the entity through a separate class of membership interests (e.g. Class B). The agreements for these partnerships give different rights and priorities to their owners in terms of cash distributions, tax attribute allocations, and partnership income or loss allocations. These provisions make the conventional equity method of accounting where an investor applies its "percentage ownership interest" to the investee's net income under generally accepted accounting principles to determine the investor's share of earnings or losses difficult to apply. Therefore, Southern Power uses the Hypothetical Liquidation at Book Value (HLBV) accounting method to account for these partnership arrangements. The HLBV accounting method calculates each partner's share of income or loss based on the change in net equity the partner can legally claim at the end of the reporting period compared to the beginning of the reporting period. The application of the HLBV accounting method by Southern Power required significant consideration of the allocations between Southern Power and the noncontrolling investors over the life of the agreement and the liquidation provisions of the agreement to determine the appropriate allocation of income or loss between the parties.

The determination of the appropriate amount of allocated partnership income or loss to noncontrolling interests using the HLBV accounting method required increased audit effort and specialized skill and knowledge, including evaluation of the terms of the agreement and consideration of the appropriateness of the HLBV model based on the provisions of the agreement.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures included the following, among others:

- For agreements that result in potentially material allocations of partnership income or loss, we read the agreements to understand the liquidation provisions and the provisions governing the allocation of benefits.
- With the assistance of our income tax and HLBV modeling specialists, we evaluated the HLBV models utilized by management to determine whether the models accurately reflect the allocation of income or loss and tax attributes in accordance with the liquidation provisions and allocation terms defined in the agreements, as well as whether the inputs in the models are accurate and complete.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

February 17, 2021

We have served as Southern Power's auditor since 2002.

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Southern Power Company and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Revenues:			
Wholesale revenues, non-affiliates	\$ 1,355	\$ 1,528	\$ 1,757
Wholesale revenues, affiliates	364	398	435
Other revenues	14	12	13
Total operating revenues	1,733	1,938	2,205
Operating Expenses:			
Fuel	470	577	699
Purchased power	74	108	176
Other operations and maintenance	353	359	395
Depreciation and amortization	494	479	493
Taxes other than income taxes	39	40	46
Asset impairment	—	3	156
(Gain) loss on dispositions, net	(39)	(23)	(2)
Total operating expenses	1,391	1,543	1,963
Operating Income	342	395	242
Other Income and (Expense):			
Interest expense, net of amounts capitalized	(151)	(169)	(183)
Other income (expense), net	19	47	23
Total other income and (expense)	(132)	(122)	(160)
Earnings Before Income Taxes	210	273	82
Income taxes (benefit)	3	(56)	(164)
Net Income	207	329	246
Net income (loss) attributable to noncontrolling interests	(31)	(10)	59
Net Income Attributable to Southern Power	\$ 238	\$ 339	\$ 187

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Southern Power Company and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
		<i>(in millions)</i>	
Net Income	\$ 207	\$ 329	\$ 246
Other comprehensive income (loss):			
Qualifying hedges:			
Changes in fair value, net of tax of \$12, \$(22), and \$(17), respectively	33	(66)	(51)
Reclassification adjustment for amounts included in net income, net of tax of \$(22), \$14, and \$19, respectively	(65)	41	58
Pension and other postretirement benefit plans:			
Benefit plan net gain (loss), net of tax of \$(4), \$(6), and \$2, respectively	(12)	(17)	5
Reclassification adjustment for amounts included in net income, net of tax of \$1, \$—, and \$—, respectively	2	—	2
Total other comprehensive income (loss)	(42)	(42)	14
Comprehensive income (loss) attributable to noncontrolling interests	(31)	(10)	59
Comprehensive Income Attributable to Southern Power	\$ 196	\$ 297	\$ 201

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019, and 2018
Southern Power Company and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Activities:			
Net income	\$ 207	\$ 329	\$ 246
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	519	505	524
Deferred income taxes	(25)	(74)	(244)
Utilization of federal investment tax credits	340	734	5
Amortization of investment tax credits	(59)	(151)	(58)
Income taxes receivable, non-current	(20)	25	42
Pension and postretirement funding	—	(24)	—
Asset impairment	—	3	156
(Gain) loss on dispositions, net	(39)	(24)	(3)
Other, net	(5)	(9)	(4)
Changes in certain current assets and liabilities —			
-Receivables	(4)	72	(20)
-Prepaid income taxes	20	39	25
-Other current assets	(30)	(8)	(26)
-Accrued taxes	11	6	7
-Other current liabilities	(14)	(38)	(19)
Net cash provided from operating activities	901	1,385	631
Investing Activities:			
Business acquisitions, net of cash acquired	(81)	(50)	(65)
Property additions	(223)	(489)	(315)
Investment in unconsolidated subsidiaries	—	(116)	—
Proceeds from dispositions and asset sales	666	572	203
Payments pursuant to LTSAs	(76)	(104)	(75)
Other investing activities	88	20	25
Net cash provided from (used for) investing activities	374	(167)	(227)
Financing Activities:			
Increase (decrease) in notes payable, net	(274)	449	(105)
Proceeds —			
Short-term borrowings	—	100	200
Capital contributions from parent company	6	64	2
Redemptions —			
Senior notes	(825)	(600)	(350)
Other long-term debt	—	—	(420)
Short-term borrowings	(100)	(100)	(100)
Return of capital to parent company	—	(755)	(1,650)
Distributions to noncontrolling interests	(271)	(256)	(153)
Capital contributions from noncontrolling interests	363	196	2,551
Purchase of membership interests from noncontrolling interests	(60)	—	—
Payment of common stock dividends	(201)	(206)	(312)
Other financing activities	(10)	(12)	(26)
Net cash used for financing activities	(1,372)	(1,120)	(363)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(97)	98	41
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	279	181	140
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 182	\$ 279	\$ 181
Supplemental Cash Flow Information:			
Cash paid (received) during the period for —			
Interest (net of \$11, \$15, and \$17 capitalized, respectively)	\$ 147	\$ 167	\$ 173
Income taxes (net of refunds and investment tax credits)	(283)	(664)	79
Noncash transactions — Accrued property additions at year-end	89	57	31

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31, 2020 and 2019

Southern Power Company and Subsidiary Companies 2020 Annual Report

Assets	2020	2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 182	\$ 279
Receivables —		
Customer accounts	125	107
Affiliated	37	30
Other	27	73
Materials and supplies	157	191
Prepaid income taxes	11	36
Other current assets	36	43
Total current assets	575	759
Property, Plant, and Equipment:		
In service	13,904	13,270
Less: Accumulated provision for depreciation	2,842	2,464
Plant in service, net of depreciation	11,062	10,806
Construction work in progress	127	515
Total property, plant, and equipment	11,189	11,321
Other Property and Investments:		
Intangible assets, net of amortization of \$89 and \$69, respectively	302	322
Equity investments in unconsolidated subsidiaries	19	28
Total other property and investments	321	350
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	415	369
Prepaid LTSAs	155	128
Accumulated deferred income taxes	262	551
Income taxes receivable, non-current	25	5
Assets held for sale	—	601
Other deferred charges and assets	293	216
Total deferred charges and other assets	1,150	1,870
Total Assets	\$ 13,235	\$ 14,300

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31, 2020 and 2019

Southern Power Company and Subsidiary Companies 2020 Annual Report

Liabilities and Stockholders' Equity	2020	2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 299	\$ 824
Notes payable	175	549
Accounts payable —		
Affiliated	65	56
Other	92	85
Accrued taxes	30	26
Accrued interest	32	32
Other current liabilities	132	132
Total current liabilities	825	1,704
Long-Term Debt	3,393	3,574
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	123	115
Accumulated deferred ITCs	1,672	1,731
Operating lease obligations	426	376
Other deferred credits and liabilities	165	178
Total deferred credits and other liabilities	2,386	2,400
Total Liabilities	6,604	7,678
Common Stockholder's Equity:		
Common stock, par value \$0.01 per share (Authorized - 1.0 million shares; Outstanding - 1,000 shares)	—	—
Paid-in capital	914	909
Retained earnings	1,522	1,485
Accumulated other comprehensive income (loss)	(67)	(26)
Total common stockholder's equity	2,369	2,368
Noncontrolling Interests	4,262	4,254
Total Stockholders' Equity (See accompanying statements)	6,631	6,622
Total Liabilities and Stockholders' Equity	\$ 13,235	\$ 14,300
Commitments and Contingent Matters (See notes)		

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
For the Years Ended December 31, 2020, 2019, and 2018
Southern Power Company and Subsidiary Companies 2020 Annual Report

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Common Stockholder's Equity	Noncontrolling Interests	Total
					(in millions)			
Balance at December 31, 2017	—	\$ —	\$ 3,662	\$ 1,478	\$ (2)	\$ 5,138	\$ 1,360	\$ 6,498
Net income	—	—	—	187	—	187	59	246
Return of capital to parent company	—	—	(1,650)	—	—	(1,650)	—	(1,650)
Capital contributions from parent company	—	—	2	—	—	2	—	2
Other comprehensive income	—	—	—	—	14	14	—	14
Cash dividends on common stock	—	—	—	(312)	—	(312)	—	(312)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	1,372	1,372
Distributions to noncontrolling interests	—	—	—	—	—	—	(164)	(164)
Sale of noncontrolling interests ^(*)	—	—	(417)	—	—	(417)	1,690	1,273
Other	—	—	3	(1)	4	6	(1)	5
Balance at December 31, 2018	—	—	1,600	1,352	16	2,968	4,316	7,284
Net income (loss)	—	—	—	339	—	339	(10)	329
Return of capital to parent company	—	—	(755)	—	—	(755)	—	(755)
Capital contributions from parent company	—	—	64	—	—	64	—	64
Other comprehensive income (loss)	—	—	—	—	(42)	(42)	—	(42)
Cash dividends on common stock	—	—	—	(206)	—	(206)	—	(206)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	276	276
Distributions to noncontrolling interests	—	—	—	—	—	—	(327)	(327)
Other	—	—	—	—	—	—	(1)	(1)
Balance at December 31, 2019	—	—	909	1,485	(26)	2,368	4,254	6,622
Net income (loss)	—	—	—	238	—	238	(31)	207
Capital contributions from parent company	—	—	2	—	—	2	—	2
Other comprehensive income (loss)	—	—	—	—	(42)	(42)	—	(42)
Cash dividends on common stock	—	—	—	(201)	—	(201)	—	(201)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	307	307
Distributions to noncontrolling interests	—	—	—	—	—	—	(271)	(271)
Purchase of membership interests from noncontrolling interests	—	—	5	—	—	5	(65)	(60)
Sale of noncontrolling interests ^(*)	—	—	(2)	—	—	(2)	67	65
Other	—	—	—	—	1	1	1	2
Balance at December 31, 2020	—	\$ —	\$ 914	\$ 1,522	\$ (67)	\$ 2,369	\$ 4,262	\$ 6,631

(*) See Note 15 under "Southern Power" for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Southern Company Gas and Subsidiary Companies

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Southern Company Gas and subsidiary companies (Southern Company Gas) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, common stockholder's equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Southern Company Gas as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Southern Natural Gas Company, L.L.C. (SNG), Southern Company Gas' investment which is accounted for by the use of the equity method. The accompanying consolidated financial statements of Southern Company Gas include its equity investment in SNG of \$1,167 million and \$1,137 million as of December 31, 2020 and December 31, 2019, respectively, and its earnings from its equity method investment in SNG of \$129 million, \$141 million, and \$131 million for the years ended December 31, 2020, 2019, and 2018, respectively. Those statements were audited by other auditors whose reports (which express unqualified opinions on SNG's financial statements and contain an emphasis of matter paragraph calling attention to SNG's significant transactions with related parties) have been furnished to us, and our opinion, insofar as it relates to the amounts included for SNG, is based solely on the reports of the other auditors.

Basis for Opinion

These financial statements are the responsibility of Southern Company Gas' management. Our responsibility is to express an opinion on Southern Company Gas' financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Southern Company Gas in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Southern Company Gas is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of Southern Company Gas' internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the Audit Committee of Southern Company's Board of Directors and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Impact of Rate Regulation on the Financial Statements – Refer to Note 1 (Summary of Significant Accounting Policies – Regulatory Assets and Liabilities) and Note 2 (Regulatory Matters – Southern Company Gas) to the financial statements***Critical Audit Matter Description***

Southern Company Gas' natural gas distribution utilities (the "regulated utility subsidiaries"), which represent approximately 86% of Southern Company Gas' consolidated revenues, are subject to rate regulation in Georgia, Illinois, Tennessee, and Virginia by their respective state Public Service Commission or other applicable state regulatory agencies (collectively, the "Commissions"). Management has determined it meets the requirements under accounting principles generally accepted in the United States of America to prepare its financial statements applying the specialized rules to account for the effects of regulation. Accounting for the economics of rate regulation impacts multiple financial statement line items and disclosures, including, but not limited to,

property, plant, and equipment; other regulatory assets; other regulatory liabilities; other cost of removal obligations; deferred charges and credits related to income taxes; operating revenues; other operations and maintenance expenses; and depreciation and amortization.

The Commissions set the rates the regulated utility subsidiaries are permitted to charge customers. Rates are determined and approved in regulatory proceedings based on an analysis of the applicable regulated utility subsidiary's costs to provide utility service and a return on, and recovery of, its investment in the utility business. Current and future regulatory decisions can have an impact on the recovery of costs, the rate of return earned on investments, and the timing and amount of assets to be recovered by rates. The Commissions' regulation of rates is premised on the full recovery of prudently incurred costs and a reasonable rate of return on invested capital. While Southern Company Gas' regulated utility subsidiaries expect to recover costs from customers through regulated rates, there is a risk that the Commissions will not approve: (1) full recovery of the costs of providing utility service, or (2) full recovery of all amounts invested in the utility business and a reasonable return on that investment.

We identified the impact of rate regulation as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and the high degree of subjectivity involved in assessing the impact of future regulatory orders on the financial statements. Management judgments include assessing the likelihood of (1) recovery in future rates of incurred costs, (2) a disallowance of part of the cost of recently completed plant or plant under construction, and/or (3) a refund to customers. Given that management's accounting judgments are based on assumptions about the outcome of future decisions by the Commissions, auditing these judgments required specialized knowledge of accounting for rate regulation and the rate setting process due to its inherent complexities and significant auditor judgment to evaluate management estimates and the subjectivity of audit evidence.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the uncertainty of future decisions by the Commissions included the following, among others:

- We tested the effectiveness of management's controls over the evaluation of the likelihood of (1) the recovery in future rates of costs incurred as property, plant, and equipment and deferred as regulatory assets, and (2) a refund or a future reduction in rates that should be reported as regulatory liabilities. We also tested the effectiveness of management's controls over the initial recognition of amounts as property, plant, and equipment; regulatory assets or liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering costs in future rates or of a future reduction in rates.
- We read relevant regulatory orders issued by the Commissions for Southern Company Gas' regulated utility subsidiaries in Georgia, Illinois, Tennessee, and Virginia, regulatory statutes, interpretations, procedural memorandums, filings made by intervenors, and other publicly available information to assess the likelihood of recovery in future rates or of a future reduction in rates based on precedents of the Commissions' treatment of similar costs under similar circumstances. We evaluated the external information and compared it to management's recorded regulatory asset and liability balances for completeness.
- For regulatory matters in process, we inspected filings with the Commissions by the regulated utility subsidiaries and other interested parties that may impact the regulated utility subsidiaries' future rates for any evidence that might contradict management's assertions.
- We evaluated regulatory filings for any evidence that intervenors are challenging full recovery of the cost of any capital projects. We tested selected costs included in the capitalized project costs for completeness and accuracy.
- We obtained representation from management regarding probability of recovery for regulatory assets or refund or future reduction in rates for regulatory liabilities to assess management's assertion that amounts are probable of recovery or a future reduction in rates.
- We evaluated Southern Company Gas' disclosures related to the impacts of rate regulation, including the balances recorded and regulatory developments.

Derivatives — Refer to Note 1 (Summary of Significant Accounting Policies) and Note 14 (Derivatives) to the financial statements

Critical Audit Matter Description

Southern Company Gas is exposed to market risks, including commodity price risk, interest rate risk, weather risk, and occasionally foreign currency exchange rate risk and enters into contracts to manage the volatility attributable to these exposures. The majority of these contracts are over-the-counter wholesale contracts for the purchase or sale of natural gas or consist of contracts which do not include asset management agreements, financial optionality, or potential embedded derivatives. Typically, these physical and financial contracts are not complex in structure and the valuation inputs are directly obtained from an observable source. However, determining whether a contract meets the definition of a derivative instrument, contains an embedded derivative requiring bifurcation, or qualifies for hedge accounting treatment is complex and requires significant

judgment. In addition, the treatment of a single contract may vary from period to period depending upon accounting elections, changes in Southern Company Gas' assessment of the likelihood of future hedged transactions, or new interpretations of accounting guidance. As a result, judgment is required in determining the appropriate accounting each period. Accounting for derivatives impacts multiple financial statement line items and disclosures, such as assets and liabilities from risk management activities; other deferred charges and assets; other deferred credits and liabilities; natural gas revenues; and cost of natural gas.

We identified the evaluation and monitoring of contracts with more complex terms as a critical audit matter and specifically, whether these types of contracts meet the definition of a derivative instrument, contain an embedded derivative requiring bifurcation, or qualify for hedge accounting treatment. Auditing these contracts is especially challenging due to the complexity of the accounting requirements, requiring the specialized knowledge of such accounting.

How the Critical Audit Matter Was Addressed in the Audit

With the assistance of our energy transacting specialists, our audit procedures related to these contracts included the following, among others:

- We tested the effectiveness of management's controls over approval and assessment of contracts and contract amendments that require additional levels of management review to assess deals on a frequent basis and to evaluate contracts meeting Southern Company Gas' criteria by accounting and the appropriate level of management for proper classification between derivative or accrual accounting.
- We tested, on a sample basis, contracts and contract amendments (derivative and non-derivative) with a focus on those with more complex terms by independently evaluating the accounting treatment and comparing to the conclusions reached by management.
- We evaluated Southern Company Gas' disclosures related to derivatives for completeness and accuracy based on the results of our audit procedures and the accounting requirements for such instruments.

/s/ Deloitte & Touche LLP

Atlanta, Georgia

February 17, 2021

We have served as Southern Company Gas' auditor since 2016.

Report of Independent Registered Public Accounting Firm

Board of Directors and Members
Southern Natural Gas Company, L.L.C.
Houston, Texas

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Southern Natural Gas Company, L.L.C. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income, members' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Postretirement Benefit Obligation

At December 31, 2020, the Company's postretirement benefit obligation was \$23 million and the Company's plan assets were \$69 million, resulting in a net asset position of \$46 million. As described in Note 5 of the consolidated financial statements, the postretirement benefit obligation is primarily based on actuarial calculations, which include various significant assumptions.

We identified the Company's estimate of the postretirement benefit obligation as a critical audit matter. Auditing the postretirement benefit obligation required complex auditor judgment due to the highly judgmental nature of the actuarial assumptions used in the calculation, which include the discount rate, the mortality rate, and the expected return on plan assets. These assumptions had a significant effect on the postretirement benefit obligation calculation.

The primary procedures we performed to address this critical audit matter included:

- Comparing the actuarial assumptions used by management with historical trends and evaluating the change in the postretirement benefit obligation from prior year due to the change in service cost, interest cost, contributions, benefit payments, and actuarial gains and losses.
- Evaluating the appropriateness of management's methodology for determining the discount rate that reflects the maturity and duration of the benefit payments.
- Evaluating the reasonableness of mortality rate by assessing whether the information was consistent with publicly available information, and whether any market data adjusted for entity-specific factors were applied.
- Evaluating the expected return on plan assets by assessing whether management's assumptions were consistent with a range of returns for a portfolio of comparative investments that was determined based on publicly available information.

Emphasis of Matter – Significant Transactions with Related Parties

As discussed in Note 6 to the consolidated financial statements, the Company has entered into significant transactions with related parties.

/s/ BDO USA, LLP

We have served as the Company's auditor since 2018.

Houston, Texas

February 8, 2021

CONSOLIDATED STATEMENTS OF INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company Gas and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Revenues:			
Natural gas revenues (includes revenue taxes of \$107, \$117, and \$114, respectively)	\$ 3,431	\$ 3,793	\$ 3,874
Alternative revenue programs	3	(1)	(20)
Other revenues	—	—	55
Total operating revenues	3,434	3,792	3,909
Operating Expenses:			
Cost of natural gas	972	1,319	1,539
Cost of other sales	—	—	12
Other operations and maintenance	966	888	981
Depreciation and amortization	500	487	500
Taxes other than income taxes	206	213	211
Impairment charges	—	115	42
(Gain) loss on dispositions, net	(22)	—	(291)
Total operating expenses	2,622	3,022	2,994
Operating Income	812	770	915
Other Income and (Expense):			
Earnings from equity method investments	141	157	148
Interest expense, net of amounts capitalized	(231)	(232)	(228)
Other income (expense), net	41	20	1
Total other income and (expense)	(49)	(55)	(79)
Earnings Before Income Taxes	763	715	836
Income taxes	173	130	464
Net Income	\$ 590	\$ 585	\$ 372

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company Gas and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Net Income	\$ 590	\$ 585	\$ 372
Other comprehensive income (loss):			
Qualifying hedges:			
Changes in fair value, net of tax of \$(8), \$(2), and \$2, respectively	(21)	(5)	5
Reclassification adjustment for amounts included in net income, net of tax of \$3, \$—, and \$(1), respectively	7	2	(1)
Pension and other postretirement benefit plans:			
Benefit plan net gain (loss), net of tax of \$(3), \$(14), and \$—, respectively	(15)	(16)	—
Reclassification adjustment for amounts included in net income, net of tax of \$—, \$—, and \$3, respectively	—	—	(2)
Total other comprehensive income (loss)	(29)	(19)	2
Comprehensive Income	\$ 561	\$ 566	\$ 374

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company Gas and Subsidiary Companies 2020 Annual Report

	2020	2019	2018
	<i>(in millions)</i>		
Operating Activities:			
Consolidated net income	\$ 590	\$ 585	\$ 372
Adjustments to reconcile net income to net cash provided from operating activities —			
Depreciation and amortization, total	500	487	500
Deferred income taxes	56	213	(1)
Pension and postretirement funding	—	(145)	—
Impairment charges	—	115	42
(Gain) loss on dispositions, net	(22)	—	(291)
Mark-to-market adjustments	61	(56)	(19)
Other, net	(29)	(55)	(24)
Changes in certain current assets and liabilities —			
-Receivables	(93)	467	(218)
-Natural gas for sale	18	44	49
-Prepaid income taxes	19	40	(42)
-Other current assets	(10)	31	4
-Accounts payable	103	(520)	372
-Accrued taxes	13	(69)	10
-Accrued compensation	7	1	32
-Other current liabilities	(6)	(71)	(22)
Net cash provided from operating activities	1,207	1,067	764
Investing Activities:			
Property additions	(1,471)	(1,408)	(1,388)
Cost of removal, net of salvage	(100)	(82)	(96)
Change in construction payables, net	20	24	(37)
Investments in unconsolidated subsidiaries	(79)	(31)	(110)
Returned investment in unconsolidated subsidiaries	13	67	20
Proceeds from dispositions and asset sales	211	32	2,609
Other investing activities	(11)	12	—
Net cash provided from (used for) investing activities	(1,417)	(1,386)	998
Financing Activities:			
Increase (decrease) in notes payable, net	(326)	—	(868)
Proceeds —			
First mortgage bonds	325	300	300
Capital contributions from parent company	216	821	24
Senior notes	500	—	—
Redemptions and repurchases —			
Gas facility revenue bonds	—	—	(200)
First mortgage bonds	—	(50)	—
Senior notes	—	(300)	(155)
Return of capital to parent company	—	—	(400)
Payment of common stock dividends	(533)	(471)	(468)
Other financing activities	(2)	(2)	(3)
Net cash provided from (used for) financing activities	180	298	(1,770)
Net Change in Cash, Cash Equivalents, and Restricted Cash	(30)	(21)	(8)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	49	70	78
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 19	\$ 49	\$ 70
Supplemental Cash Flow Information:			
Cash paid (received) during the period for —			
Interest (net of \$7, \$6, and \$7 capitalized, respectively)	\$ 232	\$ 251	\$ 249
Income taxes (net of refunds)	25	(41)	524
Noncash transactions — Accrued property additions at year-end	142	122	97

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31, 2020 and 2019

Southern Company Gas and Subsidiary Companies 2020 Annual Report

Assets	2020	2019
	<i>(in millions)</i>	
Current Assets:		
Cash and cash equivalents	\$ 17	\$ 46
Receivables —		
Energy marketing	516	428
Customer accounts	353	323
Unbilled revenues	219	183
Affiliated	4	5
Other accounts and notes	51	114
Accumulated provision for uncollectible accounts	(40)	(18)
Natural gas for sale	460	479
Prepaid expenses	48	65
Assets from risk management activities, net of collateral	118	177
Other regulatory assets	102	92
Assets held for sale	—	171
Other current assets	38	41
Total current assets	1,886	2,106
Property, Plant, and Equipment:		
In service	17,611	16,344
Less: Accumulated depreciation	4,821	4,650
Plant in service, net of depreciation	12,790	11,694
Construction work in progress	648	613
Total property, plant, and equipment	13,438	12,307
Other Property and Investments:		
Goodwill	5,015	5,015
Equity investments in unconsolidated subsidiaries	1,290	1,251
Other intangible assets, net of amortization of \$195 and \$176, respectively	51	70
Miscellaneous property and investments	19	20
Total other property and investments	6,375	6,356
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	81	93
Other regulatory assets, deferred	615	618
Other deferred charges and assets	235	207
Total deferred charges and other assets	931	918
Total Assets	\$ 22,630	\$ 21,687

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

At December 31, 2020 and 2019

Southern Company Gas and Subsidiary Companies 2020 Annual Report

Liabilities and Stockholder's Equity	2020	2019
	<i>(in millions)</i>	
Current Liabilities:		
Securities due within one year	\$ 333	\$ —
Notes payable	324	650
Energy marketing trade payables	494	442
Accounts payable —		
Affiliated	56	41
Other	373	315
Customer deposits	90	96
Accrued taxes	83	71
Accrued interest	58	52
Accrued compensation	106	100
Other regulatory liabilities	122	94
Other current liabilities	150	149
Total current liabilities	2,189	2,010
Long-term Debt	6,293	5,845
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	1,265	1,219
Deferred credits related to income taxes	847	874
Employee benefit obligations	283	265
Operating lease obligations	67	78
Other cost of removal obligations	1,649	1,606
Accrued environmental remediation	216	233
Other deferred credits and liabilities	54	51
Total deferred credits and other liabilities	4,381	4,326
Total Liabilities	12,863	12,181
Common Stockholder's Equity:		
Common stock, par value \$0.01 per share (Authorized - 100 million shares; Outstanding - 100 shares)		
Paid-in capital	9,930	9,697
Accumulated deficit	(141)	(198)
Accumulated other comprehensive income (loss)	(22)	7
Total common stockholder's equity (See accompanying statements)	9,767	9,506
Total Liabilities and Stockholder's Equity	\$ 22,630	\$ 21,687
Commitments and Contingent Matters (See notes)		

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDER'S EQUITY
For the Years Ended December 31, 2020, 2019, and 2018
Southern Company Gas and Subsidiary Companies 2020 Annual Report

	Number of Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
				<i>(in millions)</i>		
Balance at December 31, 2017	—	\$ —	\$ 9,214	\$ (212)	\$ 20	\$ 9,022
Net income	—	—	—	372	—	372
Return of capital to parent company	—	—	(400)	—	—	(400)
Capital contributions from parent company	—	—	42	—	—	42
Other comprehensive income	—	—	—	—	2	2
Cash dividends on common stock	—	—	—	(468)	—	(468)
Other	—	—	—	(4)	4	—
Balance at December 31, 2018	—	—	8,856	(312)	26	8,570
Net income	—	—	—	585	—	585
Capital contributions from parent company	—	—	841	—	—	841
Other comprehensive income (loss)	—	—	—	—	(19)	(19)
Cash dividends on common stock	—	—	—	(471)	—	(471)
Balance at December 31, 2019	—	—	9,697	(198)	7	9,506
Net income	—	—	—	590	—	590
Capital contributions from parent company	—	—	233	—	—	233
Other comprehensive income (loss)	—	—	—	—	(29)	(29)
Cash dividends on common stock	—	—	—	(533)	—	(533)
Balance at December 31, 2020	—	\$ —	\$ 9,930	\$ (141)	\$ (22)	\$ 9,767

The accompanying notes are an integral part of these consolidated financial statements.

COMBINED NOTES TO FINANCIAL STATEMENTS
Southern Company and Subsidiary Companies 2020 Annual Report

Notes to the Financial Statements
for
The Southern Company and Subsidiary Companies
Alabama Power Company
Georgia Power Company
Mississippi Power Company
Southern Power Company and Subsidiary Companies
Southern Company Gas and Subsidiary Companies

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Index to Applicable Notes to Financial Statements by Registrant

The following notes to the financial statements are a combined presentation; however, information contained herein relating to any individual Registrant is filed by such Registrant on its own behalf and each Registrant makes no representation as to information related to the other Registrants. The list below indicates the Registrants to which each note applies.

Registrant	Applicable Notes
Southern Company	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16
Alabama Power	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15
Georgia Power	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14
Mississippi Power	1, 2, 3, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14
Southern Power	1, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15
Southern Company Gas	1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****General**

Southern Company is the parent company of three traditional electric operating companies, as well as Southern Power, Southern Company Gas, SCS, Southern Linc, Southern Holdings, Southern Nuclear, PowerSecure, and other direct and indirect subsidiaries. The traditional electric operating companies – Alabama Power, Georgia Power, and Mississippi Power – are vertically integrated utilities providing electric service in three Southeastern states. In January 2019, Southern Company completed the sale of Gulf Power (another traditional electric operating company through December 31, 2018) to NextEra Energy. Southern Power develops, constructs, acquires, owns, and manages power generation assets, including renewable energy and battery energy storage projects, and sells electricity at market-based rates in the wholesale market. Southern Company Gas distributes natural gas through natural gas distribution utilities, including Nicor Gas (Illinois), Atlanta Gas Light (Georgia), Virginia Natural Gas, and Chattanooga Gas (Tennessee). In 2018, Southern Company Gas sold its other natural gas utilities – Elizabethtown Gas (New Jersey), Florida City Gas, and Elkton Gas (Maryland). Southern Company Gas is also involved in several other complementary businesses including gas pipeline investments, wholesale gas services, and gas marketing services. SCS, the system service company, provides, at cost, specialized services to Southern Company and its subsidiary companies. Southern Linc provides digital wireless communications for use by Southern Company and its subsidiary companies and also markets these services to the public and provides fiber optics services within the Southeast. Southern Holdings is an intermediate holding company subsidiary, primarily for Southern Company's leveraged lease and other investments. Southern Nuclear operates and provides services to the Southern Company system's nuclear power plants, including Alabama Power's Plant Farley and Georgia Power's Plant Hatch and Plant Vogtle Units 1 and 2, and is currently managing construction and start-up of Plant Vogtle Units 3 and 4, which are co-owned by Georgia Power. PowerSecure provides energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency. See Note 15 for information regarding disposition activities, including Southern Company's sale of Gulf Power.

The Registrants' financial statements reflect investments in subsidiaries on a consolidated basis. Intercompany transactions have been eliminated in consolidation. The equity method is used for investments in entities in which a Registrant has significant influence but does not have control and for VIEs where a Registrant has an equity investment but is not the primary beneficiary. Southern Power has controlling ownership in certain legal entities for which the contractual provisions represent profit-sharing arrangements because the allocations of cash distributions and tax benefits are not based on fixed ownership percentages. For these arrangements, the noncontrolling interest is accounted for under a balance sheet approach utilizing the HLBV method. The HLBV method calculates each partner's share of income based on the change in net equity the partner can legally claim in a HLBV at the end of the period compared to the beginning of the period. See "Variable Interest Entities" herein and Note 7 for additional information.

The traditional electric operating companies, Southern Power, certain subsidiaries of Southern Company Gas, and certain other subsidiaries are subject to regulation by the FERC, and the traditional electric operating companies and the natural gas distribution utilities are also subject to regulation by their respective state PSCs or other applicable state regulatory agencies. As such, the respective financial statements of the applicable Registrants reflect the effects of rate regulation in accordance with GAAP and comply with the accounting policies and practices prescribed by relevant state PSCs or other applicable state regulatory agencies.

The preparation of financial statements in conformity with GAAP requires the use of estimates, and the actual results may differ from those estimates. Certain prior years' data presented in the financial statements have been reclassified to conform to the current year presentation. These reclassifications had no impact on the Registrants' results of operations, financial position, or cash flows.

At December 31, 2020 and/or 2019, Southern Company, Southern Power, and Southern Company Gas each had assets and liabilities held for sale on their balance sheets. Unless otherwise noted, the disclosures herein related to specific asset and liability balances at December 31, 2020 and 2019 exclude assets and liabilities held for sale. See Note 15 under "Assets Held for Sale" for additional information including major classes of assets and liabilities classified as held for sale by Southern Company, Southern Power, and Southern Company Gas.

Recently Adopted Accounting Standards

Effective January 1, 2019, the Registrants adopted ASU No. 2016-02, *Leases (Topic 842)* (ASU 2016-02). ASU 2016-02 required lessees to recognize on the balance sheet a lease liability and a right-of-use asset for all leases. ASU 2016-02 also changed the recognition, measurement, and presentation of expense associated with leases and provided clarification regarding the identification of certain components of contracts that would represent a lease. Lessor accounting was relatively unchanged and there was no change to the accounting for existing leveraged leases. See Note 9 for additional information and related disclosures.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Affiliate Transactions

The traditional electric operating companies, Southern Power, and Southern Company Gas have agreements with SCS under which certain of the following services are rendered to them at direct or allocated cost: general executive and advisory, general and design engineering, operations, purchasing, accounting, finance, treasury, legal, tax, information technology, marketing, auditing, insurance and pension administration, human resources, systems and procedures, digital wireless communications, cellular tower space, and other services with respect to business and operations, construction management, and Southern Company power pool transactions. These costs are primarily included in other operations and maintenance expenses or capitalized to property, plant, and equipment. Costs for these services from SCS in 2020, 2019, and 2018 were as follows:

	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
2020	\$ 478	\$ 639	\$ 149	\$ 87	\$ 237
2019	527	704	118	90	183
2018	508	653	104	98	194

Alabama Power and Georgia Power also have agreements with Southern Nuclear under which Southern Nuclear renders the following nuclear-related services at cost: general executive and advisory services; general operations, management, and technical services; administrative services including procurement, accounting, employee relations, systems, and procedures services; strategic planning and budgeting services; other services with respect to business and operations; and, for Georgia Power, construction management. These costs are primarily included in other operations and maintenance expenses or capitalized to property, plant, and equipment. Costs for these services in 2020, 2019, and 2018 amounted to \$262 million, \$256 million, and \$247 million, respectively, for Alabama Power and \$883 million, \$760 million, and \$780 million, respectively, for Georgia Power. See Note 2 under "Georgia Power – Nuclear Construction" for additional information regarding Southern Nuclear's construction management of Plant Vogtle Units 3 and 4 for Georgia Power.

Cost allocation methodologies used by SCS and Southern Nuclear prior to the repeal of the Public Utility Holding Company Act of 1935, as amended, were approved by the SEC. Subsequently, additional cost allocation methodologies have been reported to the FERC and management believes they are reasonable. The FERC permits services to be rendered at cost by system service companies.

Alabama Power's and Georgia Power's power purchases from affiliates through the Southern Company power pool are included in purchased power, affiliates on their respective statements of income. Mississippi Power's and Southern Power's power purchases from affiliates through the Southern Company power pool are included in purchased power on their respective statements of income and were as follows:

	Mississippi Power	Southern Power
	<i>(in millions)</i>	
2020	\$ 4	\$ 8
2019	3	14
2018	15	41

Georgia Power has entered into several PPAs with Southern Power for capacity and energy. Georgia Power's total expenses associated with these PPAs were \$141 million, \$177 million, and \$216 million in 2020, 2019, and 2018, respectively. Southern Power's total revenues from all PPAs with Georgia Power, included in wholesale revenue affiliates on Southern Power's consolidated statements of income, were \$139 million, \$174 million, and \$215 million for 2020, 2019, and 2018, respectively. Included within these revenues were affiliate PPAs accounted for as operating leases, which totaled \$115 million, \$116 million, and \$65 million for 2020, 2019, and 2018, respectively. See Note 9 for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

SCS (as agent for Alabama Power, Georgia Power, and Southern Power) and Southern Company Gas have long-term interstate natural gas transportation agreements with SNG that are governed by the terms and conditions of SNG's natural gas tariff and are subject to FERC regulation. See Note 7 under "Southern Company Gas – Equity Method Investments" for additional information. Transportation costs under these agreements in 2020, 2019, and 2018 were as follows:

	Alabama Power	Georgia Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>			
2020	\$ 15	\$ 108	\$ 29	\$ 29
2019	17	99	28	31
2018	8	101	25	32

In 2018, SNG purchased the natural gas lateral pipeline serving Plant McDonough Units 4 through 6 from Georgia Power at net book value, as approved by the Georgia PSC. In January 2020, SNG paid Georgia Power \$142 million, which included \$71 million contributed to SNG by Southern Company Gas for its proportionate share. During the interim period, Georgia Power received a discounted shipping rate to reflect the deferred consideration and SNG constructed an extension to the pipeline.

SCS, as agent for the traditional electric operating companies and Southern Power, has agreements with certain subsidiaries of Southern Company Gas to purchase natural gas. Natural gas purchases made under these agreements were immaterial for Alabama Power and Mississippi Power and as follows for Georgia Power and Southern Power in 2020, 2019, and 2018:

	Georgia Power	Southern Power
	<i>(in millions)</i>	
2020	\$ —	\$ 26
2019	4	64
2018	21	119

Alabama Power and Mississippi Power jointly own Plant Greene County. The companies have an agreement under which Alabama Power operates Plant Greene County and Mississippi Power reimburses Alabama Power for its proportionate share of non-fuel operations and maintenance expenses, which totaled \$9 million, \$9 million, and \$8 million in 2020, 2019, and 2018, respectively. See Note 5 under "Joint Ownership Agreements" for additional information.

The traditional electric operating companies each have agreements with Gulf Power. Alabama Power previously made transmission system upgrades to ensure firm delivery of energy under a non-affiliate PPA from the Central Alabama Generating Station, and, under a related tariff, received \$11 million from Gulf Power in 2018. Gulf Power owns a 25% portion of Plant Scherer Unit 3. Georgia Power operates Plant Scherer Unit 3 and Gulf Power reimburses Georgia Power for its 25% proportionate share of the related non-fuel expenses, which totaled \$8 million in 2018. Gulf Power also owns a 50% portion of Plant Daniel Units 1 and 2. Mississippi Power operates Plant Daniel and Gulf Power reimburses Mississippi Power for its proportionate share of all associated non-fuel operations and maintenance expenses, which totaled \$31 million in 2018. See Note 5 under "Joint Ownership Agreements" and Note 15 under "Southern Company" and "Alabama Power" for additional information.

Alabama Power and Georgia Power each have agreements with PowerSecure for equipment purchases and/or services related to utility infrastructure construction, distributed energy, and energy efficiency projects. Alabama Power's costs for these services were immaterial for 2020 and totaled \$7 million and \$24 million in 2019 and 2018, respectively. Georgia Power's costs for these equipment purchases and services totaled approximately \$11 million in 2020 and were immaterial for the other periods presented.

See Note 7 under "SEGCO" for information regarding Alabama Power's and Georgia Power's equity method investment in SEGCO and related affiliate purchased power costs, as well as Alabama Power's gas pipeline ownership agreement with SEGCO.

Southern Power has several agreements with SCS for transmission services, which are billed to Southern Power based on the Southern Company Open Access Transmission Tariff as filed with the FERC. Transmission services purchased by Southern Power from SCS totaled \$15 million, \$15 million, and \$12 million for 2020, 2019, and 2018, respectively, and were charged to other operations and maintenance expenses in Southern Power's consolidated statements of income.

The traditional electric operating companies and Southern Power may jointly enter into various types of wholesale energy, natural gas, and certain other contracts, either directly or through SCS as agent. Each participating company may be jointly and severally liable for the obligations incurred under these agreements. See Note 14 under "Contingent Features" for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Southern Power and the traditional electric operating companies generally settle amounts related to the above transactions on a monthly basis in the month following the performance of such services or the purchase or sale of electricity. See "Revenues – Southern Power" herein for additional information.

The traditional electric operating companies, Southern Power, and Southern Company Gas provide incidental services to and receive such services from other Southern Company subsidiaries which are generally minor in duration and amount. Except as described herein, the traditional electric operating companies, Southern Power, and Southern Company Gas neither provided nor received any material services to or from affiliates in any year presented.

Regulatory Assets and Liabilities

The traditional electric operating companies and the natural gas distribution utilities are subject to accounting requirements for the effects of rate regulation. Regulatory assets represent probable future revenues associated with certain costs that are expected to be recovered from customers through the ratemaking process. Regulatory liabilities represent costs recovered that are expected to be incurred in the future or probable future reductions in revenues associated with amounts that are expected to be credited to customers through the ratemaking process.

In the event that a portion of a traditional electric operating company's or a natural gas distribution utility's operations is no longer subject to applicable accounting rules for rate regulation, such company would be required to write off to income or reclassify to AOCI related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the traditional electric operating company or the natural gas distribution utility would be required to determine if any impairment to other assets, including plant, exists and write down the assets, if impaired, to their fair values. All regulatory assets and liabilities are to be reflected in rates. See Note 2 for additional information including details of regulatory assets and liabilities reflected in the balance sheets for Southern Company, the traditional electric operating companies, and Southern Company Gas.

Revenues

The Registrants generate revenues from a variety of sources which are accounted for under various revenue accounting guidance, including revenue from contracts with customers, lease, derivative, and regulatory accounting. See Notes 4, 9, and 14 for additional information.

Traditional Electric Operating Companies

The majority of the revenues of the traditional electric operating companies are generated from contracts with retail electric customers. These revenues, generated from the integrated service to deliver electricity when and if called upon by the customer, are recognized as a single performance obligation satisfied over time, at a tariff rate, and as electricity is delivered to the customer during the month. Unbilled revenues related to retail sales are accrued at the end of each fiscal period. Retail rates may include provisions to adjust revenues for fluctuations in fuel costs, fuel hedging, the energy component of purchased power costs, and certain other costs. Revenues are adjusted for differences between these actual costs and amounts billed in current regulated rates. Under or over recovered regulatory clause revenues are recorded in the balance sheets and are recovered from or returned to customers, respectively, through adjustments to the billing factors. See Note 2 for additional information regarding regulatory matters of the traditional electric operating companies.

Wholesale capacity revenues from PPAs are recognized in amounts billable under the contract terms. Energy and other revenues are generally recognized as services are provided. The contracts for capacity and energy in a wholesale PPA have multiple performance obligations where the contract's total transaction price is allocated to each performance obligation based on the standalone selling price. The standalone selling price is primarily determined by the price charged to customers for the specific goods or services transferred with the performance obligations. Generally, the traditional electric operating companies recognize revenue as the performance obligations are satisfied over time as electricity is delivered to the customer or as generation capacity is available to the customer.

For both retail and wholesale revenues, the traditional electric operating companies have elected to recognize revenue for their sales of electricity and capacity using the invoice practical expedient as they generally have a right to consideration in an amount that corresponds directly with the value to the customer of the performance completed to date and that may be invoiced. Payment for goods and services rendered is typically due in the subsequent month following satisfaction of the Registrants' performance obligation.

Southern Power

Southern Power sells capacity and energy at rates specified under contractual terms in long-term PPAs. These PPAs are accounted for as operating leases, non-derivatives, or normal sale derivatives. Capacity revenues from PPAs classified as operating leases

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

are recognized on a straight-line basis over the term of the agreement. Energy revenues are recognized in the period the energy is delivered.

Southern Power's non-lease contracts commonly include capacity and energy which are considered separate performance obligations. In these contracts, the total transaction price is allocated to each performance obligation based on the standalone selling price. The standalone selling price is primarily determined by the price charged to customers for the specific goods or services transferred with the performance obligations. Generally, Southern Power recognizes revenue as the performance obligations are satisfied over time, as electricity is delivered to the customer or as generation capacity is made available to the customer.

Southern Power generally has a right to consideration in an amount that corresponds directly with the value to the customer of the performance completed to date and may recognize revenue in the amount to which the entity has a right to invoice. Payment for goods and services rendered is typically due in the subsequent month following satisfaction of Southern Power's performance obligation.

When multiple contracts exist with the same counterparty, the revenues from each contract are accounted for as separate arrangements.

Southern Power may also enter into contracts to sell short-term capacity in the wholesale electricity markets. These sales are generally classified as mark-to-market derivatives and net unrealized gains and losses on such contracts are recorded in wholesale revenues. See Note 14 and "Financial Instruments" herein for additional information.

Southern Company Gas***Gas Distribution Operations***

Southern Company Gas records revenues when goods or services are provided to customers. Those revenues are based on rates approved by the state regulatory agencies of the natural gas distribution utilities. Atlanta Gas Light operates in a deregulated natural gas market whereby Marketers, rather than a traditional utility, sell natural gas to end-use customers in Georgia and handle customer billing functions. As required by the Georgia PSC, Atlanta Gas Light bills Marketers in equal monthly installments for each residential, commercial, and industrial end-use customer's distribution costs as well as for capacity costs utilizing a seasonal rate design for the calculation of each residential end-use customer's annual straight-fixed-variable charge, which reflects the historic volumetric usage pattern for the entire residential class.

The majority of the revenues of Southern Company Gas are generated from contracts with natural gas distribution customers. Revenues from this integrated service to deliver gas when and if called upon by the customer are recognized as a single performance obligation satisfied over time and are recognized at a tariff rate as gas is delivered to the customer during the month.

The standalone selling price is primarily determined by the price charged to customers for the specific goods or services transferred with the performance obligations. Generally, Southern Company Gas recognizes revenue as the performance obligations are satisfied over time as natural gas is delivered to the customer. The performance obligations related to wholesale gas services are satisfied, and revenue is recognized, at a point in time when natural gas is delivered to the customer.

Southern Company Gas has elected to recognize revenue for sales of gas using the invoice practical expedient as it generally has a right to consideration in an amount that corresponds directly with the value to the customer of the performance completed to date and that may be invoiced. Payment for goods and services rendered is typically due in the subsequent month following satisfaction of Southern Company Gas' performance obligation.

With the exception of Atlanta Gas Light, the natural gas distribution utilities have rate structures that include volumetric rate designs that allow the opportunity to recover certain costs based on gas usage. Revenues from sales and transportation services are recognized in the same period in which the related volumes are delivered to customers. Revenues from residential and certain commercial and industrial customers are recognized on the basis of scheduled meter readings. Additionally, unbilled revenues are recognized for estimated deliveries of gas not yet billed to these customers, from the last bill date to the end of the accounting period. For other commercial and industrial customers and for all wholesale customers, revenues are based on actual deliveries through the end of the period.

The tariffs for several of the natural gas distribution utilities include provisions which allow for the recognition of certain revenues prior to the time such revenues are billed to customers. These provisions are referred to as alternative revenue programs

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

and provide for the recognition of certain revenues prior to billing, as long as the amounts recognized will be collected from customers within 24 months of recognition. These programs are as follows:

- *Weather normalization adjustments* – reduce customer bills when winter weather is colder than normal and increase customer bills when weather is warmer than normal and are included in the tariffs for Virginia Natural Gas, Chattanooga Gas, and, prior to its sale, Elizabethtown Gas;
- *Revenue normalization mechanisms* – mitigate the impact of conservation and declining customer usage and are contained in the tariffs for Virginia Natural Gas, Chattanooga Gas, Nicor Gas (effective November 1, 2019), and, prior to its sale, Elkton Gas; and
- *Revenue true-up adjustment* – included within the provisions of the GRAM program in which Atlanta Gas Light participates as a short-term alternative to formal rate case filings, the revenue true-up feature provides for a positive (or negative) adjustment to record revenue in the amount of any variance to budgeted revenues, which are submitted and approved annually as a requirement of GRAM. Such adjustments are reflected in customer billings in a subsequent program year.

Wholesale Gas Services

Southern Company Gas nets revenues from energy and risk management activities with the associated costs. Profits from sales between segments are eliminated and are recognized as goods or services sold to end-use customers. Southern Company Gas records transactions that qualify as derivatives at fair value with changes in fair value recognized in earnings in the period of change and characterized as unrealized gains or losses. Gains and losses on derivatives held for energy trading purposes are presented on a net basis in revenue.

Gas Marketing Services

Southern Company Gas recognizes revenues from natural gas sales and transportation services in the same period in which the related volumes are delivered to customers and recognizes sales revenues from residential and certain commercial and industrial customers on the basis of scheduled meter readings. Southern Company Gas also recognizes unbilled revenues for estimated deliveries of gas not yet billed to these customers from the most recent meter reading date to the end of the accounting period. For other commercial and industrial customers and for all wholesale customers, revenues are based on actual deliveries during the period. Southern Company Gas recognizes revenues on 12-month utility-bill management contracts as the lesser of cumulative earned or cumulative billed amounts.

Concentration of Credit Risk

Southern Company Gas' wholesale gas services business has a concentration of credit risk for services it provides to its counterparties. This credit risk is generally concentrated in 20 of its counterparties and is measured by 30-day receivable exposure plus forward exposure. Counterparty credit risk is evaluated using a S&P equivalent credit rating, which is determined by a process of converting the lower of the S&P or Moody's rating to an internal rating ranging from 9 to 1, with 9 being equivalent to AAA/Aaa by S&P and Moody's, respectively, and 1 being equivalent to D/Default by S&P and Moody's, respectively. A counterparty that does not have an external rating is assigned an internal rating based on the strength of its financial ratios. As of December 31, 2020, the top 20 counterparties represented 58%, or \$234 million, of the total counterparty exposure and had a weighted average S&P equivalent rating of A-.

Concentration of credit risk occurs at Atlanta Gas Light for amounts billed for services and other costs to its customers, which consist of 16 Marketers in Georgia (including SouthStar). The credit risk exposure to the Marketers varies seasonally, with the lowest exposure in the non-peak summer months and the highest exposure in the peak winter months. Marketers are responsible for the retail sale of natural gas to end-use customers in Georgia. The functions of the retail sale of gas include the purchase and sale of natural gas, customer service, billings, and collections. The provisions of Atlanta Gas Light's tariff allow Atlanta Gas Light to obtain credit security support in an amount equal to a minimum of two times a Marketer's highest month's estimated bill from Atlanta Gas Light.

Concentration of Revenue

Southern Company, Alabama Power, Georgia Power, Mississippi Power (with the exception of its full requirements cost-based MRA electric tariffs described below), and Southern Company Gas each have a diversified base of customers and no single customer or industry comprises 10% or more of each company's revenues.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Mississippi Power provides service under long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under full requirements cost-based MRA electric tariffs, which are subject to regulation by the FERC. The contracts with these wholesale customers represented 15.3% of Mississippi Power's total operating revenues in 2020 and are generally subject to 10-year rolling cancellation notices. Historically, these wholesale customers have acted as a group and any changes in contractual relationships for one customer are likely to be followed by the other wholesale customers.

Significant portions of Southern Power's revenues have been derived from certain customers pursuant to PPAs. The following table shows the percentage of total revenues for Southern Power's top three customers for each of the years presented:

	2020	2019	2018
Southern California Edison	9.4 %	6.8 %	6.2 %
Georgia Power	8.0 %	9.0 %	9.8 %
Duke Energy Corporation	6.7 %	N/A	6.8 %
Morgan Stanley Capital Group	N/A	4.9 %	N/A

Fuel Costs

Fuel costs for the traditional electric operating companies and Southern Power are expensed as the fuel is used. Fuel expense generally includes fuel transportation costs and the cost of purchased emissions allowances as they are used. For Alabama Power and Georgia Power, fuel expense also includes the amortization of the cost of nuclear fuel. For the traditional electric operating companies, fuel costs also include gains and/or losses from fuel-hedging programs as approved by their respective state PSCs.

Cost of Natural Gas

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, Southern Company Gas charges its utility customers for natural gas consumed using natural gas cost recovery mechanisms set by the applicable state regulatory agencies. Under these mechanisms, all prudently-incurred natural gas costs are passed through to customers without markup, subject to regulatory review. Southern Company Gas defers or accrues the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period such that no operating income is recognized related to these costs. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred and accrued natural gas costs are included in the balance sheets as regulatory assets and regulatory liabilities, respectively.

Southern Company Gas' gas marketing services' customers are charged for actual or estimated natural gas consumed. Within cost of natural gas, Southern Company Gas also includes costs of lost and unaccounted for gas, adjustments to reduce the value of inventories to market value, and gains and losses associated with certain derivatives.

Income Taxes

The Registrants use the liability method of accounting for deferred income taxes and provide deferred income taxes for all significant income tax temporary differences. In accordance with regulatory requirements, deferred federal ITCs for the traditional electric operating companies are deferred and amortized over the average life of the related property, with such amortization normally applied as a credit to reduce depreciation and amortization in the statements of income. Southern Power's and the natural gas distribution utilities' deferred federal ITCs, as well as certain state ITCs for Nicor Gas, are deferred and amortized to income tax expense over the life of the respective asset.

Under current tax law, certain projects at Southern Power related to the construction of renewable facilities are eligible for federal ITCs. Southern Power estimates eligible costs which, as they relate to acquisitions, may not be finalized until the allocation of the purchase price to assets has been finalized. Southern Power applies the deferred method to ITCs, whereby the ITCs are recorded as a deferred credit and amortized to income tax expense over the life of the respective asset. Furthermore, the tax basis of the asset is reduced by 50% of the ITCs received, resulting in a net deferred tax asset. Southern Power has elected to recognize the tax benefit of this basis difference as a reduction to income tax expense in the year in which the plant reaches commercial operation. State ITCs are recognized as an income tax benefit in the period in which the credits are generated. In addition, certain projects are eligible for federal and state PTCs, which are recognized as an income tax benefit based on KWH production.

Federal ITCs and PTCs, as well as state ITCs and other state tax credits available to reduce income taxes payable, were not fully utilized in 2020 and will be carried forward and utilized in future years. In addition, Southern Company is expected to have various state net operating loss (NOL) carryforwards for certain of its subsidiaries, including Mississippi Power and Southern Power, which would result in income tax benefits in the future, if utilized. See Note 10 under "Current and Deferred Income Taxes – Tax Credit Carryforwards" and " – Net Operating Loss Carryforwards" for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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The Registrants recognize tax positions that are "more likely than not" of being sustained upon examination by the appropriate taxing authorities. See Note 10 under "Unrecognized Tax Benefits" for additional information.

Other Taxes

Taxes imposed on and collected from customers on behalf of governmental agencies are presented net on the Registrants' statements of income and are excluded from the transaction price in determining the revenue related to contracts with a customer.

Southern Company Gas is taxed on its gas revenues by various governmental authorities, but is allowed to recover these taxes from its customers. Revenue taxes imposed on the natural gas distribution utilities are recorded at the amount charged to customers, which may include a small administrative fee, as operating revenues, and the related taxes imposed on Southern Company Gas are recorded as operating expenses on the statements of income. Revenue taxes included in operating expenses were \$104 million, \$114 million, and \$111 million in 2020, 2019, and 2018, respectively.

Allowance for Funds Used During Construction and Interest Capitalized

The traditional electric operating companies and the natural gas distribution utilities record AFUDC, which represents the estimated debt and equity costs of capital funds that are necessary to finance the construction of new regulated facilities. While cash is not realized currently, AFUDC increases the revenue requirement and is recovered over the service life of the asset through a higher rate base and higher depreciation. The equity component of AFUDC is not taxable.

Interest related to financing the construction of new facilities at Southern Power and new facilities not included in the traditional electric operating companies' and Southern Company Gas' regulated rates is capitalized in accordance with standard interest capitalization requirements.

Total AFUDC and interest capitalized for the Registrants in 2020, 2019, and 2018 was as follows:

	Southern Company	Alabama Power	Georgia Power ^(*)	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
2020	\$ 230	\$ 61	\$ 138	\$ 1	\$ 11	\$ 18
2019	202	71	103	—	15	13
2018	210	84	94	—	17	14

(*) See Note 2 under "Georgia Power – Nuclear Construction" for information on the inclusion of a portion of construction costs related to Plant Vogtle Units 3 and 4 in Georgia Power's rate base.

The average AFUDC composite rates for 2020, 2019, and 2018 for the traditional electric operating companies and the natural gas distribution utilities were as follows:

	2020	2019	2018
Alabama Power	8.1 %	8.4 %	8.3 %
Georgia Power ^(*)	6.9 %	6.9 %	7.3 %
Mississippi Power	5.4 %	7.3 %	3.3 %
Southern Company Gas:			
Atlanta Gas Light	7.7 %	7.8 %	7.9 %
Chattanooga Gas	7.1 %	7.1 %	7.4 %
Nicor Gas	0.7 %	2.3 %	2.1 %

(*) Excludes AFUDC related to the construction of Plant Vogtle Units 3 and 4. See Note 2 under "Georgia Power – Nuclear Construction" for additional information.

Impairment of Long-Lived Assets

The Registrants evaluate long-lived assets and finite-lived intangible assets for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The determination of whether an impairment has occurred is based on either a specific regulatory disallowance, a sales transaction price that is less than the asset group's carrying value, or an estimate of undiscounted future cash flows attributable to the asset group, as compared with the carrying value of the assets. If an impairment has occurred, the amount of the impairment recognized is determined by either the amount of regulatory disallowance or by estimating the fair value of the assets and recording a loss if the carrying value is greater than the

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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fair value. For assets identified as held for sale, the carrying value is compared to the estimated fair value less the cost to sell in order to determine if an impairment loss is required. Until the assets are disposed of, their estimated fair value is re-evaluated when circumstances or events change. See Note 3 under "Other Matters – Southern Company" and " – Southern Company Gas" and Note 15 under "Southern Company," "Southern Power," and "Southern Company Gas – Sale of Pivotal LNG and Atlantic Coast Pipeline" for information regarding impairment charges recorded during the periods presented.

Goodwill and Other Intangible Assets and Liabilities

Southern Power's intangible assets consist primarily of certain PPAs acquired, which are amortized over the term of the respective PPA. Southern Company Gas' goodwill and other intangible assets and liabilities primarily relate to its 2016 acquisition by Southern Company. In addition to these items, Southern Company's goodwill and other intangible assets also relate to its 2016 acquisition of PowerSecure.

Goodwill is not amortized, but is subject to an annual impairment test during the fourth quarter of each year, or more frequently if impairment indicators arise, as discussed below. Southern Company and Southern Company Gas each evaluated its goodwill in the fourth quarter 2020 and determined no impairment was required. If the impacts of the COVID-19 pandemic and related responses, including supply chain disruptions, reduced labor availability and/or productivity, and reduced economic activity, become significant to the operating results of PowerSecure and its businesses, a portion of its \$263 million of goodwill may become impaired. The ultimate outcome of this matter cannot be determined at this time.

A goodwill impairment charge of \$32 million was recorded in the second quarter 2019 in contemplation of the July 2019 sale of PowerSecure's utility infrastructure services business. In the third quarter 2019, impairment charges of \$2 million and \$3 million were recorded to goodwill and other intangible assets, net, respectively, in contemplation of the December 2019 sale of PowerSecure's lighting business. See Note 15 under "Southern Company" for additional information.

At December 31, 2020 and 2019, goodwill was as follows:

	Goodwill	
	<i>(in millions)</i>	
Southern Company	\$	5,280
Southern Company Gas:		
Gas distribution operations	\$	4,034
Gas marketing services		981
Southern Company Gas total	\$	5,015

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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At December 31, 2020 and 2019, other intangible assets were as follows:

	At December 31, 2020			At December 31, 2019		
	Gross Carrying Amount	Accumulated Amortization	Other Intangible Assets, Net	Gross Carrying Amount	Accumulated Amortization	Other Intangible Assets, Net
	<i>(in millions)</i>			<i>(in millions)</i>		
Southern Company						
<i>Other intangible assets subject to amortization:</i>						
Customer relationships	\$ 212	\$ (135)	\$ 77	\$ 212	\$ (116)	\$ 96
Trade names	64	(31)	33	64	(25)	39
Storage and transportation contracts	64	(64)	—	64	(62)	2
PPA fair value adjustments	390	(89)	301	390	(69)	321
Other	10	(9)	1	11	(8)	3
Total other intangible assets subject to amortization	\$ 740	\$ (328)	\$ 412	\$ 741	\$ (280)	\$ 461
<i>Other intangible assets not subject to amortization:</i>						
Federal Communications Commission licenses	75	—	75	75	—	75
Total other intangible assets	\$ 815	\$ (328)	\$ 487	\$ 816	\$ (280)	\$ 536
Southern Power						
<i>Other intangible assets subject to amortization:</i>						
PPA fair value adjustments	\$ 390	\$ (89)	\$ 301	\$ 390	\$ (69)	\$ 321
Southern Company Gas						
<i>Other intangible assets subject to amortization:</i>						
Gas marketing services						
Customer relationships	\$ 156	\$ (119)	\$ 37	\$ 156	\$ (104)	\$ 52
Trade names	26	(12)	14	26	(10)	16
Wholesale gas services						
Storage and transportation contracts	64	(64)	—	64	(62)	2
Total other intangible assets subject to amortization	\$ 246	\$ (195)	\$ 51	\$ 246	\$ (176)	\$ 70

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Amortization associated with other intangible assets in 2020, 2019, and 2018 was as follows:

	2020	2019	2018
	<i>(in millions)</i>		
Southern Company ^(a)	\$ 49	\$ 61	\$ 89
Southern Power ^(b)	20	19	25
Southern Company Gas:			
Gas marketing services	\$ 17	\$ 23	\$ 32
Wholesale gas services ^(b)	2	8	20
Southern Company Gas total	\$ 19	\$ 31	\$ 52

(a) Includes \$22 million, \$27 million, and \$45 million in 2020, 2019, and 2018, respectively, recorded as a reduction to operating revenues.

(b) Recorded as a reduction to operating revenues.

At December 31, 2020, the estimated amortization associated with other intangible assets for the next five years is as follows:

	2021	2022	2023	2024	2025
	<i>(in millions)</i>				
Southern Company	\$ 43	\$ 39	\$ 37	\$ 35	\$ 32
Southern Power	20	20	20	20	20
Southern Company Gas	14	11	9	7	6

Intangible liabilities of \$91 million recorded under acquisition accounting for transportation contracts at Southern Company Gas were fully amortized as of December 31, 2019.

Acquisition Accounting

At the time of an acquisition, management will assess whether acquired assets and activities meet the definition of a business. For acquisitions that meet the definition of a business, operating results from the date of acquisition are included in the acquiring entity's financial statements. The purchase price, including any contingent consideration, is allocated based on the fair value of the identifiable assets acquired and liabilities assumed (including any intangible assets). Assets acquired that do not meet the definition of a business are accounted for as an asset acquisition. The purchase price of each asset acquisition is allocated based on the relative fair value of assets acquired.

Determining the fair value of assets acquired and liabilities assumed requires management judgment and management may engage independent valuation experts to assist in this process. Fair values are determined by using market participant assumptions and typically include the timing and amounts of future cash flows, incurred construction costs, the nature of acquired contracts, discount rates, power market prices, and expected asset lives. Any due diligence or transition costs incurred for potential or successful acquisitions are expensed as incurred.

Historically, contingent consideration primarily relates to fixed amounts due to the seller once an acquired construction project is placed in service. For contingent consideration with variable payments, management fair values the arrangement with any changes recorded in the statements of income. See Note 13 for additional fair value information.

Development Costs

For Southern Power, development costs are capitalized once a project is probable of completion, primarily based on a review of its economics and operational feasibility, as well as the status of power off-take agreements and regulatory approvals, if applicable. Southern Power's capitalized development costs are included in CWIP on the balance sheets. All of Southern Power's development costs incurred prior to the determination that a project is probable of completion are expensed as incurred and included in other operations and maintenance expense in the statements of income. If it is determined that a project is no longer probable of completion, any of Southern Power's capitalized development costs are expensed and included in other operations and maintenance expense in the statements of income.

Long-Term Service Agreements

The traditional electric operating companies and Southern Power have entered into LTSAs for the purpose of securing maintenance support for certain of their generating facilities. The LTSAs cover all planned inspections on the covered equipment,

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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which generally includes the cost of all labor and materials. The LTSAs also obligate the counterparties to cover the costs of unplanned maintenance on the covered equipment subject to limits and scope specified in each contract.

Payments made under the LTSAs for the performance of any planned inspections or unplanned capital maintenance are recorded in the statements of cash flows as investing activities. Receipts of major parts into materials and supplies inventory prior to planned inspections are treated as noncash transactions in the statements of cash flows. Any payments made prior to the work being performed are recorded as prepayments in other current assets and noncurrent assets on the balance sheets. At the time work is performed, an appropriate amount is accrued for future payments or transferred from the prepayment and recorded as property, plant, and equipment or expensed.

Transmission Receivables/Prepayments

As a result of Southern Power's acquisition and construction of generating facilities, Southern Power has transmission receivables and/or prepayments representing the portion of interconnection network and transmission upgrades that will be reimbursed to Southern Power. Upon completion of the related project, transmission costs are generally reimbursed by the interconnection provider within a five-year period and the receivable/prepayments are reduced as payments or services are received.

Cash and Cash Equivalents

For purposes of the financial statements, temporary cash investments are considered cash equivalents. Temporary cash investments are securities with original maturities of 90 days or less.

Restricted Cash

At December 31, 2020 and 2019, Southern Company Gas had \$2 million and \$3 million, respectively, of restricted cash held as collateral for workers' compensation, life insurance, and long-term disability insurance, which is included in cash, cash equivalents, and restricted cash on the statements of cash flows.

Storm Damage Reserves

Each traditional electric operating company maintains a reserve to cover or is allowed to defer and recover the cost of damages from major storms to its transmission and distribution lines and, for Mississippi Power, the cost of uninsured damages to its generation facilities and other property. Alabama Power also has authority from the Alabama PSC to accrue certain additional amounts as circumstances warrant. Alabama Power recorded additional accruals of \$100 million and \$84 million in 2020 and 2019, respectively. In accordance with their respective state PSC orders, the traditional electric operating companies accrued the following amounts related to storm damage recovery in 2020, 2019, and 2018:

	Southern Company ^{(a)(b)}	Alabama Power ^(b)	Georgia Power	Mississippi Power	
			<i>(in millions)</i>		
2020	\$ 326	\$ 112	\$ 213		1
2019	170	139	30		1
2018	74	16	30		1

(a) Includes accruals at Gulf Power of \$26.9 million in 2018. See Note 15 under "Southern Company" for information regarding the sale of Gulf Power.

(b) Includes \$39 million applied in 2019 to Alabama Power's NDR from its remaining excess deferred income tax regulatory liability balance in accordance with an Alabama PSC order.

See Note 2 under "Alabama Power – Rate NDR," "Georgia Power – Storm Damage Recovery," and "Mississippi Power – System Restoration Rider" for additional information regarding each company's storm damage reserve.

Leveraged Leases

At December 31, 2020 and 2019, a subsidiary of Southern Holdings had four leveraged lease agreements, with original terms ranging up to 45 years, which relate to energy generation, distribution, and transportation assets, including two international projects. Southern Company receives federal income tax deductions for depreciation and amortization, as well as interest on long-term debt related to these investments. Southern Company reviews all important lease assumptions at least annually, or more frequently if events or changes in circumstances indicate that a change in assumptions has occurred or may occur. These assumptions include the effective tax rate, the residual value, the credit quality of the lessees, and the timing of expected tax cash flows. See Notes 3 and 15 under "Other Matters – Southern Company" and "Southern Company," respectively, for additional information on the leveraged lease investments, including impairment charges and completed and planned sales.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Southern Company's net investment in leveraged leases consists of the following at December 31:

	2020 ^(*)		2019	
	<i>(in millions)</i>			
Net rentals receivable	\$	734	\$	1,410
Unearned income		(178)		(622)
Investment in leveraged leases		556		788
Deferred taxes from leveraged leases		(7)		(238)
Net investment in leveraged leases	\$	549	\$	550

(*) Excludes the investment classified as held for sale at December 31, 2020. See Note 15 under "Assets Held for Sale" for additional information.

The following table provides a summary of the components of income related to leveraged lease investments. Income was impacted in 2020 and 2019 by the impairment charges discussed in Note 3 under "Other Matters – Southern Company."

	2020		2019		2018	
	<i>(in millions)</i>					
Pretax leveraged lease income (loss)	\$	(180)	\$	11	\$	25
Income tax benefit (expense)		98		—		(6)
Net leveraged lease income (loss)	\$	(82)	\$	11	\$	19

Materials and Supplies

Materials and supplies for the traditional electric operating companies generally includes the average cost of transmission, distribution, and generating plant materials. Materials and supplies for Southern Company Gas generally includes propane gas inventory, fleet fuel, and other materials and supplies. Materials and supplies for Southern Power generally includes the average cost of generating plant materials.

Materials are recorded to inventory when purchased and then expensed or capitalized to property, plant, and equipment, as appropriate, at weighted average cost when installed. In addition, certain major parts are recorded as inventory when acquired and then capitalized at cost when installed to property, plant, and equipment.

Fuel Inventory

Fuel inventory for the traditional electric operating companies includes the average cost of coal, natural gas, oil, transportation, and emissions allowances. Fuel inventory for Southern Power, which is included in other current assets, includes the average cost of oil, natural gas, and emissions allowances. Fuel is recorded to inventory when purchased and then expensed, at weighted average cost, as used. Emissions allowances granted by the EPA are included in inventory at zero cost. The traditional electric operating companies recover fuel expense through fuel cost recovery rates approved by each state PSC or, for wholesale rates, the FERC.

Natural Gas for Sale

With the exception of Nicor Gas, the natural gas distribution utilities record natural gas inventories on a WACOG basis. In Georgia's deregulated, competitive environment, Marketers sell natural gas to firm end-use customers at market-based prices. On a monthly basis, Atlanta Gas Light assigns to Marketers the majority of the pipeline storage services that it has under contract, along with a corresponding amount of inventory. Atlanta Gas Light retains and manages a portion of its pipeline storage assets and related natural gas inventories for system balancing and to serve system demand.

Nicor Gas' natural gas inventory is carried at cost on a LIFO basis. Inventory decrements occurring during the year that are restored prior to year end are charged to cost of natural gas at the estimated annual replacement cost. Inventory decrements that are not restored prior to year end are charged to cost of natural gas at the actual LIFO cost of the inventory layers liquidated. The cost of natural gas, including inventory costs, is recovered from customers under a purchased gas recovery mechanism adjusted for differences between actual costs and amounts billed; therefore, LIFO liquidations have no impact on Southern Company's or Southern Company Gas' net income. At December 31, 2020, the Nicor Gas LIFO inventory balance was \$178 million. Based on the average cost of gas purchased in December 2020, the estimated replacement cost of Nicor Gas' inventory at December 31, 2020 was \$259 million.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Southern Company Gas' gas marketing services, wholesale gas services, and all other segments record inventory at LOCOM, with cost determined on a WACOG basis. For these segments, Southern Company Gas evaluates the weighted average cost of its natural gas inventories against market prices to determine whether any declines in market prices below the WACOG are other than temporary. For any declines considered to be other than temporary, Southern Company Gas records LOCOM adjustments to cost of natural gas to reduce the value of its natural gas inventories to market value. LOCOM adjustments for wholesale gas services were \$1 million, \$21 million, and \$10 million during 2020, 2019, and 2018, respectively.

Energy Marketing Receivables and Payables

Southern Company Gas' wholesale gas services provides services to retail gas marketers, wholesale gas marketers, utility companies, and industrial customers. These counterparties utilize netting agreements that enable wholesale gas services to net receivables and payables by counterparty upon settlement. Southern Company Gas' wholesale gas services also nets across product lines and against cash collateral, provided the netting and cash collateral agreements include such provisions. While the amounts due from, or owed to, wholesale gas services' counterparties are settled net, they are recorded on a gross basis in the balance sheets as energy marketing receivables and energy marketing payables.

Southern Company Gas' wholesale gas services has trade and credit contracts that contain minimum credit rating requirements. These credit rating requirements typically give counterparties the right to suspend or terminate credit if Southern Company Gas' credit ratings are downgraded to non-investment grade status. Under such circumstances, Southern Company Gas' wholesale gas services would need to post collateral to continue transacting business with some of its counterparties. As of December 31, 2020 and 2019, the required collateral in the event of a credit rating downgrade was \$5 million and \$11 million, respectively.

Southern Company Gas' wholesale gas services uses established credit policies to determine and monitor the creditworthiness of counterparties, including requirements to post collateral or other credit security, as well as the quality of pledged collateral. Collateral or credit security is most often in the form of cash or letters of credit from an investment-grade financial institution, but may also include cash or U.S. government securities held by a trustee. When more than one derivative transaction with the same counterparty is outstanding and a legally enforceable netting agreement exists with that counterparty, the "net" mark-to-market exposure represents a reasonable measure of Southern Company Gas' credit risk with that counterparty. Southern Company Gas' wholesale gas services also uses other netting agreements with certain counterparties with whom it conducts significant transactions.

See "Concentration of Credit Risk" herein for additional information.

Provision for Uncollectible Accounts

The customers of the traditional electric operating companies and the natural gas distribution utilities are billed monthly. For the majority of receivables, a provision for uncollectible accounts is established based on historical collection experience and other factors. For the remaining receivables, if the company is aware of a specific customer's inability to pay, a provision for uncollectible accounts is recorded to reduce the receivable balance to the amount reasonably expected to be collected. If circumstances change, the estimate of the recoverability of accounts receivable could change as well. Circumstances that could affect this estimate include, but are not limited to, customer credit issues, customer deposits, and general economic conditions. Customers' accounts are written off once they are deemed to be uncollectible. For all periods presented, uncollectible accounts averaged less than 1% of revenues for each Registrant.

Credit risk exposure at Nicor Gas is mitigated by a bad debt rider approved by the Illinois Commission. The bad debt rider provides for the recovery from (or refund to) customers of the difference between Nicor Gas' actual bad debt experience on an annual basis and the benchmark bad debt expense used to establish its base rates for the respective year.

See Note 2 for information regarding recovery of incremental bad debt expense related to the COVID-19 pandemic at certain of the traditional electric operating companies and the natural gas distribution utilities.

Financial Instruments

The traditional electric operating companies and Southern Power use derivative financial instruments to limit exposure to fluctuations in interest rates, the prices of certain fuel purchases, electricity purchases and sales, and occasionally foreign currency exchange rates. Southern Company Gas uses derivative financial instruments to limit exposure to fluctuations in natural gas prices, weather, interest rates, and commodity prices. All derivative financial instruments are recognized as either assets or liabilities on the balance sheets (included in "Other" or shown separately as "Risk Management Activities") and are measured at fair value. See Note 13 for additional information regarding fair value. Substantially all of the traditional electric operating companies' and Southern Power's bulk energy purchases and sales contracts that meet the definition of a derivative are excluded from fair value accounting requirements because they qualify for the "normal" scope exception, and are accounted for under the

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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accrual method. Derivative contracts that qualify as cash flow hedges of anticipated transactions or are recoverable through the traditional electric operating companies' and the natural gas distribution utilities' fuel-hedging programs result in the deferral of related gains and losses in AOCI or regulatory assets and liabilities, respectively, until the hedged transactions occur. Other derivative contracts that qualify as fair value hedges are marked to market through current period income and are recorded on a net basis in the statements of income. Cash flows from derivatives are classified on the statements of cash flows in the same category as the hedged item. See Note 14 for additional information regarding derivatives.

The Registrants offset fair value amounts recognized for multiple derivative instruments executed with the same counterparty under netting arrangements. The Registrants had no outstanding collateral repayment obligations or rights to reclaim collateral arising from derivative instruments recognized at December 31, 2020.

The Registrants are exposed to potential losses related to financial instruments in the event of counterparties' nonperformance. The Registrants have established risk management policies and controls to determine and monitor the creditworthiness of counterparties in order to mitigate their exposure to counterparty credit risk.

Southern Company Gas

Southern Company Gas enters into weather derivative contracts as economic hedges of natural gas revenues in the event of warmer-than-normal weather in the Heating Season. Exchange-traded options are carried at fair value, with changes reflected in natural gas revenues. Non-exchange-traded options are accounted for using the intrinsic value method. Changes in the intrinsic value for non-exchange-traded contracts are also reflected in natural gas revenues in the statements of income.

Wholesale gas services purchases natural gas for storage when the current market price paid to buy and transport natural gas plus the cost to store and finance the natural gas is less than the market price that can be received in the future, resulting in positive net natural gas revenues. NYMEX futures and OTC contracts are used to sell natural gas at that future price to substantially protect the natural gas revenues that will ultimately be realized when the stored natural gas is sold. Southern Company Gas enters into transactions to secure transportation capacity between delivery points in order to serve its customers and various markets. NYMEX futures and OTC contracts are used to capture the price differential or spread between the locations served by the capacity in order to substantially protect the natural gas revenues that will ultimately be realized when the physical flow of natural gas between delivery points occurs. These contracts generally meet the definition of derivatives and are carried at fair value on the balance sheets, with changes in fair value recorded in natural gas revenues on the statements of income in the period of change. These contracts are not designated as hedges for accounting purposes.

The purchase, transportation, storage, and sale of natural gas are accounted for on a weighted average cost or accrual basis, as appropriate, rather than on the fair value basis utilized for the derivatives used to mitigate the natural gas price risk associated with the storage and transportation portfolio. Monthly demand charges are incurred for the contracted storage and transportation capacity and payments associated with asset management agreements, and these demand charges and payments are recognized on the statements of income in the period they are incurred. This difference in accounting methods can result in volatility in reported earnings, even though the economic margin is substantially unchanged from the dates the transactions were consummated.

Comprehensive Income

The objective of comprehensive income is to report a measure of all changes in common stock equity of an enterprise that result from transactions and other economic events of the period other than transactions with owners. Comprehensive income consists of net income attributable to the Registrant, changes in the fair value of qualifying cash flow hedges, and reclassifications for amounts included in net income. Comprehensive income also consists of certain changes in pension and other postretirement benefit plans for Southern Company, Southern Power, and Southern Company Gas.

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AOCI (loss) balances, net of tax effects, for Southern Company, Southern Power, and Southern Company Gas were as follows:

	Qualifying Hedges	Pension and Other Postretirement Benefit Plans	Accumulated Other Comprehensive Income (Loss)
	<i>(in millions)</i>		
Southern Company			
Balance at December 31, 2019	\$ (179)	\$ (142)	\$ (321)
Current period change	(30)	(45)	(75)
Balance at December 31, 2020^(*)	\$ (209)	\$ (187)	\$ (395)
Southern Power			
Balance at December 31, 2019	\$ 11	\$ (37)	\$ (26)
Current period change	(32)	(10)	(42)
Balance at December 31, 2020^(*)	\$ (21)	\$ (47)	\$ (67)
Southern Company Gas			
Balance at December 31, 2019	\$ (6)	\$ 13	\$ 7
Current period change	(14)	(15)	(29)
Balance at December 31, 2020	\$ (20)	\$ (2)	\$ (22)

(*) May not add due to rounding.

Variable Interest Entities

The Registrants may hold ownership interests in a number of business ventures with varying ownership structures. Partnership interests and other variable interests are evaluated to determine if each entity is a VIE. The primary beneficiary of a VIE is required to consolidate the VIE when it has both the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. See Note 7 for additional information regarding VIEs.

Alabama Power has established a wholly-owned trust to issue preferred securities. See Note 8 under "Long-term Debt" for additional information. However, Alabama Power is not considered the primary beneficiary of the trust. Therefore, the investment in the trust is reflected as other investments, and the related loan from the trust is reflected as long-term debt in Alabama Power's balance sheets.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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2. REGULATORY MATTERS
Regulatory Assets and Liabilities

Details of regulatory assets and (liabilities) reflected in the balance sheets at December 31, 2020 and 2019 are provided in the following tables:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
	<i>(in millions)</i>				
At December 31, 2020					
AROs ^{(a)(s)}	\$ 5,147	\$ 1,470	\$ 3,457	\$ 212	\$ —
Retiree benefit plans ^{(b)(s)}	4,958	1,265	1,647	238	187
Remaining net book value of retired assets ^(c)	1,183	632	527	24	—
Deferred income tax charges ^(d)	801	235	531	32	—
Environmental remediation ^{(e)(s)}	310	—	41	—	269
Loss on reacquired debt ^(f)	304	47	248	6	3
Storm damage ^(g)	262	—	262	—	—
Vacation pay ^{(h)(s)}	207	80	104	10	13
Under recovered regulatory clause revenues ⁽ⁱ⁾	185	58	—	52	75
Regulatory clauses ⁽ⁱ⁾	142	142	—	—	—
Nuclear outage ^(k)	101	61	40	—	—
Long-term debt fair value adjustment ^(l)	92	—	—	—	92
Kemper County energy facility assets, net ^(m)	50	—	—	50	—
Plant Daniel Units 3 and 4 ⁽ⁿ⁾	32	—	—	32	—
Other regulatory assets ^(o)	205	52	68	4	81
Deferred income tax credits ^(d)	(6,016)	(2,016)	(2,805)	(320)	(847)
Other cost of removal obligations ^(a)	(1,999)	(335)	212	(194)	(1,649)
Over recovered regulatory clause revenues ⁽ⁱ⁾	(185)	(46)	(44)	—	(95)
Storm/property damage reserves ^(p)	(81)	(77)	—	(4)	—
Customer refunds ^(q)	(56)	(50)	(6)	—	—
Other regulatory liabilities ^(r)	(149)	(37)	(30)	(6)	(54)
Total regulatory assets (liabilities), net	\$ 5,493	\$ 1,481	\$ 4,252	\$ 136	\$ (1,925)

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
At December 31, 2019					
Retiree benefit plans ^{(b)(s)}	\$ 4,423	\$ 1,131	\$ 1,516	\$ 213	\$ 167
AROs ^{(a)(s)}	4,381	1,043	3,119	210	—
Remaining net book value of retired assets ^(c)	1,275	649	596	30	—
Deferred income tax charges ^(d)	803	245	523	33	—
Storm damage ^(e)	410	—	410	—	—
Environmental remediation ^{(e)(s)}	349	—	52	—	296
Loss on reacquired debt ^(f)	323	52	262	6	4
Vacation pay ^{(h)(s)}	186	72	93	9	11
Under recovered regulatory clause revenues ⁽ⁱ⁾	159	40	—	47	72
Regulatory clauses ⁽ⁱ⁾	142	142	—	—	—
Long-term debt fair value adjustment ^(l)	107	—	—	—	107
Nuclear outage ^(k)	105	78	27	—	—
Fuel-hedging (realized and unrealized) losses ^(l)	102	22	53	27	—
Kemper County energy facility assets, net ^(m)	61	—	—	61	—
Plant Daniel Units 3 and 4 ⁽ⁿ⁾	34	—	—	34	—
Other regulatory assets ^(o)	127	45	23	6	53
Deferred income tax credits ^(d)	(6,301)	(1,960)	(3,078)	(358)	(874)
Other cost of removal obligations ^(a)	(2,084)	(412)	156	(189)	(1,606)
Customer refunds ^(q)	(285)	(56)	(229)	—	—
Over recovered regulatory clause revenues ⁽ⁱ⁾	(205)	(112)	(10)	—	(82)
Storm/property damage reserves ^(p)	(204)	(150)	—	(55)	—
Other regulatory liabilities ^(r)	(70)	(19)	(6)	(10)	(22)
Total regulatory assets (liabilities), net	\$ 3,838	\$ 810	\$ 3,507	\$ 64	\$ (1,874)

Unless otherwise noted, the following recovery and amortization periods for these regulatory assets and (liabilities) have been approved by the respective state PSC or regulatory agency:

(a) AROs and other cost of removal obligations generally are recorded over the related property lives, which may range up to 53 years for Alabama Power, 60 years for Georgia Power, 55 years for Mississippi Power, and 80 years for Southern Company Gas. AROs and cost of removal obligations will be settled and trued up following completion of the related activities. Effective January 1, 2020, Georgia Power is recovering CCR AROs, including past under recovered costs and estimated annual compliance costs, over three-year periods ending December 31, 2022, 2023, and 2024 through its Environmental Compliance Cost Recovery (ECCR) tariff, as discussed further under "Georgia Power – Rate Plans" herein. See Note 6 for additional information on AROs.

(b) Recovered and amortized over the average remaining service period, which may range up to 13 years for Alabama Power, 13 years for Georgia Power, 14 years for Mississippi Power, and 13 years for Southern Company Gas. Southern Company's balances also include amounts at SCS and Southern Nuclear that are allocated to the applicable regulated utilities. See Note 11 for additional information.

(c) Alabama Power: Primarily represents the net book value of Plant Gorgas Units 8, 9, and 10 (\$585 million at December 31, 2020). Being amortized over remaining periods not exceeding 17 years (through 2037).

Georgia Power: Net book values of Plant Hammond Units 1 through 4 and Plant Branch Units 2 through 4 (totaling \$503 million at December 31, 2020) are being amortized over remaining periods of between two and 15 years (between 2022 and 2035) and the net book values of Plant McIntosh Unit 1 and Plant Mitchell Unit 3 (totaling \$24 million at December 31, 2020) are being amortized through 2022.

Mississippi Power: Represents net book value associated with Plant Watson and Plant Greene County. The retail and wholesale portions totaling approximately \$11 million and \$13 million at December 31, 2020, respectively, are being amortized over a four-year period through 2024 and a 10-year period through 2030, respectively. See "Mississippi Power – Environmental Compliance Overview Plan" herein for additional information.

(d) Deferred income tax charges are recovered and deferred income tax credits are amortized over the related property lives, which may range up to 53 years for Alabama Power, 60 years for Georgia Power, 55 years for Mississippi Power, and 80 years for Southern Company Gas. See Note 10 for additional information. Included in the deferred income tax charges are amounts (\$8 million, \$9 million, and \$1 million for Alabama Power, Georgia Power, and Mississippi Power, respectively, at December 31, 2020) for the retiree Medicare drug subsidy, which are being recovered and amortized through 2027, 2022, and 2024 for Alabama Power, Georgia Power, and Mississippi Power, respectively. As a result of the Tax Reform Legislation, these accounts include certain deferred income tax assets and liabilities not subject to normalization, as described further below:

Alabama Power: Related amounts are being recovered and amortized ratably over the related property lives.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Georgia Power: Related amounts at December 31, 2020 include \$145 million of deferred income tax assets related to CWIP for Plant Vogtle Units 3 and 4 and approximately \$440 million of deferred income tax liabilities. The recovery of deferred income tax assets related to CWIP for Plant Vogtle Units 3 and 4 is expected to be determined in a future regulatory proceeding. Effective January 1, 2020, the deferred income tax liabilities are being amortized through 2022.

Mississippi Power: Related amounts at December 31, 2020 include \$74 million of deferred income tax liabilities, consisting of the retail portion of \$66 million being amortized over three years (through 2023) and the wholesale portion of \$9 million being amortized over two years (through 2021). See "Mississippi Power – 2019 Base Rate Case" and " – Municipal and Rural Associations Tariff" herein for additional information.

Southern Company Gas: Related amounts at December 31, 2020 include \$8 million of deferred income tax liabilities, which are being amortized through 2024. See "Southern Company Gas – Rate Proceedings" herein for additional information.

- (e) Georgia Power is recovering \$12 million annually for environmental remediation. Southern Company Gas' costs are recovered through environmental cost recovery mechanisms when the remediation work is performed. See Note 3 under "Environmental Remediation" for additional information.
- (f) Recovered over either the remaining life of the original issue or, if refinanced, over the remaining life of the new issue. At December 31, 2020, the remaining amortization periods do not exceed 28 years for Alabama Power, 32 years for Georgia Power, eight years for Mississippi Power, and seven years for Southern Company Gas.
- (g) Georgia Power is recovering approximately \$213 million annually for storm damage. See "Georgia Power – Storm Damage Recovery" herein and Note 1 under "Storm Damage Reserves" for additional information.
- (h) Recorded as earned by employees and recovered as paid, generally within one year. Includes both vacation and banked holiday pay, if applicable.
- (i) **Alabama Power:** Balances are recorded monthly and expected to be recovered or returned within nine years. Recovery periods could change based on several factors including changes in cost estimates, load forecasts, and timing of rate adjustments. See "Alabama Power – Rate CNP PPA," " – Rate CNP Compliance," and " – Rate ECR" herein for additional information.
Georgia Power: Balances are recorded monthly and expected to be recovered or returned within two years. See "Georgia Power – Rate Plans" herein for additional information.
Mississippi Power: At December 31, 2020, \$37 million is being amortized over a four-year period through March 2024 and the remaining \$15 million is expected to be recovered through various rate recovery mechanisms over a period to be determined in future rate filings. See "Mississippi Power – Ad Valorem Tax Adjustment" herein for additional information.
Southern Company Gas: Balances are recorded and recovered or amortized over periods generally not exceeding five years. In addition to natural gas cost recovery mechanisms, the natural gas distribution utilities have various other cost recovery mechanisms for the recovery of costs, including those related to infrastructure replacement programs.
- (j) Will be amortized concurrently with the effective date of Alabama Power's next depreciation study, which is expected to occur no later than 2023.
- (k) Nuclear outage costs are deferred to a regulatory asset when incurred and amortized over a subsequent period of 18 months for Alabama Power and up to 24 months for Georgia Power. See Note 5 for additional information.
- (l) Recovered over the remaining lives of the original debt issuances at acquisition, which range up to 18 years at December 31, 2020.
- (m) Includes \$62 million of regulatory assets and \$12 million of regulatory liabilities at December 31, 2020. The retail portion includes \$50 million of regulatory assets and \$12 million of regulatory liabilities that are expected to be fully amortized by 2024 and 2023, respectively. The wholesale portion includes \$12 million of regulatory assets that are expected to be fully amortized by 2029. See Note 3 under "Mississippi Power – Other Matters – Kemper County Energy Facility" for additional information.
- (n) Represents the difference between Mississippi Power's revenue requirement for Plant Daniel Units 3 and 4 under purchase accounting and operating lease accounting, which is expected to be amortized over a period to be determined in future retail and wholesale rate filings.
- (o) Except as otherwise noted, comprised of numerous immaterial components with remaining amortization periods generally not exceeding 23 years for Alabama Power, three years for Georgia Power, four years for Mississippi Power, and 20 years for Southern Company Gas at December 31, 2020. Balances at December 31, 2020 include deferred COVID-19 costs (except for Alabama Power), as discussed further under "Deferral of Incremental COVID-19 Costs" for each applicable Registrant herein. Balances for Georgia Power also include certain operations and maintenance costs associated with software and cloud computing projects for which the recovery period will be determined in its next base rate case.
- (p) Amortized as related expenses are incurred. See "Alabama Power – Rate NDR" and "Mississippi Power – System Restoration Rider" herein for additional information.
- (q) Primarily includes approximately \$50 million and \$53 million at December 31, 2020 and 2019, respectively, for Alabama Power and \$110 million at December 31, 2019 for Georgia Power as a result of each company exceeding its allowed retail return range. Georgia Power's December 31, 2019 balance also includes approximately \$105 million pursuant to the Georgia Power Tax Reform Settlement Agreement. Georgia Power's balances also include immaterial amounts related to refunds for transmission service customers. See "Alabama Power" and "Georgia Power – Rate Plans" herein for additional information.
- (r) Comprised of numerous immaterial components with remaining amortization periods generally not exceeding 17 years for Alabama Power, 12 years for Georgia Power, three years for Mississippi Power, and 20 years for Southern Company Gas at December 31, 2020.
- (s) Generally not earning a return as they are excluded from rate base or are offset in rate base by a corresponding asset or liability.
- (t) Fuel-hedging assets and liabilities are recorded over the life of the underlying hedged purchase contracts. Upon final settlement, actual costs incurred are recovered through the applicable traditional electric operating company's fuel cost recovery mechanism. Purchase contracts generally do not exceed three and a half years for Alabama Power, three years for Georgia Power, and five years for Mississippi Power. Immaterial amounts at December 31, 2020 are included in other regulatory assets and liabilities.

Alabama Power

Alabama Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Alabama PSC. Alabama Power currently recovers its costs from the regulated retail business primarily through Rate RSE, Rate CNP, Rate ECR, and Rate NDR. In addition, the Alabama PSC issues accounting orders to address current events impacting Alabama Power.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report***Petition for Certificate of Convenience and Necessity***

On August 14, 2020, the Alabama PSC issued its order regarding Alabama Power's September 2019 petition for a CCN, which authorized Alabama Power to (i) construct an approximately 720-MW combined cycle facility at Alabama Power's Plant Barry (Plant Barry Unit 8) that is expected to be placed in service by the end of 2023, (ii) complete the acquisition of the Central Alabama Generating Station, which occurred on August 31, 2020, (iii) purchase approximately 240 MWs of combined cycle generation under a long-term PPA, which began on September 1, 2020, and (iv) pursue up to approximately 200 MWs of cost-effective demand-side management and distributed energy resource programs. Alabama Power's petition for a CCN was predicated on the results of Alabama Power's 2019 IRP provided to the Alabama PSC, which identified an approximately 2,400-MW resource need for Alabama Power, driven by the need for additional winter reserve capacity. See Note 15 under "Alabama Power" for additional information on the acquisition of the Central Alabama Generating Station.

The Alabama PSC authorized the recovery of actual costs for the construction of Plant Barry Unit 8 up to 5% above the estimated in-service cost of \$652 million. In so doing, it recognized the potential for developments that could cause the project costs to exceed the capped amount, in which case Alabama Power would provide documentation to the Alabama PSC to explain and justify potential recovery of the additional costs. At December 31, 2020, project expenditures associated with Plant Barry Unit 8 included in CWIP totaled approximately \$66 million.

The Alabama PSC further directed that the proposed solar generation of approximately 400 MWs, coupled with battery energy storage systems (solar/battery systems), be evaluated under an existing Renewable Generation Certificate (RGC) issued by the Alabama PSC in September 2015. The contracts proposed in the CCN petition expired on July 31, 2020. Any future requests for solar/battery systems will be evaluated under the RGC process.

Energy Alabama, Gasp, Inc., and the Sierra Club filed requests for reconsideration and rehearing with the Alabama PSC, and, on December 10, 2020, the Alabama PSC issued an order denying the requests. On January 7, 2021, Energy Alabama and Gasp, Inc. filed judicial appeals regarding both the Alabama PSC's August 14, 2020 CCN order and the December 10, 2020 order denying reconsideration and rehearing.

Alabama Power expects to recover costs associated with Plant Barry Unit 8 pursuant to its Rate CNP New Plant. Alabama Power is recovering all costs associated with the Central Alabama Generating Station through the inclusion in Rate RSE of revenues from the existing power sales agreement and, on expiration of that agreement, expects to recover costs pursuant to Rate CNP New Plant. The recovery of costs associated with laws, regulations, and other such mandates directed at the utility industry are expected to be recovered through Rate CNP Compliance. Alabama Power expects to recover the capacity-related costs associated with the PPAs through its Rate CNP PPA. In addition, fuel and energy-related costs are expected to be recovered through Rate ECR. Any remaining costs associated with Plant Barry Unit 8 and the acquisition of the Central Alabama Generating Station are expected to be recovered through Rate RSE.

The ultimate outcome of these matters cannot be determined at this time.

Rate RSE

The Alabama PSC has adopted Rate RSE that provides for periodic annual adjustments based upon Alabama Power's projected weighted common equity return (WCER) compared to an allowable range. Rate RSE adjustments are based on forward-looking information for the applicable upcoming calendar year. Rate RSE adjustments for any two-year period, when averaged together, cannot exceed 4.0% and any annual adjustment is limited to 5.0%. When the projected WCER is under the allowed range, there is an adjusting point of 5.98% and eligibility for a performance-based adder of seven basis points, or 0.07%, to the WCER adjusting point if Alabama Power (i) has an "A" credit rating equivalent with at least one of the recognized rating agencies or (ii) is in the top one-third of a designated customer value benchmark survey. As initially designed, if Alabama Power's actual retail return was above the allowed WCER range, the excess would be refunded to customers unless otherwise directed by the Alabama PSC; however, there was no provision for additional customer billings should the actual retail return fall below the WCER range.

In 2018, the Alabama PSC approved modifications to Rate RSE and other commitments designed to position Alabama Power to address the growing pressure on its credit quality resulting from the Tax Reform Legislation, without increasing retail rates under Rate RSE in the near term. Alabama Power continues to reduce growth in total debt by increasing equity, with corresponding reductions in debt issuances, thereby de-leveraging its capital structure. Alabama Power's goal is to achieve an equity ratio of approximately 55% by the end of 2025. At December 31, 2020 and 2019, Alabama Power's equity ratio was approximately 51.6% and 50.3%, respectively.

The approved modifications to Rate RSE began for billings in January 2019. The modifications include reducing the top of the allowed WCER range from 6.21% to 6.15% and modifications to the refund mechanism applicable to prior year actual results that

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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allow Alabama Power to retain a portion of the revenue that causes the actual WCER for a given year to exceed the allowed range.

Generally, during a year without a Rate RSE upward adjustment, if Alabama Power's actual WCER is between 6.15% and 7.65%, customers will receive 25% of the amount between 6.15% and 6.65%, 40% of the amount between 6.65% and 7.15%, and 75% of the amount between 7.15% and 7.65%. Customers will receive all amounts in excess of an actual WCER of 7.65%. During a year with a Rate RSE upward adjustment, if Alabama Power's actual WCER exceeds 6.15%, customers receive 50% of the amount between 6.15% and 6.90% and all amounts in excess of an actual WCER of 6.90%. There is no provision for additional customer billings should the actual retail return fall below the WCER range.

In conjunction with these modifications to Rate RSE, in 2018, Alabama Power consented to a moratorium on any upward adjustments under Rate RSE for 2019 and 2020 and to return \$50 million to customers through bill credits in 2019. Retail rates under Rate RSE remained unchanged for 2019 and 2020.

Together with Rate RSE, Alabama Power has an established retail tariff that provides for an adjustment to customer billings to recognize the impact of a change in the statutory income tax rate. In accordance with this tariff, Alabama Power returned \$267 million to retail customers through bill credits during 2018 as a result of the change in the federal income tax rate under the Tax Reform Legislation.

At December 31, 2018, Alabama Power's retail return exceeded the allowed WCER range, which resulted in Alabama Power establishing a regulatory liability of \$109 million for Rate RSE refunds. In accordance with an Alabama PSC order issued in February 2019, Alabama Power applied \$78 million to reduce the Rate ECR under recovered balance and the remaining \$31 million was refunded to customers through bill credits starting in July 2019. At December 31, 2019 and 2020, Alabama Power's WCER exceeded 6.15%, resulting in Alabama Power establishing a current regulatory liability of \$53 million and \$50 million, respectively, for Rate RSE refunds. In April 2020, the regulatory liability at December 31, 2019 was refunded to customers through bill credits. The \$50 million regulatory liability at December 31, 2020 will be refunded to customers through bill credits in April 2021.

During 2019, Alabama Power provided to the Alabama PSC and the Alabama Office of the Attorney General information related to the operation and utilization of Rate RSE, in accordance with the rules governing the operation of Rate RSE. During 2020, the Alabama PSC concluded that Rate RSE continues to fulfill its intended purposes and that no significant revisions are needed or warranted.

On December 1, 2020, Alabama Power made its required annual Rate RSE submission to the Alabama PSC of projected data for calendar year 2021, resulting in an increase of 4.09%, or approximately \$228 million annually, that became effective for the billing month of January 2021.

Rate CNP New Plant

Rate CNP New Plant allows for recovery of Alabama Power's retail costs associated with newly developed or acquired certificated generating facilities placed into retail service. No adjustments to Rate CNP New Plant occurred during the period 2018 through 2020. See "Petition for Certificate of Convenience and Necessity" herein for additional information.

Rate CNP PPA

Rate CNP PPA allows for the recovery of Alabama Power's retail costs associated with certificated PPAs. Revenues for Rate CNP PPA, as recorded on the financial statements, are adjusted for differences in actual recoverable costs and amounts billed in current regulated rates. Accordingly, changes in the billing factor will have no significant effect on Southern Company's or Alabama Power's revenues or net income but will affect annual cash flow. No adjustments to Rate CNP PPA occurred during the period 2018 through 2020 and no adjustment is expected for 2021. At December 31, 2020 and 2019, Alabama Power had an under recovered Rate CNP PPA balance of \$58 million and \$40 million, respectively, which is included in other regulatory assets, deferred on the balance sheet.

Rate CNP Compliance

Rate CNP Compliance allows for the recovery of Alabama Power's retail costs associated with laws, regulations, and other such mandates directed at the utility industry involving the environment, security, reliability, safety, sustainability, or similar considerations impacting Alabama Power's facilities or operations. Rate CNP Compliance is based on forward-looking information and provides for the recovery of these costs pursuant to factors that are calculated and submitted to the Alabama PSC by December 1 with rates effective for the following calendar year. Compliance costs to be recovered include operations and maintenance expenses, depreciation, and a return on certain invested capital. Revenues for Rate CNP Compliance, as recorded on the financial statements, are adjusted for differences in actual recoverable costs and amounts billed in current regulated rates.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Accordingly, changes in the billing factor will have no significant effect on Southern Company's or Alabama Power's revenues or net income, but will affect annual cash flow. Changes in Rate CNP Compliance-related operations and maintenance expenses and depreciation generally will have no effect on net income.

In November 2018, 2019, and 2020, Alabama Power submitted calculations associated with its cost of complying with governmental mandates for the following calendar year, as provided under Rate CNP Compliance. The 2018 filing reflected a projected under recovered retail revenue requirement of approximately \$205 million, which was recovered in the billing months of January 2019 through December 2019. The 2019 filing reflected a projected over recovered retail revenue requirement, which resulted in a rate decrease of approximately \$68 million that became effective for the billing month of January 2020. The 2020 filing reflected a projected under recovered retail revenue requirement of approximately \$59 million.

On December 1, 2020, the Alabama PSC issued a consent order that Alabama Power leave the 2020 Rate CNP Compliance factor in effect for 2021, with any prior year under collected amount deemed recovered before any current year amounts are recovered. Any remaining under recovered amount will be reflected in the 2021 filing.

At December 31, 2020, Alabama Power had an over recovered Rate CNP Compliance balance of \$28 million included in other regulatory liabilities, current on the balance sheet. At December 31, 2019, Alabama Power had an over recovered Rate CNP Compliance balance of \$62 million, of which \$55 million is included in other regulatory liabilities, current and \$7 million is included in other regulatory liabilities, deferred on the balance sheet.

Rate ECR

Rate ECR recovers Alabama Power's retail energy costs based on an estimate of future energy costs and the current over or under recovered balance. Revenues recognized under Rate ECR and recorded on the financial statements are adjusted for the difference in actual recoverable fuel costs and amounts billed in current regulated rates. The difference in the recoverable fuel costs and amounts billed gives rise to the over or under recovered amounts recorded as regulatory assets or liabilities. Alabama Power, along with the Alabama PSC, continually monitors the over or under recovered cost balance to determine whether an adjustment to billing rates is required. Changes in the Rate ECR factor have no significant effect on Southern Company's or Alabama Power's net income but will impact operating cash flows. The Alabama PSC may approve billing rates under Rate ECR of up to 5.910 cents per KWH.

In May 2018, the Alabama PSC approved an increase to Rate ECR from 2.015 cents per KWH to 2.353 cents per KWH effective July 2018 through December 2018. In December 2018, the Alabama PSC issued a consent order to leave this rate in effect through December 31, 2019.

As discussed herein under "Rate RSE," in accordance with an Alabama PSC order issued in February 2019, Alabama Power utilized \$78 million of the 2018 Rate RSE refund liability to reduce the Rate ECR under recovered balance.

In December 2019, the Alabama PSC approved a decrease to Rate ECR from 2.353 cents per KWH to 2.160 cents per KWH, equal to 1.82%, or approximately \$102 million annually, that became effective for the billing month of January 2020.

In October 2020, Alabama Power reduced its over-collected fuel balance by \$94.3 million in accordance with an August 7, 2020 Alabama PSC order authorizing Alabama Power to reduce its over-collected fuel balance by \$100 million and return that amount to customers in the form of bill credits, with any undistributed amount remaining in the regulatory liability for the benefit of customers.

On December 1, 2020, the Alabama PSC approved a decrease to Rate ECR from 2.160 cents per KWH to 1.960 cents per KWH, equal to 1.84%, or approximately \$103 million annually, that became effective for the billing month of January 2021. The rate will adjust to 5.910 cents per KWH in January 2022 absent a further order from the Alabama PSC.

At December 31, 2020, Alabama Power's over recovered fuel costs totaled \$18 million and is included in other regulatory liabilities, current on the balance sheet. At December 31, 2019, Alabama Power's over recovered fuel costs totaled \$49 million, of which \$32 million is included in other regulatory liabilities, current and \$17 million is included in other regulatory liabilities, deferred on the balance sheet. These classifications are based on estimates, which include such factors as weather, generation availability, energy demand, and the price of energy. A change in any of these factors could have a significant impact on the timing of any recovery or return of fuel costs.

Tax Reform Accounting Order

In 2018, the Alabama PSC approved an accounting order that authorized Alabama Power to defer the benefits of federal excess deferred income taxes associated with the Tax Reform Legislation for the year ended December 31, 2018 as a regulatory liability and to use up to \$30 million of such deferrals to offset under recovered amounts under Rate ECR. The final excess deferred tax liability for the year ended December 31, 2018 totaled approximately \$69 million, of which \$30 million was used to offset the

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Rate ECR under recovered balance. In December 2019, the Alabama PSC issued an order authorizing Alabama Power to apply the remaining deferred balance of approximately \$39 million to increase the balance in the NDR. See "Rate NDR" herein and Note 10 under "Current and Deferred Income Taxes" for additional information.

Software Accounting Order

In February 2019, the Alabama PSC approved an accounting order that authorizes Alabama Power to establish a regulatory asset for operations and maintenance costs associated with software implementation projects. The regulatory asset will be amortized ratably over the life of the related software. At December 31, 2020 and 2019, the regulatory asset balance totaled \$17 million and \$6 million, respectively, and is included in other deferred charges and assets on the balance sheet.

Plant Greene County

Alabama Power jointly owns Plant Greene County with an affiliate, Mississippi Power. See Note 5 under "Joint Ownership Agreements" for additional information. In December 2019, Mississippi Power updated its proposed RMP, originally filed in 2018 with the Mississippi PSC. The RMP proposed a four-year acceleration of the retirement of Plant Greene County Units 1 and 2 to the third quarter 2021 and the third quarter 2022, respectively. On December 17, 2020, the Mississippi PSC issued an order concluding the RMP docket and requiring Mississippi Power to incorporate into its 2021 IRP a schedule of early or anticipated retirement of 950 MWs of fossil-steam generation, which could include Plant Greene County, by year-end 2027 to reduce Mississippi Power's excess reserve margin. Mississippi Power's IRP is scheduled to be filed in April 2021.

Any proposed Plant Greene County unit retirements by Mississippi Power would require the completion of transmission and system reliability improvements, as well as agreement by Alabama Power. Alabama Power will continue to monitor the status of Mississippi Power's IRP and associated regulatory processes, as well as the transmission and system reliability improvements. Alabama Power will review all the facts and circumstances and will evaluate all of its alternatives prior to reaching a final determination on the ongoing operations of Plant Greene County. The ultimate outcome of this matter cannot be determined at this time.

Rate NDR

Based on an order from the Alabama PSC, Alabama Power maintains a reserve for operations and maintenance expenses to cover the cost of damages from major storms to its transmission and distribution facilities. The order approves a separate monthly Rate NDR charge to customers consisting of two components. The first component is intended to establish and maintain a reserve balance for future storms and is an on-going part of customer billing. When the reserve balance falls below \$50 million, a reserve establishment charge will be activated (and the on-going reserve maintenance charge concurrently suspended) until the reserve balance reaches \$75 million.

The second component of the Rate NDR charge is intended to allow recovery of any existing deferred storm-related operations and maintenance costs and any future reserve deficits over a 24-month period. The Alabama PSC order gives Alabama Power authority to record a deficit balance in the NDR when costs of storm damage exceed any established reserve balance. Absent further Alabama PSC approval, the maximum total Rate NDR charge consisting of both components is \$10 per month per non-residential customer account and \$5 per month per residential customer account. Alabama Power has the authority, based on an order from the Alabama PSC, to accrue certain additional amounts as circumstances warrant. The order allows for reliability-related expenditures to be charged against the additional accruals when the NDR balance exceeds \$75 million. Alabama Power may designate a portion of the NDR to reliability-related expenditures as a part of an annual budget process for the following year or during the current year for identified unbudgeted reliability-related expenditures that are incurred. Accruals that have not been designated can be used to offset storm charges. Additional accruals to the NDR enhance Alabama Power's ability to mitigate the financial effects of future natural disasters, promote system reliability, and offset costs retail customers would otherwise bear. Alabama Power made additional accruals of \$100 million and \$84 million in 2020 and 2019, respectively. There were no such accruals in 2018.

As discussed herein under "Tax Reform Accounting Order," in accordance with an Alabama PSC order issued in December 2019, Alabama Power also applied the remaining excess deferred income tax regulatory liability balance of approximately \$39 million to increase the balance in the NDR, resulting in an accumulated balance of \$150 million at December 31, 2019. Of this amount, Alabama Power designated \$37 million to be applied to budgeted reliability-related expenditures for 2020, which was included in other regulatory liabilities, current and was utilized in 2020. The remaining NDR balance of \$113 million was included in other regulatory liabilities, deferred on the balance sheet.

Alabama Power collected approximately \$16 million annually in 2018 and 2019 through the reserve establishment charge. Effective with March 2020 billings, the reserve establishment charge was suspended and the reserve maintenance charge was

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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activated as a result of the NDR balance exceeding \$75 million. Alabama Power collected approximately \$5 million in 2020 and expects to collect \$3 million annually beginning in 2021 unless the NDR balance falls below \$50 million. During 2020, Alabama Power recorded \$51 million and \$67 million against the NDR for damages incurred to its transmission and distribution facilities from Hurricane Sally and Hurricane Zeta, respectively. The remaining balance of \$77 million is included in other regulatory liabilities, deferred on the balance sheet.

As revenue from the Rate NDR charge is recognized, an equal amount of operations and maintenance expenses related to the NDR will also be recognized. As a result, the Rate NDR charge will not have an effect on net income but will impact operating cash flows.

Environmental Accounting Order

Based on an order from the Alabama PSC (Environmental Accounting Order), Alabama Power is authorized to establish a regulatory asset to record the unrecovered investment costs, including the unrecovered plant asset balance and the unrecovered costs associated with site removal and closure associated with future unit retirements caused by environmental regulations. The regulatory asset is amortized and recovered over the affected unit's remaining useful life, as established prior to the decision regarding early retirement, through Rate CNP Compliance.

Georgia Power

Georgia Power's revenues from regulated retail operations are collected through various rate mechanisms subject to the oversight of the Georgia PSC. Georgia Power currently recovers its costs from the regulated retail business through the 2019 ARP, which includes traditional base tariffs, Demand-Side Management (DSM) tariffs, the Environmental Compliance Cost Recovery (ECCR) tariff, and Municipal Franchise Fee (MFF) tariffs. In addition, financing costs on certified construction costs of Plant Vogtle Units 3 and 4 are being collected through the NCCR tariff and fuel costs are collected through a fuel cost recovery tariff, both under separate regulatory proceedings.

As approved by the Georgia PSC in the seventeenth VCM proceeding, prior to the expected in-service date of Plant Vogtle Unit 3, Georgia Power expects to file a request to adjust retail base rates to include the portion of costs related to Plant Vogtle Unit 3 and common facilities that were deemed prudent in a previous stipulated agreement. As costs are included in retail base rates, the related financing costs will no longer be recovered through the NCCR tariff. See "Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

Rate Plans

2019 ARP

In December 2019, the Georgia PSC voted to approve the 2019 ARP, under which Georgia Power increased its rates on January 1, 2020. On December 15, 2020, the Georgia PSC approved tariff adjustments effective January 1, 2021. Details of tariff adjustments are provided in the table below:

Tariff	2020	<i>(in millions)</i>		2021
Traditional base	\$	—	\$	120
ECCR(*)		318		2
DSM		12		(15)
MFF		12		4
Total	\$	342	\$	111

(*) Effective January 1, 2020, CCR AROs are being recovered through the ECCR tariff.

In July 2019, the Georgia PSC voted to approve Georgia Power's modified triennial IRP (Georgia Power 2019 IRP), including Georgia Power's proposed environmental compliance strategy associated with ash pond and certain landfill closures and post-closure care in compliance with the CCR Rule and the related state rule. In the 2019 ARP, the Georgia PSC approved recovery of the estimated under recovered balance of these compliance costs at December 31, 2019 over a three-year period ending December 31, 2022 and recovery of estimated compliance costs for 2020, 2021, and 2022 over three-year periods ending December 31, 2022, 2023, and 2024, respectively, with recovery of construction contingency beginning in the year following actual expenditure. The ECCR tariff is expected to be revised for actual expenditures and updated estimates through future annual compliance filings. On February 4, 2020, the Georgia PSC denied a motion for reconsideration filed by the Sierra Club regarding the Georgia PSC's

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decision in the 2019 ARP allowing Georgia Power to recover compliance costs for CCR AROs, and, on December 7, 2020, the Superior Court of Fulton County affirmed the decision of the Georgia PSC. On January 5, 2021, the Sierra Club filed a notice of appeal with the Georgia Court of Appeals. The ultimate outcome of this matter cannot be determined at this time. See Note 6 for additional information regarding Georgia Power's AROs.

Under the 2019 ARP, Georgia Power's retail ROE is set at 10.50%, and earnings will be evaluated against a retail ROE range of 9.50% to 12.00%. Any retail earnings above 12.00% will be shared, with 40% being applied to reduce regulatory assets, 40% directly refunded to customers, and the remaining 20% retained by Georgia Power. There will be no recovery of any earnings shortfall below 9.50% on an actual basis. However, if at any time during the term of the 2019 ARP, Georgia Power projects that its retail earnings will be below 9.50% for any calendar year, it could petition the Georgia PSC for implementation of the Interim Cost Recovery (ICR) tariff to adjust Georgia Power's retail rates to achieve a 9.50% ROE. The Georgia PSC would have 90 days to rule on Georgia Power's request. The ICR tariff would expire at the earlier of January 1, 2023 or the end of the calendar year in which the ICR tariff becomes effective. In lieu of requesting implementation of an ICR tariff, or if the Georgia PSC chooses not to implement the ICR tariff, Georgia Power may file a full rate case. In 2020, Georgia Power's retail ROE was within the allowed retail ROE range.

Additionally, under the 2019 ARP and pursuant to the sharing mechanism approved in the 2013 ARP whereby two-thirds of any earnings above the top of the allowed ROE range are shared with Georgia Power's customers, (i) Georgia Power used 50% (approximately \$50 million) of the customer share of earnings above the band in 2018 to reduce regulatory assets and refunded 50% (approximately \$50 million) to customers in 2020 and (ii) Georgia Power agreed to forego its share of 2019 earnings in excess of the earnings band so 50% (approximately \$60 million) of all earnings over the 2019 band were refunded to customers in 2020 and 50% (approximately \$60 million) were used to reduce regulatory assets.

Except as provided above, Georgia Power will not file for a general base rate increase while the 2019 ARP is in effect. Georgia Power is required to file a general base rate case by July 1, 2022, in response to which the Georgia PSC would be expected to determine whether the 2019 ARP should be continued, modified, or discontinued.

2013 ARP

Under the 2013 ARP, there were no changes to Georgia Power's traditional base tariffs, ECCR tariff, DSM tariffs, or MFF tariffs in 2019. Georgia Power's retail ROE under the 2013 ARP was set at 10.95% and earnings were evaluated against a retail ROE range of 10.00% to 12.00%. Two-thirds of any earnings above 12.00% were to be directly refunded to customers, with the remaining one-third retained by Georgia Power. In 2019 and 2018, Georgia Power's retail ROE exceeded 12.00% and, under the modified sharing mechanism pursuant to the 2019 ARP, Georgia Power reduced regulatory assets by a total of approximately \$110 million and accrued refunds for retail customers of a total of approximately \$110 million. In June 2020 and October 2020, Georgia Power issued bill credits to retail customers of approximately \$50 million and \$60 million, respectively, related to the excess retail earnings in 2018 and 2019, respectively. See "2019 ARP" herein for additional information.

Deferral of Incremental COVID-19 Costs

On April 7, 2020 and June 2, 2020, in response to the COVID-19 pandemic, the Georgia PSC approved orders directing Georgia Power to continue its previous, voluntary suspension of customer disconnections through July 14, 2020 and to defer the resulting incremental bad debt as a regulatory asset. On June 16, 2020 and July 7, 2020, the Georgia PSC approved orders establishing a methodology for identifying incremental bad debt and allowing the deferral of other incremental costs associated with the COVID-19 pandemic. The period over which such costs will be recovered is expected to be determined in Georgia Power's next base rate case. At December 31, 2020, the incremental costs deferred totaled approximately \$38 million. The ultimate outcome of this matter cannot be determined at this time.

Fuel Cost Recovery

Georgia Power has established fuel cost recovery rates approved by the Georgia PSC. On May 28, 2020, the Georgia PSC approved a stipulation agreement among Georgia Power, the staff of the Georgia PSC, and certain intervenors to lower total fuel billings by approximately \$740 million over a two-year period effective June 1, 2020. In addition, Georgia Power further lowered fuel billings by approximately \$44 million under an interim fuel rider effective June 1, 2020 through September 30, 2020. Georgia Power continues to be allowed to adjust its fuel cost recovery rates under an interim fuel rider prior to the next fuel case if the under or over recovered fuel balance exceeds \$200 million. Georgia Power is scheduled to file its next fuel case no later than February 28, 2023.

Georgia Power's over recovered fuel balance totaled \$113 million at December 31, 2020 and is included in other current liabilities on Southern Company's balance sheets and over recovered fuel clause revenues on Georgia Power's balance sheets. At

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December 31, 2019, Georgia Power's over recovered fuel balance totaled \$73 million and is included in other deferred credits and liabilities on Southern Company's and Georgia Power's balance sheets.

Georgia Power's fuel cost recovery mechanism includes costs associated with a natural gas hedging program, as revised and approved by the Georgia PSC, allowing the use of an array of derivative instruments within a 36-month time horizon.

Fuel cost recovery revenues as recorded on the financial statements are adjusted for differences in actual recoverable fuel costs and amounts billed in current regulated rates. Accordingly, changes in the billing factor will not have a significant effect on Southern Company's or Georgia Power's revenues or net income but will affect operating cash flows.

Storm Damage Recovery

Georgia Power defers and recovers certain costs related to damages from major storms as mandated by the Georgia PSC. Beginning January 1, 2020, Georgia Power is recovering \$213 million annually under the 2019 ARP. At December 31, 2020 and 2019, the balance in the regulatory asset related to storm damage was \$262 million and \$410 million, respectively, with \$213 million for each year included in other regulatory assets, current on Southern Company's balance sheets and regulatory assets – storm damage on Georgia Power's balance sheets and \$49 million and \$197 million, respectively, included in other regulatory assets, deferred on Southern Company's and Georgia Power's balance sheets. During October 2020, Tropical Storm Zeta caused significant damage to Georgia Power's transmission and distribution facilities. The incremental restoration costs related to this tropical storm deferred in the regulatory asset for storm damage totaled approximately \$50 million. The rate of storm damage cost recovery is expected to be adjusted in future regulatory proceedings as necessary. As a result of this regulatory treatment, costs related to storms are not expected to have a material impact on Southern Company's or Georgia Power's financial statements.

Nuclear Construction

In 2009, the Georgia PSC certified construction of Plant Vogtle Units 3 and 4, in which Georgia Power holds a 45.7% ownership interest. In 2012, the NRC issued the related combined construction and operating licenses, which allowed full construction of the two AP1000 nuclear units (with electric generating capacity of approximately 1,100 MWs each) and related facilities to begin. Until March 2017, construction on Plant Vogtle Units 3 and 4 continued under the Vogtle 3 and 4 Agreement, which was a substantially fixed price agreement.

In connection with the EPC Contractor's bankruptcy filing in March 2017, Georgia Power, acting for itself and as agent for the other Vogtle Owners, entered into several transitional arrangements to allow construction to continue. In July 2017, Georgia Power, acting for itself and as agent for the other Vogtle Owners, entered into the Vogtle Services Agreement, whereby Westinghouse provides facility design and engineering services, procurement and technical support, and staff augmentation on a time and materials cost basis. The Vogtle Services Agreement provides that it will continue until the start-up and testing of Plant Vogtle Units 3 and 4 are complete and electricity is generated and sold from both units. The Vogtle Services Agreement is terminable by the Vogtle Owners upon 30 days' written notice.

In October 2017, Georgia Power, acting for itself and as agent for the other Vogtle Owners, executed the Bechtel Agreement, a cost reimbursable plus fee arrangement, whereby Bechtel is reimbursed for actual costs plus a base fee and an at-risk fee, which is subject to adjustment based on Bechtel's performance against cost and schedule targets. Each Vogtle Owner is severally (not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to Bechtel under the Bechtel Agreement. The Vogtle Owners may terminate the Bechtel Agreement at any time for their convenience, provided that the Vogtle Owners will be required to pay amounts related to work performed prior to the termination (including the applicable portion of the base fee), certain termination-related costs, and, at certain stages of the work, the applicable portion of the at-risk fee. Bechtel may terminate the Bechtel Agreement under certain circumstances, including certain Vogtle Owner suspensions of work, certain breaches of the Bechtel Agreement by the Vogtle Owners, Vogtle Owner insolvency, and certain other events.

See Note 8 under "Long-term Debt – DOE Loan Guarantee Borrowings" for information on the Amended and Restated Loan Guarantee Agreement, including applicable covenants, events of default, mandatory prepayment events, and conditions to borrowing.

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Cost and Schedule

Georgia Power's approximate proportionate share of the remaining estimated capital cost to complete Plant Vogtle Units 3 and 4 by the expected in-service dates of November 2021 and November 2022, respectively, is as follows:

	<i>(in billions)</i>	
Base project capital cost forecast ^{(a)(b)}	\$	8.5
Construction contingency estimate		0.2
Total project capital cost forecast ^{(a)(b)}		8.7
Net investment as of December 31, 2020 ^(b)		(7.2)
Remaining estimate to complete^(a)	\$	1.5

(a) Excludes financing costs expected to be capitalized through AFUDC of approximately \$246 million, of which \$93 million had been accrued through December 31, 2020.

(b) Net of \$1.7 billion received from Toshiba under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds.

Georgia Power estimates that its financing costs for construction of Plant Vogtle Units 3 and 4 will total approximately \$3.0 billion, of which \$2.6 billion had been incurred through December 31, 2020.

As part of its ongoing processes, Southern Nuclear continues to evaluate cost and schedule forecasts on a regular basis to incorporate current information available, particularly in the areas of engineering support, commodity installation, system turnovers and related test results, and workforce statistics. Southern Nuclear has established aggressive target values for monthly construction production and system turnover activities as part of a strategy that was designed to maintain margin to the regulatory-approved in-service dates of November 2021 for Unit 3 and November 2022 for Unit 4.

As of June 30, 2020, assignments of contingency exceeded the remaining balance of the \$366 million construction contingency originally established in the second quarter 2018 by approximately \$34 million and Georgia Power established \$115 million of additional construction contingency. During the third and fourth quarters 2020, this construction contingency, plus an additional \$5 million, was fully assigned to the base capital cost forecast. Assignment of contingency during 2020 addressed cost risks related to construction productivity, including the April 2020 reduction in workforce designed to mitigate impacts of the COVID-19 pandemic described below; other COVID-19 impacts; craft labor incentives; additional resources for supervision, field support, project management, initial test program, start-up, engineering support, and operations and maintenance support; subcontracts; and procurement, among other factors. These factors continue to represent further potential cost risk to the project; therefore, Georgia Power established \$171 million of additional construction contingency as of December 31, 2020.

After considering the significant level of uncertainty that exists regarding the future recoverability of these costs since the ultimate outcome of these matters is subject to the outcome of future assessments by management, as well as Georgia PSC decisions in future regulatory proceedings, Georgia Power recorded total pre-tax charges to income of \$149 million (\$111 million after tax) and \$176 million (\$131 million after tax) for the increases in the total project capital cost forecast as of June 30, 2020 and December 31, 2020, respectively. As and when these amounts are spent, Georgia Power may request the Georgia PSC to evaluate those expenditures for rate recovery.

In mid-March 2020, Southern Nuclear began implementing policies and procedures designed to mitigate the risk of transmission of COVID-19 at the construction site, including worker distancing measures, isolating individuals who have tested positive for COVID-19, are showing symptoms consistent with COVID-19, are being tested for COVID-19, or have been in close contact with such persons, requiring self-quarantine, and adopting additional precautionary measures. In April 2020, Georgia Power, acting for itself and as agent for the other Vogtle Owners, announced a reduction in workforce at Plant Vogtle Units 3 and 4 and began reducing the then-existing site workforce by approximately 20%. This reduction in workforce was a mitigation action intended to address the impact of the COVID-19 pandemic on the Plant Vogtle Units 3 and 4 workforce and construction site, including challenges with labor productivity that were exacerbated by the impact of the COVID-19 pandemic, by increasing productivity of the remaining workforce and reducing workforce fatigue and absenteeism. Further, it was also intended to allow for increased social distancing by the workforce and facilitate compliance with the recommendations from the Centers for Disease Control and Prevention. The April 2020 workforce reduction did reduce absenteeism, providing an improvement in operational efficiency and allowing for increased social distancing. Since April 2020, the number of active cases at the site has fluctuated and has continued to impact productivity levels and pace of activity completion.

The lower productivity levels and slower pace of activity completion contributed to a backlog to the aggressive site work plan established at the beginning of 2020. To address these issues, in July 2020, Southern Nuclear updated its aggressive site work plan for both Unit 3 and Unit 4; however, through October 2020, the project continued to face challenges in meeting the updated

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aggressive site work plan targets including, but not limited to, overall construction and subcontractor labor productivity, resulting in further extension of certain milestone dates in the aggressive site work plan. From November 2020 through January 2021, the number of active COVID-19 cases at the site increased significantly, consistent with a national rise in cases, which further impacted productivity and the pace of activity completion. In addition, and exacerbated by this rise in COVID-19 cases, the project continues to face challenges including, but not limited to, higher than expected absenteeism; overall construction and subcontractor labor productivity; system turnover and testing activities; and electrical equipment and commodity installation.

As a result of these factors, overall production levels were not achieved at the levels anticipated, contributing to the December 31, 2020 allocation of construction contingency and increase in total project capital cost forecast described previously. Georgia Power estimates the productivity impacts of the COVID-19 pandemic have consumed approximately three to four months of schedule margin previously embedded in the site work plan for Unit 3 and Unit 4. Also, after considering these factors, Southern Nuclear has further extended certain milestone dates, including the start of hot functional testing and fuel load for Unit 3, from those established in October 2020. These updated milestone dates are expected to support the regulatory-approved in-service dates of November 2021 and November 2022 for Units 3 and 4, respectively. With minimal schedule margin remaining, the Unit 3 schedule is challenged, and any further extension of the hot functional testing or fuel load milestones, or other delays from the challenges described below, could impact the ability to achieve the November 2021 in-service date. As Unit 3 approaches hot functional testing, achievement of the extended milestone dates for Unit 3 primarily depends on improvements in the pace of work package completion and system turnovers, as well as the level of any required construction remediation work. Achievement of the extended milestone dates for Unit 4 primarily depends on overall construction productivity and production levels significantly improving as well as appropriate levels of craft laborers, particularly electrical and pipefitter craft labor, being added and maintained.

In addition, the continuing effects of the COVID-19 pandemic could further disrupt or delay construction and testing activities at Plant Vogtle Units 3 and 4. Georgia Power's proportionate share of the estimated incremental cost associated with COVID-19 mitigation actions and impacts on construction productivity is currently estimated to be between \$150 million and \$190 million and is included in the total project capital cost. As described previously, estimated costs associated with near-term COVID-19 mitigation actions and related impacts on construction productivity were included in the additional contingency established as of December 31, 2020.

As construction, including subcontract work, continues and testing and system turnover activities increase, challenges with management of contractors and vendors; subcontractor performance; supervision of craft labor and related productivity, particularly in the installation of electrical, mechanical, and instrumentation and controls commodities, ability to attract and retain craft labor, and/or related cost escalation; procurement, fabrication, delivery, assembly, installation, system turnover, and the initial testing and start-up, including any required engineering changes or any remediation related thereto, of plant systems, structures, or components (some of which are based on new technology that only within the last few years began initial operation in the global nuclear industry at this scale), any of which may require additional labor and/or materials; or other issues could arise and change the projected schedule and estimated cost.

There have been technical and procedural challenges to the construction and licensing of Plant Vogtle Units 3 and 4 at the federal and state level and additional challenges may arise. Processes are in place that are designed to assure compliance with the requirements specified in the Westinghouse Design Control Document and the combined construction and operating licenses, including inspections by Southern Nuclear and the NRC that occur throughout construction. Findings resulting from such inspections could require additional remediation and/or further NRC oversight. In addition, certain license amendment requests have been filed and approved or are pending before the NRC. On August 10, 2020, the Atomic Safety and Licensing Board rejected the Blue Ridge Environmental Defense League's (BREDL) May 11, 2020 petition challenging a license amendment request. The staff of the NRC has issued the requested amendment to the combined construction and operating license for Plant Vogtle Unit 3. BREDL appealed the Atomic Safety and Licensing Board decision to the NRC, which the NRC denied on December 22, 2020. BREDL also filed a motion to reopen the proceeding and submitted an amended contention on December 7, 2020, which is pending before the NRC.

In September 2020, Southern Nuclear notified the NRC of its intent to load fuel for Unit 3 in 2021. Various design and other licensing-based compliance matters, including the timely submittal by Southern Nuclear of the ITAAC documentation for each unit and the related reviews and approvals by the NRC necessary to support NRC authorization to load fuel, may arise, which may result in additional license amendments or require other resolution. If any license amendment requests or other licensing-based compliance issues, including inspections and ITAACs, are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs.

The ultimate outcome of these matters cannot be determined at this time. However, any schedule extension beyond the regulatory-approved in-service dates is currently estimated to result in additional base capital costs for Georgia Power of approximately \$25

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million per month for Unit 3 and approximately \$15 million per month for Unit 4, as well as the related AFUDC. While Georgia Power is not precluded from seeking recovery of any future capital cost forecast increase, management will ultimately determine whether or not to seek recovery. Any further changes to the capital cost forecast that are not expected to be recoverable through regulated rates will be required to be charged to income and such charges could be material.

Joint Owner Contracts

In November 2017, the Vogtle Owners entered into an amendment to their joint ownership agreements for Plant Vogtle Units 3 and 4 to provide for, among other conditions, additional Vogtle Owner approval requirements. Effective in August 2018, the Vogtle Owners further amended the joint ownership agreements to clarify and provide procedures for certain provisions of the joint ownership agreements related to adverse events that require the vote of the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 to continue construction (as amended, and together with the November 2017 amendment, the Vogtle Joint Ownership Agreements). The Vogtle Joint Ownership Agreements also confirm that the Vogtle Owners' sole recourse against Georgia Power or Southern Nuclear for any action or inaction in connection with their performance as agent for the Vogtle Owners is limited to removal of Georgia Power and/or Southern Nuclear as agent, except in cases of willful misconduct.

As a result of an increase in the total project capital cost forecast and Georgia Power's decision not to seek rate recovery of the increase in the base capital costs in conjunction with the nineteenth VCM report in 2018, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 were required to vote to continue construction. In September 2018, the Vogtle Owners unanimously voted to continue construction of Plant Vogtle Units 3 and 4.

Amendments to the Vogtle Joint Ownership Agreements

In connection with the vote to continue construction, Georgia Power entered into (i) a binding term sheet (Vogtle Owner Term Sheet) with the other Vogtle Owners and MEAG Power's wholly-owned subsidiaries MEAG Power SPVJ, LLC (MEAG SPVJ), MEAG Power SPVM, LLC (MEAG SPVM), and MEAG Power SPVP, LLC (MEAG SPVP) to take certain actions which partially mitigate potential financial exposure for the other Vogtle Owners, including additional amendments to the Vogtle Joint Ownership Agreements and the purchase of PTCs from the other Vogtle Owners at pre-established prices, and (ii) a term sheet (MEAG Term Sheet) with MEAG Power and MEAG SPVJ to provide up to \$300 million of funding with respect to MEAG SPVJ's ownership interest in Plant Vogtle Units 3 and 4 under certain circumstances. In January 2019, Georgia Power, MEAG Power, and MEAG SPVJ entered into an agreement to implement the provisions of the MEAG Term Sheet. In February 2019, Georgia Power, the other Vogtle Owners, and MEAG Power's wholly-owned subsidiaries MEAG SPVJ, MEAG SPVM, and MEAG SPVP entered into certain amendments to the Vogtle Joint Ownership Agreements to implement the provisions of the Vogtle Owner Term Sheet (Global Amendments).

As previously disclosed, pursuant to the Global Amendments: (i) each Vogtle Owner must pay its proportionate share of qualifying construction costs for Plant Vogtle Units 3 and 4 based on its ownership percentage up to the estimated cost at completion (EAC) for Plant Vogtle Units 3 and 4 which formed the basis of Georgia Power's forecast of \$8.4 billion in the nineteenth VCM plus \$800 million; (ii) Georgia Power will be responsible for 55.7% of actual qualifying construction costs between \$800 million and \$1.6 billion over the EAC in the nineteenth VCM (resulting in \$80 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 44.3% of such costs pro rata in accordance with their respective ownership interests; and (iii) Georgia Power will be responsible for 65.7% of qualifying construction costs between \$1.6 billion and \$2.1 billion over the EAC in the nineteenth VCM (resulting in a further \$100 million of potential additional costs to Georgia Power), with the remaining Vogtle Owners responsible for 34.3% of such costs pro rata in accordance with their respective ownership interests. If the EAC is revised and exceeds the EAC in the nineteenth VCM by more than \$2.1 billion, each of the other Vogtle Owners will have a one-time option at the time the project budget forecast is so revised to tender a portion of its ownership interest to Georgia Power in exchange for Georgia Power's agreement to pay 100% of such Vogtle Owner's remaining share of total construction costs in excess of the EAC in the nineteenth VCM plus \$2.1 billion.

In addition, pursuant to the Global Amendments, the holders of at least 90% of the ownership interests in Plant Vogtle Units 3 and 4 must vote to continue construction if certain adverse events occur, including, among other events: (i) the bankruptcy of Toshiba; (ii) the termination or rejection in bankruptcy of certain agreements, including the Vogtle Services Agreement, the Bechtel Agreement, or the agency agreement with Southern Nuclear; (iii) Georgia Power's public announcement of its intention not to submit for rate recovery any portion of its investment in Plant Vogtle Units 3 and 4 or the Georgia PSC determines that any of Georgia Power's costs relating to the construction of Plant Vogtle Units 3 and 4 will not be recovered in retail rates, excluding any additional amounts paid by Georgia Power on behalf of the other Vogtle Owners pursuant to the Global Amendments described above and the first 6% of costs during any six-month VCM reporting period that are disallowed by the Georgia PSC for recovery, or for which Georgia Power elects not to seek cost recovery, through retail rates; and (iv) an incremental extension of one year or more over the most recently approved schedule.

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The ultimate outcome of these matters cannot be determined at this time.

Regulatory Matters

In 2009, the Georgia PSC voted to certify construction of Plant Vogtle Units 3 and 4 with a certified capital cost of \$4.418 billion. In addition, in 2009 the Georgia PSC approved inclusion of the Plant Vogtle Units 3 and 4 related CWIP accounts in rate base, and the State of Georgia enacted the Georgia Nuclear Energy Financing Act, which allows Georgia Power to recover financing costs for Plant Vogtle Units 3 and 4. Financing costs are recovered on all applicable certified costs through annual adjustments to the NCCR tariff up to the certified capital cost of \$4.418 billion. At December 31, 2020, Georgia Power had recovered approximately \$2.5 billion of financing costs. Financing costs related to capital costs above \$4.418 billion are being recognized through AFUDC and are expected to be recovered through retail rates over the life of Plant Vogtle Units 3 and 4; however, Georgia Power will not record AFUDC related to any capital costs in excess of the total deemed reasonable by the Georgia PSC (currently \$7.3 billion) and not requested for rate recovery. On November 3, 2020, the Georgia PSC approved Georgia Power's request to decrease the NCCR tariff by \$142 million annually, effective January 1, 2021.

Georgia Power is required to file semi-annual VCM reports with the Georgia PSC by February 28 and August 31 of each year. In 2013, in connection with the eighth VCM report, the Georgia PSC approved a stipulation between Georgia Power and the staff of the Georgia PSC to waive the requirement to amend the Plant Vogtle Units 3 and 4 certificate in accordance with the 2009 certification order until the completion of Plant Vogtle Unit 3, or earlier if deemed appropriate by the Georgia PSC and Georgia Power.

In 2016, the Georgia PSC voted to approve a settlement agreement (Vogtle Cost Settlement Agreement) resolving certain prudence matters in connection with the fifteenth VCM report. In December 2017, the Georgia PSC voted to approve (and issued its related order on January 11, 2018) Georgia Power's seventeenth VCM report and modified the Vogtle Cost Settlement Agreement. The Vogtle Cost Settlement Agreement, as modified by the January 11, 2018 order, resolved the following regulatory matters related to Plant Vogtle Units 3 and 4: (i) none of the \$3.3 billion of costs incurred through December 31, 2015 and reflected in the fourteenth VCM report should be disallowed from rate base on the basis of imprudence; (ii) the Contractor Settlement Agreement was reasonable and prudent and none of the \$0.3 billion paid pursuant to the Contractor Settlement Agreement should be disallowed from rate base on the basis of imprudence; (iii) (a) capital costs incurred up to \$5.68 billion would be presumed to be reasonable and prudent with the burden of proof on any party challenging such costs, (b) Georgia Power would have the burden to show that any capital costs above \$5.68 billion were prudent, and (c) a revised capital cost forecast of \$7.3 billion (after reflecting the impact of payments received under the Guarantee Settlement Agreement and related customer refunds) was found reasonable; (iv) construction of Plant Vogtle Units 3 and 4 should be completed, with Southern Nuclear serving as project manager and Bechtel as primary contractor; (v) approved and deemed reasonable Georgia Power's revised schedule placing Plant Vogtle Units 3 and 4 in service in November 2021 and November 2022, respectively; (vi) confirmed that the revised cost forecast does not represent a cost cap and that prudence decisions on cost recovery will be made at a later date, consistent with applicable Georgia law; (vii) reduced the ROE used to calculate the NCCR tariff (a) from 10.95% (the ROE rate setting point authorized by the Georgia PSC in the 2013 ARP) to 10.00% effective January 1, 2016, (b) from 10.00% to 8.30%, effective January 1, 2020, and (c) from 8.30% to 5.30%, effective January 1, 2021 (provided that the ROE in no case will be less than Georgia Power's average cost of long-term debt); (viii) reduced the ROE used for AFUDC equity for Plant Vogtle Units 3 and 4 from 10.00% to Georgia Power's average cost of long-term debt, effective January 1, 2018; and (ix) agreed that upon Unit 3 reaching commercial operation, retail base rates would be adjusted to include the costs related to Unit 3 and common facilities deemed prudent in the Vogtle Cost Settlement Agreement. The January 11, 2018 order also stated that if Plant Vogtle Units 3 and 4 are not commercially operational by June 1, 2021 and June 1, 2022, respectively, the ROE used to calculate the NCCR tariff will be further reduced by 10 basis points each month (but not lower than Georgia Power's average cost of long-term debt) until the respective Unit is commercially operational. The ROE reductions negatively impacted earnings by approximately \$150 million, \$75 million, and \$100 million in 2020, 2019, and 2018, respectively, and are estimated to have negative earnings impacts of approximately \$260 million and \$200 million in 2021 and 2022, respectively. In its January 11, 2018 order, the Georgia PSC also stated if other conditions change and assumptions upon which Georgia Power's seventeenth VCM report are based do not materialize, the Georgia PSC reserved the right to reconsider the decision to continue construction.

In 2018, Georgia Interfaith Power & Light, Inc., Partnership for Southern Equity, Inc., and Georgia Watch filed petitions in Fulton County Superior Court seeking judicial review of the Georgia PSC's January 11, 2018 order. The petitions were dismissed by the Fulton County Superior Court and later remanded by the Georgia Court of Appeals. The Fulton County Superior Court issued another order dismissing the petitions and, in August 2020, the petitioners withdrew their notice of appeal. This matter is now concluded.

The Georgia PSC has approved 23 VCM reports covering periods through June 30, 2020, including total construction capital costs incurred through that date of \$8.1 billion (before \$1.7 billion of payments received under the Guarantee Settlement Agreement)

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and approximately \$188 million in related customer refunds). The Georgia PSC's order approving the twenty-third VCM report also instructed Georgia Power and the staff of the Georgia PSC to develop a mutually-agreeable recommendation to the Georgia PSC by the end of March 2021 regarding the procedure for and the timing, form, and substance of the rate adjustment filing related to the Unit 3 and common facility costs. Georgia Power expects to file its twenty-fourth VCM report with the Georgia PSC on February 18, 2021, covering the period from July 1, 2020 through December 31, 2020, requesting approval of \$670 million of construction capital costs incurred during that period.

The ultimate outcome of these matters cannot be determined at this time.

Mississippi Power

Mississippi Power's rates and charges for service to retail customers are subject to the regulatory oversight of the Mississippi PSC. Mississippi Power's rates are a combination of base rates and several separate cost recovery clauses for specific categories of costs. These separate cost recovery clauses address such items as fuel and purchased power, ad valorem taxes, property damage, and the costs of compliance with environmental laws and regulations. Costs not addressed through one of the specific cost recovery clauses are expected to be recovered through Mississippi Power's base rates.

2019 Base Rate Case

On March 17, 2020, the Mississippi PSC approved a settlement agreement between Mississippi Power and the Mississippi Public Utilities Staff related to Mississippi Power's base rate case filed in November 2019 (Mississippi Power Rate Case Settlement Agreement).

Under the terms of the Mississippi Power Rate Case Settlement Agreement, annual retail rates decreased approximately \$16.7 million, or 1.85%, effective for the first billing cycle of April 2020, based on a test year period of January 1, 2020 through December 31, 2020, a 53% average equity ratio, an allowed maximum actual equity ratio of 55% by the end of 2020, and a 7.57% return on investment.

Additionally, the Mississippi Power Rate Case Settlement Agreement: (i) established common amortization periods of four years for regulatory assets and three years for regulatory liabilities included in the approved revenue requirement, including those related to unprotected deferred income taxes; (ii) established new depreciation rates reflecting an annual increase in depreciation of approximately \$10 million; and (iii) excluded certain compensation costs totaling approximately \$3.9 million. It also eliminated separate rates for costs associated with Plant Ratcliffe and energy efficiency initiatives and includes such costs in the PEP, ECO Plan, and ad valorem tax adjustment factor, as applicable. In accordance with the previous order of the Mississippi PSC suspending the operation of PEP and the ECO Plan for 2018 through 2020, Mississippi Power submitted its 2021 ECO Plan filing on February 12, 2021 and plans to submit its 2021 PEP filing in March 2021.

Performance Evaluation Plan

Mississippi Power's retail base rates generally are set under the PEP, a rate plan approved by the Mississippi PSC. In recognition that Mississippi Power's long-term financial success is dependent upon how well it satisfies its customers' needs, PEP includes performance indicators that directly tie customer service indicators to Mississippi Power's allowed ROE. PEP measures Mississippi Power's performance on a 10-point scale as a weighted average of results in three areas: average customer price, as compared to prices of other regional utilities (weighted at 40%); service reliability, measured in percentage of time customers had electric service (40%); and customer satisfaction, measured in a survey of residential customers (20%). Typically, two PEP filings are made for each calendar year: the PEP projected filing and the PEP lookback filing. On July 24, 2020, the Mississippi PSC approved Mississippi Power's revisions to the PEP compliance rate clause as agreed to in the Mississippi Power Rate Case Settlement Agreement. These revisions include, among other things, changing the filing date for the annual PEP rate projected filing from November of the immediately preceding year to March of the current year, utilizing a historic test year adjusted for "known and measurable" changes, using discounted cash flow and regression formulas to determine base ROE, and moving all embedded ad valorem property taxes currently collected in PEP to the ad valorem tax adjustment clause. The PEP lookback filing will continue to be filed after the end of the year and allows for review of the actual revenue requirement.

In 2018, Mississippi Power revised its annual projected PEP filing for 2018 to reflect the impacts of the Tax Reform Legislation. The revised filing requested an increase of \$26 million in annual revenues, based on a performance adjusted ROE of 9.33% and an increased equity ratio of 50%. Mississippi Power and the MPUS entered into a settlement agreement, which was approved by the Mississippi PSC, with respect to the 2018 PEP filing and all unresolved PEP filings for prior years (2018 PEP Settlement Agreement). Rates under the 2018 PEP Settlement Agreement became effective with the first billing cycle of September 2018. The 2018 PEP Settlement Agreement provided for an increase of approximately \$21.6 million in annual base retail revenues, which excluded certain compensation costs contested by the MPUS, as well as approximately \$2 million subsequently approved.

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for recovery through the 2018 Energy Efficiency Cost Rider. Under the 2018 PEP Settlement Agreement, Mississippi Power deferred a portion of the contested compensation costs for 2018 and 2019 as a regulatory asset totaling \$4 million, which was included in other regulatory assets, deferred on the balance sheet at December 31, 2019. These costs are being recovered over a four-year period through March 2024 as approved in the Mississippi Power Rate Case Settlement Agreement.

Pursuant to the 2018 PEP Settlement Agreement, Mississippi Power's performance-adjusted allowed ROE was 9.31% and its allowed equity ratio was capped at 51%, pending further review by the Mississippi PSC. In lieu of the requested equity ratio increase, Mississippi Power retained \$44 million of excess accumulated deferred income taxes resulting from the Tax Reform Legislation. The Mississippi Power Rate Case Settlement Agreement set amortization periods for the excess accumulated deferred income taxes, as discussed under "2019 Base Rate Case" herein.

Pursuant to the 2018 PEP Settlement Agreement, Mississippi Power was not required to make any PEP filings for regulatory years 2018, 2019, and 2020. Mississippi Power plans to submit its 2021 PEP filing in March 2021. The ultimate outcome of this matter cannot be determined at this time.

Operations Review

In 2018, the Mississippi PSC began an operations review of Mississippi Power. The review includes, but is not limited to, a comparative analysis of its costs, its cost recovery framework, and ways in which it may streamline management operations for the reasonable benefit of ratepayers. The ultimate outcome of this matter cannot be determined at this time.

Reserve Margin Plan

In December 2019, Mississippi Power updated its proposed RMP, originally filed in 2018, as required by the Mississippi PSC. In 2018, Mississippi Power had proposed alternatives to reduce its reserve margin and lower or avoid operating costs, with the most economic alternatives being the two-year and seven-year acceleration of the retirement of Plant Watson Units 4 and 5, respectively, to the first quarter 2022 and the four-year acceleration of the retirement of Plant Greene County Units 1 and 2 to the third quarter 2021 and the third quarter 2022, respectively. The December 2019 update noted that Plant Daniel Units 1 and 2 currently have long-term economics similar to Plant Watson Unit 5. The Plant Greene County unit retirements would require the completion by Alabama Power of transmission and system reliability improvements, as well as agreement by Alabama Power.

On December 17, 2020, the Mississippi PSC issued an order concluding the RMP docket and requiring Mississippi Power to incorporate into its 2021 IRP a schedule of early or anticipated retirement of 950 MWs of fossil-steam generation by year-end 2027 to reduce Mississippi Power's excess reserve margin. The order stated that Mississippi Power will be allowed to defer any retirement-related costs as regulatory assets for future recovery. Mississippi Power's IRP is scheduled to be filed in April 2021.

The ultimate outcome of these matters cannot be determined at this time. See Note 3 under "Other Matters – Mississippi Power" for additional information on Plant Daniel Units 1 and 2.

Environmental Compliance Overview Plan

In accordance with a 2011 accounting order from the Mississippi PSC, Mississippi Power has the authority to defer in a regulatory asset for future recovery all plant retirement- or partial retirement-related costs resulting from environmental regulations.

In 2018, the Mississippi PSC approved an annual increase in revenues related to the ECO Plan of approximately \$17 million, effective with the first billing cycle for September 2018. This increase represented the maximum 2% annual increase in revenues and primarily related to the carryforward from the prior year. The increase was the result of Mississippi PSC approval of an agreement between Mississippi Power and the MPUS to settle the 2018 ECO Plan filing (ECO Settlement Agreement) and was sufficient to recover costs through 2019, including remaining amounts deferred from prior years along with the related carrying costs. In accordance with the ECO Settlement Agreement, Mississippi Power was not required to make any ECO Plan filings for 2018, 2019, and 2020, and any necessary adjustments were reflected in Mississippi Power's 2019 base rate case. The ECO Settlement Agreement contains the same terms as the 2018 PEP Settlement Agreement described herein with respect to allowed ROE and equity ratio.

In October 2019, the Mississippi PSC approved Mississippi Power's July 2019 request for a CPCN to complete certain environmental compliance projects, primarily associated with the Plant Daniel coal units co-owned 50% with Gulf Power. The total estimated cost is approximately \$125 million, with Mississippi Power's share of approximately \$66 million being proposed for recovery through its ECO Plan. Approximately \$17 million of Mississippi Power's share is associated with ash pond closure and is reflected in Mississippi Power's ARO liabilities. See Note 6 for additional information on AROs and Note 3 under "Other Matters – Mississippi Power" for additional information on Gulf Power's ownership in Plant Daniel.

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On February 12, 2021, Mississippi Power submitted its ECO Plan filing for 2021, which requested an annual decrease in revenues of approximately \$9 million primarily due to a change in the amortization periods of certain regulatory assets and liabilities. The ultimate outcome of this matter cannot be determined at this time.

Fuel Cost Recovery

Mississippi Power annually establishes and is required to file for an adjustment to the retail fuel cost recovery factor that is approved by the Mississippi PSC. The Mississippi PSC approved an increase of \$39 million effective February 2018, decreases of \$35 million and \$24 million effective in February 2019 and 2020, respectively, and an increase of \$2 million effective in February 2021. At December 31, 2020 and 2019, over recovered retail fuel costs totaled approximately \$24 million and \$23 million, respectively, and were included in other current liabilities on Southern Company's balance sheets and over recovered regulatory clause liabilities on Mississippi Power's balance sheets.

Mississippi Power has wholesale MRA and Market Based (MB) fuel cost recovery factors. Effective with the first billing cycles for January 2019, 2020, and 2021, annual revenues under the wholesale MRA fuel rate increased \$16 million, increased \$1 million, and decreased \$5 million, respectively. The wholesale MB fuel rate did not change materially in any period presented. At December 31, 2020 and 2019, over recovered wholesale fuel costs totaled approximately \$10 million and \$6 million, respectively, and were included in other current liabilities on Southern Company's balance sheets and over recovered regulatory clause liabilities on Mississippi Power's balance sheets.

Mississippi Power's operating revenues are adjusted for differences in actual recoverable fuel cost and amounts billed in accordance with the currently approved cost recovery rate. Accordingly, changes in the billing factor should have no significant effect on Mississippi Power's revenues or net income but will affect operating cash flows.

Ad Valorem Tax Adjustment

Mississippi Power establishes annually an ad valorem tax adjustment factor that is approved by the Mississippi PSC to collect the ad valorem taxes paid by Mississippi Power. In 2020, 2019, and 2018, the annual revenues collected through the ad valorem tax adjustment factor increased by \$10 million, decreased by \$2 million, and increased by \$7 million, respectively. On February 12, 2021, Mississippi Power submitted its ad valorem tax adjustment factor filing for 2021, which requested an annual increase in revenues of approximately \$28 million, primarily due to higher ad valorem taxes and inclusion of the ad valorem taxes previously recovered in PEP in accordance with the Mississippi Power Rate Case Settlement Agreement. The ultimate outcome of this matter cannot be determined at this time.

System Restoration Rider

Mississippi Power carries insurance for the cost of certain types of damage to generation plants and general property. However, Mississippi Power is self-insured for the cost of storm, fire, and other uninsured casualty damage to its property, including transmission and distribution facilities. As permitted by the Mississippi PSC and the FERC, Mississippi Power accrues for the cost of such damage through an annual expense accrual which is credited to regulatory liability accounts for the retail and wholesale jurisdictions. The cost of repairing actual damage resulting from such events that individually exceed \$50,000 is charged to the reserve. Every three years the Mississippi PSC, the MPUS, and Mississippi Power agree on SRR revenue level(s) for the ensuing period, based on historical data, expected exposure, type and amount of insurance coverage, excluding insurance cost, and any other relevant information. The accrual amount and the reserve balance are determined based on the SRR revenue level(s). If a significant change in circumstances occurs, then the SRR revenue level can be adjusted more frequently if Mississippi Power, the MPUS, and the Mississippi PSC deem the change appropriate. The property damage reserve accrual will be the difference between the approved SRR revenues and the SRR revenue requirement. In addition, SRR allows Mississippi Power to set up a regulatory asset, pending review, if the allowable actual retail property damage costs exceed the amount in the retail property damage reserve. The SRR rate was zero for all years presented.

On October 28, 2020, Hurricane Zeta hit the Gulf Coast of Mississippi causing major damage to Mississippi Power's transmission and distribution infrastructure and, as a result, approximately \$43 million was charged to the retail property damage reserve. These costs are expected to be addressed in a subsequent SRR rate filing. The ultimate outcome of this matter cannot be determined at this time.

Mississippi Power made retail SRR annual expense accruals of \$1 million in 2020, 2019, and 2018. As of December 31, 2020, the retail property damage reserve balance was \$4 million.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report***Deferral of Incremental COVID-19 Costs***

On April 14, 2020 and May 12, 2020, in order to mitigate the economic impact of the COVID-19 pandemic on customers, the Mississippi PSC approved orders directing Mississippi Power to continue its previous, voluntary suspension of customer disconnections through May 26, 2020 and to defer as a regulatory asset all necessary and reasonable incremental costs or expenses to plan, prepare, stage, or react to protect and keep safe its employees and customers, and to reliably operate its utility system during the COVID-19 pandemic. The period over which such costs will be recovered is expected to be determined in a future PEP filing. At December 31, 2020, the incremental costs deferred totaled approximately \$1 million. The ultimate outcome of this matter cannot be determined at this time.

Municipal and Rural Associations Tariff

Mississippi Power provides wholesale electric service to Cooperative Energy, East Mississippi Electric Power Association, and the City of Collins, all located in southeastern Mississippi, under a long-term, cost-based, FERC-regulated MRA tariff.

In 2017, Mississippi Power and Cooperative Energy executed, and the FERC accepted, a Shared Service Agreement (SSA), as part of the MRA tariff, under which Mississippi Power and Cooperative Energy will share in providing electricity to the Cooperative Energy delivery points under the tariff, effective January 1, 2018. The SSA may be cancelled by Cooperative Energy with 10 years notice. As of December 31, 2020, Cooperative Energy has the option to decrease its use of Mississippi Power's generation services under the MRA tariff up to 2.5% annually, with required notice, up to a maximum total reduction of 11%, or approximately \$9 million in cumulative annual base revenues.

In May 2019, the FERC accepted Mississippi Power's requested \$3.7 million annual decrease in MRA base rates effective January 1, 2019, as agreed upon in a settlement agreement reached with its wholesale customers resolving all matters related to the Kemper County energy facility, similar to the 2018 PEP Settlement Agreement, and reflecting the impacts of the Tax Reform Legislation.

On June 25, 2020, the FERC accepted Mississippi Power's requested \$2 million annual increase in MRA base rates effective June 1, 2020, as agreed upon in a settlement agreement reached with its wholesale customers.

Cooperative Energy Power Supply Agreement

Effective April 1, 2018, Mississippi Power and Cooperative Energy amended and extended a previous power supply agreement (PSA) through March 31, 2021, which was subsequently extended through May 31, 2021. The amendment increased the total capacity from 86 MWs to 286 MWs. The parties are currently negotiating a further extension of the agreement. The ultimate outcome of this matter cannot be determined at this time.

Cooperative Energy also has a 10-year network integration transmission service agreement (NITSA) with SCS for transmission service to certain delivery points on Mississippi Power's transmission system through March 31, 2021. As a result of the PSA amendment, Cooperative Energy and SCS also amended the terms of the NITSA, which the FERC approved, to provide for the purchase of incremental transmission capacity from April 1, 2018 through March 31, 2021. On February 7, 2021, the NITSA was renewed for a 10-year term beginning April 1, 2021.

Southern Company Gas***Utility Regulation and Rate Design***

The natural gas distribution utilities are subject to regulation and oversight by their respective state regulatory agencies. Rates charged to customers vary according to customer class (residential, commercial, or industrial) and rate jurisdiction. These agencies approve rates designed to provide the opportunity to generate revenues to recover all prudently-incurred costs, including a return on rate base sufficient to pay interest on debt and provide a reasonable ROE.

As a result of operating in a deregulated environment, Atlanta Gas Light earns revenue by charging rates to its customers based primarily on monthly fixed charges that are set by the Georgia PSC and adjusted periodically. The Marketers add these fixed charges when billing customers. This mechanism, called a straight-fixed-variable rate design, minimizes the seasonality of Atlanta Gas Light's revenues since the monthly fixed charge is not volumetric or directly weather dependent.

With the exception of Atlanta Gas Light, the earnings of the natural gas distribution utilities can be affected by customer consumption patterns that are largely a function of weather conditions and price levels for natural gas. Specifically, customer demand substantially increases during the Heating Season when natural gas is used for heating purposes. Southern Company Gas has various mechanisms, such as weather and revenue normalization mechanisms and weather derivative instruments, that limit exposure to weather changes within typical ranges in these utilities' respective service territories.

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In addition to natural gas cost recovery mechanisms, other cost recovery mechanisms and regulatory riders, which vary by utility, allow recovery of certain costs, such as those related to infrastructure replacement programs as well as environmental remediation, energy efficiency plans, and bad debts. In traditional rate designs, utilities recover a significant portion of the fixed customer service and pipeline infrastructure costs based on assumed natural gas volumes used by customers. The utilities, including Nicor Gas beginning in November 2019, have decoupled regulatory mechanisms that Southern Company Gas believes encourage conservation by separating the recoverable amount of these fixed costs from the amounts of natural gas used by customers. See "Rate Proceedings" for additional information. Also see "Infrastructure Replacement Programs and Capital Projects" for additional information regarding infrastructure replacement programs at certain of the natural gas distribution utilities.

The following table provides regulatory information for Southern Company Gas' natural gas distribution utilities:

	Nicor Gas	Atlanta Gas Light	Virginia Natural Gas	Chattanooga Gas
Authorized ROE ^(a)	9.73%	10.25%	9.50%	9.80%
Weather normalization mechanisms ^(b)			✓	✓
Decoupled, including straight-fixed-variable rates ^(c)	✓	✓	✓	
Regulatory infrastructure program rates ^(d)	✓		✓	
Bad debt rider ^(e)	✓		✓	✓
Energy efficiency plan ^(f)	✓		✓	
Annual base rate adjustment mechanism ^(g)		✓		✓
Year of last base rate case decision	2019	2019	2017	2018

(a) Represents the authorized ROE, or the mid-point of the authorized ROE range, at December 31, 2020.

(b) Designed to help stabilize operating results by allowing recovery of costs in the event of unseasonal weather, but are not direct offsets to the potential impacts on earnings of weather and customer consumption.

(c) Allows for recovery of fixed customer service costs separately from assumed natural gas volumes used by customers and provides a benchmark level of revenue for recovery.

(d) Programs that update or expand distribution systems and LNG facilities.

(e) The recovery (refund) of bad debt expense over (under) an established benchmark expense. The gas portion of bad debt expense is recovered through purchased gas adjustment mechanisms. Nicor Gas also has a rider to recover the non-gas portion of bad debt expense.

(f) Recovery of costs associated with plans to achieve specified energy savings goals.

(g) Regulatory mechanism allowing annual adjustments to base rates up or down based on authorized ROE and/or ROE range.

Infrastructure Replacement Programs and Capital Projects

In addition to capital expenditures recovered through base rates by each of the natural gas distribution utilities, Nicor Gas and Virginia Natural Gas have separate rate riders that provide timely recovery of capital expenditures for specific infrastructure replacement programs. Total capital expenditures incurred during 2020 for gas distribution operations were \$1.5 billion.

The following table and discussions provide updates on the infrastructure replacement programs and capital projects at the natural gas distribution utilities at December 31, 2020. These programs are risk-based and designed to update and replace cast iron, bare steel, and mid-vintage plastic materials or expand Southern Company Gas' distribution systems to improve reliability and meet operational flexibility and growth.

Utility	Program	Recovery	Expenditures in 2020	Expenditures Since Project Inception	Pipe Installed Since Project Inception	Scope of Program	Program Duration	Last Year of Program
			(in millions)		(miles)	(miles)	(years)	
Nicor Gas	Investing in Illinois ^(*)	Rider	\$ 389	\$ 2,101	996	1,450	9	2023
Virginia Natural Gas	Steps to Advance Virginia's Energy (SAVE)	Rider	49	293	413	770	13	2024
Total			\$ 438	\$ 2,394	1,409	2,220		

(*) Includes replacement of pipes, compressors, and transmission mains along with other improvements such as new meters. Scope of program miles is an estimate and subject to change.

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Illinois legislation allows Nicor Gas to provide more widespread safety and reliability enhancements to its distribution system and stipulates that rate increases to customers as a result of any infrastructure investments shall not exceed a cumulative annual average of 4.0% or, in any given year, 5.5% of base rate revenues. In 2014, the Illinois Commission approved the nine-year regulatory infrastructure program, Investing in Illinois, subject to annual review. In conjunction with the base rate case order issued by the Illinois Commission in 2018, Nicor Gas is recovering program costs incurred prior to December 31, 2017 through base rates. Additionally, the Illinois Commission's approval of Nicor Gas' rate case in October 2019 included \$65 million in annual revenues related to the recovery of program costs from January 1, 2018 through September 30, 2019 under the Investing in Illinois program. See "Rate Proceedings" herein for additional information, including additional amounts requested for recovery in the base rate case filed in January 2021. Nicor Gas' capital expenditures related to qualifying projects under the Investing in Illinois program totaled \$396 million and \$409 million in 2019 and 2018, respectively.

Virginia Natural Gas

In September 2019, the Virginia Commission approved amendments to and extension of the Steps to Advance Virginia's Energy (SAVE) program, an accelerated infrastructure replacement program. The extension allows Virginia Natural Gas to continue replacing aging pipeline infrastructure through 2024 and increases its authorized investment under the previously-approved plan from \$35 million to \$40 million in 2019 with additional annual investments of \$50 million in 2020, \$60 million in 2021, \$70 million in each year from 2022 through 2024, and a total potential variance of up to \$5 million allowed for the program, for a maximum total investment over the six-year term (2019 through 2024) of \$365 million.

The SAVE program is subject to annual review by the Virginia Commission. In accordance with the base rate case filed with the Virginia Commission in 2020, Virginia Natural Gas is recovering program costs incurred prior to November 1, 2020 through base rates. Program costs incurred subsequent to November 1, 2020 are currently being recovered through a separate rider and are subject to future base rate case proceedings.

In December 2019, Virginia Natural Gas filed an application with the Virginia Commission for a 24.1-mile header improvement project to improve resiliency and increase the supply of natural gas delivered to energy suppliers, including Virginia Natural Gas. Following Virginia Natural Gas' notification on November 13, 2020 that it had terminated its agreements with the project's primary customer, the Virginia Commission issued an order on December 1, 2020 dismissing Virginia Natural Gas' application for the project. On December 15, 2020, Virginia Natural Gas filed a new application with the Virginia Commission for a 9.5-mile interconnect project to serve its existing transportation customers. The ultimate outcome of this matter cannot be determined at this time.

*Atlanta Gas Light*GRAM

In December 2019, the Georgia PSC approved the continuation of GRAM as part of Atlanta Gas Light's 2019 rate case order. Various infrastructure programs previously authorized by the Georgia PSC, including the Integrated Vintage Plastic Replacement Program to replace aging plastic pipe and the Integrated System Reinforcement Program to upgrade Atlanta Gas Light's distribution system and LNG facilities in Georgia, continue under GRAM and the recovery of and return on the infrastructure program investments are included in annual base rate adjustments. The amounts to be recovered through rates related to allowed, but not incurred, costs have been recognized in an unrecognized ratemaking amount that is not reflected on the balance sheets. This allowed cost is primarily the equity return on the capital investment under the infrastructure programs in place prior to GRAM. These PRP costs are being recovered through GRAM and base rates until the earlier of the full recovery of the related under recovered amount or December 31, 2025. The under recovered balance at December 31, 2020 was \$113 million, including \$59 million of unrecognized equity return. The Georgia PSC reviews Atlanta Gas Light's performance annually under GRAM. See "Rate Proceedings" and "Unrecognized Ratemaking Amounts" herein for additional information.

Atlanta Gas Light and the staff of the Georgia PSC previously agreed to a variation of the Integrated Customer Growth Program to extend pipeline facilities to serve customers in areas without pipeline access and create new economic development opportunities in Georgia. A separate tariff provides recovery of up to \$15 million annually for strategic economic development projects approved by the Georgia PSC.

Natural Gas Cost Recovery

With the exception of Atlanta Gas Light, the natural gas distribution utilities are authorized by the relevant regulatory agencies in the states in which they serve to use natural gas cost recovery mechanisms that adjust rates to reflect changes in the wholesale cost of natural gas and ensure recovery of all costs prudently incurred in purchasing natural gas for customers. The natural gas

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distribution utilities defer or accrue the difference between the actual cost of natural gas and the amount of commodity revenue earned in a given period. The deferred or accrued amount is either billed or refunded to customers prospectively through adjustments to the commodity rate. Deferred natural gas costs are reflected as regulatory assets and accrued natural gas costs are reflected as regulatory liabilities. Changes in the billing factor will not have a significant effect on Southern Company's or Southern Company Gas' revenues or net income, but will affect cash flows. Since Atlanta Gas Light does not sell natural gas directly to its end-use customers, it does not utilize a traditional natural gas cost recovery mechanism. However, Atlanta Gas Light does maintain natural gas inventory for the Marketers in Georgia and recovers the cost through recovery mechanisms approved by the Georgia PSC. At December 31, 2020 and 2019, the over recovered balances were \$88 million and \$74 million, respectively, which were included in other regulatory liabilities on Southern Company's and Southern Company Gas' balance sheets.

Rate Proceedings***Nicor Gas***

In January 2018, the Illinois Commission approved a \$137 million increase in annual base rate revenues, including \$93 million related to the recovery of investments under the Investing in Illinois program, effective in February 2018, based on a ROE of 9.8%. In May 2018, the Illinois Commission approved Nicor Gas' rehearing request for revised base rates to incorporate the reduction in the federal income tax rate as a result of the Tax Reform Legislation. The resulting decrease of approximately \$44 million in annual base rate revenues became effective May 5, 2018. The benefits of the Tax Reform Legislation from January 25, 2018 through May 4, 2018 were refunded to customers via bill credits and concluded in the second quarter 2019.

In October 2019, the Illinois Commission approved a \$168 million annual base rate increase effective October 8, 2019. The base rate increase included \$65 million related to the recovery of program costs under the Investing in Illinois program and was based on a ROE of 9.73% and an equity ratio of 54.2%. Additionally, the Illinois Commission approved a volume balancing adjustment, a revenue decoupling mechanism for residential customers that provides a benchmark level of revenue per rate class for recovery.

On January 14, 2021, Nicor Gas filed a general base rate case with the Illinois Commission, requesting a \$293 million increase in annual base rate revenues, including \$94 million related to the recovery of investments under the Investing in Illinois program. The requested increase is based on a projected test year ending December 31, 2022, a ROE of 10.35%, and an equity ratio of 54.5%. The Illinois Commission has an 11-month statutory time limit to rule on the requested increase, after which rate adjustments will be effective. The ultimate outcome of this matter cannot be determined at this time.

Atlanta Gas Light

In 2018, Atlanta Gas Light revised its annual GRAM filing to reflect the impacts of the Tax Reform Legislation and requested a \$16 million rate reduction. In May 2018, the Georgia PSC approved a stipulation for Atlanta Gas Light's annual base rates to remain at the 2017 level for 2018 and 2019, with customer credits of \$8 million in each of July 2018 and October 2018 to reflect the impacts of the Tax Reform Legislation. The Georgia PSC maintained Atlanta Gas Light's previously authorized earnings band based on a ROE between 10.55% and 10.95% and increased the allowed equity ratio by 4% to an equity ratio of 55% to address the negative cash flow and credit metric impacts of the Tax Reform Legislation.

In December 2019, the Georgia PSC approved a \$65 million annual base rate increase, effective January 1, 2020, based on a ROE of 10.25% and an equity ratio of 56%. Earnings will be evaluated against a ROE range of 10.05% to 10.45%, with disposition of any earnings above 10.45% to be determined by the Georgia PSC. Additionally, the Georgia PSC approved continuation of the previously authorized inclusion in base rates of the recovery of and return on the infrastructure program investments, including, but not limited to, GRAM adjustments, and a reauthorization and continuation of GRAM until terminated by the Georgia PSC. GRAM filing rate adjustments will be based on the authorized ROE of 10.25%. GRAM adjustments for 2021 may not exceed 5% of 2020 base rates. The 5% limitation does not set a precedent in any future rate proceedings by Atlanta Gas Light.

On July 1, 2020, Atlanta Gas Light filed its 2020 GRAM filing with the Georgia PSC requesting an annual base rate increase of \$37.6 million based on the projected 12-month period beginning January 1, 2021, which did not exceed the 5% limitation established by the Georgia PSC. Rates went into effect on January 1, 2021 in accordance with Atlanta Gas Light's 2019 rate case order.

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On February 16, 2021, the Georgia PSC approved a stipulation between Atlanta Gas Light and the Georgia PSC staff establishing a long-range comprehensive planning process. Under the terms of the stipulation, Atlanta Gas Light will develop and file at least triennially an Integrated Capacity and Delivery Plan (i-CDP). Each i-CDP will include a 10-year forecast of interstate and intrastate capacity asset requirements, including a detailed plan for the first three years consistent with Atlanta Gas Light's current capacity supply plan, and a 10-year projection of capital budgets and related operations and maintenance spending. Recovery of the related revenue requirements will be included in either subsequent annual GRAM filings or a new System Reinforcement Rider for authorized large pressure improvement and system reliability projects. Atlanta Gas Light will file its first i-CDP later in 2021. The ultimate outcome of this matter cannot be determined at this time.

Virginia Natural Gas

In 2018, the Virginia Commission approved Virginia Natural Gas' annual information form filing, which was based on the previously authorized ROE range of 9.0% to 10.0%, with a midpoint of 9.5%, and reduced annual base rates by \$14 million effective January 1, 2019 due to lower tax expense as a result of the Tax Reform Legislation, along with customer refunds, via bill credits, for \$14 million related to 2018 tax benefits deferred as a regulatory liability at December 31, 2018. These customer refunds were completed in the first quarter 2019.

On June 1, 2020, Virginia Natural Gas filed a general rate case with the Virginia Commission seeking an increase in annual base revenues of \$49.6 million primarily to recover investments and increased costs associated with infrastructure, technology, and workforce development. The requested increase is based on a projected 12-month test year beginning November 1, 2020, a ROE of 10.35%, and an equity ratio of 54%. Interim rate adjustments became effective November 1, 2020, subject to refund. The ultimate outcome of this matter cannot be determined at this time.

Deferral of Incremental COVID-19 Costs

As discussed under "Utility Regulation and Rate Design," the natural gas distribution utilities have various regulatory mechanisms to recover bad debt expense, which will mitigate potential increases in bad debt expense as a result of the COVID-19 pandemic.

Atlanta Gas Light

On April 30, 2020, in response to the COVID-19 pandemic, the Georgia PSC approved orders directing Atlanta Gas Light to continue its previous, voluntary suspension of customer disconnections. On June 22, 2020, the Georgia PSC ordered Atlanta Gas Light to resume customer disconnections beginning July 1, 2020, with exceptions for customers still covered by a shelter-in-place order. All suspensions for customer disconnections were lifted in October 2020. The orders provide the Marketers, including SouthStar, with a mechanism to receive credits from Atlanta Gas Light for the base rates it charged to the Marketers of non-paying customers during the suspension. Atlanta Gas Light expects to recover these credits through the annual GRAM revenue true-up process, which would impact rates starting on January 1, 2022. The ultimate outcome of this matter cannot be determined at this time.

Nicor Gas

On March 18, 2020, in response to the COVID-19 pandemic, the Illinois Commission issued an order directing utilities to cease disconnections for non-payment and to suspend the imposition of late payment fees or penalties. On June 18, 2020, the Illinois Commission approved a stipulation pursuant to which Nicor Gas and other utilities in Illinois will provide more flexible credit and collection procedures to assist customers with financial hardship and which authorizes a special purpose rider for recovery of the following COVID-19 pandemic-related impacts: incremental costs directly associated with the COVID-19 pandemic, net of the offset for COVID-19 pandemic-related credits received, foregone late fees, foregone reconnection charges, and the costs associated with a bill payment assistance program. Nicor Gas resumed late payment fees on July 27, 2020 and, on October 1, 2020, began recovery of the COVID-19 pandemic-related impacts through the special purpose rider, which will continue over a 24-month period. In response to an Illinois Commission request, Nicor Gas will continue to voluntarily suspend residential customer disconnections for non-payment through March 31, 2021. At December 31, 2020, Nicor Gas' related regulatory asset was \$9 million.

Virginia Natural Gas

In response to the COVID-19 pandemic, the Virginia Commission issued orders requiring Virginia Natural Gas to suspend disconnections beginning on March 16, 2020 and also to suspend late payment and reconnection fees beginning on April 9, 2020; these orders expired on October 5, 2020. On November 18, 2020, the Virginia legislature approved the continuation of these orders until the declared state of emergency in Virginia ends. On April 29, 2020, the Virginia Commission authorized Virginia Natural Gas to defer the following COVID-19 pandemic-related costs as a regulatory asset: incremental uncollectible expense

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incurred, suspended late fees, suspended reconnection charges, carrying costs, and other incremental prudently incurred costs associated with the COVID-19 pandemic. Specific recovery of the amounts deferred in a regulatory asset will be addressed in a future rate proceeding. At December 31, 2020, Virginia Natural Gas' related regulatory asset was immaterial. The ultimate outcome of this matter cannot be determined at this time.

Unrecognized Ratemaking Amounts

The following table illustrates Southern Company Gas' authorized ratemaking amounts that are not recognized on its balance sheets. These amounts are primarily composed of an allowed equity rate of return on assets associated with certain regulatory infrastructure programs. These amounts will be recognized as revenues in Southern Company Gas' financial statements in the periods they are billable to customers, the majority of which will be recovered by 2025.

	December 31, 2020	December 31, 2019
	<i>(in millions)</i>	
Atlanta Gas Light	\$ 59	\$ 70
Virginia Natural Gas	10	10
Nicor Gas	3	2
Total	\$ 72	\$ 82

3. CONTINGENCIES, COMMITMENTS, AND GUARANTEES

General Litigation Matters

The Registrants are involved in various matters being litigated and regulatory matters. The ultimate outcome of such pending or potential litigation or regulatory matters against each Registrant and any subsidiaries cannot be determined at this time; however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on such Registrant's financial statements.

The Registrants believe the pending legal challenges discussed below have no merit; however, the ultimate outcome of these matters cannot be determined at this time.

Southern Company

In January 2017, a securities class action complaint was filed in the U.S. District Court for the Northern District of Georgia by Monroe County Employees' Retirement System on behalf of all persons who purchased shares of Southern Company's common stock between April 25, 2012 and October 30, 2013, as subsequently amended. The amended complaint named as defendants Southern Company, certain of its current and former officers, and certain former Mississippi Power officers and alleged that the defendants made materially false and misleading statements regarding the Kemper County energy facility in violation of certain provisions under the Securities Exchange Act of 1934, as amended. The complaint sought, among other things, compensatory damages and litigation costs and attorneys' fees. In 2018, the court issued an order dismissing certain claims against certain officers of Southern Company and Mississippi Power and dismissing the allegations related to a number of the statements that plaintiffs challenged as being false or misleading. In 2018, the court denied the defendants' motion for reconsideration and also denied a motion to certify the issue for interlocutory appeal. In 2019, the court certified the plaintiffs' proposed class and entered an order staying all deadlines in the case pending mediation. In the third quarter 2020, the parties reached a settlement and the plaintiffs filed a stipulation of settlement and motion for preliminary approval to resolve the case on a class-wide basis, which the court granted on October 1, 2020. On January 14, 2021, the court granted final approval of the settlement. The settlement amount was paid entirely through existing insurance policies and did not have a material impact on Southern Company's financial statements. This matter is now concluded.

In February 2017, Jean Vineyard and Judy Mesirov each filed a shareholder derivative lawsuit in the U.S. District Court for the Northern District of Georgia. Each of these lawsuits names as defendants Southern Company, certain of its directors, certain of its current and former officers, and certain former Mississippi Power officers. In 2017, these two shareholder derivative lawsuits were consolidated in the U.S. District Court for the Northern District of Georgia. The complaints allege that the defendants caused Southern Company to make false or misleading statements regarding the Kemper County energy facility cost and schedule. Further, the complaints allege that the defendants were unjustly enriched and caused the waste of corporate assets and also allege that the individual defendants violated their fiduciary duties.

In May 2017, Helen E. Piper Survivor's Trust filed a shareholder derivative lawsuit in the Superior Court of Gwinnett County, Georgia that names as defendants Southern Company, certain of its directors, certain of its current and former officers, and certain

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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former Mississippi Power officers. The complaint alleges that the individual defendants, among other things, breached their fiduciary duties in connection with schedule delays and cost overruns associated with the construction of the Kemper County energy facility. The complaint further alleges that the individual defendants authorized or failed to correct false and misleading statements regarding the Kemper County energy facility schedule and cost and failed to implement necessary internal controls to prevent harm to Southern Company. In August 2019, the court granted a motion filed by the plaintiff in July 2019 to substitute a new named plaintiff, Martin J. Kobuck, in place of Helen E. Piper Survivor's Trust.

The plaintiffs in each of these cases seek to recover, on behalf of Southern Company, unspecified actual damages and, on each plaintiff's own behalf, attorneys' fees and costs in bringing the lawsuit, as well as certain changes to Southern Company's corporate governance and internal processes. In 2018, the court in each case entered an order staying each lawsuit until 30 days after the resolution of any dispositive motions or any settlement, whichever is earlier, in the securities class action. In September 2020, the plaintiffs in each case filed a status report noting the settlement of the securities class action and informing the court that the parties had scheduled mediation, which occurred on November 12, 2020. The parties in each case did not reach settlement but continue to explore possible resolution. Each case is stayed while the parties discuss potential resolution.

Georgia Power

In 2011, plaintiffs filed a putative class action against Georgia Power in the Superior Court of Fulton County, Georgia alleging that Georgia Power's collection in rates of amounts for municipal franchise fees (which fees are paid to municipalities) exceeded the amounts allowed in orders of the Georgia PSC and alleging certain state law claims. This case has been ruled upon and appealed numerous times over the last several years. In one recent appeal, the Georgia Supreme Court remanded the case and noted that the trial court could refer the matter to the Georgia PSC to interpret its tariffs. Following a motion by Georgia Power, in February 2019, the Superior Court of Fulton County ordered the parties to submit petitions to the Georgia PSC for a declaratory ruling and also conditionally certified the proposed class. In March 2019, Georgia Power and the plaintiffs filed petitions with the Georgia PSC seeking confirmation of the proper application of the municipal franchise fee schedule pursuant to the Georgia PSC's orders. Also in March 2019, Georgia Power appealed the class certification decision to the Georgia Court of Appeals. In October 2019, the Georgia PSC issued an order that found Georgia Power has appropriately implemented the municipal franchise fee schedule. On March 11, 2020, the Georgia Court of Appeals vacated the Superior Court of Fulton County's February 2019 order granting conditional class certification and remanded the case to the Superior Court of Fulton County for further proceedings. In September 2020, the plaintiffs and Georgia Power each filed motions for summary judgment and the plaintiffs renewed their motion for class certification. The amount of any possible losses cannot be estimated at this time because, among other factors, it is unknown whether a class will be certified, the ultimate composition of any class, and whether any losses would be subject to recovery from any municipalities.

On July 29, 2020, a group of individual plaintiffs filed a complaint in the Superior Court of Fulton County, Georgia against Georgia Power alleging that releases from Plant Scherer have impacted groundwater, surface water, and air, resulting in alleged personal injuries and property damage. The plaintiffs seek an unspecified amount of monetary damages including punitive damages, a medical monitoring fund, and injunctive relief. In September 2020, Georgia Power filed a motion to dismiss. The amount of any possible losses cannot be estimated at this time.

Mississippi Power

In 2018, Ray C. Turnage and 10 other individual plaintiffs filed a putative class action complaint against Mississippi Power and the three then-serving members of the Mississippi PSC in the U.S. District Court for the Southern District of Mississippi. Mississippi Power received Mississippi PSC approval in 2013 to charge a mirror CWIP rate premised upon including in its rate base pre-construction and construction costs for the Kemper IGCC prior to placing the Kemper IGCC into service. The Mississippi Supreme Court reversed that approval and ordered Mississippi Power to refund the amounts paid by customers under the previously-approved mirror CWIP rate. The plaintiffs allege that the initial approval process, and the amount approved, were improper. They also allege that Mississippi Power underpaid customers by up to \$23.5 million in the refund process by applying an incorrect interest rate. The plaintiffs seek to recover, on behalf of themselves and their putative class, actual damages, punitive damages, pre-judgment interest, post-judgment interest, attorney's fees, and costs. In response to Mississippi Power and the Mississippi PSC each filing a motion to dismiss, the plaintiffs filed an amended complaint in March 2019. The amended complaint included four additional plaintiffs and additional claims for gross negligence, reckless conduct, and intentional wrongdoing. Mississippi Power and the Mississippi PSC each filed a motion to dismiss the amended complaint, which occurred on May 26, 2020 and March 27, 2020, respectively. Also on March 27, 2020, the plaintiffs filed a motion seeking to name the new members of the Mississippi PSC, the Mississippi Development Authority, and Southern Company as additional defendants and add a cause of action against all defendants based on a dormant commerce clause theory under the U.S. Constitution. On July 28, 2020, the plaintiffs filed a motion for leave to file a third amended complaint, which included the same federal claims as the

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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proposed second amended complaint, as well as several additional state law claims based on the allegation that Mississippi Power failed to disclose the annual percentage rate of interest applicable to refunds. On November 10, 2020, the court denied each of the plaintiffs' pending motions and entered final judgment in favor of Mississippi Power. On January 22, 2021, the court denied further motions by the plaintiffs to vacate the judgment and to file a revised second amended complaint. An adverse outcome in this proceeding could have a material impact on Mississippi Power's financial statements.

See "Other Matters – Mississippi Power – Kemper County Energy Facility" herein for additional information.

Environmental Remediation

The Southern Company system must comply with environmental laws and regulations governing the handling and disposal of waste and releases of hazardous substances. Under these various laws and regulations, the Southern Company system could incur substantial costs to clean up affected sites. The traditional electric operating companies and the natural gas distribution utilities conduct studies to determine the extent of any required cleanup and have recognized the estimated costs to clean up known impacted sites in the financial statements. A liability for environmental remediation costs is recognized only when a loss is determined to be probable and reasonably estimable and is reduced as expenditures are incurred. The traditional electric operating companies and the natural gas distribution utilities in Illinois and Georgia have each received authority from their respective state PSCs or other applicable state regulatory agencies to recover approved environmental remediation costs through regulatory mechanisms. Any difference between the liabilities accrued and costs recovered through rates is deferred as a regulatory asset or liability. These regulatory mechanisms are adjusted annually or as necessary within limits approved by the state PSCs or other applicable state regulatory agencies. At December 31, 2020 and 2019, Alabama Power did not have environmental remediation liabilities and Mississippi Power's balance was immaterial.

Georgia Power has been designated or identified as a potentially responsible party at sites governed by the Georgia Hazardous Site Response Act and/or by the federal Comprehensive Environmental Response, Compensation, and Liability Act, and assessment and potential cleanup of such sites is expected. For 2020, 2019, and 2018, Georgia Power recovered approximately \$12 million, \$2 million, and \$2 million, respectively, through the ECCR tariff for environmental remediation.

In December 2019, Mississippi Power entered into an agreement with the Mississippi Commission on Environmental Quality related to groundwater conditions arising from the closed ash pond at Plant Watson. Mississippi Power will complete an assessment and remediation consistent with the requirements of the agreement and the CCR Rule. It is anticipated that corrective action will be needed; however, an estimate of remedial costs will not be available until further site assessment is completed. Mississippi Power expects to recover the retail portion of remedial costs through the ECO Plan and the wholesale portion through MRA rates.

Southern Company Gas is subject to environmental remediation liabilities associated with 40 former MGP sites in four different states. Southern Company Gas' accrued environmental remediation liability at December 31, 2020 and 2019 was based on the estimated cost of environmental investigation and remediation associated with these sites.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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At December 31, 2020 and 2019, the environmental remediation liability and the balance of under recovered environmental remediation costs were reflected in the balance sheets as follows:

	Southern Company	Georgia Power	Southern Company Gas
	<i>(in millions)</i>		
December 31, 2020:			
Environmental remediation liability:			
Other current liabilities	\$ 44	\$ 15	\$ 29
Accrued environmental remediation	216	—	216
Under recovered environmental remediation costs:			
Other regulatory assets, current	\$ 46	\$ 12	\$ 34
Other regulatory assets, deferred	265	29	236
December 31, 2019:			
Environmental remediation liability:			
Other current liabilities	\$ 51	\$ 15	\$ 36
Accrued environmental remediation	234	—	233
Under recovered environmental remediation costs:			
Other regulatory assets, current	\$ 49	\$ 12	\$ 37
Other regulatory assets, deferred	300	40	260

The ultimate outcome of these matters cannot be determined at this time; however, as a result of the regulatory treatment for environmental remediation expenses described above, the final disposition of these matters is not expected to have a material impact on the financial statements of the applicable Registrants.

Nuclear Fuel Disposal Costs

Acting through the DOE and pursuant to the Nuclear Waste Policy Act of 1982, the U.S. government entered into contracts with Alabama Power and Georgia Power that required the DOE to dispose of spent nuclear fuel generated at Plants Farley, Hatch, and Vogtle Units 1 and 2 beginning no later than January 31, 1998. The DOE has yet to commence the performance of its contractual and statutory obligation to dispose of spent nuclear fuel. Consequently, Alabama Power and Georgia Power pursued and continue to pursue legal remedies against the U.S. government for its partial breach of contract.

In 2014, Alabama Power and Georgia Power filed lawsuits against the U.S. government for the costs of continuing to store spent nuclear fuel at Plants Farley, Hatch, and Vogtle Units 1 and 2 for the period from January 1, 2011 through December 31, 2013. The damage period was subsequently extended to December 31, 2014. On June 12, 2019, the Court of Federal Claims granted Alabama Power's and Georgia Power's motion for summary judgment on damages not disputed by the U.S. government, awarding those undisputed damages to Alabama Power and Georgia Power. However, those undisputed damages are not collectible and no amounts will be recognized in the financial statements until the court enters final judgment on the remaining damages.

In 2017, Alabama Power and Georgia Power filed additional lawsuits against the U.S. government in the Court of Federal Claims for the costs of continuing to store spent nuclear fuel at Plants Farley, Hatch, and Vogtle Units 1 and 2 for the period from January 1, 2015 through December 31, 2017. On August 13, 2020, Alabama Power and Georgia Power filed amended complaints in each of the lawsuits adding damages from January 1, 2018 to December 31, 2019 to the claim period.

The outstanding claims for the period January 1, 2011 through December 31, 2019 total \$110 million and \$132 million for Alabama Power and Georgia Power (based on its ownership interests), respectively. Damages will continue to accumulate until the issue is resolved, the U.S. government disposes of Alabama Power's and Georgia Power's spent nuclear fuel pursuant to its contractual obligations, or alternative storage is otherwise provided. No amounts have been recognized in the financial statements as of December 31, 2020 for any potential recoveries from the pending lawsuits.

The final outcome of these matters cannot be determined at this time. However, Alabama Power and Georgia Power expect to credit any recoveries for the benefit of customers in accordance with direction from their respective PSC; therefore, no material impact on Southern Company's, Alabama Power's, or Georgia Power's net income is expected.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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On-site dry spent fuel storage facilities are operational at all three plants and can be expanded to accommodate spent fuel through the expected life of each plant.

Nuclear Insurance

Under the Price-Anderson Amendments Act (Act), Alabama Power and Georgia Power maintain agreements of indemnity with the NRC that, together with private insurance, cover third-party liability arising from any nuclear incident occurring at the companies' nuclear power plants. The Act provides funds up to \$13.8 billion for public liability claims that could arise from a single nuclear incident. Each nuclear plant is insured against this liability to a maximum of \$450 million by American Nuclear Insurers (ANI), with the remaining coverage provided by a mandatory program of deferred premiums that could be assessed, after a nuclear incident, against all owners of commercial nuclear reactors. A company could be assessed up to \$138 million per incident for each licensed reactor it operates but not more than an aggregate of \$20 million per incident to be paid in a calendar year for each reactor. Such maximum assessment, excluding any applicable state premium taxes, for Alabama Power and Georgia Power, based on its ownership and buyback interests in all licensed reactors, is \$275 million and \$267 million, respectively, per incident, but not more than an aggregate of \$41 million and \$40 million, respectively, to be paid for each incident in any one year. Both the maximum assessment per reactor and the maximum yearly assessment are adjusted for inflation at least every five years. The next scheduled adjustment is due no later than November 1, 2023. See Note 5 under "Joint Ownership Agreements" for additional information on joint ownership agreements.

Alabama Power and Georgia Power are members of Nuclear Electric Insurance Limited (NEIL), a mutual insurer established to provide property damage insurance in an amount up to \$1.5 billion for members' operating nuclear generating facilities. Additionally, both companies have NEIL policies that currently provide decontamination, excess property insurance, and premature decommissioning coverage up to \$1.25 billion for nuclear losses and policies providing coverage up to \$750 million for non-nuclear losses in excess of the \$1.5 billion primary coverage.

NEIL also covers the additional costs that would be incurred in obtaining replacement power during a prolonged accidental outage at a member's nuclear plant. Members can purchase this coverage, subject to a deductible waiting period of up to 26 weeks, with a maximum per occurrence per unit limit of \$490 million. After the deductible period, weekly indemnity payments would be received until either the unit is operational or until the limit is exhausted. Alabama Power and Georgia Power each purchase limits based on the projected full cost of replacement power, subject to ownership limitations, and have each elected a 12-week deductible waiting period for each nuclear plant.

A builders' risk property insurance policy has been purchased from NEIL for the construction of Plant Vogtle Units 3 and 4. This policy provides the Vogtle Owners up to \$2.75 billion for accidental property damage occurring during construction.

Under each of the NEIL policies, members are subject to assessments each year if losses exceed the accumulated funds available to the insurer. The maximum annual assessments for Alabama Power and Georgia Power as of December 31, 2020 under the NEIL policies would be \$56 million and \$84 million, respectively.

Claims resulting from terrorist acts and cyber events are covered under both the ANI and NEIL policies (subject to normal policy limits). The maximum aggregate that NEIL will pay for all claims resulting from terrorist acts and cyber events in any 12-month period is \$3.2 billion each, plus such additional amounts NEIL can recover through reinsurance, indemnity, or other sources.

For all on-site property damage insurance policies for commercial nuclear power plants, the NRC requires that the proceeds of such policies shall be dedicated first for the sole purpose of placing the reactor in a safe and stable condition after an accident. Any remaining proceeds are to be applied next toward the costs of decontamination and debris removal operations ordered by the NRC, and any further remaining proceeds are to be paid either to the applicable company or to its debt trustees as may be appropriate under the policies and applicable trust indentures. In the event of a loss, the amount of insurance available might not be adequate to cover property damage and other expenses incurred. Uninsured losses and other expenses, to the extent not recovered from customers, would be borne by Alabama Power or Georgia Power, as applicable, and could have a material effect on Southern Company's, Alabama Power's, and Georgia Power's financial condition and results of operations.

All retrospective assessments, whether generated for liability, property, or replacement power, may be subject to applicable state premium taxes.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**Other Matters*****Southern Company***

As discussed in Note 1 under "Leveraged Leases," a subsidiary of Southern Holdings has four leveraged lease agreements, two domestic and two international. The ability of the lessees to make required payments to the Southern Holdings subsidiary is dependent on the operational performance of the assets.

Since 2017, the financial and operational performance of one of the domestic lessees and the associated generation assets raised significant concerns about the short-term ability of the generation assets to produce cash flows sufficient to support ongoing operations and the lessee's contractual obligations and its ability to make the remaining semi-annual lease payments through the end of the lease term in 2047. In addition, following the expiration of the existing power offtake agreement in 2032, the lessee also is exposed to remarketing risk, which encompasses the price and availability of alternative sources of generation.

In connection with the 2019 annual impairment analysis, Southern Company revised the estimated cash flows to be received under the leveraged lease, which resulted in an impairment charge of \$17 million (\$13 million after tax) recorded in the fourth quarter 2019. During the second quarter 2020, Southern Company received the latest annual forecasts of natural gas prices and considered the significant decline in forecasted prices to be an indicator of potential impairment that required an interim impairment assessment. Accordingly, consistent with prior impairment analyses, Southern Company evaluated the recoverability of the lease receivable and the expected residual value of the generation assets under various natural gas price scenarios to estimate the cash flows expected to be received from remarketing the generation assets following the expiration of the existing PPA and the residual value of the generation assets at the end of the lease. Based on the current forecasts of energy prices in the years following the expiration of the existing PPA, Southern Company concluded that it is no longer probable that any of the associated rental payments will be received, because it is no longer probable the generation assets will be successfully remarketed and continue to operate after that date. During the second quarter 2020, Southern Company revised the estimated cash flows to be received under the leveraged lease to reflect this conclusion, which resulted in a full impairment of the lease investment and a pre-tax charge to earnings of \$154 million (\$74 million after tax).

All required lease payments through December 31, 2020 have been paid in full. If any future lease payments due prior to the expiration of the associated PPA are not paid in full, the Southern Holdings subsidiary may be unable to make its corresponding payment to the holders of the underlying non-recourse debt related to the generation assets. Failure to make the required payment to the debtholders could represent an event of default that would give the debtholders the right to foreclose on, and take ownership of, the generation assets, in effect terminating the lease. As the remaining amount of the lease investment was charged against earnings in the second quarter 2020, termination would not be expected to result in additional charges. Southern Company will continue to monitor the operational performance of the underlying assets and evaluate the ability of the lessee to continue to make the required lease payments and meet its obligations associated with a future closure or retirement of the generation assets and associated properties, including the dry ash landfill.

During the fourth quarter 2020, Southern Company management initiated steps to sell the investment in its other domestic leveraged lease and reclassified the investment as held for sale. In connection with the annual impairment analysis of this investment, Southern Company management concluded that the estimated residual value of the generation assets should be reduced due to significant uncertainty as to whether the related natural gas generation assets will continue to operate at the end of the lease term in 2040 and recorded the resulting impairment charge. An additional charge was recorded to further reduce the related investment in the leveraged lease to its estimated fair value, less costs to sell. The pre-tax charges to earnings in the fourth quarter 2020 totaled \$52 million (\$31 million after tax). See Note 15 under "Assets Held for Sale" for additional information.

The leveraged lease agreements for the two international projects include lessee purchase options related to the leased assets, which consist of nine gas distribution networks and two district heating systems in the Netherlands. The lessee has communicated its intent to exercise the first purchase option in 2022. The purchase options for the remaining ten assets are exercisable on various dates through 2028 with at least one year's notice. The exercise of these purchase options is not expected to result in any gain or loss.

Mississippi Power***Kemper County Energy Facility***

The Kemper County energy facility was designed to utilize IGCC technology with an expected output capacity of 582 MWs and to be fueled by locally mined lignite from a mine owned by Mississippi Power and situated adjacent to the Kemper County energy facility. In 2012, the Mississippi PSC issued an order confirming the CPCN originally approved by the Mississippi PSC in 2010 authorizing the acquisition, construction, and operation of the Kemper County energy facility. Mississippi Power placed the

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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combined cycle and the associated common facilities portion of the Kemper County energy facility in service in 2014 and dedicated them as Plant Ratcliffe in 2018.

In 2017, the Mississippi PSC issued an order directing Mississippi Power to pursue a settlement under which the Kemper County energy facility would be operated as a natural gas plant, rather than an IGCC plant, and address all issues associated with the Kemper County energy facility. Following this order, cost recovery of the gasifier portions was no longer probable and Mississippi Power recorded significant charges to income in 2017.

In 2018, the Mississippi PSC approved a settlement agreement for the Kemper County energy facility, which resolved all cost recovery issues, modified the CPCN to limit the Kemper County energy facility to natural gas combined cycle operation, and reduced retail customer rates by approximately \$26.8 million annually based on a revenue requirement that included no recovery for costs associated with the gasifier portion of the Kemper County energy facility.

In 2018, 2019, and 2020, Mississippi Power recorded charges to income associated with abandonment and related closure costs and ongoing period costs, net of salvage proceeds, for the mine and gasifier-related assets at the Kemper County energy facility. These charges, including related tax impacts, totaled \$37 million pre-tax (\$68 million benefit after tax) in 2018, \$24 million pre-tax and after tax in 2019, and \$4 million pre-tax (\$3 million after tax) in 2020. The pre-tax charges are included in other operations and maintenance expenses on the statements of income.

Dismantlement of the abandoned gasifier-related assets and site restoration activities are expected to be completed by 2026. Additional pre-tax period costs associated with dismantlement and site restoration activities, including related costs for compliance and safety, ARO accretion, and property taxes, net of salvage, are estimated to total \$10 million to \$20 million annually through 2025.

The Mississippi Power Rate Case Settlement Agreement eliminated separate rates associated with the Kemper County energy facility and included these costs in rates for PEP, ECO Plan, and ad valorem taxes, as applicable, effective with the revised rates in 2020. See Note 2 under "Mississippi Power – 2019 Base Rate Case" for additional information.

Lignite Mine and CO₂ Pipeline Facilities

Mississippi Power owns the lignite mine and equipment and mineral reserves located around the Kemper County energy facility site. The mine started commercial operation in 2013. In connection with the Kemper County energy facility construction, Mississippi Power also constructed a pipeline for the transport of captured CO₂.

In 2010, Mississippi Power executed a management fee contract with Liberty Fuels Company, LLC (Liberty Fuels), a wholly-owned subsidiary of The North American Coal Corporation, which developed, constructed, and is responsible for the mining operations through the end of the mine reclamation. As the mining permit holder, Liberty Fuels has a legal obligation to perform mine reclamation and Mississippi Power has a contractual obligation to fund all reclamation activities. As a result of the abandonment of the Kemper IGCC, final mine reclamation began in 2018 and was substantially completed in 2020, with monitoring expected to continue through 2027. See Note 6 for additional information.

In December 2019, Mississippi Power transferred ownership of the CO₂ pipeline to an unrelated gas pipeline company, with no resulting impact on income. In conjunction with the transfer of the CO₂ pipeline, the parties agreed to enter into a 15-year firm transportation agreement, which became effective in December 2020, upon the conversion by the pipeline company of the CO₂ pipeline to a natural gas pipeline to be used for the delivery of natural gas to Plant Ratcliffe. The agreement is treated as a finance lease for accounting purposes. See Note 9 for additional information.

Government Grants

In 2010, the DOE, through a cooperative agreement with SCS, agreed to fund \$270 million of the Kemper County energy facility through the grants awarded to the project by the DOE under the Clean Coal Power Initiative Round 2. In 2016, additional DOE grants in the amount of \$137 million were awarded to the Kemper County energy facility. In 2018, Mississippi Power filed with the DOE its request for property closeout certification under the contract related to the \$387 million of total grants received. On September 3, 2020, Mississippi Power and Southern Company executed an agreement with the DOE completing Mississippi Power's request, which enabled Mississippi Power to proceed with full dismantlement of the abandoned gasifier-related assets and site restoration activities. The expected impact of the closeout agreement was accrued in 2019. In connection with the DOE closeout discussions, in April 2019, the Civil Division of the Department of Justice informed Southern Company and Mississippi Power of an investigation related to the grants received. The ultimate outcome of this matter cannot be determined at this time; however, it could have a material impact on Southern Company's and Mississippi Power's financial statements.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report*Plant Daniel*

In conjunction with Southern Company's sale of Gulf Power, NextEra Energy held back \$75 million of the purchase price pending Mississippi Power and Gulf Power negotiating a mutually acceptable revised operating agreement for Plant Daniel. In addition, Mississippi Power and Gulf Power agreed to seek a restructuring of their 50% undivided ownership interests in Plant Daniel such that each of them would, after the restructuring, own 100% of a generating unit. In January 2019, Gulf Power provided notice to Mississippi Power that Gulf Power will retire its share of the generating capacity of Plant Daniel on January 15, 2024. Mississippi Power has the option to purchase Gulf Power's ownership interest for \$1 on January 15, 2024, provided that Mississippi Power exercises the option no later than 120 days prior to that date. Mississippi Power is assessing the potential operational and economic effects of Gulf Power's notice. On April 24, 2020, Mississippi Power and Gulf Power amended the terms of their agreement to extend the deadline from May 1, 2020 to August 1, 2020 for Mississippi Power to notify Gulf Power of which generating unit it has selected for 100% ownership. The parties agreed not to select a specific unit by August 1, 2020 and are continuing negotiations on a mutually acceptable revised operating agreement. The impacts of operating the units on an individual basis continue to be evaluated by Mississippi Power and any transfer of ownership would be subject to approval by the FERC and the Mississippi PSC. The ultimate outcome of this matter cannot be determined at this time. See Note 15 under "Southern Company" for information regarding the sale of Gulf Power.

*Southern Company Gas**PennEast Pipeline Project*

In 2014, Southern Company Gas entered into a partnership in which it holds a 20% ownership interest in the PennEast Pipeline, an interstate pipeline company formed to develop and operate an approximate 118-mile natural gas pipeline between New Jersey and Pennsylvania. The expected initial transportation capacity of 1.0 Bcf per day is under long-term contracts, mainly with public utilities and other market-serving entities, such as electric generation companies, in New Jersey, Pennsylvania, and New York.

Expected project costs related to the PennEast Pipeline for Southern Company Gas total approximately \$300 million, excluding financing costs. In 2018, the PennEast Pipeline received initial FERC approval. Work continues with state and federal agencies to obtain the required permits to begin construction. On February 20, 2020, the FERC approved a two-year extension for PennEast Pipeline to complete the project by January 19, 2022.

On January 30, 2020, PennEast Pipeline filed an amendment with the FERC to construct the pipeline project in two phases. The first phase would consist of 68 miles of pipe, constructed entirely within Pennsylvania, which is expected to be completed in late 2022. The second phase would include the remaining route in Pennsylvania and New Jersey and is targeted for completion in 2024. FERC approval of the amended plan is required prior to beginning the first phase.

In September 2019, an appellate court ruled that the PennEast Pipeline does not have federal eminent domain authority over lands in which a state has property rights interests. On February 18, 2020, PennEast Pipeline filed a petition for a writ of certiorari to seek U.S. Supreme Court review of the appellate court decision, which the U.S. Supreme Court granted on February 3, 2021.

The ultimate outcome of these matters cannot be determined at this time; however, any work delays, whether caused by judicial or regulatory action, abnormal weather, or other conditions, may result in additional cost or schedule modifications or, ultimately, in project cancellation, any of which could result in impairment of Southern Company Gas' PennEast Pipeline investment and could have a significant impact on Southern Company's financial statements and a material impact on Southern Company Gas' financial statements. Southern Company Gas evaluated its \$91 million investment and determined there was no impairment as of December 31, 2020.

See Note 7 under "Southern Company Gas" for additional information.

Natural Gas Storage Facility

In 2019, Southern Company Gas recorded a pre-tax impairment charge of \$91 million (\$69 million after-tax) related to Jefferson Island. On December 1, 2020, Southern Company Gas completed the sale of this facility. See Note 15 under "Southern Company Gas – Sale of Natural Gas Storage Facility" for additional information.

Commitments

To supply a portion of the fuel requirements of the Southern Company system's electric generating plants, the Southern Company system has entered into various long-term commitments not recognized on the balance sheets for the procurement and delivery of fossil fuel and, for Alabama Power and Georgia Power, nuclear fuel. The majority of the Registrants' fuel expense for the periods presented was purchased under long-term commitments. Each Registrant expects that a substantial amount of its future fuel needs will continue to be purchased under long-term commitments.

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Georgia Power has commitments, in the form of capacity purchases, regarding a portion of a 5% interest in the original cost of Plant Vogtle Units 1 and 2 owned by MEAG Power that are in effect until the later of the retirement of the plant or the latest stated maturity date of MEAG Power's bonds issued to finance such ownership interest. The payments for capacity are required whether or not any capacity is available. Portions of the capacity payments made to MEAG Power for its Plant Vogtle Units 1 and 2 investment relate to costs in excess of Georgia Power's allowed investment for ratemaking purposes. The present value of these portions at the time of the disallowance was written off. Generally, the cost of such capacity is included in purchased power in Southern Company's statements of income and in purchased power, non-affiliates in Georgia Power's statements of income. Georgia Power's capacity payments related to this commitment totaled \$5 million, \$6 million, and \$8 million in 2020, 2019, and 2018, respectively. At December 31, 2020, Georgia Power's estimated long-term obligations related to this commitment totaled \$49 million, consisting of \$5 million for 2021, \$4 million for 2022, \$3 million annually for 2023 through 2025, and \$31 million thereafter.

See Note 9 for information regarding PPAs accounted for as leases.

Southern Company Gas has commitments for pipeline charges, storage capacity, and gas supply, including charges recoverable through natural gas cost recovery mechanisms or, alternatively, billed to marketers selling retail natural gas, as well as demand charges associated with Southern Company Gas' wholesale gas services. Gas supply commitments include amounts for gas commodity purchases associated with Southern Company Gas' gas marketing services of 31 million mmBtu at floating gas prices calculated using forward natural gas prices at December 31, 2020 and valued at \$72 million. Southern Company Gas provides guarantees to certain gas suppliers for certain of its subsidiaries in support of payment obligations. Southern Company Gas' expected future contractual obligations for pipeline charges, storage capacity, and gas supply that are not recognized on the balance sheets at December 31, 2020 were as follows:

	Pipeline Charges, Storage Capacity, and Gas Supply	
	<i>(in millions)</i>	
2021	\$	719
2022		529
2023		441
2024		311
2025		285
Thereafter		1,035
Total	\$	3,320

As a 50% equity investor in SNG, Southern Company Gas is required to make additional capital contributions as necessary pursuant to the terms of its operating agreement with SNG. SNG has \$300 million of debt maturing in June 2021 that it anticipates refinancing. If SNG is unable to refinance or otherwise satisfy this debt obligation, Southern Company Gas has committed to fund up to \$150 million as a contingent capital contribution. See Note 7 under "Southern Company Gas" for additional information.

Guarantees

SCS may enter into various types of wholesale energy and natural gas contracts acting as an agent for the traditional electric operating companies and Southern Power. Under these agreements, each of the traditional electric operating companies and Southern Power may be jointly and severally liable. Accordingly, Southern Company has entered into keep-well agreements with each of the traditional electric operating companies to ensure they will not subsidize or be responsible for any costs, losses, liabilities, or damages resulting from the inclusion of Southern Power as a contracting party under these agreements.

Alabama Power has guaranteed a \$100 million principal amount long-term bank loan entered into by SEGCO in 2018. Georgia Power has agreed to reimburse Alabama Power for the portion of such obligation corresponding to Georgia Power's proportionate ownership of SEGCO's stock if Alabama Power is called upon to make such payment under its guarantee. At December 31, 2020, the capitalization of SEGCO consisted of \$85 million of equity and \$100 million of long-term debt that matures in November 2021, on which the annual interest requirement is derived from a variable rate index. In addition, SEGCO had short-term debt outstanding of \$25 million. See Note 7 under "SEGCO" for additional information.

As discussed in Note 9, Alabama Power and Georgia Power have entered into certain residual value guarantees related to railcar leases.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report
4. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Registrants generate revenues from a variety of sources, some of which are not accounted for as revenue from contracts with customers, such as leases, derivatives, and certain cost recovery mechanisms. See Note 1 under "Revenues" for additional information on the revenue policies of the Registrants. See Notes 9 and 14 for additional information on revenue accounted for under lease and derivative accounting guidance, respectively.

The following table disaggregates revenue from contracts with customers for the periods presented:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
2020						
Operating revenues						
Retail electric revenues						
Residential	\$ 6,113	\$ 2,377	\$ 3,476	\$ 260	\$ —	\$ —
Commercial	4,699	1,512	2,933	254	—	—
Industrial	2,775	1,293	1,197	285	—	—
Other	90	21	60	9	—	—
Total retail electric revenues	13,677	5,203	7,666	808	—	—
Natural gas distribution revenues						
Residential	1,338	—	—	—	—	1,338
Commercial	340	—	—	—	—	340
Transportation	971	—	—	—	—	971
Industrial	30	—	—	—	—	30
Other	209	—	—	—	—	209
Total natural gas distribution revenues	2,888	—	—	—	—	2,888
Wholesale electric revenues						
PPA energy revenues	735	133	42	9	570	—
PPA capacity revenues	454	108	50	3	296	—
Non-PPA revenues	210	43	10	311	239	—
Total wholesale electric revenues	1,399	284	102	323	1,105	—
Other natural gas revenues						
Wholesale gas services	1,727	—	—	—	—	1,727
Gas marketing services	391	—	—	—	—	391
Other natural gas revenues	33	—	—	—	—	33
Total natural gas revenues	2,151	—	—	—	—	2,151
Other revenues	982	159	447	26	14	—
Total revenue from contracts with customers	21,097	5,646	8,215	1,157	1,119	5,039
Other revenue sources ^(a)	3,764	184	94	15	614	2,881
Other adjustments ^(b)	(4,486)	—	—	—	—	(4,486)
Total operating revenues	\$ 20,375	\$ 5,830	\$ 8,309	\$ 1,172	\$ 1,733	\$ 3,434

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
2019						
Operating revenues						
Retail electric revenues						
Residential	\$ 6,164	\$ 2,509	\$ 3,377	\$ 278	\$ —	\$ —
Commercial	5,065	1,677	3,097	291	—	—
Industrial	3,126	1,460	1,360	306	—	—
Other	90	25	54	11	—	—
Total retail electric revenues	14,445	5,671	7,888	886	—	—
Natural gas distribution revenues						
Residential	1,413	—	—	—	—	1,413
Commercial	389	—	—	—	—	389
Transportation	907	—	—	—	—	907
Industrial	35	—	—	—	—	35
Other	245	—	—	—	—	245
Total natural gas distribution revenues	2,989	—	—	—	—	2,989
Wholesale electric revenues						
PPA energy revenues	833	145	60	11	648	—
PPA capacity revenues	453	102	54	3	322	—
Non-PPA revenues	232	81	9	352	238	—
Total wholesale electric revenues	1,518	328	123	366	1,208	—
Other natural gas revenues						
Gas pipeline investments	32	—	—	—	—	32
Wholesale gas services	2,095	—	—	—	—	2,095
Gas marketing services	440	—	—	—	—	440
Other natural gas revenues	42	—	—	—	—	42
Total other natural gas revenues	2,609	—	—	—	—	2,609
Other revenues	1,035	153	407	19	12	—
Total revenue from contracts with customers	22,596	6,152	8,418	1,271	1,220	5,598
Other revenue sources ^(a)	4,266	(27)	(10)	(7)	718	3,637
Other adjustments ^(b)	(5,443)	—	—	—	—	(5,443)
Total operating revenues	\$ 21,419	\$ 6,125	\$ 8,408	\$ 1,264	\$ 1,938	\$ 3,792

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
2018						
Operating revenues						
Retail electric revenues						
Residential	\$ 6,586	\$ 2,285	\$ 3,295	\$ 277	\$ —	\$ —
Commercial	5,255	1,541	3,025	290	—	—
Industrial	3,152	1,364	1,321	326	—	—
Other	94	25	56	9	—	—
Total retail electric revenues	15,087	5,215	7,697	902	—	—
Natural gas distribution revenues						
Residential	1,525	—	—	—	—	1,525
Commercial	436	—	—	—	—	436
Transportation	944	—	—	—	—	944
Industrial	40	—	—	—	—	40
Other	230	—	—	—	—	230
Total natural gas distribution revenues	3,175	—	—	—	—	3,175
Wholesale electric revenues						
PPA energy revenues	950	158	81	15	727	—
PPA capacity revenues	498	101	53	6	394	—
Non-PPA revenues	263	119	24	329	230	—
Total wholesale electric revenues	1,711	378	158	350	1,351	—
Other natural gas revenues						
Gas pipeline investments	32	—	—	—	—	32
Wholesale gas services	3,083	—	—	—	—	3,083
Gas marketing services	571	—	—	—	—	571
Other natural gas revenues	53	—	—	—	—	53
Total other natural gas revenues	3,739	—	—	—	—	3,739
Other revenues	1,529	210	236	22	13	—
Total revenue from contracts with customers	25,241	5,803	8,091	1,274	1,364	6,914
Other revenue sources ^(a)	5,108	229	329	(9)	841	3,849
Other adjustments ^(b)	(6,854)	—	—	—	—	(6,854)
Total operating revenues	\$ 23,495	\$ 6,032	\$ 8,420	\$ 1,265	\$ 2,205	\$ 3,909

(a) Other revenue sources relate to revenues from customers accounted for as derivatives and leases, alternative revenue programs at Southern Company Gas, and cost recovery mechanisms and revenues that meet other scope exceptions for revenues from contracts with customers at the traditional electric operating companies.

(b) Other adjustments relate to the cost of Southern Company Gas' energy and risk management activities. Wholesale gas services revenues are presented net of the related costs of those activities on the statement of income. See Note 16 under "Southern Company Gas" for additional information on the components of wholesale gas services' operating revenues.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Contract Balances

The following table reflects the closing balances of receivables, contract assets, and contract liabilities related to revenues from contracts with customers at December 31, 2020 and 2019:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Accounts Receivables						
As of December 31, 2020	\$ 2,614	\$ 632	\$ 806	\$ 77	\$ 112	\$ 788
As of December 31, 2019	2,413	586	688	79	97	749
Contract Assets						
As of December 31, 2020	\$ 158	\$ 2	\$ 71	\$ —	\$ —	\$ —
As of December 31, 2019	117	—	69	—	—	—
Contract Liabilities						
As of December 31, 2020	\$ 61	\$ 6	\$ 27	\$ 1	\$ 1	\$ 1
As of December 31, 2019	52	10	13	—	1	1

As of December 31, 2020 and 2019, Georgia Power had contract assets primarily related to unregulated service agreements, where payment is contingent on project completion, and fixed retail customer bill programs, where the payment is contingent upon Georgia Power's continued performance and the customer's continued participation in the program over a one-year contract term. Contract liabilities for Georgia Power relate to cash collections recognized in advance of revenue for certain unregulated service agreements. Alabama Power had contract liabilities for outstanding performance obligations primarily related to pole attachment and extended service agreements. Southern Company's unregulated distributed generation business had contract assets of \$81 million and \$40 million at December 31, 2020 and 2019, respectively, and contract liabilities of \$27 million and \$28 million at December 31, 2020 and 2019, respectively, for outstanding performance obligations.

The following table reflects revenue from contracts with customers recognized in 2020 and 2019 included in the contract liability at December 31, 2019 and December 31, 2018, respectively, for the applicable Registrants:

	Southern Company	Alabama Power	Georgia Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
Revenue Recognized					
2020	\$ 33	\$ 10	\$ 8	\$ 1	\$ 1
2019	30	11	6	11	2

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report
Remaining Performance Obligations

The traditional electric operating companies and Southern Power have long-term contracts with customers in which revenues are recognized as performance obligations are satisfied over the contract term. These contracts primarily relate to PPAs whereby the traditional electric operating companies and Southern Power provide electricity and generation capacity to a customer. The revenue recognized for the delivery of electricity is variable; however, certain PPAs include a fixed payment for fixed generation capacity over the term of the contract. Southern Company's unregulated distributed generation business also has partially satisfied performance obligations related to certain fixed price contracts. Revenues from contracts with customers related to these performance obligations remaining at December 31, 2020 are expected to be recognized as follows:

	2021	2022	2023	2024	2025	Thereafter
	<i>(in millions)</i>					
Southern Company	\$ 547	\$ 395	\$ 338	\$ 326	\$ 306	2,634
Alabama Power	33	31	24	7	5	—
Georgia Power	75	46	35	24	21	42
Southern Power	285	287	280	296	280	2,610

Revenue expected to be recognized for performance obligations remaining at December 31, 2020 was immaterial for Mississippi Power.

5. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment is stated at original cost or fair value at acquisition, as appropriate, less any regulatory disallowances and impairments. Original cost may include: materials; labor; minor items of property; appropriate administrative and general costs; payroll-related costs such as taxes, pensions, and other benefits; and the interest capitalized and/or cost of equity funds used during construction.

The Registrants' property, plant, and equipment in service consisted of the following at December 31, 2020 and 2019:

At December 31, 2020:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Electric utilities:						
Generation	\$ 52,179	\$ 16,201	\$ 18,675	\$ 2,819	\$ 13,872	—
Transmission	12,879	5,033	6,951	856	—	—
Distribution	20,958	8,248	11,622	1,088	—	—
General/other	5,072	2,334	2,434	248	32	—
Electric utilities' plant in service	91,088	31,816	39,682	5,011	13,904	—
Southern Company Gas:						
Natural gas distribution utilities transportation and distribution	14,610	—	—	—	—	14,610
Storage facilities	1,752	—	—	—	—	1,752
Other	1,249	—	—	—	—	1,249
Southern Company Gas plant in service	17,611	—	—	—	—	17,611
Other plant in service	1,817	—	—	—	—	—
Total plant in service	\$ 110,516	\$ 31,816	\$ 39,682	\$ 5,011	\$ 13,904	17,611

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2019:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Electric utilities:						
Generation	\$ 50,329	\$ 15,329	\$ 18,341	\$ 2,786	\$ 13,241	\$ —
Transmission	12,157	4,719	6,590	808	—	—
Distribution	19,846	7,798	11,024	1,024	—	—
General/other	4,650	2,177	2,182	239	29	—
Electric utilities' plant in service	86,982	30,023	38,137	4,857	13,270	—
Southern Company Gas:						
Natural gas distribution utilities transportation and distribution	13,518	—	—	—	—	13,518
Storage facilities	1,634	—	—	—	—	1,634
Other	1,192	—	—	—	—	1,192
Southern Company Gas plant in service	16,344	—	—	—	—	16,344
Other plant in service	1,788	—	—	—	—	—
Total plant in service	\$ 105,114	\$ 30,023	\$ 38,137	\$ 4,857	\$ 13,270	\$ 16,344

The cost of replacements of property, exclusive of minor items of property, is capitalized. The cost of maintenance, repairs, and replacement of minor items of property is charged to other operations and maintenance expenses as incurred or performed with the exception of nuclear refueling costs and certain maintenance costs including those described below.

In accordance with orders from their respective state PSCs, Alabama Power and Georgia Power defer nuclear refueling outage operations and maintenance expenses to a regulatory asset when the charges are incurred. Alabama Power amortizes the costs over a subsequent 18-month period with Plant Farley's fall outage cost amortization beginning in January of the following year and spring outage cost amortization beginning in July of the same year. Georgia Power amortizes its costs over each unit's operating cycle, or 18 months for Plant Vogtle Units 1 and 2 and 24 months for Plant Hatch Units 1 and 2. Georgia Power's amortization period begins the month the refueling outage starts.

A portion of Mississippi Power's railway track maintenance costs is charged to fuel stock and recovered through Mississippi Power's fuel clause.

The portion of Southern Company Gas' non-working gas used to maintain the structural integrity of natural gas storage facilities that is considered to be non-recoverable is depreciated, while the recoverable or retained portion is not depreciated.

See Note 9 for information on finance lease right-of-use (ROU) assets, net, which are included in property, plant, and equipment.

The Registrants have deferred certain implementation costs related to cloud hosting arrangements. Once a hosted software is placed into service, the related deferred costs are amortized on a straight-line basis over the remaining expected hosting arrangement term, including any renewal options that are reasonably certain of exercise. The amortization is reflected with the associated cloud hosting fees, which are generally reflected in other operations and maintenance expenses on the Registrants' statements of income. At December 31, 2020, deferred cloud implementation costs, which are generally included in other deferred charges and assets on the Registrants' balance sheets, are as follows:

At December 31, 2020:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
Deferred cloud implementation costs	\$ 162	\$ 38	\$ 58	\$ 7	\$ 9	\$ 17

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Depreciation and Amortization

The traditional electric operating companies' and Southern Company Gas' depreciation of the original cost of utility plant in service is provided primarily by using composite straight-line rates. The approximate rates for 2020, 2019, and 2018 are as follows:

	2020	2019	2018
Alabama Power	2.6 %	3.1 %	3.0 %
Georgia Power	3.0 %	2.6 %	2.6 %
Mississippi Power	3.7 %	3.7 %	4.2 %
Southern Company Gas	2.8 %	2.9 %	2.9 %

Depreciation studies are conducted periodically to update the composite rates. These studies are filed with the respective state PSC and/or other applicable state and federal regulatory agencies for the traditional electric operating companies and the natural gas distribution utilities. During 2020, Georgia Power, Mississippi Power, and Atlanta Gas Light revised their depreciation rates in accordance with base rate case approvals by their respective PSCs. The revised rates were effective January 1, 2020 for Georgia Power and Atlanta Gas Light and April 1, 2020 for Mississippi Power. See Note 2 for additional information.

When property, plant, and equipment subject to composite depreciation is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. For other property dispositions, the applicable cost and accumulated depreciation are removed from the balance sheet accounts, and a gain or loss is recognized. Minor items of property included in the original cost of the asset are retired when the related property unit is retired.

At December 31, 2020 and 2019, accumulated depreciation for Southern Company and Southern Company Gas consisted of utility plant in service totaling \$31.6 billion and \$30.0 billion, respectively, for Southern Company and \$4.6 billion and \$4.5 billion, respectively, for Southern Company Gas, as well as other plant in service totaling \$817 million and \$732 million, respectively, for Southern Company and \$195 million and \$155 million, respectively, for Southern Company Gas. Other plant in service includes the non-utility assets of Southern Company Gas, as well as, for Southern Company, certain other non-utility subsidiaries. Depreciation of the original cost of other plant in service is provided primarily on a straight-line basis over estimated useful lives. Useful lives for Southern Company Gas's non-utility assets range from five to 12 years for transportation equipment, 30 to 75 years for storage facilities, and up to 75 years for other assets. Useful lives for the assets of Southern Company's other non-utility subsidiaries range up to 37 years.

Southern Power

Southern Power applies component depreciation, where depreciation is computed principally by the straight-line method over the estimated useful life of the asset. Certain of Southern Power's generation assets related to natural gas-fired facilities are depreciated on a units-of-production basis, using hours or starts, to better match outage and maintenance costs to the usage of, and revenues from, these assets. The primary assets in Southern Power's property, plant, and equipment are generating facilities, which generally have estimated useful lives as follows:

Southern Power Generating Facility	Useful life
Natural gas	Up to 50 years ^(*)
Solar	Up to 35 years
Wind	Up to 30 years

(*) Effective January 1, 2020, Southern Power revised the depreciable lives of its natural gas generating facilities from up to 45 years to up to 50 years. This revision resulted in an immaterial decrease in depreciation for 2020.

When Southern Power's depreciable property, plant, and equipment is retired, or otherwise disposed of in the normal course of business, the applicable cost and accumulated depreciation is removed and a gain or loss is recognized in the statements of income. Southern Power reviews its estimated useful lives and salvage values on an ongoing basis. The results of these reviews could result in changes which could have a material impact on Southern Power's net income.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report
Joint Ownership Agreements

At December 31, 2020, the Registrants' percentage ownership and investment (exclusive of nuclear fuel) in jointly-owned facilities in commercial operation were as follows:

Facility (Type)	Percent Ownership		Plant in Service		Accumulated Depreciation		CWIP
					<i>(in millions)</i>		
Alabama Power							
Greene County (natural gas) Units 1 and 2	60.0	%(a)	\$	189	\$	76	\$ 2
Plant Miller (coal) Units 1 and 2	91.8	(b)		2,107		650	24
Georgia Power							
Plant Hatch (nuclear)	50.1	%(c)	\$	1,352	\$	624	\$ 37
Plant Vogtle (nuclear) Units 1 and 2	45.7	(c)		3,592		2,221	55
Plant Scherer (coal) Units 1 and 2	8.4	(c)		279		98	1
Plant Scherer (coal) Unit 3	75.0	(c)		1,320		520	4
Plant Wansley (coal)	53.5	(c)		1,068		418	10
Rocky Mountain (pumped storage)	25.4	(d)		183		144	1
Mississippi Power							
Greene County (natural gas) Units 1 and 2	40.0	%(a)	\$	122	\$	54	\$ 1
Plant Daniel (coal) Units 1 and 2	50.0	(e)		775		238	15
Southern Company Gas							
Dalton Pipeline (natural gas pipeline)	50.0	%(f)	\$	271	\$	15	\$ —

(a) Jointly owned by Alabama Power and Mississippi Power and operated and maintained by Alabama Power.

(b) Jointly owned with PowerSouth and operated and maintained by Alabama Power.

(c) Georgia Power owns undivided interests in Plants Hatch, Vogtle Units 1 and 2, Scherer, and Wansley in varying amounts jointly with one or more of the following entities: OPC, MEAG Power, Dalton, Florida Power & Light Company, JEA, and Gulf Power. Georgia Power has been contracted to operate and maintain the plants as agent for the co-owners and is jointly and severally liable for third party claims related to these plants.

(d) Jointly owned with OPC, which is the operator of the plant.

(e) Jointly owned by Gulf Power and Mississippi Power. In accordance with the operating agreement, Mississippi Power acts as Gulf Power's agent with respect to the operation and maintenance of these units. See Note 3 under "Other Matters – Mississippi Power – Plant Daniel" for information regarding a commitment between Mississippi Power and Gulf Power to seek a restructuring of their 50% undivided ownership interests in Plant Daniel.

(f) Jointly owned with The Williams Companies, Inc., the Dalton Pipeline is a 115-mile natural gas pipeline that serves as an extension of the Transcontinental Gas Pipe Line Company, LLC pipeline system into northwest Georgia. Southern Company Gas leases its 50% undivided ownership for approximately \$26 million annually through 2042. The lessee is responsible for maintaining the pipeline during the lease term and for providing service to transportation customers under its FERC-regulated tariff.

Georgia Power also owns 45.7% of Plant Vogtle Units 3 and 4, which are currently under construction and had a CWIP balance of \$7.3 billion at December 31, 2020, excluding estimated probable losses recorded in 2018 and 2020. See Note 2 under "Georgia Power – Nuclear Construction" for additional information.

The Registrants' proportionate share of their jointly-owned facility operating expenses is included in the corresponding operating expenses in the statements of income and each Registrant is responsible for providing its own financing.

Assets Subject to Lien

In 2018, the Mississippi PSC approved executed agreements between Mississippi Power and its largest retail customer, Chevron Products Company (Chevron), for Mississippi Power to continue providing retail service to the Chevron refinery in Pascagoula, Mississippi through 2038. The agreements grant Chevron a security interest in the co-generation assets owned by Mississippi Power, with a lease receivable balance of \$138 million at December 31, 2020, located at the refinery that is exercisable upon the occurrence of (i) certain bankruptcy events or (ii) other events of default coupled with specific reductions in steam output at the facility and a downgrade of Mississippi Power's credit rating to below investment grade by two of the three rating agencies.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

See Note 8 under "Long-term Debt" for information regarding debt secured by certain assets of Georgia Power, Mississippi Power, and Southern Company Gas.

6. ASSET RETIREMENT OBLIGATIONS

AROs are computed as the present value of the estimated costs for an asset's future retirement and are recorded in the period in which the liability is incurred. The estimated costs are capitalized as part of the related long-lived asset and depreciated over the asset's useful life. In the absence of quoted market prices, AROs are estimated using present value techniques in which estimates of future cash outlays associated with the asset retirements are discounted using a credit-adjusted risk-free rate. Estimates of the timing and amounts of future cash outlays are based on projections of when and how the assets will be retired and the cost of future removal activities. Each traditional electric operating company and natural gas distribution utility has received accounting guidance from its state PSC or applicable state regulatory agency allowing the continued accrual or recovery of other retirement costs for long-lived assets that it does not have a legal obligation to retire. Accordingly, the accumulated removal costs for these obligations are reflected in the balance sheets as regulatory liabilities and amounts to be recovered are reflected in the balance sheets as regulatory assets.

The ARO liabilities for the traditional electric operating companies primarily relate to facilities that are subject to the CCR Rule and the related state rules, principally ash ponds. In addition, Alabama Power and Georgia Power have retirement obligations related to the decommissioning of nuclear facilities (Alabama Power's Plant Farley and Georgia Power's ownership interests in Plant Hatch and Plant Vogtle Units 1 and 2). See "Nuclear Decommissioning" herein for additional information. Other significant AROs include various landfill sites and asbestos removal for Alabama Power, Georgia Power, and Mississippi Power and gypsum cells and mine reclamation for Mississippi Power. The ARO liability for Southern Power primarily relates to its solar and wind facilities, which are located on long-term land leases requiring the restoration of land at the end of the lease.

The traditional electric operating companies and Southern Company Gas also have identified other retirement obligations, such as obligations related to certain electric transmission and distribution facilities, certain asbestos-containing material within long-term assets not subject to ongoing repair and maintenance activities, certain wireless communication towers, the disposal of polychlorinated biphenyls in certain transformers, leasehold improvements, equipment on customer property, and property associated with the Southern Company system's rail lines and natural gas pipelines. However, liabilities for the removal of these assets have not been recorded because the settlement timing for certain retirement obligations related to these assets is indeterminable and, therefore, the fair value of the retirement obligations cannot be reasonably estimated. A liability for these retirement obligations will be recognized when sufficient information becomes available to support a reasonable estimation of the ARO.

Southern Company and the traditional electric operating companies will continue to recognize in their respective statements of income allowed removal costs in accordance with regulatory treatment. Any differences between costs recognized in accordance with accounting standards related to asset retirement and environmental obligations and those reflected in rates are recognized as either a regulatory asset or liability in the balance sheets as ordered by the various state PSCs.

Details of the AROs included in the balance sheets are as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power^(*)
	<i>(in millions)</i>				
Balance at December 31, 2018	\$ 9,394	\$ 3,210	\$ 5,829	\$ 160	\$ 84
Liabilities incurred	37	—	35	1	1
Liabilities settled	(328)	(127)	(151)	(35)	—
Accretion	402	145	243	7	4
Cash flow revisions	281	312	(172)	57	—
Balance at December 31, 2019	\$ 9,786	\$ 3,540	\$ 5,784	\$ 190	\$ 89
Liabilities incurred	19	—	10	—	9
Liabilities settled	(442)	(219)	(185)	(22)	—
Accretion	409	152	238	8	4
Cash flow revisions	912	501	418	—	(7)
Balance at December 31, 2020	\$ 10,684	\$ 3,974	\$ 6,265	\$ 176	\$ 95

(*) Included in other deferred credits and liabilities on Southern Power's consolidated balance sheets.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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During 2019, Alabama Power recorded increases totaling approximately \$312 million to its AROs primarily related to the CCR Rule and the related state rule based on management's completion of closure designs during the second and third quarters 2019 under the planned closure-in-place methodology for all but one of its ash pond facilities. During 2019, Mississippi Power recorded an increase of approximately \$57 million to its AROs related to the CCR Rule, primarily associated with the ash pond facility at Plant Greene County, which is jointly owned with Alabama Power. During 2020, Alabama Power recorded increases totaling approximately \$501 million to its AROs related to the CCR Rule and the related state rule primarily as a result of management's completion of the closure design for the remaining ash pond and the addition of a water treatment system to the design of another ash pond. The additional estimated costs to close these ash ponds under the planned closure-in-place methodology primarily relate to inputs from contractor bids, design revisions, and changes in the expected volume of ash handling.

During the second half of 2019, Georgia Power completed an assessment of its plans to close the ash ponds at all of its generating plants in compliance with the CCR Rule and the related state rule. Cost estimates were revised to reflect further refined costs for closure plans and updates to the timing of future cash outlays. As a result, in December 2019, Georgia Power recorded a decrease of approximately \$174 million to its AROs related to the CCR Rule and the related state rule. During the third quarter 2020, Georgia Power further refined the related cost estimates, including updates to long-term post-closure care requirements, market pricing, and timing of future cash outlays. As a result, in September 2020, Georgia Power recorded an increase of approximately \$411 million to its AROs related to the CCR Rule and the related state rule.

The cost estimates for AROs related to the disposal of CCR are based on information at December 31, 2020 using various assumptions related to closure and post-closure costs, timing of future cash outlays, inflation and discount rates, and the potential methods for complying with the CCR Rule and the related state rules. The traditional electric operating companies have periodically updated, and expect to continue periodically updating, their related cost estimates and ARO liabilities for each CCR unit as additional information related to these assumptions becomes available. Some of these updates have been, and future updates may be, material. Additionally, the closure designs and plans in the States of Alabama and Georgia are subject to approval by environmental regulatory agencies. Absent continued recovery of ARO costs through regulated rates, results of operations, cash flows, and financial condition for Southern Company and the traditional electric operating companies could be materially impacted. See Note 2 under "Georgia Power – Rate Plans" for additional information. The ultimate outcome of these matters cannot be determined at this time.

Nuclear Decommissioning

The NRC requires licensees of commercial nuclear power reactors to establish a plan for providing reasonable assurance of funds for future decommissioning. Alabama Power and Georgia Power have external trust funds (Funds) to comply with the NRC's regulations. Use of the Funds is restricted to nuclear decommissioning activities. The Funds are managed and invested in accordance with applicable requirements of various regulatory bodies, including the NRC, the FERC, and state PSCs, as well as the IRS. While Alabama Power and Georgia Power are allowed to prescribe an overall investment policy to the Funds' managers, neither Southern Company nor its subsidiaries or affiliates are allowed to engage in the day-to-day management of the Funds or to mandate individual investment decisions. Day-to-day management of the investments in the Funds is delegated to unrelated third-party managers with oversight by the management of Alabama Power and Georgia Power. The Funds' managers are authorized, within certain investment guidelines, to actively buy and sell securities at their own discretion in order to maximize the return on the Funds' investments. The Funds are invested in a tax-efficient manner in a diversified mix of equity and fixed income securities and are reported as trading securities.

Alabama Power and Georgia Power record the investment securities held in the Funds at fair value, as disclosed in Note 13, as management believes that fair value best represents the nature of the Funds. Gains and losses, whether realized or unrealized, are recorded in the regulatory liability for AROs in the balance sheets and are not included in net income or OCI. Fair value adjustments and realized gains and losses are determined on a specific identification basis.

The Funds at Georgia Power participate in a securities lending program through the managers of the Funds. Under this program, Georgia Power's Funds' investment securities are loaned to institutional investors for a fee. Securities loaned are fully collateralized by cash, letters of credit, and/or securities issued or guaranteed by the U.S. government or its agencies or instrumentalities. At December 31, 2020 and 2019, approximately \$44 million and \$28 million, respectively, of the fair market value of Georgia Power's Funds' securities were on loan and pledged to creditors under the Funds' managers' securities lending program. The fair value of the collateral received was approximately \$45 million and \$29 million at December 31, 2020 and 2019, respectively, and can only be sold by the borrower upon the return of the loaned securities. The collateral received is treated as a non-cash item in the statements of cash flows.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Investment securities in the Funds for December 31, 2020 and 2019 were as follows:

	Southern Company	Alabama Power	Georgia Power
	<i>(in millions)</i>		
At December 31, 2020:			
Equity securities	\$ 1,339	\$ 842	\$ 497
Debt securities	851	231	620
Other securities	111	83	28
Total investment securities in the Funds	\$ 2,301	\$ 1,156	\$ 1,145
At December 31, 2019:			
Equity securities	\$ 1,159	\$ 743	\$ 416
Debt securities	798	218	580
Other securities	77	60	17
Total investment securities in the Funds	\$ 2,034	\$ 1,021	\$ 1,013

These amounts exclude receivables related to investment income and pending investment sales and payables related to pending investment purchases. For Southern Company and Georgia Power, these amounts include Georgia Power's investment securities pledged to creditors and collateral received and excludes payables related to Georgia Power's securities lending program.

The fair value increases (decreases) of the Funds, including unrealized gains (losses) and reinvested interest and dividends and excluding the Funds' expenses, for 2020, 2019, and 2018 are shown in the table below.

	Southern Company	Alabama Power	Georgia Power
	<i>(in millions)</i>		
Fair value increases (decreases)			
2020	\$ 280	\$ 142	\$ 138
2019	344	194	150
2018	(67)	(38)	(29)
Unrealized gains (losses)			
At December 31, 2020	\$ 220	\$ 121	\$ 99
At December 31, 2019	259	149	110
At December 31, 2018	(183)	(96)	(87)

The investment securities held in the Funds continue to be managed with a long-term focus. Accordingly, all purchases and sales within the Funds are presented separately in the statements of cash flows as investing cash flows, consistent with the nature of the securities and purpose for which the securities were acquired.

For Alabama Power, approximately \$15 million and \$16 million at December 31, 2020 and 2019, respectively, previously recorded in internal reserves is being transferred into the Funds through 2040 as approved by the Alabama PSC. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission only the radioactive portions of a nuclear unit based on the size and type of reactor. Alabama Power and Georgia Power have filed plans with the NRC designed to ensure that, over time, the deposits and earnings of the Funds will provide the minimum funding amounts prescribed by the NRC.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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At December 31, 2020 and 2019, the accumulated provisions for the external decommissioning trust funds were as follows:

	2020	2019
	<i>(in millions)</i>	
Alabama Power		
Plant Farley	\$ 1,156	\$ 1,021
Georgia Power		
Plant Hatch	\$ 716	\$ 634
Plant Vogtle Units 1 and 2	429	379
Total	\$ 1,145	\$ 1,013

Site study cost is the estimate to decommission a specific facility as of the site study year. The decommissioning cost estimates are based on prompt dismantlement and removal of the plant from service. The actual decommissioning costs may vary from these estimates because of changes in the assumed date of decommissioning, changes in NRC requirements, or changes in the assumptions used in making these estimates. The estimated costs of decommissioning at December 31, 2020 based on the most current studies, which were each performed in 2018, were as follows:

	Plant Farley	Plant Hatch ^(*)	Plant Vogtle Units 1 and 2 ^(*)
Decommissioning periods:			
Beginning year	2037	2034	2047
Completion year	2076	2075	2079
	<i>(in millions)</i>		
Site study costs:			
Radiated structures	\$ 1,234	\$ 734	\$ 601
Spent fuel management	387	172	162
Non-radiated structures	99	56	79
Total site study costs	\$ 1,720	\$ 962	\$ 842

(*) Based on Georgia Power's ownership interests.

For ratemaking purposes, Alabama Power's decommissioning costs are based on the site study and Georgia Power's decommissioning costs are based on the NRC generic estimate to decommission the radioactive portion of the facilities and the site study estimate for spent fuel management as of 2018. Significant assumptions used to determine these costs for ratemaking were an estimated inflation rate of 4.5% and 2.75% for Alabama Power and Georgia Power, respectively, and an estimated trust earnings rate of 7.0% and 4.75% for Alabama Power and Georgia Power, respectively.

Amounts previously contributed to the Funds for Plant Farley are currently projected to be adequate to meet the decommissioning obligations. Alabama Power will continue to provide site-specific estimates of the decommissioning costs and related projections of funds in the external trust to the Alabama PSC and, if necessary, would seek the Alabama PSC's approval to address any changes in a manner consistent with NRC and other applicable requirements.

Effective January 1, 2020, in connection with the 2019 ARP, Georgia Power's annual decommissioning cost for ratemaking is a total of \$4 million for Plant Hatch and Plant Vogtle Units 1 and 2. Georgia Power's annual decommissioning cost for ratemaking in 2019 totaled \$5 million.

7. CONSOLIDATED ENTITIES AND EQUITY METHOD INVESTMENTS

The Registrants may hold ownership interests in a number of business ventures with varying ownership structures. Partnership interests and other variable interests are evaluated to determine if each entity is a VIE. If a venture is a VIE for which a Registrant is the primary beneficiary, the assets, liabilities, and results of operations of the entity are consolidated. The Registrants reassess the conclusion as to whether an entity is a VIE upon certain occurrences, which are deemed reconsideration events.

For entities that are not determined to be VIEs, the Registrants evaluate whether they have control or significant influence over the investee to determine the appropriate consolidation and presentation. Generally, entities under the control of a Registrant are

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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consolidated, and entities over which a Registrant can exert significant influence, but which a Registrant does not control, are accounted for under the equity method of accounting.

Investments accounted for under the equity method are recorded within equity investments in unconsolidated subsidiaries in the balance sheets and, for Southern Company and Southern Company Gas, the equity income is recorded within earnings from equity method investments in the statements of income. See "SEGCO" and "Southern Company Gas" herein for additional information.

SEGCO

Alabama Power and Georgia Power own equally all of the outstanding capital stock of SEGCO, which owns electric generating units with a total rated capacity of 1,020 MWs, as well as associated transmission facilities. Alabama Power and Georgia Power account for SEGCO using the equity method; Southern Company consolidates SEGCO. The capacity of these units is sold equally to Alabama Power and Georgia Power. Alabama Power and Georgia Power make payments sufficient to provide for the operating expenses, taxes, interest expense, and a ROE. The share of purchased power included in purchased power, affiliates in the statements of income totaled \$67 million in 2020, \$93 million in 2019, and \$102 million in 2018 for Alabama Power and \$69 million in 2020, \$95 million in 2019, and \$105 million in 2018 for Georgia Power.

SEGCO paid dividends of \$12 million in 2020, \$14 million in 2019, and \$18 million in 2018, one half of which were paid to each of Alabama Power and Georgia Power. In addition, Alabama Power and Georgia Power each recognize 50% of SEGCO's net income.

Alabama Power, which owns and operates a generating unit adjacent to the SEGCO generating units, has a joint ownership agreement with SEGCO for the ownership of an associated gas pipeline. Alabama Power owns 14% of the pipeline with the remaining 86% owned by SEGCO.

See Note 3 under "Guarantees" for additional information regarding guarantees of Alabama Power and Georgia Power related to SEGCO.

Southern Power***Variable Interest Entities***

Southern Power has certain subsidiaries that are determined to be VIEs. Southern Power is considered the primary beneficiary of these VIEs because it controls the most significant activities of the VIEs, including operating and maintaining the respective assets, and has the obligation to absorb expected losses of these VIEs to the extent of its equity interests.

SP Solar and SP Wind

In 2018, Southern Power sold a noncontrolling 33% limited partnership interest in SP Solar to Global Atlantic Financial Group Limited (Global Atlantic). See Note 15 under "Southern Power" for additional information. A wholly-owned subsidiary of Southern Power is the general partner and holds a 1% ownership interest in SP Solar and another wholly-owned subsidiary of Southern Power owns the remaining 66% ownership in SP Solar. SP Solar qualifies as a VIE since the arrangement is structured as a limited partnership and the 33% limited partner does not have substantive kick-out rights against the general partner.

At December 31, 2020 and 2019, SP Solar had total assets of \$6.1 billion and \$6.4 billion, respectively, total liabilities of \$387 million and \$381 million, respectively, and noncontrolling interests of \$1.1 billion. Cash distributions from SP Solar are allocated 67% to Southern Power and 33% to Global Atlantic in accordance with their partnership interest percentage. Under the terms of the limited partnership agreement, distributions without limited partner consent are limited to available cash and SP Solar is obligated to distribute all such available cash to its partners each quarter. Available cash includes all cash generated in the quarter subject to the maintenance of appropriate operating reserves.

In 2018, Southern Power sold a noncontrolling tax-equity interest in SP Wind to three financial investors. SP Wind owns eight operating wind farms. See Note 15 under "Southern Power" for additional information. Southern Power owns 100% of the Class B membership interests and the three financial investors own 100% of the Class A membership interests. SP Wind qualifies as a VIE since the structure of the arrangement is similar to a limited partnership and the Class A members do not have substantive kick-out rights against Southern Power.

At December 31, 2020 and 2019, SP Wind had total assets of \$2.4 billion and \$2.5 billion, respectively, total liabilities of \$138 million and \$128 million, respectively, and noncontrolling interests of \$43 million and \$45 million, respectively. Under the terms of the limited liability agreement, distributions without Class A member consent are limited to available cash and SP Wind is obligated to distribute all such available cash to its members each quarter. Available cash includes all cash generated in the

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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quarter subject to the maintenance of appropriate operating reserves. Cash distributions from SP Wind are generally allocated 60% to Southern Power and 40% to the three financial investors in accordance with the limited liability agreement.

Southern Power consolidates both SP Solar and SP Wind, as the primary beneficiary, since it controls the most significant activities of each entity, including operating and maintaining their assets. Certain transfers and sales of the assets in the VIEs are subject to partner consent and the liabilities are non-recourse to the general credit of Southern Power. Liabilities consist of customary working capital items and do not include any long-term debt.

Other Variable Interest Entities

Southern Power has other consolidated VIEs that relate to certain subsidiaries that have either sold noncontrolling interests to tax-equity investors or acquired less than a 100% interest from facility developers. These entities are considered VIEs because the arrangements are structured similar to a limited partnership and the noncontrolling members do not have substantive kick-out rights.

At December 31, 2020 and 2019, the other VIEs had total assets of \$1.1 billion, total liabilities of \$110 million and \$104 million, respectively, and noncontrolling interests of \$454 million and \$409 million, respectively. Under the terms of the partnership agreements, distributions of all available cash are required each month or quarter and additional distributions require partner consent.

Equity Method Investments

At December 31, 2020 and 2019, Southern Power had equity method investments in wind and battery storage projects totaling \$19 million and \$28 million, respectively.

Southern Company Gas
Equity Method Investments

The carrying amounts of Southern Company Gas' equity method investments at December 31, 2020 and 2019 and related income from those investments for the years ended December 31, 2020, 2019, and 2018 were as follows:

Investment Balance	2020	2019 ^(a)
	<i>(in millions)</i>	
SNG ^(b)	\$ 1,167	\$ 1,137
PennEast Pipeline ^(c)	91	82
Other	32	32
Total	\$ 1,290	\$ 1,251

(a) Excludes investments in Atlantic Coast Pipeline and Pivotal JAX LNG classified as held for sale at December 31, 2019. See Note 15 under "Assets Held for Sale" for additional information.

(b) Increase primarily relates to a capital contribution, partially offset by the continued amortization of deferred tax assets established upon acquisition.

(c) See Note 3 under "Other Matters – Southern Company Gas" for additional information.

Earnings from Equity Method Investments	2020	2019	2018
	<i>(in millions)</i>		
SNG	\$ 129	\$ 141	\$ 131
Atlantic Coast Pipeline ^{(a)(b)}	3	13	7
PennEast Pipeline ^(a)	7	6	5
Other ^(c)	2	(3)	5
Total	\$ 141	\$ 157	\$ 148

(a) Earnings primarily result from AFUDC equity recorded by the project entity.

(b) On March 24, 2020, Southern Company Gas completed the sale of its interest in Atlantic Coast Pipeline. See Note 15 under "Southern Company Gas" for additional information.

(c) In May 2019, Southern Company Gas sold its investment in Triton, a cargo container leasing company that was aggregated into Southern Company Gas' all other segment. On March 24, 2020, Southern Company Gas completed the sale of its interest in Pivotal LNG. See Note 15 under "Southern Company Gas" for additional information.

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8. FINANCING
Long-term Debt

Details of long-term debt at December 31, 2020 and 2019 are provided in the following table:

	At December 31, 2020		Balance Outstanding at December 31,	
	Maturity	Weighted Average Interest Rate	2020	2019
<i>(in millions)</i>				
Southern Company				
Senior notes ^(a)	2021-2050	3.78%	\$ 30,850	\$ 30,023
Junior subordinated notes	2024-2080	4.30%	7,295	5,295
FFB loans ^(b)	2021-2044	2.92%	4,618	3,843
Pollution control revenue bonds ^(c)	2021-2053	1.11%	2,675	2,963
First mortgage bonds ^(d)	2023-2060	3.71%	1,900	1,575
Other revenue bonds ^(e)	2021-2040	6.45%	320	320
Debt payable to affiliated trusts ^(f)	2042	3.33%	206	206
Medium-term notes	2021-2027	7.88%	160	160
Other long-term debt	2021-2023	0.83%	370	145
Finance lease obligations ^(g)			231	226
Unamortized fair value adjustment			393	430
Unamortized debt premium (discount), net			(201)	(152)
Unamortized debt issuance expenses			(237)	(247)
Total long-term debt			48,580	44,787
Less: Amount due within one year			3,507	2,989
Total long-term debt excluding amount due within one year			\$ 45,073	\$ 41,798
Alabama Power				
Senior notes	2021-2049	4.03%	\$ 7,625	\$ 7,275
Pollution control revenue bonds ^(c)	2021-2038	0.53%	1,060	1,060
Debt payable to affiliated trusts ^(f)	2042	3.33%	206	206
Other long-term debt	2021	1.20%	45	45
Finance lease obligations ^(g)			5	4
Unamortized debt premium (discount), net			(16)	(14)
Unamortized debt issuance expenses			(56)	(55)
Total long-term debt			8,869	8,521
Less: Amount due within one year			311	251
Total long-term debt excluding amount due within one year			\$ 8,558	\$ 8,270
Georgia Power				
Senior notes	2021-2050	3.59%	\$ 6,400	\$ 5,850
Junior subordinated notes	2077	5.00%	270	270
FFB loans ^(b)	2021-2044	2.92%	4,618	3,843
Pollution control revenue bonds ^(c)	2025-2053	1.47%	1,538	1,821
Other long-term debt	2021	0.65%	125	—
Finance lease obligations ^(g)			145	156
Unamortized debt premium (discount), net			(12)	(7)
Unamortized debt issuance expenses			(114)	(117)
Total long-term debt			12,970	11,816
Less: Amount due within one year			542	1,025
Total long-term debt excluding amount due within one year			\$ 12,428	\$ 10,791

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	At December 31, 2020		Balance Outstanding at December 31,	
	Maturity	Weighted Average Interest Rate	2020	2019
			<i>(in millions)</i>	
Mississippi Power				
Senior notes	2028-2042	4.23%	\$ 900	\$ 1,175
Pollution control revenue bonds ^(c)	2025-2028	1.86%	76	83
Other revenue bonds ^(c)	2021-2040	6.45%	320	320
Other long-term debt	2021-2023	1.00%	100	—
Finance lease obligations ^(g)			19	—
Unamortized debt premium (discount), net			11	19
Unamortized debt issuance expenses			(7)	(8)
Total long-term debt			1,419	1,589
Less: Amount due within one year			406	281
Total long-term debt excluding amount due within one year			\$ 1,013	\$ 1,308
Southern Power				
Senior notes ^(a)	2021-2046	3.96%	\$ 3,714	\$ 4,425
Unamortized debt premium (discount), net			(6)	(8)
Unamortized debt issuance expenses			(16)	(19)
Total long-term debt			3,692	4,398
Less: Amount due within one year			299	824
Total long-term debt excluding amount due within one year			\$ 3,393	\$ 3,574
Southern Company Gas				
Senior notes	2021-2047	4.01%	\$ 4,200	\$ 3,700
First mortgage bonds ^(d)	2023-2060	3.71%	1,900	1,575
Medium-term notes	2021-2027	7.88%	160	160
Unamortized fair value adjustment			393	430
Unamortized debt premium (discount), net			(27)	(20)
Total long-term debt			6,626	5,845
Less: Amount due within one year			333	—
Total long-term debt excluding amount due within one year			\$ 6,293	\$ 5,845

- (a) Includes a fair value gain (loss) of \$109 million and \$(5) million at December 31, 2020 and 2019, respectively, related to Southern Power's foreign currency hedge on its €1.1 billion senior notes.
- (b) Secured by a first priority lien on (i) Georgia Power's 45.7% undivided ownership interest in Plant Vogtle Units 3 and 4 (primarily the units under construction, the related real property, and any nuclear fuel loaded in the reactor core) and (ii) Georgia Power's rights and obligations under the principal contracts relating to Plant Vogtle Units 3 and 4. See "DOE Loan Guarantee Borrowings" for additional information.
- (c) Pollution control revenue bond obligations represent loans to the traditional electric operating companies from public authorities of funds derived from sales by such authorities of revenue bonds issued to finance pollution control and solid waste disposal facilities. In some cases, the pollution control revenue bond obligations represent obligations under installment sales agreements with respect to facilities constructed with the proceeds of revenue bonds issued by public authorities. The traditional electric operating companies are required to make payments sufficient for the authorities to meet principal and interest requirements of such bonds. Proceeds from certain issuances are restricted until qualifying expenditures are incurred.
- (d) Secured by substantially all of Nicor Gas' properties.
- (e) At December 31, 2020 and 2019, Mississippi Power had \$270 million aggregate principal amount outstanding of Mississippi Business Finance Corporation Taxable Revenue Bonds, 7.13% Series 1999A due October 20, 2021, which are secured by Plant Daniel Units 3 and 4 and certain related personal property. Mississippi Power assumed the obligations in 2011 in connection with its election under its operating lease of Plant Daniel Units 3 and 4 to purchase the assets and recorded the bonds at fair value. At December 31, 2020 and 2019, Mississippi Power also had \$50 million of tax-exempt revenue bond obligations outstanding representing loans to Mississippi Power through the Mississippi Business Finance Corporation issued to finance a portion of the costs of constructing the Kemper County energy facility.
- (f) Alabama Power has formed a wholly-owned trust subsidiary for the purpose of issuing preferred securities. The proceeds of the related equity investments and preferred security sales were loaned back to Alabama Power through the issuance of junior subordinated notes, which constitute substantially all of the assets of this trust. Alabama Power considers that the mechanisms and obligations relating to the preferred securities issued for its benefit, taken together, constitute a full and unconditional guarantee by it of the trust's payment obligations with respect to these securities. See Note 1 under "Variable Interest Entities" for additional information on the accounting treatment for this trust and the related securities.
- (g) Secured by the underlying lease ROU asset. See Note 9 for additional information.

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Maturities of long-term debt for the next five years are as follows:

	Southern Company ^(a)	Alabama Power	Georgia Power ^(b)	Mississippi Power ^(c)	Southern Power ^(d)	Southern Company Gas
	<i>(in millions)</i>					
2021	\$ 3,506	\$ 311	\$ 542	\$ 406	\$ 300	\$ 330
2022	3,707	751	488	16	677	46
2023	3,131	301	889	1	290	400
2024	509	22	491	1	—	—
2025	1,191	250	138	12	500	300

(a) Amount for 2022 includes junior subordinated notes totaling \$1.725 billion at the parent entity with final maturity dates in 2024 and 2027 (one half in each year); however, in connection with related stock purchase contracts, Southern Company has agreed to remarket the notes in 2022. See "Equity Units" herein for additional information. Also see notes (b), (c), and (d) below.

(b) Amounts include principal amortization related to the FFB borrowings; however, the final maturity date is February 20, 2044. See "DOE Loan Guarantee Borrowings" herein for additional information.

(c) Amount for 2021 includes \$50 million and \$25 million of long-term debt with final maturity dates in 2040 and 2023, respectively, that Mississippi Power intends to repay in 2021.

(d) Southern Power's 2022 maturity represents euro-denominated debt at the U.S. dollar denominated hedge settlement amount.

DOE Loan Guarantee Borrowings

Pursuant to the loan guarantee program established under Title XVII of the Energy Policy Act of 2005 (Title XVII Loan Guarantee Program), Georgia Power and the DOE entered into a loan guarantee agreement in 2014 and the Amended and Restated Loan Guarantee Agreement in March 2019. Under the Amended and Restated Loan Guarantee Agreement, the DOE agreed to guarantee the obligations of Georgia Power under the FFB Credit Facilities. Under the FFB Credit Facilities, Georgia Power may make term loan borrowings through the FFB in an amount up to approximately \$5.130 billion, provided that total aggregate borrowings under the FFB Credit Facilities may not exceed 70% of (i) Eligible Project Costs minus (ii) approximately \$1.492 billion (reflecting the amounts received by Georgia Power under the Guarantee Settlement Agreement less the related customer refunds).

In June and December 2020, Georgia Power made borrowings under the FFB Credit Facilities in an aggregate principal amount of \$519 million and \$329 million, respectively, at an interest rate of 1.652% and 1.737%, respectively, through the final maturity date of February 20, 2044. During 2020, Georgia Power made principal amortization payments of \$73 million under the FFB Credit Facilities. At December 31, 2020 and 2019, Georgia Power had \$4.6 billion and \$3.8 billion of borrowings outstanding under the FFB Credit Facilities, respectively.

All borrowings under the FFB Credit Facilities are full recourse to Georgia Power, and Georgia Power is obligated to reimburse the DOE for any payments the DOE is required to make to the FFB under its guarantee. Georgia Power's reimbursement obligations to the DOE are full recourse and secured by a first priority lien on (i) Georgia Power's 45.7% undivided ownership interest in Plant Vogtle Units 3 and 4 (primarily the units under construction, the related real property, and any nuclear fuel loaded in the reactor core) and (ii) Georgia Power's rights and obligations under the principal contracts relating to Plant Vogtle Units 3 and 4. There are no restrictions on Georgia Power's ability to grant liens on other property.

In addition to the conditions described above, future advances are subject to satisfaction of customary conditions, as well as certification of compliance with the requirements of the Title XVII Loan Guarantee Program, including accuracy of project-related representations and warranties, delivery of updated project-related information, and evidence of compliance with the prevailing wage requirements of the Davis-Bacon Act of 1931, as amended, and certification from the DOE's consulting engineer that proceeds of the advances are used to reimburse Eligible Project Costs.

Upon satisfaction of all conditions described above, advances may be requested on a quarterly basis through 2023. The final maturity date for each advance under the FFB Credit Facilities is February 20, 2044. Interest is payable quarterly and principal payments began on February 20, 2020. Borrowings under the FFB Credit Facilities will bear interest at the applicable U.S. Treasury rate plus a spread equal to 0.375%.

Under the Amended and Restated Loan Guarantee Agreement, Georgia Power is subject to customary borrower affirmative and negative covenants and events of default. In addition, Georgia Power is subject to project-related reporting requirements and other project-specific covenants and events of default.

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In the event certain mandatory prepayment events occur, the FFB's commitment to make further advances under the FFB Credit Facilities will terminate and Georgia Power will be required to prepay the outstanding principal amount of all borrowings under the FFB Credit Facilities over a period of five years (with level principal amortization). Among other things, these mandatory prepayment events include (i) the termination of the Vogtle Services Agreement or rejection of the Vogtle Services Agreement in any Westinghouse bankruptcy if Georgia Power does not maintain access to intellectual property rights under the related intellectual property licenses; (ii) termination of the Bechtel Agreement, unless the Vogtle Owners enter into a replacement agreement; (iii) cancellation of Plant Vogtle Units 3 and 4 by the Georgia PSC or by Georgia Power; (iv) failure of the holders of 90% of the ownership interests in Plant Vogtle Units 3 and 4 to vote to continue construction following certain schedule extensions; (v) cost disallowances by the Georgia PSC that could have a material adverse effect on completion of Plant Vogtle Units 3 and 4 or Georgia Power's ability to repay the outstanding borrowings under the FFB Credit Facilities; or (vi) loss of or failure to receive necessary regulatory approvals. Under certain circumstances, insurance proceeds and any proceeds from an event of taking must be applied to immediately prepay outstanding borrowings under the FFB Credit Facilities. Georgia Power also may voluntarily prepay outstanding borrowings under the FFB Credit Facilities. Under the FFB Credit Facilities, any prepayment (whether mandatory or optional) will be made with a make-whole premium or discount, as applicable.

In connection with any cancellation of Plant Vogtle Units 3 and 4, the DOE may elect to continue construction of Plant Vogtle Units 3 and 4. In such an event, the DOE will have the right to assume Georgia Power's rights and obligations under the principal agreements relating to Plant Vogtle Units 3 and 4 and to acquire all or a portion of Georgia Power's ownership interest in Plant Vogtle Units 3 and 4.

Secured Debt

Each of Southern Company's subsidiaries is organized as a legal entity, separate and apart from Southern Company and its other subsidiaries. There are no agreements or other arrangements among the Southern Company system companies under which the assets of one company have been pledged or otherwise made available to satisfy obligations of Southern Company or any of its other subsidiaries.

As discussed under "Long-term Debt" herein, the Registrants had secured debt outstanding at December 31, 2020 and 2019. Each Registrant's senior notes, junior subordinated notes, pollution control and other revenue bond obligations, bank term loans, credit facility borrowings, and notes payable are effectively subordinated to all secured debt of each respective Registrant.

Equity Units

In August 2019, Southern Company issued 34.5 million 2019 Series A Equity Units (Equity Units), initially in the form of corporate units (Corporate Units), at a stated amount of \$50 per Corporate Unit, for a total stated amount of \$1.725 billion. Net proceeds from the issuance were approximately \$1.682 billion. The proceeds were used to repay short-term indebtedness and for other general corporate purposes, including investments in Southern Company's subsidiaries.

Each Corporate Unit is comprised of (i) a 1/40 undivided beneficial ownership interest in \$1,000 principal amount of Southern Company's Series 2019A Remarketable Junior Subordinated Notes (Series 2019A RSNs) due 2024, (ii) a 1/40 undivided beneficial ownership interest in \$1,000 principal amount of Southern Company's Series 2019B Remarketable Junior Subordinated Notes (together with the Series 2019A RSNs, the RSNs) due 2027, and (iii) a stock purchase contract, which obligates the holder to purchase from Southern Company, no later than August 1, 2022, a certain number of shares of Southern Company's common stock for \$50 in cash (Stock Purchase Contract). Southern Company has agreed to remarket the RSNs in 2022, at which time each interest rate on the RSNs will reset at the applicable market rate. Holders may choose to either remarket their RSNs, receive the proceeds, and use those funds to settle the related Stock Purchase Contract or retain the RSNs and use other funds to settle the related Stock Purchase Contract. If the remarketing is unsuccessful, holders will have the right to put their RSNs to Southern Company at a price equal to the principal amount. The Corporate Units carry an annual distribution rate of 6.75% of the stated amount, which is comprised of a quarterly interest payment on the RSNs of 2.70% per year and a quarterly purchase contract adjustment payment of 4.05% per year.

Each Stock Purchase Contract obligates the holder to purchase, and Southern Company to sell, for \$50 a number of shares of Southern Company common stock determined based on the applicable market value (as determined under the related Stock Purchase Contract) in accordance with the conversion ratios set forth below (subject to anti-dilution adjustments):

- If the applicable market value is equal to or greater than \$68.64, 0.7284 shares.
- If the applicable market value is less than \$68.64 but greater than \$57.20, a number of shares equal to \$50 divided by the applicable market value.
- If the applicable market value is less than or equal to \$57.20, 0.8741 shares.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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A holder's ownership interest in the RSNs is pledged to Southern Company to secure the holder's obligation under the related Stock Purchase Contract. If a holder of a Stock Purchase Contract chooses at any time to have its RSNs released from the pledge, such holder's obligation under such Stock Purchase Contract must be secured by a U.S. Treasury security equal to the aggregate principal amount of the RSNs. At the time of issuance, the RSNs were recorded on Southern Company's consolidated balance sheet as long-term debt and the present value of the contract adjustment payments of \$198 million was recorded as a liability, representing the obligation to make contract adjustment payments, with an offsetting reduction to paid-in capital. The liability balance at December 31, 2020 was \$119 million, of which \$67 million was classified as current. The difference between the face value and present value of the contract adjustment payments is being accreted to interest expense on the consolidated statements of income over the three-year period ending in 2022. The liability recorded for the contract adjustment payments is considered non-cash and excluded from the consolidated statements of cash flows. To settle the Stock Purchase Contracts, Southern Company will be required to issue a maximum of 30.2 million shares of common stock (subject to anti-dilution adjustments and a make-whole adjustment if certain fundamental changes occur).

Bank Credit Arrangements

At December 31, 2020, committed credit arrangements with banks were as follows:

Company	Expires				Total	Unused	Due within One Year
	2021	2022	2023	2024			
	<i>(in millions)</i>						
Southern Company parent	\$ —	\$ —	\$ —	\$ 2,000	\$ 2,000	\$ 1,999	\$ —
Alabama Power	3	525	—	800	1,328	1,328	3
Georgia Power	—	—	—	1,750	1,750	1,728	—
Mississippi Power	—	150	125	—	275	250	—
Southern Power ^(a)	—	—	—	600	600	591	—
Southern Company Gas ^(b)	—	—	—	1,750	1,750	1,745	—
SEGCO	30	—	—	—	30	30	30
Southern Company	\$ 33	\$ 675	\$ 125	\$ 6,900	\$ 7,733	\$ 7,671	\$ 33

(a) Does not include Southern Power Company's \$75 million and \$60 million continuing letter of credit facilities for standby letters of credit expiring in 2023, of which \$5 million and \$11 million, respectively, was unused at December 31, 2020. In December 2020, Southern Power amended its \$120 million letter of credit facility, which, among other things, extended the expiration date from 2021 to 2023 and reduced the amount to \$75 million. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(b) Southern Company Gas, as the parent entity, guarantees the obligations of Southern Company Gas Capital, which is the borrower of \$1.25 billion of this arrangement. Southern Company Gas' committed credit arrangement also includes \$500 million for which Nicor Gas is the borrower and which is restricted for working capital needs of Nicor Gas. Pursuant to this multi-year credit arrangement, the allocations between Southern Company Gas Capital and Nicor Gas may be adjusted. See "Structural Considerations" herein for additional information.

The bank credit arrangements require payment of commitment fees based on the unused portion of the commitments. Commitment fees average less than 1/4 of 1% for the Registrants and Nicor Gas. Subject to applicable market conditions, Southern Company and its subsidiaries expect to renew or replace their bank credit arrangements as needed, prior to expiration. In connection therewith, Southern Company and its subsidiaries may extend the maturity dates and/or increase or decrease the lending commitments thereunder.

These bank credit arrangements, as well as the term loan arrangements of the Registrants and SEGCO, contain covenants that limit debt levels and contain cross-acceleration or, in the case of Southern Power, cross-default provisions to other indebtedness (including guarantee obligations) that are restricted only to the indebtedness of the individual company. Such cross-default provisions to other indebtedness would trigger an event of default if Southern Power defaulted on indebtedness or guarantee obligations over a specified threshold. Such cross-acceleration provisions to other indebtedness would trigger an event of default if the applicable borrower defaulted on indebtedness, the payment of which was then accelerated. Southern Company's, Southern Company Gas', and Nicor Gas' credit arrangements contain covenants that limit debt levels to 70% of total capitalization, as defined in the agreements, and the other subsidiaries' bank credit arrangements contain covenants that limit debt levels to 65% of total capitalization, as defined in the agreements. For purposes of these definitions, debt excludes the long-term debt payable to affiliated trusts and, in certain arrangements, other hybrid securities. Additionally, for Southern Company and Southern Power, for purposes of these definitions, debt excludes any project debt incurred by certain subsidiaries of Southern Power to the extent such debt is non-recourse to Southern Power and capitalization excludes the capital stock or other equity attributable to such

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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subsidiaries. At December 31, 2020, the Registrants, Nicor Gas, and SEGCO were in compliance with all such covenants. None of the bank credit arrangements contain material adverse change clauses at the time of borrowings.

A portion of the unused credit with banks is allocated to provide liquidity support to the revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants and Nicor Gas. The amount of variable rate revenue bonds of the traditional electric operating companies outstanding requiring liquidity support at December 31, 2020 was approximately \$1.4 billion (comprised of approximately \$854 million at Alabama Power, \$550 million at Georgia Power, and \$34 million at Mississippi Power). In addition, at December 31, 2020, Georgia Power and Mississippi Power had approximately \$174 million and \$50 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months.

At December 31, 2020 and 2019, Southern Power had \$105 million and \$104 million, respectively, of cash collateral posted related to PPA requirements, which is included in other deferred charges and assets on Southern Power's consolidated balance sheets.

Notes Payable

The Registrants, Nicor Gas, and SEGCO make short-term borrowings primarily through commercial paper programs that have the liquidity support of the committed bank credit arrangements described above under "Bank Credit Arrangements." Southern Power's subsidiaries are not parties or obligors to its commercial paper program. Southern Company Gas maintains commercial paper programs at Southern Company Gas Capital and at Nicor Gas. Nicor Gas' commercial paper program supports working capital needs at Nicor Gas as Nicor Gas is not permitted to make money pool loans to affiliates. All of Southern Company Gas' other subsidiaries benefit from Southern Company Gas Capital's commercial paper program. See "Structural Considerations" herein for additional information.

In addition, Southern Company and certain of its subsidiaries have entered into various bank term loan agreements. Unless otherwise stated, the proceeds of these loans were used to repay existing indebtedness and for general corporate purposes, including working capital and, for the subsidiaries, their continuous construction programs.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Commercial paper and short-term bank term loans are included in notes payable in the balance sheets. Details of short-term borrowings for the applicable Registrants were as follows:

	Notes Payable at December 31, 2020		Notes Payable at December 31, 2019	
	Amount Outstanding	Weighted Average Interest Rate	Amount Outstanding	Weighted Average Interest Rate
	<i>(in millions)</i>		<i>(in millions)</i>	
Southern Company				
Commercial paper	\$ 609	0.3 %	\$ 1,705	2.1 %
Short-term bank debt	—	— %	350	2.3 %
Total	\$ 609	0.3 %	\$ 2,055	2.1 %
Georgia Power				
Commercial paper	\$ 60	0.3 %	\$ 115	2.1 %
Short-term bank debt	—	— %	250	2.2 %
Total	\$ 60	0.3 %	\$ 365	2.2 %
Mississippi Power				
Commercial paper	\$ 25	0.4 %	\$ —	— %
Southern Power				
Commercial paper	\$ 175	0.3 %	\$ 449	2.1 %
Short-term bank debt	—	— %	100	2.6 %
Total	\$ 175	0.3 %	\$ 549	2.2 %
Southern Company Gas				
Commercial paper:				
Southern Company Gas Capital	\$ 220	0.3 %	\$ 372	2.1 %
Nicor Gas	104	0.2 %	278	1.8 %
Total	\$ 324	0.2 %	\$ 650	2.0 %

See "Bank Credit Arrangements" herein for information on bank term loan covenants that limit debt levels and cross-acceleration or cross-default provisions.

Outstanding Classes of Capital Stock
Southern Company
Common Stock
Stock Issued

During 2020, Southern Company issued approximately 3.3 million shares of common stock through employee equity compensation plans and received proceeds of approximately \$74 million.

See "Equity Units" herein for additional information.

Shares Reserved

At December 31, 2020, a total of 88 million shares were reserved for issuance pursuant to the Southern Investment Plan, employee savings plans, the Outside Directors Stock Plan, the Omnibus Incentive Compensation Plan (which includes stock options and performance share units as discussed in Note 12), and an at-the-market program. Of the total 88 million shares reserved, 6.8 million shares are available for awards under the Omnibus Incentive Compensation Plan at December 31, 2020.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report
Diluted Earnings Per Share

For Southern Company, the only differences in computing basic and diluted earnings per share (EPS) are attributable to awards outstanding under stock-based compensation plans and the Equity Units. Earnings per share dilution resulting from stock-based compensation plans and the Equity Units issuance is determined using the treasury stock method. Shares used to compute diluted EPS were as follows:

	Average Common Stock Shares		
	2020	2019	2018
	<i>(in millions)</i>		
As reported shares	1,058	1,046	1,020
Effect of stock-based compensation	7	8	5
Diluted shares	1,065	1,054	1,025

In all years presented, an immaterial number of stock-based compensation awards was not included in the diluted EPS calculation because the awards were anti-dilutive.

The Equity Units were excluded from the calculation of diluted EPS for 2020 and 2019 as the dilutive stock price threshold was not met.

Redeemable Preferred Stock of Subsidiaries

As discussed further under "Alabama Power" herein, the preferred stock of Alabama Power is presented as "Redeemable Preferred Stock of Subsidiaries" on Southern Company's balance sheets in a manner consistent with temporary equity under applicable accounting standards.

In 2018, Mississippi Power completed the redemption of all outstanding shares and depository shares of its redeemable preferred stock totaling \$33 million, as described further under "Mississippi Power" herein.

Alabama Power

Alabama Power has preferred stock, Class A preferred stock, and common stock outstanding. Alabama Power also has authorized preference stock, none of which is outstanding. Alabama Power's preferred stock and Class A preferred stock, without preference between classes, rank senior to Alabama Power's common stock with respect to payment of dividends and voluntary and involuntary dissolution. The preferred stock and Class A preferred stock of Alabama Power contain a feature that allows the holders to elect a majority of Alabama Power's board of directors if preferred dividends are not paid for four consecutive quarters. Because such a potential redemption-triggering event is not solely within the control of Alabama Power, the preferred stock and Class A preferred stock is presented as "Redeemable Preferred Stock" on Alabama Power's balance sheets in a manner consistent with temporary equity under applicable accounting standards.

Alabama Power's preferred stock is subject to redemption at a price equal to the par value plus a premium. Alabama Power's Class A preferred stock is subject to redemption at a price equal to the stated capital. All series of Alabama Power's preferred stock currently are subject to redemption at the option of Alabama Power. The Class A preferred stock is subject to redemption on or after October 1, 2022, or following the occurrence of a rating agency event. Information for each outstanding series is in the table below:

Preferred Stock	Par Value/Stated Capital Per Share	Shares Outstanding	Redemption Price Per Share
4.92% Preferred Stock	\$100	80,000	\$103.23
4.72% Preferred Stock	\$100	50,000	\$102.18
4.64% Preferred Stock	\$100	60,000	\$103.14
4.60% Preferred Stock	\$100	100,000	\$104.20
4.52% Preferred Stock	\$100	50,000	\$102.93
4.20% Preferred Stock	\$100	135,115	\$105.00
5.00% Class A Preferred Stock	\$25	10,000,000	\$25.00 ^(*)

(*) \$25.50 if prior to October 1, 2022

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report***Georgia Power***

Georgia Power has preferred stock, Class A preferred stock, preference stock, and common stock authorized, but only common stock outstanding as of December 31, 2020 and 2019.

Mississippi Power

Mississippi Power has preferred stock and common stock authorized, but only common stock outstanding as of December 31, 2020 and 2019. In 2018, Mississippi Power completed the redemption of all outstanding shares and depository shares of its Preferred Stock.

Dividend Restrictions

The income of Southern Company is derived primarily from equity in earnings of its subsidiaries. At December 31, 2020, consolidated retained earnings included \$5.6 billion of undistributed retained earnings of the subsidiaries.

The traditional electric operating companies and Southern Power can only pay dividends to Southern Company out of retained earnings or paid-in-capital.

See Note 7 under "Southern Power" for information regarding the distribution requirements for certain Southern Power subsidiaries.

By regulation, Nicor Gas is restricted, to the extent of its retained earnings balance, in the amount it can dividend or loan to affiliates and is not permitted to make money pool loans to affiliates. At December 31, 2020, the amount of Southern Company Gas' subsidiary retained earnings restricted for dividend payment totaled \$1.1 billion.

Structural Considerations

Since Southern Company and Southern Company Gas are holding companies, the right of Southern Company and Southern Company Gas and, hence, the right of creditors of Southern Company or Southern Company Gas to participate in any distribution of the assets of any respective subsidiary of Southern Company or Southern Company Gas, whether upon liquidation, reorganization or otherwise, is subject to prior claims of creditors and preferred stockholders of such subsidiary.

Southern Company Gas' 100%-owned subsidiary, Southern Company Gas Capital, was established to provide for certain of Southern Company Gas' ongoing financing needs through a commercial paper program, the issuance of various debt, hybrid securities, and other financing arrangements. Southern Company Gas fully and unconditionally guarantees all debt issued by Southern Company Gas Capital. Nicor Gas is not permitted by regulation to make loans to affiliates or utilize Southern Company Gas Capital for its financing needs.

Southern Power Company's senior notes, bank term loan, commercial paper, and bank credit arrangement are unsecured senior indebtedness, which rank equally with all other unsecured and unsubordinated debt of Southern Power Company. Southern Power's subsidiaries are not issuers, borrowers, or obligors, as applicable, under any of these unsecured senior debt arrangements, which are effectively subordinated to any future secured debt of Southern Power Company and any potential claims of creditors of Southern Power's subsidiaries.

9. LEASES

On January 1, 2019, the Registrants adopted the provisions of FASB ASC Topic 842 (as amended), *Leases* (ASC 842), which require lessees to recognize leases with a term of greater than 12 months on the balance sheet as lease obligations, representing the discounted future fixed payments due, along with ROU assets that will be amortized over the term of each lease.

The Registrants elected the transition methodology provided by ASC 842, whereby the applicable requirements were applied on a prospective basis as of the adoption date of January 1, 2019, without restating prior periods. The Registrants also elected the package of practical expedients provided by ASC 842 that allows prior determinations of whether existing contracts are, or contain, leases and the classification of existing leases to continue without reassessment. Additionally, the Registrants applied the use-of-hindsight practical expedient in determining lease terms as of the date of adoption and elected the practical expedient that allows existing land easements not previously accounted for as leases not to be reassessed.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Lessee

As lessee, the Registrants lease certain electric generating units (including renewable energy facilities), real estate/land, communication towers, railcars, and other equipment and vehicles. The major categories of lease obligations are as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
As of December 31, 2020						
Electric generating units	\$ 941	\$ 146	\$ 1,368	\$ —	\$ —	\$ —
Real estate/land	815	4	53	2	451	61
Communication towers	158	2	3	—	—	20
Railcars	42	16	23	3	—	—
Other	127	7	5	23	—	1
Total	\$ 2,083	\$ 175	\$ 1,452	\$ 28	\$ 451	\$ 82
As of December 31, 2019						
Electric generating units	\$ 990	\$ 125	\$ 1,487	\$ —	\$ —	\$ —
Real estate/land	782	4	54	2	398	74
Communication towers	154	2	3	—	—	18
Railcars	51	21	26	3	—	—
Other	93	8	12	1	—	—
Total	\$ 2,070	\$ 160	\$ 1,582	\$ 6	\$ 398	\$ 92

Real estate/land leases primarily consist of commercial real estate leases at Southern Company, Georgia Power, and Southern Company Gas and various land leases primarily associated with renewable energy facilities at Southern Power. The commercial real estate leases have remaining terms of up to 24 years while the land leases have remaining terms of up to 46 years, including renewal periods.

Communication towers are leased for the installation of equipment to provide cellular phone service to customers and to support the automated meter infrastructure programs at the traditional electric operating companies and Nicor Gas. Communication tower leases have original terms of up to 10 years with options to renew for periods up to 20 years.

Renewal options exist in many of the leases. Except as otherwise noted, the expected term used in calculating the lease obligation generally reflects only the noncancelable period of the lease as it is not considered reasonably certain that the lease will be extended. Land leases associated with renewable energy facilities at Southern Power and communication tower leases for automated meter infrastructure at Southern Company Gas include renewal periods reasonably certain of exercise resulting in an expected lease term at least equal to the expected life of the renewable energy facilities and the automated meter infrastructure, respectively.

Contracts that Contain a Lease

While not specifically structured as a lease, some of the PPAs at Alabama Power and Georgia Power are deemed to represent a lease of the underlying electric generating units when the terms of the PPA convey the right to control the use of the underlying assets. Amounts recorded for leases of electric generating units are generally based on the amount of scheduled capacity payments due over the remaining term of the PPA, which varies between three and 17 years. Georgia Power has several PPAs with Southern Power that Georgia Power accounts for as leases with a lease obligation of \$575 million and \$624 million at December 31, 2020 and 2019, respectively. The amount paid for energy under these affiliate PPAs reflects a price that would be paid in an arm's-length transaction as reviewed and approved by the Georgia PSC.

Short-term Leases

Leases with an initial term of 12 months or less are not recorded on the balance sheet; the Registrants generally recognize lease expense for these leases on a straight-line basis over the lease term.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Residual Value Guarantees

Residual value guarantees exist primarily in railcar leases at Alabama Power and Georgia Power and the amounts probable of being paid under those guarantees are included in the lease payments. All such amounts are immaterial as of December 31, 2020 and 2019.

Lease and Nonlease Components

For all asset categories, with the exception of electric generating units, gas pipelines, and real estate leases, the Registrants combine lease payments and any nonlease components, such as asset maintenance, for purposes of calculating the lease obligation and the right-of-use asset.

Balance sheet amounts recorded for operating and finance leases are as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
As of December 31, 2020						
Operating Leases						
Operating lease ROU assets, net	\$ 1,802	\$ 151	\$ 1,308	\$ 9	\$ 415	\$ 81
Operating lease obligations - current	\$ 241	\$ 51	\$ 151	\$ 2	\$ 25	\$ 15
Operating lease obligations - non-current	1,611	119	1,156	7	426	67
Total operating lease obligations	\$ 1,852	\$ 170	\$ 1,307	\$ 9	\$ 451	\$ 82
Finance Leases						
Finance lease ROU assets, net	\$ 218	\$ 5	\$ 115	\$ 19	\$ —	\$ —
Finance lease obligations - current	\$ 17	\$ 1	\$ 9	\$ 1	\$ —	\$ —
Finance lease obligations - non-current	214	4	136	18	—	—
Total finance lease obligations	\$ 231	\$ 5	\$ 145	\$ 19	\$ —	\$ —
As of December 31, 2019						
Operating Leases						
Operating lease ROU assets, net	\$ 1,800	\$ 132	\$ 1,428	\$ 6	\$ 369	\$ 93
Operating lease obligations - current	\$ 229	\$ 49	\$ 144	\$ 2	\$ 22	\$ 14
Operating lease obligations - non-current	1,615	107	1,282	4	376	78
Total operating lease obligations	\$ 1,844	\$ 156	\$ 1,426	\$ 6	\$ 398	\$ 92
Finance Leases						
Finance lease ROU assets, net	\$ 216	\$ 4	\$ 130	\$ —	\$ —	\$ —
Finance lease obligations - current	\$ 21	\$ 1	\$ 11	\$ —	\$ —	\$ —
Finance lease obligations - non-current	205	3	145	—	—	—
Total finance lease obligations	\$ 226	\$ 4	\$ 156	\$ —	\$ —	\$ —

If not presented separately on the Registrants' balance sheets, amounts related to leases are presented as follows: operating lease ROU assets, net are included in "other deferred charges and assets"; operating lease obligations are included in "other current liabilities" and "other deferred credits and liabilities," as applicable; finance lease ROU assets, net are included in "plant in service"; and finance lease obligations are included in "securities due within one year" and "long-term debt," as applicable.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Lease costs for 2020 and 2019, which includes both amounts recognized as operations and maintenance expense and amounts capitalized as part of the cost of another asset, are as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
2020						
Lease cost						
Operating lease cost	\$ 309	\$ 55	\$ 212	\$ 3	\$ 29	\$ 19
Finance lease cost:						
Amortization of ROU assets	26	1	15	—	—	—
Interest on lease obligations	11	—	16	—	—	—
Total finance lease cost	37	1	31	—	—	—
Short-term lease costs	39	11	26	—	—	—
Variable lease cost	91	4	76	—	7	—
Sublease income	—	(1)	—	—	—	—
Total lease cost	\$ 476	\$ 70	\$ 345	\$ 3	\$ 36	\$ 19
2019						
Lease cost						
Operating lease cost	\$ 310	\$ 54	\$ 206	\$ 3	\$ 28	\$ 18
Finance lease cost:						
Amortization of ROU assets	28	1	15	—	—	—
Interest on lease obligations	12	—	18	—	—	—
Total finance lease cost	40	1	33	—	—	—
Short-term lease costs	48	19	22	—	—	—
Variable lease cost	105	6	85	—	7	—
Sublease income	—	(1)	—	—	—	—
Total lease cost	\$ 503	\$ 79	\$ 346	\$ 3	\$ 35	\$ 18

Georgia Power has variable lease payments that are based on the amount of energy produced by certain renewable generating facilities subject to PPAs, including \$39 million and \$42 million in 2020 and 2019, respectively, from finance leases which are included in purchased power on Georgia Power's statements of income, \$20 million of which was included in purchased power, affiliates in both 2020 and 2019.

Rent expense and PPA capacity expense related to leases for 2018, prior to the adoption of ASC 842, were as follows:

	Southern Company ^{(a)(b)(c)}	Alabama Power	Georgia Power ^(a)	Mississippi Power ^(b)	Southern Power ^(c)	Southern Company Gas
<i>(in millions)</i>						
2018:						
Rent expense	\$ 192	\$ 23	\$ 34	\$ 4	\$ 31	\$ 15
PPA capacity expense	231	44	206	—	—	—

(a) Georgia Power's energy-only solar PPAs accounted for as leases contained contingent rent expense of \$72 million, of which \$29 million related to solar PPAs with Southern Power.

(b) Mississippi Power's energy-only solar PPAs accounted for as operating leases contained contingent rent expense of \$10 million.

(c) Rent expense includes contingent rent expense related to Southern Power's land leases based on wind production and escalation in the Consumer Price Index for All Urban Consumers.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Other information with respect to cash and noncash activities related to leases, as well as weighted-average lease terms and discount rates, is as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
2020						
Other information						
Cash paid for amounts included in the measurements of lease obligations:						
Operating cash flows from operating leases	\$ 310	\$ 55	\$ 215	\$ 3	\$ 28	\$ 18
Operating cash flows from finance leases	9	—	18	—	—	—
Financing cash flows from finance leases	22	1	11	—	—	—
ROU assets obtained in exchange for new operating lease obligations	227	63	32	—	51	4
ROU assets obtained in exchange for new finance lease obligations	10	2	—	—	—	—
2019						
Other information						
Cash paid for amounts included in the measurements of lease obligations:						
Operating cash flows from operating leases	\$ 323	\$ 54	\$ 210	\$ 3	\$ 27	\$ 18
Operating cash flows from finance leases	10	—	19	—	—	—
Financing cash flows from finance leases	32	1	13	—	—	—
ROU assets obtained in exchange for new operating lease obligations	118	7	21	—	2	19
ROU assets obtained in exchange for new finance lease obligations	35	2	24	—	—	—
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
As of December 31, 2020						
Weighted-average remaining lease term in years:						
Operating leases	14.5	7.8	9.4	6.5	32.1	9.8
Finance leases	18.2	9.7	9.5	14.9	N/A	N/A
Weighted-average discount rate:						
Operating leases	4.44 %	4.14 %	4.37 %	3.26 %	5.45 %	3.67 %
Finance leases	4.79 %	3.20 %	10.81 %	2.74 %	N/A	N/A
As of December 31, 2019						
Weighted-average remaining lease term in years:						
Operating leases	14.2	3.1	10.2	7.0	32.8	9.9
Finance leases	18.8	12.1	10.5	N/A	N/A	N/A
Weighted-average discount rate:						
Operating leases	4.53 %	3.33 %	4.46 %	4.02 %	5.66 %	3.7 %
Finance leases	5.04 %	3.60 %	10.76 %	N/A	N/A	N/A

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Maturities of lease liabilities are as follows:

	As of December 31, 2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Maturity Analysis						
Operating leases:						
2021	\$ 300	\$ 57	\$ 205	\$ 2	\$ 30	\$ 18
2022	287	58	202	4	25	14
2023	230	9	200	1	27	12
2024	187	6	164	1	27	11
2025	165	6	137	—	27	10
Thereafter	1,546	74	701	2	873	35
Total	2,715	210	1,609	10	1,009	100
Less: Present value discount	863	40	302	1	558	18
Operating lease obligations	\$ 1,852	\$ 170	\$ 1,307	\$ 9	\$ 451	\$ 82
Finance leases:						
2021	\$ 28	\$ 1	\$ 24	\$ 2	\$ —	\$ —
2022	25	1	25	1	—	—
2023	22	1	25	2	—	—
2024	19	1	25	1	—	—
2025	16	—	25	2	—	—
Thereafter	246	1	109	15	—	—
Total	356	5	233	23	—	—
Less: Present value discount	125	—	88	4	—	—
Finance lease obligations	\$ 231	\$ 5	\$ 145	\$ 19	\$ —	\$ —

Payments made under PPAs at Georgia Power for energy generated from certain renewable energy facilities accounted for as operating and finance leases are considered variable lease costs and are therefore not reflected in the above maturity analysis.

As of December 31, 2020, Southern Power has additional leases that have not yet commenced, as detailed in the following table:

	Southern Power
Lease category	Land
Expected commencement date	2021
Longest lease term expiration	30 years
Estimated total obligations <i>(in millions)</i>	\$12

Lessor

The Registrants are each considered lessors in various arrangements that have been determined to contain a lease due to the customer's ability to control the use of the underlying asset owned by the applicable Registrant. For the traditional electric operating companies, these arrangements consist of outdoor lighting contracts accounted for as operating leases with initial terms of up to seven years, after which the contracts renew on a month-to-month basis at the customer's option. For Mississippi Power, these arrangements also include a tolling arrangement related to an electric generating unit accounted for as a sales-type lease with a remaining term of 18 years. For Southern Power, these arrangements consist of PPAs related to electric generating units, including renewable energy facilities, accounted for as operating leases with remaining terms of up to 26 years. Southern Company Gas is the lessor in operating leases related to gas pipelines with remaining terms of up to 22 years. For Southern

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Company, these arrangements also include PPAs related to fuel cells accounted for as operating leases with remaining terms of up to 14 years.

Lease income for 2020 and 2019 is as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
2020						
Lease income - interest income on sales-type leases	\$ 16	\$ —	\$ —	\$ 12	\$ —	\$ —
Lease income - operating leases	208	45	58	2	87	35
Variable lease income	419	—	—	—	449	—
Total lease income	\$ 643	\$ 45	\$ 58	\$ 14	\$ 536	\$ 35
2019						
Lease income - interest income on sales-type leases	\$ 9	\$ —	\$ —	\$ 9	\$ —	\$ —
Lease income - operating leases	273	24	71	—	160	35
Variable lease income	403	—	—	—	434	—
Total lease income	\$ 685	\$ 24	\$ 71	\$ 9	\$ 594	\$ 35

Lease payments received under tolling arrangements and PPAs consist of either scheduled payments or variable payments based on the amount of energy produced by the underlying electric generating units. Lease income for Alabama Power and Southern Power is included in wholesale revenues. Scheduled payments to be received under outdoor lighting contracts, tolling arrangements, and PPAs accounted for as leases are presented in the following maturity analyses.

No profit or loss was recognized by Mississippi Power upon commencement of a tolling arrangement accounted for as a sales-type lease during the first quarter 2019. Mississippi Power completed construction of additional leased assets under the lease during 2020 and, upon completion, the book value of \$26 million was transferred from CWIP to lease receivables, of which \$24 million and \$2 million is included in other property and investments and other accounts and notes receivable, respectively, at December 31, 2020. The transfer represented a non-cash investing transaction for purposes of the statements of cash flows. Construction of additional leased assets is ongoing and will be transferred to a lease receivable as completed. The undiscounted cash flows to be received by Mississippi Power for in-service leased assets under the lease are as follows:

	At December 31, 2020
	<i>(in millions)</i>
2021	\$ 20
2022	19
2023	19
2024	18
2025	17
Thereafter	162
Total undiscounted cash flows	\$ 255
Lease receivable ^(*)	138
Difference between undiscounted cash flows and discounted cash flows	\$ 117

(*) Included in other current assets and other property and investments on the balance sheets.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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The undiscounted cash flows to be received under operating leases and contracts accounted for as operating leases (adjusted for intercompany eliminations) are as follows:

	At December 31, 2020				
	Southern Company	Alabama Power	Georgia Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
2021	\$ 207	\$ 83	\$ 19	\$ 86	\$ 35
2022	187	76	8	87	35
2023	138	32	2	88	34
2024	106	4	—	90	33
2025	99	3	—	74	28
Thereafter	978	23	—	313	435
Total	\$ 1,715	\$ 221	\$ 29	\$ 738	\$ 600

Southern Power receives payments for renewable energy under PPAs accounted for as operating leases that are considered contingent rents and are therefore not reflected in the table above. Alabama Power and Southern Power allocate revenue to the nonlease components of PPAs based on the stand-alone selling price of capacity and energy. The undiscounted cash flows to be received under outdoor lighting contracts accounted for as operating leases at Mississippi Power are immaterial.

10. INCOME TAXES

Southern Company files a consolidated federal income tax return and the Registrants file various state income tax returns, some of which are combined or unitary. Under a joint consolidated income tax allocation agreement, each Southern Company subsidiary's current and deferred tax expense is computed on a stand-alone basis and each subsidiary is allocated an amount of tax similar to that which would be paid if it filed a separate income tax return. In accordance with IRS regulations, each company is jointly and severally liable for the federal tax liability.

Federal Tax Reform Legislation

Following the enactment of the Tax Reform Legislation, the SEC staff issued Staff Accounting Bulletin 118 – "Income Tax Accounting Implications of the Tax Cuts and Jobs Act" (SAB 118), which provided for a measurement period of up to one year from the enactment date to complete accounting under GAAP for the tax effects of the legislation. Following the 2017 tax return filing in the fourth quarter 2018, each of the Registrants considered the measurement of impacts from the Tax Reform Legislation on deferred income tax assets and liabilities, primarily due to the impact of the reduction of the corporate income tax rate, to be complete as of December 31, 2018.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report
Current and Deferred Income Taxes

Details of income tax provisions are as follows:

2020							
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas	
<i>(in millions)</i>							
Federal —							
Current	\$ 199	\$ 198	\$ 365	\$ 18	\$ (303)	\$	82
Deferred	70	44	(224)	(14)	299	53	
	269	242	141	4	(4)	135	
State —							
Current	100	61	60	—	(4)	35	
Deferred	24	34	(49)	10	11	3	
	124	95	11	10	7	38	
Total	\$ 393	\$ 337	\$ 152	\$ 14	\$ 3	\$ 173	

2019							
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas	
<i>(in millions)</i>							
Federal —							
Current	\$ 156	\$ 61	\$ 264	\$ (6)	\$ (717)	\$	(120)
Deferred	1,237	125	180	26	647	195	
	1,393	186	444	20	(70)	75	
State —							
Current	275	12	6	(1)	1	37	
Deferred	130	72	22	11	13	18	
	405	84	28	10	14	55	
Total	\$ 1,798	\$ 270	\$ 472	\$ 30	\$ (56)	\$ 130	

2018							
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas	
<i>(in millions)</i>							
Federal —							
Current	\$ 167	\$ 91	\$ 393	\$ (567)	\$ 85	\$ 334	
Deferred	231	123	(249)	575	(154)	33	
	398	214	144	8	(69)	367	
State —							
Current	188	26	81	(10)	(9)	131	
Deferred	(137)	51	(11)	(100)	(86)	(34)	
	51	77	70	(110)	(95)	97	
Total	\$ 449	\$ 291	\$ 214	\$ (102)	\$ (164)	\$ 464	

Southern Company's and Southern Power's ITCs and PTCs generated in the current tax year and carried forward from prior tax years that cannot be utilized in the current tax year are reclassified from current to deferred taxes in federal income tax expense in the tables above. Southern Power's ITCs and PTCs reclassified in this manner include \$5 million for 2020, \$51 million for 2019,

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

and \$128 million for 2018. Southern Power received \$340 million, \$734 million, and \$5 million of cash related to federal ITCs under renewable energy initiatives in 2020, 2019, and 2018, respectively. See "Deferred Tax Assets and Liabilities" and "Tax Credit Carryforwards" herein for additional information.

In accordance with regulatory requirements, deferred federal ITCs for the traditional electric operating companies are deferred and amortized over the average life of the related property, with such amortization normally applied as a credit to reduce depreciation and amortization in the statements of income. Southern Power's and the natural gas distribution utilities' deferred federal ITCs, as well as certain state ITCs for Nicor Gas, are deferred and amortized to income tax expense over the life of the respective asset. ITCs amortized in 2020, 2019, and 2018 were immaterial for the traditional electric operating companies and Southern Company Gas and were as follows for Southern Company and Southern Power:

	Southern Company	Southern Power
		<i>(in millions)</i>
2020	\$ 84	\$ 59
2019		181
2018		87

When Southern Power recognizes tax credits, the tax basis of the asset is reduced by 50% of the ITCs received, resulting in a net deferred tax asset. Southern Power has elected to recognize the tax benefit of this basis difference as a reduction to income tax expense in the year in which the plant reaches commercial operation. The tax benefit of the related basis differences reduced income tax expense by \$5 million and \$1 million in 2019 and 2018, respectively.

State ITCs and other state credits, which are recognized in the period in which the credits are generated, reduced Georgia Power's income tax expense by \$67 million in 2020, \$51 million in 2019, and \$21 million in 2018.

Southern Power's federal and state PTCs, which are recognized in the period in which the credits are generated, reduced Southern Power's income tax expense by \$15 million in 2020, \$12 million in 2019, and \$141 million in 2018.

Legal Entity Reorganizations

In 2018, Southern Power completed the final stage of a legal entity reorganization of various direct and indirect subsidiaries that own and operate substantially all of its solar facilities, including certain subsidiaries owned in partnership with various third parties, and also completed a legal entity reorganization of eight operating wind facilities under a new holding company, SP Wind. The reorganizations resulted in net state tax benefits related to certain changes in apportionment rates totaling approximately \$65 million, which were recorded in 2018.

Effective Tax Rate

Southern Company's effective tax rate is typically lower than the statutory rate due to employee stock plans' dividend deduction, non-taxable AFUDC equity at the traditional electric operating companies, flowback of excess deferred income taxes at the regulated utilities, and federal income tax benefits from ITCs and PTCs primarily at Southern Power.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

A reconciliation of the federal statutory income tax rate to the effective income tax rate is as follows:

	2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Federal statutory rate	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %
State income tax, net of federal deduction	2.8	5.0	0.5	4.8	2.7	4.0
Employee stock plans' dividend deduction	(0.7)	—	—	—	—	—
Non-deductible book depreciation	0.7	0.6	0.8	0.5	—	—
Flowback of excess deferred income taxes	(8.8)	(3.1)	(12.0)	(18.5)	—	(2.7)
AFUDC-Equity	(0.8)	(0.6)	(1.1)	(0.1)	—	—
Federal PTCs	—	—	—	—	(2.5)	—
Amortization of ITC	(1.6)	(0.1)	(0.1)	(0.1)	(22.1)	(0.1)
Noncontrolling interests	—	—	—	—	3.1	—
Leveraged lease impairments	(1.6)	—	—	—	—	—
Other	0.2	(0.3)	(0.3)	0.9	(0.9)	0.5
Effective income tax (benefit) rate	11.2 %	22.5 %	8.8 %	8.5 %	1.3 %	22.7 %

	2019					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Federal statutory rate	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %
State income tax, net of federal deduction	4.9	4.9	1.0	4.3	4.0	6.1
Employee stock plans' dividend deduction	(0.4)	—	—	—	—	—
Non-deductible book depreciation	0.3	0.6	0.5	0.4	—	—
Flowback of excess deferred income taxes	(2.1)	(5.3)	—	(12.6)	—	(6.0)
AFUDC-Equity	(0.4)	(0.8)	(0.6)	(0.1)	—	—
ITC basis difference	(0.1)	—	—	—	(1.9)	—
Amortization of ITC	(0.8)	(0.1)	(0.1)	(0.1)	(16.1)	(0.1)
Tax impact from sale of subsidiaries	5.1	—	—	—	(27.6)	(1.4)
Noncontrolling interests	—	—	—	—	0.8	—
Other	—	(0.4)	(0.3)	4.9	(0.6)	(1.4)
Effective income tax (benefit) rate	27.5 %	19.9 %	21.5 %	17.8 %	(20.4) %	18.2 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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	2018					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Federal statutory rate	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %	21.0 %
State income tax, net of federal deduction	1.8	5.0	5.5	(65.1)	(90.8)	9.2
Employee stock plans' dividend deduction	(1.0)	—	—	—	—	—
Non-deductible book depreciation	0.8	0.6	1.2	0.7	—	—
Flowback of excess deferred income taxes	(4.0)	(1.8)	—	(4.1)	—	(3.0)
AFUDC-Equity	(1.0)	(1.0)	(1.4)	—	—	—
ITC basis difference	(0.6)	—	—	—	(0.2)	—
Federal PTCs	(4.7)	—	—	—	(156.6)	—
Amortization of ITC	(2.0)	(0.1)	(0.2)	(0.2)	(55.4)	(0.1)
Tax impact from sale of subsidiaries	8.6	—	—	—	—	28.5
Tax Reform Legislation	(1.4)	—	(4.9)	(26.3)	96.1	(0.4)
Noncontrolling interests	(0.4)	—	—	—	(14.9)	—
Other	(0.8)	(0.1)	0.1	(1.4)	2.0	0.3
Effective income tax (benefit) rate	16.3 %	23.6 %	21.3 %	(75.4) %	(198.8)%	55.5 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Deferred Tax Assets and Liabilities

The tax effects of temporary differences between the carrying amounts of assets and liabilities in the financial statements of the Registrants and their respective tax bases, which give rise to deferred tax assets and liabilities, are as follows:

	December 31, 2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Deferred tax liabilities —						
Accelerated depreciation	\$ 8,950	\$ 2,453	\$ 3,228	\$ 319	\$ 1,389	\$ 1,349
Property basis differences	1,999	1,010	689	148	—	135
Federal effect of net state deferred tax assets	—	—	—	25	—	—
Leveraged lease basis differences	142	—	—	—	—	—
Employee benefit obligations	739	250	362	39	12	26
Premium on reacquired debt	78	12	66	—	—	—
Regulatory assets –						
Storm damage reserves	80	—	80	—	—	—
Employee benefit obligations	1,313	348	438	62	—	45
Remaining book value of retired assets	270	123	141	6	—	—
AROs	1,969	764	1,165	40	—	—
AROs	804	328	429	—	—	—
Other	437	128	82	66	12	138
Total deferred income tax liabilities	16,781	5,416	6,680	705	1,413	1,693
Deferred tax assets —						
Federal effect of net state deferred tax liabilities	284	151	59	—	26	70
State effect of federal deferred taxes	126	126	—	—	—	—
Employee benefit obligations	1,511	369	522	80	6	100
Other property basis differences	223	—	72	—	134	—
ITC and PTC carryforward	1,853	12	539	—	1,110	—
Long-term debt fair value adjustment	86	—	—	—	—	86
Other partnership basis difference	166	—	—	—	166	—
Other comprehensive losses	128	7	17	—	25	—
AROs	2,773	1,092	1,594	40	—	—
Estimated loss on plants under construction	369	—	369	—	—	—
Other deferred state tax attributes	357	—	9	250	68	10
Regulatory liability associated with the Tax Reform Legislation (not subject to normalization)	338	243	76	19	—	—
Other	660	143	186	39	52	166
Total deferred income tax assets	8,874	2,143	3,443	428	1,587	432
Valuation allowance	(136)	—	(35)	(41)	(35)	(4)
Net deferred income tax assets	8,738	2,143	3,408	387	1,552	428
Net deferred income taxes (assets)/liabilities	\$ 8,043	\$ 3,273	\$ 3,272	\$ 318	\$ (139)	\$ 1,265
Recognized in the balance sheets:						
Accumulated deferred income taxes – assets	\$ (132)	\$ —	\$ —	\$ (129)	\$ (262)	\$ —
Accumulated deferred income taxes – liabilities	\$ 8,175	\$ 3,273	\$ 3,272	\$ 447	\$ 123	\$ 1,265

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

	December 31, 2019					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Deferred tax liabilities —						
Accelerated depreciation	\$ 8,711	\$ 2,402	\$ 3,058	\$ 315	\$ 1,422	\$ 1,288
Property basis differences	1,843	912	643	143	—	133
Federal effect of net state deferred tax assets	—	—	—	24	—	—
Leveraged lease basis differences	236	—	—	—	—	—
Employee benefit obligations	704	242	351	38	12	12
Premium on reacquired debt	83	13	70	—	—	—
Regulatory assets –						
Storm damage reserves	109	—	109	—	—	—
Employee benefit obligations	1,174	311	403	55	—	45
Remaining book value of retired assets	341	174	159	8	—	—
AROs	1,723	613	1,066	44	—	—
Other	814	360	405	—	—	—
Other	523	134	81	68	11	198
Total deferred income tax liabilities	16,261	5,161	6,345	695	1,445	1,676
Deferred tax assets —						
Federal effect of net state deferred tax liabilities	277	162	63	—	24	56
Employee benefit obligations	1,385	334	488	72	5	111
Other property basis differences	230	—	65	—	146	—
ITC and PTC carryforward	2,098	11	435	—	1,445	—
Long-term debt fair value adjustment	97	—	—	—	—	97
Other partnership basis difference	169	—	—	—	169	—
Other comprehensive losses	112	8	18	—	10	—
AROs	2,537	973	1,471	44	—	—
Estimated loss on plants under construction	283	—	283	—	—	—
Other deferred state tax attributes	402	—	13	251	72	8
Regulatory liability associated with the Tax Reform Legislation (not subject to normalization)	401	240	133	28	—	—
Other	689	173	154	56	46	190
Total deferred income tax assets	8,680	1,901	3,123	451	1,917	462
Valuation allowance	(137)	—	(35)	(41)	(36)	(5)
Net deferred income tax assets	8,543	1,901	3,088	410	1,881	457
Net deferred income taxes (assets)/liabilities	\$ 7,718	\$ 3,260	\$ 3,257	\$ 285	\$ (436)	\$ 1,219
Recognized in the balance sheets:						
Accumulated deferred income taxes – assets	\$ (170)	\$ —	\$ —	\$ (139)	\$ (551)	\$ —
Accumulated deferred income taxes – liabilities	\$ 7,888	\$ 3,260	\$ 3,257	\$ 424	\$ 115	\$ 1,219

The traditional electric operating companies and the natural gas distribution utilities have tax-related regulatory assets (deferred income tax charges) and regulatory liabilities (deferred income tax credits). The regulatory assets are primarily attributable to tax benefits flowed through to customers in prior years, deferred taxes previously recognized at rates lower than the current enacted tax law, and taxes applicable to capitalized interest. The regulatory liabilities are primarily attributable to deferred taxes previously recognized at rates higher than the current enacted tax law and to unamortized ITCs. See Note 2 for each Registrant's related balances at December 31, 2020 and 2019.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Tax Credit Carryforwards

Federal ITC/PTC carryforwards at December 31, 2020 were as follows:

	Southern Company	Alabama Power	Georgia Power	Southern Power
	<i>(in millions)</i>			
Federal ITC/PTC carryforwards	\$ 1,428	\$ 12	\$ 114	\$ 1,110
Tax Year in which federal ITC/PTC carryforwards begin expiring	2031	2032	2031	2035
Year by which federal ITC/PTC carryforwards are expected to be utilized	2024	2023	2023	2024

The estimated tax credit utilization reflects the various sale transactions described in Note 15 and could be further delayed by numerous factors, including the acquisition of additional renewable projects, the purchase of rights to additional PTCs of Plant Vogtle Units 3 and 4 pursuant to certain joint ownership agreements, potential impacts of the COVID-19 pandemic, and changes in taxable income projections. See Note 2 under "Georgia Power – Nuclear Construction" for additional information on Plant Vogtle Units 3 and 4.

At December 31, 2020, Georgia Power also had approximately \$343 million in net state investment and other net state tax credit carryforwards for the State of Georgia that will expire between tax years 2021 and 2030 and are not expected to be fully utilized. Georgia Power has a net state valuation allowance of \$28 million associated with these carryforwards.

The ultimate outcome of these matters cannot be determined at this time.

Net Operating Loss Carryforwards

At December 31, 2020, the net state income tax benefit of state and local NOL carryforwards for Southern Company's subsidiaries were as follows:

Company/Jurisdiction	Approximate Net State Income Tax Benefit of NOL Carryforwards	Tax Year NOL Begins Expiring
Mississippi Power		
Mississippi	\$ 200	2031
Southern Power		
Oklahoma	39	2035
Florida	11	2034
South Carolina	2	2036
Other states	1	Various
Southern Power Total	\$ 53	
Other(*)		
New York	11	2035
New York City	14	2035
Other states	21	Various
Southern Company Total	\$ 299	

(*) Represents other Southern Company subsidiaries. Alabama Power, Georgia Power, and Southern Company Gas did not have material state or local NOL carryforwards at December 31, 2020.

State NOLs for Mississippi, Oklahoma, and Florida are not expected to be fully utilized prior to expiration. At December 31, 2020, Mississippi Power had a net state valuation allowance of \$32 million for the Mississippi NOL and Southern Power had net state valuation allowances of \$16 million for the Oklahoma NOL and \$11 million for the Florida NOL.

The ultimate outcome of these matters cannot be determined at this time.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**Unrecognized Tax Benefits**

Changes in unrecognized tax benefits for the periods presented were as follows:

	Southern Company	
	<i>(in millions)</i>	
Unrecognized tax benefits at December 31, 2017	\$	18
Tax position changes – decrease from prior periods		(18)
Unrecognized tax benefits at December 31, 2018 and 2019	\$	—
Tax positions changes – increase from prior periods		44
Unrecognized tax benefits at December 31, 2020	\$	44

The unrecognized tax positions increase from prior periods for 2020 and the balance of unrecognized tax benefits at December 31, 2020 relate to a 2019 state tax filing position to exclude certain gains from 2019 dispositions from taxation in a certain unitary state. If accepted by the state, this position would decrease Southern Company's annual effective tax rate. The ultimate outcome of this unrecognized tax benefit is dependent on completion of the related state audit, which is not expected to be resolved within the next 12 months.

All of the Registrants classify interest on tax uncertainties as interest expense. Accrued interest for all tax positions was immaterial for all years presented. None of the Registrants accrued any penalties on uncertain tax positions.

The IRS has finalized its audits of Southern Company's consolidated federal income tax returns through 2019. Southern Company is a participant in the Compliance Assurance Process of the IRS. The audits for the Registrants' state income tax returns have either been concluded, or the statute of limitations has expired, for years prior to 2015.

11. RETIREMENT BENEFITS

The Southern Company system has a qualified defined benefit, trustee pension plan covering substantially all employees, with the exception of PowerSecure employees. The qualified pension plan is funded in accordance with requirements of the Employee Retirement Income Security Act of 1974, as amended (ERISA). No contributions to the qualified pension plan were made for the year ended December 31, 2020 and no mandatory contributions to the qualified pension plan are anticipated for the year ending December 31, 2021. The Southern Company system also provides certain non-qualified defined benefits for a select group of management and highly compensated employees, which are funded on a cash basis. In addition, the Southern Company system provides certain medical care and life insurance benefits for retired employees through other postretirement benefit plans. The traditional electric operating companies fund other postretirement trusts to the extent required by their respective regulatory commissions. Southern Company Gas has a separate unfunded supplemental retirement health care plan that provides medical care and life insurance benefits to employees of discontinued businesses. For the year ending December 31, 2021, no contributions to any other postretirement trusts are expected.

On January 1, 2019, Southern Company completed the sale of Gulf Power to NextEra Energy. See Note 15 under "Southern Company" for additional information. All amounts presented in this note reflect the benefit plan obligations and related plan assets for the Southern Company system's pension and other postretirement benefit plans, including the amounts attributable to Gulf Power prior to January 1, 2019.

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Actuarial Assumptions

The weighted average rates assumed in the actuarial calculations used to determine both the net periodic costs for the pension and other postretirement benefit plans for the following year and the benefit obligations as of the measurement date are presented below.

Assumptions used to determine net periodic costs:	2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate – benefit obligations	3.41 %	3.44 %	3.40 %	3.41 %	3.52 %	3.39 %
Discount rate – interest costs	2.99	3.01	2.96	2.99	3.18	2.99
Discount rate – service costs	3.66	3.69	3.67	3.67	3.70	3.53
Expected long-term return on plan assets	8.25	8.25	8.25	8.25	8.25	8.25
Annual salary increase	4.73	4.73	4.73	4.73	4.73	4.73
Other postretirement benefit plans						
Discount rate – benefit obligations	3.24 %	3.28 %	3.22 %	3.22 %	3.39 %	3.19 %
Discount rate – interest costs	2.80	2.84	2.79	2.76	2.97	2.71
Discount rate – service costs	3.57	3.61	3.57	3.57	3.57	3.52
Expected long-term return on plan assets	7.25	7.36	7.05	7.07	—	6.69
Annual salary increase	4.73	4.73	4.73	4.73	4.73	4.73

Assumptions used to determine net periodic costs:	2019					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate – benefit obligations	4.49 %	4.51 %	4.48 %	4.49 %	4.65 %	4.47 %
Discount rate – interest costs	4.12	4.14	4.10	4.12	4.35	4.11
Discount rate – service costs	4.70	4.73	4.72	4.73	4.75	4.57
Expected long-term return on plan assets	7.75	7.75	7.75	7.75	7.75	7.75
Annual salary increase	4.34	4.46	4.46	4.46	4.46	3.07
Other postretirement benefit plans						
Discount rate – benefit obligations	4.37 %	4.40 %	4.36 %	4.35 %	4.50 %	4.32 %
Discount rate – interest costs	3.98	4.01	3.97	3.95	4.14	3.91
Discount rate – service costs	4.63	4.67	4.64	4.64	4.65	4.56
Expected long-term return on plan assets	6.86	6.76	6.85	6.79	—	6.49
Annual salary increase	4.34	4.46	4.46	4.46	4.46	3.07

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Assumptions used to determine net periodic costs:	2018					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate – benefit obligations	3.80 %	3.81 %	3.79 %	3.80 %	3.94 %	3.74 %
Discount rate – interest costs	3.45	3.45	3.42	3.46	3.69	3.41
Discount rate – service costs	3.98	4.00	3.99	3.99	4.01	3.84
Expected long-term return on plan assets	7.95	7.95	7.95	7.95	7.95	7.95
Annual salary increase	4.34	4.46	4.46	4.46	4.46	3.07
Other postretirement benefit plans						
Discount rate – benefit obligations	3.68 %	3.71 %	3.68 %	3.68 %	3.81 %	3.62 %
Discount rate – interest costs	3.29	3.31	3.29	3.29	3.47	3.21
Discount rate – service costs	3.91	3.93	3.91	3.91	3.93	3.82
Expected long-term return on plan assets	6.83	6.83	6.80	6.99	—	5.89
Annual salary increase	4.34	4.46	4.46	4.46	4.46	3.07

Assumptions used to determine benefit obligations:	2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate	2.81 %	2.85 %	2.79 %	2.80 %	2.99 %	2.75 %
Annual salary increase	4.80	4.80	4.80	4.80	4.80	4.80
Other postretirement benefit plans						
Discount rate	2.56 %	2.63 %	2.52 %	2.53 %	2.78 %	2.46 %
Annual salary increase	4.80	4.80	4.80	4.80	4.80	4.80

Assumptions used to determine benefit obligations:	2019					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate	3.41 %	3.44 %	3.40 %	3.41 %	3.52 %	3.39 %
Annual salary increase	4.73	4.73	4.73	4.73	4.73	4.73
Other postretirement benefit plans						
Discount rate	3.24 %	3.28 %	3.22 %	3.22 %	3.39 %	3.19 %
Annual salary increase	4.73	4.73	4.73	4.73	4.73	4.73

The Registrants estimate the expected rate of return on pension plan and other postretirement benefit plan assets using a financial model to project the expected return on each current investment portfolio. The analysis projects an expected rate of return on each of the different asset classes in order to arrive at the expected return on the entire portfolio relying on each trust's target asset allocation and reasonable capital market assumptions. The financial model is based on four key inputs: anticipated returns by asset class (based in part on historical returns), each trust's target asset allocation, an anticipated inflation rate, and the projected impact of a periodic rebalancing of each trust's portfolio. Prior to 2020, the Registrants set the expected rate of return assumption using asset return modeling based on geometric returns that reflect the compound average returns for dependent annual periods. Beginning in 2020, the Registrants set the expected rate of return assumption using an arithmetic mean which represents the expected simple average return to be earned by the pension plan assets over any one year. The Registrants believe the use of the arithmetic mean is more compatible with the expected rate of return's function of estimating a single year's investment return.

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An additional assumption used in measuring the accumulated other postretirement benefit obligations (APBO) was a weighted average medical care cost trend rate. The weighted average medical care cost trend rates used in measuring the APBO for the Registrants at December 31, 2020 were as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65	6.00 %	4.50 %	2027
Post-65 medical	5.00	4.50	2027
Post-65 prescription	6.25	4.50	2028

Pension Plans

The total accumulated benefit obligation for the pension plans at December 31, 2020 and 2019 was as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
December 31, 2020	\$ 14,922	\$ 3,414	\$ 4,657	\$ 683	\$ 175	\$ 1,072
December 31, 2019	13,391	3,053	4,222	615	151	963

Actuarial losses of \$1.7 billion and \$2.3 billion were recorded in the remeasurement of the Southern Company system pension plans at December 31, 2020 and 2019, respectively, primarily due to decreases of 60 and 108 basis points, respectively, in the overall discount rate used to calculate the benefit obligation as a result of lower market interest rates.

Changes in the projected benefit obligations and the fair value of plan assets during the plan years ended December 31, 2020 and 2019 were as follows:

	2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Change in benefit obligation						
Benefit obligation at beginning of year	\$ 14,788	\$ 3,404	\$ 4,610	\$ 671	\$ 185	\$ 1,067
Service cost	376	89	96	15	8	33
Interest cost	432	100	133	20	6	31
Benefits paid	(629)	(132)	(202)	(27)	(6)	(69)
Actuarial (gain) loss	1,679	393	490	75	24	127
Balance at end of year	16,646	3,854	5,127	754	217	1,189
Change in plan assets						
Fair value of plan assets at beginning of year	14,057	3,357	4,442	641	169	1,050
Actual return (loss) on plan assets	1,881	450	594	85	22	139
Employer contributions	58	9	10	2	1	3
Benefits paid	(629)	(132)	(202)	(27)	(6)	(69)
Fair value of plan assets at end of year	15,367	3,684	4,844	701	186	1,123
Accrued liability	\$ (1,279)	\$ (170)	\$ (283)	\$ (53)	\$ (31)	\$ (66)

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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	2019					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Change in benefit obligation						
Benefit obligation at beginning of year	\$ 12,763	\$ 2,816	\$ 3,905	\$ 557	\$ 123	\$ 907
Dispositions	(509)	—	—	—	—	—
Service cost	292	69	74	12	7	25
Interest cost	492	114	156	22	5	36
Benefits paid	(596)	(125)	(194)	(26)	(4)	(64)
Actuarial (gain) loss	2,346	530	669	106	54	163
Balance at end of year	14,788	3,404	4,610	671	185	1,067
Change in plan assets						
Fair value of plan assets at beginning of year	11,611	2,575	3,663	505	123	798
Dispositions	(509)	—	—	—	—	—
Actual return (loss) on plan assets	2,343	524	730	103	43	172
Employer contributions	1,208	383	243	59	7	144
Benefits paid	(596)	(125)	(194)	(26)	(4)	(64)
Fair value of plan assets at end of year	14,057	3,357	4,442	641	169	1,050
Accrued liability	\$ (731)	\$ (47)	\$ (168)	\$ (30)	\$ (16)	\$ (17)

The projected benefit obligations for the qualified and non-qualified pension plans at December 31, 2020 are shown in the following table. All pension plan assets are related to the qualified pension plan.

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Projected benefit obligations:						
Qualified pension plan	\$ 15,818	\$ 3,719	\$ 4,977	\$ 718	\$ 187	\$ 1,114
Non-qualified pension plan	828	135	150	36	30	75

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Amounts recognized in the balance sheets at December 31, 2020 and 2019 related to the Registrants' pension plans consist of the following:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
December 31, 2020:						
Other regulatory assets, deferred ^(*)	\$ 4,655	\$ 1,286	\$ 1,598	\$ 235	\$ —	\$ 205
Other deferred charges and assets	—	—	—	—	—	70
Other current liabilities	(52)	(9)	(10)	(2)	(2)	(2)
Employee benefit obligations	(1,227)	(161)	(273)	(51)	(29)	(134)
Other regulatory liabilities, deferred	(34)	—	—	—	—	—
AOCI	245	—	—	—	60	1
December 31, 2019:						
Prepaid pension costs	\$ 2	\$ 71	\$ —	\$ 2	\$ 10	\$ —
Other regulatory assets, deferred ^(*)	4,072	1,130	1,416	204	—	172
Other deferred charges and assets	—	—	—	—	—	82
Other current liabilities	(54)	(8)	(11)	(2)	(2)	(2)
Employee benefit obligations	(679)	(110)	(157)	(30)	(24)	(97)
Other regulatory liabilities, deferred	(79)	—	—	—	—	—
AOCI	185	—	—	—	46	(14)

(*) Amounts for Southern Company exclude regulatory assets of \$224 million and \$252 million at December 31, 2020 and 2019, respectively, associated with unamortized amounts in Southern Company Gas' pension plans prior to its acquisition by Southern Company.

Presented below are the amounts included in regulatory assets at December 31, 2020 and 2019 related to the portion of the defined benefit pension plan attributable to Southern Company, the traditional electric operating companies, and Southern Company Gas that had not yet been recognized in net periodic pension cost.

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
Balance at December 31, 2020					
Regulatory assets:					
Prior service cost	\$ 11	\$ 5	\$ 9	\$ 2	\$ (13)
Net (gain) loss	4,610	1,281	1,589	233	135
Regulatory amortization	—	—	—	—	83
Total regulatory assets ^(*)	\$ 4,621	\$ 1,286	\$ 1,598	\$ 235	\$ 205
Balance at December 31, 2019					
Regulatory assets:					
Prior service cost	\$ 13	\$ 6	\$ 10	\$ 2	\$ (15)
Net (gain) loss	3,980	1,124	1,406	201	113
Regulatory amortization	—	—	—	—	74
Total regulatory assets ^(*)	\$ 3,993	\$ 1,130	\$ 1,416	\$ 203	\$ 172

(*) Amounts for Southern Company exclude regulatory assets of \$224 million and \$252 million at December 31, 2020 and 2019, respectively, associated with unamortized amounts in Southern Company Gas' pension plans prior to its acquisition by Southern Company.

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The changes in the balance of regulatory assets related to the portion of the defined benefit pension plan attributable to Southern Company, the traditional electric operating companies, and Southern Company Gas for the years ended December 31, 2020 and 2019 are presented in the following table:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
	<i>(in millions)</i>				
Regulatory assets (liabilities):^(*)					
Balance at December 31, 2018	\$ 3,458	\$ 955	\$ 1,230	\$ 167	\$ 160
Net (gain) loss	801	213	231	42	30
Dispositions	(144)	—	—	—	—
Reclassification adjustments:					
Amortization of prior service costs	(3)	(1)	(1)	—	2
Amortization of net gain (loss)	(119)	(37)	(44)	(6)	—
Amortization of regulatory assets ^(*)	—	—	—	—	(20)
Total reclassification adjustments	(122)	(38)	(45)	(6)	(18)
Total change	535	175	186	36	12
Balance at December 31, 2019	\$ 3,993	\$ 1,130	\$ 1,416	\$ 203	\$ 172
Net (gain) loss	884	228	269	45	45
Reclassification adjustments:					
Amortization of prior service costs	(1)	(1)	(1)	—	2
Amortization of net gain (loss)	(255)	(71)	(86)	(13)	(8)
Amortization of regulatory assets ^(*)	—	—	—	—	(6)
Total reclassification adjustments	(256)	(72)	(87)	(13)	(12)
Total change	628	156	182	32	33
Balance at December 31, 2020	\$ 4,621	\$ 1,286	\$ 1,598	\$ 235	\$ 205

(*) Amounts for Southern Company exclude regulatory assets of \$224 million and \$252 million at December 31, 2020 and 2019, respectively, associated with unamortized amounts in Southern Company Gas' pension plans prior to its acquisition by Southern Company.

Presented below are the amounts included in AOCI at December 31, 2020 and 2019 related to the portion of the defined benefit pension plan attributable to Southern Company, Southern Power, and Southern Company Gas that had not yet been recognized in net periodic pension cost.

	Southern Company	Southern Power	Southern Company Gas
	<i>(in millions)</i>		
Balance at December 31, 2020			
AOCI:			
Prior service cost	\$ (3)	\$ —	\$ (4)
Net (gain) loss	248	60	5
Total AOCI	\$ 245	\$ 60	\$ 1
Balance at December 31, 2019			
AOCI:			
Prior service cost	\$ (3)	\$ —	\$ (6)
Net (gain) loss	188	46	(8)
Total AOCI	\$ 185	\$ 46	\$ (14)

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The components of OCI related to the portion of the defined benefit pension plan attributable to Southern Company, Southern Power, and Southern Company Gas for the years ended December 31, 2020 and 2019 are presented in the following table:

	Southern Company	Southern Power	Southern Company Gas
	<i>(in millions)</i>		
AOCI:			
Balance at December 31, 2018	\$ 97	\$ 26	\$ (44)
Net (gain) loss	88	20	30
Balance at December 31, 2019	\$ 185	\$ 46	\$ (14)
Net (gain) loss	74	16	15
Reclassification adjustments:			
Amortization of prior service costs	—	—	1
Amortization of net gain (loss)	(14)	(2)	(1)
Total reclassification adjustments	(14)	(2)	—
Total change	60	14	15
Balance at December 31, 2020	\$ 245	\$ 60	\$ 1

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Components of net periodic pension cost for the Registrants were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
2020						
Service cost	\$ 376	\$ 89	\$ 96	\$ 15	\$ 8	\$ 33
Interest cost	432	100	133	20	6	31
Expected return on plan assets	(1,100)	(264)	(347)	(51)	(13)	(75)
Recognized net (gain) loss	269	71	86	13	2	6
Net amortization	1	1	1	—	—	15
Prior service cost	—	—	—	—	—	(3)
Net periodic pension cost	\$ (22)	\$ (3)	\$ (31)	\$ (3)	\$ 3	\$ 7
2019						
Service cost	\$ 292	\$ 69	\$ 74	\$ 12	\$ 7	\$ 25
Interest cost	492	114	156	22	5	36
Expected return on plan assets	(885)	(206)	(292)	(40)	(10)	(60)
Recognized net (gain) loss	120	37	44	6	1	2
Net amortization	2	—	1	—	—	14
Prior service cost	—	—	—	—	—	(3)
Net periodic pension cost	\$ 21	\$ 14	\$ (17)	\$ —	\$ 3	\$ 14
2018						
Service cost	\$ 359	\$ 78	\$ 87	\$ 17	\$ 9	\$ 34
Interest cost	464	101	139	20	5	39
Expected return on plan assets	(943)	(207)	(296)	(41)	(10)	(75)
Recognized net (gain) loss	213	54	69	10	1	12
Net amortization	4	1	2	—	—	15
Prior service cost	—	—	—	—	—	(2)
Net periodic pension cost	\$ 97	\$ 27	\$ 1	\$ 6	\$ 5	\$ 23

The service cost component of net periodic pension cost is included in operations and maintenance expenses and all other components of net periodic pension cost are included in other income (expense), net in the Registrants' statements of income.

Net periodic pension cost is the sum of service cost, interest cost, and other costs netted against the expected return on plan assets. The expected return on plan assets is determined by multiplying the expected rate of return on plan assets and the market-related value of plan assets. In determining the market-related value of plan assets, the Registrants have elected to amortize changes in the market value of return-seeking plan assets over five years and to recognize the changes in the market value of liability-hedging plan assets immediately. Given the significant concentration in return-seeking plan assets, the accounting value of plan assets that is used to calculate the expected return on plan assets differs from the current fair value of the plan assets.

Effective January 1, 2020, Southern Company changed its method of calculating the market-related value of the liability-hedging securities included in its pension plan assets. The market-related value is used to determine the expected return on plan assets component of net periodic pension cost. Southern Company previously used the calculated value approach for all plan assets, which smoothed asset returns and deferred gains and losses by amortizing them into the calculation of the market-related value over five years. Southern Company changed to the fair value approach for liability-hedging securities, which includes measuring the market-related value of that portion of the plan assets at fair value for purposes of determining the expected return on plan assets. The remaining asset classes of plan assets will continue to be valued using the calculated value approach. Southern Company considers the fair value approach to be preferable for liability-hedging securities because it results in a current reflection of changes in the value of plan assets in the measurement of net periodic pension cost more consistent with the change in the related obligations. Southern Company determined the effect of this change in accounting method was immaterial to the historical

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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and current financial statements of all Registrants; therefore, the effect of the change was recorded through earnings as a prior period adjustment for the amounts related to the unregulated businesses of Southern Company and Southern Power. Amounts related to the traditional electric operating companies and the natural gas distribution utilities were reflected as adjustments to regulatory assets, consistent with the expected regulatory treatment.

Future benefit payments reflect expected future service and are estimated based on assumptions used to measure the projected benefit obligation for the pension plans. At December 31, 2020, estimated benefit payments were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Benefit Payments:						
2021	\$ 651	\$ 141	\$ 208	\$ 29	\$ 6	\$ 66
2022	678	147	215	30	6	66
2023	702	154	222	31	6	66
2024	725	158	229	32	6	65
2025	748	165	235	33	7	65
2026 to 2030	4,024	895	1,244	181	38	330

Other Postretirement Benefits

Changes in the APBO and the fair value of the Registrants' plan assets during the plan years ended December 31, 2020 and 2019 were as follows:

	2020					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Change in benefit obligation						
Benefit obligation at beginning of year	\$ 1,985	\$ 462	\$ 742	\$ 87	\$ 11	\$ 250
Service cost	22	6	6	1	1	2
Interest cost	54	13	20	2	—	7
Benefits paid	(126)	(29)	(46)	(6)	—	(17)
Actuarial (gain) loss	7	9	(26)	(3)	—	6
Retiree drug subsidy	6	2	3	—	—	—
Balance at end of year	1,948	463	699	81	12	248
Change in plan assets						
Fair value of plan assets at beginning of year	1,061	413	403	26	—	115
Actual return (loss) on plan assets	145	60	50	3	—	18
Employer contributions	72	12	17	4	—	12
Benefits paid	(120)	(27)	(43)	(6)	—	(17)
Fair value of plan assets at end of year	1,158	458	427	27	—	128
Accrued liability	\$ (790)	\$ (5)	\$ (272)	\$ (54)	\$ (12)	\$ (120)

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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	2019					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Change in benefit obligation						
Benefit obligation at beginning of year	\$ 1,865	\$ 403	\$ 675	\$ 81	\$ 9	\$ 244
Dispositions	(69)	—	—	—	—	—
Service cost	18	5	5	1	1	1
Interest cost	69	16	26	3	—	9
Benefits paid	(126)	(27)	(47)	(6)	(1)	(17)
Actuarial (gain) loss	223	63	80	8	2	13
Retiree drug subsidy	5	2	3	—	—	—
Balance at end of year	1,985	462	742	87	11	250
Change in plan assets						
Fair value of plan assets at beginning of year	928	360	344	23	—	98
Dispositions	(18)	—	—	—	—	—
Actual return (loss) on plan assets	189	76	68	4	—	21
Employer contributions	83	2	35	5	1	13
Benefits paid	(121)	(25)	(44)	(6)	(1)	(17)
Fair value of plan assets at end of year	1,061	413	403	26	—	115
Accrued liability	\$ (924)	\$ (49)	\$ (339)	\$ (61)	\$ (11)	\$ (135)

Amounts recognized in the balance sheets at December 31, 2020 and 2019 related to the Registrants' other postretirement benefit plans consist of the following:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
December 31, 2020:						
Other regulatory assets, deferred ^(a)	\$ 137	\$ —	\$ 47	\$ 5	\$ —	\$ (23)
Other current liabilities	(5)	—	—	—	—	—
Employee benefit obligations ^(b)	(785)	(5)	(272)	(54)	(12)	(120)
Other regulatory liabilities, deferred	(86)	(21)	—	—	—	—
AOCI	8	—	—	—	3	—
December 31, 2019:						
Other regulatory assets, deferred ^(a)	\$ 183	\$ 3	\$ 96	\$ 10	\$ —	\$ (11)
Other current liabilities	(5)	—	—	—	—	—
Employee benefit obligations ^(b)	(919)	(49)	(339)	(61)	(11)	(135)
Other regulatory liabilities, deferred	(62)	(2)	—	—	—	—
AOCI	2	—	—	—	2	(4)

(a) Amounts for Southern Company exclude regulatory assets of \$47 million and \$50 million at December 31, 2020 and 2019, respectively, associated with unamortized amounts in Southern Company Gas' other postretirement benefit plans prior to its acquisition by Southern Company.

(b) Included in other deferred credits and liabilities on Southern Power's consolidated balance sheets.

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Presented below are the amounts included in net regulatory assets (liabilities) at December 31, 2020 and 2019 related to the other postretirement benefit plans of Southern Company, the traditional electric operating companies, and Southern Company Gas that had not yet been recognized in net periodic other postretirement benefit cost.

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
Balance at December 31, 2020:					
Regulatory assets (liabilities):					
Prior service cost	\$ 12	\$ 3	\$ 5	\$ —	\$ 1
Net (gain) loss	39	(24)	42	5	(49)
Regulatory amortization	—	—	—	—	25
Total regulatory assets (liabilities) ^(*)	\$ 51	\$ (21)	\$ 47	\$ 5	\$ (23)
Balance at December 31, 2019:					
Regulatory assets (liabilities):					
Prior service cost	\$ 11	\$ 3	\$ 4	\$ —	\$ 1
Net (gain) loss	110	(2)	92	10	(43)
Regulatory amortization	—	—	—	—	31
Total regulatory assets (liabilities) ^(*)	\$ 121	\$ 1	\$ 96	\$ 10	\$ (11)

(*) Amounts for Southern Company exclude regulatory assets of \$47 million and \$50 million at December 31, 2020 and 2019, respectively, associated with unamortized amounts in Southern Company Gas' other postretirement benefit plans prior to its acquisition by Southern Company.

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The changes in the balance of net regulatory assets (liabilities) related to the other postretirement benefit plans for the plan years ended December 31, 2020 and 2019 are presented in the following table:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
Net regulatory assets (liabilities):^(*)					
Balance at December 31, 2018	\$ 22	\$ (9)	\$ 60	\$ 4	\$ (4)
Net (gain) loss	90	14	37	6	(1)
Dispositions	5	—	—	—	—
Change in prior service costs	5	—	—	—	—
Reclassification adjustments:					
Amortization of prior service costs	(3)	(4)	—	—	—
Amortization of net gain (loss)	2	—	(1)	—	—
Amortization of regulatory assets ^(*)	—	—	—	—	(6)
Total reclassification adjustments	(1)	(4)	(1)	—	(6)
Total change	99	10	36	6	(7)
Balance at December 31, 2019	\$ 121	\$ 1	\$ 96	\$ 10	\$ (11)
Net (gain) loss	(65)	(22)	(47)	(5)	(5)
Reclassification adjustments:					
Amortization of prior service costs	1	—	1	—	—
Amortization of net gain (loss)	(6)	—	(3)	—	—
Amortization of regulatory assets ^(*)	—	—	—	—	(7)
Total reclassification adjustments	(5)	—	(2)	—	(7)
Total change	(70)	(22)	(49)	(5)	(12)
Balance at December 31, 2020	\$ 51	\$ (21)	\$ 47	\$ 5	\$ (23)

(*) Amounts for Southern Company exclude regulatory assets of \$47 million and \$50 million at December 31, 2020 and 2019, respectively, associated with unamortized amounts in Southern Company Gas' other postretirement benefit plans prior to its acquisition by Southern Company.

Presented below are the amounts included in AOCI at December 31, 2020 and 2019 related to the other postretirement benefit plans of Southern Company, Southern Power, and Southern Company Gas that had not yet been recognized in net periodic other postretirement benefit cost.

	Southern Company	Southern Power	Southern Company Gas
<i>(in millions)</i>			
Balance at December 31, 2020			
AOCI:			
Prior service cost	\$ 1	\$ —	\$ 1
Net (gain) loss	7	3	(1)
Total AOCI	\$ 8	\$ 3	\$ —
Balance at December 31, 2019			
AOCI:			
Prior service cost	\$ 1	\$ —	\$ 1
Net (gain) loss	1	2	(5)
Total AOCI	\$ 2	\$ 2	\$ (4)

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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The components of OCI related to the other postretirement benefit plans for the plan years ended December 31, 2020 and 2019 are presented in the following table:

	Southern Company	Southern Power	Southern Company Gas
	<i>(in millions)</i>		
AOCI:			
Balance at December 31, 2018	\$ (4)	\$ 1	\$ (4)
Net (gain) loss	5	1	—
Reclassification adjustments:			
Amortization of net gain (loss)	1	—	—
Total change	6	1	—
Balance at December 31, 2019	\$ 2	\$ 2	\$ (4)
Net (gain) loss	2	1	—
Reclassification adjustments:			
Amortization of net gain (loss)	4	—	4
Total change	6	1	4
Balance at December 31, 2020	\$ 8	\$ 3	\$ —

Components of the other postretirement benefit plans' net periodic cost for the Registrants were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
2020						
Service cost	\$ 22	\$ 6	\$ 6	\$ 1	\$ 1	\$ 2
Interest cost	54	13	20	2	—	7
Expected return on plan assets	(72)	(29)	(26)	(1)	—	(10)
Net amortization	1	—	2	—	—	6
Net periodic postretirement benefit cost	\$ 5	\$ (10)	\$ 2	\$ 2	\$ 1	\$ 5
2019						
Service cost	\$ 18	\$ 5	\$ 5	\$ 1	\$ 1	\$ 1
Interest cost	69	16	26	3	—	9
Expected return on plan assets	(65)	(26)	(25)	(2)	—	(7)
Net amortization	—	4	1	—	—	6
Net periodic postretirement benefit cost	\$ 22	\$ (1)	\$ 7	\$ 2	\$ 1	\$ 9
2018						
Service cost	\$ 24	\$ 6	\$ 6	\$ 1	\$ 1	\$ 2
Interest cost	75	17	28	3	—	10
Expected return on plan assets	(69)	(26)	(25)	(2)	—	(7)
Net amortization	21	5	10	1	—	6
Net periodic postretirement benefit cost	\$ 51	\$ 2	\$ 19	\$ 3	\$ 1	\$ 11

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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The service cost component of net periodic postretirement benefit cost is included in operations and maintenance expenses and all other components of net periodic postretirement benefit cost are included in other income (expense), net in the Registrants' statements of income.

The Registrants' future benefit payments, including prescription drug benefits, are provided in the table below. These amounts reflect expected future service and are estimated based on assumptions used to measure the APBO for the other postretirement benefit plans.

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Benefit payments:						
2021	\$ 115	\$ 25	\$ 42	\$ 6	\$ —	\$ 18
2022	113	25	41	5	—	18
2023	111	25	40	5	—	18
2024	110	24	38	4	1	17
2025	113	25	40	5	1	17
2026 to 2030	550	127	199	23	3	76

Benefit Plan Assets

Pension plan and other postretirement benefit plan assets are managed and invested in accordance with all applicable requirements, including ERISA and the Internal Revenue Code. The Registrants' investment policies for both the pension plans and the other postretirement benefit plans cover a diversified mix of assets as described below. Derivative instruments may be used to gain efficient exposure to the various asset classes and as hedging tools. Additionally, the Registrants minimize the risk of large losses primarily through diversification but also monitor and manage other aspects of risk.

The investment strategy for plan assets related to the Southern Company system's qualified pension plan is to be broadly diversified across major asset classes. The asset allocation is established after consideration of various factors that affect the assets and liabilities of the pension plan including, but not limited to, historical and expected returns and interest rates, volatility, correlations of asset classes, the current level of assets and liabilities, and the assumed growth in assets and liabilities. Because a significant portion of the liability of the pension plan is long-term in nature, the assets are invested consistent with long-term investment expectations for return and risk. To manage the actual asset class exposures relative to the target asset allocation, the Southern Company system employs a formal rebalancing program. As additional risk management, external investment managers and service providers are subject to written guidelines to ensure appropriate and prudent investment practices. Management believes the portfolio is well-diversified with no significant concentrations of risk.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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Investment Strategies and Benefit Plan Asset Fair Values

A description of the major asset classes that the pension and other postretirement benefit plans are comprised of, along with the valuation methods used for fair value measurement, is provided below:

Description	Valuation Methodology
<p>Domestic equity: A mix of large and small capitalization stocks with generally an equal distribution of value and growth attributes, managed both actively and through passive index approaches.</p> <p>International equity: A mix of large and small capitalization growth and value stocks with developed and emerging markets exposure, managed both actively and through fundamental indexing approaches.</p>	<p>Domestic and international equities such as common stocks, American depositary receipts, and real estate investment trusts that trade on public exchanges are classified as Level 1 investments and are valued at the closing price in the active market. Equity funds with unpublished prices that are comprised of publicly traded securities (such as commingled/pooled funds) are also valued at the closing price in the active market, but are classified as Level 2.</p>
<p>Fixed income: A mix of domestic and international bonds.</p>	<p>Investments in fixed income securities, including fixed income pooled funds, are generally classified as Level 2 investments and are valued based on prices reported in the market place. Additionally, the value of fixed income securities takes into consideration certain items such as broker quotes, spreads, yield curves, interest rates, and discount rates that apply to the term of a specific instrument.</p>
<p>Trust-owned life insurance (TOLI): Investments of taxable trusts aimed at minimizing the impact of taxes on the portfolio.</p>	<p>Investments in TOLI policies are classified as Level 2 investments and are valued based on the underlying investments held in the policy's separate accounts. The underlying assets are equity and fixed income pooled funds that are comprised of Level 1 and Level 2 securities.</p>
<p>Special situations: Investments in opportunistic strategies with the objective of diversifying and enhancing returns and exploiting short-term inefficiencies, as well as investments in promising new strategies of a longer-term nature.</p> <p>Real estate: Investments in traditional private market, equity-oriented investments in real properties (indirectly through pooled funds or partnerships) and in publicly traded real estate securities.</p> <p>Private equity: Investments in private partnerships that invest in private or public securities typically through privately-negotiated and/or structured transactions, including leveraged buyouts, venture capital, and distressed debt.</p>	<p>Investments in real estate, private equity, and special situations are generally classified as Net Asset Value as a Practical Expedient, since the underlying assets typically do not have publicly available observable inputs. The fund manager values the assets using various inputs and techniques depending on the nature of the underlying investments. Techniques may include purchase multiples for comparable transactions, comparable public company trading multiples, discounted cash flow analysis, prevailing market capitalization rates, recent sales of comparable investments, and independent third-party appraisals. The fair value of partnerships is determined by aggregating the value of the underlying assets less liabilities.</p>

For purposes of determining the fair value of the pension plan and other postretirement benefit plan assets and the appropriate level designation, management relies on information provided by the plan's trustee. This information is reviewed and evaluated by management with changes made to the trustee information as appropriate. The fair values presented herein exclude cash, receivables related to investment income and pending investment sales, and payables related to pending investment purchases. The Registrants did not have any investments classified as Level 3 at December 31, 2020 or 2019.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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The fair values, and actual allocations relative to the target allocations, of the Southern Company system's pension plans at December 31, 2020 and 2019 are presented below.

At December 31, 2020:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
<i>(in millions)</i>						
Southern Company						
Assets:						
Equity:					51 %	56 %
Domestic equity	\$ 2,852	\$ 1,247	\$ —	\$ 4,099		
International equity	2,660	1,497	—	4,157		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	951	—	951		
Mortgage- and asset-backed securities	—	9	—	9		
Corporate bonds	—	1,673	—	1,673		
Pooled funds	—	772	—	772		
Cash equivalents and other	356	5	—	361		
Real estate investments	542	—	1,596	2,138	14	13
Special situations	—	—	166	166	3	1
Private equity	—	—	1,104	1,104	9	7
Total	\$ 6,410	\$ 6,154	\$ 2,866	\$ 15,430	100 %	100 %
Alabama Power						
Assets:						
Equity:					51 %	56 %
Domestic equity	\$ 685	\$ 299	\$ —	\$ 984		
International equity	638	359	—	997		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	228	—	228		
Mortgage- and asset-backed securities	—	2	—	2		
Corporate bonds	—	401	—	401		
Pooled funds	—	185	—	185		
Cash equivalents and other	85	1	—	86		
Real estate investments	130	—	382	512	14	13
Special situations	—	—	40	40	3	1
Private equity	—	—	264	264	9	7
Total	\$ 1,538	\$ 1,475	\$ 686	\$ 3,699	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Fair Value Measurements Using						
At December 31, 2020:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total	Target Allocation	Actual Allocation
	<i>(in millions)</i>					
Georgia Power						
Assets:						
Equity:					51 %	56 %
Domestic equity	\$ 899	\$ 393	\$ —	\$ 1,292		
International equity	839	472	—	1,311		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	300	—	300		
Mortgage- and asset-backed securities	—	3	—	3		
Corporate bonds	—	527	—	527		
Pooled funds	—	243	—	243		
Cash equivalents and other	112	1	—	113		
Real estate investments	171	—	503	674	14	13
Special situations	—	—	53	53	3	1
Private equity	—	—	348	348	9	7
Total	\$ 2,021	\$ 1,939	\$ 904	\$ 4,864	100 %	100 %
Mississippi Power						
Assets:						
Equity:					51 %	56 %
Domestic equity	\$ 131	\$ 57	\$ —	\$ 188		
International equity	122	68	—	190		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	43	—	43		
Corporate bonds	—	76	—	76		
Pooled funds	—	35	—	35		
Cash equivalents and other	16	—	—	16		
Real estate investments	25	—	73	98	14	13
Special situations	—	—	8	8	3	1
Private equity	—	—	50	50	9	7
Total	\$ 294	\$ 279	\$ 131	\$ 704	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Southern Power						
Assets:						
Equity:					51 %	56 %
Domestic equity	\$ 35	\$ 15	\$ —	\$ 50		
International equity	32	19	—	51		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	12	—	12		
Corporate bonds	—	20	—	20		
Pooled funds	—	9	—	9		
Cash equivalents and other	4	—	—	4		
Real estate investments	7	—	19	26	14	13
Special situations	—	—	2	2	3	1
Private equity	—	—	13	13	9	7
Total	\$ 78	\$ 75	\$ 34	\$ 187	100%	100 %
Southern Company Gas						
Assets:						
Equity:					51 %	56 %
Domestic equity	\$ 209	\$ 91	\$ —	\$ 300		
International equity	195	109	—	304		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	69	—	69		
Mortgage- and asset-backed securities	—	1	—	1		
Corporate bonds	—	122	—	122		
Pooled funds	—	56	—	56		
Cash equivalents and other	26	—	—	26		
Real estate investments	40	—	117	157	14	13
Special situations	—	—	12	12	3	1
Private equity	—	—	81	81	9	7
Total	\$ 470	\$ 448	\$ 210	\$ 1,128	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2019:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Southern Company						
Assets:						
Equity:					51 %	51 %
Domestic equity	\$ 2,220	\$ 898	\$ —	\$ 3,118		
International equity	2,360	1,286	—	3,646		
Fixed income:					23	29
U.S. Treasury, government, and agency bonds	—	965	—	965		
Mortgage- and asset-backed securities	—	9	—	9		
Corporate bonds	—	1,315	—	1,315		
Pooled funds	—	684	—	684		
Cash equivalents and other	1,317	—	—	1,317		
Real estate investments	539	—	1,418	1,957	14	12
Special situations	—	—	155	155	3	1
Private equity	—	—	953	953	9	7
Total	\$ 6,436	\$ 5,157	\$ 2,526	\$ 14,119	100 %	100 %
Alabama Power						
Assets:						
Equity:					51 %	51 %
Domestic equity	\$ 530	\$ 214	\$ —	\$ 744		
International equity	564	307	—	871		
Fixed income:					23	29
U.S. Treasury, government, and agency bonds	—	230	—	230		
Mortgage- and asset-backed securities	—	2	—	2		
Corporate bonds	—	314	—	314		
Pooled funds	—	163	—	163		
Cash equivalents and other	315	—	—	315		
Real estate investments	129	—	339	468	14	12
Special situations	—	—	37	37	3	1
Private equity	—	—	228	228	9	7
Total	\$ 1,538	\$ 1,230	\$ 604	\$ 3,372	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2019:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Georgia Power						
Assets:						
Equity:					51 %	51 %
Domestic equity	\$ 701	\$ 284	\$ —	\$ 985		
International equity	746	407	—	1,153		
Fixed income:					23	29
U.S. Treasury, government, and agency bonds	—	305	—	305		
Mortgage- and asset-backed securities	—	3	—	3		
Corporate bonds	—	415	—	415		
Pooled funds	—	216	—	216		
Cash equivalents and other	416	—	—	416		
Real estate investments	170	—	448	618	14	12
Special situations	—	—	49	49	3	1
Private equity	—	—	301	301	9	7
Total	\$ 2,033	\$ 1,630	\$ 798	\$ 4,461	100 %	100 %
Mississippi Power						
Assets:						
Equity:					51 %	51 %
Domestic equity	\$ 101	\$ 41	\$ —	\$ 142		
International equity	108	59	—	167		
Fixed income:					23	29
U.S. Treasury, government, and agency bonds	—	44	—	44		
Corporate bonds	—	60	—	60		
Pooled funds	—	31	—	31		
Cash equivalents and other	60	—	—	60		
Real estate investments	25	—	65	90	14	12
Special situations	—	—	7	7	3	1
Private equity	—	—	43	43	9	7
Total	\$ 294	\$ 235	\$ 115	\$ 644	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2019:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Southern Power						
Assets:						
Equity:					51 %	51 %
Domestic equity	\$ 27	\$ 11	\$ —	\$ 38		
International equity	28	16	—	44		
Fixed income:					23	29
U.S. Treasury, government, and agency bonds	—	12	—	12		
Corporate bonds	—	16	—	16		
Pooled funds	—	8	—	8		
Cash equivalents and other	16	—	—	16		
Real estate investments	6	—	17	23	14	12
Special situations	—	—	2	2	3	1
Private equity	—	—	11	11	9	7
Total	\$ 77	\$ 63	\$ 30	\$ 170	100 %	100 %
Southern Company Gas						
Assets:						
Equity:					51 %	51 %
Domestic equity	\$ 166	\$ 67	\$ —	\$ 233		
International equity	176	96	—	272		
Fixed income:					23	29
U.S. Treasury, government, and agency bonds	—	72	—	72		
Mortgage- and asset-backed securities	—	1	—	1		
Corporate bonds	—	98	—	98		
Pooled funds	—	51	—	51		
Cash equivalents and other	98	—	—	98		
Real estate investments	40	—	106	146	14	12
Special situations	—	—	12	12	3	1
Private equity	—	—	71	71	9	7
Total	\$ 480	\$ 385	\$ 189	\$ 1,054	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

The fair values, and actual allocations relative to the target allocations, of the applicable Registrants' other postretirement benefit plan assets at December 31, 2020 and 2019 are presented below.

At December 31, 2020:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Southern Company						
Assets:						
Equity:					63 %	66 %
Domestic equity	\$ 113	\$ 98	\$ —	\$ 211		
International equity	71	102	—	173		
Fixed income:					28	27
U.S. Treasury, government, and agency bonds	—	32	—	32		
Corporate bonds	—	44	—	44		
Pooled funds	—	86	—	86		
Cash equivalents and other	15	—	—	15		
Trust-owned life insurance	—	508	—	508		
Real estate investments	15	—	42	57	5	5
Special situations	—	—	4	4	1	—
Private equity	—	—	29	29	3	2
Total	\$ 214	\$ 870	\$ 75	\$ 1,159	100 %	100 %
Alabama Power						
Assets:						
Equity:					68 %	69 %
Domestic equity	\$ 26	\$ 11	\$ —	\$ 37		
International equity	23	13	—	36		
Fixed income:					24	25
U.S. Treasury, government, and agency bonds	—	11	—	11		
Corporate bonds	—	14	—	14		
Pooled funds	—	7	—	7		
Cash equivalents and other	5	—	—	5		
Trust-owned life insurance	—	321	—	321		
Real estate investments	5	—	13	18	4	4
Special situations	—	—	1	1	1	—
Private equity	—	—	9	9	3	2
Total	\$ 59	\$ 377	\$ 23	\$ 459	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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At December 31, 2020:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Georgia Power						
Assets:						
Equity:					60 %	64 %
Domestic equity	\$ 58	\$ 10	\$ —	\$ 68		
International equity	21	50	—	71		
Fixed income:					33	30
U.S. Treasury, government, and agency bonds	—	8	—	8		
Corporate bonds	—	13	—	13		
Pooled funds	—	46	—	46		
Cash equivalents and other	5	—	—	5		
Trust-owned life insurance	—	188	—	188		
Real estate investments	5	—	13	18	4	4
Special situations	—	—	1	1	1	—
Private equity	—	—	9	9	2	2
Total	\$ 89	\$ 315	\$ 23	\$ 427	100 %	100 %
Mississippi Power						
Assets:						
Equity:					43 %	46 %
Domestic equity	\$ 4	\$ 2	\$ —	\$ 6		
International equity	4	2	—	6		
Fixed income:					37	36
U.S. Treasury, government, and agency bonds	—	5	—	5		
Corporate bonds	—	2	—	2		
Pooled funds	—	1	—	1		
Cash equivalents and other	1	—	—	1		
Real estate investments	1	—	2	3	11	11
Special situations	—	—	—	—	2	1
Private equity	—	—	2	2	7	6
Total	\$ 10	\$ 12	\$ 4	\$ 26	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020:	Fair Value Measurements Using			Total	Target Allocation	Actual Allocation
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)			
	<i>(in millions)</i>					
Southern Company Gas						
Assets:						
Equity:					72 %	76 %
Domestic equity	\$ 2	\$ 66	\$ —	\$ 68		
International equity	2	25	—	27		
Fixed income:					26	22
U.S. Treasury, government, and agency bonds	—	1	—	1		
Corporate bonds	—	1	—	1		
Pooled funds	—	25	—	25		
Cash equivalents and other	1	—	—	1		
Real estate investments	—	—	1	1	1	1
Private equity	—	—	1	1	1	1
Total	\$ 5	\$ 118	\$ 2	\$ 125	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Fair Value Measurements Using						
At December 31, 2019:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total	Target Allocation	Actual Allocation
	<i>(in millions)</i>					
Southern Company						
Assets:						
Equity:					63 %	64 %
Domestic equity	\$ 95	\$ 81	\$ —	\$ 176		
International equity	69	80	—	149		
Fixed income:					28	30
U.S. Treasury, government, and agency bonds	—	31	—	31		
Corporate bonds	—	35	—	35		
Pooled funds	—	82	—	82		
Cash equivalents and other	42	—	—	42		
Trust-owned life insurance	—	463	—	463		
Real estate investments	15	—	38	53	5	4
Special situations	—	—	4	4	1	—
Private equity	—	—	25	25	3	2
Total	\$ 221	\$ 772	\$ 67	\$ 1,060	100 %	100 %
Alabama Power						
Assets:						
Equity:					68 %	67 %
Domestic equity	\$ 26	\$ 8	\$ —	\$ 34		
International equity	21	11	—	32		
Fixed income:					24	27
U.S. Treasury, government, and agency bonds	—	10	—	10		
Corporate bonds	—	11	—	11		
Pooled funds	—	6	—	6		
Cash equivalents and other	12	—	—	12		
Trust-owned life insurance	—	281	—	281		
Real estate investments	5	—	12	17	4	4
Special situations	—	—	1	1	1	—
Private equity	—	—	8	8	3	2
Total	\$ 64	\$ 327	\$ 21	\$ 412	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Fair Value Measurements Using						
At December 31, 2019:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total	Target Allocation	Actual Allocation
	<i>(in millions)</i>					
Georgia Power						
Assets:						
Equity:					60 %	61 %
Domestic equity	\$ 48	\$ 7	\$ —	\$ 55		
International equity	25	36	—	61		
Fixed income:					33	34
U.S. Treasury, government, and agency bonds	—	7	—	7		
Corporate bonds	—	11	—	11		
Pooled funds	—	45	—	45		
Cash equivalents and other	16	—	—	16		
Trust-owned life insurance	—	182	—	182		
Real estate investments	5	—	11	16	4	3
Special situations	—	—	1	1	1	—
Private equity	—	—	8	8	2	2
Total	\$ 94	\$ 288	\$ 20	\$ 402	100 %	100 %
Mississippi Power						
Assets:						
Equity:					43 %	41 %
Domestic equity	\$ 3	\$ 1	\$ —	\$ 4		
International equity	4	2	—	6		
Fixed income:					37	42
U.S. Treasury, government, and agency bonds	—	6	—	6		
Corporate bonds	—	2	—	2		
Pooled funds	—	1	—	1		
Cash equivalents and other	2	—	—	2		
Real estate investments	1	—	2	3	11	10
Special situations	—	—	—	—	2	1
Private equity	—	—	1	1	7	6
Total	\$ 10	\$ 12	\$ 3	\$ 25	100 %	100 %

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Fair Value Measurements Using							
At December 31, 2019:	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Net Asset Value as a Practical Expedient (NAV)	Total	Target Allocation	Actual Allocation	
	<i>(in millions)</i>						
Southern Company Gas							
Assets:							
Equity:					72 %	73 %	
Domestic equity	\$ 2	\$ 58	\$ —	\$ 60			
International equity	2	21	—	23			
Fixed income:					26	25	
U.S. Treasury, government, and agency bonds	—	1	—	1			
Corporate bonds	—	1	—	1			
Pooled funds	—	25	—	25			
Cash equivalents and other	2	—	—	2			
Real estate investments	—	—	1	1	1	1	
Private equity	—	—	1	1	1	1	
Total	\$ 6	\$ 106	\$ 2	\$ 114	100 %	100 %	

Employee Savings Plan

Southern Company and its subsidiaries also sponsor 401(k) defined contribution plans covering substantially all employees and provide matching contributions up to specified percentages of an employee's eligible pay. Total matching contributions made to the plans for 2020, 2019, and 2018 were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
2020	\$ 120	\$ 26	\$ 29	\$ 5	\$ 2	\$ 16
2019	113	25	27	4	2	15
2018	119	24	26	5	3	18

12. STOCK COMPENSATION
Stock-Based Compensation

Stock-based compensation primarily in the form of Southern Company performance share units (PSU) and restricted stock units (RSU) may be granted through the Omnibus Incentive Compensation Plan to Southern Company system employees ranging from line management to executives.

At December 31, 2020, the number of current and former employees participating in stock-based compensation programs for the Registrants was as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Number of employees	1,958	263	295	86	46	204

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

The majority of PSUs and RSUs awarded contain terms where employees become immediately vested in PSUs and RSUs upon retirement. As a result, compensation expense for employees that are retirement eligible at the grant date is recognized immediately, while compensation expense for employees that become retirement eligible during the vesting period is recognized over the period from grant date to the date of retirement eligibility. In addition, the Registrants recognize forfeitures as they occur.

All unvested PSUs and RSUs vest immediately upon a change in control where Southern Company is not the surviving corporation.

Performance Share Units

PSUs granted to employees vest at the end of a three-year performance period. Shares of Southern Company common stock are delivered to employees at the end of the performance period with the number of shares issued ranging from 0% to 200% of the target number of PSUs granted, based on achievement of the performance goals established by the Compensation Committee of the Southern Company Board of Directors.

Southern Company has issued three types of PSUs, each with a unique performance goal. These types of PSUs include total shareholder return (TSR) awards based on the TSR for Southern Company common stock during the three-year performance period as compared to a group of industry peers; ROE awards based on Southern Company's equity-weighted return over the performance period; and EPS awards based on Southern Company's cumulative EPS over the performance period. EPS awards were last granted in 2017.

The fair value of TSR awards is determined as of the grant date using a Monte Carlo simulation model. In determining the fair value of the TSR awards issued to employees, the expected volatility is based on the historical volatility of Southern Company's stock over a period equal to the performance period. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant that covers the performance period of the awards. The following table shows the assumptions used in the pricing model and the weighted average grant-date fair value of TSR awards granted:

Year Ended December 31	2020	2019	2018
Expected volatility	15.4%	15.6%	14.9%
Expected term (<i>in years</i>)	3	3	3
Interest rate	1.4%	2.4%	2.4%
Weighted average grant-date fair value	\$77.65	\$62.71	\$43.75

The Registrants recognize TSR award compensation expense on a straight-line basis over the three-year performance period without remeasurement.

The fair values of EPS awards and ROE awards are based on the closing stock price of Southern Company common stock on the date of the grant. The weighted average grant-date fair value of the ROE awards granted during 2020, 2019, and 2018 was \$68.42, \$49.38, and \$43.49, respectively. Compensation expense for EPS and ROE awards is generally recognized ratably over the three-year performance period adjusted for expected changes in EPS and ROE performance. Total compensation cost recognized for vested EPS awards and ROE awards reflects final performance metrics.

Southern Company had 2.5 million unvested PSUs outstanding at December 31, 2019. In February 2020, the PSUs that vested for the three-year performance period ended December 31, 2019 were converted into 1.8 million shares outstanding at a share price of \$68.59. During 2020, Southern Company granted 1.2 million PSUs and 1.5 million PSUs were vested or forfeited, resulting in 2.2 million unvested PSUs outstanding at December 31, 2020. In February 2021, the PSUs that vested for the three-year performance period ended December 31, 2020 were converted into 2.5 million shares outstanding at a share price of \$60.10.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Total PSU compensation cost, and the related tax benefit recognized in income, for the years ended December 31, 2020, 2019, and 2018 are as follows:

	2020		2019		2018
			<i>(in millions)</i>		
Southern Company					
Compensation cost recognized in income	\$	84	\$	77	\$ 91
Tax benefit of compensation cost recognized in income		22		20	24
Southern Company Gas					
Compensation cost recognized in income	\$	13	\$	14	\$ 11
Tax benefit of compensation cost recognized in income		4		4	3

Total PSU compensation cost and the related tax benefit recognized in income were immaterial for all periods presented for all other Registrants. The compensation cost related to the grant of Southern Company PSUs to the employees of each Subsidiary Registrant is recognized in each Subsidiary Registrant's financial statements with a corresponding credit to equity representing a capital contribution from Southern Company.

At December 31, 2020, Southern Company's total unrecognized compensation cost related to PSUs was \$32 million and is expected to be recognized over a weighted-average period of approximately 19 months. The total unrecognized compensation cost related to PSUs as of December 31, 2020 was immaterial for all other Registrants.

Restricted Stock Units

The fair value of RSUs is based on the closing stock price of Southern Company common stock on the date of the grant. The weighted average grant-date fair values of RSUs granted during 2020, 2019, and 2018 were \$67.60, \$50.44, and \$43.81, respectively. For most RSU awards, one-third of the RSUs vest each year throughout a three-year service period and compensation cost for RSUs is generally recognized over the corresponding one-, two-, or three-year vesting period. Shares of Southern Company common stock are delivered to employees at the end of each vesting period.

Southern Company had 1.3 million RSUs outstanding at December 31, 2019. During 2020, Southern Company granted 0.5 million RSUs and 0.6 million RSUs were vested or forfeited, resulting in 1.2 million unvested RSUs outstanding at December 31, 2020, including RSUs related to employee retention agreements.

For the years ended December 31, 2020, 2019, and 2018, Southern Company's total compensation cost for RSUs recognized in income was \$29 million, \$28 million, and \$27 million, respectively. The related tax benefit also recognized in income was \$8 million, \$7 million, and \$7 million for the years ended December 31, 2020, 2019, and 2018, respectively. Total unrecognized compensation cost related to RSUs as of December 31, 2020 for Southern Company of \$11 million will be recognized over a weighted-average period of approximately 18 months.

Total RSUs outstanding and total compensation cost and related tax benefit for the RSUs recognized in income for the years ended December 31, 2020, 2019, and 2018, as well as the total unrecognized compensation cost as of December 31, 2020, were immaterial for all other Registrants. The compensation cost related to the grant of Southern Company RSUs to the employees of each Subsidiary Registrant is recognized in such Subsidiary Registrant's financial statements with a corresponding credit to equity representing a capital contribution from Southern Company.

Stock Options

In 2015, Southern Company discontinued granting stock options. As of December 31, 2017, all stock option awards were vested and compensation cost fully recognized. Stock options expire no later than 10 years after the grant date and the latest possible exercise will occur by November 2024. As of December 31, 2020, the weighted average remaining contractual term for the options outstanding and exercisable was approximately two years.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Southern Company's activity in the stock option program for 2020 is summarized below:

	Shares Subject to Option	Weighted Average Exercise Price	
	<i>(in millions)</i>		
Outstanding at December 31, 2019	5.9	\$	42.52
Exercised	1.6		41.13
Outstanding and Exercisable at December 31, 2020	4.3	\$	43.04

Southern Company's cash receipts from issuances related to stock options exercised under the share-based payment arrangements for the years ended December 31, 2020, 2019, and 2018 were \$66 million, \$482 million, and \$41 million, respectively.

At December 31, 2020, the aggregate intrinsic value for the options outstanding and exercisable was as follows:

	Southern Company	Alabama Power	Georgia Power	Southern Company Gas
	<i>(in millions)</i>			
Total intrinsic value for outstanding and exercisable options	\$ 78	\$ 8	\$ 25	\$ 6

The aggregate intrinsic value for the options outstanding and exercisable was immaterial for Mississippi Power and Southern Power at December 31, 2020.

Total intrinsic value of options exercised, and the related tax benefit, for the years ended December 31, 2020, 2019, and 2018 are presented below:

Year Ended December 31	2020		2019		2018	
	<i>(in millions)</i>					
Southern Company						
Intrinsic value of options exercised	\$	38	\$	167	\$	9
Tax benefit of options exercised		9		35		2
Alabama Power						
Intrinsic value of options exercised	\$	5	\$	21	\$	2
Tax benefit of options exercised		1		4		—
Georgia Power						
Intrinsic value of options exercised	\$	9	\$	30	\$	2
Tax benefit of options exercised		2		6		—

Total intrinsic value of options exercised, and the related tax benefit recognized in income, for the years ended December 31, 2020, 2019, and 2018 were immaterial for Mississippi Power, Southern Power, and Southern Company Gas.

13. FAIR VALUE MEASUREMENTS

Fair value measurements are based on inputs of observable and unobservable market data that a market participant would use in pricing the asset or liability. The use of observable inputs is maximized where available and the use of unobservable inputs is minimized for fair value measurement and reflects a three-tier fair value hierarchy that prioritizes inputs to valuation techniques used for fair value measurement.

- Level 1 consists of observable market data in an active market for identical assets or liabilities.
- Level 2 consists of observable market data, other than that included in Level 1, that is either directly or indirectly observable.
- Level 3 consists of unobservable market data. The input may reflect the assumptions of each Registrant of what a market participant would use in pricing an asset or liability. If there is little available market data, then each Registrant's own assumptions are the best available information.

In the case of multiple inputs being used in a fair value measurement, the lowest level input that is significant to the fair value measurement represents the level in the fair value hierarchy in which the fair value measurement is reported.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Net asset value as a practical expedient is the classification used for assets that do not have readily determined fair values. Fund managers value the assets using various inputs and techniques depending on the nature of the underlying investments.

At December 31, 2020, assets and liabilities measured at fair value on a recurring basis during the period, together with their associated level of the fair value hierarchy, were as follows:

At December 31, 2020:	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
	<i>(in millions)</i>				
Southern Company					
Assets:					
Energy-related derivatives ^(a)	\$ 401	\$ 271	\$ 32	\$ —	\$ 704
Interest rate derivatives	—	20	—	—	20
Foreign currency derivatives	—	87	—	—	87
Investments in trusts: ^{(b)(c)}					
Domestic equity	862	151	—	—	1,013
Foreign equity	85	253	—	—	338
U.S. Treasury and government agency securities	—	284	—	—	284
Municipal bonds	—	85	—	—	85
Pooled funds – fixed income	—	17	—	—	17
Corporate bonds	13	386	—	—	399
Mortgage and asset backed securities	—	83	—	—	83
Private equity	—	—	—	76	76
Cash and cash equivalents	1	—	—	—	1
Other	28	7	—	—	35
Cash equivalents	575	9	—	—	584
Other investments	9	24	—	—	33
Total	\$ 1,974	\$ 1,677	\$ 32	\$ 76	\$ 3,759
Liabilities:					
Energy-related derivatives ^(a)	\$ 389	\$ 204	\$ 4	\$ —	\$ 597
Foreign currency derivatives	—	23	—	—	23
Contingent consideration	—	—	17	—	17
Total	\$ 389	\$ 227	\$ 21	\$ —	\$ 637

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020:	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
	<i>(in millions)</i>				
Alabama Power					
Assets:					
Energy-related derivatives	\$ —	\$ 12	\$ —	\$ —	\$ 12
Nuclear decommissioning trusts: ^(b)					
Domestic equity	543	141	—	—	684
Foreign equity	85	73	—	—	158
U.S. Treasury and government agency securities	—	21	—	—	21
Municipal bonds	—	1	—	—	1
Corporate bonds	13	167	—	—	180
Mortgage and asset backed securities	—	29	—	—	29
Private equity	—	—	—	76	76
Other	7	—	—	—	7
Cash equivalents	311	9	—	—	320
Other investments	—	24	—	—	24
Total	\$ 959	\$ 477	\$ —	\$ 76	\$ 1,512
Liabilities:					
Energy-related derivatives	\$ —	\$ 7	\$ —	\$ —	\$ 7
Georgia Power					
Assets:					
Energy-related derivatives	\$ —	\$ 15	\$ —	\$ —	\$ 15
Nuclear decommissioning trusts: ^{(b)(c)}					
Domestic equity	319	1	—	—	320
Foreign equity	—	177	—	—	177
U.S. Treasury and government agency securities	—	263	—	—	263
Municipal bonds	—	84	—	—	84
Corporate bonds	—	219	—	—	219
Mortgage and asset backed securities	—	54	—	—	54
Other	21	7	—	—	28
Total	\$ 340	\$ 820	\$ —	\$ —	\$ 1,160
Liabilities:					
Energy-related derivatives	\$ —	\$ 13	\$ —	\$ —	\$ 13

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020:	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
	<i>(in millions)</i>				
Mississippi Power					
Assets:					
Energy-related derivatives	\$ —	\$ 9	\$ —	\$ —	\$ 9
Cash equivalents	21	—	—	—	21
Total	\$ 21	\$ 9	\$ —	\$ —	\$ 30
Liabilities:					
Energy-related derivatives	\$ —	\$ 9	\$ —	\$ —	\$ 9
Southern Power					
Assets:					
Energy-related derivatives	\$ —	\$ 2	\$ —	\$ —	\$ 2
Foreign currency derivatives	—	87	—	—	87
Total	\$ —	\$ 89	\$ —	\$ —	\$ 89
Liabilities:					
Energy-related derivatives	\$ —	\$ 3	\$ —	\$ —	\$ 3
Foreign currency derivatives	—	23	—	—	23
Contingent consideration	—	—	17	—	17
Total	\$ —	\$ 26	\$ 17	\$ —	\$ 43
Southern Company Gas					
Assets:					
Energy-related derivatives ^(a)	\$ 401	\$ 233	\$ 32	\$ —	\$ 666
Non-qualified deferred compensation trusts:					
Domestic equity	—	9	—	—	9
Foreign equity	—	3	—	—	3
Pooled funds - fixed income	—	17	—	—	17
Cash equivalents	1	—	—	—	1
Total	\$ 402	\$ 262	\$ 32	\$ —	\$ 696
Liabilities:					
Energy-related derivatives ^{(a)(b)}	\$ 389	\$ 172	\$ 4	\$ —	\$ 565

(a) Excludes \$6 million associated with premiums and certain weather derivatives accounted for based on intrinsic value rather than fair value and cash collateral of \$28 million.

(b) Excludes receivables related to investment income, pending investment sales, payables related to pending investment purchases, and currencies. See Note 6 under "Nuclear Decommissioning" for additional information.

(c) Includes investment securities pledged to creditors and collateral received and excludes payables related to the securities lending program. See Note 6 under "Nuclear Decommissioning" for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2019, assets and liabilities measured at fair value on a recurring basis during the period, together with their associated level of the fair value hierarchy, were as follows:

At December 31, 2019:	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
	<i>(in millions)</i>				
Southern Company					
Assets:					
Energy-related derivatives ^(a)	\$ 388	\$ 267	\$ 22	\$ —	\$ 677
Interest rate derivatives	—	2	—	—	2
Foreign currency derivatives	—	16	—	—	16
Investments in trusts: ^{(b)(c)}					
Domestic equity	751	135	—	—	886
Foreign equity	68	220	—	—	288
U.S. Treasury and government agency securities	—	307	—	—	307
Municipal bonds	—	85	—	—	85
Pooled funds – fixed income	—	17	—	—	17
Corporate bonds	23	297	—	—	320
Mortgage and asset backed securities	—	87	—	—	87
Private equity	—	—	—	56	56
Cash and cash equivalents	1	—	—	—	1
Other	17	5	—	—	22
Cash equivalents	1,393	2	—	—	1,395
Other investments	9	21	—	—	30
Total	\$ 2,650	\$ 1,461	\$ 22	\$ 56	\$ 4,189
Liabilities:					
Energy-related derivatives ^(a)	\$ 442	\$ 254	\$ 7	\$ —	\$ 703
Interest rate derivatives	—	24	—	—	24
Foreign currency derivatives	—	24	—	—	24
Contingent consideration	—	—	19	—	19
Total	\$ 442	\$ 302	\$ 26	\$ —	\$ 770

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2019:	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
	<i>(in millions)</i>				
Alabama Power					
Assets:					
Energy-related derivatives	\$ —	\$ 4	\$ —	\$ —	\$ 4
Nuclear decommissioning trusts: ^(b)					
Domestic equity	488	123	—	—	611
Foreign equity	68	64	—	—	132
U.S. Treasury and government agency securities	—	21	—	—	21
Municipal bonds	—	1	—	—	1
Corporate bonds	23	144	—	—	167
Mortgage and asset backed securities	—	29	—	—	29
Private equity	—	—	—	56	56
Other	3	1	—	—	4
Cash equivalents	691	2	—	—	693
Other investments	—	21	—	—	21
Total	\$ 1,273	\$ 410	\$ —	\$ 56	\$ 1,739
Liabilities:					
Energy-related derivatives	\$ —	\$ 24	\$ —	\$ —	\$ 24
Georgia Power					
Assets:					
Energy-related derivatives	\$ —	\$ 4	\$ —	\$ —	\$ 4
Nuclear decommissioning trusts: ^{(b)(c)}					
Domestic equity	263	1	—	—	264
Foreign equity	—	152	—	—	152
U.S. Treasury and government agency securities	—	286	—	—	286
Municipal bonds	—	84	—	—	84
Corporate bonds	—	153	—	—	153
Mortgage and asset backed securities	—	57	—	—	57
Other	13	4	—	—	17
Total	\$ 276	\$ 741	\$ —	\$ —	\$ 1,017
Liabilities:					
Energy-related derivatives	\$ —	\$ 53	\$ —	\$ —	\$ 53
Interest rate derivatives	—	17	—	—	17
Total	\$ —	\$ 70	\$ —	\$ —	\$ 70

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
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At December 31, 2019:	Fair Value Measurements Using				Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value as a Practical Expedient (NAV)	
	<i>(in millions)</i>				
Mississippi Power					
Assets:					
Energy-related derivatives	\$ —	\$ 1	\$ —	\$ —	\$ 1
Cash equivalents	281	—	—	—	281
Total	\$ 281	\$ 1	\$ —	\$ —	\$ 282
Liabilities:					
Energy-related derivatives	\$ —	\$ 27	\$ —	\$ —	\$ 27
Southern Power					
Assets:					
Energy-related derivatives	\$ —	\$ 3	\$ —	\$ —	\$ 3
Foreign currency derivatives	—	16	—	—	16
Cash equivalents	113	—	—	—	113
Total	\$ 113	\$ 19	\$ —	\$ —	\$ 132
Liabilities:					
Energy-related derivatives	\$ —	\$ 3	\$ —	\$ —	\$ 3
Foreign currency derivatives	—	24	—	—	24
Contingent consideration	—	—	19	—	19
Total	\$ —	\$ 27	\$ 19	\$ —	\$ 46
Southern Company Gas					
Assets:					
Energy-related derivatives ^(a)	\$ 388	\$ 255	\$ 22	\$ —	\$ 665
Interest rate derivatives	—	2	—	—	2
Non-qualified deferred compensation trusts:					
Domestic equity	—	11	—	—	11
Foreign equity	—	4	—	—	4
Pooled funds - fixed income	—	17	—	—	17
Cash equivalents	1	—	—	—	1
Cash equivalents	8	—	—	—	8
Total	\$ 397	\$ 289	\$ 22	\$ —	\$ 708
Liabilities:					
Energy-related derivatives ^{(a)(b)}	\$ 442	\$ 147	\$ 7	\$ —	\$ 596

(a) Excludes \$4 million associated with premiums and certain weather derivatives accounted for based on intrinsic value rather than fair value and cash collateral of \$99 million.

(c) Excludes receivables related to investment income, pending investment sales, payables related to pending investment purchases, and currencies. See Note 6 under "Nuclear Decommissioning" for additional information.

(d) Includes investment securities pledged to creditors and collateral received and excludes payables related to the securities lending program. See Note 6 under "Nuclear Decommissioning" for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**Valuation Methodologies**

The energy-related derivatives primarily consist of exchange-traded and over-the-counter financial products for natural gas and physical power products, including, from time to time, basis swaps. These are standard products used within the energy industry and are valued using the market approach. The inputs used are mainly from observable market sources, such as forward natural gas prices, power prices, implied volatility, and overnight index swap interest rates. Interest rate derivatives are also standard over-the-counter products that are valued using observable market data and assumptions commonly used by market participants. The fair value of interest rate derivatives reflects the net present value of expected payments and receipts under the swap agreement based on the market's expectation of future interest rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk, and occasionally, implied volatility of interest rate options. The fair value of cross-currency swaps reflects the net present value of expected payments and receipts under the swap agreement based on the market's expectation of future foreign currency exchange rates. Additional inputs to the net present value calculation may include the contract terms, counterparty credit risk, and discount rates. The interest rate derivatives and cross-currency swaps are categorized as Level 2 under Fair Value Measurements as these inputs are based on observable data and valuations of similar instruments. See Note 14 for additional information on how these derivatives are used.

For fair value measurements of the investments within the nuclear decommissioning trusts and the non-qualified deferred compensation trusts, external pricing vendors are designated for each asset class with each security specifically assigned a primary pricing source. For investments held within commingled funds, fair value is determined at the end of each business day through the net asset value, which is established by obtaining the underlying securities' individual prices from the primary pricing source. A market price secured from the primary source vendor is then evaluated by management in its valuation of the assets within the trusts. As a general approach, fixed income market pricing vendors gather market data (including indices and market research reports) and integrate relative credit information, observed market movements, and sector news into proprietary pricing models, pricing systems, and mathematical tools. Dealer quotes and other market information, including live trading levels and pricing analysts' judgments, are also obtained when available.

The NRC requires licensees of commissioned nuclear power reactors to establish a plan for providing reasonable assurance of funds for future decommissioning. See Note 6 under "Nuclear Decommissioning" for additional information.

Southern Power has contingent payment obligations related to certain acquisitions whereby it is primarily obligated to make generation-based payments to the seller, which commenced at the commercial operation of the respective facility and continue through 2026. The obligations are categorized as Level 3 under Fair Value Measurements as the fair value is determined using significant unobservable inputs for the forecasted facility generation in MW-hours, as well as other inputs such as a fixed dollar amount per MW-hour, and a discount rate. The fair value of contingent consideration reflects the net present value of expected payments and any periodic change arising from forecasted generation is expected to be immaterial.

"Other investments" include investments traded in the open market that have maturities greater than 90 days, which are categorized as Level 2 under Fair Value Measurements and are comprised of corporate bonds, bank certificates of deposit, treasury bonds, and/or agency bonds.

The fair value measurements of private equity investments held in Alabama Power's nuclear decommissioning trusts that are calculated at net asset value per share (or its equivalent) as a practical expedient totaled \$76 million and \$56 million at December 31, 2020 and 2019, respectively. Unfunded commitments related to the private equity investments totaled \$73 million and \$70 million at December 31, 2020 and 2019, respectively. Private equity investments include high-quality private equity funds across several market sectors and funds that invest in real estate assets. Private equity funds do not have redemption rights. Distributions from these funds will be received as the underlying investments in the funds are liquidated.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020 and 2019, other financial instruments for which the carrying amount did not equal fair value were as follows:

	Southern Company ^(*)	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas ^(*)
<i>(in millions)</i>						
At December 31, 2020:						
Long-term debt, including securities due within one year:						
Carrying amount	\$ 48,349	\$ 8,864	\$ 12,825	\$ 1,400	\$ 3,692	\$ 6,626
Fair value	56,264	10,702	15,198	1,590	4,165	7,973
At December 31, 2019:						
Long-term debt, including securities due within one year:						
Carrying amount	\$ 44,561	\$ 8,517	\$ 11,660	\$ 1,589	\$ 4,398	\$ 5,845
Fair value	48,339	9,525	12,680	1,671	4,708	6,509

(*) The long-term debt of Southern Company Gas is recorded at amortized cost, including the fair value adjustments at the effective date of the 2016 merger with Southern Company. Southern Company Gas amortizes the fair value adjustments over the remaining lives of the respective bonds, the latest being through 2043.

The fair values are determined using Level 2 measurements and are based on quoted market prices for the same or similar issues or on the current rates available to the Registrants.

Commodity Contracts with Level 3 Valuation Inputs

As of December 31, 2020, the fair value of Southern Company Gas' Level 3 physical natural gas forward contracts was \$28 million. Since commodity contracts classified as Level 3 typically include a combination of observable and unobservable components, the changes in fair value may include amounts due in part to observable market factors, or changes to assumptions on the unobservable components. The following table includes transfers to Level 3, which represent the fair value of Southern Company Gas' commodity derivative contracts that include a significant unobservable component for the first time during the period.

	2020
	<i>(in millions)</i>
Beginning balance	\$ 14
Transfers to Level 3	70
Transfers from Level 3	(34)
Instruments realized or otherwise settled during period	(16)
Changes in fair value	(6)
Ending balance	\$ 28

Changes in fair value of Level 3 instruments represent changes in gains and losses for the periods that are reported on Southern Company Gas' statements of income in natural gas revenues.

The valuation of certain commodity contracts requires the use of certain unobservable inputs. All forward pricing used in the valuation of such contracts is directly based on third-party market data, such as broker quotes and exchange settlements, when that data is available. If third-party market data is not available, then industry standard methodologies are used to develop inputs that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. Observable inputs, including some forward prices used for determining fair value, reflect the best available market information. Unobservable inputs are updated using industry standard techniques such as extrapolation, combining observable forward inputs supplemented by historical market and other relevant data. Level 3 physical natural gas forward contracts include unobservable forward price inputs (ranging from \$(0.08) to \$0.24 per mmBtu). Forward price increases (decreases) as of December 31, 2020 would have resulted in higher (lower) values on a net basis.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report**14. DERIVATIVES**

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas are exposed to market risks, including commodity price risk, interest rate risk, weather risk, and occasionally foreign currency exchange rate risk. To manage the volatility attributable to these exposures, each company nets its exposures, where possible, to take advantage of natural offsets and enters into various derivative transactions for the remaining exposures pursuant to each company's policies in areas such as counterparty exposure and risk management practices. Southern Company Gas' wholesale gas operations use various contracts in its commercial activities that generally meet the definition of derivatives. For the traditional electric operating companies, Southern Power, and Southern Company Gas' other businesses, each company's policy is that derivatives are to be used primarily for hedging purposes and mandates strict adherence to all applicable risk management policies. Derivative positions are monitored using techniques including, but not limited to, market valuation, value at risk, stress testing, and sensitivity analysis. Derivative instruments are recognized at fair value in the balance sheets as either assets or liabilities and are presented on a net basis. See Note 13 for additional fair value information. In the statements of cash flows, any cash impacts of settled energy-related and interest rate derivatives are recorded as operating activities. Any cash impacts of settled foreign currency derivatives are classified as operating or financing activities to correspond with the classification of the hedged interest or principal, respectively. See Note 1 under "Financial Instruments" for additional information.

Energy-Related Derivatives

The traditional electric operating companies, Southern Power, and Southern Company Gas enter into energy-related derivatives to hedge exposures to electricity, natural gas, and other fuel price changes. However, due to cost-based rate regulations and other various cost recovery mechanisms, the traditional electric operating companies and the natural gas distribution utilities have limited exposure to market volatility in energy-related commodity prices. Each of the traditional electric operating companies and certain of the natural gas distribution utilities of Southern Company Gas manage fuel-hedging programs, implemented per the guidelines of their respective state PSCs or other applicable state regulatory agencies, through the use of financial derivative contracts, which are expected to continue to mitigate price volatility. The traditional electric operating companies (with respect to wholesale generating capacity) and Southern Power have limited exposure to market volatility in energy-related commodity prices because their long-term sales contracts shift substantially all fuel cost responsibility to the purchaser. However, the traditional electric operating companies and Southern Power may be exposed to market volatility in energy-related commodity prices to the extent any uncontracted capacity is used to sell electricity. Southern Company Gas retains exposure to price changes that can, in a volatile energy market, be material and can adversely affect its results of operations.

Southern Company Gas also enters into weather derivative contracts as economic hedges of operating margins in the event of warmer-than-normal weather. Exchange-traded options are carried at fair value, with changes reflected in operating revenues. Non-exchange-traded options are accounted for using the intrinsic value method. Changes in the intrinsic value for non-exchange-traded contracts are reflected in operating revenues.

Energy-related derivative contracts are accounted for under one of three methods:

- *Regulatory Hedges* – Energy-related derivative contracts designated as regulatory hedges relate primarily to the traditional electric operating companies' and the natural gas distribution utilities' fuel-hedging programs, where gains and losses are initially recorded as regulatory liabilities and assets, respectively, and then are included in fuel expense as the underlying fuel is used in operations and ultimately recovered through an approved cost recovery mechanism.
- *Cash Flow Hedges* – Gains and losses on energy-related derivatives designated as cash flow hedges (which are mainly used to hedge anticipated purchases and sales) are initially deferred in AOCI before being recognized in the statements of income in the same period and in the same income statement line item as the earnings effect of the hedged transactions.
- *Not Designated* – Gains and losses on energy-related derivative contracts that are not designated or fail to qualify as hedges are recognized in the statements of income as incurred.

Some energy-related derivative contracts require physical delivery as opposed to financial settlement, and this type of derivative is both common and prevalent within the electric and natural gas industries. When an energy-related derivative contract is settled physically, any cumulative unrealized gain or loss is reversed and the contract price is recognized in the respective line item representing the actual price of the underlying goods being delivered.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020, the net volume of energy-related derivative contracts for natural gas positions, together with the longest hedge date over which the respective entity is hedging its exposure to the variability in future cash flows for forecasted transactions and the longest non-hedge date for derivatives not designated as hedges, were as follows:

	Net Purchased mmBtu	Longest Hedge Date	Longest Non-Hedge Date
	<i>(in millions)</i>		
Southern Company ^(*)	835	2024	2031
Alabama Power	78	2024	—
Georgia Power	135	2023	—
Mississippi Power	89	2024	—
Southern Power	10	2022	2021
Southern Company Gas ^(*)	523	2022	2031

(*) Southern Company Gas' derivative instruments include both long and short natural gas positions. A long position is a contract to purchase natural gas and a short position is a contract to sell natural gas. Southern Company Gas' volume represents the net of long natural gas positions of 4,421 million mmBtu and short natural gas positions of 3,898 million mmBtu at December 31, 2020, which is also included in Southern Company's total volume.

At December 31, 2020, the net volume of Southern Power's energy-related derivative contracts for power to be sold was 1 million MWHs, all of which expire in 2021.

In addition to the volumes discussed above, the traditional electric operating companies and Southern Power enter into physical natural gas supply contracts that provide the option to sell back excess natural gas due to operational constraints. The maximum expected volume of natural gas subject to such a feature is 29 million mmBtu for Southern Company, which includes 7 million mmBtu for Alabama Power, 9 million mmBtu for Georgia Power, 4 million mmBtu for Mississippi Power, and 9 million mmBtu for Southern Power.

For cash flow hedges of energy-related derivatives, the estimated pre-tax gains (losses) expected to be reclassified from AOCI to earnings for the year ending December 31, 2021 are immaterial for all Registrants.

Interest Rate Derivatives

Southern Company and certain subsidiaries may enter into interest rate derivatives to hedge exposure to changes in interest rates. The derivatives employed as hedging instruments are structured to minimize ineffectiveness. Derivatives related to existing variable rate securities or forecasted transactions are accounted for as cash flow hedges where the derivatives' fair value gains or losses are recorded in OCI and are reclassified into earnings at the same time and presented on the same income statement line item as the earnings effect of the hedged transactions. Derivatives related to existing fixed rate securities are accounted for as fair value hedges, where the derivatives' fair value gains or losses and hedged items' fair value gains or losses are both recorded directly to earnings on the same income statement line item. Fair value gains or losses on derivatives that are not designated or fail to qualify as hedges are recognized in the statements of income as incurred.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020, the following interest rate derivatives were outstanding:

	Notional Amount	Interest Rate Received	Weighted Average Interest Rate Paid	Hedge Maturity Date	Fair Value Gain (Loss) December 31, 2020
	<i>(in millions)</i>				<i>(in millions)</i>
Cash Flow Hedges of Existing Debt					
Mississippi Power	\$ 60	1-month LIBOR	0.58%	December 2021	\$ —
Fair Value Hedges of Existing Debt					
Southern Company parent	1,500	2.35%	1-month LIBOR + 0.87%	July 2021	20
Southern Company	\$ 1,560				\$ 20

For cash flow hedge interest rate derivatives, the estimated pre-tax gains (losses) expected to be reclassified from AOCI to interest expense for the year ending December 31, 2021 total \$(25) million for Southern Company and are immaterial for all other Registrants. Deferred gains and losses related to interest rate derivatives are expected to be amortized into earnings through 2046 for the Southern Company parent entity, 2035 for Alabama Power, 2044 for Georgia Power, 2028 for Mississippi Power, and 2046 for Southern Company Gas.

Foreign Currency Derivatives

Southern Company and certain subsidiaries, including Southern Power, may enter into foreign currency derivatives to hedge exposure to changes in foreign currency exchange rates, such as that arising from the issuance of debt denominated in a currency other than U.S. dollars. Derivatives related to forecasted transactions are accounted for as cash flow hedges where the derivatives' fair value gains or losses are recorded in OCI and are reclassified into earnings at the same time and on the same income statement line as the earnings effect of the hedged transactions, including foreign currency gains or losses arising from changes in the U.S. currency exchange rates. The derivatives employed as hedging instruments are structured to minimize ineffectiveness.

At December 31, 2020, the following foreign currency derivatives were outstanding:

	Pay Notional	Pay Rate	Receive Notional	Receive Rate	Hedge Maturity Date	Fair Value Gain (Loss) December 31, 2020
	<i>(in millions)</i>		<i>(in millions)</i>			<i>(in millions)</i>
Cash Flow Hedges of Existing Debt						
Southern Power	\$ 677	2.95%	€ 600	1.00%	June 2022	\$ 40
Southern Power	564	3.78%	500	1.85%	June 2026	25
Total	\$ 1,241		€ 1,100			\$ 65

The estimated pre-tax gains (losses) related to Southern Power's foreign currency derivatives expected to be reclassified from AOCI to earnings for the year ending December 31, 2021 are \$10 million.

Derivative Financial Statement Presentation and Amounts

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas enter into derivative contracts that may contain certain provisions that permit intra-contract netting of derivative receivables and payables for routine billing and offsets related to events of default and settlements. Southern Company and certain subsidiaries also utilize master netting agreements to mitigate exposure to counterparty credit risk. These agreements may contain provisions that permit netting across product lines and against cash collateral. The fair value amounts of derivative assets and liabilities on the balance sheets are presented net to the extent that there are netting arrangements or similar agreements with the counterparties.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020 and 2019, the fair value of energy-related derivatives, interest rate derivatives, and foreign currency derivatives was reflected in the balance sheets as follows:

Derivative Category and Balance Sheet Location	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	<i>(in millions)</i>			
Southern Company				
Derivatives designated as hedging instruments for regulatory purposes				
Energy-related derivatives:				
Assets from risk management activities/Other current liabilities	\$ 24	\$ 11	\$ 3	\$ 70
Other deferred charges and assets/Other deferred credits and liabilities	18	19	6	44
Total derivatives designated as hedging instruments for regulatory purposes	\$ 42	\$ 30	\$ 9	\$ 114
Derivatives designated as hedging instruments in cash flow and fair value hedges				
Energy-related derivatives:				
Assets from risk management activities/Other current liabilities	\$ 3	\$ 5	\$ 1	\$ 6
Interest rate derivatives:				
Assets from risk management activities/Other current liabilities	20	—	2	23
Other deferred charges and assets/Other deferred credits and liabilities	—	—	—	1
Foreign currency derivatives:				
Assets from risk management activities/Other current liabilities	—	23	—	24
Other deferred charges and assets/Other deferred credits and liabilities	87	—	16	—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$ 110	\$ 28	\$ 19	\$ 54
Derivatives not designated as hedging instruments				
Energy-related derivatives:				
Assets from risk management activities/Other current liabilities	\$ 388	\$ 331	\$ 461	\$ 358
Other deferred charges and assets/Other deferred credits and liabilities	270	232	207	225
Total derivatives not designated as hedging instruments	\$ 658	\$ 563	\$ 668	\$ 583
Gross amounts recognized	\$ 810	\$ 621	\$ 696	\$ 751
Gross amounts offset^(a)	\$ (529)	\$ (557)	\$ (463)	\$ (562)
Net amounts recognized in the Balance Sheets^(b)	\$ 281	\$ 64	\$ 233	\$ 189

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Derivative Category and Balance Sheet Location	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	<i>(in millions)</i>			
Alabama Power				
Derivatives designated as hedging instruments for regulatory purposes				
Energy-related derivatives:				
Other current assets/Other current liabilities	\$ 7	\$ 2	\$ 2	\$ 14
Other deferred charges and assets/Other deferred credits and liabilities	5	5	2	10
Total derivatives designated as hedging instruments for regulatory purposes	\$ 12	\$ 7	\$ 4	\$ 24
Gross amounts recognized	\$ 12	\$ 7	\$ 4	\$ 24
Gross amounts offset	\$ (7)	\$ (7)	\$ (2)	\$ (2)
Net amounts recognized in the Balance Sheets	\$ 5	\$ —	\$ 2	\$ 22
Georgia Power				
Derivatives designated as hedging instruments for regulatory purposes				
Energy-related derivatives:				
Other current assets/Other current liabilities	\$ 7	\$ 5	\$ 1	\$ 32
Other deferred charges and assets/Other deferred credits and liabilities	8	8	3	21
Total derivatives designated as hedging instruments for regulatory purposes	\$ 15	\$ 13	\$ 4	\$ 53
Derivatives designated as hedging instruments in cash flow and fair value hedges				
Interest rate derivatives:				
Other current assets/Other current liabilities	\$ —	\$ —	\$ —	\$ 17
Gross amounts recognized	\$ 15	\$ 13	\$ 4	\$ 70
Gross amounts offset	\$ (12)	\$ (12)	\$ (3)	\$ (3)
Net amounts recognized in the Balance Sheets	\$ 3	\$ 1	\$ 1	\$ 67

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Derivative Category and Balance Sheet Location	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	<i>(in millions)</i>			
Mississippi Power				
Derivatives designated as hedging instruments for regulatory purposes				
Energy-related derivatives:				
Other current assets/Other current liabilities	\$ 4	\$ 3	\$ —	\$ 15
Other deferred charges and assets/Other deferred credits and liabilities	5	6	1	12
Total derivatives designated as hedging instruments for regulatory purposes	\$ 9	\$ 9	\$ 1	\$ 27
Gross amounts recognized	\$ 9	\$ 9	\$ 1	\$ 27
Gross amounts offset	\$ (7)	\$ (7)	\$ (1)	\$ (1)
Net amounts recognized in the Balance Sheets	\$ 2	\$ 2	\$ —	\$ 26
Southern Power				
Derivatives designated as hedging instruments in cash flow and fair value hedges				
Energy-related derivatives:				
Other current assets/Other current liabilities	\$ 2	\$ 2	\$ 1	\$ 2
Foreign currency derivatives:				
Other current assets/Other current liabilities	—	23	—	24
Other deferred charges and assets/Other deferred credits and liabilities	87	—	16	—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$ 89	\$ 25	\$ 17	\$ 26
Derivatives not designated as hedging instruments				
Energy-related derivatives:				
Other current assets/Other current liabilities	\$ —	\$ 1	\$ 2	\$ 1
Net amounts recognized in the Balance Sheets	\$ 89	\$ 26	\$ 19	\$ 27

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Derivative Category and Balance Sheet Location	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	<i>(in millions)</i>			
Southern Company Gas				
Derivatives designated as hedging instruments for regulatory purposes				
Energy-related derivatives:				
Assets from risk management activities/Other current liabilities	\$ 6	\$ 1	\$ —	\$ 9
Other deferred charges and assets/Other deferred credits and liabilities	—	—	—	1
Total derivatives designated as hedging instruments for regulatory purposes	\$ 6	\$ 1	\$ —	\$ 10
Derivatives designated as hedging instruments in cash flow and fair value hedges				
Energy-related derivatives:				
Assets from risk management activities/Other current liabilities	\$ 1	\$ 3	\$ —	\$ 4
Interest rate derivatives:				
Assets from risk management activities/Other current liabilities	—	—	2	—
Total derivatives designated as hedging instruments in cash flow and fair value hedges	\$ 1	\$ 3	\$ 2	\$ 4
Derivatives not designated as hedging instruments				
Energy-related derivatives:				
Assets from risk management activities/Other current liabilities	\$ 388	\$ 330	\$ 459	\$ 357
Other deferred charges and assets/Other deferred credits and liabilities	270	232	207	225
Total derivatives not designated as hedging instruments	\$ 658	\$ 562	\$ 666	\$ 582
Gross amounts recognized	\$ 665	\$ 566	\$ 668	\$ 596
Gross amounts offset^(a)	\$ (503)	\$ (531)	\$ (456)	\$ (555)
Net amounts recognized in the Balance Sheets^(b)	\$ 162	\$ 35	\$ 212	\$ 41

(a) Gross amounts offset include cash collateral held on deposit in broker margin accounts of \$28 million and \$99 million at December 31, 2020 and 2019, respectively.

(b) Net amounts of derivative instruments outstanding exclude immaterial premium and intrinsic value associated with weather derivatives for all periods presented.

Energy-related derivatives not designated as hedging instruments were immaterial for the traditional electric operating companies at December 31, 2019. There were no such instruments for the traditional electric operating companies at December 31, 2020.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

At December 31, 2020 and 2019, the pre-tax effects of unrealized derivative gains (losses) arising from energy-related derivative instruments designated as regulatory hedging instruments and deferred were as follows:

Regulatory Hedge Unrealized Gain (Loss) Recognized in the Balance Sheet at December 31, 2020

Derivative Category and Balance Sheet Location	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
Energy-related derivatives:					
Other regulatory assets, deferred	\$ (2)	\$ —	\$ (1)	\$ (1)	\$ —
Other regulatory liabilities, current	12	5	2	1	4
Other regulatory liabilities, deferred	2	1	1	—	—
Total energy-related derivative gains (losses)	\$ 12	\$ 6	\$ 2	\$ —	\$ 4

Regulatory Hedge Unrealized Gain (Loss) Recognized in the Balance Sheet at December 31, 2019

Derivative Category and Balance Sheet Location	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
Energy-related derivatives:					
Other regulatory assets, current	\$ (63)	\$ (14)	\$ (31)	\$ (15)	\$ (3)
Other regulatory assets, deferred	(37)	(8)	(18)	(11)	—
Other regulatory liabilities, current	6	2	—	—	4
Total energy-related derivative gains (losses)	\$ (94)	\$ (20)	\$ (49)	\$ (26)	\$ 1

For the years ended December 31, 2020, 2019, and 2018, the pre-tax effects of cash flow hedge accounting on AOCI for the applicable Registrants were as follows:

Gain (Loss) Recognized in OCI on Derivative	2020	2019	2018
<i>(in millions)</i>			
Southern Company			
Energy-related derivatives	\$ (8)	\$ (13)	17
Interest rate derivatives	(26)	(57)	(1)
Foreign currency derivatives	48	(84)	(78)
Total	\$ 14	\$ (154)	(62)
Georgia Power			
Interest rate derivatives	\$ (3)	\$ (59)	—
Southern Power			
Energy-related derivatives	\$ (2)	\$ (4)	10
Foreign currency derivatives	48	(84)	(78)
Total	\$ 46	\$ (88)	(68)
Southern Company Gas			
Energy-related derivatives	\$ (6)	\$ (9)	7
Interest rate derivatives	(23)	2	—
Total	\$ (29)	\$ (7)	7

For all years presented, the pre-tax effects of interest rate derivatives designated as cash flow hedging instruments on AOCI were immaterial for the other Registrants.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

The pre-tax effects of cash flow and fair value hedge accounting on income for the years ended December 31, 2020, 2019, and 2018 were as follows:

Location and Amount of Gain (Loss) Recognized in Income on Cash Flow and Fair Value Hedging Relationships	2020	2019	2018
	<i>(in millions)</i>		
Southern Company			
Total cost of natural gas	\$ 972	\$ 1,319	\$ 1,539
<i>Gain (loss) on energy-related cash flow hedges^(a)</i>	(8)	(2)	2
Total depreciation and amortization	3,518	3,038	3,131
<i>Gain (loss) on energy-related cash flow hedges^(a)</i>	(3)	(6)	7
Total interest expense, net of amounts capitalized	(1,821)	(1,736)	(1,842)
<i>Gain (loss) on interest rate cash flow hedges^(a)</i>	(26)	(20)	(21)
<i>Gain (loss) on foreign currency cash flow hedges^(a)</i>	(23)	(24)	(24)
<i>Gain (loss) on interest rate fair value hedges^(b)</i>	27	42	(12)
Total other income (expense), net	336	252	114
<i>Gain (loss) on foreign currency cash flow hedges^{(a)(c)}</i>	114	(24)	(60)
Southern Power			
Total depreciation and amortization	\$ 494	\$ 479	\$ 493
<i>Gain (loss) on energy-related cash flow hedges^(a)</i>	(3)	(6)	7
Total interest expense, net of amounts capitalized	(151)	(169)	(183)
<i>Gain (loss) on foreign currency cash flow hedges^(a)</i>	(23)	(24)	(24)
Total other income (expense), net	19	47	23
<i>Gain (loss) on foreign currency cash flow hedges^{(a)(c)}</i>	114	(24)	(60)

(a) Reclassified from AOCI into earnings.

(b) For fair value hedges, changes in the fair value of the derivative contracts are generally equal to changes in the fair value of the underlying debt and have no material impact on income.

(c) The reclassification from AOCI into other income (expense), net completely offsets currency gains and losses arising from changes in the U.S. currency exchange rates used to record the euro-denominated notes.

The pre-tax effects of cash flow hedge accounting on income for interest rate derivatives and energy-related derivatives were immaterial for the other Registrants for all years presented.

At December 31, 2020 and 2019, the following amounts were recorded on the balance sheets related to cumulative basis adjustments for fair value hedges:

Balance Sheet Location of Hedged Items	Carrying Amount of the Hedged Item		Cumulative Amount of Fair Value Hedging Adjustment included in Carrying Amount of the Hedged Item	
	At December 31, 2020	At December 31, 2019	At December 31, 2020	At December 31, 2019
	<i>(in millions)</i>		<i>(in millions)</i>	
Southern Company				
Securities due within one year	\$ (1,509)	\$ (599)	\$ (10)	\$ —
Long-term debt	—	(1,494)	—	3

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

The pre-tax effects of energy-related derivatives not designated as hedging instruments on the statements of income of Southern Company and Southern Company Gas for the years ended December 31, 2020, 2019, and 2018 were as follows:

Derivatives in Non-Designated Hedging Relationships	Statements of Income Location	Gain (Loss)		
		2020	2019	2018
		<i>(in millions)</i>		
Energy-related derivatives	Natural gas revenues ^(*)	\$ 134	\$ 223	\$ (122)
	Cost of natural gas	15	10	(6)
Total derivatives in non-designated hedging relationships		\$ 149	\$ 233	\$ (128)

(*) Excludes the impact of weather derivatives recorded in natural gas revenues of \$9 million, \$3 million, and \$5 million for the years ended December 31, 2020, 2019, and 2018, respectively, as they are accounted for based on intrinsic value rather than fair value.

The pre-tax effects of energy-related derivatives not designated as hedging instruments were immaterial for all other Registrants for all years presented.

Contingent Features

Southern Company, the traditional electric operating companies, Southern Power, and Southern Company Gas do not have any credit arrangements that would require material changes in payment schedules or terminations as a result of a credit rating downgrade. There are certain derivatives that could require collateral, but not accelerated payment, in the event of various credit rating changes of certain Southern Company subsidiaries. At December 31, 2020, the Registrants had no collateral posted with derivative counterparties to satisfy these arrangements.

For the Registrants with interest rate derivatives at December 31, 2020, there were no interest rate derivative liabilities with contingent features. At December 31, 2020, the fair value of energy-related derivative liabilities with contingent features and the maximum potential collateral requirements arising from the credit-risk-related contingent features, at a rating below BBB- and/or Baa3, were immaterial for all Registrants. The maximum potential collateral requirements arising from the credit-risk-related contingent features for the traditional electric operating companies and Southern Power include certain agreements that could require collateral in the event that one or more Southern Company power pool participants has a credit rating change to below investment grade. Following the sale of Gulf Power to NextEra Energy, Gulf Power is continuing to participate in the Southern Company power pool for a defined transition period that, subject to certain potential adjustments, is scheduled to end on January 1, 2024.

Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. If collateral is required, fair value amounts recognized for the right to reclaim cash collateral or the obligation to return cash collateral are not offset against fair value amounts recognized for derivatives executed with the same counterparty.

Alabama Power and Southern Power maintain accounts with certain regional transmission organizations to facilitate financial derivative transactions and they may be required to post collateral based on the value of the positions in these accounts and the associated margin requirements. At December 31, 2020, cash collateral posted in these accounts was immaterial. Southern Company Gas maintains accounts with brokers or the clearing houses of certain exchanges to facilitate financial derivative transactions. Based on the value of the positions in these accounts and the associated margin requirements, Southern Company Gas may be required to deposit cash into these accounts. At December 31, 2020, cash collateral held on deposit in broker margin accounts was \$28 million.

The Registrants are exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Registrants only enter into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's and S&P or with counterparties who have posted collateral to cover potential credit exposure. The Registrants have also established risk management policies and controls to determine and monitor the creditworthiness of counterparties in order to mitigate their exposure to counterparty credit risk.

Southern Company Gas uses established credit policies to determine and monitor the creditworthiness of counterparties, including requirements to post collateral or other credit security, as well as the quality of pledged collateral. Collateral or credit security is most often in the form of cash or letters of credit from an investment-grade financial institution, but may also include cash or U.S. government securities held by a trustee. Prior to entering a physical transaction, Southern Company Gas assigns its counterparties an internal credit rating and credit limit based on the counterparties' Moody's, S&P, and Fitch ratings, commercially available credit reports, and audited financial statements. Southern Company Gas may require counterparties to pledge additional collateral when deemed necessary.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Southern Company Gas utilizes netting agreements whenever possible to mitigate exposure to counterparty credit risk. Netting agreements enable Southern Company Gas to net certain assets and liabilities by counterparty across product lines and against cash collateral, provided the netting and cash collateral agreements include such provisions. While the amounts due from, or owed to, counterparties are settled net, they are recorded on a gross basis on the balance sheet as energy marketing receivables and energy marketing payables.

The Registrants do not anticipate a material adverse effect on their respective financial statements as a result of counterparty nonperformance.

15. ACQUISITIONS AND DISPOSITIONS**Southern Company**

In January 2019, Southern Company completed the sale of all of the capital stock of Gulf Power to a wholly-owned subsidiary of NextEra Energy, for an aggregate cash purchase price of approximately \$5.8 billion (less \$1.3 billion of indebtedness assumed), including the final working capital adjustments. The gain associated with the sale of Gulf Power totaled \$2.6 billion pre-tax (\$1.4 billion after tax).

In July 2019, PowerSecure completed the sale of its utility infrastructure services business for approximately \$65 million, including the final working capital adjustments. In contemplation of this sale, a goodwill impairment charge of \$32 million was recorded in the second quarter 2019. In December 2019, PowerSecure completed the sale of its lighting business for approximately \$9 million, which included cash of \$4 million and a note receivable from the buyer of \$5 million. In contemplation of this sale, an impairment charge of \$18 million was recorded in the third quarter 2019 related to goodwill, identifiable intangibles, and other assets.

In December 2019, Southern Company completed the sale of one of its leveraged lease investments for an aggregate cash purchase price of approximately \$20 million. The sale resulted in an immaterial gain.

During the fourth quarter 2020, management of Southern Company initiated steps to sell one of its leveraged leases and classified the investment in the leveraged lease as held for sale on Southern Company's balance sheet as of December 31, 2020. The ultimate outcome of this matter cannot be determined at this time. See Note 3 under "Other Matters – Southern Company" and "Assets Held for Sale" herein for additional information.

Alabama Power

On August 31, 2020, Alabama Power completed its acquisition of the Central Alabama Generating Station, an approximately 885-MW combined cycle generation facility in Autauga County, Alabama. The total purchase price was \$461 million, of which \$452 million was related to net assets recorded within property, plant, and equipment on the balance sheet and the remainder primarily related to inventory, current receivables, and accounts payable. Alabama Power assumed an existing power sales agreement under which the full output of the generating facility remains committed to another third party for its remaining term of approximately three years. During the remaining term, the estimated revenues from the power sales agreement are expected to offset the associated costs of operation. See Notes 2 and 9 under "Alabama Power" and "Lessor," respectively, for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report
Southern Power

Southern Power's acquisition-related costs for the projects discussed under "Asset Acquisitions" and "Construction Projects" below were expensed as incurred and were not material for any of the years presented.

Asset Acquisitions

Project Facility	Resource	Seller	Approximate Nameplate Capacity (MW)	Location	Southern Power Ownership Percentage	COD	PPA Contract Period
Asset Acquisitions During 2020							
Beech Ridge II	Wind	Invenergy Renewables LLC	56	Greenbrier County, WV	100% of Class A ^(a)	May 2020	12 years
Asset Acquisitions During 2019							
DSGP ^(b)	Fuel Cell	Bloom Energy	28	Delaware	100% of Class B	N/A ^(c)	15 years ^(d)
Asset Acquisitions During 2018							
Gaskell West 1	Solar	Recurrent Energy Development Holdings, LLC	20	Kern County, CA	100% of Class B ^(e)	March 2018	20 years

(a) In May 2020, Southern Power purchased a controlling interest and now consolidates the project's operating results in its financial statements. The Class B member owns the noncontrolling interest.

(b) During 2019, Southern Power purchased a controlling interest and now consolidates the project's operating results in its financial statements. The Class A and Class C members each own a noncontrolling interest. Southern Power records net income attributable to noncontrolling interests for approximately 10 MWs of the facility.

(c) Southern Power's 18-MW share of the facility was repowered between June and August 2019. In December 2019, a Class C member joined the existing partnership between the Class A member and Southern Power and made an investment to repower the remaining 10 MWs.

(d) Remaining PPA contract period at the time of acquisition.

(e) Southern Power owns a controlling interest under a tax equity partnership.

In March 2020, Southern Power entered into an agreement to acquire a controlling membership interest in an approximately 300-MW wind facility located in South Dakota. The acquisition is subject to certain customary conditions to closing, including commercial operation of the facility, which is expected to occur in the first quarter 2021. Subsequent to the acquisition, Southern Power expects to complete a tax equity transaction. The facility's output is contracted under two long-term PPAs. The ultimate outcome of this matter cannot be determined at this time.

Construction Projects

During 2020, Southern Power completed construction of and placed in service the Reading and Skookumchuck wind facilities, commenced construction of the Garland and Tranquillity battery energy storage facilities, and acquired and commenced construction of the Glass Sands wind facility. Total aggregate construction costs, excluding acquisition costs, are expected to be between \$392 million and \$460 million for the facilities under construction. At December 31, 2020, the total costs of construction incurred and included in CWIP for these projects were \$34 million. The ultimate outcome of these matters cannot be determined at this time.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Project Facility	Resource	Approximate Nameplate Capacity (MW)	Location	Actual/Expected COD	PPA Contract Period
Projects Under Construction at December 31, 2020					
Garland Solar Storage ^(a)	Battery energy storage system	88	Kern County, CA	Third quarter 2021	20 years
Tranquillity Solar Storage ^(a)	Battery energy storage system	72	Fresno County, CA	Fourth quarter 2021	20 years
Glass Sands ^(b)	Wind	118	Murray County, OK	Fourth quarter 2021	12 years
Projects Completed During 2020					
Skookumchuck ^(c)	Wind	136	Lewis and Thurston Counties, WA	November 2020	20 years
Reading ^(d)	Wind	200	Osage and Lyon Counties, KS	May 2020	12 years
Projects Completed During 2019^(e)					
Wildhorse Mountain ^(f)	Wind	100	Pushmataha County, OK	December 2019	20 years

(a) In December 2020, Southern Power restructured its ownership of the project by contributing the Class A membership interests to an existing partnership and selling 100% of the Class B membership interests while retaining the controlling interest. Prior to commercial operation, Southern Power may restructure the project ownership again and enter into additional partnerships, but expects to retain the controlling interest. The ultimate outcome of this matter cannot be determined at this time.

(b) In December 2020, Southern Power purchased 100% of the membership interests of the Glass Sands facility.

(c) In October 2019, Southern Power purchased 100% of the membership interests of the Skookumchuck facility pursuant to a joint development arrangement. In November 2020, Southern Power completed a tax equity transaction whereby it received \$121 million, resulting in 100% ownership of the Class B membership interests. Southern Power subsequently sold a noncontrolling interest in the Class B membership interests and now retains the controlling ownership interest in the facility.

(d) In 2018, Southern Power purchased 100% of the membership interests of the Reading facility pursuant to a joint development arrangement. In June 2020, Southern Power completed a tax equity transaction whereby it received \$156 million and owns 100% of the Class B membership interests.

(e) During 2019, Southern Power also completed the expansion of Plant Mankato, which was sold to a subsidiary of Xcel on January 17, 2020. See "Sales of Natural Gas and Biomass Plants" below for additional information.

(f) In 2018, Southern Power purchased 100% of the membership interests of the Wildhorse Mountain facility. In December 2019, Southern Power entered into a tax equity partnership and owns 100% of the Class B membership interests.

Development Projects

Southern Power continues to evaluate and refine the deployment of the remaining wind turbine equipment purchased in 2016 and 2017 to development and construction projects. Wind projects utilizing equipment purchased in 2016 and 2017, and reaching commercial operation by the end of 2021 and 2022, are expected to qualify for 100% and 80% PTCs, respectively. The significant majority of this equipment either has been deployed to projects that have been completed, are under construction, or are probable of completion, or has been sold to third parties. In 2018, as a result of a review of various options for probable dispositions of wind turbine equipment not deployed to development or construction projects, Southern Power recorded a \$36 million asset impairment charge on the equipment. Gains on equipment sales were immaterial in 2020 and totaled approximately \$17 million in 2019.

Sales of Renewable Facility Interests

In May 2018, Southern Power completed the sale of a noncontrolling 33% equity interest in SP Solar, a limited partnership indirectly owning substantially all of Southern Power's solar facilities, to Global Atlantic for approximately \$1.2 billion. Since Southern Power retained control of the limited partnership, the sale was recorded as an equity transaction. On the date of the transaction, the noncontrolling interest was increased by \$511 million to reflect 33% of the carrying value of the partnership. This difference, partially offset by the tax impact and other related transaction charges, also resulted in a \$410 million decrease to Southern Power's common stockholder's equity.

In December 2018, Southern Power completed the sale of a noncontrolling tax equity interest in SP Wind, which owns a portfolio of eight operating wind facilities, to three financial investors for approximately \$1.2 billion. The tax equity investors together will generally receive 40% of the cash distributions from available cash and will receive 99% of the tax attributes, including future PTCs.

Southern Power consolidates each entity, as the primary beneficiary of the VIE, since it controls the most significant activities, including operating and maintaining the assets.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report***Sales of Natural Gas and Biomass Plants***

In December 2018, Southern Power completed the sale of all of its equity interests in Plant Oleander and Plant Stanton Unit A (together, the Florida Plants) to NextEra Energy for \$203 million, including final working capital adjustments. In contemplation of this sale transaction, Southern Power recorded an asset impairment charge of approximately \$119 million (\$89 million after tax) in the second quarter 2018.

In June 2019, Southern Power completed the sale of its equity interests in Plant Nacogdoches, a 115-MW biomass facility located in Nacogdoches County, Texas, to Austin Energy, for a purchase price of approximately \$461 million, including final working capital adjustments. Southern Power recorded a gain of \$23 million (\$88 million after tax) on the sale.

On January 17, 2020, Southern Power completed the sale of its equity interests in Plant Mankato (including the 385-MW expansion unit completed in May 2019) to a subsidiary of Xcel for a purchase price of approximately \$663 million, including final working capital adjustments. The sale resulted in a gain of approximately \$39 million (\$23 million after tax). The assets and liabilities of Plant Mankato were classified as held for sale on Southern Company's and Southern Power's balance sheets at December 31, 2019. See "Assets Held for Sale" herein for additional information.

Southern Company Gas***Sale of Pivotal Home Solutions***

In June 2018, Southern Company Gas completed the stock sale of Pivotal Home Solutions to American Water Enterprises LLC for a total cash purchase price of \$365 million, which includes the final working capital adjustment. This disposition resulted in a net loss of \$67 million, which includes \$34 million of income tax expense. In contemplation of the transaction, a goodwill impairment charge of \$42 million was recorded during 2018. The income tax expense included tax on goodwill not deductible for tax purposes and for which a deferred tax liability had not been recorded previously. Southern Company Gas and American Water Enterprises LLC entered into a transition services agreement whereby Southern Company Gas provided certain administrative and operational services, which ended during 2018.

Sales of Elizabethtown Gas and Elkton Gas

In July 2018, a Southern Company Gas subsidiary, Pivotal Utility Holdings, completed the sales of the assets of two of its natural gas distribution utilities, Elizabethtown Gas and Elkton Gas, to South Jersey Industries, Inc. for a total cash purchase price of \$1.7 billion, which includes the final working capital and other adjustments. This disposition resulted in a pre-tax gain that was entirely offset by \$205 million of income tax expense, resulting in no material net income impact. The income tax expense included tax on goodwill not deductible for tax purposes and for which a deferred tax liability had not been recorded previously. Southern Company Gas and South Jersey Industries, Inc. entered into transition services agreements whereby Southern Company Gas provided certain administrative and operational services through July 2, 2020.

Sale of Florida City Gas

In July 2018, Southern Company Gas and its wholly-owned direct subsidiary, NUI Corporation, completed the stock sale of Pivotal Utility Holdings, which primarily consisted of Florida City Gas, to NextEra Energy for a total cash purchase price of \$587 million, which includes the final working capital adjustment. This disposition resulted in a net gain of \$16 million, which includes \$103 million of income tax expense. The income tax expense included tax on goodwill not deductible for tax purposes and for which a deferred tax liability had not been recorded previously. Southern Company Gas and NextEra Energy entered into a transition services agreement whereby Southern Company Gas provided certain administrative and operational services through July 28, 2020.

Sale of Triton

In May 2019, Southern Company Gas sold its investment in Triton, a cargo container leasing company that was aggregated into Southern Company Gas' all other segment. This disposition resulted in a pre-tax loss of \$6 million and a net after-tax gain of \$7 million as a result of reversing a \$13 million federal income tax valuation allowance.

Sale of Pivotal LNG and Atlantic Coast Pipeline

On March 24, 2020, Southern Company Gas completed the sale of its interests in Pivotal LNG and Atlantic Coast Pipeline to Dominion Modular LNG Holdings, Inc. and Dominion Atlantic Coast Pipeline, LLC, respectively, with aggregate proceeds of \$178 million, including final working capital adjustments. The loss associated with the transactions was immaterial. Southern Company Gas also expects to receive payments in April 2021 and August 2021 of \$5 million each contingent upon Dominion Modular LNG Holdings, Inc. meeting certain milestones related to Pivotal LNG. During 2019, based on the terms of these

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

transactions, Southern Company Gas recorded an asset impairment charge, exclusive of the contingent payments, for Pivotal LNG of approximately \$24 million (\$17 million after tax) as of December 31, 2019. The assets and liabilities of Pivotal LNG and the interest in Atlantic Coast Pipeline were classified as held for sale as of December 31, 2019. See Note 7 under "Southern Company Gas" and "Assets Held for Sale" herein for additional information.

Sale of Natural Gas Storage Facility

On December 1, 2020, Southern Company Gas completed the sale of Jefferson Island to EnLink Midstream, LLC for a total purchase price of \$33 million, including estimated working capital adjustments. The gain associated with the sale totaled \$22 million pre-tax (\$16 million after tax).

Assets Held for Sale

Assets and liabilities held for sale have been classified separately on each company's balance sheet at the lower of carrying value or fair value less costs to sell at the time the criteria for held-for-sale classification were met. For assets and liabilities held for sale recorded at fair value on a nonrecurring basis, the fair value of assets held for sale is based primarily on unobservable inputs (Level 3), which includes the agreed upon sales prices in executed sales agreements.

Since the depreciation of the assets sold in the Gulf Power transaction and Southern Company Gas' Elizabethtown Gas, Elkton Gas, and Florida City Gas transactions continued to be reflected in customer rates through the closing date of each sale and was reflected in the carryover basis of the assets when sold, Southern Company and Southern Company Gas continued to record depreciation on those assets through the respective closing date of each transaction. Upon classification as held for sale in May 2018 for the Florida Plants, November 2018 for Plant Mankato, and April 2019 for Plant Nacogdoches, Southern Power ceased recognizing depreciation and amortization on the long-lived assets being sold.

The following table provides the major classes of assets and liabilities classified as held for sale for Southern Company, Southern Power, and Southern Company Gas at December 31, 2020 and/or 2019:

	Southern Company		Southern Power		Southern Company Gas	
	At December 31,		At December 31,		At December 31,	
	2020	2019	2019	2019	2019	2019
	<i>(in millions)</i>					
Assets Held for Sale:						
Current assets	\$	—	\$	19	\$	17
Total property, plant, and equipment		8		565		547
Goodwill and other intangible assets		—		40		40
Equity investments in unconsolidated subsidiaries		—		151		—
Leveraged leases		52		—		—
Other non-current assets		—		14		14
Total Assets Held for Sale	\$	60	\$	789	\$	618
					\$	171
Liabilities Held for Sale (all current):	\$	—	\$	5	\$	3
					\$	2

Southern Company, Southern Power, and Southern Company Gas each concluded that the asset sales, both individually and combined, did not represent a strategic shift in operations that has, or is expected to have, a major effect on its operations and financial results; therefore, none of the assets related to the sales have been classified as discontinued operations for any of the periods presented.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Gulf Power and Southern Power's Florida Plants, Plant Nacogdoches, and Plant Mankato represented individually significant components of Southern Company and Southern Power, respectively. Pre-tax income for these components for the years ended December 31, 2020, 2019, and 2018 are presented below:

	2020	2019	2018
	<i>(in millions)</i>		
Earnings before income taxes:			
Gulf Power	N/A	N/A \$	140
Southern Power's Florida Plants ^{(a)(b)}	N/A	N/A \$	49
Southern Power's Plant Nacogdoches ^{(a)(c)}	N/A \$	13 \$	27
Southern Power's Plant Mankato ^{(a)(d)}	\$ 2 \$	29	N/M

N/M - Not material

(a) Earnings before income taxes reflect the cessation of depreciation and amortization on the long-lived assets being sold upon classification as held for sale.

(b) 2018 amount represents the period from January 1, 2018 to December 4, 2018 (the divestiture date).

(c) 2019 amount represents the period from January 1, 2019 to June 13, 2019 (the divestiture date).

(d) 2020 amount represents the period from January 1, 2020 to January 17, 2020 (the divestiture date).

16. SEGMENT AND RELATED INFORMATION

Southern Company

Southern Company's reportable business segments are the sale of electricity by the traditional electric operating companies, the sale of electricity in the competitive wholesale market by Southern Power, and the sale of natural gas and other complementary products and services by Southern Company Gas. Revenues from sales by Southern Power to the traditional electric operating companies were \$364 million, \$398 million, and \$435 million in 2020, 2019, and 2018, respectively. Revenues from sales of natural gas from Southern Company Gas to the traditional electric operating companies and Southern Power were immaterial and \$26 million, respectively, in 2020, \$14 million and \$64 million, respectively, in 2019, and \$32 million and \$119 million, respectively, in 2018. The "All Other" column includes the Southern Company parent entity, which does not allocate operating expenses to business segments. Also, this category includes segments below the quantitative threshold for separate disclosure. These segments include providing energy solutions to electric utilities and their customers in the areas of distributed generation, energy storage and renewables, and energy efficiency, as well as investments in telecommunications and leveraged lease projects. All other inter-segment revenues are not material.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Financial data for business segments and products and services for the years ended December 31, 2020, 2019, and 2018 was as follows:

	Electric Utilities								Consolidated
	Traditional Electric Operating Companies	Southern Power	Eliminations	Total	Southern Company Gas	All Other	Eliminations		
	<i>(in millions)</i>								
2020									
Operating revenues	\$ 15,135	\$ 1,733	\$ (371)	\$ 16,497	\$ 3,434	\$ 596	\$ (152)	\$ 20,375	
Depreciation and amortization	2,447	494	—	2,941	500	77	—	3,518	
Interest income	26	4	—	30	5	6	(4)	37	
Earnings from equity method investments	—	—	—	—	141	12	—	153	
Interest expense	825	151	—	976	231	614	—	1,821	
Income taxes (benefit)	514	3	—	517	173	(297)	—	393	
Segment net income (loss) ^{(a)(b)(c)(d)(e)}	2,877	238	—	3,115	590	(592)	6	3,119	
Goodwill	—	2	—	2	5,015	263	—	5,280	
Total assets	85,486	13,235	(680)	98,041	22,630	3,168	(904)	122,935	
2019									
Operating revenues	\$ 15,569	\$ 1,938	\$ (412)	\$ 17,095	\$ 3,792	\$ 690	\$ (158)	\$ 21,419	
Depreciation and amortization	1,993	479	—	2,472	487	79	—	3,038	
Interest income	38	9	—	47	3	16	(6)	60	
Earnings from equity method investments	2	3	—	5	157	—	—	162	
Interest expense	818	169	—	987	232	517	—	1,736	
Income taxes (benefit)	764	(56)	—	708	130	960	—	1,798	
Segment net income (loss) ^{(a)(f)(g)(h)}	2,929	339	—	3,268	585	908	(22)	4,739	
Goodwill	—	2	—	2	5,015	263	—	5,280	
Total assets	81,063	14,300	(713)	94,650	21,687	3,511	(1,148)	118,700	
2018									
Operating revenues	\$ 16,843	\$ 2,205	\$ (477)	\$ 18,571	\$ 3,909	\$ 1,213	\$ (198)	\$ 23,495	
Depreciation and amortization	2,072	493	—	2,565	500	66	—	3,131	
Interest income	23	8	—	31	4	8	(5)	38	
Earnings from equity method investments	(1)	—	—	(1)	148	2	(1)	148	
Interest expense	852	183	—	1,035	228	580	(1)	1,842	
Income taxes (benefit)	371	(164)	—	207	464	(222)	—	449	
Segment net income (loss) ^{(a)(b)(c)(f)(g)}	2,117	187	—	2,304	372	(453)	3	2,226	
Goodwill	—	2	—	2	5,015	298	—	5,315	
Total assets	79,382	14,883	(306)	93,959	21,448	3,285	(1,778)	116,914	

(a) Attributable to Southern Company.

(b) For the traditional electric operating companies, includes pre-tax charges at Georgia Power for estimated loss on Plant Vogtle Units 3 and 4 of \$325 million (\$242 million after tax) in 2020 and \$1.1 billion (\$0.8 billion after tax) in 2018. See Note 2 under "Georgia Power – Nuclear Construction" for additional information.

(c) For Southern Power, includes a \$39 million pre-tax gain (\$23 million gain after tax) on the sale of Plant Mankato. See Note 15 under "Southern Power" for additional information.

(d) For Southern Company Gas, includes a \$22 million pre-tax gain (\$16 million gain after tax) on the sale of Jefferson Island. See Note 15 under "Southern Company Gas" for additional information.

(e) For the "All Other" column, includes pre-tax impairment charges totaling \$206 million (\$105 million after tax) related to leveraged lease investments. See Note 3 under "Other Matters – Southern Company" for additional information.

(f) For Southern Power, includes a \$23 million pre-tax gain (\$88 million gain after tax) on the sale of Plant Nacogdoches. See Note 15 under "Southern Power" for additional information.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

- (g) For Southern Company Gas, includes pre-tax impairment charges totaling \$115 million (\$86 million after tax). See Notes 3 and 15 under "Other Matters – Southern Company Gas" and "Southern Company Gas – Sale of Pivotal LNG and Atlantic Coast Pipeline," respectively, for additional information.
- (h) For the "All Other" column, includes the pre-tax gain associated with the sale of Gulf Power of \$2.6 billion (\$1.4 billion after tax), the pre-tax loss, including related impairment charges, on the sales of certain PowerSecure business units totaling \$58 million (\$52 million after tax), and a pre-tax impairment charge of \$17 million (\$13 million after tax) related to a leveraged lease investment. See Notes 3 and 15 under "Other Matters – Southern Company" and "Southern Company," respectively, for additional information.
- (i) For Southern Power, includes pre-tax impairment charges of \$156 million (\$117 million after tax). See Note 15 under "Southern Power" for additional information.
- (j) For Southern Company Gas, includes a net gain on dispositions of \$291 million (\$51 million loss after tax), as well as a goodwill impairment charge of \$42 million related to the sale of Pivotal Home Solutions. See Note 15 under "Southern Company Gas" for additional information.

Products and Services

Electric Utilities' Revenues						
Year	Retail		Wholesale		Other	Total
	<i>(in millions)</i>					
2020	\$	13,643	\$	1,945	\$ 909	\$ 16,497
2019		14,084		2,152	859	17,095
2018		15,222		2,516	833	18,571

Southern Company Gas' Revenues						
Year	Gas Distribution Operations		Gas Marketing Services		All Other	Total
	<i>(in millions)</i>					
2020	\$	2,902	\$	408	\$ 124	\$ 3,434
2019		3,001		456	335	3,792
2018		3,155		568	186	3,909

Southern Company Gas

Southern Company Gas manages its business through four reportable segments - gas distribution operations, gas pipeline investments, wholesale gas services, and gas marketing services. The non-reportable segments are combined and presented as all other. See Note 15 under "Southern Company Gas" for additional information on the disposition activities described herein.

Gas distribution operations is the largest component of Southern Company Gas' business and includes natural gas local distribution utilities that construct, manage, and maintain intrastate natural gas pipelines and gas distribution facilities in four states. In July 2018, Southern Company Gas sold three of its natural gas distribution utilities, Elizabethtown Gas, Elkton Gas, and Florida City Gas.

Gas pipeline investments consists of joint ventures in natural gas pipeline investments including a 50% interest in SNG, a 20% ownership interest in the PennEast Pipeline project, and a 50% joint ownership interest in the Dalton Pipeline. These natural gas pipelines enable the provision of diverse sources of natural gas supplies to the customers of Southern Company Gas. Gas pipeline investments also included a 5% ownership interest in the Atlantic Coast Pipeline construction project prior to its sale on March 24, 2020. See Notes 3, 5, and 7 for additional information.

Wholesale gas services provides natural gas asset management and/or related logistics services for each of Southern Company Gas' utilities except Nicor Gas as well as for non-affiliated companies. Additionally, wholesale gas services engages in natural gas storage and gas pipeline arbitrage and related activities.

Gas marketing services provides natural gas marketing to end-use customers primarily in Georgia and Illinois through SouthStar. In June 2018, Southern Company Gas sold Pivotal Home Solutions, which provided home equipment protection products and services.

The all other column includes segments and subsidiaries that fall below the quantitative threshold for separate disclosure, including storage and fuels operations. The all other column included Jefferson Island through its sale on December 1, 2020, Pivotal LNG through its sale on March 24, 2020, and the investment in Triton through its sale on May 29, 2019.

COMBINED NOTES TO FINANCIAL STATEMENTS (continued)
Southern Company and Subsidiary Companies 2020 Annual Report

Financial data for business segments for the years ended December 31, 2020, 2019, and 2018 was as follows:

	Gas Distribution Operations ^(a)	Gas Pipeline Investments	Wholesale Gas Services ^(b)	Gas Marketing Services ^(c)	Total	All Other ^(d)	Eliminations	Consolidated
<i>(in millions)</i>								
2020								
Operating revenues	\$ 2,952	\$ 32	\$ 74	\$ 408	\$ 3,466	\$ 36	\$ (68)	\$ 3,434
Depreciation and amortization	442	5	1	22	470	30	—	500
Operating income (loss)	655	20	20	119	814	(7)	5	812
Earnings from equity method investments	—	141	—	—	141	—	—	141
Interest expense	192	29	4	3	228	3	—	231
Income taxes (benefit)	114	33	3	28	178	(5)	—	173
Segment net income (loss)	390	99	14	89	592	(2)	—	590
Total assets at December 31, 2020	19,090	1,597	850	1,503	23,040	11,336	(11,746)	22,630
2019								
Operating revenues	\$ 3,028	\$ 32	\$ 294	\$ 456	\$ 3,810	\$ 44	\$ (62)	\$ 3,792
Depreciation and amortization	422	5	1	26	454	33	—	487
Operating income (loss)	573	20	219	112	924	(154)	—	770
Earnings from equity method investments	—	162	—	—	162	(5)	—	157
Interest expense	187	30	5	3	225	7	—	232
Income taxes (benefit)	63	58	52	27	200	(70)	—	130
Segment net income (loss)	337	94	163	83	677	(92)	—	585
Total assets at December 31, 2019	18,204	1,678	850	1,496	22,228	10,759	(11,300)	21,687
2018								
Operating revenues	\$ 3,186	\$ 32	\$ 144	\$ 568	\$ 3,930	\$ 55	\$ (76)	\$ 3,909
Depreciation and amortization	409	5	2	37	453	47	—	500
Operating income (loss)	904	20	70	19	1,013	(98)	—	915
Earnings from equity method investments	—	145	—	—	145	3	—	148
Interest expense	178	34	9	6	227	1	—	228
Income taxes (benefit)	409	28	4	54	495	(31)	—	464
Segment net income (loss)	334	103	38	(40)	435	(63)	—	372
Total assets at December 31, 2018	17,266	1,763	1,302	1,587	21,918	11,112	(11,582)	21,448

- (a) Operating revenues for the three gas distribution operations dispositions were \$244 million for 2018. Segment net income for gas distribution operations includes a gain on dispositions of \$324 million (\$16 million after tax) in 2018.
- (b) The revenues for wholesale gas services are netted with costs associated with its energy and risk management activities. A reconciliation of operating revenues and intercompany revenues is shown in the following table.

	Third Party Gross Revenues	Intercompany Revenues	Total Gross Revenues	Less Gross Gas Costs	Operating Revenues
<i>(in millions)</i>					
2020	\$ 4,544	\$ 115	\$ 4,659	\$ 4,585	\$ 74
2019	5,703	275	5,978	5,684	294
2018	6,955	451	7,406	7,262	144

- (c) Operating revenues for the gas marketing services disposition were \$55 million in 2018. Segment net income for gas marketing services includes a loss on disposition of \$33 million (\$67 million loss after tax) and a goodwill impairment charge of \$42 million in 2018 recorded in contemplation of the sale of Pivotal Home Solutions.
- (d) Segment net income (loss) for the "All Other" column includes a \$22 million pre-tax gain (\$16 million gain after tax) on the sale of Jefferson Island in 2020 and pre-tax impairment charges totaling \$115 million (\$86 million after tax) in 2019. See Note 3 under "Other Matters – Southern Company Gas" for additional information.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

Item 9A. CONTROLS AND PROCEDURES**Disclosure Controls and Procedures.**

As of the end of the period covered by this Annual Report on Form 10-K, Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas conducted separate evaluations under the supervision and with the participation of each company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Based upon these evaluations, the Chief Executive Officer and the Chief Financial Officer, in each case, concluded that the disclosure controls and procedures are effective.

Internal Control Over Financial Reporting.**(a) Management's Annual Report on Internal Control Over Financial Reporting.**

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Southern Company Gas	II-280

(b) Attestation Report of the Registered Public Accounting Firm.

The report of Deloitte & Touche LLP, Southern Company's independent registered public accounting firm, regarding Southern Company's Internal Control over Financial Reporting is included in Item 8 herein of this Form 10-K. This report is not applicable to Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas as these companies are not accelerated filers or large accelerated filers.

(c) Changes in internal control over financial reporting.

There have been no changes in Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, Southern Power's, or Southern Company Gas' internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the fourth quarter 2020 that have materially affected or are reasonably likely to materially affect Southern Company's, Alabama Power's, Georgia Power's, Mississippi Power's, Southern Power's, or Southern Company Gas' internal control over financial reporting.

Item 9B. OTHER INFORMATION

None.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Southern Company and Subsidiary Companies 2020 Annual Report

The management of Southern Company is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Southern Company's internal control over financial reporting was conducted based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Southern Company's internal control over financial reporting was effective as of December 31, 2020.

Deloitte & Touche LLP, as auditors of Southern Company's financial statements, has issued an attestation report on the effectiveness of Southern Company's internal control over financial reporting as of December 31, 2020, which is included herein.

/s/ Thomas A. Fanning
Thomas A. Fanning
Chairman, President, and Chief Executive Officer

/s/ Andrew W. Evans
Andrew W. Evans
Executive Vice President and Chief Financial Officer

February 17, 2021

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Alabama Power Company 2020 Annual Report

The management of Alabama Power is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Alabama Power's internal control over financial reporting was conducted based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Alabama Power's internal control over financial reporting was effective as of December 31, 2020.

/s/ Mark A. Crosswhite
Mark A. Crosswhite
Chairman, President, and Chief Executive Officer

/s/ Philip C. Raymond
Philip C. Raymond
Executive Vice President, Chief Financial Officer, and Treasurer
February 17, 2021

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Georgia Power Company 2020 Annual Report

The management of Georgia Power is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Georgia Power's internal control over financial reporting was conducted based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Georgia Power's internal control over financial reporting was effective as of December 31, 2020.

/s/ W. Paul Bowers
W. Paul Bowers
Chairman and Chief Executive Officer

/s/ Daniel S. Tucker
Daniel S. Tucker
Executive Vice President, Chief Financial Officer, and Treasurer
February 17, 2021

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Mississippi Power Company 2020 Annual Report

The management of Mississippi Power is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Mississippi Power's internal control over financial reporting was conducted based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Mississippi Power's internal control over financial reporting was effective as of December 31, 2020.

/s/ Anthony L. Wilson
Anthony L. Wilson
Chairman, President, and Chief Executive Officer

/s/ Moses H. Feagin
Moses H. Feagin
Senior Vice President, Chief Financial Officer, and Treasurer
February 17, 2021

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Southern Power Company and Subsidiary Companies 2020 Annual Report

The management of Southern Power is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Southern Power's internal control over financial reporting was conducted based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Southern Power's internal control over financial reporting was effective as of December 31, 2020.

/s/ Christopher Cummiskey
Christopher Cummiskey
Chief Executive Officer

/s/ Elliott L. Spencer
Elliott L. Spencer
Senior Vice President, Chief Financial Officer, and Treasurer
February 17, 2021

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
Southern Company Gas and Subsidiary Companies 2020 Annual Report

The management of Southern Company Gas is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Southern Company Gas' internal control over financial reporting was conducted based on the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Southern Company Gas' internal control over financial reporting was effective as of December 31, 2020.

/s/ Kimberly S. Greene
Kimberly S. Greene
Chairman, President, and Chief Executive Officer

/s/ David P. Poroeh
David P. Poroeh
Executive Vice President, Chief Financial Officer, and Treasurer
February 17, 2021

PART III

Items 10 (other than the information under "Code of Ethics" below), 11, 12, 13, and 14 for Southern Company are incorporated by reference to Southern Company's Definitive Proxy Statement relating to the 2021 Annual Meeting of Stockholders. Specifically, reference is made to "Corporate Governance at Southern Company" and "Biographical Information about our Nominees for Director," as well as "Delinquent Section 16(a) Reports," if required, for Item 10, "Compensation Discussion and Analysis," "Executive Compensation Tables," and "Director Compensation" for Item 11, "Stock Ownership Information," "Executive Compensation Tables," and "Equity Compensation Plan Information" for Item 12, "Biographical Information about our Nominees for Director" and "Corporate Governance at Southern Company" for Item 13, and "Principal Independent Registered Public Accounting Firm Fees" for Item 14.

Items 10 (other than the information under "Code of Ethics" below), 11, 12, 13, and 14 for Alabama Power are incorporated by reference to Alabama Power's Definitive Proxy Statement relating to its 2021 Annual Meeting of Shareholders. Specifically, reference is made to "Nominees for Election as Directors," "Corporate Governance," and "Delinquent Section 16(a) Reports," if required, for Item 10, "Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "Director Compensation," "Director Deferred Compensation Plan," and "Director Compensation Table" for Item 11, "Stock Ownership Table" and "Executive Compensation" for Item 12, "Certain Relationships and Related Transactions" and "Director Independence" for Item 13, and "Principal Independent Registered Public Accounting Firm Fees" for Item 14.

Items 10, 11, 12, and 13 for each of Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas are omitted pursuant to General Instruction I(2)(c) of Form 10-K. Item 14 for each of Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas is contained herein.

Item 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Code of Ethics

The Registrants collectively have adopted a code of business conduct and ethics (Code of Ethics) that applies to each director, officer, and employee of the Registrants and their subsidiaries. The Code of Ethics can be found on Southern Company's website located at www.southerncompany.com. The Code of Ethics is also available free of charge in print to any shareholder by requesting a copy from Myra C. Bierria, Corporate Secretary, Southern Company, 30 Ivan Allen Jr. Boulevard NW, Atlanta, Georgia 30308. Any amendment to or waiver from the Code of Ethics that applies to executive officers and directors will be posted on the website.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following represents fees billed to Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas in 2020 and 2019 by Deloitte & Touche LLP, each company's principal public accountant:

	2020	2019
	<i>(in thousands)</i>	
Georgia Power		
Audit Fees ⁽¹⁾	\$ 3,015	\$ 3,405
Audit-Related Fees ⁽²⁾	182	32
Tax Fees	—	—
All Other Fees ⁽³⁾	7	18
Total	<u>\$ 3,204</u>	<u>\$ 3,455</u>
Mississippi Power		
Audit Fees ⁽¹⁾	\$ 1,495	\$ 1,382
Audit-Related Fees ⁽²⁾	23	69
Tax Fees	—	—
All Other Fees ⁽³⁾	—	10
Total	<u>\$ 1,518</u>	<u>\$ 1,461</u>
Southern Power		
Audit Fees ⁽¹⁾	\$ 1,849	\$ 1,828
Audit-Related Fees ⁽⁴⁾	2,317	1,418
Tax Fees	—	—
All Other Fees ⁽³⁾	5	16
Total	<u>\$ 4,171</u>	<u>\$ 3,262</u>
Southern Company Gas		
Audit Fees ⁽¹⁾⁽⁵⁾	\$ 4,276	\$ 4,602
Audit-Related Fees ⁽²⁾	300	254
Tax Fees	—	—
All Other Fees ⁽³⁾	3	5
Total	<u>\$ 4,579</u>	<u>\$ 4,861</u>

(1) Includes services performed in connection with financing transactions.

(2) Represents fees for non-statutory audit services in 2020 and 2019 and audit services associated with reviewing internal controls for a system implementation in 2020.

(3) Represents registration fees for attendance at Deloitte & Touche LLP-sponsored education seminars.

(4) Represents fees in connection with audits of Southern Power partnerships in 2020 and 2019 and audit services associated with reviewing internal controls for a system implementation in 2020.

(5) Includes fees in connection with statutory audits of several Southern Company Gas subsidiaries.

The Southern Company Audit Committee (on behalf of Southern Company and its subsidiaries) has a Policy of Engagement of the Independent Auditor for Audit and Non-Audit Services that includes pre-approval requirements for the audit and non-audit services provided by Deloitte & Touche LLP. All of the services provided by Deloitte & Touche LLP in fiscal years 2020 and 2019 and related fees were approved in advance by the Southern Company Audit Committee.

PART IV

Item 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as a part of this report on Form 10-K:

(i) Financial Statements and Financial Statement Schedules:

Management's Reports on Internal Control Over Financial Reporting for Southern Company and Subsidiary Companies, Alabama Power, Georgia Power, Mississippi Power, Southern Power and Subsidiary Companies, and Southern Company Gas and Subsidiary Companies are listed under Item 9A herein.

Reports of Independent Registered Public Accounting Firm on the financial statements for Southern Company and Subsidiary Companies, Alabama Power Company, Georgia Power Company, Mississippi Power Company, Southern Power Company and Subsidiary Companies, and Southern Company Gas and Subsidiary Companies are listed under Item 8 herein.

The financial statements filed as a part of this report for Southern Company and Subsidiary Companies, Alabama Power, Georgia Power, Mississippi Power, Southern Power and Subsidiary Companies, and Southern Company Gas and Subsidiary Companies are listed under Item 8 herein.

Reports of Independent Registered Public Accounting Firm on the financial statement schedules for Southern Company and Subsidiary Companies, Alabama Power Company, Georgia Power Company, Mississippi Power Company, Southern Power Company and Subsidiary Companies, and Southern Company Gas and Subsidiary Companies are listed in the Index to the Financial Statement Schedules at page S-1.

The financial statement schedules for Southern Company and Subsidiary Companies, Alabama Power, Georgia Power, Mississippi Power, Southern Power and Subsidiary Companies, and Southern Company Gas and Subsidiary Companies are listed in the Index to the Financial Statement Schedules at page S-1.

(2) Exhibits:

Exhibits for Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas are listed in the Exhibit Index at page E-1.

Item 16. FORM 10-K SUMMARY

None.

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Schedules I through V not listed above are omitted as not applicable or not required. Columns omitted from schedules filed have been omitted because the information is not applicable or not required.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of The Southern Company and Subsidiary Companies

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of The Southern Company and subsidiary companies (Southern Company) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and Southern Company's internal control over financial reporting as of December 31, 2020, and have issued our report thereon dated February 17, 2021; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Southern Company (Page S-8) listed in the Index at Item 15. This financial statement schedule is the responsibility of Southern Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Alabama Power Company

Opinion on the Financial Statement Schedule

We have audited the financial statements of Alabama Power Company (Alabama Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 17, 2021; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Alabama Power (Page S-9) listed in the Index at Item 15. This financial statement schedule is the responsibility of Alabama Power's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Birmingham, Alabama
February 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Georgia Power Company

Opinion on the Financial Statement Schedule

We have audited the financial statements of Georgia Power Company (Georgia Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 17, 2021; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Georgia Power (Page S-10) listed in the Index at Item 15. This financial statement schedule is the responsibility of Georgia Power's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Mississippi Power Company

Opinion on the Financial Statement Schedule

We have audited the financial statements of Mississippi Power Company (Mississippi Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 17, 2021; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Mississippi Power (Page S-11) listed in the Index at Item 15. This financial statement schedule is the responsibility of Mississippi Power's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Southern Power Company and Subsidiary Companies

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Southern Power Company and subsidiary companies (Southern Power) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 17, 2021; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Southern Power (Page S-12) listed in the Index at Item 15. This financial statement schedule is the responsibility of Southern Power's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholder and the Board of Directors of Southern Company Gas and Subsidiary Companies

Opinion on the Financial Statement Schedule

We have audited the consolidated financial statements of Southern Company Gas and subsidiary companies (Southern Company Gas) (a wholly-owned subsidiary of The Southern Company) as of December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated February 17, 2021; such report is included elsewhere in this Form 10-K. Our audits also included the financial statement schedule of Southern Company Gas (Page S-13) listed in the Index at Item 15. This financial statement schedule is the responsibility of Southern Company Gas' management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

THE SOUTHERN COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Stated in Millions of Dollars)

Description	Balance at Beginning of Period	Additions		Deductions	Reclassified to Held for Sale ^(b)	Balance at End of Period
		Charged to Income	Charged to Other Accounts ^(a)			
Provision for uncollectible accounts^(c)						
2020	\$ 49	\$ 78	\$ 27	\$ 36	\$ —	\$ 118
2019	50	68	—	69	—	49
2018	44	69	(1)	61	1	50
Tax valuation allowance (net state)^(d)						
2020	\$ 113	\$ —	\$ —	\$ 1	\$ —	\$ 112
2019	100	13	—	—	—	113
2018	148	(38)	—	10	—	100

(a) During 2020, Georgia Power recorded \$23 million of expected bad debt related to the COVID-19 pandemic to a regulatory asset in accordance with orders from the Georgia PSC. See Note 2 to the financial statements under "Georgia Power – Deferral of Incremental COVID-19 Costs" in Item 8 herein for additional information.

(b) Represents provision for uncollectible accounts at Gulf Power reclassified as held for sale during 2018. See Note 15 to the financial statements under "Southern Company" in Item 8 herein for additional information.

(c) Deductions represent write-offs of accounts considered to be uncollectible, less recoveries of amounts previously written off.

(d) In 2018, as a result of higher projected state taxable income, Mississippi Power reduced a valuation allowance associated with a State of Mississippi net operating loss carryforward expected to expire prior to being fully utilized. In 2018, Georgia Power established a valuation allowance for certain Georgia state tax credits expected to expire prior to being fully utilized, as a result of lower projected state taxable income. See Note 10 to the financial statements in Item 8 herein for additional information.

ALABAMA POWER COMPANY
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Stated in Millions of Dollars)

Description	Balance at Beginning of Period	Additions		Deductions ^(*)	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
Provision for uncollectible accounts					
2020	\$ 22	\$ 25	\$ —	\$ 4	\$ 43
2019	10	24	—	12	22
2018	9	13	—	12	10

(*) Deductions represent write-offs of accounts considered to be uncollectible, less recoveries of amounts previously written off.

GEORGIA POWER COMPANY
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Stated in Millions of Dollars)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts ^(a)		
Provision for uncollectible accounts^(b)					
2020	\$ 2	\$ 14	\$ 23	\$ 13	\$ 26
2019	2	13	—	13	2
2018	3	11	—	12	2
Tax valuation allowance (net state)^(c)					
2020	\$ 28	\$ —	\$ —	\$ —	\$ 28
2019	33	(5)	—	—	28
2018	—	39	—	6	33

(a) During 2020, Georgia Power recorded \$23 million of expected bad debt related to the COVID-19 pandemic to a regulatory asset in accordance with orders from the Georgia PSC. See Note 2 to the financial statements under "Georgia Power – Deferral of Incremental COVID-19 Costs" in Item 8 herein for additional information.

(b) Deductions represent write-offs of accounts considered to be uncollectible, less recoveries of amounts previously written off.

(c) In 2018, Georgia Power established a valuation allowance for certain Georgia state tax credits expected to expire prior to being fully utilized, which was reduced in 2019 as a result of higher projected state taxable income. See Note 10 to the financial statements in Item 8 herein for additional information.

MISSISSIPPI POWER COMPANY
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Stated in Millions of Dollars)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
Provision for uncollectible accounts^(a)					
2020	\$ 1	\$ 1	\$ —	\$ 1	\$ 1
2019	1	2	—	2	1
2018	1	1	—	1	1
Tax valuation allowance (net state)^(b)					
2020	\$ 32	\$ —	\$ —	\$ —	\$ 32
2019	32	—	—	—	32
2018	124	(92)	—	—	32

(a) Deductions represent write-offs of accounts considered to be uncollectible, less recoveries of amounts previously written off.

(b) In 2018, as a result of higher projected state taxable income, Mississippi Power reduced a valuation allowance associated with a State of Mississippi net operating loss carryforward expected to expire prior to being fully utilized. See Note 10 to the financial statements in Item 8 herein for additional information.

SOUTHERN POWER COMPANY AND SUBSIDIARY COMPANIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Stated in Millions of Dollars)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
Tax valuation allowance (net state)					
2020	\$ 29	\$ (1)	\$ —	\$ 1	\$ 27
2019	22	7	—	—	29
2018	10	12	—	—	22

SOUTHERN COMPANY GAS AND SUBSIDIARY COMPANIES
SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Stated in Millions of Dollars)

Description	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Income	Charged to Other Accounts		
Provision for uncollectible accounts^(a)					
2020	\$ 18	\$ 35	\$ 4	\$ 17	\$ 40
2019	30	29	—	41	18
2018	28	33	(1)	30	30
Tax valuation allowance (net state)^(b)					
2020	\$ 4	\$ —	\$ —	\$ —	\$ 4
2019	12	(8)	—	—	4
2018	11	1	—	—	12

(a) Deductions represent write-offs of accounts considered to be uncollectible, less recoveries of amounts previously written off.

(b) In 2019, Southern Company Gas reversed a \$13 million valuation allowance for a federal deferred tax asset in connection with the sale of Triton. Additionally, in 2019, a \$5 million valuation allowance was established for a state net operating loss carryforward expected to expire prior to being fully utilized. See Note 10 to the financial statements and Note 15 to the financial statements under "Southern Company Gas" in Item 8 herein for additional information.

EXHIBIT INDEX

The exhibits below with an asterisk (*) preceding the exhibit number are filed herewith. The remaining exhibits have previously been filed with the SEC and are incorporated herein by reference. The exhibits marked with a pound sign (#) are management contracts or compensatory plans or arrangements required to be identified as such by Item 15 of Form 10-K.

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession

Southern Company

- (a) 1 — Stock Purchase Agreement, dated as of May 20, 2018, by and among Southern Company, 700 Universe, LLC, and NextEra Energy and Amendment No. 1 thereto dated as of January 1, 2019. ([Designated in Form 8-K dated May 23, 2018, File No. 1-3526, as Exhibit 2\(a\)1](#) and in [Form 10-K for the year ended December 31, 2018, File No. 1-3526, as Exhibit 2\(a\)3](#).)
- (a) 2 — Stock Purchase Agreement, dated as of May 20, 2018, by and among Southern Company Gas, NUI Corporation, 700 Universe, LLC, and NextEra Energy. ([Designated in Form 8-K dated May 23, 2018, File No. 1-3526, as Exhibit 2\(a\)2](#).)
- (a) 3 — Equity Interest Purchase Agreement, dated as of May 20, 2018, by and among Southern Power Company, 700 Universe, LLC, and NextEra Energy. ([Designated in Form 8-K dated May 23, 2018, File No. 1-3526, as Exhibit 2\(a\)3](#).)

Southern Power

- (e) 1 — Equity Interest Purchase Agreement, dated as of May 20, 2018, by and among Southern Power Company, 700 Universe, LLC, and NextEra Energy. See Exhibit 2(a)4 herein.
- (e) 2 — Membership Interest Purchase Agreement, dated as of April 17, 2019, by and between Southern Power and The City of Austin d/b/a Austin Energy. ([Designated in Form 8-K dated June 13, 2019, File No. 001-37803, as Exhibit 2.1](#).)
- (e) 3 — Letter Agreement, dated as of May 24, 2019, by and between Southern Power and The City of Austin d/b/a Austin Energy. ([Designated in Form 8-K dated June 13, 2019, File No. 001-37803, as Exhibit 2.2](#).)

(3) Articles of Incorporation and By-Laws

Southern Company

- (a) 1 — Restated Certificate of Incorporation of Southern Company, dated February 12, 2019. ([Designated in Form 10-K for the year ended December 31, 2018, File No. 1-3526, as Exhibit 3\(a\)1](#).)
- (a) 2 — Amended and Restated By-laws of Southern Company effective December 9, 2019, and as presently in effect. ([Designated in Form 8-K dated December 9, 2019, File No. 1-3526, as Exhibit 3.1](#).)

Alabama Power

- (b) 1 — Charter of Alabama Power and amendments thereto through September 7, 2017. (Designated in Registration Nos. 2-59634 as Exhibit 2(b), 2-60209 as Exhibit 2(c), 2-60484 as Exhibit 2(b), 2-70838 as Exhibit 4(a)-2, 2-85987 as Exhibit 4(a)-2, 33-25539 as Exhibit 4(a)-2, 33-43917 as Exhibit 4(a)-2, in Form 8-K dated February 5, 1992, File No. 1-3164, as Exhibit 4(b)-3, in Form 8-K dated July 8, 1992, File No. 1-3164, as Exhibit 4(b)-3, in Form 8-K dated October 27, 1993, File No. 1-3164, as Exhibits 4(a) and 4(b), in Form 8-K dated November 16, 1993, File No. 1-3164, as Exhibit 4(a), in Certificate of Notification, File No. 70-8191, as Exhibit A, in [Form 10-K for the year ended December 31, 1997, File No. 1-3164, as Exhibit 3\(b\)2](#), in [Form 8-K dated August 10, 1998, File No. 1-3164, as Exhibit 4.4](#), in [Form 10-K for the year ended December 31, 2000, File No. 1-3164, as Exhibit 3\(b\)2](#), in [Form 10-K for the year ended December 31, 2001, File No. 1-3164, as Exhibit 3\(b\)2](#), in [Form 8-K dated February 5, 2003, File No. 1-3164, as Exhibit 4.4](#), in [Form 10-O for the quarter ended March 31, 2003, File No. 1-3164, as Exhibit 3\(b\)1](#), in [Form 8-K dated February 5, 2004, File No. 1-3164, as Exhibit 4.4](#), in [Form 10-O for the quarter ended March 31, 2006, File No. 1-3164, as Exhibit 3\(b\)1](#), in [Form 8-K dated December 5, 2006, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated September 12, 2007, File No. 1-3164, as Exhibit 4.5](#), in [Form 8-K dated October 17, 2007, File No. 1-3164, as Exhibit 4.5](#), in [Form 10-O for the quarter ended March 31, 2008, File No. 1-3164, as Exhibit 3\(b\)1](#), and in [Form 8-K dated September 5, 2017, File No. 1-3164, as Exhibit 4.1](#).)

- (b) 2 — Amended and Restated By-laws of Alabama Power effective February 10, 2014, and as presently in effect. ([Designated in Form 8-K dated February 10, 2014, File No 1-3164, as Exhibit 3.1.](#))

Georgia Power

- (c) 1 — Charter of Georgia Power and amendments thereto through October 9, 2007. (Designated in Registration Nos. 2-63392 as Exhibit 2(a)-2, 2-78913 as Exhibits 4(a)-(2) and 4(a)-(3), 2-93039 as Exhibit 4(a)-(2), 2-96810 as Exhibit 4(a)-2, 33-141 as Exhibit 4(a)-(2), 33-1359 as Exhibit 4(a)(2), 33-5405 as Exhibit 4(b)(2), 33-14367 as Exhibits 4(b)-(2) and 4(b)-(3), 33-22504 as Exhibits 4(b)-(2), 4(b)-(3) and 4(b)-(4), in Form 10-K for the year ended December 31, 1991, File No. 1-6468, as Exhibits 4(a)(2) and 4(a)(3), in Registration No. 33-48895 as Exhibits 4(b)-(2) and 4(b)-(3), in Form 8-K dated December 10, 1992, File No. 1-6468 as Exhibit 4(b), in Form 8-K dated June 17, 1993, File No. 1-6468, as Exhibit 4(b), in Form 8-K dated October 20, 1993, File No. 1-6468, as Exhibit 4(b), in [Form 10-K for the year ended December 31, 1997, File No. 1-6468, as Exhibit 3\(c\)2](#), in [Form 10-K for the year ended December 31, 2000, File No. 1-6468, as Exhibit 3\(c\)2](#), in [Form 8-K dated June 27, 2006, File No. 1-6468, as Exhibit 3.1](#), and in [Form 8-K dated October 3, 2007, File No. 1-6468, as Exhibit 4.5.](#))
- (c) 2 — By-laws of Georgia Power as amended effective November 9, 2016, and as presently in effect. ([Designated in Form 8-K dated November 9, 2016, File No. 1-6468, as Exhibit 3.1.](#))

Mississippi Power

- (d) 1 — Amended and Restated Articles of Incorporation of Mississippi Power dated July 22, 2020. ([Designated in Form 10-Q for the quarter ended June 30, 2020, File No. 001-11229, as Exhibit 3\(d\)1.](#))
- (d) 2 — By-laws of Mississippi Power as amended effective July 22, 2020, and as presently in effect. ([Designated in Form 10-Q for the quarter ended June 30, 2020, File No. 001-11229, as Exhibit 3\(d\)2.](#))

Southern Power

- (e) 1 — Certificate of Incorporation of Southern Power Company dated January 8, 2001. ([Designated in Registration No. 333-98553 as Exhibit 3.1.](#))
- (e) 2 — By-laws of Southern Power Company effective January 8, 2001. ([Designated in Registration No. 333-98553 as Exhibit 3.2.](#))

Southern Company Gas

- (f) 1 — Amended and Restated Articles of Incorporation of Southern Company Gas dated July 11, 2016. ([Designated in Form 8-K dated July 8, 2016, File No. 1-14174, as Exhibit 3.1.](#))
- (f) 2 — Amended and Restated By-laws of Southern Company Gas effective October 23, 2018. ([Designated in Form 10-Q for the quarter ended June 30, 2019, File No. 1-14174, as Exhibit 3\(e\).](#))

(4) Instruments Describing Rights of Security Holders, Including Indentures

With respect to each of Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power Company, and Southern Company Gas, such Registrant has excluded certain instruments with respect to long-term debt that does not exceed 10% of the total assets of such Registrant and its subsidiaries. Each such Registrant agrees, upon request of the SEC, to furnish copies of any or all such instruments to the SEC.

Southern Company

- (a) 1 — Senior Note Indenture dated as of January 1, 2007, between Southern Company and Wells Fargo Bank, National Association, as Trustee, and certain indentures supplemental thereto through April 3, 2020. (Designated in [Form 8-K dated January 11, 2007, File No. 1-3526, as Exhibit 4.1](#), in [Form 8-K dated August 21, 2013, File No. 1-3526, as Exhibit 4.2](#), in [Form 8-K dated May 19, 2016, File No. 1-3526, as Exhibit 4.2\(a\)](#), in [Form 8-K dated May 19, 2016, File No. 1-3526, as Exhibit 4.2\(c\)](#), in [Form 8-K dated May 19, 2016, File No. 1-3526, as Exhibit 4.2\(d\)](#), in [Form 8-K dated May 19, 2016, File No. 1-3526, as Exhibit 4.2\(e\)](#), in [Form 8-K dated May 19, 2016, File No. 1-3526, as Exhibit 4.2\(f\)](#), in [Form 8-K dated May 19, 2016, File No. 1-3526, as Exhibit 4.2\(g\)](#), and in [Form 8-K dated April 1, 2020, File No. 1-3526, as Exhibit 4.2.](#))

- (a) 2 — Subordinated Note Indenture dated as of October 1, 2015, between The Southern Company and Wells Fargo Bank, National Association, as Trustee, and certain indentures supplemental thereto through September 18, 2020. (Designated in [Form 8-K dated October 1, 2015, File No. 1-3526, as Exhibit 4.3](#), in [Form 8-K dated September 12, 2016, File No. 1-3526, as Exhibit 4.4](#), in [Form 8-K dated December 5, 2016, File No. 1-3526, as Exhibit 4.4](#), in [Form 10-Q for the quarter ended June 30, 2017, File No. 1-3526 as Exhibit 4\(a\)1](#), in [Form 8-K dated November 17, 2017, File No. 1-3526, as Exhibit 4.4](#), in [Form 8-K dated August 13, 2019, File No. 1-3526, as Exhibit 4.4\(a\)](#), in [Form 8-K dated August 13, 2019, File No. 1-3526, as Exhibit 4.4\(b\)](#), in [Form 8-K dated January 6, 2020, File No. 1-3526 as Exhibit 4.4](#), in [Form 8-K dated September 15, 2020, File No. 1-3526, as Exhibit 4.4\(a\)](#), and in [Form 8-K dated September 15, 2020, File No. 1-3526, as Exhibit 4.4\(b\)](#).)
- (a) 3 — Purchase Contract and Pledge Agreement, dated as of August 16, 2019, between Southern Company and U.S. Bank National Association, as Purchase Contract Agent, Collateral Agent, Custodial Agent, and Securities Intermediary. (Designated in [Form 8-K dated August 13, 2019, File No. 1-3526, as Exhibit 4.9](#).)
- * (a) 4 — [Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended](#).
- Alabama Power**
- (b) 1 — Subordinated Note Indenture dated as of January 1, 1997, between Alabama Power and Regions Bank, as Successor Trustee, and certain indentures supplemental thereto through October 2, 2002. (Designated in [Form 8-K dated January 9, 1997, File No. 1-3164, as Exhibits 4.1](#), and in [Form 8-K dated September 26, 2002, File No. 3164, as Exhibit 4.9-B](#).)
- (b) 2 — Senior Note Indenture dated as of December 1, 1997, between Alabama Power and Regions Bank, as Successor Trustee, and certain indentures supplemental thereto through August 27, 2020. (Designated in [Form 8-K dated December 4, 1997, File No. 1-3164, as Exhibit 4.1](#), in [Form 8-K dated December 6, 2002, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated February 11, 2003, File No. 1-3164, as Exhibit 4.2\(a\)](#), in [Form 8-K dated March 12, 2003, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated May 8, 2008, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated February 26, 2009, File No. 1-3164 as Exhibit 4.2](#), in [Form 8-K dated March 3, 2011, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated May 18, 2011, File No. 1-3164, as Exhibit 4.2\(a\)](#), in [Form 8-K dated May 18, 2011, File No. 1-3164, as Exhibit 4.2\(b\)](#), in [Form 8-K dated January 10, 2012, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated November 27, 2012, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated December 3, 2013, File No. 1-3164, as Exhibit 4.2](#), in [Form 8-K dated August 20, 2014, File No. 1-3164, as Exhibit 4.6](#), in [Form 8-K dated March 5, 2015, File No. 1-3164, as Exhibit 4.6](#), in [Form 8-K dated April 9, 2015, File No. 1-3164, as Exhibit 4.6\(b\)](#), in [Form 8-K dated January 8, 2016, File No. 1-3164, as Exhibit 4.6](#), in [Form 8-K dated February 27, 2017, File No. 1-3164, as Exhibit 4.6](#), in [Form 8-K dated November 2, 2017, File No. 1-3164, as Exhibit 4.6](#), in [Form 8-K dated June 21, 2018, File No. 1-3164, as Exhibit 4.6](#), in [Form 8-K dated September 12, 2019, File No. 1-3164, as Exhibit 4.6](#), and in [Form 8-K dated August 24, 2020, File No. 1-3164, as Exhibit 4.6](#).)
- (b) 3 — Amended and Restated Trust Agreement of Alabama Power Capital Trust V dated as of October 1, 2002. (Designated in [Form 8-K dated September 26, 2002, File No. 1-3164, as Exhibit 4.12-B](#).)
- (b) 4 — Guarantee Agreement relating to Alabama Power Capital Trust V dated as of October 1, 2002. (Designated in [Form 8-K dated September 26, 2002, File No. 1-3164, as Exhibit 4.16-B](#).)
- (b) 5 — Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. (Designated in [Form 10-K for the year ended December 31, 2019, File No. 1-3164, as Exhibit 4\(b\)5](#).)

Georgia Power

- (c) 1 — Senior Note Indenture dated as of January 1, 1998, between Georgia Power and Wells Fargo Bank, National Association, as Successor Trustee, and certain indentures supplemental thereto through January 10, 2020. (Designated in [Form 8-K dated January 21, 1998, File No. 1-6468, as Exhibits 4.1](#), in [Form 8-K dated April 10, 2003, File No. 1-6468, as Exhibit 4.1](#), in [Form 8-K dated March 6, 2007, File No. 1-6468, as Exhibit 4.2](#), in [Form 8-K dated February 4, 2009, File No. 1-6468, as Exhibit 4.2](#), in [Form 8-K dated May 24, 2010, File No. 1-6468, as Exhibit 4.2](#), in [Form 8-K dated August 26, 2010, File No. 1-6468, as Exhibit 4.2](#), in [Form 8-K dated February 29, 2012, File No. 1-6468, as Exhibit 4.2](#), in [Form 8-K dated May 8, 2012, File No. 1-6468, as Exhibit 4.2\(b\)](#), in [Form 8-K dated March 12, 2013, File No. 1-6468, as Exhibit 4.2\(a\)](#), in [Form 8-K dated March 2, 2016, File No. 1-6468, as Exhibit 4.2\(a\)](#), in [Form 8-K dated March 2, 2016, File No. 1-6468, as Exhibit 4.2\(b\)](#), in [Form 8-K dated February 28, 2017, File No. 1-6468, as Exhibit 4.2\(b\)](#), in [Form 8-K dated September 4, 2019, File No. 1-6468, as Exhibit 4.2\(a\)](#), in [Form 8-K dated September 4, 2019, File No. 1-6468, as Exhibit 4.2\(b\)](#), in [Form 8-K dated January 8, 2020, File No. 1-6468, as Exhibit 4.2\(b\)](#), and in [Form 8-K dated January 8, 2020, File No. 1-6468, as Exhibit 4.2\(c\)](#).)
- (c) 2 — Subordinated Note Indenture, dated as of September 1, 2017, between Georgia Power and Wells Fargo Bank, National Association, as Trustee, and First Supplemental Indenture thereto dated as of September 21, 2017. (Designated in [Form 8-K dated September 18, 2017, File No. 1-6468, as Exhibit 4.3](#), and in [Form 8-K dated September 18, 2017, File No. 1-6468, as Exhibit 4.4](#).)
- (c) 3 — Amended and Restated Loan Guarantee Agreement, dated as of March 22, 2019, between Georgia Power and the DOE. (Designated in [Form 8-K dated March 22, 2019, File No. 1-6468, as Exhibit 4.1](#).)
- (c) 4 — Note Purchase Agreement among Georgia Power, the DOE, and the Federal Financing Bank dated as of February 20, 2014. (Designated in [Form 8-K dated February 20, 2014, File No. 1-6468, as Exhibit 4.2](#).)
- (c) 5 — Future Advance Promissory Note dated February 20, 2014 made by Georgia Power to the FFB. (Designated in [Form 8-K dated February 20, 2014, File No. 1-6468, as Exhibit 4.3](#).)
- (c) 6 — Amended and Restated Deed to Secure Debt, Security Agreement and Fixture Filing, dated as of March 22, 2019, by Georgia Power to PNC Bank, National Association, doing business as Midland Loan Services Inc., a division of PNC Bank, National Association. (Designated in [Form 8-K dated March 22, 2019, File No. 1-6468, as Exhibit 4.4](#).)
- (c) 7 — Amended and Restated Owners Consent to Assignment and Direct Agreement and Amendment to Plant Alvin W. Vogtle Additional Units Ownership Participation Agreement, dated as of March 22, 2019, among Georgia Power, the other Vogtle Owners, the DOE, and PNC Bank, National Association, doing business as Midland Loan Services Inc., a division of PNC Bank, National Association. (Designated in [Form 8-K dated March 22, 2019, File No. 1-6468, as Exhibit 4.5](#).)
- (c) 8 — Note Purchase Agreement, dated as of March 22, 2019, between Georgia Power, the DOE, and the FFB. (Designated in [Form 8-K dated March 22, 2019, File No. 1-6468, as Exhibit 4.2](#).)
- (c) 9 — Promissory Note of Georgia Power, dated as of March 22, 2019. (Designated in [Form 8-K dated March 22, 2019, File No. 1-6468, as Exhibit 4.3](#).)
- (c) 10 — Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. (Designated in [Form 10-K for the year ended December 31, 2019, File No. 1-6468, as Exhibit 4\(c\)10](#).)

Mississippi Power

- (d) 1 — Senior Note Indenture dated as of May 1, 1998, between Mississippi Power and Wells Fargo Bank, National Association, as Successor Trustee, and certain indentures supplemental thereto through March 27, 2018. (Designated in [Form 8-K dated May 14, 1998, File No. 001-11229, as Exhibit 4.1](#), in [Form 8-K dated October 11, 2011, File No. 001-11229, as Exhibit 4.2\(b\)](#), in [Form 8-K dated March 5, 2012, File No. 001-11229, as Exhibit 4.2\(b\)](#), and in [Form 8-K dated March 22, 2018, File No. 001-11229, as Exhibit 4.2\(b\)](#).)

Southern Power

- (e) 1 — Senior Note Indenture dated as of June 1, 2002, between Southern Power Company and Wells Fargo Bank, National Association, as Successor Trustee, and certain indentures supplemental thereto through January 8, 2021. (Designated in [Registration No. 333-98553 as Exhibit 4.1](#), in [Form 8-K dated September 14, 2011, File No. 333-98553, as Exhibit 4.4](#), in [Form 8-K dated July 10, 2013, File No. 333-98553, as Exhibit 4.4](#), in [Form 8-K dated November 12, 2015, File No. 333-98553, as Exhibit 4.4\(a\)](#), in [Form 8-K dated June 13, 2016, File No. 001-37803, as Exhibit 4.4\(a\)](#), in [Form 8-K dated June 13, 2016, File No. 001-37803, as Exhibit 4.4\(b\)](#), in [Form 10-O for the quarter ended September 30, 2016, File No. 001-37803, as Exhibit 4\(f\)1](#), in [Form 10-O for the quarter ended September 30, 2016, File No. 001-37803, as Exhibit 4\(f\)2](#), in [Form 8-K dated November 10, 2016, File No. 001-37803, as Exhibit 4.4\(b\)](#), in [Form 8-K dated November 10, 2016, File No. 001-37803, as Exhibit 4.4\(c\)](#), in [Form 10-K for the year ended December 31, 2017, File No 001-37803, as Exhibit 4\(f\)2](#), and in [Form 8-K dated January 5, 2021, File No. 001-37803, as Exhibit 4.4](#).)
- (e) 2 — Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended. (Designated in [Form 10-K for the year ended December 31, 2019, File No. 001-37803, as Exhibit 4\(e\)2](#).)

Southern Company Gas

- (f) 1 — Indenture dated February 20, 2001 between AGL Capital Corporation, AGL Resources Inc., and Wells Fargo Bank, National Association, as Successor Trustee. ([Designated in Form S-3, File No. 333-69500, as Exhibit 4.2](#).)
- (f) 2 — Southern Company Gas Capital Corporation's 6.00% Senior Notes due 2034, Form of 3.50% Senior Notes due 2021, 5.875% Senior Notes due 2041, Form of Series B Senior Notes due 2018, 4.40% Senior Notes due 2043, 3.875% Senior Notes due 2025, 3.250% Senior Notes due 2026, Form of 2.450% Senior Note due October 1, 2023, Form of 3.950% Senior Note due October 1, 2046, Form of Series 2017A 4.400% Senior Note due May 30, 2047, and Form of 2020A 1.750% Senior Note due January 15, 2031. (Designated in [Form 8-K dated September 22, 2004, File No. 1-14174, as Exhibit 4.1](#), in [Form 8-K dated September 15, 2011, File No. 1-14174, as Exhibit 4.1](#), in [Form 8-K dated March 16, 2011, File No. 1-14174, as Exhibit 4.1](#), in [Form 8-K dated August 31, 2011, File No. 1-14174, as Exhibit 4.2](#), in [Form 8-K dated May 13, 2013, File No. 1-14174, as Exhibit 4.2](#), in [Form 8-K dated November 13, 2015, File No. 1-14174, as Exhibit 4.2](#), in [Form 8-K dated May 13, 2016, File No. 1-14174, as Exhibit 4.2](#), in [Form 8-K dated September 8, 2016, File No. 1-14174, as Exhibit 4.1\(a\)](#), in [Form 8-K dated September 8, 2016, File No. 1-14174, as Exhibit 4.1\(b\)](#), in [Form 8-K dated May 5, 2017, File No. 1-14174, as Exhibit 4.1](#), and in [Form 8-K dated August 17, 2020, File No. 1-14174, as Exhibit 4.1](#), respectively.)
- (f) 3 — Southern Company Gas' Guarantee related to the 6.00% Senior Notes due 2034, Guarantee related to the 5.875% Senior Notes due 2041, Form of Guarantee related to the 3.50% Senior Notes due 2021, Guarantee related to the 4.40% Senior Notes due 2043, Guarantee related to the 3.875% Senior Notes due 2025, Guarantee related to the 3.250% Senior Notes due 2026, Form of Guarantee related to the 2.450% Senior Notes due October 1, 2023, Form of Guarantee related to the 3.950% Senior Notes due October 1, 2046, Form of Guarantee related to the Series 2017A 4.400% Senior Notes due May 30, 2047, and Form of Guarantee related to the Series 2020A 1.750% Senior Notes due January 15, 2031. (Designated in [Form 8-K dated September 22, 2004, File No. 1-14174, as Exhibit 4.3](#), in [Form 8-K dated March 16, 2011, File No. 1-14174, as Exhibit 4.2](#), in [Form 8-K dated September 15, 2011, File No. 1-14174, as Exhibit 4.2](#), in [Form 8-K dated May 13, 2013, File No. 1-14174, as Exhibit 4.3](#), in [Form 8-K dated November 13, 2015, File No. 1-14174, as Exhibit 4.3](#), in [Form 8-K dated May 13, 2016, File No. 1-14174, as Exhibit 4.3](#), in [Form 8-K dated September 8, 2016, File No. 1-14174, as Exhibit 4.3\(a\)](#), in [Form 8-K dated September 8, 2016, File No. 1-14174, as Exhibit 4.3\(b\)](#), in [Form 8-K dated May 5, 2017, File No. 1-14174, as Exhibit 4.3](#), and in [Form 8-K dated August 17, 2020, File No. 1-14174, as Exhibit 4.3](#), respectively.)
- (f) 4 — Indenture dated December 1, 1989 of Atlanta Gas Light Company and First Supplemental Indenture thereto dated March 16, 1992. (Designated in [Form S-3, File No. 33-32274, as Exhibit 4\(a\)](#) and in [Form S-3, File No. 33-46419, as Exhibit 4\(a\)](#).)

- (f) 5 — Indenture of Commonwealth Edison Company to Continental Illinois National Bank and Trust Company of Chicago, Trustee, dated as of January 1, 1954, Indenture of Adoption of Northern Illinois Gas Company to Continental Illinois National Bank and Trust Company of Chicago, Trustee, dated February 9, 1954, and certain indentures supplemental thereto. (Designated in [Form 10-K for the year ended December 31, 1995, File No. 1-7296, as Exhibit 4.01](#), in [Form 10-K for the year ended December 31, 1995, File No. 1-7296, as Exhibit 4.02](#), in Registration No. 2-56578 as Exhibits 2.21 and 2.25, in [Form 10-Q for the quarter ended June 30, 1996, File No. 1-7296, as Exhibit 4.01](#), in [Form 10-K for the year ended December 31, 1997, File No. 1-7296, as Exhibit 4.19](#), in [Form 10-K for the year ended December 31, 2003, File No. 1-7296, as Exhibit 4.09](#), in [Form 10-K for the year ended December 31, 2003, File No. 1-7296, as Exhibit 4.10](#), in [Form 10-K for the year ended December 31, 2006, File No. 1-7296, as Exhibit 4.11](#), in [Form 10-K for the year ended December 31, 2006, File No. 1-7296, as Exhibit 4.11](#), in [Form 10-Q for the quarter ended September 30, 2008, File No. 1-7296, as Exhibit 4.01](#), in [Form 10-Q for the quarter ended September 30, 2012, File No. 1-7296, as Exhibit 4](#), in [Form 10-K for the year ended December 31, 2016, File No. 1-14174, as Exhibit 4\(g\)6](#), in [Form 10-K for the year ended December 31, 2017, File No. 1-14174, as Exhibit 4\(g\)6](#), in [Form 10-Q for the quarter ended September 30, 2018, File No. 1-14174, as Exhibit 4\(g\)1](#), and in [Form 10-K for the year ended December 31, 2019, File No. 1014174, as Exhibit 4\(f\)6](#).)
- * (f) 6 — [Supplemental Indenture dated as of August 11, 2020 of Northern Illinois Gas Company to The Bank of New York Mellon Trust Company, N.A. under Indenture dated as of January 1, 1954.](#)

**(10) Material Contracts
Southern Company**

- # (a) 1 — Southern Company 2011 Omnibus Incentive Compensation Plan effective May 25, 2011. ([Designated in Form 8-K dated May 25, 2011, File No. 1-3526, as Exhibit 10.1](#))
- # (a) 2 — Form of Stock Option Award Agreement for Executive Officers of Southern Company under the Southern Company Omnibus Incentive Compensation Plan. (Designated in [Form 10-Q for the quarter ended March 31, 2011, File No. 1-3526, as Exhibit 10\(a\)3](#).)
- # (a) 3 — Deferred Compensation Plan for Outside Directors of The Southern Company, Amended and Restated effective January 1, 2008 and First Amendment thereto effective April 1, 2015. (Designated in [Form 10-K for the year ended December 31, 2007, File No. 1-3526, as Exhibit 10\(a\)3](#) and in [Form 10-Q for the quarter ended June 30, 2015, File No. 1-3526, as Exhibit 10\(a\)2](#).)
- # (a) 4 — Southern Company Deferred Compensation Plan, Amended and Restated as of January 1, 2018, First Amendment thereto dated as of December 7, 2018, and Second Amendment thereto dated as of January 29, 2019. (Designated in [Form 10-K for the year ended December 31, 2017, File No. 1-3536, as Exhibit 10\(a\)4](#), in [Form 10-K for the year ended December 31, 2018, File No. 1-3536, as Exhibit 10\(a\)21](#), and in [Form 10-K for the year ended December 31, 2018, File No. 1-3536, as Exhibit 10\(a\)22](#).)
- # (a) 5 — The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective June 30, 2016, Amendment No. 1 thereto effective January 1, 2017, Amendment No. 2 thereto effective January 1, 2018, Amendment No. 3 thereto effective April 1, 2018, Amendment No. 4 thereto effective December 4, 2018, Amendment No. 5 thereto effective January 1, 2019 and Amendment No. 6 thereto effective January 1, 2019. (Designated in [Form 10-Q for the quarter ended June 30, 2016, File No. 1-3526, as Exhibit 10\(a\)1](#), in [Form 10-K for the year ended December 31, 2016, File No. 1-3536, as Exhibit 10\(a\)18](#), in [Form 10-K for the year ended December 31, 2017, File No. 1-3526, as Exhibit 10\(a\)16](#), in [Form 10-Q for the quarter ended March 31, 2018, File No. 1-3526, as Exhibit 10\(a\)1](#), in [Form 10-K for the year ended December 31, 2018, File No. 1-3526, as Exhibit 10\(a\)23](#), in [Form 10-K for the year ended December 31, 2018, File No. 1-3526, as Exhibit 10\(a\)24](#), and in [Form 10-K for the year ended December 31, 2019, File No. 1-3526, as Exhibit 10\(a\)24](#).)

- # (a) 6 — The Southern Company Supplemental Benefit Plan, Amended and Restated effective as of June 30, 2016, Amendment No. 1 thereto effective January 1, 2017, Amendment No. 2 thereto effective January 1, 2018, Amendment No. 3 thereto effective April 1, 2018, Amendment No. 4 thereto dated December 14, 2018, Amendment No. 5 thereto effective January 1, 2019 and Amendment No. 6 thereto effective January 1, 2019. (Designated in [Form 10-Q for the quarter ended June 30, 2016, File No. 1-3526, as Exhibit 10\(a\)2](#), in [Form 10-K for the year ended December 31, 2016, File No. 1-3536, as Exhibit 10\(a\)19](#), in [Form 10-K for the year ended December 31, 2017, File No. 1-3526, as Exhibit 10\(a\)17](#), in [Form 10-Q for the quarter ended March 31, 2018, File No. 1-3526, as Exhibit 10\(a\)2](#), in [Form 10-K for the year ended December 31, 2018, File No. 1-3526, as Exhibit 10\(a\)25](#), in [Form 10-K for the year ended December 31, 2018, File No. 1-3526, as Exhibit 10\(a\)26](#) and in [Form 10-K for the year ended December 31, 2019, File No. 1-3526, as Exhibit 10\(a\)23](#).)
- # (a) 7 — The Southern Company Change in Control Benefits Protection Plan (an amendment and restatement of The Southern Company Change in Control Benefit Plan Determination Policy), effective December 31, 2008 and Amendment No. 1 thereto effective March 1, 2018. (Designated in [Form 8-K dated December 31, 2008, File No. 1-3526, as Exhibit 10.1](#) and in [Form 10-Q for the quarter ended March 31, 2018, File No. 1-3526, as Exhibit 10\(a\)3](#).)
- # (a) 8 — Deferred Compensation Trust Agreement for Directors of Southern Company and its Subsidiaries, Amended and Restated effective January 1, 2001, between Wells Fargo Bank, N.A., as successor to Wachovia Bank, N.A., Southern Company, SCS, Alabama Power, Georgia Power, Mississippi Power, Southern Linc, Southern Company Energy Solutions, LLC, and Southern Nuclear and First Amendment thereto effective January 1, 2009. (Designated in [Form 10-K for the year ended December 31, 2000, File No. 1-3526, as Exhibit 10\(a\)103](#) and in [Form 10-K for the year ended December 31, 2008, File No. 1-3526, as Exhibit 10\(a\)16](#).)
- * # (a) 9 — [Amended and Restated Deferred Stock Trust Agreement for Directors of Southern Company and its Subsidiaries, Amended and Restated effective December 16, 2020, by and between Southern Company and Wells Fargo Bank, National Association.](#)
- * # (a) 10 — [Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of Southern Company and its Subsidiaries, Amended and Restated effective December 16, 2020, by and between Southern Company and Wells Fargo Bank, National Association.](#)
- # (a) 11 — Southern Company Senior Executive Change in Control Severance Plan, Amended and Restated effective December 31, 2008, First Amendment thereto effective October 19, 2009, and Second Amendment thereto effective February 22, 2011. (Designated in [Form 10-K for the year ended December 31, 2008, File No. 1-3526, as Exhibit 10\(a\)23](#), in [Form 10-K for the year ended December 31, 2009, File No. 1-3526, as Exhibit 10\(a\)22](#), and in [Form 10-K for the year ended December 31, 2010, File No. 1-3526, as Exhibit 10\(a\)16](#).)
- # (a) 12 — Southern Company Executive Change in Control Severance Plan, Amended and Restated effective December 31, 2008 and First Amendment thereto effective January 1, 2010. (Designated in [Form 10-K for the year ended December 31, 2008, File No. 1-3526, as Exhibit 10\(a\)24](#) and in [Form 10-K for the year ended December 31, 2009, File No. 1-3526, as Exhibit 10\(a\)24](#).)
- # (a) 13 — Form of Terms for Performance Share Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. (Designated in [Form 10-Q for the quarter ended March 31, 2017, File No. 1-3526, as Exhibit 10\(a\)1](#).)
- # (a) 14 — Outside Directors Stock Plan for The Southern Company and its Subsidiaries effective June 1, 2015. (Designated in [Definitive Proxy Statement filed April 10, 2015, File No. 1-3526, as Appendix A](#).)
- # (a) 15 — Deferred Compensation Agreement between Southern Company, SCS, Alabama Power, and Mark A. Crosswhite, effective July 30, 2008. (Designated in [Form 10-K for the year ended December 31, 2016, File No. 1-3526, as Exhibit 10\(a\)17](#).)
- (a) 16 — The Southern Company Employee Savings Plan, Amended and Restated effective January 1, 2018, First Amendment thereto effective January 1, 2018, Second Amendment thereto effective January 1, 2018 and Third Amendment thereto effective January 1, 2018. (Designated in [Post-Effective Amendment No. 1 to Form S-8, File No. 333-212783 as Exhibit 4.3](#), in [Form 10-K for the year ended December 31, 2019, File No. 1-3526, as Exhibit 10\(a\)25](#), in [Form 10-K for the year ended December 31, 2019, File No. 1-3526, as Exhibit 10\(a\)26](#), and in [Form 10-K for the year ended December 31, 2019, File No. 1-3526, as Exhibit 10\(a\)27](#).)

#	(a)	17	—	Form of Terms for Restricted Stock Unit with Performance Measure Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. (Designated in Form 10-Q for the quarter ended March 31, 2017, File No. 1-3526, as Exhibit 10(a)2.)
#	(a)	18	—	Letter Agreement among Southern Company Gas, Southern Company, and Andrew W. Evans and Performance Stock Unit Award Agreement, dated September 29, 2016. (Designated in Form 10-Q for the quarter ended March 31, 2017, File No. 1-3526, as Exhibit 10(a)3.)
#	(a)	19	—	Form of Time-Vesting Restricted Stock Unit Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. (Designated in Form 10-Q for the quarter ended March 31, 2017, File No. 1-3526, as Exhibit 10(a)4.)
#	(a)	20	—	Performance Stock Units Agreement, dated May 23, 2018, between Southern Company and Stephen E. Kuczynski. (Designated in Form 10-Q for the quarter ended March 31, 2019, File No. 1-3526, as Exhibit 10(a)1.)
#	(a)	21	—	Retention and Restricted Stock Unit Agreement, dated May 23, 2018, between Southern Company and Stephen E. Kuczynski. (Designated in Form 10-Q for the quarter ended March 31, 2019, File No. 1-3526, as Exhibit 10(a)2.)
#	(a)	22	—	Form of Terms for 2019 Equity Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. (Designated in Form 10-Q for the quarter ended March 31, 2019, File No. 1-3526, as Exhibit 10(a)3.)
#	(a)	23	—	Form of Terms for 2020 Equity Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. (Designated in Form 10-Q for the quarter ended March 31, 2020, File No. 1-3526, as Exhibit 10(a)1.)
*	#	(a)	24	— Third Amendment to The Southern Company Deferred Compensation Plan effective January 1, 2018.
*	#	(a)	25	— Seventh Amendment to The Southern Company Supplemental Benefit Plan effective June 30, 2016.
*	#	(a)	26	— Fourth Amendment to The Southern Company Employee Savings Plan effective as of January 1, 2018.
Alabama Power				
	(b)	1	—	Intercompany Interchange Contract as revised effective May 1, 2007, among Alabama Power, Georgia Power, Gulf Power, Mississippi Power, Southern Power Company, and SCS and Appendix A thereto dated as of January 1, 2019. (Designated in Form 10-Q for the quarter ended March 31, 2007, File No. 1-3164, as Exhibit 10(b)5 and in Form 10-K for the year ended December 31, 2018, File No. 1-3164, as Exhibit 10(b)2.)
#	(b)	2	—	Southern Company 2011 Omnibus Incentive Compensation Plan effective May 25, 2011. See Exhibit 10(a)1 herein.
#	(b)	3	—	Form of Stock Option Award Agreement for Executive Officers of Southern Company under the Southern Company Omnibus Incentive Compensation Plan. See Exhibit 10(a)2 herein.
#	(b)	4	—	Southern Company Deferred Compensation Plan, Amended and Restated as of January 1, 2018, First Amendment thereto dated as of December 7, 2018, and Second Amendment thereto dated as of January 29, 2019. See Exhibit 10(a)4 herein.
#	(b)	5	—	The Southern Company Supplemental Executive Retirement Plan, Amended and Restated effective June 30, 2016, Amendment No. 1 thereto effective January 1, 2017, Amendment No. 2 thereto effective January 1, 2018, Amendment No. 3 thereto effective April 1, 2018, Amendment No. 4 thereto effective December 4, 2018, Amendment No. 5 thereto effective January 1, 2019 and Amendment No. 6 thereto effective January 1, 2019. See Exhibit 10(a)5 herein.
#	(b)	6	—	The Southern Company Supplemental Benefit Plan, Amended and Restated effective as of June 30, 2016, Amendment No. 1 thereto effective January 1, 2017, Amendment No. 2 thereto effective January 1, 2018, Amendment No. 3 thereto effective April 1, 2018, Amendment No. 4 thereto dated December 14, 2018, Amendment No. 5 thereto effective January 1, 2019 and Amendment No. 6 thereto effective January 1, 2019. See Exhibit 10(a)6 herein.
#	(b)	7	—	Southern Company Executive Change in Control Severance Plan, Amended and Restated effective December 31, 2008 and First Amendment thereto effective January 1, 2010. See Exhibit 10(a)12 herein.

- # (b) 8 — Deferred Compensation Plan for Outside Directors of Alabama Power Company, Amended and Restated effective January 1, 2008 and First Amendment thereto effective June 1, 2015. (Designated in [Form 10-Q for the quarter ended June 30, 2008, File No. 1-3164, as Exhibit 10\(b\)1](#) and in [Form 10-Q for the quarter ended June 30, 2015, File No. 1-3164, as Exhibit 10\(b\)1](#).)
 - # (b) 9 — The Southern Company Change in Control Benefits Protection Plan (an amendment and restatement of The Southern Company Change in Control Benefit Plan Determination Policy), effective December 31, 2008. See Exhibit 10(a)7 herein.
 - # (b) 10 — Deferred Compensation Trust Agreement for Directors of Southern Company and its Subsidiaries, Amended and Restated effective January 1, 2001, between Wells Fargo Bank, N.A., as successor to Wachovia Bank, N.A., Southern Company, SCS, Alabama Power, Georgia Power, Mississippi Power, Southern Linc, Southern Company Energy Solutions, LLC, and Southern Nuclear and First Amendment thereto effective January 1, 2009. See Exhibit 10(a)8 herein.
 - # (b) 11 — Amended and Restated Deferred Stock Trust Agreement for Directors of Southern Company and its Subsidiaries, Amended and Restated effective December 16, 2020, by and between Southern Company and Wells Fargo Bank, National Association. See Exhibit 10(a)9 herein.
 - # (b) 12 — Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of Southern Company and its Subsidiaries, Amended and Restated effective December 16, 2020, by and between Southern Company and Wells Fargo Bank, National Association. See Exhibit 10(a)10 herein.
 - # (b) 13 — Southern Company Senior Executive Change in Control Severance Plan, Amended and Restated effective December 31, 2008, First Amendment thereto effective October 19, 2009, and Second Amendment thereto effective February 22, 2011. See Exhibit 10(a)11 herein.
 - # (b) 14 — Form of Terms for Performance Share Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. See Exhibit 10(a)13 herein.
 - # (b) 15 — Deferred Compensation Agreement between Southern Company, Alabama Power, Georgia Power, Mississippi Power, and SCS and Philip C. Raymond dated September 15, 2010. (Designated in [Form 10-Q for the quarter ended September 30, 2010, File No. 1-3164, as Exhibit 10\(b\)2](#).)
 - # (b) 16 — Deferred Compensation Agreement between Southern Company, SCS, Alabama Power, and Mark A. Crosswhite, effective July 30, 2008. See Exhibit 10(a)15 herein.
 - # (b) 17 — Outside Directors Stock Plan for The Southern Company and its Subsidiaries effective June 1, 2015. See Exhibit 10(a)14 herein.
 - # (b) 18 — Form of Terms for Restricted Stock Unit with Performance Measure Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. See Exhibit 10(a)17 herein.
 - # (b) 19 — Form of Time-Vesting Restricted Stock Unit Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. See Exhibit 10(a)19 herein.
 - # (b) 20 — Form of Terms for 2019 Equity Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. See Exhibit 10(a)22 herein.
 - # (b) 21 — Form of Terms for 2020 Equity Awards granted under the Southern Company 2011 Omnibus Incentive Compensation Plan. See Exhibit 10(a)23 herein.
 - # (b) 22 — Employment Agreement between Alabama Power and Gregory J. Barker effective June 8, 2020. (Designated in [Form 10-Q for the quarter ended June 30, 2020, File No 1-3164, as Exhibit 10\(b\)](#).)
 - # (b) 23 — Third Amendment to The Southern Company Deferred Compensation Plan effective January 1, 2018. See Exhibit 10(a)24 herein.
 - # (b) 24 — Seventh Amendment to The Southern Company Supplemental Benefit Plan effective June 30, 2016. See Exhibit 10(a)25 herein.
- Georgia Power**
- (c) 1 — Intercompany Interchange Contract as revised effective May 1, 2007, among Alabama Power, Georgia Power, Gulf Power, Mississippi Power, Southern Power Company, and SCS and Appendix A thereto dated as of January 1, 2019. See Exhibit 10(b)1 herein.
 - (c) 2 — Revised and Restated Integrated Transmission System Agreement dated as of November 12, 1990, between Georgia Power and OPC. (Designated in Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(g).)

- (c) 3 — Revised and Restated Integrated Transmission System Agreement between Georgia Power and Dalton dated as of December 7, 1990. (Designated in Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(gg).)
 - (c) 4 — Revised and Restated Integrated Transmission System Agreement between Georgia Power and MEAG Power dated as of December 7, 1990. (Designated in Form 10-K for the year ended December 31, 1990, File No. 1-6468, as Exhibit 10(hh).)
 - (c) 5 — Settlement Agreement dated as of June 9, 2017, by and among Georgia Power, OPC, MEAG Power, Dalton, and Toshiba and Amendment No. 1 thereto dated as of December 8, 2017. (Designated in [Form 8-K dated June 16, 2017, File No. 1-6468, as Exhibit 10.1](#) and in [Form 8-K dated December 8, 2017, File No. 1-6468, as Exhibit 10.1](#).)
 - (c) 6 — Amended and Restated Services Agreement dated as of June 20, 2017, by and among Georgia Power, for itself and as agent for OPC, MEAG Power, MEAG Power SPVJ, LLC, MEAG Power SPVM, LLC, MEAG Power SPVP, LLC, and Dalton, and Westinghouse and WECTEC Global Project Services, Inc. (Georgia Power requested confidential treatment for certain portions of this document pursuant to an application for confidential treatment sent to the SEC. Georgia Power omitted such portions from the filing and filed them separately with the SEC.) (Designated in [Form 10-Q for the quarter ended June 30, 2017, File No. 1-6468, as Exhibit 10\(c\)9](#).)
 - (c) 7 — Construction Completion Agreement dated as of October 23, 2017, between Georgia Power, for itself and as agent for OPC, MEAG Power, MEAG Power SPVJ, LLC, MEAG Power SPVM, LLC, MEAG Power SPVP, LLC, and Dalton, and Bechtel, Amendment No. 1 thereto dated as of October 12, 2018, and Amendment No. 2 thereto dated as of November 8, 2019. (Georgia Power has requested confidential treatment for certain portions of these documents pursuant to applications for confidential treatment sent to the SEC. Georgia Power omitted such portions from the filings and filed them separately with the SEC.) (Designated in [Form 10-K for the year ended December 31, 2017, File No. 1-6468, as Exhibit 10\(c\)8](#) and in [Form 10-K for the year ended December 31, 2018, File No. 1-6468, as Exhibit 10\(c\)10](#), and in [Form 10-K for the year ended December 31, 2019, File No. 1-6468, as Exhibit 10\(c\)8](#).)
 - (c) 8 — Plant Alvin W. Vogtle Additional Units Ownership Participation Agreement dated as of April 21, 2006, among Georgia Power, OPC, MEAG Power, and The City of Dalton, Georgia, Amendment 1 thereto dated as of April 8, 2008, Amendment 2 thereto dated as of February 20, 2014, Agreement Regarding Additional Participating Party Rights and Amendment 3 thereto dated as of November 2, 2017, and First Amendment to Agreement Regarding Additional Participating Party Rights and Amendment No. 3 to Plant Alvin W. Vogtle Additional Units Ownership Participation Agreement, dated as of August 31, 2018. (Designated in [Form 8-K dated April 21, 2006, File No. 33-7591, as Exhibit 10.4.4](#), in [Form 10-K for the year ended December 31, 2013, File No. 000-53908, as Exhibit 10.3.2\(a\)](#), in [Form 10-K for the year ended December 31, 2013, File No. 000-53908, as Exhibit 10.3.2\(b\)](#), in [Form 10-Q for the quarter ended September 30, 2017, File No. 000-53908, as Exhibit 10.1](#), and in [Form 8-K dated August 31, 2018, File No. 1-6468, as Exhibit 10.1](#).)
 - (c) 9 — Global Amendments to Vogtle Additional Units Agreements, dated as of February 18, 2019, among Georgia Power, OPC, MEAG Power, MEAG Power SPVJ, LLC, MEAG Power SPVM, LLC, MEAG Power SPVP, LLC, and Dalton. ([Designated in Form 10-K for the year ended December 31, 2018, File No. 1-6468, as Exhibit 10\(c\)12](#).)
- Mississippi Power**
- (d) 1 — Intercompany Interchange Contract as revised effective May 1, 2007, among Alabama Power, Georgia Power, Gulf Power, Mississippi Power, Southern Power Company, and SCS and Appendix A thereto dated as of January 1, 2019. See Exhibit 10(b)1 herein.
 - (d) 2 — Transmission Facilities Agreement dated February 25, 1982, Amendment No. 1 dated May 12, 1982 and Amendment No. 2 dated December 6, 1983, between Entergy Corporation (formerly Gulf States) and Mississippi Power. (Designated in Form 10-K for the year ended December 31, 1981, File No. 001-11229, as Exhibit 10(f), in Form 10-K for the year ended December 31, 1982, File No. 001-11229, as Exhibit 10(f)(2), and in Form 10-K for the year ended December 31, 1983, File No. 001-11229, as Exhibit 10(f)(3).)
- Southern Power**
- (e) 1 — Intercompany Interchange Contract as revised effective May 1, 2007, among Alabama Power, Georgia Power, Gulf Power, Mississippi Power, Southern Power Company, and SCS and Appendix A thereto dated as of January 1, 2019. See Exhibit 10(b)1 herein.

- Southern Company Gas**
- (f) 1 — Final Allocation Agreement dated January 3, 2008. (Designated in [Form 10-K for the year ended December 31, 2007, File No. 1-7296, as Exhibit 10.15.](#))
 - (f) 2 — Asset Purchase Agreement, dated as of October 15, 2017, by and between Pivotal Utility Holdings, Inc., as Seller, and South Jersey Industries, Inc., as Buyer. (Designated in [Form 8-K dated October 15, 2017, File No. 1-14174, as Exhibit 10.1.](#))
- (14) **Code of Ethics**
- Southern Company**
- (a) — The Southern Company Code of Ethics. (Designated in [Form 10-K for the year ended December 31, 2016, File No. 1-3526, as Exhibit 14\(a\).](#))
- Alabama Power**
- (b) — The Southern Company Code of Ethics. See Exhibit 14(a) herein.
- Georgia Power**
- (c) — The Southern Company Code of Ethics. See Exhibit 14(a) herein.
- Mississippi Power**
- (d) — The Southern Company Code of Ethics. See Exhibit 14(a) herein.
- Southern Power**
- (e) — The Southern Company Code of Ethics. See Exhibit 14(a) herein.
- Southern Company Gas**
- (f) — The Southern Company Code of Ethics. See Exhibit 14(a) herein.
- (21) **Subsidiaries of Registrants**
- Southern Company**
- * (a) — [Subsidiaries of Registrant.](#)
- Alabama Power**
- (b) — Subsidiaries of Registrant. See Exhibit 21(a) herein.
- Georgia Power**
- Omitted pursuant to General Instruction I(2)(b) of Form 10-K.
- Mississippi Power**
- Omitted pursuant to General Instruction I(2)(b) of Form 10-K.
- Southern Power**
- Omitted pursuant to General Instruction I(2)(b) of Form 10-K.
- Southern Company Gas**
- Omitted pursuant to General Instruction I(2)(b) of Form 10-K.
- (23) **Consents of Experts and Counsel**
- Southern Company**
- * (a) 1 — [Consent of Deloitte & Touche LLP.](#)
- Alabama Power**
- * (b) 1 — [Consent of Deloitte & Touche LLP.](#)
- Georgia Power**
- * (c) 1 — [Consent of Deloitte & Touche LLP.](#)
- Mississippi Power**
- * (d) 1 — [Consent of Deloitte & Touche LLP.](#)
- Southern Power**
- * (e) 1 — [Consent of Deloitte & Touche LLP.](#)

	Southern Company Gas			
	* (f)	1	—	Consent of Deloitte & Touche LLP.
	* (f)	2	—	Consent of BDO USA, LLP.
(24)	Powers of Attorney and Resolutions			
	Southern Company			
	* (a)		—	Power of Attorney and resolution.
	Alabama Power			
	* (b)		—	Power of Attorney and resolution.
	Georgia Power			
	* (c)	1	—	Power of Attorney and resolution.
	* (c)	2	—	Power of Attorney of Daniel S. Tucker.
	Mississippi Power			
	* (d)	1	—	Power of Attorney and resolution.
	* (d)	2		Power of Attorney of Dr. Mary Graham.
	Southern Power			
	* (e)	1	—	Power of Attorney and resolution.
	* (e)	2	—	Power of Attorney of Bryan D. Anderson.
	Southern Company Gas			
	* (f)	1	—	Power of Attorney and resolution.
	* (f)	2	—	Power of Attorney David P. Poroch.
(31)	Section 302 Certifications			
	Southern Company			
	* (a)	1	—	Certificate of Southern Company's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	* (a)	2	—	Certificate of Southern Company's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	Alabama Power			
	* (b)	1	—	Certificate of Alabama Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	* (b)	2	—	Certificate of Alabama Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	Georgia Power			
	* (c)	1	—	Certificate of Georgia Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	* (c)	2	—	Certificate of Georgia Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	Mississippi Power			
	* (d)	1	—	Certificate of Mississippi Power's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	* (d)	2	—	Certificate of Mississippi Power's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	Southern Power			
	* (e)	1	—	Certificate of Southern Power Company's Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	* (e)	2	—	Certificate of Southern Power Company's Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.

	Southern Company Gas		
	* (f)	1	— Certificate of Southern Company Gas' Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
	* (f)	2	— Certificate of Southern Company Gas' Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
(32)	Section 906 Certifications		
	Southern Company		
	* (a)		— Certificate of Southern Company's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
	Alabama Power		
	* (b)		— Certificate of Alabama Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
	Georgia Power		
	* (c)		— Certificate of Georgia Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
	Mississippi Power		
	* (d)		— Certificate of Mississippi Power's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
	Southern Power		
	* (e)		— Certificate of Southern Power Company's Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
	Southern Company Gas		
	* (f)		— Certificate of Southern Company Gas' Chief Executive Officer and Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
(101)	Interactive Data Files		
	* INS		— XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document.
	* SCH		— XBRL Taxonomy Extension Schema Document
	* CAL		— XBRL Taxonomy Calculation Linkbase Document
	* DEF		— XBRL Definition Linkbase Document
	* LAB		— XBRL Taxonomy Label Linkbase Document
	* PRE		— XBRL Taxonomy Presentation Linkbase Document
(104)	Cover Page Interactive Data File		
	*		— Formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.

** Schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished supplementally to the Securities and Exchange Commission upon request.

THE SOUTHERN COMPANY
SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

THE SOUTHERN COMPANY

By: *Thomas A. Fanning*
Chairman, President, and
Chief Executive Officer

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Thomas A. Fanning
Chairman, President, and
Chief Executive Officer
(Principal Executive Officer)

Andrew W. Evans
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Ann P. Daiss
Comptroller and Chief Accounting Officer
(Principal Accounting Officer)

Directors:

Janaki Akella
Juanita Powell Baranco
Jon A. Boscia
Henry A. Clark III
Anthony F. Earley, Jr.
David J. Grain
Colette D. Honorable
Donald M. James

John D. Johns
Dale E. Klein
Ernest J. Moniz
William G. Smith, Jr.
Steven R. Specker
E. Jenner Wood III

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

**ALABAMA POWER COMPANY
SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

ALABAMA POWER COMPANY

By: *Mark A. Crosswhite*
Chairman, President, and Chief Executive Officer

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Mark A. Crosswhite
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

Philip C. Raymond
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

Anita Allcorn-Walker
Vice President and Comptroller
(Principal Accounting Officer)

Directors:

Angus R. Cooper, III
O. B. Grayson Hall, Jr.
Anthony A. Joseph
James K. Lowder
Robert D. Powers

Catherine J. Randall
R. Mitchell Shackelford, III
Selwyn M. Vickers, MD
Phillip M. Webb

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

**GEORGIA POWER COMPANY
SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

GEORGIA POWER COMPANY

By: *W. Paul Bowers*
Chairman and Chief Executive Officer

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

W. Paul Bowers
Chairman and Chief Executive Officer
(Principal Executive Officer)

Daniel S. Tucker
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial and Accounting Officer)

Sarah P. Adams
Vice President and Comptroller
(Principal Accounting Officer)

Directors:

Mark L. Burns
Jill Campbell
Shantella E. Cooper
Lawrence L. Gellerstedt III
Douglas J. Hertz

Thomas M. Holder
Kessel D. Stelling, Jr.
Charles K. Tarbutton
Clyde C. Tuggle

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

**MISSISSIPPI POWER COMPANY
SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

MISSISSIPPI POWER COMPANY

By: *Anthony L. Wilson*
Chairman, President, and Chief Executive Officer

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Anthony L. Wilson
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

Moses H. Feagin
Senior Vice President, Treasurer, and
Chief Financial Officer
(Principal Financial Officer)

Matthew P. Grice
Comptroller
(Principal Accounting Officer)

Directors:

Carl J. Chaney
L. Royce Cumbest
Thomas M. Duff
Dr. Mary Graham

Mark E. Keenum
M.L. Waters
Camille S. Young

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act:

Mississippi Power is not required to send an annual report or proxy statement to its sole shareholder and parent company, The Southern Company, and will not prepare such a report after filing this Annual Report on Form 10-K for fiscal year 2020. Accordingly, Mississippi Power will not file an annual report with the Securities and Exchange Commission.

**SOUTHERN POWER COMPANY
SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SOUTHERN POWER COMPANY

By: *Christopher Cummiskey*
Chairman and Chief Executive Officer

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Christopher Cummiskey
Chairman and Chief Executive Officer
(Principal Executive Officer)

Elliott L. Spencer
Senior Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

Jelena Andrin
Comptroller
(Principal Accounting Officer)

Directors:

Bryan D. Anderson
Stan W. Connally
Andrew W. Evans
Thomas A. Fanning

Kimberly S. Greene
James Y. Kerr, II
Mark S. Lantrip

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

**SOUTHERN COMPANY GAS
SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. The signature of the undersigned company shall be deemed to relate only to matters having reference to such company and any subsidiaries thereof.

SOUTHERN COMPANY GAS

By: *Kimberly S. Greene*
Chairman, President, and Chief Executive Officer

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated. The signature of each of the undersigned shall be deemed to relate only to matters having reference to the above-named company and any subsidiaries thereof.

Kimberly S. Greene
Chairman, President, and Chief Executive Officer
(Principal Executive Officer)

David P. Poroch
Executive Vice President, Chief Financial Officer, and Treasurer
(Principal Financial Officer)

Grace A. Kolvereid
Senior Vice President and Comptroller
(Principal Accounting Officer)

Directors:

Sandra N. Bane
Thomas D. Bell, Jr.
Charles R. Crisp

Brenda J. Gaines
Norman G. Holmes
John E. Rau

By: */s/ Melissa K. Caen*
(Melissa K. Caen, Attorney-in-fact)

Date: *February 17, 2021*

Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants Which Have Not Registered Securities Pursuant to Section 12 of the Act:

Southern Company Gas is not required to send an annual report or proxy statement to its sole shareholder and parent company, The Southern Company, and will not prepare such a report after filing this Annual Report on Form 10-K for fiscal year 2020. Accordingly, Southern Company Gas will not file an annual report with the Securities and Exchange Commission.

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

As of December 31, 2020, The Southern Company (the "Company") had the following series of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"):

- Common Stock, Par Value \$5.00 Per Share (the "Common Stock");
- Series 2016A 5.25% Junior Subordinated Notes due October 1, 2076 (the "Series 2016A Junior Subordinated Notes");
- Series 2017B 5.25% Junior Subordinated Notes due December 1, 2077 (the "Series 2017B Junior Subordinated Notes");
- Series 2020A 4.95% Junior Subordinated Notes due January 30, 2080 (the "Series 2020A Junior Subordinated Notes");
- Series 2020C 4.20% Junior Subordinated Notes due October 15, 2026 (the "Series 2020C Junior Subordinated Notes" and, together with the Series 2016A Junior Subordinated Notes, the Series 2017B Junior Subordinated Notes and the Series 2020A Junior Subordinated Notes, the "Junior Subordinated Notes"); and
- 2019 Series A Corporate Units (the "Corporate Units").

Description of the Common Stock

The following description of the Common Stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Company's Restated Certificate of Incorporation, which is included as an exhibit to the Company's Annual Report on Form 10-K of which this summary is a part.

The authorized capital stock of the Company currently consists of 1,500,000,000 shares of Common Stock. As of December 31, 2020, there were 1,056,464,751 shares of Common Stock issued and outstanding.

All shares of Common Stock participate equally with respect to dividends and rank equally upon liquidation. Each holder is entitled to one vote for each share held. The vote of two-thirds of the outstanding Common Stock is required to authorize or create preferred stock or to effect certain changes in the charter provisions affecting the Common Stock. No stockholder is entitled to preemptive rights.

The outstanding shares of Common Stock are fully paid and nonassessable by the Company and, therefore, are not subject to further calls or assessment by the Company.

The Common Stock is listed on the New York Stock Exchange under the symbol "SO".

The transfer agent and registrar for the Common Stock is currently Equiniti Trust Company.

Description of the Junior Subordinated Notes

The following description of the Junior Subordinated Notes is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Subordinated Note Indenture dated as of October 1, 2015, as supplemented (the “Subordinated Note Indenture”), between the Company and Wells Fargo Bank, National Association, as trustee (the “Subordinated Note Indenture Trustee”). The Subordinated Note Indenture and all supplements thereto are included as exhibits to the Company’s Annual Report on Form 10-K of which this summary is a part.

The terms “Additional Interest” and “Event of Default”, as used in this Description of the Junior Subordinated Notes, have the meanings ascribed to them in this Description of the Junior Subordinated Notes.

General

Each series of Junior Subordinated Notes was issued as a series of junior subordinated notes under the Subordinated Note Indenture. Each Series of Junior Subordinated Notes was initially issued in the applicable aggregate principal amount shown in the table below. The Company may, at any time and without the consent of the holders of any series of Junior Subordinated Notes, issue additional notes having the same ranking and the same interest rate, maturity and other terms as any series of Junior Subordinated Notes (except for the public offering price and issue date and the initial interest accrual date and initial Interest Payment Date (as defined below), if applicable). Any additional notes having such similar terms, together with the applicable series of Junior Subordinated Notes, will constitute a single series of junior subordinated notes under the Subordinated Note Indenture.

Unless earlier redeemed, the entire principal amount of each series of Junior Subordinated Notes will mature and become due and payable, together with any accrued and unpaid interest thereon, on the applicable date set forth in the table below. The Junior Subordinated Notes are not subject to any sinking fund provision. Each series of Junior Subordinated Notes is available for purchase in denominations of \$25.00 and integral multiples of \$25.00 in excess thereof.

Series	Original Issuance Amount	Maturity Date
Series 2016A Junior Subordinated Notes	\$800,000,000	October 1, 2076
Series 2017B Junior Subordinated Notes	\$450,000,000	December 1, 2077
Series 2020A Junior Subordinated Notes	\$1,000,000,000	January 30, 2080
Series 2020C Junior Subordinated Notes	\$750,000,000	October 15, 2060

Interest

Each Series of Junior Subordinated Notes bears interest at the applicable rate per annum set forth in the table below (the “Securities Rate”). Subject to the Company’s right to defer interest payments as described below, interest is payable quarterly in arrears on the applicable dates set forth in the table below of each year (each an “Interest Payment Date”) to the person in

whose name such Junior Subordinated Note is registered at the close of business (i) on the Business Day (as defined below) immediately preceding such Interest Payment Date if such Junior Subordinated Notes are in book-entry only form or (ii) on the 15th calendar day preceding such Interest Payment Date if such Junior Subordinated Notes are not in book-entry only form (whether or not a Business Day), provided that interest payable at maturity or on a redemption date will be paid to the person to whom principal is payable. The amount of interest payable is computed on the basis of a 360-day year of twelve 30-day months. In the event that any date on which interest is payable on any series of Junior Subordinated Notes is not a Business Day, then payment of the interest payable on such date will be made on the next succeeding day which is a Business Day (and without any interest or other payment in respect of any such delay), with the same force and effect as if made on such date.

Series	Securities Rate	Interest Payment Dates
Series 2016A Junior Subordinated Notes	5.25 %	January 1, April 1, July 1, October 1
Series 2017B Junior Subordinated Notes	5.25 %	March 1, June 1, September 1, December 1
Series 2020A Junior Subordinated Notes	4.95 %	January 30, April 30, July 30, October 30
Series 2020C Junior Subordinated Notes	4.20 %	January 15, April 15, July 15, October 15

“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which banks in New York, New York are authorized or obligated by law or executive order to remain closed or (iii) a day on which the Subordinated Note Indenture Trustee’s corporate trust office is closed for business.

Payment of principal of any Junior Subordinated Notes will be made only against surrender to the paying agent of such Junior Subordinated Notes. Principal of and interest on Junior Subordinated Notes will be payable, subject to any applicable laws and regulations, at the office of such paying agent or paying agents as the Company may designate from time to time, except that, at the option of the Company, payment of any interest may be made by wire transfer or other electronic transfer or by check mailed to the address of the person entitled to an interest payment as such address shall appear in the security register with respect to the applicable series of Junior Subordinated Notes. Payment of interest on Junior Subordinated Notes on any applicable Interest Payment Date will be made to the person in whose name such Junior Subordinated Notes are registered at the close of business on the record date for such interest payment.

The Subordinated Note Indenture Trustee acts as paying agent with respect to each series of the Junior Subordinated Notes. The Company may at any time designate additional paying agents or rescind the designation of any paying agents or approve a change in the office through which any paying agent acts with respect to any series of Junior Subordinated Notes.

All moneys paid by the Company to a paying agent for the payment of the principal of or interest on the Junior Subordinated Notes of any series which remain unclaimed at the end of two years after such principal or interest shall have become due and payable will be repaid to the Company, and the holder of such Junior Subordinated Notes will from that time forward look only to the Company for payment of such principal and interest.

Option to Defer Interest Payments

So long as no Event of Default (as defined below) under the Subordinated Note Indenture has occurred and is continuing, at the Company's option, it may, on one or more occasions, defer payment of all or part of the current and accrued interest otherwise due on any series of Junior Subordinated Notes by extending the interest payment period for up to 40 consecutive quarterly periods (each period, commencing on the date that the first such interest payment would otherwise have been made, an "Optional Deferral Period"). A deferral of interest payments with respect to a series of Junior Subordinated Notes may not extend beyond the maturity date of such series or end on a day other than an Interest Payment Date with respect to such series. Any deferred interest on a series of Junior Subordinated Notes will accrue additional interest at the applicable Securities Rate from the applicable Interest Payment Date to the date of payment, compounded quarterly (such deferred interest and additional interest accrued thereon, "Additional Interest"), to the extent permitted under applicable law. No interest will be due and payable on such series of Junior Subordinated Notes until the end of the applicable Optional Deferral Period, except upon a redemption of such series of Junior Subordinated Notes during such Optional Deferral Period.

At the end of an Optional Deferral Period or on any redemption date, the Company will be obligated to pay all accrued and unpaid interest, including any Additional Interest with respect to the applicable series of Junior Subordinated Notes. Once the Company pays all accrued and unpaid interest payments on the applicable series of Junior Subordinated Notes, including any Additional Interest, the Company can again defer interest payments on such series of Junior Subordinated Notes as described above, but not beyond the maturity date of such series.

The Company is required to provide to the Subordinated Note Indenture Trustee written notice of any optional deferral of interest at least 10 and not more than 60 Business Days prior to the earlier of (1) the next applicable Interest Payment Date or (2) the date, if any, upon which it is required to give notice of such Interest Payment Date or the record date therefor to the New York Stock Exchange or any applicable self-regulatory organization. In addition, the Company is required to deliver to the Subordinated Note Indenture Trustee an officers' certificate stating that no default or Event of Default shall have occurred and be continuing. Subject to receipt of the officers' certificate, the Subordinated Note Indenture Trustee is required to promptly forward such notice to each holder of record of the applicable series of Junior Subordinated Notes.

Certain Limitations During an Optional Deferral Period

During an Optional Deferral Period, subject to the exceptions noted below, the Company shall not:

- declare or pay any dividend or make any distributions with respect to, or redeem, purchase, acquire or make a liquidation payment with respect to, any of its capital stock, or
- make any payment of interest, principal or premium, if any, on or repay, repurchase or redeem any debt securities (including guarantees) issued by the Company which rank equally with or junior to the Junior Subordinated Notes.

None of the foregoing, however, shall restrict:

- any of the actions described in the preceding sentence resulting from any reclassification of the Company's capital stock or the exchange or conversion of one class or series of the Company's capital stock for another class or series of the Company's capital stock;
- the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of such capital stock or the security being converted or exchanged;
- dividends, payments or distributions payable in shares of capital stock;
- redemptions, purchases or other acquisitions of shares of capital stock in connection with any employment contract, incentive plan, benefit plan or other similar arrangement of the Company or any of its subsidiaries or in connection with a dividend reinvestment or stock purchase plan; or
- any declaration of a dividend in connection with implementation of any stockholders' rights plan, or the issuance of rights, stock or other property under any such plan, or the redemption, repurchase or other acquisition of any such rights pursuant thereto.

Listing

Each series of Junior Subordinated Notes is listed on the New York Stock Exchange under the applicable symbol set forth in the table below.

Series	Trading Symbol
Series 2016A Junior Subordinated Notes	SOJB
Series 2017B Junior Subordinated Notes	SOJC
Series 2020A Junior Subordinated Notes	SOJD
Series 2020C Junior Subordinated Notes	SOJE

Subordination

The Junior Subordinated Notes are subordinated and junior in right of payment to all Senior Indebtedness (as defined below) of the Company. No payment of principal of (including redemption payments, if any), premium, if any, on or interest on (including Additional Interest) the Junior Subordinated Notes may be made if (a) any Senior Indebtedness is not paid when due and any applicable grace period with respect to such default has ended with such default not being cured or waived or otherwise ceasing to exist, or (b) the maturity of any Senior Indebtedness has been accelerated because of a default, or (c) notice has been given of the exercise of an option to require repayment, mandatory payment or prepayment or otherwise of the Senior Indebtedness. Upon any payment or distribution of assets of the Company to creditors upon any liquidation, dissolution, winding-up, reorganization, assignment for the benefit of creditors, marshalling of assets or liabilities, or any bankruptcy, insolvency or similar proceedings of the Company, the holders of Senior Indebtedness shall be entitled to receive payment in full of all amounts due or to become due on or in respect of all Senior Indebtedness before the holders of the Junior Subordinated Notes are entitled to receive or retain any payment or distribution. Subject to the prior payment of all Senior Indebtedness, the rights of the holders of the Junior Subordinated Notes will be subrogated to the rights of the holders of Senior Indebtedness to receive payments and distributions applicable to such Senior Indebtedness until all amounts owing on the Junior Subordinated Notes are paid in full.

The term “Senior Indebtedness” means, with respect to the Company, (i) any payment due in respect of indebtedness of the Company, whether outstanding at the date of execution of the Subordinated Note Indenture or incurred, created or assumed after such date, (a) in respect of money borrowed (including any financial derivative, hedging or futures contract or similar instrument) and (b) evidenced by securities, debentures, bonds, notes or other similar instruments issued by the Company that, by their terms, are senior or senior subordinated debt securities including, without limitation, all such obligations under its indentures with various trustees; (ii) all capital lease obligations; (iii) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations of the Company under any title retention agreement (but excluding trade accounts payable arising in the ordinary course of business and long-term purchase obligations); (iv) all obligations for the reimbursement of any letter of credit, banker’s acceptance, security purchase facility or similar credit transaction; (v) all obligations of the type referred to in clauses (i) through (iv) above of other persons the payment of which the Company is responsible or liable as obligor, guarantor or otherwise; and (vi) all obligations of the type referred to in clauses (i) through (v) above of other persons secured by any lien on any property or asset of the Company (whether or not such obligation is assumed by the Company), except for (1) any such indebtedness that is by its terms subordinated to or that ranks equally with the junior subordinated notes issued under the Subordinated Note Indenture and (2) any unsecured indebtedness between or among the Company or its affiliates. Such Senior Indebtedness shall continue to be Senior Indebtedness and be entitled to the benefits of the subordination provisions contained in the Subordinated Note Indenture irrespective of any amendment, modification or waiver of any term of such Senior Indebtedness.

The Subordinated Note Indenture does not limit the aggregate amount of Senior Indebtedness that may be issued by the Company. Since the Company is a holding company, the right of the Company and, hence, the right of creditors of the Company (including holders of Junior Subordinated Notes) to participate in any distribution of the assets of any subsidiary of the Company, whether upon liquidation, reorganization or otherwise, is subject to prior claims of creditors and preferred stockholders of each subsidiary.

Optional Redemption

At any time and from time to time on or after the applicable date set forth in the table below (the “Initial Optional Redemption Date”), the applicable series of Junior Subordinated Notes will be subject to redemption at the option of the Company in whole or in part upon not less than 30 nor more than 60 days’ notice, at a redemption price equal to 100% of the principal amount of the Junior Subordinated Notes being redeemed plus accrued and unpaid interest (including any Additional Interest) on the Junior Subordinated Notes being redeemed to the redemption date.

Series	Initial Optional Redemption Date
Series 2016A Junior Subordinated Notes	October 1, 2021
Series 2017B Junior Subordinated Notes	December 1, 2022
Series 2020A Junior Subordinated Notes	January 30, 2025
Series 2020C Junior Subordinated Notes	October 15, 2025

If notice of redemption is given as aforesaid, the Junior Subordinated Notes so to be redeemed will, on the redemption date, become due and payable at the redemption price together with any accrued and unpaid interest thereon, and from and after such date (unless the Company has defaulted in the payment of the redemption price and accrued interest) such Junior Subordinated Notes shall cease to bear interest. If any Junior Subordinated Note called for redemption shall not be paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the applicable Securities Rate.

The Company may also redeem the applicable series of Junior Subordinated Notes before the applicable Initial Optional Redemption Date (i) in whole, but not in part, if certain changes in tax laws, regulations or interpretations occur, at the redemption price and under the circumstances described below under “—Right to Redeem Upon a Tax Event” and (ii) in whole, but not in part, if a rating agency makes certain changes in the equity credit criteria for securities such as the applicable series of Junior Subordinated Notes, at the redemption price and under the circumstances described below under “—Right to Redeem Upon a Rating Agency Event.”

Subject to the foregoing and to applicable law (including, without limitation, United States federal securities laws), the Company or its affiliates may, at any time and from time to time, purchase outstanding Junior Subordinated Notes by tender, in the open market or by private agreement.

Right to Redeem Upon a Tax Event

Before the applicable Initial Optional Redemption Date, the Company may redeem, upon not less than 30 nor more than 60 days' notice, in whole but not in part, any series of Junior Subordinated Notes following the occurrence of a Tax Event (as defined below), at the applicable percentage of the principal amount of such series set forth in the table below plus any accrued and unpaid interest thereon (including any Additional Interest) to the redemption date.

Series	Percentage of Principal Amount
Series 2016A Junior Subordinated Notes	101%
Series 2017B Junior Subordinated Notes	101%
Series 2020A Junior Subordinated Notes	101%
Series 2020C Junior Subordinated Notes	100%

A "Tax Event" happens when the Company has received an opinion of counsel experienced in tax matters that, as a result of:

- any amendment to, clarification of, or change, including any announced prospective change, in the laws or treaties of the United States or any of its political subdivisions or taxing authorities, or any regulations under those laws or treaties;
- an administrative action, which means any judicial decision or any official administrative pronouncement, ruling, regulatory procedure, notice or announcement including any notice or announcement of intent to issue or adopt any administrative pronouncement, ruling, regulatory procedure or regulation;
- any amendment to, clarification of, or change in the official position or the interpretation of any administrative action or judicial decision or any interpretation or pronouncement that provides for a position with respect to an administrative action or judicial decision that differs from the previously generally accepted position, in each case by any legislative body, court, governmental authority or regulatory body, regardless of the time or manner in which that amendment, clarification or change is introduced or made known; or
- a threatened challenge asserted in writing in connection with the Company's audit or an audit of any of its subsidiaries, or a publicly-known threatened challenge asserted in writing against any other taxpayer that has raised capital through the issuance of securities that are substantially similar to the applicable series of Junior Subordinated Notes,

which amendment, clarification or change is effective or the administrative action is taken or judicial decision, interpretation or pronouncement is issued or threatened challenge is asserted or becomes publicly known after the date of the original issuance of the applicable series of Junior Subordinated Notes, there is more than an insubstantial risk that interest payable by the Company on such series of Junior Subordinated Notes is not deductible, or within 90 days would not be deductible, in whole or in part, by the Company for United States federal income tax purposes.

Right to Redeem Upon a Rating Agency Event

Before the applicable Initial Optional Redemption Date, the Company may redeem, upon not less than 30 nor more than 60 days' notice, in whole but not in part, any series of Junior Subordinated Notes following the occurrence of a Rating Agency Event (as defined below), at

102% of their principal amount plus any accrued and unpaid interest thereon (including any Additional Interest) to the redemption date.

“Rating Agency Event”, with respect to the Series 2016A Junior Subordinated Notes, means a change to the methodology or criteria that were employed by an applicable nationally recognized statistical rating organization for purposes of assigning equity credit to securities such as the Series 2016A Junior Subordinated Notes on the date of original issuance of the Series 2016A Junior Subordinated Notes, which change reduces the amount of equity credit assigned to the Series 2016A Junior Subordinated Notes (the “current methodology”), which change either (i) shortens the period of time during which equity credit pertaining to the Series 2016A Junior Subordinated Notes would have been in effect had the current methodology not been changed or (ii) reduces the amount of equity credit assigned to the Series 2016A Junior Subordinated Notes as compared with the amount of equity credit that such rating agency had assigned to the Series 2016A Junior Subordinated Notes as of the date of original issuance thereof.

“Rating Agency Event”, with respect to the Series 2017B Junior Subordinated Notes, the Series 2020A Junior Subordinated Notes and the Series 2020C Junior Subordinated Notes means a change to the methodology or criteria that were employed by an applicable nationally recognized statistical rating organization for purposes of assigning equity credit to securities such as the applicable series of Junior Subordinated Notes on the date of original issuance of such series, which change reduces the amount of equity credit assigned to such series as compared with the amount of equity credit that such rating agency had assigned to such series as of the date of original issuance thereof.

Registration and Transfer

The Company shall not be required to (i) issue, register the transfer of or exchange Junior Subordinated Notes of any series during a period of 15 days immediately preceding the date notice is given identifying the Junior Subordinated Notes of such series called for redemption or (ii) issue, register the transfer of or exchange any Junior Subordinated Notes so selected for redemption, in whole or in part, except the unredeemed portion of any Junior Subordinated Note being redeemed in part.

Events of Default

The following are the “Events of Default” with respect to each series of Junior Subordinated Notes:

- failure to pay principal of, or premium, if any, on or interest on the applicable series of Junior Subordinated Notes when due at maturity or earlier redemption;
- failure to pay interest on the applicable series of Junior Subordinated Notes (including Additional Interest) when due and payable (other than at maturity or upon earlier redemption) that continues for 30 days (subject to the Company’s right to optionally defer interest payments); or
- certain events of bankruptcy, insolvency or reorganization involving the Company.

With respect to each series of Junior Subordinated Notes, the term “Default” means the following event: default in the performance or breach of any covenant or warranty of the Company in the Subordinated Note Indenture (other than (i) a covenant or warranty a default in whose performance or whose breach is addressed in the preceding paragraph or (ii) certain other covenants and warranties inapplicable to such series of Junior Subordinated Notes), and continuance of such default or breach for a period of 90 days after specified written notice to the Company by the Subordinated Note Indenture Trustee, or to the Company and the Subordinated Note Indenture Trustee by the holders of at least 25% in principal amount of the outstanding Junior Subordinated Notes of such series.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the Junior Subordinated Notes of such series. If an Event of Default occurs and is continuing with respect to the Junior Subordinated Notes of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may declare the principal amount of the Junior Subordinated Notes due and payable immediately by notice in writing to the Company (and to the Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the Junior Subordinated Notes of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of such series may, by written notice to the Company and the Subordinated Note Indenture Trustee, rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

Upon the occurrence and continuance of a Default with respect to a series of Junior Subordinated Notes, the Subordinated Note Indenture Trustee and the holders of such series of Junior Subordinated Notes will have the same rights and remedies, and will be subject to the same limitations, restrictions, protections and exculpations, and the Company will be subject to the same obligations and restrictions, in each case, as would apply if such Default was an Event of Default or an event which after notice or lapse of time or both would become an Event of Default; provided that the principal of and accrued interest on such series of Junior Subordinated Notes may not be declared immediately due and payable by reason of the occurrence and continuation of a Default, and any notice of declaration or acceleration based on such Default will be null and void with respect to such series of Junior Subordinated Notes; provided, further that in case a Default has occurred and is continuing, the Subordinated Note Indenture Trustee will not be subject to the requirement to exercise, with respect to such series of Junior

Subordinated Notes, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs, unless an Event of Default has occurred and is continuing.

The holders of not less than a majority in aggregate outstanding principal amount of the Junior Subordinated Notes of any series may, on behalf of the holders of all the Junior Subordinated Notes of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest (including Additional Interest) or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended without the consent of the holder of each outstanding Junior Subordinated Note of such series affected.

Modification

The Subordinated Note Indenture contains provisions permitting the Company and the Subordinated Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding Junior Subordinated Notes of each series affected, to modify the Subordinated Note Indenture or the rights of the holders of the Junior Subordinated Notes of such series; provided that no such modification may, without the consent of the holder of each outstanding Junior Subordinated Note affected, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any Junior Subordinated Note, or reduce the principal amount of any Junior Subordinated Note or the rate of interest (including Additional Interest) on any Junior Subordinated Note or any premium payable upon the redemption of any Junior Subordinated Note, or change the method of calculating the rate of interest on any Junior Subordinated Note, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity of any Junior Subordinated Note (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding Junior Subordinated Notes of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults under the Subordinated Note Indenture and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding Junior Subordinated Note affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the Junior Subordinated Notes in a manner adverse to such holder.

In addition, the Company and the Subordinated Note Indenture Trustee may execute, without the consent of any holders of Junior Subordinated Notes, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state of the United States or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of and premium, if any, on and interest (including Additional Interest) on all the Junior Subordinated Notes and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Subordinated Note Indenture Trustee an officers' certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent to the transaction have been complied with.

Information Concerning the Subordinated Note Indenture Trustee

The Subordinated Note Indenture Trustee, prior to an Event of Default with respect to Junior Subordinated Notes of any series, undertakes to perform, with respect to Junior Subordinated Notes of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to Junior Subordinated Notes of any series has occurred and is continuing, shall exercise, with respect to Junior Subordinated Notes of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Subordinated Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of Junior Subordinated Notes of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred by the Subordinated Note Indenture Trustee. The Subordinated Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

Governing Law

The Subordinated Note Indenture and the Junior Subordinated Notes are governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company has the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Subordinated Note Indenture will be binding

upon and inure to the benefit of the parties to the Subordinated Note Indenture and their respective successors and assigns.

Description of the Corporate Units

The Corporate Units constitute one form of the Company's 2019 Series A Equity Units (the "Equity Units"). Each Corporate Unit consists of:

- a purchase contract (each, a "purchase contract") issued by the Company pursuant to the Purchase Contract and Pledge Agreement dated as of August 16, 2019 (the "purchase contract and pledge agreement");
- a 1/40 undivided beneficial ownership interest in \$1,000 principal amount of the Company's Series 2019A Remarketable Junior Subordinated Notes due 2024 (the "Series 2019A RSNs"); and
- a 1/40 undivided beneficial ownership interest in \$1,000 principal amount of the Company's Series 2019B Remarketable Junior Subordinated Notes due 2027 (the "Series 2019B RSNs" and, together with the Series 2019A RSNs, the "RSNs").

The summaries of the terms of the Equity Units, the purchase contracts, the purchase contract and pledge agreement and the RSNs are set forth under the captions "Description of the Purchase Contracts," "Certain Provisions of the Purchase Contract and Pledge Agreement" and "Description of the Remarketable Junior Subordinated Notes" below. Together with the summary under the caption "Description of the Common Stock" above, these summaries describe the material terms of the Corporate Units; however, these descriptions are only summaries and do not purport to be complete. These summaries are subject to and are qualified in their entirety by reference to all the provisions of the purchase contract and pledge agreement, the Subordinated Note Indenture, the RSNs and the form of remarketing agreement, which has been attached as an exhibit to the purchase contract and pledge agreement, including the definitions of certain terms used therein, each of which is included as an exhibit to the Company's Annual Report on Form 10-K of which these summaries are a part.

In the summaries below, the terms "you" and "your" refer to holders of the Equity Units or applicable component thereof.

Description of the Equity Units

The term “business day”, as used in this Description of the Equity Units, has the meaning ascribed to it in this Description of the Equity Units.

General

The Company issued the Equity Units under the purchase contract and pledge agreement among the Company and U.S. Bank National Association, as purchase contract agent (the “purchase contract agent”), collateral agent (the “collateral agent”), custodial agent (the “custodial agent”) and securities intermediary (the “securities intermediary”). The Equity Units may be either Corporate Units or 2019 Series A Treasury Units (“Treasury Units”). The Equity Units were initially issued as 34,500,000 Corporate Units, each with a stated amount of \$50.

Each Corporate Unit consists of:

- a purchase contract under which
 - the holder has agreed to purchase from the Company, and the Company has agreed to sell to the holder, on August 1, 2022 (or if such day is not a business day, the following business day), which is referred to as the “purchase contract settlement date,” or earlier upon early settlement, for \$50, a number of shares of Common Stock equal to the applicable settlement rate described under “Description of the Purchase Contracts—Purchase of Common Stock,” “Description of the Purchase Contracts—Early Settlement” or “Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change,” as the case may be, *plus*, in the case of an early settlement upon a fundamental change, the number of make-whole shares; and
 - the Company pays the holder quarterly contract adjustment payments at the rate of 4.05% per year on the stated amount of \$50, or \$2.0250 per year, subject to the Company’s right to defer such contract adjustment payments as described under “Description of the Purchase Contracts—Contract Adjustment Payments,” and

either:

- (i) a 1/40 undivided beneficial ownership interest in \$1,000 principal amount of the Series 2019A RSNs (under which the Company pays to the holder 1/40 of the interest payment on such note at the initial rate of 2.70%, or \$27.00 per year per \$1,000 principal amount), and (ii) a 1/40 undivided beneficial ownership interest in \$1,000 principal amount of the Series 2019B RSNs (under which the Company pays the holder 1/40 of the interest payment on such note at the initial rate of 2.70%, or \$27.00 per year per \$1,000 principal amount), in each case subject to the Company’s right to defer such interest payments as described under “Description of the Remarketable Junior Subordinated Notes—Option to Defer Interest Payments”); or

following a successful optional remarketing, the applicable ownership interest in a portfolio of United States Treasury securities, which is referred to as the “Treasury portfolio.”

The “applicable ownership interest” means, with respect to the Treasury portfolio,

(1) a 1/20 undivided beneficial ownership interest in \$1,000 principal amount at maturity of United States Treasury securities (or principal or interest strips thereof) included in the Treasury portfolio that mature on or prior to the purchase contract settlement date; and

(2) for the scheduled interest payment on each series of RSNs occurring on the purchase contract settlement date, a 0.03375% undivided beneficial ownership interest in \$1,000 principal amount at maturity of United States Treasury securities (or principal or interest strips thereof) that mature on or prior to the purchase contract settlement date.

If United States Treasury securities (or principal or interest strips thereof) that are to be included in the Treasury portfolio in connection with a successful optional remarketing have a yield that is less than zero, (i) the Treasury portfolio will consist of an amount in cash equal to the aggregate principal amount at maturity of the United States Treasury securities described in clauses (1) and (2) above and (ii) references to the “applicable ownership interest in the Treasury portfolio” or clauses (1) and (2) above will be deemed to be references to an interest in such amount of cash or the applicable portion thereof. If the provisions set forth in this paragraph apply, references to “Treasury security” and “United States Treasury securities (or principal or interest strips thereof)” in connection with the Treasury portfolio will, thereafter, be deemed to be references to such amount of cash.

So long as the Equity Units are in the form of Corporate Units, the related undivided beneficial ownership interest in a Series 2019A RSN and in a Series 2019B RSN or the applicable ownership interest in the Treasury portfolio described in clause (1) of the definition of “applicable ownership interest” above (or \$50 in cash, if the immediately preceding paragraph applies), as the case may be, will be pledged to the Company through the collateral agent to secure the holders’ obligations to purchase Common Stock under the related purchase contracts.

Creating Treasury Units by Substituting a Treasury Security for the RSNs

Each holder of 40 Corporate Units may create, at any time other than after a successful remarketing or during a blackout period (as defined below), 40 Treasury Units by substituting for an RSN of each series two zero-coupon United States Treasury securities (for example, CUSIP No. 912820W52) each with a principal amount at maturity equal to \$1,000 and maturing on or prior to August 1, 2022, which is referred to as a “Treasury security.” This substitution would create 40 Treasury Units and the RSN of each series would be released from the pledge under the purchase contract and pledge agreement and delivered to the holder and would be tradable and transferable separately from the Treasury Units. Because both series of RSNs are issued in integral multiples of \$1,000, holders of Corporate Units may make the substitution only in

integral multiples of 40 Corporate Units. After a successful remarketing, holders may not create Treasury Units from Corporate Units or recreate Corporate Units from Treasury Units.

Each Treasury Unit will consist of:

- a purchase contract under which
 - the holder has agreed to purchase from the Company, and the Company has agreed to sell to the holder, on the purchase contract settlement date, or earlier upon early settlement, for \$50, a number of shares of Common Stock equal to the applicable settlement rate, plus, in the case of an early settlement upon a fundamental change, the number of make-whole shares; and
 - the Company pays the holder quarterly contract adjustment payments at the rate of 4.05% per year on the stated amount of \$50, or \$2.0250 per year, subject to the Company's right to defer the contract adjustment payments; and
- a 1/20 undivided beneficial ownership interest in a Treasury security.

The term "blackout period" means the period (1) if the Company elects to conduct an optional remarketing, from 4:00 p.m., New York City time, on the second business day (as defined below) immediately preceding the first day of the optional remarketing period until the settlement date of such optional remarketing or the date the Company announces that such remarketing was unsuccessful and (2) after 4:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period.

The term "business day" means any day that is not a Saturday or Sunday or a day on which banking institutions in The City of New York or Hartford, Connecticut are authorized or required by law or executive order to close or a day on which the corporate trust office of the purchase contract agent is closed for business.

The Treasury Unit holder's beneficial ownership interest in the Treasury security will be pledged to the Company through the collateral agent to secure the holder's obligation to purchase the Common Stock under the related purchase contracts.

To create 40 Treasury Units, a holder is required to:

- deposit with the collateral agent two Treasury securities that each have a principal amount at maturity of \$1,000, which must be purchased in the open market at the expense of the Corporate Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 40 Corporate Units, accompanied by a notice stating that the holder of the Corporate Units has deposited two Treasury securities with the collateral agent and requesting that the purchase contract agent instruct the collateral agent to release the related RSN of each series.

Upon receiving instructions from the purchase contract agent and receipt of the Treasury securities, the collateral agent will release the related RSN of each series from the pledge and

deliver them to the purchase contract agent on behalf of the holder, free and clear of the Company's security interest. The purchase contract agent then will:

- cancel the 40 Corporate Units;
- transfer the related RSN of each series to the holder; and
- deliver 40 Treasury Units to the holder.

The Treasury securities will be substituted for the RSNs and will be pledged to the Company through the collateral agent to secure the holder's obligation to purchase shares of Common Stock under the related purchase contracts. The RSNs thereafter will trade and be transferable separately from the Treasury Units.

Holders who create Treasury Units will be responsible for any taxes, governmental charges or other fees or expenses (including, without limitation, fees and expenses payable to the collateral agent) attributable to such collateral substitution. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Miscellaneous."

Recreating Corporate Units

Each holder of 40 Treasury Units will have the right, at any time, other than during a blackout period or after a successful remarketing, to substitute for the related Treasury securities held by the collateral agent a RSN of each series having a principal amount equal to \$1,000. This substitution would recreate 40 Corporate Units and the applicable Treasury securities would be released from the pledge under the purchase contract and pledge agreement and delivered to the holder and would be tradable and transferable separately from the Corporate Units. Because both series of RSNs are issued in integral multiples of \$1,000, holders of Treasury Units may make this substitution only in integral multiples of 40 Treasury Units. After a successful remarketing, holders may not recreate Corporate Units from Treasury Units.

To recreate 40 Corporate Units, a holder is required to:

- deposit with the collateral agent a RSN of each series having a principal amount of \$1,000, which must be purchased in the open market at the expense of the Treasury Unit holder, unless otherwise owned by the holder; and
- transfer to the purchase contract agent 40 Treasury Units, accompanied by a notice stating that the holder of the Treasury Units has deposited a RSN of each series having a principal amount of \$1,000 with the collateral agent and requesting that the purchase contract agent instruct the collateral agent to release the related Treasury securities.

Upon receiving instructions from the purchase contract agent and receipt of a RSN of each series having a principal amount of \$1,000, the collateral agent will promptly release the related Treasury securities from the pledge and promptly instruct the securities intermediary to transfer such Treasury securities to the purchase contract agent for distribution to the holder, free and clear of the Company's security interest. The purchase contract agent then will:

- cancel the 40 Treasury Units;
- transfer the related Treasury securities to the holder; and
- deliver 40 Corporate Units to the holder.

The \$1,000 principal amount RSN of each series will be substituted for the Treasury securities and will be pledged to the Company through the collateral agent to secure the holder's obligation to purchase shares of Common Stock under the related purchase contracts. The Treasury securities thereafter will trade and be transferable separately from the Corporate Units.

Holders who recreate Corporate Units will be responsible for any taxes, governmental charges or other fees or expenses (including, without limitation, fees and expenses payable to the collateral agent) attributable to the collateral substitution. See "Certain Provisions of the Purchase Contract and Pledge Agreement—Miscellaneous."

Payments on the Equity Units

Holders of Corporate Units and Treasury Units receive quarterly contract adjustment payments payable by the Company at the rate of 4.05% per year on the stated amount of \$50 per Equity Unit. The Company makes contract adjustment payments on the Corporate Units and the Treasury Units quarterly in arrears on February 1, May 1, August 1 and November 1 of each year (except that if any such date is not a business day, contract adjustment payments will be payable on the following business day, without adjustment). Unless the purchase contracts have been terminated (as described under "Description of the Purchase Contracts—Termination" below), the Company will make such contract adjustment payments until the earliest of the purchase contract settlement date, the fundamental change early settlement date (in the case of a fundamental change early settlement, as described under "Description of the Purchase Contracts—Early Settlement Upon a Fundamental Change" below) and the most recent contract adjustment payment date on or before any other early settlement with respect to the related purchase contracts (in the case of an early settlement as described under "Description of the Purchase Contracts—Early Settlement" below). If the purchase contracts have been terminated, the Company's obligation to pay the contract adjustment payments, including any accrued and unpaid contract adjustment payments and deferred contract adjustment payments (including compounded contract adjustment payments thereon), will cease. In addition, holders of Corporate Units receive quarterly cash distributions consisting of their pro rata share of interest payments on each series of RSNs (or distributions on the applicable ownership interest in the Treasury portfolio, as applicable), equivalent to the rate of 2.70% per year for the Series 2019A RSNs and 2.70% per year for the Series 2019B RSNs. There will be no interest payments in respect of the Treasury securities that are a component of the Treasury Units, but to the extent that such holders of Treasury Units continue to hold the RSNs that were delivered to them when they created the Treasury Units, such holders will continue to receive the scheduled interest payments on their separate RSNs for as long as they hold the RSNs, subject to the Company's right to defer such payments and subject to any modifications made thereto pursuant to a successful remarketing.

The Company has the right to defer payment of quarterly contract adjustment payments and of interest on either or both series of RSNs as described under “Description of the Purchase Contracts—Contract Adjustment Payments” and “Description of the Remarketable Junior Subordinated Notes—Option to Defer Interest Payments,” respectively.

Listing

The Corporate Units are listed on the New York Stock Exchange under the symbol “SOLN”. Except in connection with early settlement, fundamental change early settlement, a termination event or settlement on the purchase contract settlement date with separate cash, unless and until substitution has been made as described in “—Creating Treasury Units by Substituting a Treasury Security for the RSNs” or “—Recreating Corporate Units,” neither the RSN of either series or the applicable ownership interest in the Treasury portfolio component of a Corporate Unit nor the Treasury security component of a Treasury Unit will trade separately from Corporate Units or Treasury Units. The RSNs or applicable ownership interest in the Treasury portfolio component will trade as a unit with the purchase contract component of the Corporate Units, and the Treasury security component will trade as a unit with the purchase contract component of the Treasury Units. In addition, if Treasury Units or RSNs of either series are separately traded to a sufficient extent that the applicable exchange listing requirements are met, the Company may endeavor to cause the Treasury Units or RSNs of either series to be listed on the exchange on which the Corporate Units are then listed, including, if applicable, the New York Stock Exchange. However, there can be no assurance that the Company will list the Treasury Units or the RSNs of either series on any exchange or quotation system.

Ranking

The RSNs, which are included in the Equity Units, are the Company’s junior subordinated obligations, subordinated to the Company’s existing and future Senior Indebtedness (as defined under “Description of the Junior Subordinated Notes—Subordination” above). The Series 2019A RSNs and the Series 2019B RSNs were issued under the Subordinated Note Indenture.

In addition, the Company’s obligations with respect to contract adjustment payments are subordinated in right of payment to the Company’s existing and future Senior Indebtedness.

The RSNs and the Company’s obligations with respect to contract adjustments payments are structurally subordinated to existing or future preferred stock and indebtedness, guarantees and other liabilities, including trade payables, of the Company’s subsidiaries.

The Company’s subsidiaries are separate and distinct legal entities from the Company. The Company’s subsidiaries have no obligation to pay any amounts due on the RSNs or the purchase contracts or to provide the Company with funds to meet the Company’s respective payment obligations on the RSNs or purchase contracts. Any payment of dividends, loans or advances by the Company’s subsidiaries to the Company could be subject to statutory or contractual restrictions and will be contingent upon the subsidiaries’ earnings and business considerations. The Company’s right to receive any assets of any of the Company’s subsidiaries

upon their bankruptcy, liquidation or similar reorganization, and therefore the right of the holders of the RSNs or purchase contracts to participate in those assets, will be structurally subordinated to the claims of that subsidiary's creditors, including trade creditors. Even if the Company is a creditor of any of the Company's subsidiaries, the Company's rights as a creditor would be subordinated to any security interest in the assets of the Company's subsidiaries and any indebtedness of the Company's subsidiaries senior to that held by the Company.

Voting and Certain Other Rights

Prior to the delivery of shares of Common Stock under each purchase contract, such purchase contract shall not entitle the holder of the Corporate Units or Treasury Units to any rights of a holder of shares of Common Stock, including, without limitation, the right to vote or receive any dividends or other payments or distributions or to consent to or to receive notice as a stockholder or other rights in respect of the Common Stock.

Repurchase of the Equity Units

The Company may purchase from time to time any of the Equity Units that are then outstanding by tender, in the open market, by private agreement or otherwise, subject to compliance with applicable law.

Description of the Purchase Contracts

The term “business day”, as used in this Description of the Purchase Contracts, has the meaning ascribed to it under the caption “Description of the Equity Units” above.

The term “record date”, as used in this Description of the Purchase Contracts, has the meaning ascribed to it in this Description of the Purchase Contracts.

Purchase of Common Stock

Each purchase contract that is a component of a Corporate Unit or a Treasury Unit obligates its holder to purchase, and the Company to issue and deliver, on the purchase contract settlement date (August 1, 2022 (or if such day is not a business day, the following business day)), for \$50 in cash a number of shares of Common Stock equal to the settlement rate (together with cash, if applicable, in lieu of any fractional shares of Common Stock in the manner described below), unless the purchase contract terminates prior to that date or is settled early at the holder’s option. The number of shares of Common Stock issuable upon settlement of each purchase contract on the purchase contract settlement date (which is referred to as the “settlement rate”) will be determined as follows, subject to adjustment as described under “—Anti-dilution Adjustments” below:

(1) If the applicable market value of the Common Stock is equal to or greater than the “threshold appreciation price” of \$68.64, the settlement rate will be 0.7284 shares of Common Stock (this settlement rate is referred to as the “minimum settlement rate”).

Accordingly, if the market price for the Common Stock increases between August 13, 2019 (the date the Equity Units were priced (the “Pricing Date”)) and the period during which the applicable market value is measured and the applicable market value is greater than the threshold appreciation price, the aggregate market value of the shares of Common Stock issued upon settlement of each purchase contract will be higher than the stated amount, assuming that the market price of the Common Stock on the purchase contract settlement date is the same as the applicable market value of the Common Stock. If the applicable market value is the same as the threshold appreciation price, the aggregate market value of the shares issued upon settlement will be equal to the stated amount, assuming that the market price of the Common Stock on the purchase contract settlement date is the same as the applicable market value of the Common Stock.

(2) If the applicable market value of the Common Stock is less than the threshold appreciation price but greater than the “reference price” of \$57.20, which was the closing price of the Common Stock on the New York Stock Exchange on the Pricing Date, 2019, the date the Equity Units were priced, the settlement rate will be a number of shares of Common Stock equal to \$50 divided by the applicable market value, rounded to the nearest ten thousandth of a share.

Accordingly, if the market price for the Common Stock increases between the Pricing Date (the date the Equity Units were priced) and the period during which the

applicable market value is measured, but the market price does not exceed the threshold appreciation price, the aggregate market value of the shares of Common Stock issued upon settlement of each purchase contract will be equal to the stated amount, assuming that the market price of the Common Stock on the purchase contract settlement date is the same as the applicable market value of the Common Stock.

(3) If the applicable market value of the Common Stock is less than or equal to the reference price of \$57.20, the settlement rate will be 0.8741 shares of Common Stock, which is equal to the stated amount divided by the reference price (this settlement rate is referred to as the “maximum settlement rate”).

Accordingly, if the market price for the Common Stock decreases between the Pricing Date (the date the Equity Units were priced) and the period during which the applicable market value is measured and the market price is less than the reference price, the aggregate market value of the shares of Common Stock issued upon settlement of each purchase contract will be less than the stated amount, assuming that the market price on the purchase contract settlement date is the same as the applicable market value of the Common Stock. If the market price of the Common Stock is the same as the reference price, the aggregate market value of the shares will be equal to the stated amount, assuming that the market price of the Common Stock on the purchase contract settlement date is the same as the applicable market value of the Common Stock.

The threshold appreciation price is equal to \$50 divided by the minimum settlement rate (such quotient rounded to the nearest \$0.0001), which is \$68.64 and represents appreciation of approximately 20.0% over the reference price.

If you elect to settle your purchase contract early in the manner described under “—Early Settlement,” the number of shares of Common Stock issuable upon settlement of such purchase contract will be 0.7284, the minimum settlement rate, subject to adjustment as described under “—Anti-dilution Adjustments.” If you elect to settle your purchase contract early upon a fundamental change, the number of shares of Common Stock issuable upon settlement will be determined as described under “—Early Settlement Upon a Fundamental Change.” The minimum settlement rate and the maximum settlement rate are referred to as the “fixed settlement rates.”

The “applicable market value” means the average of the volume-weighted average price, or VWAP, of the Common Stock on each trading day during the 20 consecutive scheduled trading day period ending on the third scheduled trading day immediately preceding the purchase contract settlement date (the “market value averaging period”). The “VWAP” of the Common Stock means, for the relevant trading day, the per share VWAP on the principal exchange or quotation system on which the Common Stock is listed or admitted for trading as displayed under the heading Bloomberg VWAP on Bloomberg page “SO US <EQUITY> AQR” (or its equivalent successor if that page is not available) in respect of the period from the scheduled open of trading on the relevant trading day until the scheduled close of trading on the relevant trading day (or if such VWAP is unavailable, the market price of one share of Common Stock on

such trading day determined, using a volume-weighted average method, by a nationally recognized independent investment banking firm retained for this purpose by the Company).

A “trading day” means, for purposes of determining a VWAP or closing price, a day (i) on which the principal exchange or quotation system on which the Common Stock is listed or admitted for trading is scheduled to be open for business and (ii) on which there has not occurred or does not exist a market disruption event.

A “market disruption event” means any of the following events:

- any suspension of, or limitation imposed on, trading by the principal exchange or quotation system on which the Common Stock is listed or admitted for trading during the one-hour period prior to the close of trading for the regular trading session on such exchange or quotation system (or for purposes of determining VWAP any period or periods prior to 1:00 p.m., New York City time, aggregating one half hour or longer) and whether by reason of movements in price exceeding limits permitted by the relevant exchange or quotation system or otherwise relating to the Common Stock or in futures or option contracts relating to the Common Stock on the relevant exchange or quotation system; or
- any event (other than a failure to open or, except for purposes of determining VWAP, a closure as described below) that disrupts or impairs the ability of market participants during the one-hour period prior to the close of trading for the regular trading session on the principal exchange or quotation system on which the Common Stock is listed or admitted for trading (or for purposes of determining VWAP any period or periods prior to 1:00 p.m., New York City time, aggregating one half hour or longer) in general to effect transactions in, or obtain market values for, the Common Stock on the relevant exchange or quotation system or futures or options contracts relating to the Common Stock on any relevant exchange or quotation system; or
- the failure to open of the principal exchange or quotation system on which futures or options contracts relating to the Common Stock are traded or, except for purposes of determining VWAP, the closure of such exchange or quotation system prior to its respective scheduled closing time for the regular trading session on such day (without regard to after hours or other trading outside the regular trading session hours) unless such earlier closing time is announced by such exchange or quotation system at least one hour prior to the earlier of the actual closing time for the regular trading session on such day and the submission deadline for orders to be entered into such exchange or quotation system for execution at the actual closing time on such day.

If a market disruption event occurs on any scheduled trading day during the market value averaging period, the Company will notify investors on the calendar day on which such event occurs.

If 20 trading days for the Common Stock have not occurred during the market value averaging period, all remaining trading days will be deemed to occur on the third scheduled trading day immediately prior to the purchase contract settlement date and the VWAP of the Common Stock for each of the remaining trading days will be the VWAP of the Common Stock on that third scheduled trading day or, if such day is not a trading day, the closing price as of such day.

The “closing price” per share of Common Stock means, on any date of determination, the closing sale price or, if no closing sale price is reported, the last reported sale price of the Common Stock on the principal United States securities exchange on which the Common Stock is listed, or if the Company’s Common Stock is not so listed on a United States securities exchange, the average of the last quoted bid and ask prices for the Common Stock in the over-the-counter market as reported by OTC Markets Group Inc. or similar organization, or, if those bid and ask prices are not available, the market value of the Common Stock on that date as determined by a nationally recognized independent investment banking firm retained by the Company for this purpose.

The Company will not issue any fractional shares of Common Stock upon settlement of a purchase contract. Instead of a fractional share, the holder will receive an amount of cash equal to the percentage of a whole share represented by such fractional share multiplied by the closing price of the Common Stock on the trading day immediately preceding the purchase contract settlement date (or the trading day immediately preceding the relevant settlement date, in the case of early settlement). If, however, a holder surrenders for settlement at one time certificates evidencing more than one purchase contract, then the number of shares of Common Stock issuable pursuant to such purchase contracts will be computed based upon the aggregate number of purchase contracts surrendered (including any global security certificate, to the extent permitted by, and practicable under, procedures of The Depository Trust Company (“DTC” or the “depository”).

Unless:

- a holder has settled early the related purchase contracts by delivery of cash to the purchase contract agent in the manner described under “—Early Settlement” or “—Early Settlement Upon a Fundamental Change;”
- a holder of Corporate Units has settled the related purchase contracts with separate cash in the manner described under “—Notice to Settle with Cash;” or
- an event described under “—Termination” has occurred;

then, on the purchase contract settlement date,

- in the case of Corporate Units where there has not been a successful optional or final remarketing, the holder will be deemed to have exercised its put right as described under “—Remarketing” (unless it shall have elected not to exercise such put right by delivering cash as described thereunder) and to have elected to

apply the proceeds of the put price to satisfy in full the holder's obligation to purchase the Common Stock under the related purchase contracts;

- in the case of Corporate Units where the Treasury portfolio or cash has replaced the RSNs as a component of the Corporate Units following a successful optional remarketing, the portion of the proceeds of the applicable ownership interests in the Treasury portfolio when paid at maturity or an amount of cash equal to the stated amount of \$50 per Corporate Unit will be applied to satisfy in full the holder's obligation to purchase Common Stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of Corporate Units;
- in the case of Corporate Units where the RSNs have been successfully remarketed during the final remarketing period, the portion of the remarketing proceeds sufficient to satisfy the holder's obligation to purchase the Common Stock under the related purchase contracts will be applied to satisfy in full the holder's obligation to purchase Common Stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of Corporate Units; and
- in the case of Treasury Units, the proceeds of the related Treasury securities, when paid at maturity, will be applied to satisfy in full the holder's obligation to purchase the Common Stock under the related purchase contracts and any excess proceeds will be delivered to the purchase contract agent for the benefit of the holders of Treasury Units.

The Common Stock will then be issued and delivered to the holder or the holder's designee on the purchase contract settlement date. The Company will pay all stock transfer and similar taxes attributable to the initial issuance and delivery of the shares of Common Stock pursuant to the purchase contracts, unless any such tax is due because the holder requests such shares to be issued in a name other than such holder's name.

Prior to the settlement of a purchase contract, the shares of Common Stock underlying each purchase contract will not be outstanding, and the holder of the purchase contract will not have any voting rights, rights to dividends or other distributions or other rights of a holder of the Common Stock by virtue of holding such purchase contract.

By purchasing a Corporate Unit or a Treasury Unit, a holder is deemed to have, among other things:

- irrevocably appointed the purchase contract agent as its attorney-in-fact to enter into and perform the related purchase contract and the purchase contract and pledge agreement in the name of and on behalf of such holder;
- agreed to be bound by the terms and provisions of the Corporate Units or Treasury Units, as applicable, including, but not limited to, the terms of the

related purchase contract and the purchase contract and pledge agreement, for so long as the holder remains a holder of Corporate Units or Treasury Units;

- consented to and agreed to be bound by the pledge of such holder's right, title and interest in and to its undivided beneficial ownership interest in each series of RSNs, the portion of the Treasury portfolio (or cash) described in the first clause of the definition of "applicable ownership interest" or the Treasury securities, as applicable, and the delivery of such collateral by the purchase contract agent to the collateral agent; and
- agreed to the satisfaction of the holder's obligations under the purchase contracts with the proceeds of the pledged undivided beneficial ownership in the RSNs, Treasury portfolio (or cash), Treasury securities or put price, as applicable, in the manner described above if the option to settle the purchase contracts through payment of separate cash is not elected.

Remarketing

The Company has agreed to enter into a remarketing agreement with one or more remarketing agents no later than 20 days prior to the first day of the final remarketing period or, if the Company elects to conduct an optional remarketing, no later than 20 days prior to the first day of the optional remarketing period.

During a blackout period that relates to each remarketing period:

- a holder may not settle a purchase contract early;
- a holder may not create Treasury Units; and
- a holder may not recreate Corporate Units from Treasury Units.

Each of an "optional remarketing" and a "final remarketing" is referred to as a "remarketing." In a remarketing, the RSNs of each series that are a part of Corporate Units (except, in the case of a final remarketing, where the holder has elected to settle the purchase contract through payment of separate cash) and any separate RSNs whose holders have elected to participate in the remarketing, as described under "Description of the Remarketable Junior Subordinated Notes—Remarketing of RSNs That Are Not Included in Corporate Units," will be remarketed.

Following any successful remarketing of the RSNs:

- the interest rate on each series of RSNs may be reset as described below and under "Description of the Remarketable Junior Subordinated Notes—Interest Rate Reset" below;
- interest will be payable on the RSNs semi-annually on February 1 and August 1 of each year;

- the Series 2019B RSNs will cease to be redeemable at the Company’s option, and the provisions described under “Description of the Remarketable Junior Subordinated Notes—Redemption at the Company’s Option” and “—Redemption Procedures” will no longer apply to the Series 2019B RSNs; and
- the Company will cease to have the ability to defer interest payments on the RSNs, and the provisions described under “Description of the Remarketable Junior Subordinated Notes—Option to Defer Interest Payments” will no longer apply to the RSNs.

All such modifications will take effect only if the remarketing is successful, without the consent of holders, upon the earlier of the optional remarketing settlement date (as defined below) or the purchase contract settlement date, as the case may be, and will apply to all RSNs, whether or not included in the remarketing. All other terms of the RSNs will remain unchanged.

In order to remarket the RSNs, the remarketing agent, in consultation with the Company, may reset the interest rate on each series of RSNs (either upward or downward), in order to produce the required price in the remarketing, as discussed under “—Optional Remarketing” and “—Final Remarketing” below.

The Company will use commercially reasonable efforts to ensure that, if required by applicable law, a registration statement, including a prospectus, with regard to the full amount of each series of the RSNs to be remarketed will be effective under the securities laws in a form that may be used by the remarketing agent in connection with the remarketing (unless a registration statement is not required under the applicable laws and regulations that are in effect at that time or unless the Company conducts any remarketing in accordance with an exemption under the securities laws).

The Company will separately pay a fee to the remarketing agent for its services as remarketing agent. Holders whose RSNs are remarketed will not be responsible for the payment of any remarketing fee in connection with the remarketing.

Optional Remarketing

Unless a termination event has occurred, the Company may elect, at the Company’s option, to engage the remarketing agent pursuant to the terms of the remarketing agreement, to remarket the RSNs over a period selected by the Company that begins on or after April 28, 2022 (the second business day immediately preceding the May 1, 2022 interest payment date) and ends any time on or before July 13, 2022 (the eighth calendar day immediately preceding the first day of the final remarketing period). This period is referred to as the “optional remarketing period,” a remarketing that occurs during the optional remarketing period as an “optional remarketing” and the date the RSNs are priced in an optional remarketing as the “optional remarketing date.” In any optional remarketing, the aggregate principal amount of the RSNs of each series that are a part of Corporate Units and any separate RSNs of either series whose holders have elected to participate in the optional remarketing, as described under “Description of the Remarketable Junior Subordinated Notes—Remarketing of RSNs That Are Not Included

in Corporate Units,” will be remarketed. If the Company elects to conduct an optional remarketing, the remarketing agent will use its commercially reasonable efforts to obtain a price for the RSNs of each series that results in aggregate proceeds of at least 100% of the aggregate of the Treasury portfolio purchase price (as defined below) and the separate RSNs purchase price (as defined below). To obtain that price, the remarketing agent may, in consultation with the Company, reset the interest rate on each series of RSNs, as described under “Description of the Remarketable Junior Subordinated Notes—Interest Rate Reset.” The Company will request that the depository notify its participants holding Corporate Units, Treasury Units and separate RSNs of the Company’s election to conduct an optional remarketing no later than five business days prior to the date the Company begins the optional remarketing.

The Company may not elect to conduct an optional remarketing if the Company is then deferring interest on the RSNs. See “Description of the Remarketable Junior Subordinated Notes—Option to Defer Interest Payments.”

An optional remarketing on any remarketing date will be considered successful if the remarketing agent is able to remarket the RSNs of each series at a price that results in aggregate proceeds of at least 100% of the Treasury portfolio purchase price and the separate RSNs purchase price.

Following a successful optional remarketing of the RSNs, on the optional remarketing settlement date, the portion of the remarketing proceeds equal to the Treasury portfolio purchase price will, except as described below, be used to purchase the Treasury portfolio and the remaining proceeds attributable to the RSNs underlying the Corporate Units will be remitted to the purchase contract agent for distribution pro rata to the holders of such Corporate Units. The portion of the remarketing proceeds attributable to the separate RSNs sold in the remarketing will be remitted to the custodial agent for distribution on the optional remarketing settlement date to the holders of such separate RSNs.

If the Company elects to conduct an optional remarketing and the remarketing is successful:

- settlement with respect to the remarketed RSNs will occur on the second business day following the optional remarketing date, unless the remarketed RSNs are priced after 4:30 p.m., New York City time, on the optional remarketing date, in which case settlement will occur on the third business day following the optional remarketing date (such settlement date is referred to as the “optional remarketing settlement date”);
- interest on the RSNs will be payable semi-annually;
- the interest deferral provisions will cease to apply to the RSNs;
- the interest rate on each series of RSNs will be reset by the remarketing agent in consultation with the Company on the optional remarketing date and will become effective on the optional remarketing settlement date, if applicable;

- the other modifications to the terms of the RSNs, as described under “—Remarketing,” will become effective;
- after the optional remarketing settlement date, your Corporate Units will consist of a purchase contract and the applicable ownership interest in the Treasury portfolio (or cash), as described herein; and
- you may no longer create Treasury Units or recreate Corporate Units from Treasury Units.

If the Company does not elect to conduct an optional remarketing during the optional remarketing period or no optional remarketing succeeds for any reason, the RSNs will continue to be a component of the Corporate Units or will continue to be held separately and the remarketing agent will use its commercially reasonable efforts to remarket the RSNs during the final remarketing period.

For the purposes of a successful optional remarketing, “Treasury portfolio purchase price” means the lowest aggregate ask-side price quoted by a primary United States government securities dealer in New York City to the quotation agent selected by the Company between 9:00 a.m. and 4:00 p.m., New York City time, on the optional remarketing date for the purchase of the Treasury portfolio for settlement on the optional remarketing settlement date; *provided* that if the Treasury portfolio consists of cash, “Treasury portfolio purchase price” means the amount of such cash.

Components of the Treasury Portfolio

Following a successful optional remarketing and receipt of the proceeds, the collateral agent will purchase, at the Treasury portfolio purchase price, a Treasury portfolio consisting of:

- United States Treasury securities (or principal or interest strips thereof) that mature on or prior to the purchase contract settlement date in an aggregate amount at maturity equal to the principal amount of the Series 2019A RSNs underlying the undivided beneficial ownership interests in the Series 2019A RSNs included in the Corporate Units on the optional remarketing date;
- United States Treasury securities (or principal or interest strips thereof) that mature on or prior to the purchase contract settlement date in an aggregate amount at maturity equal to the principal amount of the Series 2019B RSNs underlying the undivided beneficial ownership interests in the Series 2019B RSNs included in the Corporate Units on the optional remarketing date;
- United States Treasury securities (or principal or interest strips thereof) that mature on or prior to the purchase contract settlement date in an aggregate amount at maturity equal to the aggregate interest payment (assuming no reset of the interest rate) that would have been paid to the holders of the Corporate Units on the purchase contract settlement date on the principal amount of the Series 2019A

RSNs underlying the undivided beneficial ownership interests in the Series 2019A RSNs included in the Corporate Units on the optional remarketing date; and

- United States Treasury securities (or principal or interest strips thereof) that mature on or prior to the purchase contract settlement date in an aggregate amount at maturity equal to the aggregate interest payment (assuming no reset of the interest rate) that would have been paid to the holders of the Corporate Units on the purchase contract settlement date on the principal amount of the Series 2019B RSNs underlying the undivided beneficial ownership interests in the Series 2019B RSNs included in the Corporate Units on the optional remarketing date.

If United States Treasury securities (or principal or interest strips thereof) that are to be included in the Treasury portfolio in connection with a successful optional remarketing have a yield that is less than zero, the Treasury portfolio will consist of an amount in cash equal to the aggregate principal amount at maturity of the United States Treasury securities described in the bullet points above. If the provisions set forth in this paragraph apply, references herein to a “Treasury security” and “United States Treasury securities (or principal or interest strips thereof)” in connection with the Treasury portfolio will, thereafter, be deemed to be references to such amount in cash.

The applicable ownership interests in the Treasury portfolio will be substituted for the undivided beneficial ownership interests in the RSNs of each series that are components of the Corporate Units and the portions of the Treasury portfolio described in the first and second bullets above will be pledged to the Company through the collateral agent to secure the Corporate Unit holders’ obligation under the purchase contracts. On the purchase contract settlement date, for each Corporate Unit, \$50 of the proceeds from the Treasury portfolio will automatically be applied to satisfy the Corporate Unit holder’s obligation to purchase Common Stock under the purchase contract. In addition, proceeds from the portions of the Treasury portfolio described in the third and fourth bullets above, which will equal the interest payments (assuming no reset of the interest rate) that would have been paid on each series of RSNs that were components of the Corporate Units at the time of remarketing, will be paid on the purchase contract settlement date to the holders of the Corporate Units.

If the Company elects to remarket the RSNs during the optional remarketing period and a successful remarketing has not occurred on or prior to July 13, 2022 (the last day of the optional remarketing period), the Company will cause a notice of the failed remarketing to be published no later than 9:00 a.m., New York City time, on the business day immediately following the last date of the optional remarketing period. This notice will be validly published by furnishing such information on a Current Report on Form 8-K or by making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Service. The Company will similarly cause a notice of a successful remarketing of the RSNs to be published no later than 9:00 a.m., New York City time, on the business day immediately following the date of such successful remarketing.

On each business day during any optional remarketing period, the Company has the right in its sole and absolute discretion to determine whether or not an optional remarketing will be attempted. At any time and from time to time during the optional remarketing period prior to the announcement of a successful optional remarketing, the Company has the right to postpone any optional remarketing in its sole and absolute discretion.

Final Remarketing

Unless a termination event or a successful optional remarketing has previously occurred, the Company will remarket the RSNs during the five business day period ending on, and including, July 27, 2022 (the third business day immediately preceding the purchase contract settlement date). This period is referred to as the “final remarketing period,” the remarketing during this period as the “final remarketing” and the date the RSNs are priced in the final marketing as the “final remarketing date.” In the final remarketing, the aggregate principal amount of the RSNs of each series that are a part of Corporate Units (except where the holder has elected to settle the purchase contract through payment of separate cash) and any separate RSNs of either series whose holders have elected to participate in the final remarketing will be remarketed. The remarketing agent will use its commercially reasonable efforts to obtain a price for the RSNs of each series to be remarketed that results in proceeds of at least 100% of the principal amount of all the RSNs offered in the remarketing. To obtain that price, the remarketing agent, in consultation with the Company, may reset the interest rate on each series of RSNs as described under “Description of the Remarketable Junior Subordinated Notes—Interest Rate Reset.” The Company will request that the depository notify its participants holding Corporate Units, Treasury Units and separate RSNs of the final remarketing no later than seven days prior to the first day of the final remarketing period. In such notice, the Company will set forth the dates of the final remarketing period, applicable procedures for holders of separate RSNs to participate in the final remarketing, the applicable procedures for holders of Corporate Units to create Treasury Units and for holders of Treasury Units to recreate Corporate Units, the applicable procedures for holders of Corporate Units to settle their purchase contracts early and any other applicable procedures, including the procedures that must be followed by a holder of separate RSNs in the case of a failed remarketing if a holder of separate RSNs wishes to exercise its right to put its RSNs to the Company as described below and under “Description of the Remarketable Junior Subordinated Notes—Put Option upon Failed Remarketing.” The Company has the right to postpone the final remarketing in its sole and absolute discretion on any day prior to the last three business days of the final remarketing period.

A remarketing during the final remarketing period will be considered successful if the remarketing agent is able to remarket the RSNs for a price of at least 100% of the aggregate principal amount of all the RSNs offered in the remarketing.

If the final remarketing is successful:

- settlement with respect to the remarketed RSNs will occur on the purchase contract settlement date;

- the interest rate of each series of RSNs will be reset by the remarketing agent in consultation with the Company, and will become effective on the reset effective date, which will be the purchase contract settlement date, as described under “Description of the Remarketable Junior Subordinated Notes—Interest Rate Reset” below;
- the other modifications to the terms of the RSNs, as described under “—Remarketing,” will become effective; and
- the collateral agent will remit the portion of the proceeds equal to the total principal amount of the RSNs of each series underlying the Corporate Units to the Company to satisfy in full the Corporate Unit holders’ obligations to purchase Common Stock under the related purchase contracts, and any excess proceeds attributable to RSNs underlying Corporate Units that were remarketed will be remitted to the purchase contract agent for distribution pro rata to the holders of such RSNs and proceeds from the final remarketing attributable to the separate RSNs remarketed will be remitted to the custodial agent for distribution pro rata to the holders of the remarketed separate RSNs.

Unless a termination event has occurred, a holder has effected an early settlement or a fundamental change early settlement or there has been a successful remarketing, each Corporate Unit holder has the option at any time on or after the date the Company gives notice of a final remarketing to notify the purchase contract agent at any time prior to 4:00 p.m., New York City time, on the second business day immediately prior to the first day of the final remarketing period of its intention to settle the related purchase contracts on the purchase contract settlement date with separate cash and to provide that cash on or prior to the business day immediately prior to the first day of the final remarketing period, as described under “—Notice to Settle with Cash.” The RSNs of any holder of Corporate Units who has not given this notice or failed to deliver the cash will be remarketed during the final remarketing period. In addition, holders of RSNs that do not underlie Corporate Units may elect to participate in the remarketing as described under “Description of the Remarketable Junior Subordinated Notes—Remarketing of RSNs That Are Not Included in Corporate Units.”

If, in spite of using its commercially reasonable efforts, the remarketing agent cannot remarket the RSNs during the final remarketing period at a price equal to or greater than 100% of the aggregate principal amount of all the RSNs offered in the remarketing, a condition precedent set forth in the remarketing agreement has not been fulfilled or a successful remarketing has not occurred for any other reason, in each case resulting in a “failed remarketing,” holders of all RSNs will have the right to put their RSNs to the Company for an amount equal to the principal amount of their RSNs (the “put price”). The conditions precedent in the remarketing agreement will include, but not be limited to, the timely filing with the SEC of all material related to the remarketing required to be filed by the Company, the truth and correctness of certain representations and warranties made by the Company in the remarketing agreement, the furnishing of certain officer’s certificates to the remarketing agent and the receipt by the remarketing agent of customary “comfort letters” from the Company’s auditors and

opinions of counsel. A holder of Corporate Units will be deemed to have automatically exercised this put right with respect to both series of RSNs underlying such Corporate Units unless the holder has provided a written notice to the purchase contract agent of its intention to settle the purchase contract with separate cash as described below under “—Notice to Settle with Cash” prior to 4:00 p.m., New York City time, on the second business day immediately prior to the purchase contract settlement date, and on or prior to the business day immediately preceding the purchase contract settlement date has delivered the \$50 in cash per purchase contract. Settlement with separate cash may only be effected in integral multiples of 40 Corporate Units. If a holder of Corporate Units elects to settle with separate cash, upon receipt of the required cash payment, the related RSNs underlying the Corporate Units will be released from the pledge under the purchase contract and pledge agreement and delivered promptly to the purchase contract agent for delivery to the holder. The holder of the Corporate Units will then receive the applicable number of shares of Common Stock on the purchase contract settlement date. The cash received by the collateral agent upon this settlement with separate cash may, upon the Company’s written direction, be invested in permitted investments, as defined in the purchase contract and pledge agreement, and the portion of the proceeds equal to the aggregate purchase price of all purchase contracts of such holders will be paid to the Company on the purchase contract settlement date. Permitted investments may include investments for which the collateral agent or its affiliates serve as manager, investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian and for which the collateral agent may receive fees. Any excess funds received by the collateral agent in respect of any such permitted investments over the aggregate purchase price remitted to the Company in satisfaction of the obligations of the holders under the purchase contracts will be distributed to the purchase contract agent for ratable payment to the applicable holders who settled with separate cash. If a failed remarketing has occurred, unless a holder of Corporate Units has elected to settle the related purchase contracts with separate cash and delivered the separate cash on or prior to the business day immediately preceding the purchase contract settlement date, the holder will be deemed to have elected to apply the put price against the holder’s obligations to pay the aggregate purchase price for the shares of Common Stock to be issued under the related purchase contracts, thereby satisfying the obligations in full, and the Company will deliver to the holder the Common Stock pursuant to the related purchase contracts.

If a successful final remarketing has not occurred on or prior to July 27, 2022 (the last day of the final remarketing period), the Company will cause a notice of the failed remarketing of the RSNs to be published no later than 9:00 a.m., New York City time, on the business day immediately following the last date of the final remarketing period. This notice will be validly published by furnishing such information on a Current Report on Form 8-K or making a timely release to any appropriate news agency, including Bloomberg Business News and the Dow Jones News Service.

Early Settlement

Subject to the conditions described below, a holder of Corporate Units or Treasury Units may settle the related purchase contracts at any time prior to 4:00 p.m., New York City time, on

the second business day immediately preceding the purchase contract settlement date, other than during a blackout period in the case of Corporate Units. An early settlement may be made only in integral multiples of 40 Corporate Units or 20 Treasury Units; however, if the Treasury portfolio has replaced the RSNs as a component of the Corporate Units following a successful optional remarketing, holders of Corporate Units may settle early only in integral multiples of 20,000 Corporate Units. In order to settle purchase contracts early, a holder of Equity Units must deliver to the purchase contract agent at the corporate trust office of the purchase contract agent or its agent, in each case, in Hartford, Connecticut (1) a completed “Election to Settle Early” form, along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form and (2) a cash payment in immediately available funds in an amount equal to:

- \$50 times the number of purchase contracts being settled; plus
- if the early settlement date occurs during the period from the close of business on any record date next preceding any contract adjustment payment date to the opening of business on such contract adjustment payment date, an amount equal to the contract adjustment payments payable on such contract adjustment payment date, unless the Company has elected to defer the contract adjustment payments payable on such contract adjustment payment date.

So long as you hold Equity Units as a beneficial interest in a global security certificate deposited with the depository, procedures for early settlement will also be governed by standing arrangements between the depository and the purchase contract agent.

The early settlement right is also subject to the condition that, if required under United States federal securities laws, the Company has a registration statement under the Securities Act of 1933, as amended, in effect and an available prospectus covering the shares of Common Stock and other securities, if any, deliverable upon settlement of a purchase contract. The Company has agreed that, if such a registration statement is required, the Company will use its commercially reasonable efforts to (1) have a registration statement in effect covering those shares of Common Stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2) provide a prospectus in connection therewith, in each case in a form that may be used in connection with the early settlement right (it being understood that if there is a material business transaction or development that has not yet been publicly disclosed, the Company will not be required to file such registration statement or provide such a prospectus, and the early settlement right will not be available, until the Company has publicly disclosed such transaction or development; *provided* that the Company will use commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so). In the event that a holder seeks to exercise its early settlement right and a registration statement is required to be effective in connection with the exercise of such right but no such registration statement is then effective, the holder’s exercise of such right will be void unless and until such a registration statement is effective.

Upon early settlement, except as described below in “—Early Settlement Upon a Fundamental Change,” the Company will sell, and the holder will be entitled to buy, the minimum settlement rate of 0.7284 shares of Common Stock (or in the case of an early settlement following a reorganization event, such number of exchange property units, as described under “—Reorganization Events” below) for each purchase contract being settled (regardless of the market price of the Common Stock on the date of early settlement), subject to adjustment under the circumstances described under “—Anti-dilution Adjustments” below. The Company will cause, no later than the second business day after the applicable early settlement date, (1) the shares of Common Stock to be issued and (2) the related RSNs of each series or applicable ownership interests in the Treasury portfolio or Treasury securities, as the case may be, underlying the Equity Units and securing such purchase contracts to be released from the pledge under the purchase contract and pledge agreement and delivered to the purchase contract agent for delivery to the holder. Upon early settlement, the holder will be entitled to receive any accrued and unpaid contract adjustment payments (including any accrued and unpaid deferred contract adjustment payments and compounded contract adjustment payments thereon) to, but excluding, the contract adjustment payment date immediately preceding the early settlement date. The holder’s right to receive future contract adjustment payments will also terminate.

If the purchase contract agent receives a completed “Election to Settle Early” form (along with the Corporate Unit or Treasury Unit certificate, if they are in certificated form) and payment of \$50 for each purchase contract being settled (and, if required, an amount equal to the contract adjustment payments payable on the next contract adjustment payment date) prior to 4:00 p.m., New York City time, on any business day and all conditions to early settlement have been satisfied, then that day will be considered the early settlement date. If the purchase contract agent receives the foregoing at or after 4:00 p.m., New York City time, on any business day or at any time on a day that is not a business day, then the next business day will be considered the early settlement date.

Early Settlement Upon a Fundamental Change

If a “fundamental change” (as defined below) occurs prior to the 30th scheduled trading day preceding the purchase contract settlement date, then, following the fundamental change, each holder of a purchase contract, subject to certain conditions described herein, will have the right to accelerate and settle the purchase contract early on the fundamental change early settlement date (defined below) at the settlement rate determined as if the applicable market value were determined, for such purpose, based on the market value averaging period starting on the 23rd scheduled trading day prior to the fundamental change early settlement date and ending on the third scheduled trading day immediately preceding the fundamental change early settlement date, plus an additional make-whole amount of shares (such additional make-whole amount of shares being hereafter referred to as the “make-whole shares”).

This right is referred to as the “fundamental change early settlement right.” If 20 trading days for the Common Stock have not occurred during the deemed market value averaging period referred to in the preceding paragraph, all remaining trading days will be deemed to occur on the third scheduled trading day immediately prior to the fundamental change early settlement date

and the VWAP of the Common Stock for each of the remaining trading days will be the VWAP of the Common Stock on that third scheduled trading day or, if such day is not a trading day, the closing price as of such day.

The Company will provide each of the holders with a notice of the completion of a fundamental change within four scheduled trading days after the effective date of a fundamental change. The notice will specify (1) a date (subject to postponement as described below, the “fundamental change early settlement date”), which will be at least 26 scheduled trading days after the date of the notice and one business day prior to the purchase contract settlement date, on which date the Company will deliver shares of Common Stock to holders who exercise the fundamental change early settlement right, (2) the date by which holders must exercise the fundamental change early settlement right, which will be no earlier than the second scheduled trading day before the fundamental change early settlement date, (3) the first scheduled trading day of the deemed market value averaging period; which will be the 23rd scheduled trading day prior to the fundamental change early settlement date, the reference price, the threshold appreciation price and the fixed settlement rates, (4) the amount and kind (per share of Common Stock) of the cash, securities and other consideration receivable by the holder upon settlement and (5) the amount of accrued and unpaid contract adjustment payments (including any deferred contract adjustment payments and compounded contract adjustment payments thereon), if any, that will be paid upon settlement to holders exercising the fundamental change early settlement right. To exercise the fundamental change early settlement right, you must deliver to the purchase contract agent at the corporate trust office of the purchase contract agent or its agent, in each case, in Hartford, Connecticut during the period beginning on the date the Company delivers notice that a fundamental change has occurred and ending at 4:00 p.m., New York City time, on the second scheduled trading day immediately preceding the fundamental change early settlement date (such period, subject to extension as described below, the “fundamental change exercise period”), the certificate evidencing your Corporate Units or Treasury Units if they are held in certificated form, and payment of \$50 for each purchase contract being settled in immediately available funds.

A “fundamental change” will be deemed to have occurred if any of the following occurs:

(1) a “person” or “group” within the meaning of Section 13(d) of the Exchange Act, as in effect on the initial issue date of the Corporate Units, has become the direct or indirect “beneficial owner,” as defined in Rule 13d-3 under the Exchange Act, of shares of Common Stock representing more than 50% of the voting power of the Common Stock;

(2) (A) the Company is involved in a consolidation with or merger into any other person, or any merger of another person into the Company, or any other similar transaction or series of related transactions (other than a merger, consolidation or similar transaction that does not result in the conversion or exchange of outstanding shares of Common Stock), in each case, in which 90% or more of the outstanding shares of Common Stock are exchanged for or converted into cash, securities or other property, greater than 10% of the value of which consists of cash, securities or other property that

is not (or will not be upon or immediately following the effectiveness of such consolidation, merger or other transaction) common stock listed on the New York Stock Exchange, the Nasdaq Global Select Market or the Nasdaq Global Market (or any of their respective successors) or (B) the consummation of any sale, lease or other transfer in one transaction or a series of related transactions of all or substantially all of the Company's consolidated assets to any person other than one of the Company's subsidiaries;

(3) the Common Stock ceases to be listed on at least one of the New York Stock Exchange, the Nasdaq Global Select Market and the Nasdaq Global Market (or any of their respective successors) or the announcement by any of such exchanges on which the Common Stock is then listed or admitted for trading that the Common Stock will no longer be so listed or admitted for trading, unless the Common Stock has been accepted for listing or admitted for trading on another of such exchanges; or

(4) the Company's stockholders approve the Company's liquidation, dissolution or termination;

provided that a transaction or event or series of related transactions that constitute a fundamental change pursuant to both clauses (1) and (2) above will be deemed to constitute a fundamental change solely pursuant to clause (2) of this definition of "fundamental change."

If you exercise the fundamental change early settlement right, the Company will deliver to you on the fundamental change early settlement date for each purchase contract with respect to which you have elected fundamental change early settlement, a number of shares (or exchange property units, if applicable) equal to the settlement rate described above plus the additional make-whole shares. In addition, on the fundamental change early settlement date, the Company will pay you the amount of any accrued and unpaid contract adjustment payments (including any deferred contract adjustment payments and compounded contract adjustment payments thereon) to, but excluding, the fundamental change early settlement date, unless the date on which the fundamental change early settlement right is exercised occurs following any record date and prior to the related scheduled contract adjustment payment date, and the Company is not deferring the related contract adjustment payment, in which case the Company will instead pay all accrued and unpaid contract adjustment payments to the holder as of such record date. You will also receive on the fundamental change early settlement date the RSNs of each series or the applicable ownership interest in the Treasury portfolio or Treasury securities underlying the Corporate Units or Treasury Units, as the case may be, with respect to which you are effecting a fundamental change early settlement, which, in each case, shall have been released from the pledge under the purchase contract and pledge agreement. If you do not elect to exercise your fundamental change early settlement right, your Corporate Units or Treasury Units will remain outstanding and will be subject to normal settlement on the purchase contract settlement date.

The Company has agreed that, if required under the United States federal securities laws, the Company will use its commercially reasonable efforts to (1) have in effect throughout the fundamental change exercise period a registration statement covering the Common Stock and other securities, if any, to be delivered in respect of the purchase contracts being settled and (2)

provide a prospectus in connection therewith, in each case in a form that may be used in connection with the fundamental change early settlement (it being understood that for so long as there is a material business transaction or development that has not yet been publicly disclosed (but in no event for a period longer than 90 days), the Company will not be required to file such registration statement or provide such a prospectus, and the fundamental change early settlement right will not be available, until the Company has publicly disclosed such transaction or development; *provided* that the Company will use commercially reasonable efforts to make such disclosure as soon as it is commercially reasonable to do so). In the event that a holder seeks to exercise its fundamental change early settlement right and a registration statement is required to be effective in connection with the exercise of such right but no such registration statement is then effective or a blackout period is continuing, the holder's exercise of such right will be void unless and until such a registration statement is effective and no blackout period is continuing. The fundamental change exercise period will be extended by the number of days during such period on which no such registration statement is effective or a blackout period is continuing (*provided* that the fundamental change exercise period will not be extended beyond the third scheduled trading day preceding the purchase contract settlement date) and the fundamental change early settlement date will be postponed to the third business day following the end of the fundamental change exercise period. The Company will provide each of the holders with a notice of any such extension and postponement at least 23 scheduled trading days prior to any such extension or postponement.

Unless the Treasury portfolio has replaced the RSNs as a component of the Corporate Units as result of a successful optional remarketing, holders of Corporate Units may exercise the fundamental change early settlement right only in integral multiples of 40 Corporate Units. If the Treasury portfolio has replaced the RSNs as a component of Corporate Units, holders of the Corporate Units may exercise the fundamental change early settlement right only in integral multiples of 20,000 Corporate Units.

A holder of Treasury Units may exercise the fundamental change early settlement right only in integral multiples of 20 Treasury Units.

Calculation of Make-Whole Shares

The number of make-whole shares per purchase contract applicable to a fundamental change early settlement will be determined by the Company or its agent by reference to the table below, based on the date on which the fundamental change occurs or becomes effective (the "effective date") and the "stock price" in the fundamental change, which will be:

- in the case of a fundamental change described in clause (2) above where the holders of the Common Stock receive only cash in the fundamental change, the cash amount paid per share of Common Stock; or
- otherwise, the average of the closing prices of the Common Stock over the 20 trading-day period ending on the trading day immediately preceding the effective date of the fundamental change.

Effective Date	Stock Price												
	\$20.00	\$30.00	\$40.00	\$50.00	\$57.20	\$65.00	\$68.64	\$75.00	\$80.00	\$90.00	\$100.00	\$125.00	\$150.00
August 16, 2019	0.2142	0.1311	0.0862	0.0385	0.0000	0.0673	0.0938	0.0745	0.0638	0.0508	0.0440	0.0349	0.0410
August 1, 2020	0.1385	0.0865	0.0581	0.0207	0.0000	0.0489	0.0747	0.0554	0.0456	0.0351	0.0304	0.0241	0.0255
August 1, 2021	0.0656	0.0420	0.0298	0.0075	0.0000	0.0294	0.0524	0.0319	0.0238	0.0176	0.0154	0.0123	0.0078
August 1, 2022	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000

The stock prices set forth in the second row of the table (i.e., the column headers) will be adjusted upon the occurrence of certain events requiring anti-dilution adjustments to the fixed settlement rates in a manner inversely proportional to the adjustments to the fixed settlement rates.

Each of the make-whole share amounts in the table will be subject to adjustment in the same manner and at the same time as the fixed settlement rates as set forth under “—Anti-dilution Adjustments.”

The exact stock price and effective date applicable to a fundamental change may not be set forth on the table, in which case:

- if the stock price is between two stock prices on the table or the effective date is between two effective dates on the table, the amount of make-whole shares will be determined by straight line interpolation between the make-whole share amounts set forth for the higher and lower stock prices and the two effective dates based on a 365-day year, as applicable;
- if the stock price is in excess of \$150.00 per share (subject to adjustment in the same manner as the stock prices set forth in the second row of the table as described above), then the make-whole share amount will be zero; and
- if the stock price is less than \$20.00 per share (subject to adjustment in the same manner as the stock prices set forth in the second row of the table as described above) (the “minimum stock price”), then the make-whole share amount will be determined as if the stock price equaled the minimum stock price, using straight line interpolation, as described above, if the effective date is between two effective dates on the table.

Notice to Settle with Cash

Unless a termination event has occurred, a holder effects an early settlement or a fundamental change early settlement with respect to the underlying purchase contract, or a successful remarketing has occurred, a holder of Corporate Units may settle the related purchase contract with separate cash by delivering the Corporate Unit certificate, if in certificated form, to the purchase contract agent at the corporate trust office of the purchase contract agent or its agent, in each case, in Hartford, Connecticut with the completed “Notice to Settle with Cash”

form at any time on or after the date the Company gives notice of a final remarketing and prior to 4:00 p.m., New York City time, on the second business day immediately preceding the first day of the final remarketing period or, if there has been a failed final remarketing, on the second business day immediately preceding the purchase contract settlement date. Holders of Corporate Units may only cash-settle Corporate Units in integral multiples of 40 Corporate Units.

The holder must also deliver to the securities intermediary the required cash payment in immediately available funds. Such payment must be delivered prior to 4:00 p.m., New York City time, on the first business day immediately preceding the final remarketing period or, if there has been a failed remarketing, on the first business day immediately preceding the purchase contract settlement date.

Upon receipt of the cash payment, the related RSN of each series will be released from the pledge arrangement and transferred to the purchase contract agent for distribution to the holder of the related Corporate Units. The holder of the Corporate Units will then receive the applicable number of shares of Common Stock on the purchase contract settlement date.

If a holder of Corporate Units that has given notice of its election to settle with cash fails to deliver the cash by the applicable time and date specified above, such holder shall be deemed to have consented to the disposition of its RSNs in the final remarketing or to have exercised its put right (as described under “—Remarketing” above), in each case, as applicable.

Any cash received by the collateral agent upon cash settlement may, upon the Company’s written direction, be invested in permitted investments, as defined in the purchase contract and pledge agreement, and the portion of the proceeds equal to the aggregate purchase price of all purchase contracts of such holders will be paid to the Company on the purchase contract settlement date. Any excess funds received by the collateral agent in respect of permitted investments over the aggregate purchase price remitted to the Company in satisfaction of the obligations of the holders under the purchase contracts will be distributed to the purchase contract agent for payment to the holders who settled with cash.

Contract Adjustment Payments

Contract adjustment payments in respect of Corporate Units and Treasury Units are fixed at a rate per year of 4.05% of the stated amount of \$50 per purchase contract. Contract adjustment payments payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. Contract adjustment payments have accrued from the date of issuance and are payable quarterly in arrears on February 1, May 1, August 1 and November 1 of each year.

Contract adjustment payments are payable to the holders of purchase contracts as they appear on the books and records of the purchase contract agent at the close of business on the relevant record dates, which will be the 15th day of the calendar month immediately preceding the calendar month in which the relevant payment date falls (or, if such day is not a business day, the next preceding business day) or if the Corporate Units or Treasury Units, as applicable, are held in book-entry form, the “record date” will be the business day immediately preceding the

applicable payment date. These distributions are paid through the purchase contract agent, which holds amounts received in respect of the contract adjustment payments for the benefit of the holders of the purchase contracts relating to the Equity Units.

If any date on which contract adjustment payments are to be made on the purchase contracts related to the Corporate Units or Treasury Units is not a business day, then payment of the contract adjustment payments payable on that date will be made on the next succeeding day that is a business day, and no interest or payment will be paid in respect of the delay.

For the avoidance of doubt, subject to the Company's right to defer contract adjustment payments, all record holders of purchase contracts on any record date will be entitled to receive the full contract adjustment payment due on the related contract adjustment payment date regardless of whether the holder of such purchase contract elects to settle such purchase contract early (whether at its option or in connection with a fundamental change) following such record date.

The Company's obligations with respect to contract adjustment payments are subordinated and junior in right of payment to the Company's obligations under any of the Company's Senior Indebtedness (as defined under "Description of the Junior Subordinated Notes—Subordination" above) and will rank on parity with the RSNs.

The Company may, at its option and upon prior written notice to the purchase contract agent, defer all or part of the contract adjustment payments, but not beyond the purchase contract settlement date (or, with respect to an early settlement upon a fundamental change, not beyond the fundamental change early settlement date or, with respect to an early settlement other than upon a fundamental change, not beyond the contract adjustment payment date immediately preceding the early settlement date).

Deferred contract adjustment payments will accrue additional contract adjustment payments at the rate equal to 6.75% per annum (which is equal to the rate of total distributions on the Corporate Units), compounded on each contract adjustment payment date, to, but excluding, the contract adjustment payment date on which such deferred contract adjustment payments are paid. The additional contract adjustment payments that accrue on deferred contract adjustment payments are referred to as "compounded contract adjustment payments." The Company may pay any such deferred contract adjustment payments (including compounded contract adjustment payments thereon) on any scheduled contract adjustment payment date; *provided* that in order to pay deferred contract adjustment payments on any scheduled contract adjustment payment date other than the purchase contract settlement date, the Company must deliver written notice thereof to holders of the Equity Units and the purchase contract agent on or before the relevant record date. If the purchase contracts are terminated (upon the occurrence of certain events of bankruptcy, insolvency or similar reorganization with respect to the Company), the right to receive contract adjustment payments and deferred contract adjustment payments (including compounded contract adjustment payments thereon) will also terminate.

If the Company exercises its option to defer the payment of contract adjustment payments, then, until the deferred contract adjustment payments (including compounded contract adjustment payments thereon) have been paid, it will not (1) declare or pay any dividends on, or make any distributions on, or redeem, purchase or acquire, or make a liquidation payment with respect to, any shares of the Company's capital stock, (2) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of the Company's debt securities that rank on parity with, or junior to, the contract adjustment payments, or (3) make any guarantee payments under any guarantee by the Company of securities of any of its subsidiaries if the Company's guarantee ranks on parity with, or junior to, the contract adjustment payments.

The restrictions listed above do not apply to:

(a) purchases, redemptions or other acquisitions of the Company's capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of the Company's obligations pursuant to any contract or security outstanding on the date that the contract adjustment payment is deferred requiring the Company to purchase, redeem or acquire the Company's capital stock;

(b) any payment, repayment, redemption, purchase, acquisition or declaration of dividends described in clause (1) above as a result of a reclassification of the Company's capital stock, or the exchange or conversion of all or a portion of one class or series of the Company's capital stock, for another class or series of the Company's capital stock;

(c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of the Company's capital stock or the security being converted or exchanged, or in connection with the settlement of stock purchase contracts outstanding on the date that the contract adjustment payment is deferred;

(d) dividends or distributions paid or made in the Company's capital stock (or rights to acquire the Company's capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for shares of the Company's capital stock) and distributions in connection with the settlement of stock purchase contracts outstanding on the date that the contract adjustment payment is deferred;

(e) redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a stockholder rights plan outstanding on the date that the contract adjustment payment is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;

(f) payments on the RSNs, any trust preferred securities, subordinated notes or junior subordinated notes, or any guarantees of any of the foregoing, in each case, that

rank equal in right of payment to the contract adjustment payments, so long as the amount of payments made on account of such securities or guarantees and the purchase contracts is paid on all such securities and guarantees and the purchase contracts then outstanding on a pro rata basis in proportion to the full payment to which each series of such securities, guarantees or purchase contracts is then entitled if paid in full; *provided* that, for the avoidance of doubt, the Company will not be permitted under the purchase contract and pledge agreement to make contract adjustment payments in part; or

(g) any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity or junior securities that, if not made, would cause the Company to breach the terms of the instrument governing such parity or junior securities.

Anti-dilution Adjustments

Each fixed settlement rate will be subject to the following adjustments:

(1) *Stock Dividends*. If the Company pays or makes a dividend or other distribution on the Common Stock in Common Stock, each fixed settlement rate in effect at the opening of business on the day following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution will be increased by dividing:

- each fixed settlement rate by
- a fraction, the numerator of which will be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination and the denominator will be the sum of such number of shares and the total number of shares constituting the dividend or other distribution.

If any dividend or distribution in this paragraph (1) is declared but not so paid or made, the new fixed settlement rates shall be readjusted, on the date that the Company's board of directors determines not to pay or make such dividend or distribution, to the fixed settlement rates that would then be in effect if such dividend or distribution had not been declared.

(2) *Stock Purchase Rights*. If the Company issues to all or substantially all holders of the Common Stock rights, options, warrants or other securities (other than pursuant to a dividend reinvestment, share purchase or similar plan) entitling them to subscribe for or purchase shares of Common Stock for a period expiring within 45 days from the date of issuance of such rights, options, warrants or other securities at a price per share of Common Stock less than the current market price (as defined below) calculated as of the date fixed for the determination of stockholders entitled to receive such rights, options, warrants or other securities, each fixed settlement rate in effect at the opening of business on the day following the date fixed for such determination will be increased by dividing:

- each fixed settlement rate by
- a fraction, the numerator of which will be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus

the number of shares of Common Stock which the aggregate consideration expected to be received by the Company upon the exercise of such rights, options, warrants or other securities would purchase at such current market price and the denominator of which will be the number of shares of Common Stock outstanding at the close of business on the date fixed for such determination plus the number of shares of Common Stock so offered for subscription or purchase.

If any right, option, warrant or other security described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof (and as a result no additional shares of Common Stock are delivered or issued pursuant to such right, option, or warrant or other security), the new fixed settlement rates shall be readjusted, as of the date of such expiration, to the fixed settlement rates that would then be in effect had the increase with respect to the issuance of such rights, options, warrants or other securities been made on the basis of delivery or issuance of only the number of shares of Common Stock actually delivered.

For purposes of this paragraph (2), in determining whether any rights, options, warrants or other securities entitle the holders to subscribe for or purchase shares of Common Stock at a price per share of Common Stock less than the current market price on the date fixed for the determination of stockholders entitled to receive such rights, options, warrants or other securities, and in determining the aggregate price payable to exercise such rights, options, warrants or other securities, there shall be taken into account any consideration received by the Company for such rights, options, warrants or other securities and any amount payable on exercise or conversion thereof, the value of such consideration, if other than cash, to be determined in good faith by the Company's board of directors.

(3) *Stock Splits; Reverse Splits; and Combinations.* If outstanding shares of Common Stock shall be subdivided, split or reclassified into a greater number of shares of common stock, each fixed settlement rate in effect at the opening of business on the day following the day upon which such subdivision, split or reclassification becomes effective shall be proportionately increased, and, conversely, in case outstanding shares of Common Stock shall each be combined or reclassified into a smaller number of shares of common stock, each fixed settlement rate in effect at the opening of business on the day following the day upon which such combination or reclassification becomes effective shall be proportionately reduced.

(4) *Debt, Asset or Security Distributions.* If the Company, by dividend or otherwise, distributes to all or substantially all holders of the Common Stock evidences of the Company's indebtedness, assets or securities or any rights, options or warrants (or similar securities) to subscribe for, purchase or otherwise acquire evidences of the Company's indebtedness, other assets or property of the Company or other securities (but excluding any rights, options, warrants or other securities referred to in paragraph (2) above, any dividend or distribution paid exclusively in cash referred to in paragraph (5) below (in each case, whether or not an adjustment to the fixed settlement rates is required by such paragraph) and any dividend paid in shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit of the Company in the case of a spin-off referred to below, or dividends or distributions referred to in paragraph (1) above), each fixed settlement rate in effect

immediately prior to the close of business on the date fixed for the determination of stockholders entitled to receive such dividend or distribution shall be increased by dividing:

- each fixed settlement rate by
- a fraction, the numerator of which shall be the current market price of the Common Stock calculated as of the date fixed for such determination less the then fair market value (as determined in good faith by the Company's board of directors) of the portion of the assets, securities or evidences of indebtedness so distributed applicable to one share of Common Stock and the denominator of which shall be such current market price.

Notwithstanding the foregoing, if the fair market value (as determined in good faith by the Company's board of directors) of the portion of the assets, securities or evidences of indebtedness so distributed applicable to one share of Common Stock exceeds the current market price of the Common Stock on the date fixed for the determination of stockholders entitled to receive such distribution, in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of Common Stock, the amount of such distributed assets, securities or evidences of indebtedness that such holder would have received if such holder owned a number of shares of Common Stock equal to the maximum settlement rate on the record date for such dividend or distribution.

In the case of the payment of a dividend or other distribution on the Common Stock of shares of capital stock of any class or series, or similar equity interests, of or relating to a subsidiary or other business unit of the Company, which are or will, upon issuance, be listed on a United States securities exchange or quotation system, which is referred to as a "spin-off," each fixed settlement rate in effect immediately before the close of business on the date fixed for determination of stockholders entitled to receive that distribution will be increased by dividing:

- each fixed settlement rate by
- a fraction, the numerator of which is the current market price of the Common Stock and the denominator of which is such current market price plus the fair market value, determined as described below, of those shares of capital stock or similar equity interests so distributed applicable to one share of Common Stock.

The adjustment to the fixed settlement rate under this paragraph (4) will occur on:

- the 10th trading day from and including the effective date of the spin-off; or
- if the spin-off is effected simultaneously with an initial public offering of the securities being distributed in the spin-off and the ex date for the spin-off occurs on or before the date that the initial public offering price of the securities being distributed in the spin-off is determined, the issue date of the securities being offered in such initial public offering.

For purposes of this paragraph (4), “initial public offering” means the first time securities of the same class or type as the securities being distributed in the spin-off are offered to the public for cash.

Subject to the immediately following paragraph, the fair market value of the securities to be distributed to holders of the Common Stock means the average of the closing sale prices of those securities on the principal United States securities exchange or quotation system on which such securities are listed or quoted at that time over the first 10 trading days following the effective date of the spin-off. Also, for purposes of such a spin-off, the current market price of the Common Stock means the average of the closing sale prices of the Common Stock on the principal United States securities exchange or quotation system on which the Common Stock is listed or quoted at that time over the first 10 trading days following the effective date of the spin-off.

If, however, an initial public offering of the securities being distributed in the spin-off is to be effected simultaneously with the spin-off and the ex date for the spin-off occurs on or before the date that the initial public offering price of the securities being distributed in the spin-off is determined, the fair market value of the securities being distributed in the spin-off means the initial public offering price, while the current market price of the Common Stock means the closing sale price of the Common Stock on the principal United States securities exchange or quotation system on which the Common Stock is listed or quoted at that time on the trading day on which the initial public offering price of the securities being distributed in the spin-off is determined.

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new fixed settlement rates shall be readjusted, as of the date the Company’s board of directors determines not to pay or make such dividend or distribution, to the fixed settlement rates that would then be in effect if such dividend or distribution had not been declared.

(5) *Cash Distributions.* If the Company, by dividend or otherwise, makes distributions to all or substantially all holders of the Common Stock exclusively in cash during any quarterly period in an amount that exceeds \$0.62 per share per quarter in the case of a regular quarterly dividend (such per share amount being referred to as the “reference dividend”), then immediately after the close of business on the date fixed for determination of the stockholders entitled to receive such distribution, each fixed settlement rate in effect immediately prior to the close of business on such date will be increased by dividing:

- each fixed settlement rate by
- a fraction, the numerator of which will be equal to the current market price on the date fixed for such determination less the amount, if any, by which the per share amount of the distribution exceeds the reference dividend and the denominator of which will be equal to such current market price.

Notwithstanding the foregoing, if (x) the amount by which the per share amount of the cash distribution exceeds the reference dividend exceeds (y) the current market price of the

Common Stock on the date fixed for the determination of stockholders entitled to receive such distribution, in lieu of the foregoing increase, each holder of a purchase contract shall receive, for each purchase contract, at the same time and upon the same terms as holders of shares of Common Stock, the amount of distributed cash that such holder would have received if such holder owned a number of shares of Common Stock equal to the maximum settlement rate on the record date for such cash dividend or distribution.

The reference dividend will be subject to an inversely proportional adjustment whenever each fixed settlement rate is adjusted, other than pursuant to this paragraph (5). For the avoidance of doubt, the reference dividend will be zero in the case of a cash dividend that is not a regular quarterly dividend.

If any dividend or distribution described in this paragraph (5) is declared but not so paid or made, the new fixed settlement rate shall be readjusted, as of the date the Company's board of directors determines not to pay or make such dividend or distribution, to the fixed settlement rate that would then be in effect if such dividend or distribution had not been declared.

(6) *Tender and Exchange Offers.* In the case that a tender offer or exchange offer made by the Company or any subsidiary for all or any portion of the Common Stock shall expire and such tender or exchange offer (as amended through the expiration thereof) requires the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer or exchange offer) of purchased shares) of an aggregate consideration having a fair market value per share of Common Stock that exceeds the closing price of the Common Stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender offer or exchange offer, then, immediately prior to the opening of business on the day after the date of the last time (which is referred to as the "expiration time") tenders or exchanges could have been made pursuant to such tender offer or exchange offer (as amended through the expiration thereof), each fixed settlement rate in effect immediately prior to the close of business on the date of the expiration time will be increased by dividing:

- each fixed settlement rate by
- a fraction (1) the numerator of which will be equal to (a) the product of (i) the current market price on the date of the expiration time and (ii) the number of shares of Common Stock outstanding (including any purchased shares (as defined below)) on the date of the expiration time less (b) the amount of cash plus the fair market value of the aggregate consideration payable to stockholders pursuant to the tender offer or exchange offer (assuming the acceptance by the Company of purchased shares), and (2) the denominator of which will be equal to the product of (x) the current market price on the date of the expiration time and (y) the result of (i) the number of shares of Common Stock outstanding (including any purchased shares) on the date of the expiration time less (ii) the number of all shares validly tendered, not withdrawn and accepted for payment on the date of the expiration time (such actually validly tendered or exchanged shares, up to any

maximum acceptance amount specified by the Company in the terms of the tender offer or exchange offer, being referred to as the “purchased shares”).

For purposes of paragraphs (2) through (6) above (except as otherwise expressly provided therein with respect to spin-offs) above, the “current market price” per share of Common Stock or any other security on any day means the average VWAP of the Common Stock or such other security on the principal United States securities exchange or quotation system on which the Common Stock or such other security, as applicable, is listed or quoted at that time for the 10 consecutive trading days preceding the earlier of the trading day preceding the day in question and the trading day before the “ex date” with respect to the issuance or distribution requiring such computation. For purposes of paragraph (6) above, the last day of the measurement period shall be the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the relevant tender offer or exchange offer. The term “ex date,” when used with respect to any issuance or distribution on the Common Stock or any other security, means the first date on which the Common Stock or such other security, as applicable, trades, regular way, on the principal United States securities exchange or quotation system on which the Common Stock or such other security, as applicable, is listed or quoted at that time, without the right to receive the issuance or distribution.

The Company currently does not have a stockholders rights plan with respect to the Common Stock. To the extent that the Company has a stockholders rights plan involving the issuance of share purchase rights or other similar rights to all or substantially all holders of the Common Stock in effect upon settlement of a purchase contract, you will receive, in addition to the Common Stock issuable upon settlement of any purchase contract, the related rights for the Common Stock under the stockholders rights plan, unless, prior to any settlement of a purchase contract, the rights have separated from the Common Stock, in which case each fixed settlement rate will be adjusted at the time of separation as if the Company made a distribution to all holders of the Common Stock as described in paragraph (4) above, subject to readjustment in the event of the expiration, termination or redemption of the rights under the stockholder rights plan.

In addition, the Company may increase the fixed settlement rates if the Company’s board of directors deems it advisable to avoid or diminish any income tax to holders of the Common Stock resulting from any dividend or distribution of shares (or rights to acquire shares) or from any event treated as a dividend or distribution for income tax purposes or for any other reasons. The Company may only make such a discretionary adjustment if the Company makes the same proportionate adjustment to each fixed settlement rate.

Adjustments to the fixed settlement rates will be calculated to the nearest ten thousandth of a share. No adjustment to the fixed settlement rates will be required unless the adjustment would require an increase or decrease of at least one percent in one or both fixed settlement rates. If any adjustment is not required to be made because it would not change one or both fixed settlement rates by at least one percent, then the adjustment will be carried forward and taken into account in any subsequent adjustment. All anti-dilution adjustments will be made not later than each day of any market value averaging period and the time at which the Company is

otherwise required to determine the relevant settlement rate or amount of make-whole shares (if applicable) in connection with any settlement with respect to the purchase contracts.

No adjustment to the fixed settlement rates will be made if holders of Equity Units participate, as a result of holding the Equity Units and without having to settle the purchase contracts that form part of the Equity Units, in the transaction that would otherwise give rise to an adjustment as if they held a number of shares of Common Stock equal to the maximum settlement rate, at the same time and upon the same terms as the holders of Common Stock participate in the transaction.

The fixed settlement rates will not be adjusted (subject to the Company's right to increase them if the Company's board of directors deems it advisable as described in the third preceding paragraph):

- upon the issuance of any shares of Common Stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on the Company's securities and the investment of additional optional amounts in shares of Common Stock under any plan;
- upon the issuance of options, restricted stock or other awards in connection with any employment contract, executive compensation plan, benefit plan or other similar arrangement with or for the benefit of any one or more employees, officers, directors, consultants or independent contractors or the exercise of such options or other awards;
- upon the issuance of any shares of Common Stock pursuant to any option, warrant, right or exercisable, exchangeable or convertible security outstanding as of the date the Equity Units were first issued;
- for a change in the par value or no par value of the Common Stock; or
- for accumulated and unpaid contract adjustment payments.

The Company will, as soon as practicable after the fixed settlement rate is adjusted, provide written notice of the adjustment to the holders of Equity Units and the purchase contract agent.

If an adjustment is made to the fixed settlement rates, an adjustment also will be made to the reference price and the threshold appreciation price on an inversely proportional basis solely to determine which of the clauses of the definition of settlement rate will be applicable to determine the settlement rate with respect to the purchase contract settlement date or any fundamental change early settlement date.

If any adjustment to the fixed settlement rates becomes effective, or any effective date, expiration time, ex date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required fixed settlement rate

adjustment) occurs, during the period beginning on, and including, (i) the open of business on a first trading day of the 20 scheduled trading-day period during which the applicable market value is calculated or (ii) in the case of the optional early settlement or fundamental change early settlement, the relevant early settlement date or the date on which the fundamental change early settlement right is exercised and, in each case, ending on, and including, the date on which the Company delivers shares of Common Stock under the related purchase contract, the Company will make appropriate adjustments to the fixed settlement rates and/or the number of shares of Common Stock deliverable upon settlement with respect to the purchase contract, in each case, consistent with the methodology used to determine the anti-dilution adjustments set forth above. If any adjustment to the fixed settlement rates becomes effective, or any effective date, expiration time, ex date or record date for any stock split or reverse stock split, tender or exchange offer, issuance, dividend or distribution (relating to a required fixed settlement rate adjustment) occurs, during the period used to determine the “stock price” or any other averaging period hereunder, the Company will make appropriate adjustments to the applicable prices, consistent with the methodology used to determine the anti-dilution adjustments set forth above.

Reorganization Events

The following events are defined as “reorganization events:”

- any consolidation or merger of the Company with or into another person or of another person with or into the Company or a similar transaction (other than a consolidation, merger or similar transaction in which the Company is the continuing corporation and in which the shares of Common Stock outstanding immediately prior to the merger or consolidation are not exchanged for cash, securities or other property of the Company or another person);
- any sale, transfer, lease or conveyance to another person of the property of the Company as an entirety or substantially as an entirety, as a result of which the shares of Common Stock are exchanged for cash, securities or other property;
- any statutory exchange of the Common Stock with another corporation (other than in connection with a merger or acquisition); and
- any liquidation, dissolution or termination of the Company (other than as a result of or after the occurrence of a termination event described below under “—Termination”).

Following the effective date of a reorganization event, the settlement rate shall be determined by reference to the value of an exchange property unit, and the Company shall deliver, upon settlement of any purchase contract, a number of exchange property units equal to the number of shares of Common Stock that the Company would otherwise be required to deliver. An “exchange property unit” is the kind and amount of common stock, other securities, other property or assets (including cash or any combination thereof) receivable in such reorganization event (without any interest thereon, and without any right to dividends or distribution thereon which have a record date that is prior to the applicable settlement date) per

share of Common Stock by a holder of Common Stock that is not a person with which the Company is consolidated or into which the Company is merged or which merged into the Company or to which such sale or transfer was made, as the case may be (any such person is referred to as a “constituent person”), or an affiliate of a constituent person, to the extent such reorganization event provides for different treatment of Common Stock held by the constituent person and/or the affiliates of the constituent person, on the one hand, and non-affiliates of a constituent person, on the other hand. In the event holders of the Common Stock (other than any constituent person or affiliate thereof) have the opportunity to elect the form of consideration to be received in such transaction, the exchange property unit that holders of the Corporate Units or Treasury Units are entitled to receive will be deemed to be (x) the weighted average of the types and amounts of consideration received by the holders of the Common Stock that affirmatively make an election or (y) if no holders of the Common Stock affirmatively make such an election, the types and amounts of consideration actually received by the holders of the Common Stock.

In the event of such a reorganization event, the person formed by such consolidation or merger or the person which acquires the Company’s assets shall execute and deliver to the purchase contract agent an agreement providing that the holder of each Equity Unit that remains outstanding after the reorganization event (if any) shall have the rights described in the preceding paragraph. Such supplemental agreement shall provide for adjustments to the amount of any securities constituting all or a portion of an exchange property unit and/or adjustments to the fixed settlement rates, which, for events subsequent to the effective date of such reorganization event, shall be as nearly equivalent as may be practicable to the adjustments provided for under “—Anti-dilution Adjustments” above. The provisions described in the preceding two paragraphs shall similarly apply to successive reorganization events.

In connection with any reorganization event, the Company will also adjust the reference dividend based on the number of shares of Common Stock comprising an exchange property unit and (if applicable) the value of any non-stock consideration comprising an exchange property unit. If an exchange property unit is composed solely of non-stock consideration, the reference dividend will be zero.

Termination

The purchase contract and pledge agreement provides that the purchase contracts and the obligations and rights of the Company and of the holders of Corporate Units and Treasury Units thereunder (including the holders’ obligation and right to purchase and receive shares of Common Stock and to receive accrued and unpaid contract adjustment payments, including deferred contract adjustment payments and compounded contract adjustment payments thereon) will immediately and automatically terminate upon the occurrence of a termination event (as defined below).

Upon any termination event, the Equity Units will represent the right to receive the RSNs underlying the undivided beneficial interest in the RSNs of each series, the applicable ownership interests in the Treasury portfolio or the Treasury securities, as the case may be, forming part of such Equity Units. Upon the occurrence of a termination event, the Company will promptly give

the purchase contract agent, the collateral agent and the holders written notice of such termination event and the collateral agent will release the related interests in the RSNs, applicable ownership interests in the Treasury portfolio or Treasury securities, as the case may be, from the pledge arrangement and transfer such interests in the RSNs, applicable ownership interests in the Treasury portfolio or Treasury securities to the purchase contract agent for distribution to the holders of Corporate Units and Treasury Units. If a holder is entitled to receive RSNs in an aggregate principal amount that is not an integral multiple of \$1,000 per series, the purchase contract agent will request that the Company issue RSNs in denominations of \$25 and integral multiples thereof in exchange for RSNs in denominations of \$1,000 or integral multiples thereof. In addition, if any holder is entitled to receive, with respect to its applicable ownership interests in the Treasury portfolio or its pledged Treasury securities, any securities having a principal amount at maturity of less than \$1,000, the purchase contract agent will dispose of such securities for cash and pay the cash received to the holder in lieu of such applicable ownership in the Treasury portfolio or such Treasury securities. Upon any termination event, however, such release and distribution may be subject to a delay. In the event that the Company becomes the subject of a case under the United States Bankruptcy Code, such delay may occur as a result of the automatic stay under the United States Bankruptcy Code and continue until such automatic stay has been lifted. Moreover, claims arising out of the RSNs will be subject to the equitable jurisdiction and powers of the bankruptcy court.

A “termination event” means any of the following events with respect to the Company:

- (1) at any time on or prior to the purchase contract settlement date, a decree or order by a court having jurisdiction in the premises shall have been entered adjudicating the Company a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization arrangement, adjustment or composition of or in respect of the Company under the United States Bankruptcy Code or any other similar applicable federal or state law and such decree or order shall have been entered more than 90 days prior to the purchase contract settlement date and shall have continued undischarged and unstayed for a period of 90 consecutive days;
- (2) at any time on or prior to the purchase contract settlement date, a decree or order of a court having jurisdiction in the premises shall have been entered for the appointment of a receiver, liquidator, trustee, assignee, sequestrator or other similar official in bankruptcy or insolvency of the Company or of all or any substantial part of the Company’s property, or for the winding up or liquidation of the Company’s affairs, and such decree or order shall have been entered more than 90 days prior to the purchase contract settlement date and shall have continued undischarged and unstayed for a period of 90 consecutive days; or
- (3) at any time on or prior to the purchase contract settlement date, the Company shall institute proceedings to be adjudicated a bankrupt or insolvent, or shall consent to the institution of bankruptcy or insolvency proceedings against it, or shall file a petition or answer or consent seeking reorganization under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to

the appointment of a receiver, liquidator, trustee, assignee, sequestrator or other similar official of the Company or of all or any substantial part of the Company's property, or shall make an assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

Pledged Securities and Pledge

The undivided beneficial ownership interests in each series of RSNs, or, following a successful optional remarketing, the applicable ownership interests in the portions of the Treasury portfolio described in the first and second bullets under “—Remarketing—Optional Remarketing—Components of the Treasury Portfolio” above that are a component of the Corporate Units or, if substituted, the beneficial ownership interest in the Treasury securities that are a component of the Treasury Units, collectively, the “pledged securities,” are or will be pledged to the collateral agent for the Company's benefit pursuant to the purchase contract and pledge agreement to secure your obligation to purchase shares of Common Stock under the related purchase contracts. The rights of the holders of the Corporate Units and the Treasury Units with respect to the pledged securities are subject to the Company's security interest therein. No holder of Corporate Units or Treasury Units is permitted to withdraw the pledged securities related to such Corporate Units or Treasury Units from the pledge arrangement except:

- in the case of Corporate Units, to substitute a Treasury security for the related RSN of each series, as provided under “Description of the Equity Units—Creating Treasury Units by Substituting a Treasury Security for the RSNs;”
- in the case of Treasury Units, to substitute an RSN of each series for the related Treasury security, as provided under “Description of the Equity Units—Recreating Corporate Units;” and
- upon early settlement, settlement through the payment of separate cash or termination of the related purchase contracts.

Subject to the Company's security interest and the terms of the purchase contract and pledge agreement, each holder of a Corporate Unit (unless the Treasury portfolio has replaced the RSNs as a component of the Corporate Unit) is entitled through the purchase contract agent and the collateral agent to all of the proportional rights and preferences of the related RSNs (including distribution, voting, redemption, repayment and liquidation rights). Each holder of Treasury Units and each holder of Corporate Units (if the Treasury portfolio has replaced the RSNs as a component of the Corporate Units) will retain beneficial ownership of the related Treasury securities or the applicable ownership interests in the Treasury portfolio, as applicable, pledged in respect of the related purchase contracts. The Company has no interest in the pledged securities other than the Company's security interest.

Except as described in “Certain Provisions of the Purchase Contract and Pledge Agreement—General,” upon receipt of distributions on the pledged securities, the collateral agent distributes such payments to the purchase contract agent, which in turn distributes those

payments to the holders in whose names the Corporate Units or the Treasury Units are registered at the close of business on the record date for the distribution.

Certain Provisions of the Purchase Contract and Pledge Agreement

The term “business day”, as used in this section, Certain Provisions of the Purchase Contract and Pledge Agreement, has the meaning ascribed to it under the caption “Description of the Equity Units” above.

General

In general, payments on the Corporate Units and the Treasury Units are payable, the purchase contracts will be settled and transfers of the Corporate Units and the Treasury Units are registrable at, the office of the purchase contract agent or its agent, in each case, in Hartford, Connecticut. In addition, if the Corporate Units or the Treasury Units do not remain in book-entry form, the Company will make payments on the Corporate Units and the Treasury Units by check mailed to the address of the person entitled thereto as shown on the security register or by a wire transfer to the account designated by the holder by a prior written notice at least five business days prior to the relevant payment date.

Shares of Common Stock will be delivered on the purchase contract settlement date (or earlier upon early settlement), or, if the purchase contracts have terminated, the related pledged securities will be delivered (subject to delays, including potentially as a result of the imposition of the automatic stay under the United States Bankruptcy Code, as described under “Description of the Purchase Contracts—Termination”) at the office of the purchase contract agent or its agent upon presentation and surrender of the applicable Corporate Unit or Treasury Unit certificate, if in certificated form.

If Corporate Units or Treasury Units are in certificated form and the holder fails to present and surrender the certificate evidencing the Corporate Units or the Treasury Units to the purchase contract agent on or prior to the purchase contract settlement date, the shares of Common Stock issuable upon settlement with respect to the related purchase contract will be registered in the name of the purchase contract agent or its nominee. The shares, together with any distributions, will be held by the purchase contract agent as agent for the benefit of the holder until the certificate is presented and surrendered or the holder provides satisfactory evidence that the certificate has been destroyed, lost or stolen, together with any indemnity and security that may be required by the purchase contract agent and the Company.

If the purchase contracts terminate prior to the purchase contract settlement date, the related pledged securities are transferred to the purchase contract agent for distribution to the holders and a holder fails to present and surrender the certificate evidencing the holder’s Corporate Units or Treasury Units, if in certificated form, to the purchase contract agent, the related pledged securities delivered to the purchase contract agent and payments on the pledged securities will be held by the purchase contract agent as agent for the benefit of the holder until the applicable certificate is presented, if in certificated form, or the holder provides the evidence and indemnity described above.

No service charge will be made for any registration of transfer or exchange of the Corporate Units or the Treasury Units, except for any tax or other governmental charge that may be imposed in connection therewith.

The purchase contract agent has no obligation to invest or to pay interest on any amounts it holds pending payment to any holder.

Modification

The purchase contract and pledge agreement contains provisions permitting the Company, the purchase contract agent and the collateral agent to modify the purchase contract and pledge agreement without the consent of the holders for any of the following purposes:

- to evidence the succession of another person to the Company's obligations;
- to add to the covenants of the Company for the benefit of holders or to surrender any of the Company's rights or powers under the purchase contract and pledge agreement;
- to evidence and provide for the acceptance of appointment of a successor purchase contract agent or a successor collateral agent, securities intermediary or custodial agent;
- to make provision with respect to the rights of holders pursuant to the requirements applicable to reorganization events; and
- to cure any ambiguity or to correct or supplement any provisions that may be inconsistent with any other provision in the purchase contract and pledge agreement or to make such other provisions in regard to matters or questions arising under the purchase contract and pledge agreement that do not adversely affect the interests of any holders of Equity Units, it being understood that any amendments to conform the provisions of the purchase contract and pledge agreement to the description of such agreement, the Equity Units and the purchase contracts contained in the preliminary prospectus supplement for the Equity Units as supplemented and/or amended by the related pricing term sheet will be deemed not to adversely affect the interests of the holders.

The purchase contract and pledge agreement contains provisions allowing the Company, the purchase contract agent and the collateral agent, subject to certain limited exceptions, to modify the terms of the purchase contracts or the purchase contract and pledge agreement with the consent of the holders of not less than a majority of the outstanding Equity Units, with holders of Corporate Units and Treasury Units voting as a single class. However, no such modification may, without the consent of the holder of each outstanding purchase contract affected thereby:

- subject to the Company's right to defer contract adjustment payments, change any payment date;
- impair the holders' right to institute suit for the enforcement of a purchase contract or payment of any contract adjustment payments (including compounded contract adjustment payments);
- except as required pursuant to any anti-dilution adjustment, reduce the number of shares of Common Stock purchasable under a purchase contract, increase the purchase price of the shares of Common Stock on settlement of any purchase contract, change the purchase contract settlement date or change the right to early settlement or

fundamental change early settlement in a manner adverse to the holders or otherwise adversely affect the holder's rights under any purchase contract, the purchase contract and pledge agreement or the remarketing agreement in any respect;

- increase the amount or change the type of collateral required to be pledged to secure a holder's obligations under the purchase contract and pledge agreement;
- impair the right of the holder of any purchase contract to receive distributions on the collateral, or otherwise adversely affect the holder's rights in or to such collateral;
- reduce any contract adjustment payments or any deferred contract adjustment payments (including compounded contract adjustment payments) or change any place where, or the coin or currency in which, any contract adjustment payment is payable; or
- reduce the percentage of the outstanding purchase contracts whose holders' consent is required for the modification, amendment or waiver of the provisions of the purchase contracts and the purchase contract and pledge agreement.

However, if any amendment or proposal would adversely affect only the Corporate Units or only the Treasury Units, then only the affected class of holders will be entitled to vote on such amendment or proposal, and such amendment or proposal will not be effective except with the consent of the holders of not less than a majority of such class or, if referred to in the seven bullets above, each holder affected thereby.

No Consent to Assumption

Each holder of a Corporate Unit or a Treasury Unit is deemed under the terms of the purchase contract and pledge agreement, by the purchase of such Corporate Unit or Treasury Unit, to have expressly withheld any consent to the assumption under Section 365 of the United States Bankruptcy Code or otherwise of the related purchase contracts by the Company, the Company's receiver, liquidator or trustee or person or entity performing similar functions in the event that the Company becomes a debtor under the United States Bankruptcy Code or other similar state or federal law providing for reorganization or liquidation.

Consolidation, Merger and Conveyance of Assets as an Entirety

The Company has agreed not to merge or consolidate with any other person or sell or convey all or substantially all of the Company's assets to any person unless (i) either the Company is the continuing entity, or the successor entity (if other than the Company) is a corporation organized and existing under the laws of the United States of America or a State thereof or the District of Columbia and such corporation expressly assumes all of the Company's responsibilities and liabilities under the purchase contracts, the Corporate Units, the Treasury Units, the purchase contract and pledge agreement, the remarketing agreement (if any) and the Subordinated Note Indenture by one or more supplemental agreements executed and delivered to the purchase contract agent, the collateral agent and the Subordinated Note Indenture Trustee by such corporation, and (ii) the Company or such successor corporation, as the case may be, will not, immediately after such merger or consolidation, or such sale or conveyance, be in default in the performance of any of its obligations or covenants under such agreements.

In case of any such consolidation, merger, sale or conveyance, and upon any such assumption by the successor corporation, such successor corporation shall succeed to and be substituted for the Company, with the same effect as if it had been named in the purchase contracts, the Corporate Units, the Treasury Units, the purchase contract and pledge agreement and the remarketing agreement (if any), and the Company shall be relieved of any further obligation under the purchase contracts, the Corporate Units, the Treasury Units, the purchase contract and pledge agreement and the remarketing agreement (if any).

Title

The Company, the purchase contract agent and the collateral agent may treat the registered owner of any Corporate Units or Treasury Units as the absolute owner of the Corporate Units or Treasury Units for the purpose of making payment (subject to the record date provisions described above) and settling the related purchase contracts and for all other purposes.

Replacement of Equity Unit Certificates

In the event that physical certificates have been issued, any mutilated Corporate Unit or Treasury Unit certificate will be replaced by the Company at the expense of the holder upon surrender of the certificate to the purchase contract agent at the corporate trust office of the purchase contract agent or its agent, in each case, in Hartford, Connecticut. Corporate Unit or Treasury Unit certificates that become destroyed, lost or stolen will be replaced by the Company at the expense of the holder upon delivery to the Company and the purchase contract agent of evidence of their destruction, loss or theft satisfactory to the Company. In the case of a destroyed, lost or stolen Corporate Unit or Treasury Unit certificate, an indemnity and security satisfactory to the purchase contract agent and the Company may be required at the expense of the holder before a replacement certificate will be issued.

Notwithstanding the foregoing, the Company will not be obligated to issue any Corporate Unit or Treasury Unit certificates on or after the business day immediately preceding the purchase contract settlement date or the date on which the purchase contracts have terminated.

The purchase contract and pledge agreement provides that, in lieu of the delivery of a replacement Corporate Unit or Treasury Unit certificate, the purchase contract agent, upon delivery of the evidence and indemnity and/or security described above, will, in the case of the purchase contract settlement date, deliver the shares of Common Stock issuable pursuant to the purchase contracts included in the Corporate Units or Treasury Units evidenced by the certificate, or, if the purchase contracts have terminated prior to the purchase contract settlement date, transfer the pledged securities included in the Corporate Units or Treasury Units evidenced by the certificate.

Governing Law

The purchase contracts and the purchase contract and pledge agreement and the remarketing agreement are governed by, and construed in accordance with, the laws of the State of New York (without regard to conflicts of laws principles thereof).

Information Concerning the Purchase Contract Agent

U.S. Bank National Association is the purchase contract agent. The purchase contract agent acts as the agent for the holders of Corporate Units and Treasury Units. The purchase contract agent is not obligated to take any discretionary action in connection with a default under the terms of the Corporate Units, the Treasury Units or the purchase contract and pledge agreement. All calculations and determinations of any make-whole shares, make-whole amounts, rates, market values and any adjustments to reference price or the threshold appreciation price shall be made by the Company or its agent based on their good faith calculations, and the purchase contract agent shall have no responsibility with respect thereto.

The purchase contract and pledge agreement contains provisions limiting the liability of the purchase contract agent. The purchase contract and pledge agreement also contains provisions under which the purchase contract agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

In addition to serving as the purchase contract agent and collateral agent, as described below, U.S. Bank National Association serves as the custodial agent and securities intermediary under the purchase contract and pledge agreement for each series of RSNs.

Information Concerning the Collateral Agent

U.S. Bank National Association is the collateral agent. The collateral agent acts solely as the Company's agent and does not assume any obligation or relationship of agency or trust for or with any of the holders of the Corporate Units and the Treasury Units except for the obligations owed by a pledgee of property to the owner thereof under the purchase contract and pledge agreement and applicable law.

The purchase contract and pledge agreement contains provisions limiting the liability of the collateral agent. The purchase contract and pledge agreement also contains provisions under which the collateral agent may resign or be replaced. Such resignation or replacement will be effective upon the appointment of a successor.

Miscellaneous

The purchase contract and pledge agreement provides that the Company will pay all fees and expenses related to (1) the retention of the purchase contract agent, the collateral agent, the custodial agent and the securities intermediary and (2) any enforcement by the purchase contract agent of the rights of the holders of the Corporate Units and the Treasury Units. Holders who elect to substitute the related pledged securities, thereby creating Treasury Units or recreating Corporate Units, however, will be responsible for any fees or expenses payable in connection with such substitution, as well as for any commissions, fees or other expenses incurred in acquiring the pledged securities to be substituted. The Company and the purchase contract agent are not responsible for any such fees or expenses. The purchase contract agent shall be under no obligation to exercise any of the rights or powers vested in it by the purchase contract and pledge agreement at the request or direction of any of the holders pursuant to the purchase contract and pledge agreement, unless such holders shall have offered to the purchase contract agent security or indemnity satisfactory to the purchase contract agent against the costs, expenses, fees and liabilities which might be incurred by it in compliance with such request or direction.

The purchase contract and pledge agreement also provides that any court of competent jurisdiction may in its discretion require, in any suit for the enforcement of any right or remedy under the purchase contract and pledge agreement, or in any suit against the purchase contract agent for any action taken, suffered or omitted by it as purchase contract agent, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees and costs against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant. The foregoing shall not apply to any suit instituted by the purchase contract agent, to any suit instituted by any holder, or group of holders, holding in the aggregate more than 10% of the outstanding Equity Units, or to any suit instituted by any holder for the enforcement of any interest on any RSNs owed pursuant to such holder's applicable ownership interests in RSNs or contract adjustment payments on or after the respective payment date therefor in respect of any Equity Unit held by such holder, or for enforcement of the right to purchase shares of Common Stock under the purchase contracts constituting part of any Equity Unit held by such holder.

Description of the Remarketable Junior Subordinated Notes

The terms “Additional Interest”, “business day”, “Event of Default”, and “record date”, as used in this Description of the Remarketable Junior Subordinated Notes, have the meanings ascribed to them in this Description of the Remarketable Junior Subordinated Notes.

General

Each series of RSNs was issued as a series of debt securities under the Subordinated Note Indenture. The Company may issue an unlimited amount of other securities under the Subordinated Note Indenture which are on parity with the RSNs.

The RSNs are the Company’s unsecured and subordinated obligations and are subordinated to all of the Company’s Senior Indebtedness (as defined under “Description of the Junior Subordinated Notes—Subordination” above).

The RSNs are issued in fully registered form only, without coupons. Any RSNs that are issued as separate securities as a result of the creation of Treasury Units or in connection with an early settlement, early settlement upon a fundamental change, a remarketing, a termination or a settlement with separate cash will be initially represented by one or more fully registered global securities (the “global securities”) deposited with the Subordinated Note Indenture Trustee, as custodian for DTC, as depository, and registered in the name of DTC or DTC’s nominee. A beneficial interest in a global security will be shown on, and transfers or exchanges thereof will be effected only through, records maintained by DTC and its participants. The authorized denominations of the RSNs are \$1,000 and any larger amount that is an integral multiple of \$1,000. However, if a holder is entitled to receive RSNs in an aggregate principal amount that is not an integral multiple of \$1,000 upon termination of the purchase contracts as described under “Description of the Purchase Contracts—Termination” above, the purchase contract agent may request that the Company issues RSNs in denominations of \$25 and integral multiples thereof. Except in certain limited circumstances, the RSNs that are issued as global securities will not be exchangeable for RSNs in definitive certificated form.

Each Corporate Unit includes a 1/40 undivided beneficial ownership interest in a Series 2019A RSN having a principal amount of \$1,000 and a 1/40 undivided beneficial ownership interest in a Series 2019B RSN having a principal amount of \$1,000 that correspond to the stated amount of \$50 per Corporate Unit.

The RSNs are not subject to a sinking fund provision or repayable at the option of the holders and are not subject to defeasance.

The entire principal amount of the Series 2019A RSNs will mature and become due and payable, together with any accrued and unpaid interest thereon (other than Additional Interest (as defined below), with respect to any deferral period that begins prior to the purchase contract settlement date, which will be due and payable at the end of such deferral period as described below under “—Option to Defer Interest Payments”), on August 1, 2024. The entire principal amount of the Series 2019B RSNs will mature and become due and payable, together with any accrued and unpaid interest thereon (other than Additional Interest, with respect to any deferral

period that begins prior to the purchase contract settlement date, which will be due and payable at the end of such deferral period as described below under “—Option to Defer Interest Payments”), on August 1, 2027. As described below under “—Put Option upon Failed Remarketing,” holders will have the right to require the Company to purchase their RSNs under certain circumstances. Except as set forth under “—Put Option upon Failed Remarketing” and “—Dividend and Other Payment Stoppages During Interest Deferral and Under Certain Other Circumstances,” the Subordinated Note Indenture does not contain any financial covenants or restrict the Company from paying dividends, making investments, incurring indebtedness or repurchasing the Company’s securities. Except for the covenants described under “—Consolidation, Merger or Sale,” the Subordinated Note Indenture does not contain provisions that afford holders of the RSNs protection in the event the Company is involved in a highly leveraged transaction or other similar transaction that may adversely affect such holders. The Subordinated Note Indenture does not limit the Company’s ability to issue or incur other debt or issue preferred stock.

The Company will not pay any additional amounts to holders of the RSNs in respect of any tax, assessment or governmental charge.

Ranking; Subordination

The Company’s obligations under the RSNs are unsecured and rank junior in right of payment to all of the Company’s Senior Indebtedness, whether presently existing or from time to time hereafter incurred, created, assumed or existing.

Since the Company is a holding company, its right and, hence, the right of its creditors (including holders of the RSNs) to participate in any distribution of the assets of any subsidiary of the Company, whether upon liquidation, reorganization or otherwise, is structurally subordinated to claims of creditors and preferred stockholders of each subsidiary.

There are no terms of the RSNs that limit the Company’s ability to incur additional Senior Indebtedness or that limit its subsidiaries’ ability to incur additional debt or other liabilities or issue preferred and preference stock.

Principal and Interest

The Series 2019A RSNs have a stated maturity date of August 1, 2024 and currently bear interest at the rate of 2.70% per annum. The Series 2019B RSNs have a stated maturity date of August 1, 2027 and currently bear interest at a rate of 2.70% per annum. Subject to any deferral as described below under “—Option to Defer Interest Payments,” and subject to the changes to the interest payment dates made upon a successful remarketing, interest on each series of RSNs is payable quarterly on February 1, May 1, August 1 and November 1 of each year (each, an “interest payment date”) and at maturity. Subject to certain exceptions, the Subordinated Note Indenture provides for the payment of interest on an interest payment date only to persons in whose names the RSNs are registered at the close of business on the record date. The “record date” means the 15th day of the calendar month immediately preceding the calendar month in which the applicable interest payment date falls (or, if such day is not a business day, the next

preceding business day); provided that if any of the RSNs or the Corporate Units are held by a securities depository in book-entry form, the record date for the RSNs will be the close of business on the business day immediately preceding the applicable interest payment date. Notwithstanding the foregoing, any interest payable at maturity or on a redemption date will be paid to the person to whom principal is payable. Interest is calculated on the basis of a 360-day year of twelve 30-day months, and with respect to any period less than a full calendar month, on the basis of the actual number of days elapsed per 30-day month.

If any interest payment date, redemption date, maturity date or the date (if any) on which the Company is required to purchase RSNs is not a business day, then the applicable payment will be made on the next succeeding day that is a business day and no interest will accrue or be paid in respect of such delay. A “business day” means any day that is not a Saturday or Sunday or a day on which banking institutions in the City of New York, New York or Hartford, Connecticut are authorized or required by law or executive order to close or a day on which the Subordinated Note Indenture Trustee’s corporate trust office is closed for business.

The interest rate on the RSNs may be reset in connection with a successful remarketing, as described below under “Interest Rate Reset.” However, if there is not a successful remarketing, the interest rate will not be reset and each series of RSNs will continue to bear interest at the applicable initial interest rate, all as described below under “—Interest Rate Reset.” Except in the case of a failed final remarketing, interest on the applicable series of RSNs following the optional remarketing settlement date or the purchase contract settlement date, as applicable, will be payable on a semi-annual basis.

Option to Defer Interest Payments

Prior to any successful remarketing of the RSNs, the Company may elect at one or more times to defer payment of interest on either series of RSNs by extending the interest payment period for one or more consecutive interest periods. However, the Company is not permitted to defer the interest payable on the purchase contract settlement date or the maturity date of such series, and no interest payment may be deferred beyond the purchase contract settlement date, in the case of a deferral period beginning prior to the purchase contract settlement date, or the maturity date of such series, in the case of a deferral period beginning after the purchase contract settlement date.

Deferred interest on either or both series of RSNs will bear interest at the interest rate applicable to such series of RSNs, compounded on each interest payment date to, but excluding, the interest payment date on which such deferred interest is paid, subject to applicable law. As used herein, a “deferral period” refers to the period beginning on an interest payment date with respect to which the Company elects to defer interest and ending on the earlier of (i) the next interest payment date on which the Company has paid all accrued and previously unpaid interest (including compounded interest thereon) on such series of RSNs and (ii) (a) the purchase contract settlement date, in the case of a deferral period that begins prior to the purchase contract settlement date, or (b) the maturity date of such series, in the case of a deferral period that begins after the purchase contract settlement date.

The Company will give the holders of the applicable series of RSNs and the Subordinated Note Indenture Trustee written notice of the Company's election to begin a deferral period at least one business day before the record date for the interest payment date on which the Company intends to begin a deferral period. However, the Company's failure to pay interest on any interest payment date will itself constitute the commencement of a deferral period unless the Company pays such interest within five business days after the interest payment date, whether or not the Company provides a notice of deferral. The Company may pay Additional Interest in cash on any scheduled interest payment date occurring on or prior to (i) the purchase contract settlement date, in the case of a deferral period that begins prior to the purchase contract settlement date, or (ii) the applicable maturity date, in the case of a deferral period that begins after the purchase contract settlement date; *provided* that in order to end a deferral period on any scheduled interest payment date other than the purchase contract settlement date or the applicable maturity date, the Company must deliver written notice thereof to holders of the applicable series of RSNs and the Subordinated Note Indenture Trustee on or before the relevant record date.

In connection with any successful remarketing during the final remarketing period, all accrued and unpaid deferred interest and compounded interest thereon ("Additional Interest") will be paid to the holders of the applicable series of RSNs (whether or not such RSNs were remarketed in such remarketing) on the purchase contract settlement date in cash.

If the Company has paid all Additional Interest on the applicable series of RSNs, the Company can again defer interest payments on such series of RSNs as described above. The Subordinated Note Indenture does not limit the number or frequency of interest deferral periods.

If the Company has not paid all such Additional Interest in cash for a period of 30 days following the end of the deferral period, the Company will be in default under the Subordinated Note Indenture. See "—Events of Default" below. The Company currently does not intend to exercise its option to defer interest on the RSNs.

In connection with any successful remarketing of the RSNs, the interest deferral provisions will cease to apply to the RSNs.

Dividend and Other Payment Stoppages During Interest Deferral and Under Certain Other Circumstances

The Company has agreed that if a deferral period is continuing with respect to either series of RSNs or the Company has given notice of a deferral period and the deferral period has not yet commenced, then until all Additional Interest has been paid, the Company will not:

- (i) declare or pay any dividends or distributions on, or redeem, purchase, acquire or make a liquidation payment with respect to, any shares of the Company's capital stock;
- (ii) make any payment of principal of, or interest or premium, if any, on, or repay, repurchase or redeem any of the Company's debt securities that rank on parity

with, or junior to, the RSNs (including any other junior subordinated notes issued pursuant to the Subordinated Note Indenture); or

- (iii) make any guarantee payments under any guarantee by the Company of debt securities if the guarantee ranks on parity with, or junior to, the RSNs.

The restrictions listed above do not apply to:

- (a) purchases, redemptions or other acquisitions of the Company's capital stock in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of employees, officers, directors, agents or consultants or a stock purchase or dividend reinvestment plan, or the satisfaction of the Company's obligations pursuant to any contract or security outstanding on the date the payment of interest is deferred requiring the Company to purchase, redeem or acquire the Company's capital stock;
- (b) any payment, repayment, redemption, purchase, acquisition or declaration of dividends described in clause (i) above as a result of a reclassification of the Company's capital stock, or the exchange or conversion of all or a portion of one class or series of the Company's capital stock, for another class or series of the Company's capital stock;
- (c) the purchase of fractional interests in shares of the Company's capital stock pursuant to the conversion or exchange provisions of the Company's capital stock or the security being converted or exchanged, or in connection with the settlement of stock purchase contracts outstanding on the date the payment of interest is deferred;
- (d) dividends or distributions paid or made in the Company's capital stock (or rights to acquire the Company's capital stock), or repurchases, redemptions or acquisitions of capital stock in connection with the issuance or exchange of capital stock (or of securities convertible into or exchangeable for shares of the Company's capital stock) and distributions in connection with the settlement of stock purchase contracts outstanding on the date the payment of interest is deferred;
- (e) redemptions, exchanges or repurchases of, or with respect to, any rights outstanding under a stockholder rights plan outstanding on the date the payment of interest is deferred or the declaration or payment thereunder of a dividend or distribution of or with respect to rights in the future;
- (f) payments on the RSNs, any trust preferred securities, subordinated notes or junior subordinated notes, or any guarantees of any of the foregoing, in each case, that rank equal in right of payment to the RSNs, so long as the amount of payments made on account of such securities or guarantees is paid on all such securities and guarantees then outstanding on a pro rata basis in proportion to the full payment to which each series of such securities and guarantees is then entitled if paid in

full; provided that, for the avoidance of doubt, the Company will not be permitted under the Subordinated Note Indenture to make interest payments in part; or

- (g) any payment of deferred interest or principal on, or repayment, redemption or repurchase of, parity or junior securities that, if not made, would cause the Company to breach the terms of the instrument governing such parity or junior securities.

Remarketing

The RSNs will be remarketed as described under “Description of the Purchase Contracts— Remarketing.”

Following any successful remarketing of the RSNs:

- the interest rate on each series of the RSNs may be reset as described below and under “—Interest Rate Reset” below;
- interest will be payable on the RSNs semi-annually on February 1 and August 1 of each year;
- the Series 2019B RSNs will cease to be redeemable at the Company’s option, and the provisions described under “—Redemption at the Company’s Option” and “—Redemption Procedures” below will no longer apply to the Series 2019B RSNs; and
- the Company will cease to have the ability to defer interest payments on the RSNs, and the provisions described under “—Option to Defer Interest Payments” above will no longer apply to the RSNs.

All such modifications will take effect only if the remarketing is successful, without the consent of holders, on the optional remarketing settlement date or the purchase contract settlement date, as the case may be, and will apply to all RSNs, whether or not included in the remarketing. All other terms of the RSNs will remain unchanged.

The Company will use commercially reasonable efforts to ensure that, if required by applicable law, a registration statement, including a prospectus, with regard to the full amount of each series of RSNs to be remarketed will be effective under the securities laws in a form that may be used by the remarketing agent in connection with the remarketing (unless a registration statement is not required under the applicable laws and regulations that are in effect at that time or unless the Company conducts any remarketing in accordance with an exemption under the securities laws).

In order to remarket the RSNs, the remarketing agent, in consultation with the Company, may reset the interest rate on each series of RSNs (either upward or downward), in order to produce the required price in the remarketing, even if they were not included in the remarketing, as discussed under “Description of the Purchase Contracts—Remarketing.”

Remarketing of RSNs That Are Not Included in Corporate Units

At any time after the Company gives notice of a remarketing (other than during a blackout period), holders of RSNs of either series that do not underlie Corporate Units may elect to have their RSNs remarketed in such remarketing in the same manner as RSNs that underlie Corporate Units by delivering their RSNs along with a notice of this election to the custodial agent. The custodial agent will hold the RSNs separate from the collateral account in which the pledged securities will be held. Holders of RSNs electing to have their RSNs remarketed will also have the right to make or withdraw such election at any time on or prior to 4:00 p.m., New York City time, on the second business day immediately preceding the first day of an optional remarketing period or final remarketing period, as the case may be, in each case, other than during a blackout period. In the event of successful remarketing during the optional remarketing period, each holder of (i) separate Series 2019A RSNs that elects to have such RSNs remarketed will receive, for each \$1,000 principal amount of such RSNs sold, the remarketing price per Series 2019A RSN and (ii) separate Series 2019B RSNs that elects to have such RSNs remarketed will receive, for each \$1,000 principal amount of such RSNs sold, the remarketing price per Series 2019B RSN. The “remarketing price per Series 2019A RSN” means, for each \$1,000 principal amount of Series 2019A RSNs, an amount in cash equal to the quotient of the portion of the Treasury portfolio purchase price attributable to the components of the Treasury portfolio described in the first and third bullets under “—Remarketing—Optional Remarketing—Components of the Treasury Portfolio” above *divided by* the number of Series 2019A RSNs having a principal amount of \$1,000 included in such remarketing that are held as components of Corporate Units. The “remarketing price per Series 2019B RSN” means, for each \$1,000 principal amount of Series 2019B RSNs, an amount in cash equal to the quotient of the portion of the Treasury portfolio purchase price attributable to the components of the Treasury portfolio described in the second and fourth bullets under “—Remarketing—Optional Remarketing—Components of the Treasury Portfolio” above *divided by* the number of Series 2019B RSNs having a principal amount of \$1,000 included in such remarketing that are held as components of Corporate Units. For purposes of determining the proceeds that the remarketing agent will seek to obtain for the RSNs in an optional remarketing, the “separate RSNs purchase price” means the amount of cash equal to the sum of (i) the product of (A) the remarketing price per Series 2019A RSN and (B) the number of Series 2019A RSNs having a principal amount of \$1,000 included in such remarketing that are not part of Corporate Units and (ii) the product of (A) the remarketing price per Series 2019B RSN and (B) the number of Series 2019B RSNs having a principal amount of \$1,000 included in such remarketing that are not part of Corporate Units. In the event of a successful remarketing during the final remarketing period, each holder of separate RSNs that elects to have its RSNs remarketed will receive its *pro rata* portion of the proceeds of such final remarketing attributable to the remarketed separate RSNs, which, for each \$1,000 principal amount of RSNs, will be an amount at least equal to \$1,000 in cash. Any accrued and unpaid interest on such RSNs, including any Additional Interest, will be paid in cash by the Company, on the purchase contract settlement date.

Interest Rate Reset

In the case of a successful remarketing, the interest rate on each series of RSNs may be reset on the date of a successful remarketing and the relevant reset rate will become effective on the settlement date of the remarketing, which will be, in the case of an optional remarketing, the second business day following the optional remarketing date (or, if the remarketed RSNs are priced after 4:30 p.m., New York City time, on the optional remarketing date, the third business day following the optional remarketing date) and, in the case of the final remarketing period, the purchase contract settlement date. If a reset occurs pursuant to a successful optional remarketing, the reset rate will be the interest rate determined by the remarketing agent, in consultation with the Company, as the rate each series of RSNs should bear in order for the remarketing proceeds to equal at least 100% of the Treasury portfolio purchase price plus the separate RSNs purchase price, if any. If a reset occurs pursuant to a successful final remarketing, the reset rate for each series of RSNs will be the interest rate or spread determined by the remarketing agent, in consultation with the Company, as the rate each series of RSNs should bear in order for the remarketing proceeds to equal at least 100% of the principal amount of the RSNs being remarketed. In any case, a reset rate may be higher or lower than the applicable initial interest rate of the RSNs depending on the results of the remarketing and market conditions at that time. However, in no event will the reset rate exceed the maximum rate permitted by applicable law. In addition, following a successful remarketing, interest on RSNs will be payable on a semi-annual basis on February 1 and August 1 of each year.

If the RSNs are not successfully remarketed, the interest rate will not be reset and the Series 2019A RSNs will continue to bear interest at the initial annual interest rate of 2.70% and the Series 2019B RSNs will continue to bear interest at the initial annual interest rate of 2.70%.

The remarketing agent is not obligated to purchase any RSNs that would otherwise remain unsold in the remarketing. None of the Company, the remarketing agent or any agent of the Company or the remarketing agent will be obligated in any case to provide funds to make payment upon tender of RSNs for remarketing.

Put Option upon Failed Remarketing

If the RSNs have not been successfully remarketed on or prior to the last day of the final remarketing period, holders of RSNs will have the right to require the Company to purchase their RSNs on the purchase contract settlement date, upon at least two business days' prior notice in the case of RSNs that are not included in Corporate Units, at a price equal to the principal amount of such RSNs. In such circumstances, holders of RSNs that underlie Corporate Units will be deemed to have exercised such put right with respect to both series of RSNs as described under "Description of the Purchase Contracts—Remarketing," unless they settle the related purchase contracts with separate cash.

Redemption at the Company's Option

The Series 2019A RSNs are not subject to optional redemption at any time. The Company may redeem the Series 2019B RSNs at the Company's option only if there has been a

failed final remarketing. In that event, any Series 2019B RSNs that remain outstanding after the purchase contract settlement date will be redeemable on or after August 1, 2024 at the Company's option, in whole or in part, at any time and from time to time, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, to but excluding the redemption date. The Company may at any time irrevocably waive the right to redeem the Series 2019B RSNs for any specified period (including the remaining term of the RSNs). The Company may not redeem the Series 2019B RSNs if the Series 2019B RSNs have been accelerated and such acceleration has not been rescinded or unless all accrued and unpaid interest has been paid in full on all outstanding Series 2019B RSNs for all interest periods terminating on or prior to the redemption date. Following a successful remarketing of the Series 2019B RSNs, the Series 2019B RSNs will cease to be redeemable at the Company's option.

Redemption Procedures

The Company will mail notice of any optional redemption to the registered holder of the Series 2019B RSNs being redeemed not less than 30 days and not more than 60 days before the redemption date. The notice of redemption will identify, among other things, the redemption date, the redemption price and that, on the redemption date, the redemption price will become due and payable and that Series 2019B RSNs called for redemption will cease to accrue interest on and after the redemption date (unless there is a default on payment of the redemption price). Prior to the redemption date, the Company will deposit with the paying agent or the Subordinated Note Indenture Trustee money sufficient to pay the redemption price of the Series 2019B RSNs to be redeemed on that date. If the Company redeems less than all of the Series 2019B RSNs, the Subordinated Note Indenture Trustee will choose the Series 2019B RSNs to be redeemed by lot or in any manner that it deems fair and appropriate, and in any event, in accordance with the applicable procedures of DTC.

In the event the final remarketing fails and you do not settle the related purchase contracts with separate cash, if you hold RSNs as part of Corporate Units you will be deemed to exercise your option to put both series of RSNs to the Company unless you elect to settle the purchase contracts with separate cash as described under "Description of the Purchase Contracts—Notice to Settle with Cash," and the Company will apply the put price against your obligations under the purchase contracts. This remedy has the effect similar to an automatic redemption of the RSNs, but the Company does not have to give you prior notice or follow any of the other redemption procedures.

The Company will not be required to register the transfer or exchange of (i) all Series 2019B RSNs during a period of 15 days immediately preceding the date notice is given of the selection of the Series 2019B RSNs for optional redemption or (ii) any Series 2019B RSN being redeemed, except with respect to the unredeemed portion of any Series 2019B RSN being redeemed in part.

Events of Default

The Subordinated Note Indenture provides that any one or more of the following described events with respect to either series of the RSNs, which has occurred and is continuing, constitutes an “Event of Default” with respect to the RSNs of such series:

- (a) failure for 30 days to pay interest on the RSNs of such series, including any Additional Interest in respect of the RSNs of such series, when due on an interest payment date other than at maturity or upon earlier redemption; provided, however, that a valid extension of the interest payment period by the Company shall not constitute a default in the payment of interest for this purpose; or
- (b) failure to pay principal of, or premium, if any, on or interest, including Additional Interest, on the RSNs of such series when due at maturity or upon earlier redemption; or
- (c) failure for three business days to deposit any sinking fund payment when due by the terms of a RSN of such series; or
- (d) failure to observe or perform any other covenant or warranty of the Company in the Subordinated Note Indenture (other than a covenant or warranty which has expressly been included in the Subordinated Note Indenture solely for the benefit of one or more series of junior subordinated notes other than such series of RSNs) for 90 days after written notice to the Company from the Subordinated Note Indenture Trustee or the holders of at least 25% in principal amount of the outstanding RSNs of such series; or
- (e) certain events of bankruptcy, insolvency or reorganization of the Company.

In addition, an “Event of Default” with respect to the RSNs will occur if the Company fails to pay the purchase price of any RSN on the purchase contract settlement date, if required under “—Put Option upon Failed Remarketing” above.

The holders of not less than a majority in aggregate outstanding principal amount of the RSNs of any series have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Subordinated Note Indenture Trustee with respect to the RSNs of such series. If an Event of Default occurs and is continuing with respect to the RSNs of any series, then the Subordinated Note Indenture Trustee or the holders of not less than 25% in aggregate outstanding principal amount of the RSNs of such series may declare the principal amount of the RSNs due and payable immediately by notice in writing to the Company (and to the Subordinated Note Indenture Trustee if given by the holders), and upon any such declaration such principal amount shall become immediately due and payable. At any time after such a declaration of acceleration with respect to the RSNs of any series has been made and before a judgment or decree for payment of the money due has been obtained as provided in Article Five of the Subordinated Note Indenture, the holders of not less than a majority in aggregate outstanding principal amount of the RSNs of such series may, by written notice to the Company and the Subordinated Note Indenture Trustee, rescind and annul such declaration and its consequences if the default has been cured or waived and the Company has paid or deposited with the Subordinated Note Indenture Trustee a sum sufficient to pay all matured installments of

interest (including any Additional Interest) and principal due otherwise than by acceleration and all sums paid or advanced by the Subordinated Note Indenture Trustee, including reasonable compensation and expenses of the Subordinated Note Indenture Trustee.

The holders of not less than a majority in aggregate outstanding principal amount of the RSNs of any series may, on behalf of the holders of all the RSNs of such series, waive any past default with respect to such series, except (i) a default in the payment of principal or interest (including Additional Interest) or (ii) a default in respect of a covenant or provision which under Article Nine of the Subordinated Note Indenture cannot be modified or amended without the consent of the holder of each outstanding RSN of such series affected.

Modification of Indenture

The Subordinated Note Indenture contains provisions permitting the Company and the Subordinated Note Indenture Trustee, with the consent of the holders of not less than a majority in principal amount of the outstanding RSNs of each series affected, to modify the Subordinated Note Indenture or the rights of the holders of the RSNs of such series; provided that no such modification may, without the consent of the holder of each outstanding RSN affected, (i) change the stated maturity of the principal of, or any installment of principal of or interest on, any RSN, or reduce the principal amount of any RSN or the rate of interest (including Additional Interest) on any RSN or any premium payable upon the redemption of any RSN, or change the method of calculating the rate of interest on any RSN, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity of any RSN (or, in the case of redemption, on or after the redemption date), or (ii) reduce the percentage of principal amount of the outstanding RSNs of any series, the consent of whose holders is required for any such supplemental indenture, or the consent of whose holders is required for any waiver (of compliance with certain provisions of the Subordinated Note Indenture or certain defaults under the Subordinated Note Indenture and their consequences) provided for in the Subordinated Note Indenture, or (iii) modify any of the provisions of the Subordinated Note Indenture relating to supplemental indentures, waiver of past defaults or waiver of certain covenants, except to increase any such percentage or to provide that certain other provisions of the Subordinated Note Indenture cannot be modified or waived without the consent of the holder of each outstanding RSN affected thereby, or (iv) modify the provisions of the Subordinated Note Indenture with respect to the subordination of the RSNs in a manner adverse to such holder.

In addition to the purposes set forth above, the Company and the Subordinated Note Indenture Trustee may from time to time, without the consent of any holders of RSNs, amend and/or supplement the Subordinated Note Indenture for the following purposes:

- following the purchase contract settlement date, to supplement any of the provisions of the RSNs to such extent as shall be necessary to permit or facilitate the defeasance and discharge of the RSNs pursuant to the Subordinated Note Indenture, provided that any such action will not adversely affect the interests of any holder of any RSN in any material respect;

- set forth the terms of any series of RSNs following a successful remarketing to incorporate the reset interest rate, incorporate semi-annual interest payment dates, to eliminate the optional redemption provision in the Series 2019B RSNs and to eliminate the interest deferral provisions in the RSNs; and
- to conform the terms of the Subordinated Note Indenture and the RSNs to the descriptions thereof contained in the “Description of the Remarketable Junior Subordinated Notes,” “Description of the Equity Units,” “Description of the Purchase Contracts” and “Certain Provisions of the Purchase Contract and Pledge Agreement” sections in the preliminary prospectus supplement for the Equity Units, as supplemented and/or amended by the related pricing term sheet.

In addition, the Company and the Subordinated Note Indenture Trustee may execute, without the consent of any holders of RSNs, any supplemental indenture for certain other usual purposes, including the creation of any new series of junior subordinated notes under the Subordinated Note Indenture.

Consolidation, Merger and Sale

The Company shall not consolidate with or merge into any other corporation or convey, transfer or lease its properties and assets substantially as an entirety to any person, unless (1) such other corporation or person is a corporation organized and existing under the laws of the United States, any state of the United States or the District of Columbia and such other corporation or person expressly assumes, by supplemental indenture executed and delivered to the Subordinated Note Indenture Trustee, the payment of the principal of and premium, if any, on and interest (including Additional Interest) on all the RSNs and the performance of every covenant of the Subordinated Note Indenture on the part of the Company to be performed or observed; (2) immediately after giving effect to such transactions, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have happened and be continuing; and (3) the Company has delivered to the Subordinated Note Indenture Trustee an officers’ certificate and an opinion of counsel, each stating that such transaction complies with the provisions of the Subordinated Note Indenture governing consolidation, merger, conveyance, transfer or lease and that all conditions precedent to the transaction have been complied with.

Information Concerning the Subordinated Note Indenture Trustee

The Subordinated Note Indenture Trustee, prior to an Event of Default with respect to RSNs of any series, undertakes to perform, with respect to RSNs of such series, only such duties as are specifically set forth in the Subordinated Note Indenture and, in case an Event of Default with respect to RSNs of any series has occurred and is continuing, shall exercise, with respect to RSNs of such series, the same degree of care as a prudent individual would exercise in the conduct of his or her own affairs. Subject to such provision, the Subordinated Note Indenture Trustee is under no obligation to exercise any of the powers vested in it by the Subordinated Note Indenture at the request of any holder of RSNs of any series, unless offered reasonable indemnity by such holder against the costs, expenses and liabilities which might be incurred by

the Subordinated Note Indenture Trustee. The Subordinated Note Indenture Trustee is not required to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties if the Subordinated Note Indenture Trustee reasonably believes that repayment or adequate indemnity is not reasonably assured to it.

Governing Law

The Subordinated Note Indenture and the RSNs are governed by, and construed in accordance with, the internal laws of the State of New York.

Miscellaneous

The Company has the right at all times to assign any of its rights or obligations under the Subordinated Note Indenture to a direct or indirect wholly-owned subsidiary of the Company; provided, that, in the event of any such assignment, the Company will remain primarily liable for all such obligations. Subject to the foregoing, the Subordinated Note Indenture will be binding upon and inure to the benefit of the parties to the Subordinated Note Indenture and their respective successors and assigns.

When recorded return to:

David Hight, Esq.
Ice Miller LLP
2300 Cabot Drive
Suite 455
Lisle, IL 60532

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Supplemental Indenture

Made as of August 11, 2020, to be Effective August 31, 2020

Northern Illinois Gas Company

to

U.S. Bank National Association

Trustee under Indenture dated as of

**January 1, 1954
and**

Supplemental Indentures Thereto

**FIRST MORTGAGE BONDS 1.42% SERIES DUE AUGUST 31, 2025
FIRST MORTGAGE BONDS 1.88% SERIES DUE NOVEMBER 6, 2030
FIRST MORTGAGE BONDS 2.77% SERIES DUE AUGUST 31, 2050
FIRST MORTGAGE BONDS 2.87% SERIES DUE NOVEMBER 6, 2060**

This Supplemental Indenture, made as of August 11, 2020 and effective August 31, 2020, between Northern Illinois Gas Company, a corporation organized and existing under the laws of the State of Illinois (hereinafter called the “**Company**”), and U.S. Bank National Association (hereinafter called the “**Trustee**”), as successor Trustee under an Indenture dated as of January 1, 1954, as modified by the Indenture of Adoption, dated February 9, 1954 and the Indenture of Release, dated February 9, 1954, and as supplemented by Supplemental Indentures dated (or made effective) April 1, 1956, June 1, 1959, July 1, 1960, June 1, 1963, July 1, 1963, August 1, 1964, August 1, 1965, May 1, 1966, August 1, 1966, July 1, 1967, June 1, 1968, December 1, 1969, August 1, 1970, June 1, 1971, July 1, 1972, July 1, 1973, April 1, 1975, April 30, 1976 (two Supplemental Indentures bearing that date), July 1, 1976, August 1, 1976, December 1, 1977, January 15, 1979, December 1, 1981, March 1, 1983, October 1, 1984, December 1, 1986, March 15, 1988, July 1, 1988, July 1, 1989, July 15, 1990, August 15, 1991, July 15, 1992, February 1, 1993, March 15, 1993, May 1, 1993, July 1, 1993, August 15, 1994, October 15, 1995, May 10, 1996, August 1, 1996, June 1, 1997, October 15, 1997, February 15, 1998, June 1, 1998, February 1, 1999, February 1, 2001, May 15, 2001, August 15, 2001, December 15, 2001, December 1, 2003 (three Supplemental Indentures bearing that date), December 15, 2006, August 15, 2008, July 30, 2009, February 1, 2011, October 26, 2012, June 23, 2016, August 10, 2017, August 16, 2018, and August 30, 2019, such Indenture dated as of January 1, 1954, as so modified and supplemented, being hereinafter called the “**Indenture**.”

Witnesseth:

Whereas, the Indenture provides for the issuance from time to time thereunder, in series, of bonds of the Company for the purposes and subject to the limitations therein specified; and

Whereas, the Company desires, by this Supplemental Indenture, to create four additional series of bonds to be issuable under the Indenture, such bonds to be designated, respectively, (a) “First Mortgage Bonds 1.42% Series due August 31, 2025” (hereinafter called the “**2025 Series**”), (b) “First Mortgage Bonds 1.88% Series due November 6, 2030” (hereinafter called the “**2030 Series**”), (c) “First Mortgage Bonds 2.77% Series due August 31, 2050” (hereinafter called the “**2050 Series**”), and (d) “First Mortgage Bonds 2.87% Series due November 6, 2060” (hereinafter called the “**2060 Series**”; the 2025 Series, the 2030 Series, the 2050 Series and the 2060 Series, hereinafter called, collectively, the “**bonds of this Supplemental Indenture**”), and the terms and provisions to be contained in the bonds of this Supplemental Indenture or to be otherwise applicable thereto to be as set forth in this Supplemental Indenture; and

Whereas, the forms, respectively, of the bonds of this Supplemental Indenture, and the Trustee’s certificate to be endorsed on all bonds of this Supplemental Indenture, are to be substantially as follows:

[Remainder of Page Intentionally Left Blank]

(Form of Face of Bond of 2025 Series)

NO. RU-2020-A-__

\$ _____

Ill. Commerce Commission No. 6830

CUSIP No. _____

Northern Illinois Gas Company

First Mortgage Bond 1.42% Series due August 31, 2025

Northern Illinois Gas Company, an Illinois corporation (hereinafter called the “**Company**”), for value received, hereby promises to pay to _____ or registered assigns, the sum of _____ Dollars, on August 31, 2025, and to pay to the registered owner hereof interest on said sum from the date hereof until said sum shall be paid, at the rate of 1.42% per annum, payable semi-annually on the first day of March and the first day of September in each year, beginning on March 1, 2021. Both the principal of and the interest on this bond shall be payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Any installment of interest on this bond may, at the Company’s option, be paid by mailing checks for such interest payable to or upon the written order of the person entitled thereto to the address of such person as it appears on the registration books.

So long as there is no existing default in the payment of interest on this bond, the interest so payable on any interest payment date will be paid to the person in whose name this bond is registered on February 15 or August 15 (whether or not a business day), as the case may be, next preceding such interest payment date. If and to the extent that the Company shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the person in whose name this bond is registered on the record date fixed, in advance, by the Company for the payment of such defaulted interest.

Additional provisions of this bond are set forth on the reverse hereof.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee, or its successor in trust under the Indenture, of the certificate endorsed hereon.

In Witness Whereof, Northern Illinois Gas Company has caused this bond to be executed in its name by its Executive Vice President, Chief Financial Officer and Treasurer, manually or by facsimile signature, and has caused its corporate seal to be impressed hereon or a facsimile thereof to be imprinted hereon and to be attested by its Corporate Secretary, manually or by facsimile signature.

Dated: August 31, 2020

Northern Illinois Gas Company

By:

Executive Vice President, Chief Financial Officer
and Treasurer

Attest:

Corporate Secretary

(Form of Trustee's Certificate of Authentication)

This bond is one of the bonds of the 2025 Series designated therein, referred to and described in the within-mentioned Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020.

**U.S. Bank National Association,
Trustee**

By: _____
Authorized Officer

Dated: August 31, 2020

(Form of Reverse Side of Bond of 2025 Series)

This bond is one, of the series hereinafter specified, of the bonds issued and to be issued in series from time to time under and in accordance with and secured by an Indenture dated as of January 1, 1954, to U.S. Bank National Association, as Trustee, as supplemented by certain indentures supplemental thereto, executed and delivered to the Trustee; and this bond is one of a series of such bonds, designated “Northern Illinois Gas Company First Mortgage Bond 1.42% Series due August 31, 2025” (herein called “**bonds of this Series**”), the issuance of which is provided for by a Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020 (hereinafter called the “**Supplemental Indenture**”), executed and delivered by the Company to the Trustee. The term “**Indenture**”, as hereinafter used, means said Indenture dated as of January 1, 1954, and all indentures supplemental thereto (including, without limitation, the Supplemental Indenture) from time to time in effect. Reference is made to the Indenture for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of said bonds, of the Company and of the Trustee in respect of the security, and the terms and conditions governing the issuance and security of said bonds.

Any transferee, by its acceptance of a bond registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2 of the Bond Purchase Agreement dated as of August 11, 2020 among the Company and the purchasers listed on Schedule A attached thereto, as amended, restated, supplemented or otherwise modified from time to time.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, modifications or alterations of the Indenture or of any supplemental indenture and of the rights and obligations of the Company and of the holders and registered owners of the bonds may be made, and compliance with any provision of the Indenture or of any supplemental indenture may be waived, by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds then outstanding under the Indenture, and by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds of any series then outstanding under the Indenture and affected by such modification or alteration, in case one or more but less than all of the series of bonds then outstanding under the Indenture are so affected, but in any case excluding bonds disqualified from voting by reason of the Company’s interest therein as provided in the Indenture; subject, however, to the condition, among other conditions stated in the Indenture, that no such modification or alteration shall be made which, among other things, will permit the extension of the time or times of payment of the principal of or the interest or the premium, if any, on this bond, or the reduction in the principal amount hereof or in the rate of interest or the amount of any premium hereon, or any other modification in the terms of payment of such principal, interest or premium, which terms of payment are unconditional, or, otherwise than as permitted by the Indenture, the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the mortgaged property, all as more fully provided in the Indenture.

The bonds of this Series may be called for redemption by the Company, as a whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the bonds of this Series to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption and the Make-Whole Amount (as defined in the Supplemental Indenture) applicable thereto.

Notice of each redemption shall be mailed to all registered owners not less than thirty nor more than forty-five days before the redemption date.

In case of certain completed defaults specified in the Indenture, the principal of this bond may be declared or may become due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or the interest or the premium, if any, on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers being waived and released by the registered owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture, all as more fully provided therein.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, upon surrender and cancellation of this bond; and thereupon a new registered bond or bonds without coupons of the same aggregate principal amount and series will, upon the payment of any transfer tax or taxes payable, be issued to the transferee in exchange herefor. The Company shall not be required to exchange or transfer this bond if this bond or a portion hereof has been selected for redemption.

The security represented by this certificate has not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or qualified under any state securities laws and may not be transferred, sold or otherwise disposed of except while a registration statement is in effect or pursuant to an available exemption from registration under the Securities Act and applicable state securities laws.

(End of Form of Bond of 2025 Series)

(Form of Face of Bond of 2030 Series)

NO. RU-2020-B-__

\$ _____

Ill. Commerce Commission No. 6830

CUSIP No. _____

Northern Illinois Gas Company

First Mortgage Bond 1.88% Series due November 6, 2030

Northern Illinois Gas Company, an Illinois corporation (hereinafter called the “**Company**”), for value received, hereby promises to pay to _____ or registered assigns, the sum of _____ Dollars, on November 6, 2030, and to pay to the registered owner hereof interest on said sum from the date hereof until said sum shall be paid, at the rate of 1.88% per annum, payable semi-annually on the fifteenth day of May and the fifteenth day of November in each year, beginning on May 15, 2021. Both the principal of and the interest on this bond shall be payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Any installment of interest on this bond may, at the Company’s option, be paid by mailing checks for such interest payable to or upon the written order of the person entitled thereto to the address of such person as it appears on the registration books.

So long as there is no existing default in the payment of interest on this bond, the interest so payable on any interest payment date will be paid to the person in whose name this bond is registered on May 1 or November 1 (whether or not a business day), as the case may be, next preceding such interest payment date. If and to the extent that the Company shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the person in whose name this bond is registered on the record date fixed, in advance, by the Company for the payment of such defaulted interest.

Additional provisions of this bond are set forth on the reverse hereof.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee, or its successor in trust under the Indenture, of the certificate endorsed hereon.

In Witness Whereof, Northern Illinois Gas Company has caused this bond to be executed in its name by its Executive Vice President, Chief Financial Officer and Treasurer, manually or by facsimile signature, and has caused its corporate seal to be impressed hereon or a facsimile thereof to be imprinted hereon and to be attested by its Corporate Secretary, manually or by facsimile signature.

Dated: November 6, 2020

Northern Illinois Gas Company

By: _____
Executive Vice President, Chief Financial Officer
and Treasurer

Attest:

Corporate Secretary

(Form of Trustee's Certificate of Authentication)

This bond is one of the bonds of the 2030 Series designated therein, referred to and described in the within-mentioned Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020.

**U.S. Bank National Association,
Trustee**

By: _____
Authorized Officer

Dated: November 6, 2020

(Form of Reverse Side of Bond of 2030 Series)

This bond is one, of the series hereinafter specified, of the bonds issued and to be issued in series from time to time under and in accordance with and secured by an Indenture dated as of January 1, 1954, to U.S. Bank National Association, as Trustee, as supplemented by certain indentures supplemental thereto, executed and delivered to the Trustee; and this bond is one of a series of such bonds, designated “Northern Illinois Gas Company First Mortgage Bond 1.88% Series due November 6, 2030” (herein called “**bonds of this Series**”), the issuance of which is provided for by a Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020 (hereinafter called the “**Supplemental Indenture**”), executed and delivered by the Company to the Trustee. The term “**Indenture**”, as hereinafter used, means said Indenture dated as of January 1, 1954, and all indentures supplemental thereto (including, without limitation, the Supplemental Indenture) from time to time in effect. Reference is made to the Indenture for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of said bonds, of the Company and of the Trustee in respect of the security, and the terms and conditions governing the issuance and security of said bonds.

Any transferee, by its acceptance of a bond registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2 of the Bond Purchase Agreement dated as of August 11, 2020 among the Company and the purchasers listed on Schedule A attached thereto, as amended, restated, supplemented or otherwise modified from time to time.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, modifications or alterations of the Indenture or of any supplemental indenture and of the rights and obligations of the Company and of the holders and registered owners of the bonds may be made, and compliance with any provision of the Indenture or of any supplemental indenture may be waived, by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds then outstanding under the Indenture, and by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds of any series then outstanding under the Indenture and affected by such modification or alteration, in case one or more but less than all of the series of bonds then outstanding under the Indenture are so affected, but in any case excluding bonds disqualified from voting by reason of the Company’s interest therein as provided in the Indenture; subject, however, to the condition, among other conditions stated in the Indenture, that no such modification or alteration shall be made which, among other things, will permit the extension of the time or times of payment of the principal of or the interest or the premium, if any, on this bond, or the reduction in the principal amount hereof or in the rate of interest or the amount of any premium hereon, or any other modification in the terms of payment of such principal, interest or premium, which terms of payment are unconditional, or, otherwise than as permitted by the Indenture, the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the mortgaged property, all as more fully provided in the Indenture.

The bonds of this Series may be called for redemption by the Company, as a whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of

the bonds of this Series to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption and the Make-Whole Amount (as defined in the Supplemental Indenture) applicable thereto.

Notice of each redemption shall be mailed to all registered owners not less than thirty nor more than forty-five days before the redemption date.

In case of certain completed defaults specified in the Indenture, the principal of this bond may be declared or may become due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or the interest or the premium, if any, on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers being waived and released by the registered owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture, all as more fully provided therein.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, upon surrender and cancellation of this bond; and thereupon a new registered bond or bonds without coupons of the same aggregate principal amount and series will, upon the payment of any transfer tax or taxes payable, be issued to the transferee in exchange herefor. The Company shall not be required to exchange or transfer this bond if this bond or a portion hereof has been selected for redemption.

The security represented by this certificate has not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or qualified under any state securities laws and may not be transferred, sold or otherwise disposed of except while a registration statement is in effect or pursuant to an available exemption from registration under the Securities Act and applicable state securities laws.

(End of Form of Bond of 2030 Series)

(Form of Face of Bond of 2050 Series)

NO. RU-2020-C-__

\$ _____

Ill. Commerce Commission No. 6830

CUSIP No. _____

Northern Illinois Gas Company

First Mortgage Bond 2.77% Series due August 31, 2050

Northern Illinois Gas Company, an Illinois corporation (hereinafter called the "Company"), for value received, hereby promises to pay to _____ or registered assigns, the sum of _____ Dollars, on August 31, 2050, and to pay to the registered owner hereof interest on said sum from the date hereof until said sum shall be paid, at the rate of 2.77% per annum, payable semi-annually on the first day of March and the first day of September in each year, beginning on March 1, 2021. Both the principal of and the interest on this bond shall be payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Any installment of interest on this bond may, at the Company's option, be paid by mailing checks for such interest payable to or upon the written order of the person entitled thereto to the address of such person as it appears on the registration books.

So long as there is no existing default in the payment of interest on this bond, the interest so payable on any interest payment date will be paid to the person in whose name this bond is registered on February 15 or August 15 (whether or not a business day), as the case may be, next preceding such interest payment date. If and to the extent that the Company shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the person in whose name this bond is registered on the record date fixed, in advance, by the Company for the payment of such defaulted interest.

Additional provisions of this bond are set forth on the reverse hereof.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee, or its successor in trust under the Indenture, of the certificate endorsed hereon.

In Witness Whereof, Northern Illinois Gas Company has caused this bond to be executed in its name by its Executive Vice President, Chief Financial Officer and Treasurer, manually or by facsimile signature, and has caused its corporate seal to be impressed hereon or a facsimile thereof to be imprinted hereon and to be attested by its Corporate Secretary, manually or by facsimile signature.

Dated: August 31, 2020

Northern Illinois Gas Company

By:

Executive Vice President, Chief Financial Officer
and Treasurer

Attest:

Corporate Secretary

(Form of Trustee's Certificate of Authentication)

This bond is one of the bonds of the 2050 Series designated therein, referred to and described in the within-mentioned Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020.

**U.S. Bank National Association,
Trustee**

By: _____
Authorized Officer

Dated: August 31, 2020

(Form of Reverse Side of Bond of 2050 Series)

This bond is one, of the series hereinafter specified, of the bonds issued and to be issued in series from time to time under and in accordance with and secured by an Indenture dated as of January 1, 1954, to U.S. Bank National Association, as Trustee, as supplemented by certain indentures supplemental thereto, executed and delivered to the Trustee; and this bond is one of a series of such bonds, designated “Northern Illinois Gas Company First Mortgage Bond 2.77% Series due August 31, 2050” (herein called “**bonds of this Series**”), the issuance of which is provided for by a Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020 (hereinafter called the “**Supplemental Indenture**”), executed and delivered by the Company to the Trustee. The term “**Indenture**”, as hereinafter used, means said Indenture dated as of January 1, 1954, and all indentures supplemental thereto (including, without limitation, the Supplemental Indenture) from time to time in effect. Reference is made to the Indenture for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of said bonds, of the Company and of the Trustee in respect of the security, and the terms and conditions governing the issuance and security of said bonds.

Any transferee, by its acceptance of a bond registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2 of the Bond Purchase Agreement dated as of August 11, 2020 among the Company and the purchasers listed on Schedule A attached thereto, as amended, restated, supplemented or otherwise modified from time to time.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, modifications or alterations of the Indenture or of any supplemental indenture and of the rights and obligations of the Company and of the holders and registered owners of the bonds may be made, and compliance with any provision of the Indenture or of any supplemental indenture may be waived, by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds then outstanding under the Indenture, and by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds of any series then outstanding under the Indenture and affected by such modification or alteration, in case one or more but less than all of the series of bonds then outstanding under the Indenture are so affected, but in any case excluding bonds disqualified from voting by reason of the Company’s interest therein as provided in the Indenture; subject, however, to the condition, among other conditions stated in the Indenture, that no such modification or alteration shall be made which, among other things, will permit the extension of the time or times of payment of the principal of or the interest or the premium, if any, on this bond, or the reduction in the principal amount hereof or in the rate of interest or the amount of any premium hereon, or any other modification in the terms of payment of such principal, interest or premium, which terms of payment are unconditional, or, otherwise than as permitted by the Indenture, the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the mortgaged property, all as more fully provided in the Indenture.

The bonds of this Series may be called for redemption by the Company, as a whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of

the bonds of this Series to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption and the Make-Whole Amount (as defined in the Supplemental Indenture) applicable thereto.

Notice of each redemption shall be mailed to all registered owners not less than thirty nor more than forty-five days before the redemption date.

In case of certain completed defaults specified in the Indenture, the principal of this bond may be declared or may become due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or the interest or the premium, if any, on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers being waived and released by the registered owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture, all as more fully provided therein.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, upon surrender and cancellation of this bond; and thereupon a new registered bond or bonds without coupons of the same aggregate principal amount and series will, upon the payment of any transfer tax or taxes payable, be issued to the transferee in exchange herefor. The Company shall not be required to exchange or transfer this bond if this bond or a portion hereof has been selected for redemption.

The security represented by this certificate has not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or qualified under any state securities laws and may not be transferred, sold or otherwise disposed of except while a registration statement is in effect or pursuant to an available exemption from registration under the Securities Act and applicable state securities laws.

(End of Form of Bond of 2050 Series)

(Form of Face of Bond of 2060 Series)

NO. RU-2020-D-__

\$ _____

Ill. Commerce Commission No. 6830

CUSIP No. _____

Northern Illinois Gas Company

First Mortgage Bond 2.87% Series due November 6, 2060

Northern Illinois Gas Company, an Illinois corporation (hereinafter called the “**Company**”), for value received, hereby promises to pay to _____ or registered assigns, the sum of _____ Dollars, on November 6, 2060, and to pay to the registered owner hereof interest on said sum from the date hereof until said sum shall be paid, at the rate of 2.87% per annum, payable semi-annually on the fifteenth day of May and the fifteenth day of November in each year, beginning on May 15, 2021. Both the principal of and the interest on this bond shall be payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Any installment of interest on this bond may, at the Company’s option, be paid by mailing checks for such interest payable to or upon the written order of the person entitled thereto to the address of such person as it appears on the registration books.

So long as there is no existing default in the payment of interest on this bond, the interest so payable on any interest payment date will be paid to the person in whose name this bond is registered on May 1 or November 1 (whether or not a business day), as the case may be, next preceding such interest payment date. If and to the extent that the Company shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the person in whose name this bond is registered on the record date fixed, in advance, by the Company for the payment of such defaulted interest.

Additional provisions of this bond are set forth on the reverse hereof.

This bond shall not be entitled to any security or benefit under the Indenture or be valid or become obligatory for any purpose unless and until it shall have been authenticated by the execution by the Trustee, or its successor in trust under the Indenture, of the certificate endorsed hereon.

In Witness Whereof, Northern Illinois Gas Company has caused this bond to be executed in its name by its Executive Vice President, Chief Financial Officer and Treasurer, manually or by facsimile signature, and has caused its corporate seal to be impressed hereon or a facsimile thereof to be imprinted hereon and to be attested by its Corporate Secretary, manually or by facsimile signature.

Dated: November 6, 2020

Northern Illinois Gas Company

By:

Executive Vice President, Chief Financial Officer
and Treasurer

Attest:

Corporate Secretary

(Form of Trustee's Certificate of Authentication)

This bond is one of the bonds of the 2060 Series designated therein, referred to and described in the within-mentioned Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020.

**U.S. Bank National Association,
Trustee**

By: _____

Authorized Officer

Dated: November 6, 2020

(Form of Reverse Side of Bond of 2060 Series)

This bond is one, of the series hereinafter specified, of the bonds issued and to be issued in series from time to time under and in accordance with and secured by an Indenture dated as of January 1, 1954, to U.S. Bank National Association, as Trustee, as supplemented by certain indentures supplemental thereto, executed and delivered to the Trustee; and this bond is one of a series of such bonds, designated “Northern Illinois Gas Company First Mortgage Bond 2.87% Series due November 6, 2060” (herein called “**bonds of this Series**”), the issuance of which is provided for by a Supplemental Indenture dated as of August 11, 2020, effective August 31, 2020 (hereinafter called the “**Supplemental Indenture**”), executed and delivered by the Company to the Trustee. The term “**Indenture**”, as hereinafter used, means said Indenture dated as of January 1, 1954, and all indentures supplemental thereto (including, without limitation, the Supplemental Indenture) from time to time in effect. Reference is made to the Indenture for a description of the property mortgaged and pledged, the nature and extent of the security, the rights of the holders and registered owners of said bonds, of the Company and of the Trustee in respect of the security, and the terms and conditions governing the issuance and security of said bonds.

Any transferee, by its acceptance of a bond registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2 of the Bond Purchase Agreement dated as of August 11, 2020 among the Company and the purchasers listed on Schedule A attached thereto, as amended, restated, supplemented or otherwise modified from time to time.

With the consent of the Company and to the extent permitted by and as provided in the Indenture, modifications or alterations of the Indenture or of any supplemental indenture and of the rights and obligations of the Company and of the holders and registered owners of the bonds may be made, and compliance with any provision of the Indenture or of any supplemental indenture may be waived, by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds then outstanding under the Indenture, and by the affirmative vote of the holders and registered owners of not less than sixty-six and two-thirds per centum (66 2/3%) in principal amount of the bonds of any series then outstanding under the Indenture and affected by such modification or alteration, in case one or more but less than all of the series of bonds then outstanding under the Indenture are so affected, but in any case excluding bonds disqualified from voting by reason of the Company’s interest therein as provided in the Indenture; subject, however, to the condition, among other conditions stated in the Indenture, that no such modification or alteration shall be made which, among other things, will permit the extension of the time or times of payment of the principal of or the interest or the premium, if any, on this bond, or the reduction in the principal amount hereof or in the rate of interest or the amount of any premium hereon, or any other modification in the terms of payment of such principal, interest or premium, which terms of payment are unconditional, or, otherwise than as permitted by the Indenture, the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the mortgaged property, all as more fully provided in the Indenture.

The bonds of this Series may be called for redemption by the Company, as a whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the bonds of this Series to be redeemed plus accrued and unpaid interest on the principal amount being redeemed to the date of redemption and the Make-Whole Amount (as defined in the Supplemental Indenture) applicable thereto.

Notice of each redemption shall be mailed to all registered owners not less than thirty nor more than forty-five days before the redemption date.

In case of certain completed defaults specified in the Indenture, the principal of this bond may be declared or may become due and payable in the manner and with the effect provided in the Indenture.

No recourse shall be had for the payment of the principal of or the interest or the premium, if any, on this bond, or for any claim based hereon, or otherwise in respect hereof or of the Indenture, to or against any incorporator, stockholder, officer or director, past, present or future, of the Company or of any predecessor or successor corporation, either directly or through the Company or such predecessor or successor corporation, under any constitution or statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability of incorporators, stockholders, directors and officers being waived and released by the registered owner hereof by the acceptance of this bond and being likewise waived and released by the terms of the Indenture, all as more fully provided therein.

This bond is transferable by the registered owner hereof, in person or by duly authorized attorney, at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York, upon surrender and cancellation of this bond; and thereupon a new registered bond or bonds without coupons of the same aggregate principal amount and series will, upon the payment of any transfer tax or taxes payable, be issued to the transferee in exchange herefor. The Company shall not be required to exchange or transfer this bond if this bond or a portion hereof has been selected for redemption.

The security represented by this certificate has not been registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or qualified under any state securities laws and may not be transferred, sold or otherwise disposed of except while a registration statement is in effect or pursuant to an available exemption from registration under the Securities Act and applicable state securities laws.

(End of Form of Bond of 2060 Series)

and

WHEREAS, all acts and things necessary to make this Supplemental Indenture, when duly executed and delivered, a valid, binding and legal instrument in accordance with its terms, and for the purposes herein expressed, have been done and performed, and the execution and delivery of this Supplemental Indenture have in all respects been duly authorized.

Now Therefore, in consideration of the premises and of the sum of one dollar paid by the Trustee to the Company, and for other good and valuable consideration, the receipt of which is hereby acknowledged, for the purpose of securing the due and punctual payment of the principal of and the interest and premium, if any, on all bonds which shall be issued under the Indenture, and for the purpose of securing the faithful performance and observance of all the covenants and conditions set forth in the Indenture and in all indentures supplemental thereto, the Company by these presents does grant, bargain, sell, transfer, assign, pledge, mortgage, warrant and convey unto U.S. Bank National Association, as Trustee, and its successor or successors in the trust hereby created, all property, real and personal (other than property expressly excepted from the lien and operation of the Indenture), which, at the actual date of execution and delivery of this Supplemental Indenture, is solely used or held for use in the operation by the Company of its gas utility system and in the conduct of its gas utility business and all property, real and personal, used or useful in the gas utility business (other than property expressly excepted from the lien and operation of the Indenture) acquired by the Company after the actual date of execution and delivery of this Supplemental Indenture or (subject to the provisions of Section 16.03 of the Indenture) by any successor corporation after such execution and delivery, and it is further agreed by and between the Company and the Trustee as follows:

ARTICLE I.

Bonds of this Supplemental Indenture

Section 1. The bonds of this Supplemental Indenture shall, as hereinbefore recited, be designated as the Company's (a) "First Mortgage Bonds 1.42% Series due August 31, 2025", (b) "First Mortgage Bonds 1.88% Series due November 6, 2030", (c) "First Mortgage Bonds 2.77% Series due August 31, 2050", and (d) "First Mortgage Bonds 2.87% Series due November 6, 2060", as applicable. The bonds of the 2025 Series which may be issued and outstanding shall not exceed \$50,000,000 in aggregate principal amount, exclusive of bonds of such series authenticated and delivered pursuant to Section 4.12 of the Indenture. The bonds of the 2030 Series which may be issued and outstanding shall not exceed \$100,000,000 in aggregate principal amount, exclusive of bonds of such series authenticated and delivered pursuant to Section 4.12 of the Indenture. The bonds of the 2050 Series which may be issued and outstanding shall not exceed \$100,000,000 in aggregate principal amount, exclusive of bonds of such series authenticated and delivered pursuant to Section 4.12 of the Indenture. The bonds of the 2060 Series which may be issued and outstanding shall not exceed \$75,000,000 in aggregate principal amount, exclusive of bonds of such series authenticated and delivered pursuant to Section 4.12 of the Indenture.

Section 2. The bonds of this Supplemental Indenture shall be registered bonds without coupons, and the form of each series of such bonds, and of the Trustee's certificate of authentication to be endorsed on all bonds of this Supplemental Indenture, shall be substantially as hereinbefore recited, respectively.

Section 3. The bonds of this Supplemental Indenture shall be issued in the denomination of \$500,000 each and in such integral multiple or multiples thereof (except for one bond per holder and registered owner as may be necessary to reflect any principal amount in excess of \$500,000 not evenly divisible by \$500,000) as shall be determined and authorized by the Board

of Directors of the Company or by any officer of the Company authorized by the Board of Directors to make such determination, the authorization of the denomination of any bond to be conclusively evidenced by the execution thereof on behalf of the Company. The bonds of the 2025 Series shall be numbered RU-2020-A-1 and consecutively upwards, or in such other appropriate manner as shall be determined and authorized by the Board of Directors of the Company. The bonds of the 2030 Series shall be numbered RU-2020-B-1 and consecutively upwards, or in such other appropriate manner as shall be determined and authorized by the Board of Directors of the Company. The bonds of the 2050 Series shall be numbered RU-2020-C-1 and consecutively upwards, or in such other appropriate manner as shall be determined and authorized by the Board of Directors of the Company. The bonds of the 2060 Series shall be numbered RU-2020-D-1 and consecutively upwards, or in such other appropriate manner as shall be determined and authorized by the Board of Directors of the Company.

The bonds of the 2025 Series and the 2050 Series shall be dated August 31, 2020, except that each bond issued on or after the respective first payment of interest thereon shall be dated as of the date of the interest payment date thereof to which interest shall have been paid on the bonds of such series next preceding the date of issue, unless issued on an interest payment date to which interest shall have been so paid, in which event such bonds shall be dated as of the date of issue; *provided, however*, that bonds issued on or after February 15 and before the next succeeding March 1 or on or after August 15 and before the next succeeding September 1 shall be dated the next succeeding interest payment date if interest shall have been paid to such date. The bonds of the 2030 Series and the 2060 Series shall be dated November 6, 2020, except that each bond issued on or after the respective first payment of interest thereon shall be dated as of the date of the interest payment date thereof to which interest shall have been paid on the bonds of such series next preceding the date of issue, unless issued on an interest payment date to which interest shall have been so paid, in which event such bonds shall be dated as of the date of issue; *provided, however*, that bonds issued on or after May 1 and before the next succeeding May 15 or on or after November 1 and before the next succeeding November 15 shall be dated the next succeeding interest payment date if interest shall have been paid to such date. The bonds of the 2025 Series shall mature on August 31, 2025 and shall bear interest at the rate of 1.42% per annum until the principal thereof shall be paid. The bonds of the 2030 Series shall mature on November 6, 2030 and shall bear interest at the rate of 1.88% per annum until the principal thereof shall be paid. The bonds of the 2050 Series shall mature on August 31, 2050 and shall bear interest at the rate of 2.77% per annum until the principal thereof shall be paid. The bonds of the 2060 Series shall mature on November 6, 2060 and shall bear interest at the rate of 2.87% per annum until the principal thereof shall be paid. Interest on the bonds of this Supplemental Indenture shall be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the bonds of the 2025 Series shall be payable semi-annually on the first day of March and the first day of September in each year, beginning March 1, 2021. Interest on the bonds of the 2030 Series shall be payable semi-annually on the fifteenth day of May and the fifteenth day of November in each year, beginning May 15, 2021. Interest on the bonds of the 2050 Series shall be payable semi-annually on the first day of March and the first day of September in each year, beginning March 1, 2021. Interest on the bonds of the 2060 Series shall be payable semi-annually on the fifteenth day of May and the fifteenth day of November in each year, beginning May 15, 2021. So long as there is no existing default in the payment of interest on the bonds of this Supplemental Indenture, such interest shall be payable to the person in whose name each such bond is registered on the respective record date (whether or

not a business day), as the case may be, next preceding the respective interest payment dates; *provided, however*, if and to the extent that the Company shall default in the payment of interest due on such interest payment date, such defaulted interest shall be paid to the person in whose name each such bond is registered on the record date fixed, in advance, by the Company for the payment of such defaulted interest. Interest will accrue on overdue interest installments at the rate of (i) 1.42% per annum, with respect to the bonds of the 2025 Series, (ii) 1.88% per annum, with respect to the bonds of the 2030 Series, (iii) 2.77% per annum, with respect to the bonds of the 2050 Series, and (iv) 2.87% per annum, with respect to the bonds of the 2060 Series.

The principal of and interest and premium, if any, on the bonds of this Supplemental Indenture shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, and shall be payable at the office or agency of the Company in the City of Chicago, State of Illinois, or, at the option of the registered owner, at the office or agency of the Company in the Borough of Manhattan, The City and State of New York. Any installment of interest on the bonds of this Supplemental Indenture may, at the Company's option, be paid by mailing checks for such interest payable to or upon the written order of the person entitled thereto to the address of such person as it appears on the registration books. The bonds of this Supplemental Indenture shall be registrable, transferable and exchangeable in the manner provided in Sections 4.08 and 4.09 of the Indenture, at either of such offices or agencies.

Section 4. The bonds of this Supplemental Indenture, upon the mailing of notice and in the manner provided in Section 7.01 of the Indenture (except that no published notice shall be required for the bonds of this Supplemental Indenture) and with the effect provided in Section 7.02 thereof, shall be redeemable at the option of the Company, as a whole at any time or in part from time to time, at a redemption price equal to 100% of the principal amount of the bonds of this Supplemental Indenture to be redeemed plus accrued and unpaid interest of the principal amount being redeemed to the date of redemption plus the Make-Whole Amount applicable thereto, as calculated by the Company. **"Make-Whole Amount"** means, with respect to any bond of this Supplemental Indenture, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such bond of this Supplemental Indenture over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

"Called Principal" means, with respect to any bond of this Supplemental Indenture, the principal of such bond of this Supplemental Indenture that is to be redeemed.

"Discounted Value" means, with respect to the Called Principal of any bond of this Supplemental Indenture, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the bond of this Supplemental Indenture is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“Reinvestment Yield” means, with respect to the Called Principal of any bond of this Supplemental Indenture, the sum of (x) 0.50% plus (y) the yield to maturity implied by the “Ask Yield(s)” reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets for the most recently issued actively traded on-the-run U.S. Treasury securities (“**Reported**”) having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there are no such U.S. Treasury securities Reported having a maturity equal to such Remaining Average Life, then such implied yield to maturity will be determined by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between the “Ask Yields” Reported for the applicable most recently issued actively traded on-the-run U.S. Treasury securities with the maturities (1) closest to and greater than such Remaining Average Life and (2) closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond.

If such yields are not Reported or the yields Reported as of such time are not ascertainable (including by way of interpolation), then “Reinvestment Yield” means, with respect to the Called Principal of any bond of this Supplemental Indenture, the sum of (x) 0.50% plus (y) the yield to maturity implied by the U.S. Treasury constant maturity yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for the U.S. Treasury constant maturity having a term equal to the Remaining Average Life of such Called Principal as of such Settlement Date. If there is no such U.S. Treasury constant maturity having a term equal to such Remaining Average Life, such implied yield to maturity will be determined by interpolating linearly between (1) the U.S. Treasury constant maturity so reported with the term closest to and greater than such Remaining Average Life and (2) the U.S. Treasury constant maturity so reported with the term closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the interest rate of the applicable bond.

“Remaining Average Life” means, with respect to any Called Principal, the number of years obtained by dividing (a) such Called Principal into (b) the sum of the products obtained by multiplying (1) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (2) the number of years, computed on the basis of a 360-day year comprised of twelve 30-day months and calculated to the nearest two decimal places, that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any bond of this Supplemental Indenture, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due

date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the bond of this Supplemental Indenture, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to the terms of this Supplemental Indenture.

“**Settlement Date**” means, with respect to the Called Principal of any bond of this Supplemental Indenture, the date on which such Called Principal is to be redeemed.

Section 5. No sinking fund is to be provided for the bonds of this Supplemental Indenture.

Article II

Miscellaneous Provisions

Section 1. This Supplemental Indenture is executed by the Company and the Trustee pursuant to the provisions of Section 4.02 of the Indenture and the terms and conditions hereof shall be deemed to be a part of the terms and conditions of the Indenture for any and all purposes. The Indenture, as heretofore modified and supplemented and as supplemented by this Supplemental Indenture, is in all respects ratified and confirmed.

Section 2. This Supplemental Indenture shall bind and, subject to the provisions of Article XVI of the Indenture, inure to the benefit of the respective successors and assigns of the parties hereto.

Section 3. Although this Supplemental Indenture is made as of August 11, 2020, effective August 31, 2020, it shall be effective only from and after the actual time of its execution and delivery by the Company and the Trustee on the date indicated by their respective acknowledgements hereto.

Section 4. This Supplemental Indenture may be simultaneously executed in any number of counterparts, and all such counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

Section 5. The recitals herein are deemed to be those of the Company and not of the Trustee. The Trustee makes no representations as to the validity or sufficiency of this Supplemental Indenture.

In Witness Whereof, Northern Illinois Gas Company has caused this Supplemental Indenture to be executed in its name by its Executive Vice President, Chief Financial Officer and Treasurer and its corporate seal to be hereunto affixed and attested by its Corporate Secretary, and U.S. Bank National Association, as Trustee under the Indenture, has caused this Supplemental Indenture to be executed in its name by one of its authorized officers and attested by one of its authorized officers, all as of the day and year first above written.

Northern Illinois Gas Company

By: /s/Daniel S. Tucker
Name: Daniel S. Tucker
Title: Executive Vice President, Chief
Financial Officer and Treasurer

Attest:

By: /s/Barbara P. Christopher
Name: Barbara P. Christopher
Title: Corporate Secretary

[Signature Page to 2020 Supplemental Indenture]

U.S. Bank National Association
as Trustee

By: /s/Jack Ellerin
Name: Jack Ellerin
Title: Vice Presiden

Attest:

By: /s/J. David Dever
Name: J. David Dever
Title: Vice President

[Signature Page to 2020 Supplemental Indenture]

STATE OF GEORGIA } SS:
COUNTY OF HENRY }

I, Brenda G. Davis, a Notary Public in the State aforesaid, DO HEREBY CERTIFY that Daniel S. Tucker, Executive Vice President, Chief Financial Officer and Treasurer of Northern Illinois Gas Company, an Illinois corporation, one of the parties described in and which executed the foregoing instrument, and Barbara P. Christopher, Corporate Secretary of said corporation, who are both personally known to me to be the same persons whose names are subscribed to the foregoing instrument as such Executive Vice President, Chief Financial Officer and Treasurer and Corporate Secretary, respectively, and who are both personally known to me to be the Executive Vice President, Chief Financial Officer and Treasurer and Corporate Secretary, respectively, of said corporation, appeared before me this day by real-time audio-video communication technology and severally acknowledged that they signed, sealed, executed and delivered said instrument as their free and voluntary act as such Executive Vice President, Chief Financial Officer and Treasurer and Corporate Secretary, respectively, of said corporation, and as the free and voluntary act of said corporation, for the uses and purposes therein set forth.

GIVEN under my hand and notarial seal as of the date listed below.

Dated: August 11, 2020

/s/ Brenda G. Davis

Notary Public

{Notarial Seal}

My Commission expires: August 17, 2021.

State of Georgia)
): ss
County of Fulton)

On the 12th day of August in the year 2020, before me, the undersigned, personally appeared, Jack Ellerin, a Vice President of U.S. Bank National Association, and J. David Dever, a Vice President of U.S. Bank National Association, personally known to me or proved to me on the basis of satisfactory evidence to be the individuals whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their respective capacities, and that by their signatures on the instrument, the individuals executed the instrument.

/s/April Bright

April Bright
Notary Public

State of Georgia
County of Clayton
Expiration Date: July 12, 2022

{Notarial Seal}

Recording Data¹

This Supplemental Indenture was recorded on the following dates in the office of the Recorder of Deeds in certain counties in the State of Illinois, as follows:

<u>County</u>	<u>Document No.</u> ²	<u>Date Recorded</u>
Cook	2022706490	08/14/2020
Adams	202000079567	08/18/2020
Boone	2020R04831	08/17/2020
Bureau	2020R03595	08/17/2020
Carroll	2020R-1941	08/17/2020
Champaign	2020R16140	08/17/2020
DeKalb	2020008078	08/14/2020
DeWitt	257485	08/17/2020
DuPage	R2020-090121	08/17/2020
Ford	274041	08/17/2020
Grundy	595000	08/17/2020
Hancock	2020-1829	08/17/2020
Henderson	202018237	08/19/2020
Henry	20-2005227	08/17/2020
Iroquois	20R2514	08/17/2020
Jo Daviess	410111	08/17/2020
Kane	2020K045823	08/17/2020
Kankakee	202009461	08/17/2020
Kendall	202000015368	08/17/2020
Lake	7586065	08/21/2020
LaSalle	202012271	08/17/2020
Lee	2020003693	08/17/2020
Livingston	2020R-03507	08/17/2020
McHenry	2020R0031903	08/17/2020
McLean	2020-00016913	08/26/2020
Mercer	2020-399869	08/17/2020
Ogle	202005844	08/17/2020
Piatt	371608	08/17/2020
Pike	2020-1973	08/17/2020
Rock Island	2020-12797	08/17/2020
Stephenson	202000177139	08/17/2020
Tazewell	202000012425	08/17/2020
Vermillion	20-05404	08/17/2020
Whiteside	2020-05035	08/17/2020
Will	R2020067852	08/17/2020
Winnebago	20201023256	08/17/2020
Woodford	2004261	08/17/2020

¹ This page to be intentionally omitted from versions submitted for recording.

² For delivery at Closing, Nicor to include all document numbers received prior to Closing. With respect for which no document number shall have been received prior to Closing, Nicor to provide such numbers post Closing.

**AMENDED AND RESTATED DEFERRED STOCK
TRUST AGREEMENT FOR DIRECTORS OF THE SOUTHERN COMPANY AND ITS
SUBSIDIARIES**

This amended and restated Grantor Trust Agreement (“Trust” or the “Trust Agreement”) is entered into this 10th day of December, 2020 and effective the 16th day of December, 2020 by and between **The Southern Company** (“the Company”), as Grantor, **Wells Fargo Bank, National Association**, appointed by Company as successor trustee to Reliance Trust Company (the “Trustee”), and the Employers (as herein defined) listed on Attachment A to this Trust Agreement (the Company, the Trustee and the Employers shall be collectively referred to herein as the “Parties”). This Trust Agreement is an amendment and restatement of the Deferred Stock Trust Agreement for Directors of Southern Company and its Subsidiaries amended and restated effective September 1, 2001, as further amended (the “Predecessor Trust Agreement”) and supersedes such Predecessor Trust Agreement.

Recitals

- (a) **WHEREAS**, the Company and the Employers previously adopted the nonqualified deferred compensation plans and agreements (the “Arrangements”) listed on Attachment B to this Trust Agreement;
 - (b) **WHEREAS**, the Company and the Employers have incurred or expect to incur liability under the terms of such Arrangements with respect to the individuals participating in such Arrangements (the “Participants and Beneficiaries”);
 - (c) **WHEREAS**, the Company and the Employers previously established the Predecessor Trust Agreement and shall continue to contribute to the Trust (“Trust Fund”) assets that shall be held therein, subject to the claims of the creditors of the Company and a respective Employer in the event of the Insolvency, as herein defined, of the Company or the respective Employer, until paid to Participants and their Beneficiaries in such manner and at such times as specified in the Arrangements and in this Trust Agreement;
 - (d) **WHEREAS**, it is the intention of the Company, at its discretion, to permit other Affiliates to elect to make contributions to the Trust to be held therein, subject to the claims of such creditors of the Company and such Affiliate in the event of the Insolvency of the Company or such Affiliate, until paid in accordance with the terms of the Arrangements of such Affiliate to participants and their beneficiaries;
 - (e) **WHEREAS**, it is the intention of the Parties that this Trust Agreement shall constitute an unfunded arrangement and shall not affect the status of the Arrangements as unfunded plans maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); and
 - (f) **WHEREAS**, the Parties, pursuant to Section 4 of the Predecessor Trust Agreement, desire to amend and restate the Predecessor Trust Agreement;
-

NOW, THEREFORE, the Parties do hereby amend and restate the Predecessor Trust Agreement in its entirety with this Trust Agreement and agree that the Trust shall be comprised, held and disposed of as follows:

ARTICLE I – DEFINITIONS

As used herein, the following words and phrases shall have the meaning ascribed to them in this Article I unless a different meaning is plainly required by the context.

1.1 “**Affiliate**” means any entity which is:

- (a) A member of the controlled group of corporations which includes the Company, as determined for purposes of Section 414(b) of the Code; or
- (b) A trade or business under common control with the Company, as determined for purposes of Section 414(c) of the Code.

An entity shall be an Affiliate only while a member of such a group.

1.2 “**Change in Control**” means with respect to each Employer a Funding Change in Control as defined in the deferred compensation plan for outside directors of such Employer identified on Attachment B.

1.3 “**Code**” means the Internal Revenue Code of 1986, as amended.

1.4 “**Employer**” means the Company and each Affiliate which has adopted this Trust Agreement and that at the relevant time is the service recipient of a Participant; **Employers** means all such entities collectively.

1.5 “**Employer Account**” means a hypothetical account maintained within the Trust for each participating Employer.

1.6 “**Funding Event**” means with respect to each Employer a Funding Event as defined in the deferred compensation plan for outside directors of such Employer identified on Attachment B.

1.7 “**Insolvent**” means the entity (i) is unable to pay its debts as they mature, or (ii) is the subject of a pending proceeding as a debtor under the Federal Bankruptcy Code (or any successor federal statute).

1.8 “**Participant**” means an individual to whom an amount is due under an Arrangement.

1.9 “**Preliminary Change in Control**” means with respect to each Employer a Preliminary Change in Control as defined in the deferred compensation plan for outside directors of such Employer identified on Attachment B.

1.10 “**Trust Beneficiary**” means Participants in the Arrangements and their beneficiaries, individually and collectively.

ARTICLE II – TRUST

- 2.1 Subject to the claims of the creditors of the Company and a respective Employer as set forth in Article IV, the Company and each Employer (on behalf of the Company) shall deposit amounts from time to time with the Trustee in trust, which shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Amounts deposited with the Trustee shall be allocated to each Employer Account as directed by the Company. Any amount previously held by the Trustee under the Trust for the account of Gulf Power Company shall be held for the account of the Company.
- 2.2 The Trust is intended to be a grantor trust of which the Company is the grantor, within the meaning of Section 671 of the Code, and shall be construed accordingly. The Company agrees to report all items of income and deduction of the Trust on its own income tax returns, if any, and shall have no right to any distributions from the Trust or any claim against the Trust for funds necessary to pay any income taxes with respect to amounts so reported.
- 2.3 The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of the Company and the Employers and shall be used exclusively for the uses and purposes herein set forth. Neither the Trust Beneficiary nor the Arrangements shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time such assets are paid to the Trust Beneficiary as provided in Article III, and all rights created under the Arrangements and this Trust Agreement shall be mere unsecured contractual rights of the Trust Beneficiary against the respective Employer. Any assets held by the Trust, to the extent of the balance of the respective Employer Account, will be subject to the claims of the general creditors of the Company and the Employer under federal and state law in the event of Insolvency.
- 2.4 The Company and an Employer (on behalf of the Company), in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property acceptable to the Trustee in the Trust to augment the principal to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Prior to a Funding Event, neither the Trustee nor any Participant or Beneficiary shall have any right to compel additional deposits.
- 2.5 Prior to the occurrence of a Preliminary Change in Control with respect to an Employer, the Trust with respect to such Employer shall be revocable and may be altered or amended in any substantive respect, or revoked or terminated, by the Company in whole or in part provided that no such amendment may increase the duties of the Trustee without its consent. In the event of such a Preliminary Change in Control, the Trust may not be altered or amended in any substantive respect, or revoked or terminated by the Company unless a majority of the Trust Beneficiaries of such Employer, determined as of the day before such Preliminary Change in Control, agree in writing to such an alteration, amendment, revocation or termination provided that no such amendment may increase the duties of the Trustee without its consent. If such a Preliminary Change in Control occurs but fails to become a Change in Control thereafter, the Trust shall again be revocable and may be altered or amended in any substantive respect, or revoked or terminated, by the Company in whole or in part provided that no such amendment may increase the duties of the Trustee without its consent.

Notwithstanding the preceding, the Trust may be amended following a Preliminary Change in Control or a Change in Control without approval of the Beneficiaries to protect the tax status or ERISA status of this Trust.

- 2.6 The Employers (on behalf of the Company) have obligated themselves under the terms of the Arrangements to make certain contributions to the Trust upon the occurrence of a Funding Event or a Change in Control. Upon such a Funding Event or Change in Control, the Employer affected (on behalf of the Company) thereby shall account for each Beneficiary's benefit funded by contributions to the Trust in a manner determined by the Company. A remittance of such contributions and earnings thereon to the Company may only occur under the following circumstances: (a) if, on the second anniversary of a Funding Event or any time thereafter, the Company determines that a Change in Control has not been consummated, the Trustee upon its agreement with this determination shall, upon the request of the Company, return to the Company property contributed to the Trust on account of the occurrence of a Funding Event; (b) if, at any time, following a Funding Event, the Company provides evidence satisfactory to the Trustee that the Funding Event will not become a Change in Control; (c) if the Trustee determines in its sole and absolute discretion that a Change in Control of the Company has occurred, and, on the second anniversary of the date of consummation of such Change in Control 75% of the members of the incumbent board on such anniversary date shall continue to serve as determined by the Company, the Trustee upon direction from the Company shall return to the Company, any such property received and earnings thereon as a result of such Change in Control; (d) prior to a Change of Control, except as permitted pursuant to Section 3.2, with respect to amounts contributed to fund benefits paid in accordance with Article III hereof, if the Trust assets equal or exceed 200% of the targeted funding level as established by the Company prior to a Change in Control, assets shall be returned by the Trustee to the Company to reduce total assets to 150% of the targeted funding level; or (e) upon written representation to the Trustee that all benefits have been paid to the Beneficiaries by an Employer such that the Employer has no remaining obligations to any Beneficiary covered by the Trust, assets allocated to the Employer's separate Trust Account shall be returned to the Company regardless of any targeted funding level.
- 2.7 The Arrangements are intended to be exempt from Parts 2, 3 and 4 of Title I of ERISA as an unfunded vehicle for deferred compensation for a select group of management or highly compensated employees.

ARTICLE III – PAYMENTS TO PARTICIPANTS AND THEIR BENEFICIARIES

- 3.1 Prior to a Change in Control of an Employer, distributions from the Trust shall be made by the Trustee to Participants and Beneficiaries of an Employer at the direction of the Company. Prior to a Change in Control, the entitlement of a Participant or his or her Beneficiaries to benefits under the Arrangements shall be determined by the Company under the Arrangements, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Arrangements.
- 3.2 The Employer may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Arrangements. The Company shall notify the Trustee of the Employer's decision to make payment of benefits directly prior to the time amounts are

payable to Participants or their Beneficiaries. Before a Preliminary Change in Control or Change in Control, the Company may direct the Trustee in writing to reimburse the Company from the Trust assets for amounts paid directly to the Participants or their Beneficiaries by the Employer. The Trustee shall reimburse the Company for such payments promptly after receipt by the Trustee of satisfactory evidence that the Employer has made the direct payments. No such reimbursement shall be allowed upon or during a Preliminary Change in Control or after Change in Control that would result in Trust assets equaling less than 100% of the targeted funding level.

In addition, if the principal of the Trust and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Arrangements, the Employer shall make the balance of each such payment as it falls due in accordance with the Arrangements. The Trustee shall notify the Company where principal and earnings are not sufficient. Nothing in this Trust Agreement shall relieve each Employer of its liabilities to pay benefits due under the Arrangements except to the extent such liabilities are met by application of assets of the Trust.

- 3.3 The Company shall deliver to the Trustee a schedule of benefits, to include state and federal tax withholding guidelines, due under the Arrangements on an annual basis. Immediately after a Preliminary Change in Control and before a Change in Control, the Company shall deliver to the Trustee an updated schedule of benefits due under the Arrangements to the affected Participants or their Beneficiaries. After a Change in Control, the Trustee shall pay benefits due in accordance with such schedule. After a Change in Control, the Company shall continue to make the determination of benefits due to the affected Participants or their Beneficiaries and shall provide the Trustee with an updated schedule, to include state and federal tax withholding guidelines, of benefits due; provided however, a Participant or their Beneficiaries may make application to the Trustee for an independent decision as to the amount or form of their benefits due under the Arrangements. In making any determination required or permitted to be made by the Trustee under this Section, the Trustee shall, in each such case, reach its own independent determination, in its absolute and sole discretion, as to the amount or form of the Participant's or Beneficiary's payment hereunder. In making its determination, the Trustee may consult with and make such inquiries of such persons, including the Participant or Beneficiary, the Company, legal counsel, actuaries or other persons, as the Trustee may reasonably deem necessary. Any reasonable costs incurred by the Trustee in arriving at its determination shall be reimbursed by the Company and, to the extent not paid by the Company within a reasonable time, shall be charged to the Trust. The Company waives any right to contest any amount paid over by the Trustee hereunder pursuant to a good faith determination made by the Trustee notwithstanding any claim by or on behalf of the Company (absent negligence or willful misconduct by the Trustee) that such payments should not be made.
- 3.4 The Trustee agrees that it will not itself institute any action at law or at equity, whether in the nature of an accounting, interpleading action, request for a declaratory judgment or otherwise, requesting a court or administrative or quasi-judicial body to make the determination required to be made by the Trustee under this Section in the place and stead of the Trustee. The Trustee may (and, if necessary or appropriate, shall) institute an action to collect a contribution due the Trust following a Change in Control or in the event that

the Trust should ever experience a short-fall in the amount of assets necessary to make payments pursuant to the terms of the Arrangements.

ARTICLE IV – TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO TRUST BENEFICIARY WHEN THE COMPANY OR AN EMPLOYER IS INSOLVENT

- 4.1 The Chairman/President of the Company and the Chairman/President of each Employer (the “Chairman”) shall have the duty to promptly inform the Trustee in writing of the Insolvency of the Company or the Employer, and the Trustee may rely on information so supplied. If a person claiming to be a creditor of the Company or the Employer alleges in writing to the Trustee that the Company or the Employer has become Insolvent, the Trustee shall discontinue payment of benefits, if any, from the Employer’s Account to the Trust Beneficiary, and then independently determine, within sixty (60) days after receipt of such notice, whether the Company or the Employer is Insolvent. The Trustee may employ attorneys, accountants and other advisers to make such determination and may rely conclusively on their conclusions. The expenses of such determination shall be allowed as administrative expenses of the Trust.
- 4.2 Upon written notification of the Insolvency of the Company or the Employer pursuant to Section 4.1 above, or pending its determination of whether the Company or the Employer is Insolvent, the Trustee shall discontinue payment of benefits, if any, from the Employer’s Account to the Trust Beneficiary, and shall hold Trust assets attributable to such Trust Beneficiary for the benefit of the general creditors of the Company and the Employer. The Trustee shall continue the investment of such Trust assets in accordance with Article VI, and shall make payments out of the Trust to the general creditors of the Company or the Employer only in accordance with instructions from a court of competent jurisdiction or from a person appointed by such a court. The Trustee may employ attorneys, accountants and other advisers to make such determination and may rely conclusively on their conclusions. The expenses of such determination shall be allowed as administrative expenses of the Trust.
- 4.3 The Trustee shall resume payments of benefits from the Employer’s Account to such Trust Beneficiaries in accordance with Article III of this Trust Agreement only after the Trustee has determined that both the Company and such Employer are not Insolvent or a court of competent jurisdiction orders the resumption of such payments. The Trustee shall have the discretion to determine which of the above alternatives is appropriate to the situation.
- 4.4 Unless notified of the Company’s or an Employer’s Insolvency pursuant to Section 4.1 above, or the Trustee has actual knowledge that the Company or the Employer is Insolvent, the Trustee shall have no duty to inquire whether the Company or the Employer is Insolvent. The Trustee may in all events rely on such evidence concerning the Company’s or the Employer’s solvency as may be furnished to the Trustee which will give the Trustee a reasonable basis for making a determination concerning the Company’s or the Employer’s solvency. Nothing in this Trust Agreement shall in any way diminish any rights of a Trust Beneficiary to pursue his rights as a general creditor of the Company or the Employer with respect to the benefits from the Employer's Arrangement or otherwise.
- 4.5 If the Trustee discontinues payments of benefits from the Trust pursuant to Section 4.2 above and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments which would have

been made to Trust Beneficiary (together with interest) in accordance with the Employer's Arrangement during the period of such discontinuance; provided that, to the extent the Participant has received such payments from an Employer, such amount shall be paid to the Employer.

ARTICLE V – PAYMENT TO COMPANY

- 5.1 The Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payments of benefits from the Arrangements to the Trust Beneficiaries have been made in accordance with the terms of the Arrangements; provided the Company may request reimbursement as provided in Section 2.6 or as provided in Section 3.2 of any payment made directly by the Employer to a Trust Beneficiary.

ARTICLE VI – INVESTMENT OF TRUST ASSETS

- 6.1 The assets of the Trust shall consist of securities of the Company, except for a de minimis amount of cash and other assets which shall be invested at the direction of the Company. All rights associated with the assets of the Trust shall be exercised by the Trustee or the person designated by the Trustee in a manner consistent with this Article VI, and in no event be exercisable by or rest with Trust Beneficiaries.
- (a) Prior to a Change in Control of an Employer, at the direction of the Company, the Trustee shall exercise any and all voting rights associated with the Trust assets, give proxies, participate in any voting trusts, mergers, consolidations or liquidations, tender shares and exercise stock subscriptions or conversion rights.
 - (b) Subsequent to a Change in Control of an Employer, the Trustee, in its sole discretion, shall have the power to exercise any and all voting rights associated with Trust assets, give proxies, participate in any voting trusts, mergers, consolidations or liquidations, tender shares and exercise stock subscription or conversion rights.
 - (c) The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets (other than securities issued by the Trustee or the Company) of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity; provided, however, that, following a Preliminary Change in Control or Change in Control of an Employer, no such substitution with respect to the balance of such Employer's Account shall be permitted unless the Trustee determines that the fair market values of the substituted assets are equal.

ARTICLE VII – DISPOSITION OF INCOME

- 7.1 During the term of this Trust, all income received by the Trust, net of expenses, shall be accumulated and reinvested.

ARTICLE VIII – [RESERVED]

8.1 [Reserved.]

ARTICLE IX – ACCOUNTING BY THE TRUSTEE

The following provisions shall apply to the records and accounting for the Trust:

- 9.1 The Trustee shall keep accurate records and accounts of all investments, receipts, and disbursements, and other transactions hereunder. As soon as reasonably practicable following the close of each annual accounting period of the Trust, and as soon as reasonably practicable after the resignation or removal of a Trustee has become effective, the Trustee shall file with the Company a written or electronic account setting forth all investments, receipts, disbursements, and other transactions effected by it during such year, or during the part of the year to the date the resignation or removal is effective, as the case may be, and containing a description of all securities purchased and sold, the cost or net proceeds of sale, the securities and investments held at the end of such period, and the cost of each item thereof as carried on the books of the Trustee. If the fair market value of an asset in the Fund is not available when necessary for accounting or reporting purposes, the fair value of the asset shall be determined in good faith by the Company, assuming an orderly liquidation at the time of such determination. If there is a disagreement between the Trustee and anyone as to any act or transaction reported in an accounting, the Trustee shall have the right to have its account settled by a court of competent jurisdiction. The Trustee shall be entitled to hold and to commingle the assets of the Trust in one Fund for investment purposes at the direction of the Company prior to a Change in Control; the Trustee may create one or more sub-accounts.
- 9.2 The Trustee shall retain its records relating to the Trust as long as necessary for the proper administration thereof and at least for any period required by applicable law.

ARTICLE X – RESPONSIBILITY OF THE TRUSTEE

- 10.1 The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, except to the extent of the negligence or willful misconduct of the Trustee, that the Trustee shall incur no liability to anyone for any action taken pursuant to a direction, request, or approval given by the Company contemplated by and complying with the terms of this Trust Agreement, and to that extent shall be relieved of the prudent man rule for investments.
- 10.2 The Trustee shall not be required to undertake or to defend any litigation arising in connection with this Trust Agreement, unless it be first indemnified by the Company against its prospective costs, expenses and liability, and the Company hereby agrees to indemnify the Trustee for such costs, expenses and liability.
- 10.3 The Trustee may consult with legal counsel (who may also be counsel for the Trustee generally, or for the Company or an Employer) with respect to any of its duties or obligations

hereunder, and shall be fully protected in acting or refraining from acting in accordance with the advice of such counsel.

- 10.4 The Trustee may hire agents, accountants, actuaries, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and may rely on any determinations made by such agents and information provided to it by the Company.
- 10.5 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.
- 10.6 The Company shall indemnify and hold harmless the Trustee of and from any and all costs, claims, losses, demands or liabilities, including reasonable attorney's fees and expenses in defending against such claims, losses, demands and liabilities, in respect of the acts, transactions, duties, obligations or responsibilities which the Trustee performs or undertakes upon the direction of the Company, or any fiduciary. Such indemnity shall include all claims and liabilities arising from any breach of fiduciary responsibility by a fiduciary other than the Trustee, unless the Trustee:
- (a) knowingly participates in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach;
 - (b) by its failure to act in accordance with Section 10.1 above in the administration of its specific responsibilities which give rise to its status as a fiduciary, has enabled such other fiduciary to commit a breach;
 - (c) has knowledge of a breach by such other fiduciary, unless it makes reasonable efforts under the circumstances to remedy the breach; or
 - (d) has acted with negligence or willful misconduct.

The performance by the Trustee of trades, custody, reporting, recording and bookkeeping with respect to assets managed by another fiduciary shall not be deemed to give rise to any participation or knowledge on the part of the Trustee. Such indemnification shall survive the amendment or termination of the Trust Agreement or the resignation or removal of the Trustee and shall be construed as a contract between the Company and the Trustee under the laws of the State of Georgia.

- 10.7 The Trustee, as trustee, is not a party to, and has no duties or responsibilities under the Arrangements. In any case in which a provision of this Trust Agreement conflicts with any provision in the Arrangement, this Trust Agreement shall control.
- 10.8 The Trustee shall have no duties, responsibilities or liability with respect to the acts or omissions of any prior or successor trustee except as set forth in Section 10.6.

ARTICLE XI – COMPENSATION AND EXPENSES OF THE TRUSTEE

- 11.1 The Trustee's compensation shall be as agreed in writing from time to time by the Company and the Trustee. The Company shall pay all administrative expenses and the Trustee's fees and shall promptly reimburse the Trustee for any fees and expenses of its agents. If not so paid within thirty (30) days of being invoiced, the fees and expenses shall be paid from the Trust.

ARTICLE XII – REPLACEMENT OF THE TRUSTEE

- 12.1 The Trustee may be removed at any time upon thirty (30) days written notice by the Company. The Trustee may resign at any time, upon ninety (90) days written notice to the Company. In the event of such resignation or removal, the Company shall appoint a new corporate trustee, which shall be independent and not subject to control of the Company.

If the Trustee resigns or is removed, a successor shall be appointed, in accordance with this Section 12.1, by the effective date of resignation or removal under this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

- 12.2 Upon its resignation or removal, the Trustee, with the written consent of the Company, may reserve such amounts as it deems necessary for the payment of any outstanding taxes or other liabilities of the Trust and its reasonable fees and expenses in connection with the settlement of its accounts. Any balance of such reserve remaining after the payment of such taxes, liabilities, fees, and expenses shall be paid over to the successor Trustee, not later than ninety (90) days following the effective date of resignation or removal.

ARTICLE XIII – AMENDMENT OR TERMINATION

- 13.1 This Trust Agreement may be amended by a written instrument executed by the Parties, except as otherwise provided in this Article XIII. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Arrangements or shall make the Trust revocable after and to the extent the Trust has become irrevocable. The Trust shall not terminate until the date on which Participants and their Beneficiaries have received all of the benefits due to them under the terms and conditions of the Arrangements, unless sooner in accordance with Section 2.5. Upon termination of the Trust, any assets remaining in the Trust shall be returned by the Trustee to the Company. The Trustee shall not remit any assets to an Employer.
- 13.2 Following a Change in Control of an Employer, the Trust shall not terminate with respect to that Employer until the date on which Participants and their Beneficiaries of such Employer have received all of the benefits due to them under the terms and conditions of the Arrangements.
- 13.3 Upon written approval of all Participants or Beneficiaries entitled to payment of benefits pursuant to the terms of the Arrangements, the Company may terminate this Trust prior to the

time all benefit payments under the Arrangements have been made. All assets in the Trust at termination shall be returned by the Trustee to the Company.

ARTICLE XIV – SEVERABILITY AND ALIENATIONS

- 14.1 If any provision of this Trust Agreement is, becomes, or is deemed invalid, or unenforceable in any jurisdiction, such provision shall be deemed amended to conform to applicable law as to be valid, legal and enforceable in any jurisdiction so deeming. The validity, legality and enforceability of such provision shall not in any way be affected or impaired in any other jurisdiction; if such provision cannot be so amended with materially altering the intention of the parties, it shall be stricken and the remainder of this Trust Agreement shall remain in full force and effect.
- 14.2 To the extent permitted by law, benefits from the Arrangements payable to Trust Beneficiary under the Arrangements and this Trust Agreement may not be assigned, alienated, or subject to attachment, garnishment, levy, execution or other legal or equitable process. The Trust Beneficiary may not assign or transfer any interest in the benefit from the applicable Arrangement due hereunder and shall have no direct interest in or to any trust asset unless and until paid to such Trust Beneficiary.

ARTICLE XV - MISCELLANEOUS

- 15.1 Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.
- 15.2 The Company hereby represents and warrants that all of the Arrangements have been established, maintained and administered in accordance with all applicable laws, including without limitation, ERISA. The Company hereby indemnifies and agrees to hold the Trustee harmless from all liabilities, including attorneys' fees, relating to or arising out of the establishment, maintenance and administration of the Arrangements. To the extent the Company does not pay any of such liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
- 15.3 Benefits payable to Participants and their Beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.
- 15.4 This Trust Agreement shall be governed by and construed in accordance with the laws of Georgia.
- 15.5 If a provision of this Trust Agreement requires that a communication or document be provided to the Trustee in writing or written form, that requirement may also be satisfied by a facsimile transmission, electronic mail or other electronic transmission of text (including electronic records attached thereto), if the Trustee reasonably believes such communication or document has been signed, sent or presented (as applicable) by any person or entity authorized to act on behalf of the Company. Any electronic mail or other electronic transmission of text will be deemed signed by the sender if the sender's name or electronic address appears as part of, or is transmitted with, the electronic record. The

Trustee will not incur any liability to anyone resulting from actions taken in good faith reliance on such communication or document, unless resulting from the negligence or willful misconduct of the Trustee. Nor shall the Trustee incur any liability in executing instructions from any person or entity authorized to act on behalf of the Company prior to receipt by it of notice of the revocation of the written authority of such person or entity.

- 15.6 This Trust Agreement is intended to comply with Section 409A of the Code and shall be administered consistent with such intent. At the direction of the Company, the Trustee may reimburse eligible expenses incurred by a Trust Beneficiary, provided that the following requirements are satisfied: (a) the Arrangements shall provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement; (b) such expenses shall be only those incurred during the Trust Beneficiary's lifetime, (c) the amount of expenses eligible for reimbursement during a calendar year shall not affect the expenses eligible for reimbursement in any other taxable year, (d) the reimbursement of an eligible expense shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (e) the right to reimbursement shall not be subject to liquidation or exchange for another benefit. The Company shall ensure the requirements stated in this paragraph are satisfied. The Trustee may rely conclusively on the Company's determination that expenses are eligible for reimbursement.

ARTICLE XVI - CONFIDENTIALITY

- 16.1 This Trust Agreement and certain information relating to the Trust is "Confidential Information" pursuant to applicable federal and state law, and as such it shall be maintained in confidence and not disclosed, used or duplicated, except as described in this Article. If it is necessary for the Trustee to disclose Confidential Information to a third party in order to perform the Trustee's duties hereunder and the Company has authorized the Trustee to do so, the Trustee shall disclose only such Confidential Information as is necessary for such third party to perform its obligations to the Trustee and shall, before such disclosure is made, ensure that said third party understands and agrees to the confidentiality obligations set forth herein. The Trustee and the Company shall maintain an appropriate information security program and adequate administrative and physical safeguards to prevent the unauthorized disclosure, misuse, alteration or destruction of Confidential Information, and shall inform the other party as soon as possible of any security breach or other incident involving possible unauthorized disclosure of or access to Confidential Information. Confidential Information shall be returned to the disclosing party upon request. Confidential Information does not include information that is generally known or available to the public or that is not treated as confidential by the disclosing party, provided, however, that this exception shall not apply to any publicly available information to the extent that the disclosure or sharing of the information by one or both parties is subject to any limitation, restriction, consent, or notification requirement under any applicable federal or state information privacy law or regulation. If the receiving party is required by law, according to the advice of competent counsel, to disclose Confidential Information, the receiving party may do so without breaching this section, but shall first, if feasible and legally permissible, provide the disclosing party with prompt notice of such pending disclosure so that the disclosing party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Article.

- 16.2 In addition to the obligations set forth in Section 16.1, the provisions set forth in Attachment C shall apply to privacy and data protection as set forth in such attachment.

ARTICLE XVII – FORCE MAJEURE

- 17.1 Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible or liable for any losses to the Fund resulting from any event beyond the reasonable control of the Trustee, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, eminent domain or similar action by any governmental authority; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Trust's property; or the breakdown, failure or malfunction of any utility, telecommunication, or computer systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or poor or incomplete data provided by the Company; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event.

IN WITNESS WHEREOF, the Parties have executed this Trust Agreement on the day and year first above written.

**THE SOUTHERN COMPANY,
AS GRANTOR**

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, AS TRUSTEE**

By: /s/Myra Coleman Bierria

By: /s/Andy Franck

Its: VP & Corporate Secretary

Its: Vice President

ATTEST:

ATTEST:

By: /s/Marcia R. DeMar

By: /s/Rodney Cook

Its: Shareholder Services Manager

Its: Vice President

EMPLOYERS:

ALABAMA POWER COMPANY

GEORGIA POWER COMPANY

By: /s/Ceila H. Shorts

By: /s/Sterling Spainhour

Its: Corporate Secretary

Its: Senior Vice President & General Counsel

ATTEST:

ATTEST:

By: /s/Amy Blankenship

By: /s/Kristi L. Dow

Its: Assistant Corporate Secretary

Its: Assistant Secretary

MISSISSIPPI POWER COMPANY

By: /s/Jeffery A. Stone

Its: Corporate Secretary

ATTEST:

By: /s/Fe Z. Strickland

Its: Assistant Corporate Secretary

SOUTHERN COMPANY GAS

By: /s/David E. Slovinsky

Its: Senior Vice President & General Counsel

ATTEST:

By: /s/Barbara P. Christopher

Its: Corporate Secretary

THE SOUTHERN COMPANY

By: /s/Myra Coleman Bierria

Its: VP & Corporate Secretary

ATTEST:

By: /s/Marcia R. DeMar

Its: Shareholder Services Manager

Attachment A

Schedule of Employers

Alabama Power Company
600 North 18th Street
Birmingham, AL 35291

Georgia Power Company
241 Ralph McGill Boulevard
Atlanta, GA 30308

Mississippi Power Company
2992 West Beach Boulevard
Gulfport, MS 39501

Savannah Electric and Power Company
c/o Georgia Power Company as successor
241 Ralph McGill Boulevard
Atlanta, GA 30308

Southern Company Gas
10 Peachtree Place
BIN 119 or Loc 1466
Atlanta, GA 30309

The Southern Company
30 Ivan Allen Jr. Boulevard NW
Atlanta, GA 30308

Attachment B

Plans and Arrangements Subject to the Trust

- Deferred Compensation Plan for Outside Directors of Alabama Power Company
 - Deferred Compensation Plan for Outside Directors of Georgia Power Company
 - Deferred Compensation Plan for Outside Directors of Mississippi Power Company
 - Deferred Compensation Plan for Outside Directors of Savannah Electric and Power Company
 - Deferred Compensation Plan for Outside Directors of Southern Company Gas
 - Deferred Compensation Plan for Outside Directors of The Southern Company
 - Deferred Compensation Plan for Outside Directors of Gulf Power Company (sponsored by The Southern Company)
 - Outside Directors Stock Plan for The Southern Company and its Subsidiaries
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Attachment C

Privacy and Data Protection

During the course of providing the services (“Services”) described in the Amended and Restated Deferred Stock Trust Agreement for Directors of The Southern Company and its Subsidiaries (the “Agreement”), Trustee will receive Plan Sponsor Information (as defined below) from or on behalf of the Company and the Employers (“Plan Sponsor”). Trustee agrees to protect all Plan Sponsor Information obtained through providing the Services as detailed in this Attachment C. Capitalized terms not defined herein are as defined in the Trust Agreement.

1. For purposes of this Attachment C, the following definitions shall apply:

(a) “Data Protection Requirements” means, collectively, all national, state, and local laws or regulations relating to the protection of Plan Sponsor Information applicable to Trustee’s use, disclosure, retention, storage, and transmission of Plan Sponsor Information.

(b) “Plan Sponsor Information” means information that identifies or can reasonably be used to identify a plan participant or financial information of Plan Sponsor or a plan participant, including but not limited to name, Social Security number, Taxpayer Identification Number, passport number, driver’s license number, other government-issued identification number, bank account number or information or plan account number or information. Plan Sponsor Information will not include information to the extent that such information: (i) was provided to Trustee or its personnel by a third party who was not under an obligation to the Plan Sponsor with respect to such information, but only to the extent Trustee does not have confidential obligations to Plan Sponsor or plan participant; or (ii) was already known to or in the possession of Trustee or its personnel at the time of the disclosure without a restriction on the disclosure at the time of disclosure, or (iii) was independently developed or received by Trustee or its personnel without reference to the Plan Sponsor Information; or (iv) is or becomes publicly known without breach of this Attachment C, the Agreement, or other obligations of non-disclosure by Trustee or its personnel; or (v) Plan Sponsor agrees in writing is free of the restrictions set forth in this Attachment C.

2. All references herein to Plan Sponsor Information are to information that is provided to, or obtained, used, maintained, or otherwise handled by, Trustee in connection with providing the Services to Plan Sponsor.

3. Trustee will at all times treat Plan Sponsor Information in accordance with the requirements of this Attachment and the Data Protection Requirements.

4. Trustee shall hold Plan Sponsor Information in strict confidence and shall not disclose Plan Sponsor Information to any third party, firm, or enterprise (including, but not limited to, Trustee’s affiliates, subcontractors, or service providers) except as may be permitted under the Agreement, as required to provide the Services identified in this Attachment, or as required under law or regulation.

5. Trustee may disclose Plan Sponsor Information to a third party, firm, or enterprise (including, but not limited to, Trustee's affiliates, subcontractors or service providers) in order to provide the Services, provided that Trustee shall enter into a written agreement with a third party that is not an affiliate that includes obligations that are at least as broad in scope and restrictive as those under this Attachment C.

6. Trustee shall maintain administrative, technical, and physical safeguards reasonably designed to protect the security, confidentiality and integrity of Plan Sponsor Information. Trustee shall maintain reasonable access controls, including, but not limited to, limiting access to Plan Sponsor Information to the Trustee employees and personnel who require such access in the performance of their job duties; require its employees and personnel who will be provided access to, or otherwise come into contact with, Plan Sponsor Information to protect such information; and provide such employees and personnel with training regarding information security and privacy.

7. If Trustee is requested or required by competent court of law or adjudicative body to disclose any Plan Sponsor Information to a third party, Trustee shall notify Plan Sponsor promptly of any such anticipated disclosure (unless such notice is prohibited by law, rule, or regulations) and shall not disclose the Plan Sponsor Information to the third party without providing Plan Sponsor at least forty-eight (48) hours, following such notice (if forty-eight (48) hours is available), so that Plan Sponsor may, at its own expense, exercise such rights as it may have under law to prevent or limit such disclosure. Notwithstanding the foregoing, Trustee shall exercise commercially reasonable efforts to prevent and limit any such disclosure and to otherwise preserve the confidentiality of the Plan Sponsor Information, including by cooperating with Plan Sponsor, at Plan Sponsor's sole cost and expense, to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to the Plan Sponsor Information. Notwithstanding anything herein to the contrary, Trustee may disclose any information in its possession or control without notifying the Plan Sponsor in response to: (a) a request from any regulatory or licensing body with authority over Trustee (including federal or state insurance, securities, bank or other examiners, or other regulatory official) or (b) a subpoena or other request for information or documents in a legal proceeding involving a personal matter affecting a plan participant (including, but not limited to, a subpoena related to a divorce proceeding).

8. In addition, upon notice to Trustee, Trustee shall provide Plan Sponsor with reasonable assistance and support in the event of an investigation by any applicable regulator, including a data protection regulator, or similar authority, if and to the extent that such investigation relates to Plan Sponsor Information handled by Trustee on behalf of Plan Sponsor. However, any such reasonable assistance must be in accordance with Trustee's policies and procedures, and in no circumstance will Trustee allow any party access to any systems, networks, data centers, or facilities. Such assistance and support shall be at Plan Sponsor's sole expense, except where such investigation was required solely due to Trustee's acts or omissions resulting in a breach of this Attachment C, in which case such assistance shall be at Trustee's sole expense. The assessment of any expenses to Trustee will be done after the investigation and only if Trustee is found to be in breach of Attachment C.

9. Trustee shall notify Plan Sponsor promptly (and in any event within five (5) business days) using the contact information currently on file with Trustee whenever Trustee confirms there has

been an actual unauthorized acquisition, destruction, modification, use, or disclosure of, or access to, Plan Sponsor Information that may require consumer or regulator notification (“Breach”). In the event of a Breach, Trustee shall (a) promptly conduct a reasonable investigation of the Breach and (b) take reasonable action to mitigate the impact of such Breach. Further, Trustee agrees to bear the direct, actual, and reasonable costs of consumer notification to individuals whose Plan Sponsor Information was exposed, where notice is legally required or there is a reasonable risk of harm to individuals or entities whose information was the subject of the Security Breach, and Trustee shall have sole control of managing the costs of mailing and call center support (the “Direct Costs of Notification”) and the costs of credit monitoring services for twelve (12) months to impacted individuals, and as required by law. The content of any notices will be reasonably agreed upon by Trustee and the Plan Sponsor.

10. Upon termination or expiration of this Attachment C, Trustee shall promptly, upon written request by Plan Sponsor, destroy or return all data, information, materials, and other properties, whether in paper, electronic, digital, or other form, previously provided by or belonging to Plan Sponsor in Trustee’s possession or the possession of its subcontractors. However, Trustee is not obligated to return or destroy Plan Sponsor Information in the event that Plan Sponsor Information is required by law or regulation or Trustee policy to be retained, is contained in an archived computer system or backup made in accordance with security and disaster recovery procedures, or has been commingled by Trustee (or its subcontractors) with its own confidential data such that it cannot feasibly be separated for return or destruction. Such data will be protected by Trustee as its own confidential data.

11. Trustee shall defend, indemnify, and hold harmless the Plan Sponsor and its Affiliates and their respective directors, officers, agents, and employees (collectively, “Indemnitees”), against any and all suits, actions, proceedings or demands (“Claims”), and judgments, losses, payments, costs, expenses, damages, settlements, liabilities, fines or penalties (“Costs”) of the Indemnitees, arising from or relating to a Breach caused by Trustee. Costs include the Direct Costs of Notification and the credit monitoring services for twelve (12) months to impacted individuals. Notwithstanding the foregoing, in no event shall Trustee be obligated to indemnify Indemnitees for Claims or Costs resulting from (a) the breach of this Amendment by Plan Sponsor related to the Breach, (b) a failure by Plan Sponsor to comply with applicable law related to the Breach, or (c) the willful misconduct, fraud or negligent acts or omissions of Plan Sponsor related to the Breach. The Plan Sponsor will provide Trustee with: (a) reasonably prompt written notice of any Claim; (b) control over the defense or settlement of any such Claim, and (c) non-financial assistance at Trustee’s request to the extent reasonably necessary for the defense of any such Claim.

12. Except for Costs arising under Trustee’s indemnification obligations or obligations of Section 9, neither party will be liable under this Attachment C for special, indirect, consequential, exemplary or punitive damages, even if the parties have knowledge of the possibility of such damages and whether or not such damages are foreseeable. In addition, except for the Direct Costs of Notification and the credit monitoring services for twelve (12) months to impacted individuals, and Trustee’s indemnification obligation, Trustee’s total and complete liability and responsibility to Plan Sponsor, in the aggregate and for the entire term of this Attachment, shall not exceed an amount equal to five (5) times the annual amount of fees for services under the Agreement.

13. Trustee, at its expense, will procure and maintain in effect, without interruption during the term, policies of insurance providing, at a minimum, the coverages and limits specified and complying with the other requirements stated below: (a) Information Security/Cyber Insurance/Technology Errors and Omissions insurance in an amount not less than \$100 million in the annual aggregate; and (b) Fidelity Bond in the amount not less than of \$50 million.

14. In event of a conflict between this Attachment and the Agreement, this Attachment will control.

**AMENDED AND RESTATED
DEFERRED CASH COMPENSATION
TRUST AGREEMENT FOR DIRECTORS OF
THE SOUTHERN COMPANY AND ITS SUBSIDIARIES**

This amended and restated Grantor Trust Agreement (“Trust” or the “Trust Agreement”) is entered into this 10th day of December, 2020 and effective the 16th day of December, 2020 by and between **The Southern Company** (“the Company”), as Grantor, **Wells Fargo Bank, National Association** (the “Trustee”), and the Employers (as herein defined) listed on Attachment A to this Trust Agreement (the Company, the Trustee and the Employers shall be collectively referred to herein as the “Parties”). This Trust Agreement is an amendment and restatement of the Deferred Cash Compensation Trust Agreement for Directors of Southern Company and its Subsidiaries amended and restated effective September 1, 2001, as further amended (the “Predecessor Trust Agreement”) and supersedes such Predecessor Trust Agreement.

Recitals

- (a) **WHEREAS**, the Company and the Employers previously adopted the nonqualified deferred compensation plans and agreements (the “Arrangements”) listed on Attachment B to this Trust Agreement;
 - (b) **WHEREAS**, the Company and the Employers have incurred or expect to incur liability under the terms of such Arrangements with respect to the individuals participating in such Arrangements (the “Participants and Beneficiaries”);
 - (c) **WHEREAS**, the Company and the Employers previously established the Predecessor Trust Agreement and shall continue to contribute to the Trust (“Trust Fund”) assets that shall be held therein, subject to the claims of the creditors of the Company and a respective Employer in the event of the Insolvency, as herein defined, of the Company or the respective Employer, until paid to Participants and their Beneficiaries in such manner and at such times as specified in the Arrangements and in this Trust Agreement;
 - (d) **WHEREAS**, it is the intention of the Company, at its discretion, to permit other Affiliates to elect to make contributions to the Trust to be held therein, subject to the claims of such creditors of the Company and such Affiliate in the event of the Insolvency of the Company or such Affiliate, until paid in accordance with the terms of the Arrangements of such Affiliate to participants and their beneficiaries;
 - (e) **WHEREAS**, it is the intention of the Parties that this Trust Agreement shall constitute an unfunded arrangement and shall not affect the status of the Arrangements as unfunded plans maintained for the purpose of providing deferred compensation for a select group of management or highly compensated employees for purposes of Title I of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”); and
 - (f) **WHEREAS**, the Parties, pursuant to Section 4 of the Predecessor Trust Agreement, desire to amend and restate the Predecessor Trust Agreement;
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NOW, THEREFORE, the Parties do hereby amend and restate the Predecessor Trust Agreement in its entirety with this Trust Agreement and agree that the Trust shall be comprised, held and disposed of as follows:

ARTICLE I. – DEFINITIONS

As used herein, the following words and phrases shall have the meaning ascribed to them in this Article I unless a different meaning is plainly required by the context.

1.1 “**Affiliate**” means any entity which is:

- (a) A member of the controlled group of corporations which includes the Company, as determined for purposes of Section 414(b) of the Code; or
- (b) A trade or business under common control with the Company, as determined for purposes of Section 414(c) of the Code.

An entity shall be an Affiliate only while a member of such a group.

1.2. “**Change in Control**” means with respect to each Employer a Funding Change in Control as defined in the deferred compensation plan for outside directors of such Employer identified on Attachment B.

1.3. “**Code**” means the Internal Revenue Code of 1986, as amended.

1.4. “**Employer**” means the Company and each Affiliate which has adopted this Trust Agreement and that at the relevant time is the service recipient of a Participant; **Employers** means all such entities collectively.

1.5. “**Employer Account**” means a hypothetical account maintained within the Trust for each participating Employer.

1.6. “**Funding Event**” means with respect to each Employer a Funding Event as defined in the deferred compensation plan for outside directors of such Employer identified on Attachment B.

1.7. “**Insolvent**” means the entity (i) is unable to pay its debts as they mature, or (ii) is the subject of a pending proceeding as a debtor under the Federal Bankruptcy Code (or any successor federal statute).

1.8. “**Participant**” means an individual to whom an amount is due under an Arrangement.

1.9. “**Preliminary Change in Control**” means with respect to each Employer a Preliminary Change in Control as defined in the deferred compensation plan for outside directors of such Employer identified on Attachment B.

1.10. “**Trust Beneficiary**” means Participants in the Arrangements and their beneficiaries, individually and collectively.

ARTICLE II – TRUST

- 2.1 Subject to the claims of the creditors of the Company and a respective Employer as set forth in Article IV, the Company and each Employer (on behalf of the Company) shall deposit amounts from time to time with the Trustee in trust, which shall become the principal of the Trust to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Amounts deposited with the Trustee shall be allocated to each Employer Account as directed by the Company. Any amount previously held by the Trustee under the Trust for the account of Gulf Power Company shall be held for the account of the Company.
- 2.2 The Trust is intended to be a grantor trust of which the Company is the grantor, within the meaning of Section 671 of the Code, and shall be construed accordingly. The Company agrees to report all items of income and deduction of the Trust on its own income tax returns, if any, and shall have no right to any distributions from the Trust or any claim against the Trust for funds necessary to pay any income taxes with respect to amounts so reported.
- 2.3 The principal of the Trust, and any earnings thereon, shall be held separate and apart from other funds of the Company and the Employers and shall be used exclusively for the uses and purposes herein set forth. Neither the Trust Beneficiary nor the Arrangements shall have any preferred claim on, or any beneficial ownership interest in, any assets of the Trust prior to the time such assets are paid to the Trust Beneficiary as provided in Article III, and all rights created under the Arrangements and this Trust Agreement shall be mere unsecured contractual rights of the Trust Beneficiary against the respective Employer. Any assets held by the Trust, to the extent of the balance of the respective Employer Account, will be subject to the claims of the general creditors of the Company and the Employer under federal and state law in the event of Insolvency.
- 2.4 The Company and an Employer (on behalf of the Company), in its sole discretion, may at any time, or from time to time, make additional deposits of cash or other property acceptable to the Trustee in the Trust to augment the principal to be held, administered and disposed of by the Trustee as provided in this Trust Agreement. Prior to a Funding Event, neither the Trustee nor any Participant or Beneficiary shall have any right to compel additional deposits.
- 2.5 Prior to the occurrence of a Preliminary Change in Control with respect to an Employer, the Trust with respect to such Employer shall be revocable and may be altered or amended in any substantive respect, or revoked or terminated, by the Company in whole or in part provided that no such amendment may increase the duties of the Trustee without its consent. In the event of such a Preliminary Change in Control, the Trust may not be altered or amended in any substantive respect, or revoked or terminated by the Company unless a majority of the Trust Beneficiaries of such Employer, determined as of the day before such Preliminary Change in Control, agree in writing to such an alteration, amendment, revocation or termination provided that no such amendment may increase the duties of the Trustee without its consent. If such a Preliminary Change in Control occurs but fails to become a Change in Control thereafter, the Trust shall again be revocable and may be altered or amended in any substantive respect, or revoked or terminated, by the Company in whole or in part provided that no such amendment may increase the duties of the Trustee without its consent. Notwithstanding the preceding, the Trust may be

amended following a Preliminary Change in Control or a Change in Control without approval of the Beneficiaries to protect the tax status or ERISA status of this Trust.

- 2.6 The Employers (on behalf of the Company) have obligated themselves under the terms of the Arrangements to make certain contributions to the Trust upon the occurrence of a Funding Event or a Change in Control. Upon such a Funding Event or Change in Control, the Employer affected (on behalf of the Company) thereby shall account for each Beneficiary's benefit funded by contributions to the Trust in a manner determined by the Company. A remittance of such contributions and earnings thereon to the Company may only occur under the following circumstances: (a) if, on the second anniversary of a Funding Event or any time thereafter, the Company determines that a Change in Control has not been consummated, the Trustee upon its agreement with this determination shall, upon the request of the Company, return to the Company property contributed to the Trust on account of the occurrence of a Funding Event; (b) if, at any time, following a Funding Event, the Company provides evidence satisfactory to the Trustee that the Funding Event will not become a Change in Control; (c) if the Trustee determines in its sole and absolute discretion that a Change in Control of the Company has occurred, and, on the second anniversary of the date of consummation of such Change in Control 75% of the members of the incumbent board on such anniversary date shall continue to serve as determined by the Company, the Trustee upon direction from the Company shall return to the Company, any such property received and earnings thereon as a result of such Change in Control; (d) prior to a Change of Control, except as permitted pursuant to Section 3.2, with respect to amounts contributed to fund benefits paid in accordance with Article III hereof, if the Trust assets equal or exceed 200% of the targeted funding level as established by the Company prior to a Change in Control, assets shall be returned by the Trustee to the Company to reduce total assets to 150% of the targeted funding level; or (e) upon written representation to the Trustee that all benefits have been paid to the Beneficiaries by an Employer such that the Employer has no remaining obligations to any Beneficiary covered by the Trust, assets allocated to the Employer's separate Trust Account shall be returned to the Company regardless of any targeted funding level.
- 2.7 The Arrangements are intended to be exempt from Parts 2, 3 and 4 of Title I of ERISA as an unfunded vehicle for deferred compensation for a select group of management or highly compensated employees.

ARTICLE III - PAYMENTS TO PARTICIPANTS AND THEIR BENEFICIARIES

- 3.1 Prior to a Change in Control of an Employer, distributions from the Trust shall be made by the Trustee to Participants and Beneficiaries of an Employer at the direction of the Company. Prior to a Change in Control, the entitlement of a Participant or his or her Beneficiaries to benefits under the Arrangements shall be determined by the Company under the Arrangements, and any claim for such benefits shall be considered and reviewed under the procedures set out in the Arrangements.
- 3.2 The Employer may make payment of benefits directly to Participants or their Beneficiaries as they become due under the terms of the Arrangements. The Company shall notify the Trustee of the Employer's decision to make payment of benefits directly prior to the time amounts are payable to Participants or their Beneficiaries. Before a Preliminary Change in Control or Change in Control, the Company may direct the Trustee in writing to reimburse the Company from the Trust assets for amounts paid directly to the Participants or their

Beneficiaries by the Employer. The Trustee shall reimburse the Company for such payments promptly after receipt by the Trustee of satisfactory evidence that the Employer has made the direct payments. No such reimbursement shall be allowed upon or during a Preliminary Change in Control or after Change in Control that would result in Trust assets equaling less than 100% of the targeted funding level.

In addition, if the principal of the Trust and any earnings thereon, are not sufficient to make payments of benefits in accordance with the terms of the Arrangements, the Employer shall make the balance of each such payment as it falls due in accordance with the Arrangements. The Trustee shall notify the Company where principal and earnings are not sufficient. Nothing in this Trust Agreement shall relieve each Employer of its liabilities to pay benefits due under the Arrangements except to the extent such liabilities are met by application of assets of the Trust.

- 3.3 The Company shall deliver to the Trustee a schedule of benefits, to include state and federal tax withholding guidelines, due under the Arrangements on an annual basis. Immediately after a Preliminary Change in Control and before a Change in Control, the Company shall deliver to the Trustee an updated schedule of benefits due under the Arrangements to the affected Participants or their Beneficiaries. After a Change in Control, the Trustee shall pay benefits due in accordance with such schedule. After a Change in Control, the Company shall continue to make the determination of benefits due to the affected Participants or their Beneficiaries and shall provide the Trustee with an updated schedule, to include state and federal tax withholding guidelines, of benefits due; provided however, a Participant or their Beneficiaries may make application to the Trustee for an independent decision as to the amount or form of their benefits due under the Arrangements. In making any determination required or permitted to be made by the Trustee under this Section, the Trustee shall, in each such case, reach its own independent determination, in its absolute and sole discretion, as to the amount or form of the Participant's or Beneficiary's payment hereunder. In making its determination, the Trustee may consult with and make such inquiries of such persons, including the Participant or Beneficiary, the Company, legal counsel, actuaries or other persons, as the Trustee may reasonably deem necessary. Any reasonable costs incurred by the Trustee in arriving at its determination shall be reimbursed by the Company and, to the extent not paid by the Company within a reasonable time, shall be charged to the Trust. The Company waives any right to contest any amount paid over by the Trustee hereunder pursuant to a good faith determination made by the Trustee notwithstanding any claim by or on behalf of the Company (absent negligence or willful misconduct by the Trustee) that such payments should not be made.
- 3.4 The Trustee agrees that it will not itself institute any action at law or at equity, whether in the nature of an accounting, interpleading action, request for a declaratory judgment or otherwise, requesting a court or administrative or quasi-judicial body to make the determination required to be made by the Trustee under this Section in the place and stead of the Trustee. The Trustee may (and, if necessary or appropriate, shall) institute an action to collect a contribution due the Trust following a Change in Control or in the event that

the Trust should ever experience a short-fall in the amount of assets necessary to make payments pursuant to the terms of the Arrangements.

ARTICLE IV - TRUSTEE RESPONSIBILITY REGARDING PAYMENTS TO TRUST BENEFICIARY WHEN THE COMPANY OR AN EMPLOYER IS INSOLVENT

- 4.1 The Chairman/President of the Company and the Chairman/President of each Employer (the "Chairman") shall have the duty to promptly inform the Trustee in writing of the Insolvency of the Company or the Employer, and the Trustee may rely on information so supplied. If a person claiming to be a creditor of the Company or the Employer alleges in writing to the Trustee that the Company or the Employer has become Insolvent, the Trustee shall discontinue payment of benefits, if any, from the Employer's Account to the Trust Beneficiary, and then independently determine, within sixty (60) days after receipt of such notice, whether the Company or the Employer is Insolvent. The Trustee may employ attorneys, accountants and other advisers to make such determination and may rely conclusively on their conclusions. The expenses of such determination shall be allowed as administrative expenses of the Trust.
- 4.2 Upon written notification of the Insolvency of the Company or the Employer pursuant to Section 4.1 above, or pending its determination of whether the Company or the Employer is Insolvent, the Trustee shall discontinue payment of benefits, if any, from the Employer's Account to the Trust Beneficiary, and shall hold Trust assets attributable to such Trust Beneficiary for the benefit of the general creditors of the Company and the Employer. The Trustee shall continue the investment of such Trust assets in accordance with Article VI, and shall make payments out of the Trust to the general creditors of the Company or the Employer only in accordance with instructions from a court of competent jurisdiction or from a person appointed by such a court. The Trustee may employ attorneys, accountants and other advisers to make such determination and may rely conclusively on their conclusions. The expenses of such determination shall be allowed as administrative expenses of the Trust.
- 4.3 The Trustee shall resume payments of benefits from the Employer's Account to such Trust Beneficiaries in accordance with Article III of this Trust Agreement only after the Trustee has determined that both the Company and such Employer are not Insolvent or a court of competent jurisdiction orders the resumption of such payments. The Trustee shall have the discretion to determine which of the above alternatives is appropriate to the situation.
- 4.4 Unless notified of the Company's or an Employer's Insolvency pursuant to Section 4.1 above, or the Trustee has actual knowledge that the Company or the Employer is Insolvent, the Trustee shall have no duty to inquire whether the Company or the Employer is Insolvent. The Trustee may in all events rely on such evidence concerning the Company's or the Employer's solvency as may be furnished to the Trustee which will give the Trustee a reasonable basis for making a determination concerning the Company's or the Employer's solvency. Nothing in this Trust Agreement shall in any way diminish any rights of a Trust Beneficiary to pursue his rights as a general creditor of the Company or the Employer with respect to the benefits from the Employer's Arrangement or otherwise.

- 4.5 If the Trustee discontinues payments of benefits from the Trust pursuant to Section 4.2 above and subsequently resumes such payments, the first payment following such discontinuance shall include the aggregate amount of all payments which would have been made to Trust Beneficiary (together with interest) in accordance with the Employer's Arrangement during the period of such discontinuance; provided that, to the extent the Participant has received such payments from an Employer, such amount shall be paid to the Employer.

ARTICLE V - PAYMENT TO COMPANY

- 5.1 The Company shall have no right or power to direct the Trustee to return to the Company or to divert to others any of the Trust assets before all payments of benefits from the Arrangements to the Trust Beneficiaries have been made in accordance with the terms of the Arrangements; provided the Company may request reimbursement as provided in Section 2.6 or as provided in Section 3.2 of any payment made directly by the Employer to a Trust Beneficiary.

ARTICLE VI - INVESTMENT OF TRUST ASSETS

- 6.1 ***In General.*** The Trustee, subject to this Article VI, shall invest and reinvest the principal and income of the Trust Fund. All rights associated with the assets of the Trust shall be exercised by the Trustee or the person designated by the Trustee in a manner consistent with this Article VI, and in no event be exercisable by or rest with Trust Beneficiaries.
- (a) Prior to a Change in Control of an Employer, the Company shall, subject to this Article, direct the Trustee with respect to investments.
- (1) The Company may direct the Trustee to segregate all or a portion of the Fund in a separate investment account or accounts and may appoint one or more investment managers and/or an investment committee established by the Company to direct the investment and reinvestment of each such investment account or accounts. In such event, the Company shall notify the Trustee of the appointment of each such investment manager and/or investment committee. No such investment manager shall be related, directly or indirectly, to the Company, but members of the investment committee may be employees of the Company.
- (2) Thereafter, until a Change in Control, the Trustee shall make every sale or investment with respect to such investment account as directed in writing by the investment manager or investment committee. It shall be the duty of the Trustee to act strictly in accordance with each direction. The Trustee shall be under no duty to question any such direction of the investment manager or investment committee, to review any securities or other property held in such investment account or accounts acquired by it pursuant to such directions or to make any recommendations to the investment managers or investment committee with respect to such securities or other property.

- (3) Notwithstanding the foregoing, the Trustee, without obtaining prior approval or direction from an investment manager or investment committee, shall invest cash balances held by it from time to time in short term cash equivalents including, but not limited to, through the medium of any short term fund established and maintained by the Trustee subject to the instrument establishing such fund, U.S. Treasury Bills, commercial paper (including such forms of commercial paper as may be available through the Trustee's Trust Department), certificates of deposit (including certificates issued by the Trustee in its separate corporate capacity), and similar type securities, with a maturity not to exceed one year; and, furthermore, sell such short term investments as may be necessary to carry out the instructions of an investment manager or investment committee regarding more permanent type investment and directed distributions.
- (4) The Trustee shall neither be liable nor responsible for any loss resulting to the Fund by reason of any sale or purchase of an investment directed by the Company, an investment manager or investment committee nor by reason of the failure to take any action with respect to any investment which was acquired pursuant to any such direction in the absence of further directions of the Company, such investment manager or investment committee.
- (i) Notwithstanding anything in this Trust Agreement to the contrary, the Trustee shall be indemnified and saved harmless by the Company from and against any and all personal liability to which the Trustee may be subjected by carrying out any directions of the Company, an investment manager or investment committee issued pursuant hereto or for failure to act in the absence of directions of the Company, investment manager or investment committee including all expenses reasonably incurred in its defense in the event the Company fails to provide such defense; provided, however, the Trustee shall not be so indemnified for any loss due to the negligence or willful misconduct of the Trustee or if it participates knowingly in, or knowingly undertakes to conceal, an act or omission of the Company, an investment manager or investment committee, having actual knowledge that such act or omission is a breach of a fiduciary duty; provided further, however, that the Trustee shall not be deemed to have knowingly participated in or knowingly undertaken to conceal an act or omission of the Company, an investment manager or investment committee with knowledge that such act or omission was a breach of fiduciary duty by merely complying with directions of the Company, an investment manager or investment committee or for failure to act in the absence of directions of the Company, an investment manager or investment committee. The Trustee may rely upon any order, certificate, notice, direction or other documentary confirmation purporting to have been issued by the Company, investment manager or investment

committee which the Trustee believes to be genuine and to have been issued by the Company, investment manager or investment committee. The Trustee shall not be charged with knowledge of the termination of the appointment of any investment manager or investment committee until it receives written notice thereof from the Company.

- (ii) The Company, prior to a Change in Control, may direct the Trustee to invest in securities (including stock and the rights to acquire stock) or obligations issued by the Company.
- (iii) At the direction of the Company, the Trustee shall exercise any and all voting rights associated with the Trust assets, give proxies, participate in any voting trusts, mergers, consolidations or liquidations, tender shares and exercise stock subscriptions or conversion rights.

6.2 Subsequent to a Change in Control of an Employer, the Trustee, in its sole discretion, shall have the power in investing and reinvesting the fund allocated to the Employer Account of such Employer:

- (a) To invest and reinvest in any readily marketable common and preferred stocks (including any stock or security of the Company), bonds, notes, debentures (including convertible stocks and securities but not including any stock or security of the Trustee other than a de minimis amount held in a mutual fund), certificates of deposit or demand or time deposits (including any such deposits with the Trustee), limited partnerships or limited liability companies, private placements and shares of investment companies, and mutual funds, without being limited to the classes or property in which the Trustee is authorized to invest by any law or any rule of court of any state and without regard to the proportion any such property may bear to the entire amount of the Fund. Without limitation, the Trustee may invest the Trust in any investment company (including any investment company or companies for which Wells Fargo Bank, National Association or an affiliated company acts as the investment advisor) or, any insurance contract or contracts issued by an insurance company or companies in each case as the Trustee may determine provided that the Trustee may in its sole discretion keep such portion of the Trust in cash or cash balances for such reasonable periods as may from time to time be deemed advisable pending investment or in order to meet contemplated payments of benefits;
- (b) To invest and reinvest all or any portion of the Fund collectively through the medium of any proprietary mutual fund that may be established and maintained by the Trustee;
- (c) To commingle for investment purposes all or any portion of the Fund with assets of any other similar trust or trusts established by the Company with the Trustee for

the purpose of safeguarding deferred compensation or retirement income benefits of its employees and/or directors;

- (d) To retain any property at any time received by the Trustee;
- (e) To sell or exchange any property held by it at public or private sale, for cash or on credit, to grant and exercise options for the purchase or exchange thereof, to exercise all conversion or subscription rights pertaining to any such property and to enter into any covenant or agreement to purchase any property in the future;
- (f) To participate in any plan of reorganization, consolidation, merger, combination, liquidation or other similar plan relating to property held by it and to consent to or oppose any such plan or any action thereunder or any contract, lease, mortgage, purchase, sale or other action by any person;
- (g) To deposit any property held by it with any protective, reorganization or similar committee, to delegate discretionary power thereto, and to pay part of the expenses and compensation thereof for any assessments levied with respect to any such property to be deposited;
- (h) To extend the time of payment of any obligation held by it;
- (i) To hold uninvested any moneys received by it, without liability for interest thereon, but only in anticipation of payments due for investments, reinvestments, expenses or disbursements;
- (j) To exercise any and all voting rights associated with Trust assets, give proxies, participate in any voting trusts, mergers, consolidations or liquidations, tender shares and exercise stock subscription or conversion rights;
- (k) For the purposes of the Trust, to borrow money from others, to issue its promissory note or notes therefor, and to secure the repayment thereof by pledging any property held by it;
- (l) To employ suitable contractors and counsel, who may be counsel to the Company or to the Trustee, and to pay their reasonable expenses and compensation from the Fund to the extent not paid by the Company;
- (m) To register investments in its own name or in the name of a nominee; and to combine certificates representing securities with certificates of the same issue held by it in other fiduciary capacities or to deposit or to arrange for the deposit of such securities with any depository, even though, when so deposited, such securities may be held in the name of the nominee of such depository with other securities deposited therewith by other persons, or to deposit or to arrange for the deposit of any securities issued or guaranteed by the United States government, or any agency or instrumentality thereof, including securities evidenced by book entries rather than by certificates, with the United States Department of the Treasury or a Federal Reserve Bank, even though, when so deposited, such securities may not be held

separate from securities deposited therein by other persons; provided, however, that no securities held in the Fund shall be deposited with the United States Department of the Treasury or a Federal Reserve Bank or other depository in the same account as any individual property of the Trustee, and provided, further, that the books and records of the Trustee shall at all times show that all such securities are part of the Fund;

- (n) To settle, compromise or submit to arbitration any claims, debts or damages due or owing to or from the Trust, respectively, to commence or defend suits or legal proceedings to protect any interest of the Trust, and to represent the Trust in all suits or legal proceedings in any court or before any other body or tribunal; provided, however, that the Trustee shall not be required to take any such action unless it shall have been indemnified by the Company to its reasonable satisfaction against liability or expenses it might incur therefrom;
- (o) Subject to Article IX, to hold and retain policies of life insurance, annuity contracts, and other property of any kind which policies are contributed to the Trust by the Company or any subsidiary of the Company or are purchased by the Trustee;
- (p) To hold any other class of assets which may be contributed by the Company and that is deemed reasonable by the Trustee, unless expressly prohibited herein;
- (q) To loan any securities at any time held by it to brokers or dealers upon such security as may be deemed advisable, and during the terms of any such loan to permit the loaned securities to be transferred into the name of and voted by the borrower or others; and
- (r) Generally, to do all acts, whether or not expressly authorized, that the Trustee may deem necessary or desirable for the protection of the Fund.

6.3 Following a Change in Control of an Employer, the Trustee shall have the sole and absolute discretion in the management of the Trust assets allocated to the Employer Account of such Employer and shall have all the powers set forth under Section 6.2. In investing the Trust assets, the Trustee shall consider:

- (a) the needs of the Arrangements;
- (b) the need for matching of the Trust assets with the liabilities of the Arrangements; and
- (c) the duty of the Trustee to act solely in the best interests of the Participants and their Beneficiaries.

6.4 The Trustee shall have the right, in its sole discretion, to delegate its investment responsibility to an investment manager who may be an affiliate of the Trustee. In the event the Trustee shall exercise this right, the Trustee shall remain, at all times responsible for the acts of an investment manager. The Trustee shall have the right to purchase an insurance policy or an annuity to fund the benefits of the Arrangements.

- 6.5 The Company shall have the right at any time, and from time to time in its sole discretion, to substitute assets (other than securities issued by the Trustee or the Company) of equal fair market value for any asset held by the Trust. This right is exercisable by the Company in a nonfiduciary capacity without the approval or consent of any person in a fiduciary capacity; provided, however, that, following a Preliminary Change in Control or Change in Control of an Employer, no such substitution with respect to the balance of such Employer's Account shall be permitted unless the Trustee determines that the fair market values of the substituted assets are equal.

ARTICLE VII – DISPOSITION OF INCOME

- 7.1 During the term of this Trust, all income received by the Trust, net of expenses, shall be accumulated and reinvested.

ARTICLE VIII – INSURANCE CONTRACTS

- 8.1 To the extent that the Trustee is directed by the Company prior to a Change in Control to invest part or all of the Fund in insurance contracts, the type and amount thereof shall be specified by the Company. The Trustee shall be under no duty to make inquiry as to the propriety of the type or amount so specified.
- 8.2 Each insurance contract issued shall provide that the Trustee shall be the owner thereof with the power to exercise all rights, privileges, options and elections granted by or permitted under such contract or under the rules of the insurer. The exercise by the Trustee of any incidents of ownership under any contract shall, prior to a Change in Control, be subject to the direction of the Company. After a Change in Control, the Trustee shall have all such rights.
- 8.3 The Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee.
- 8.4 No insurer shall be deemed to be a party to the Trust and an insurer's obligations shall be measured and determined solely by the terms of contracts and other agreements executed by the insurer.

ARTICLE IX – ACCOUNTING BY THE TRUSTEE

The following provisions shall apply to the records and accounting for the Trust:

- 9.1 The Trustee shall keep accurate records and accounts of all investments, receipts, and disbursements, and other transactions hereunder. As soon as reasonably practicable following the close of each annual accounting period of the Trust, and as soon as reasonably practicable after the resignation or removal of a Trustee has become effective, the Trustee shall file with the Company a written or electronic account setting forth all investments, receipts, disbursements, and other transactions effected by it during such year, or during the part of the year to the date the resignation or removal is effective, as the case may be, and containing a description of all securities purchased and sold, the cost or net proceeds of sale, the securities and investments held at the end of such period, and the cost of each

item thereof as carried on the books of the Trustee. If the fair market value of an asset in the Fund is not available when necessary for accounting or reporting purposes, the fair value of the asset shall be determined in good faith by the Company, assuming an orderly liquidation at the time of such determination. If there is a disagreement between the Trustee and anyone as to any act or transaction reported in an accounting, the Trustee shall have the right to have its account settled by a court of competent jurisdiction. The Trustee shall be entitled to hold and to commingle the assets of the Trust in one Fund for investment purposes at the direction of the Company prior to a Change in Control; the Trustee may create one or more sub-accounts.

- 9.2 The Trustee shall retain its records relating to the Trust as long as necessary for the proper administration thereof and at least for any period required by applicable law.

ARTICLE X – RESPONSIBILITY OF THE TRUSTEE

- 10.1 The Trustee shall act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, except to the extent of the negligence or willful misconduct of the Trustee, that the Trustee shall incur no liability to anyone for any action taken pursuant to a direction, request, or approval given by the Company contemplated by and complying with the terms of this Trust Agreement, and to that extent shall be relieved of the prudent man rule for investments.
- 10.2 The Trustee shall not be required to undertake or to defend any litigation arising in connection with this Trust Agreement, unless it be first indemnified by the Company against its prospective costs, expenses and liability, and the Company hereby agrees to indemnify the Trustee for such costs, expenses and liability.
- 10.3 The Trustee may consult with legal counsel (who may also be counsel for the Trustee generally, or for the Company or an Employer) with respect to any of its duties or obligations hereunder, and shall be fully protected in acting or refraining from acting in accordance with the advice of such counsel.
- 10.4 The Trustee may hire agents, accountants, actuaries, financial consultants or other professionals to assist it in performing any of its duties or obligations hereunder and may rely on any determinations made by such agents and information provided to it by the Company.
- 10.5 The Trustee shall have, without exclusion, all powers conferred on trustees by applicable law unless expressly provided otherwise herein, provided, however, that if an insurance policy is held as an asset of the Trust, the Trustee shall have no power to name a beneficiary of the policy other than the Trust, to assign the policy (as distinct from conversion of the policy to a different form) other than to a successor Trustee, or to loan to any person the proceeds of any borrowing against such policy.
- 10.6 The Company shall indemnify and hold harmless the Trustee of and from any and all costs, claims, losses, demands or liabilities, including reasonable attorney's fees and expenses in defending against such claims, losses, demands and liabilities, in respect of the acts, transactions, duties, obligations or responsibilities which the Trustee performs or undertakes

upon the direction of the Company, or any fiduciary. Such indemnity shall include all claims and liabilities arising from any breach of fiduciary responsibility by a fiduciary other than the Trustee, unless the Trustee:

- (a) knowingly participates in, or knowingly undertakes to conceal, an act or omission of such other fiduciary, knowing such act or omission is a breach;
- (b) by its failure to act in accordance with Section 10.1 above in the administration of its specific responsibilities which give rise to its status as a fiduciary, has enabled such other fiduciary to commit a breach;
- (c) has knowledge of a breach by such other fiduciary, unless it makes reasonable efforts under the circumstances to remedy the breach; or
- (d) has acted with negligence or willful misconduct.

The performance by the Trustee of trades, custody, reporting, recording and bookkeeping with respect to assets managed by another fiduciary shall not be deemed to give rise to any participation or knowledge on the part of the Trustee. Such indemnification shall survive the amendment or termination of the Trust Agreement or the resignation or removal of the Trustee and shall be construed as a contract between the Company and the Trustee under the laws of the State of Georgia.

10.7 The Trustee, as trustee, is not a party to, and has no duties or responsibilities under the Arrangements. In any case in which a provision of this Trust Agreement conflicts with any provision in the Arrangement, this Trust Agreement shall control.

10.8 The Trustee shall have no duties, responsibilities or liability with respect to the acts or omissions of any prior or successor trustee except as set forth in Section 10.6.

ARTICLE XI – COMPENSATION AND EXPENSES OF THE TRUSTEE

11.1 The Trustee's compensation shall be as agreed in writing from time to time by the Company and the Trustee. The Company shall pay all administrative expenses and the Trustee's fees and shall promptly reimburse the Trustee for any fees and expenses of its agents. If not so paid within thirty (30) days of being invoiced, the fees and expenses shall be paid from the Trust.

ARTICLE XII – REPLACEMENT OF THE TRUSTEE

12.1 The Trustee may be removed at any time upon thirty (30) days written notice by the Company. The Trustee may resign at any time, upon ninety (90) days written notice to the Company. In the event of such resignation or removal, the Company shall appoint a new corporate trustee, which shall be independent and not subject to control of the Company.

If the Trustee resigns or is removed, a successor shall be appointed, in accordance with this Section 12.1, by the effective date of resignation or removal under this section. If no such appointment has been made, the Trustee may apply to a court of competent jurisdiction for

appointment of a successor or for instructions. All expenses of the Trustee in connection with the proceeding shall be allowed as administrative expenses of the Trust.

- 12.1 Upon its resignation or removal, the Trustee, with the written consent of the Company, may reserve such amounts as it deems necessary for the payment of any outstanding taxes or other liabilities of the Trust and its reasonable fees and expenses in connection with the settlement of its accounts. Any balance of such reserve remaining after the payment of such taxes, liabilities, fees, and expenses shall be paid over to the successor Trustee, not later than ninety (90) days following the effective date of resignation or removal.

ARTICLE XIII – AMENDMENT OR TERMINATION

- 13.1 This Trust Agreement may be amended by a written instrument executed by the Parties, except as otherwise provided in this Article XIII. Notwithstanding the foregoing, no such amendment shall conflict with the terms of the Arrangements or shall make the Trust revocable after and to the extent the Trust has become irrevocable. The Trust shall not terminate until the date on which Participants and their Beneficiaries have received all of the benefits due to them under the terms and conditions of the Arrangements, unless sooner in accordance with Section 2.5. Upon termination of the Trust, any assets remaining in the Trust shall be returned by the Trustee to the Company. The Trustee shall not remit any assets to an Employer.
- 13.2 Following a Change in Control of an Employer, the Trust shall not terminate with respect to that Employer until the date on which Participants and their Beneficiaries of such Employer have received all of the benefits due to them under the terms and conditions of the Arrangements.
- 13.3 Upon written approval of all Participants or Beneficiaries entitled to payment of benefits pursuant to the terms of the Arrangements, the Company may terminate this Trust prior to the time all benefit payments under the Arrangements have been made. All assets in the Trust at termination shall be returned by the Trustee to the Company.

ARTICLE 13 – SEVERABILITY AND ALIENATIONS

- 14.1 If any provision of this Trust Agreement is, becomes, or is deemed invalid, or unenforceable in any jurisdiction, such provision shall be deemed amended to conform to applicable law as to be valid, legal and enforceable in any jurisdiction so deeming. The validity, legality and enforceability of such provision shall not in any way be affected or impaired in any other jurisdiction; if such provision cannot be so amended with materially altering the intention of the parties, it shall be stricken and the remainder of this Trust Agreement shall remain in full force and effect.
- 14.2 To the extent permitted by law, benefits from the Arrangements payable to Trust Beneficiary under the Arrangements and this Trust Agreement may not be assigned, alienated, or subject to attachment, garnishment, levy, execution or other legal or equitable process. The Trust Beneficiary may not assign or transfer any interest in the benefit from the applicable

Arrangement due hereunder and shall have no direct interest in or to any trust asset unless and until paid to such Trust Beneficiary.

ARTICLE XV - MISCELLANEOUS

- 15.1 Any provision of this Trust Agreement prohibited by law shall be ineffective to the extent of any such prohibition, without invalidating the remaining provisions hereof.
- 15.2 The Company hereby represents and warrants that all of the Arrangements have been established, maintained and administered in accordance with all applicable laws, including without limitation, ERISA. The Company hereby indemnifies and agrees to hold the Trustee harmless from all liabilities, including attorneys' fees, relating to or arising out of the establishment, maintenance and administration of the Arrangements. To the extent the Company does not pay any of such liabilities in a reasonably timely manner, the Trustee may obtain payment from the Trust.
- 15.3 Benefits payable to Participants and their Beneficiaries under this Trust Agreement may not be anticipated, assigned (either at law or in equity), alienated, pledged, encumbered or subjected to attachment, garnishment, levy, execution or other legal or equitable process.
- 15.4 This Trust Agreement shall be governed by and construed in accordance with the laws of Georgia.
- 15.5 If a provision of this Trust Agreement requires that a communication or document be provided to the Trustee in writing or written form, that requirement may also be satisfied by a facsimile transmission, electronic mail or other electronic transmission of text (including electronic records attached thereto), if the Trustee reasonably believes such communication or document has been signed, sent or presented (as applicable) by any person or entity authorized to act on behalf of the Company. Any electronic mail or other electronic transmission of text will be deemed signed by the sender if the sender's name or electronic address appears as part of, or is transmitted with, the electronic record. The Trustee will not incur any liability to anyone resulting from actions taken in good faith reliance on such communication or document, unless resulting from the negligence or willful misconduct of the Trustee. Nor shall the Trustee incur any liability in executing instructions from any person or entity authorized to act on behalf of the Company prior to receipt by it of notice of the revocation of the written authority of such person or entity.
- 15.6 This Trust Agreement is intended to comply with Section 409A of the Code and shall be administered consistent with such intent. At the direction of the Company, the Trustee may reimburse eligible expenses incurred by a Trust Beneficiary, provided that the following requirements are satisfied: (a) the Arrangements shall provide an objectively determinable nondiscretionary definition of expenses eligible for reimbursement; (b) such expenses shall be only those incurred during the Trust Beneficiary's lifetime, (c) the amount of expenses eligible for reimbursement during a calendar year shall not affect the expenses eligible for reimbursement in any other taxable year, (d) the reimbursement of an eligible expense shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (e) the right to reimbursement shall

not be subject to liquidation or exchange for another benefit. The Company shall ensure the requirements stated in this paragraph are satisfied. The Trustee may rely conclusively on the Company's determination that expenses are eligible for reimbursement.

ARTICLE XVI - CONFIDENTIALITY

- 16.1 This Trust Agreement and certain information relating to the Trust is "Confidential Information" pursuant to applicable federal and state law, and as such it shall be maintained in confidence and not disclosed, used or duplicated, except as described in this Article. If it is necessary for the Trustee to disclose Confidential Information to a third party in order to perform the Trustee's duties hereunder and the Company has authorized the Trustee to do so, the Trustee shall disclose only such Confidential Information as is necessary for such third party to perform its obligations to the Trustee and shall, before such disclosure is made, ensure that said third party understands and agrees to the confidentiality obligations set forth herein. The Trustee and the Company shall maintain an appropriate information security program and adequate administrative and physical safeguards to prevent the unauthorized disclosure, misuse, alteration or destruction of Confidential Information, and shall inform the other party as soon as possible of any security breach or other incident involving possible unauthorized disclosure of or access to Confidential Information. Confidential Information shall be returned to the disclosing party upon request. Confidential Information does not include information that is generally known or available to the public or that is not treated as confidential by the disclosing party, provided, however, that this exception shall not apply to any publicly available information to the extent that the disclosure or sharing of the information by one or both parties is subject to any limitation, restriction, consent, or notification requirement under any applicable federal or state information privacy law or regulation. If the receiving party is required by law, according to the advice of competent counsel, to disclose Confidential Information, the receiving party may do so without breaching this section, but shall first, if feasible and legally permissible, provide the disclosing party with prompt notice of such pending disclosure so that the disclosing party may seek a protective order or other appropriate remedy or waive compliance with the provisions of this Article.
- 16.2 In addition to the obligations set forth in Section 16.1, the provisions set forth in Attachment C shall apply to privacy and data protection as set forth in such attachment.

ARTICLE XVII – FORCE MAJEURE

- 17.1 Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible or liable for any losses to the Fund resulting from any event beyond the reasonable control of the Trustee, including but not limited to nationalization, strikes, expropriation, devaluation, seizure, eminent domain or similar action by any governmental authority; or enactment, promulgation, imposition or enforcement by any such governmental authority of currency restrictions, exchange controls, levies or other charges affecting the Trust's property; or the breakdown, failure or malfunction of any utility, telecommunication, or computer systems; or any order or regulation of any banking or securities industry including changes in market rules and market conditions affecting the execution or settlement of transactions; or poor or incomplete data provided by the

Company; or acts of war, terrorism, insurrection or revolution; or acts of God; or any other similar event.

IN WITNESS WHEREOF, the Parties have executed this Trust Agreement on the day and year first above written.

**THE SOUTHERN COMPANY,
AS GRANTOR**

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, AS TRUSTEE**

By: /s/Myra Coleman Bierria

By: /s/Andy Franck

Its: VP & Corporate Secretary

Its: Vice President

ATTEST:

ATTEST:

By: /s/Marcia R. DeMar

By: /s/Rodney Cook

Its: Shareholder Services Manager

Its: Vice President

EMPLOYERS:

ALABAMA POWER COMPANY

GEORGIA POWER COMPANY

By: /s/Ceila H. Shorts

By: /s/Sterling Spainhour

Its: Corporate Secretary

Its: Senior Vice President & General Counsel

ATTEST:

ATTEST:

By: /s/Amy Blankenship

By: /s/Kristi L. Dow

Its: Assistant Corporate Secretary

Its: Assistant Secretary

MISSISSIPPI POWER COMPANY

By: /s/Jeffery A. Stone

Its: Corporate Secretary

ATTEST:

By: /s/Fe Z. Strickland

Its: Assistant Corporate Secretary

SOUTHERN COMPANY GAS

By: /s/David E. Slovinsky

Its: Senior Vice President & General Counsel

ATTEST:

By: /s/Barbara P. Christopher

Its: Corporate Secretary

THE SOUTHERN COMPANY

By: /s/Myra Coleman Bierria

Its: VP & Corporate Secretary

ATTEST:

By: /s/Marcia R. DeMar

Its: Shareholder Services Manager

Attachment A

Schedule of Employers

Alabama Power Company
600 North 18th Street
Birmingham, AL 35291

Georgia Power Company
241 Ralph McGill Boulevard
Atlanta, GA 30308

Mississippi Power Company
2992 West Beach Boulevard
Gulfport, MS 39501

Savannah Electric and Power Company
c/o Georgia Power Company as successor
241 Ralph McGill Boulevard
Atlanta, GA 30308

Southern Company Gas
10 Peachtree Place
BIN 119 or Loc 1466
Atlanta, GA 30309

The Southern Company
30 Ivan Allen Jr. Boulevard NW
Atlanta, GA 30308

Attachment B

Plans and Arrangements Subject to the Trust

- Deferred Compensation Plan for Outside Directors of Alabama Power Company
 - Deferred Compensation Plan for Outside Directors of Georgia Power Company
 - Deferred Compensation Plan for Outside Directors of Mississippi Power Company
 - Deferred Compensation Plan for Outside Directors of Savannah Electric and Power Company
 - Deferred Compensation Plan for Outside Directors of Southern Company Gas
 - Deferred Compensation Plan for Outside Directors of The Southern Company
 - Deferred Compensation Plan for Outside Directors of Gulf Power Company (sponsored by The Southern Company)
 - Outside Directors Stock Plan for The Southern Company and its Subsidiaries
-

Attachment C

Privacy and Data Protection

During the course of providing the services (“Services”) described in the Amended and Restated Deferred Cash Compensation Trust Agreement for Directors of The Southern Company and its Subsidiaries (the “Agreement”), Trustee will receive Plan Sponsor Information (as defined below) from or on behalf of the Company and the Employers (“Plan Sponsor”). Trustee agrees to protect all Plan Sponsor Information obtained through providing the Services as detailed in this Attachment C. Capitalized terms not defined herein are as defined in the Trust Agreement.

1. For purposes of this Attachment C, the following definitions shall apply:

(a) “Data Protection Requirements” means, collectively, all national, state, and local laws or regulations relating to the protection of Plan Sponsor Information applicable to Trustee’s use, disclosure, retention, storage, and transmission of Plan Sponsor Information.

(b) “Plan Sponsor Information” means information that identifies or can reasonably be used to identify a plan participant or financial information of Plan Sponsor or a plan participant, including but not limited to name, Social Security number, Taxpayer Identification Number, passport number, driver’s license number, other government-issued identification number, bank account number or information or plan account number or information. Plan Sponsor Information will not include information to the extent that such information: (i) was provided to Trustee or its personnel by a third party who was not under an obligation to the Plan Sponsor with respect to such information, but only to the extent Trustee does not have confidential obligations to Plan Sponsor or plan participant; or (ii) was already known to or in the possession of Trustee or its personnel at the time of the disclosure without a restriction on the disclosure at the time of disclosure, or (iii) was independently developed or received by Trustee or its personnel without reference to the Plan Sponsor Information; or (iv) is or becomes publicly known without breach of this Attachment C, the Agreement, or other obligations of non-disclosure by Trustee or its personnel; or (v) Plan Sponsor agrees in writing is free of the restrictions set forth in this Attachment C.

2. All references herein to Plan Sponsor Information are to information that is provided to, or obtained, used, maintained, or otherwise handled by, Trustee in connection with providing the Services to Plan Sponsor.

3. Trustee will at all times treat Plan Sponsor Information in accordance with the requirements of this Attachment and the Data Protection Requirements.

4. Trustee shall hold Plan Sponsor Information in strict confidence and shall not disclose Plan Sponsor Information to any third party, firm, or enterprise (including, but not limited to, Trustee’s affiliates, subcontractors, or service providers) except as may be permitted under the Agreement, as required to provide the Services identified in this Attachment, or as required under law or regulation.

5. Trustee may disclose Plan Sponsor Information to a third party, firm, or enterprise (including, but not limited to, Trustee's affiliates, subcontractors or service providers) in order to provide the Services, provided that Trustee shall enter into a written agreement with a third party that is not an affiliate that includes obligations that are at least as broad in scope and restrictive as those under this Attachment C.

6. Trustee shall maintain administrative, technical, and physical safeguards reasonably designed to protect the security, confidentiality and integrity of Plan Sponsor Information. Trustee shall maintain reasonable access controls, including, but not limited to, limiting access to Plan Sponsor Information to the Trustee employees and personnel who require such access in the performance of their job duties; require its employees and personnel who will be provided access to, or otherwise come into contact with, Plan Sponsor Information to protect such information; and provide such employees and personnel with training regarding information security and privacy.

7. If Trustee is requested or required by competent court of law or adjudicative body to disclose any Plan Sponsor Information to a third party, Trustee shall notify Plan Sponsor promptly of any such anticipated disclosure (unless such notice is prohibited by law, rule, or regulations) and shall not disclose the Plan Sponsor Information to the third party without providing Plan Sponsor at least forty-eight (48) hours, following such notice (if forty-eight (48) hours is available), so that Plan Sponsor may, at its own expense, exercise such rights as it may have under law to prevent or limit such disclosure. Notwithstanding the foregoing, Trustee shall exercise commercially reasonable efforts to prevent and limit any such disclosure and to otherwise preserve the confidentiality of the Plan Sponsor Information, including by cooperating with Plan Sponsor, at Plan Sponsor's sole cost and expense, to obtain an appropriate protective order or other reliable assurance that confidential treatment will be accorded to the Plan Sponsor Information. Notwithstanding anything herein to the contrary, Trustee may disclose any information in its possession or control without notifying the Plan Sponsor in response to: (a) a request from any regulatory or licensing body with authority over Trustee (including federal or state insurance, securities, bank or other examiners, or other regulatory official) or (b) a subpoena or other request for information or documents in a legal proceeding involving a personal matter affecting a plan participant (including, but not limited to, a subpoena related to a divorce proceeding).

8. In addition, upon notice to Trustee, Trustee shall provide Plan Sponsor with reasonable assistance and support in the event of an investigation by any applicable regulator, including a data protection regulator, or similar authority, if and to the extent that such investigation relates to Plan Sponsor Information handled by Trustee on behalf of Plan Sponsor. However, any such reasonable assistance must be in accordance with Trustee's policies and procedures, and in no circumstance will Trustee allow any party access to any systems, networks, data centers, or facilities. Such assistance and support shall be at Plan Sponsor's sole expense, except where such investigation was required solely due to Trustee's acts or omissions resulting in a breach of this Attachment C, in which case such assistance shall be at Trustee's sole expense. The assessment of any expenses to Trustee will be done after the investigation and only if Trustee is found to be in breach of Attachment C.

9. Trustee shall notify Plan Sponsor promptly (and in any event within five (5) business days) using the contact information currently on file with Trustee whenever Trustee confirms there has been an actual unauthorized acquisition, destruction, modification, use, or disclosure of, or access to, Plan Sponsor Information that may require consumer or regulator notification (“Breach”). In the event of a Breach, Trustee shall (a) promptly conduct a reasonable investigation of the Breach and (b) take reasonable action to mitigate the impact of such Breach. Further, Trustee agrees to bear the direct, actual, and reasonable costs of consumer notification to individuals whose Plan Sponsor Information was exposed, where notice is legally required or there is a reasonable risk of harm to individuals or entities whose information was the subject of the Security Breach, and Trustee shall have sole control of managing the costs of mailing and call center support (the “Direct Costs of Notification”) and the costs of credit monitoring services for twelve (12) months to impacted individuals, and as required by law. The content of any notices will be reasonably agreed upon by Trustee and the Plan Sponsor.

10. Upon termination or expiration of this Attachment C, Trustee shall promptly, upon written request by Plan Sponsor, destroy or return all data, information, materials, and other properties, whether in paper, electronic, digital, or other form, previously provided by or belonging to Plan Sponsor in Trustee’s possession or the possession of its subcontractors. However, Trustee is not obligated to return or destroy Plan Sponsor Information in the event that Plan Sponsor Information is required by law or regulation or Trustee policy to be retained, is contained in an archived computer system or backup made in accordance with security and disaster recovery procedures, or has been commingled by Trustee (or its subcontractors) with its own confidential data such that it cannot feasibly be separated for return or destruction. Such data will be protected by Trustee as its own confidential data.

11. Trustee shall defend, indemnify, and hold harmless the Plan Sponsor and its Affiliates and their respective directors, officers, agents, and employees (collectively, “Indemnitees”), against any and all suits, actions, proceedings or demands (“Claims”), and judgments, losses, payments, costs, expenses, damages, settlements, liabilities, fines or penalties (“Costs”) of the Indemnitees, arising from or relating to a Breach caused by Trustee. Costs include the Direct Costs of Notification and the credit monitoring services for twelve (12) months to impacted individuals. Notwithstanding the foregoing, in no event shall Trustee be obligated to indemnify Indemnitees for Claims or Costs resulting from (a) the breach of this Amendment by Plan Sponsor related to the Breach, (b) a failure by Plan Sponsor to comply with applicable law related to the Breach, or (c) the willful misconduct, fraud or negligent acts or omissions of Plan Sponsor related to the Breach. The Plan Sponsor will provide Trustee with: (a) reasonably prompt written notice of any Claim; (b) control over the defense or settlement of any such Claim, and (c) non-financial assistance at Trustee’s request to the extent reasonably necessary for the defense of any such Claim.

12. Except for Costs arising under Trustee’s indemnification obligations or obligations of Section 9, neither party will be liable under this Attachment C for special, indirect, consequential, exemplary or punitive damages, even if the parties have knowledge of the possibility of such damages and whether or not such damages are foreseeable. In addition, except for the Direct Costs of Notification and the credit monitoring services for twelve (12) months to impacted individuals, and Trustee’s indemnification obligation, Trustee’s total and complete

liability and responsibility to Plan Sponsor, in the aggregate and for the entire term of this Attachment, shall not exceed an amount equal to five (5) times the annual amount of fees for services under the Agreement.

13. Trustee, at its expense, will procure and maintain in effect, without interruption during the term, policies of insurance providing, at a minimum, the coverages and limits specified and complying with the other requirements stated below: (a) Information Security/Cyber Insurance/Technology Errors and Omissions insurance in an amount not less than \$100 million in the annual aggregate; and (b) Fidelity Bond in the amount not less than of \$50 million.

14. In event of a conflict between this Attachment and the Agreement, this Attachment will control.

**THIRD AMENDMENT TO THE SOUTHERN COMPANY
DEFERRED COMPENSATION PLAN**

WHEREAS, the Board of Directors of Southern Company Services, Inc. (the “Company”) heretofore established and adopted the Southern Company Deferred Compensation Plan, as amended and restated effective January 1, 2018 (the “Plan”);

WHEREAS, under Section 8.3 of the Plan, the Board of Directors of the Company reserves the right to amend the Plan at any time;

WHEREAS, the Company desires to amend the Plan to add PowerSecure as an Employing Company;

WHEREAS, under Section 8.3 of the Plan, the Benefits Administration Committee (the “Committee”) may amend the Plan, provided the amendment either (a) does not involve a substantial increase in cost to any Employing Company, or (b) is necessary, proper, or desirable in order to comply with applicable laws or regulations enacted or promulgated by any federal or state governmental authority; and

WHEREAS, the Committee, in its settlor capacity, desires to amend the Plan to provide for cessation of participation for employees of Pivotal LNG, Inc. who are no longer Employees due to the divestiture that occurred on March 24, 2020, and provide for full vesting for the benefits of such employees.

NOW, THEREFORE, pursuant to resolutions adopted on November 12, 2020 by the Board of Directors of the Company and resolutions adopted on November 18, 2020 by the Committee, the Plan is hereby amended as follows, effective as specified herein:

1.

The Plan is hereby amended by adding a new paragraph (f) to Section 4.4, as follows:

(f) Pivotal LNG.

(1) Cessation of Participation. Effective as of March 24, 2020, (i) Pivotal LNG, Inc. and its direct and indirect subsidiaries will cease to be affiliated companies of Southern Company Gas for purposes of determining Employing Company status under the Plan; and (ii) Participants who cease to be Employees due to the sale of Pivotal LNG, Inc. will cease to be eligible to participate in the Plan.

(2) Vesting Acceleration. Effective as of March 24, 2020, Participants who cease to be Employees due to the sale of Pivotal LNG, Inc. will be deemed to be fully vested for all purposes hereunder.

2.

Effective January 1, 2021, Appendix A of the Plan is hereby amended by deleting it in its entirety and replacing it with the following:

**SEVENTH AMENDMENT TO THE SOUTHERN COMPANY
SUPPLEMENTAL BENEFIT PLAN**

WHEREAS, Southern Company Services, Inc. heretofore established and adopted the Southern Company Supplemental Benefit Plan, as amended and restated effective June 30, 2016 (the “Plan”);

WHEREAS, under Section 6.2 of the Plan, the Benefits Administration Committee (“Administrative Committee”) may amend the Plan, provided the amendment either (a) does not involve a substantial increase in cost to any Employing Company (as defined in the Plan), or (b) is necessary, proper, or desirable in order to comply with applicable laws or regulations enacted or promulgated by any federal or state governmental authority; and

WHEREAS, the Administrative Committee by the Resolution on November 18, 2020 has determined it is appropriate to amend the Plan to provide for cessation of participation for employees of Pivotal LNG, Inc. who are no longer Employees due to the divestiture that occurred on March 24, 2020, and to provide for full vesting for the benefits of such employees.

NOW, THEREFORE, effective as specified herein, the Plan is hereby amended as follows:

1.

The Plan is hereby amended by adding a new paragraph (f) to Section 4.3, as follows:

(f) Pivotal LNG.

(1) *Cessation of Participation*. Effective as of March 24, 2020, (i) Pivotal LNG, Inc. and its direct and indirect subsidiaries will cease to be affiliated companies of Southern Company Gas for purposes of determining Employing Company status under the Plan; and (ii) Participants who cease to be Employees due to the sale of Pivotal LNG, Inc. will cease to be eligible to participate in the Plan.

(2) *Vesting Acceleration*. Effective as of March 24, 2020, Participants who cease to be Employees due to the sale of Pivotal LNG, Inc. will be deemed to be fully vested in their benefits and Accounts for all purposes hereunder.

2.

Except as amended herein by this Seventh Amendment, the Plan shall remain in full force and effect.

[Remainder of page intentionally left blank. Signature page follows.]

**FOURTH AMENDMENT
TO THE
SOUTHERN COMPANY
EMPLOYEE SAVINGS PLAN**

WHEREAS, Southern Company Services, Inc. adopted the latest amendment and restatement of The Southern Company Employee Savings Plan (“Plan”), effective as of January 1, 2018;

WHEREAS, pursuant to Section 15.1 of the Plan, the Southern Company Employee Savings Plan Committee (“Administrative Committee”) may amend the Plan, provided the amendment either (a) does not involve a substantial increase in cost to any Employing Company, or (b) is necessary, proper, or desirable in order to comply with applicable laws or regulations enacted or promulgated by any federal or state governmental authority and to maintain the qualified status of the Plan; and

WHEREAS, the Administrative Committee, in its settlor capacity, desires to amend the Plan to (i) add an in-Plan Roth conversion feature; and (ii) provide for cessation of participation for employees of Mankato Energy Center, LLC; Mankato Energy Center II, LLC; and Pivotal LNG, Inc. who are no longer Employees due to the divestitures that have occurred during 2020, and provide for full vesting for the Accounts of such employees.

NOW, THEREFORE, pursuant to resolutions adopted on April 29, 2020 and November 18, 2020, the Administrative Committee hereby amends the Plan as follows, effective as specified below:

1.

Effective as of May 1, 2020, The Plan is hereby amended by adding a new Section 2.65A to read as follows:

2.65A “Roth Conversion Amounts” shall mean the vested amounts that a Participant, Surviving Spouse or alternate payee who is a spouse or former spouse of a Participant has irrevocably elected to convert to Roth Contributions, in accordance with Section 4.12. All Roth Conversion Amounts shall be transferred directly to a Participant’s Roth Conversion subaccount. Roth Conversion Amounts (and the earnings thereon) shall be eligible for withdrawals, loans, and distribution under Articles XI and XII of the Plan at the same time and in the same order and classification as applied to such amounts prior to their conversion.

2.

The Plan is hereby amended by adding new paragraphs (e) and (f) to Section 3.7 to read as follows:

(e) Mankato.

(1) Cessation of Participation. Effective as of January 17, 2020, (i) Mankato Energy Center, LLC and Mankato Energy Center II, LLC will cease to be affiliated companies

of Southern Power Company for purposes of determining Employing Company status under the Plan; and (ii) Participants who cease to be Employees due to the sale of Mankato Energy Center, LLC and Mankato Energy Center II, LLC will cease to be eligible to actively participate in the Plan.

(2) Vesting Acceleration. Effective as of January 17, 2020, Participants who cease to be Employees due to the sale of Mankato Energy Center, LLC and Mankato Energy Center II, LLC will be deemed to be fully vested in their Accounts for all purposes hereunder.

(f) Pivotal LNG.

(1) Cessation of Participation. Effective as of March 24, 2020, (i) Pivotal LNG, Inc. and its direct and indirect subsidiaries will cease to be affiliated companies of Southern Company Gas for purposes of determining Employing Company status under the Plan; and (ii) Participants who cease to be Employees due to the sale of Pivotal LNG, Inc. will cease to be eligible to actively participate in the Plan.

(2) Vesting Acceleration. Effective as of March 24, 2020, Participants who cease to be Employees due to the sale of Pivotal LNG, Inc. will be deemed to be fully vested in their Accounts for all purposes hereunder.

3.

Effective as of May 1, 2020, the Plan is amended by adding a new Section 4.12 to read as follows:

4.12 Roth Conversion Amounts. Notwithstanding anything in the Plan to the contrary, a Participant, Surviving Spouse or alternate payee who is a spouse or former spouse of a Participant may make an election, at the time and in the manner prescribed by the Administrative Committee, to roll over directly to a Roth Conversion subaccount under the Plan all or any portion of his vested Account balance, other than his Roth Contribution subaccount. Any election made pursuant to this Section 4.12 shall constitute an irrevocable election to convert the amounts to be rolled over to Roth Contributions, and such Roth Conversion Amounts shall be treated by the Plan as includible in the electing individual's income at the time of conversion.

4.

Effective as of May 1, 2020, Section 9.1 is hereby amended by deleting the second sentence and replacing it with the following:

In addition, subaccounts shall be established for each Participant to reflect all Elective Employer Contributions, Roth Contributions, Roth Conversion Amounts, Voluntary Participant Contributions, Employer Matching Contributions, Rollover Contributions, rollover of Roth Contributions and such other Accounts as may be necessary to hold contribution types necessary or desirable to manage amounts merged into the Plan including those set forth in Sections 9.1(b) - (e) below (and the earnings and/or losses on each subaccount).

Subsidiaries of the Registrant⁽¹⁾

Name of Company	Jurisdiction of Organization
The Southern Company	Delaware
Alabama Power Company	Alabama
Alabama Power Capital Trust V	Delaware
Alabama Property Company	Alabama
Southern Electric Generating Company	Alabama
Georgia Power Company	Georgia
Piedmont-Forrest Corporation	Georgia
Southern Electric Generating Company	Alabama
Mississippi Power Company	Mississippi
Southern Power Company	Delaware
SP Deuel Harvest Wind Energy Class B Holdings, LLC	Delaware
SP Deuel Harvest Wind Energy Holdings, LLC	Delaware
SP Diamond State Class B, LLC	Delaware
Diamond State Generation Partners, LLC (2)	Delaware
Beech Ridge Energy II Holdings, LLC (3)	Delaware
Beech Ridge Energy II, LLC	Delaware
SP Skookumchuck Investments, LLC (4)	Delaware
SP Skookumchuck Holdings, LLC (5)	Delaware
SP Skookumchuck Wind Energy Project, LLC	Delaware
Reading Wind Energy Class B Holdings, LLC	Delaware
Reading Wind Energy Holding, LLC (6)	Delaware
Reading Wind Energy, LLC	Delaware
SP Roserock Investment, Inc.	Delaware
RE Roserock Holdings, LLC (7)	Delaware
RE Roserock LLC	Delaware
Sumter Solar, LLC	Delaware
Southern Renewable Energy, Inc.	Delaware
SP Solar Storage Holding, LLC	Delaware
SP Wildhorse Class B Holdings, LLC	Delaware
SP Wildhorse Holdings, LLC (8)	Delaware
Wildhorse Wind Energy, LLC	Delaware
Jericho Gap Wind, LLC	Delaware
SP Solar GP, Inc.	Delaware
SP Solar Holdings I, LP (9)	Delaware
SP Solar Storage Development Holdings, LLC (10)	Delaware
SP Garland Solar Storage, LLC	Delaware
SP Tranquility Solar Storage, LLC	Delaware
BNB Lamesa Solar, LLC	Delaware

East Pecos Solar, LLC	Delaware
SP Butler Solar, LLC	Delaware
SP Butler Solar Farm, LLC	Delaware
SP Decatur County Solar, LLC	Delaware
SP Decatur Parkway Solar, LLC	Delaware
SP Pawpaw Solar, LLC	Delaware
SP Sandhills Solar, LLC	Delaware
SP Solar Farms, LLC	Delaware
Adobe Solar, LLC	Delaware
Apex Nevada Solar, LLC	Delaware
Calipatria, LLC	Delaware
Campo Verde Solar, LLC	Delaware
Granville Solar, LLC	Delaware
Macho Springs Solar, LLC	Delaware
Macho Springs Solar 2, LLC	Delaware
Morelos Solar, LLC	Delaware
Rutherford Farm, LLC	Delaware
Spectrum Nevada Solar, LLC	Delaware
SP Cimarron I, LLC	Delaware
SP Cimarron Capital, LLC	Delaware
Southern Renewable Partnerships, LLC	Delaware
BSP Holding Company, LLC (11)	Delaware
Boulder Solar Power Parent, LLC	Delaware
Boulder Solar Power, LLC	Delaware
Desert Stateline Holdings, LLC (12)	Delaware
Desert Stateline, LLC	Delaware
Lost Hills Blackwell Holdings, LLC (11)	Delaware
Lost Hills Solar Holdco, LLC	Delaware
Lost Hills Solar, LLC	Delaware
Blackwell Solar Holdings, LLC	Delaware
Blackwell Solar, LLC	Delaware
NS Solar Holdings, LLC (11)	Delaware
North Star Solar, LLC	Delaware
Parrey Holding Company, LLC (11)	Delaware
Parrey Parent, LLC	Delaware
Parrey, LLC	Delaware
RE Silverlake Holdings, LLC (11)	Delaware
RE Garland Holdings LLC	Delaware
RE Garland, LLC	Delaware
RE Garland A, LLC	Delaware
RE Tranquillity Holdings, LLC (11)	Delaware
RE Tranquillity, LLC	Delaware
RE Tranquillity BAAH, LLC	Delaware
SG2 Holdings, LLC (11)	Delaware
SG2 Imperial Valley LLC	Delaware
SP Wind Holdings II, LLC (13)	Delaware

Bethel Wind Farm Class B Holdings, LLC	Delaware
Bethel Wind Farm Holdings, LLC	Delaware
Bethel Wind Farm, LLC	Delaware
Grant Plains Wind, LLC	Delaware
Grant Wind, LLC	Delaware
Grant County Interconnect, LLC (14)	Delaware
Kay Wind, LLC	Delaware
Passadumkeag Windpark, LLC	Delaware
Salt Fork Wind, LLC	Delaware
Tyler Bluff Wind Project, LLC	Delaware
WWH LLC (15)	Delaware
Wake Wind Class B Holdings LLC	Delaware
Wake Wind Holdings, LLC	Delaware
Wake Wind Energy, LLC	Delaware
SP TEP Class B Holdings I, Inc.	Delaware
SP Gaskell West 1 Class B Holdings, LLC	Delaware
SP Gaskell West 1 Holdings, LLC (16)	Delaware
RE Gaskell West 1, LLC	Delaware
SP Wind Development Holdings, LLC	Delaware
SP TEP Formations, Inc.	Delaware
SP Cactus Flats Class B Holdings, LLC	Delaware
Cactus Flats Holdings, LLC (17)	Delaware
SP Cactus Flats Wind Energy, LLC	Delaware
SP Wind Holdings, LLC	Delaware
SPR Development Holdings, LLC (18)	Delaware
CWSP Rattlesnake Holdings, LLC (19)	Delaware
Southern Company Gas	Georgia
Southern Company Gas Capital Corporation	Nevada
Atlanta Gas Light Company	Georgia
Georgia Natural Gas Company	Georgia
SouthStar Energy Services LLC	Delaware
Ottawa Acquisition LLC	Illinois
Northern Illinois Gas Company (20)	Illinois
Southern Company Gas Investments, Inc.	Georgia
Southern Company Gas Pipeline Holdings LLC	Georgia
Evergreen Enterprise Holdings LLC	Georgia

- (1) This information is as of December 31, 2020. In addition, this list omits certain subsidiaries pursuant to paragraph (b)(21)(ii) of Regulation S-K, Item 601.
- (2) SP Diamond State Class B Holdings, LLC owns 100% of the Class B membership interests.
- (3) Southern Power Company owns 100% of the Class A membership interests and is entitled to 90% of all cash distributions.
- (4) Southern Power Company owns 51%.
- (5) SP Skookumchuck Investment, LLC owns 100% of the Class B membership interests.

- (6) Reading Wind Energy Class B Holdings, LLC owns 100% of the Class B membership interests.
- (7) Southern Power Company owns 100% of the Class A membership interests and is entitled to 51% of all cash distributions and SP Roserock Investment Inc. owns 100% of the Class B membership interests
- (8) and is entitled to 49% of all cash distributions
- (9) SP Wildhorse Class B Holdings, LLC owns 100% of the Class B membership interests.
- (10) Southern Renewable Energy, Inc. and SP Solar GP, Inc. own 66% and 1%, respectively.
- (11) SP Solar Holdings I, LP owns 100% of the Class A membership interests and is entitled to 51% of all cash distributions.
- (12) Southern Renewable Partnerships, LLC owns 100% of the Class A membership interests and is entitled to 51% of all cash distributions.
- (13) Southern Renewable Partnerships, LLC owns 100% of the Class A membership interests and is entitled to 66% of all cash distributions.
- (14) Southern Renewable Energy, Inc owns 100% of the Class B membership interests in the tax equity partnership.
- (15) Grant Wind, LLC and Grant Plains Wind, LLC own 50.4% and 49.6%, respectively.
- (16) SP Wind Holdings II, LLC owns 90.1%.
- (17) SP Gaskell West 1 Class B Holdings, LLC owns 100% of the Class B membership interests in the tax equity partnership.
- (18) SP Cactus Flats Class B Holdings, LLC and SP TEP Class B Holdings I, Inc. own 95% and 5%, respectively, of the Class B membership interests in the tax equity partnership.
- (19) SP Wind Holdings, LLC owns 51%.
- (20) SP Wind Holdings, LLC owns 100% of the Class A membership interests.
- (21) Doing business as Nicor Gas Company.

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 2-78617, 33-54415, 33-58371, 33-60427, 333-44127, 333-118061, 333-166709, 333-174704, 333-174707, 333-204618, 333-212783, 333-229841, and 333-237951 on Form S-8 and Registration Statement Nos. 333-223128 and 333-223242 on Form S-3 of our reports dated February 17, 2021, relating to the consolidated financial statements and consolidated financial statement schedule of The Southern Company and Subsidiary Companies, and the effectiveness of The Southern Company and Subsidiary Companies' internal control over financial reporting, appearing in this Annual Report on Form 10-K of The Southern Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-236595 on Form S-3 of our reports dated February 17, 2021, relating to the financial statements and financial statement schedule of Alabama Power Company, appearing in this Annual Report on Form 10-K of Alabama Power Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
Birmingham, Alabama
February 17, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-229844 on Form S-3 of our reports dated February 17, 2021, relating to the financial statements and financial statement schedule of Georgia Power Company, appearing in this Annual Report on Form 10-K of Georgia Power Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
Atlanta, Georgia

February 17, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-240328 on Form S-3 of our reports dated February 17, 2021, relating to the financial statements and financial statement schedule of Mississippi Power Company, appearing in this Annual Report on Form 10-K of Mississippi Power Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-234433 on Form S-3 of our reports dated February 17, 2021, relating to the consolidated financial statements and financial statement schedule of Southern Power Company and Subsidiary Companies, appearing in this Annual Report on Form 10-K of Southern Power Company for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-231185 on Form S-3 and Registration Statement Nos. 333-26963 and 333-154965 on Form S-8 of our reports dated February 17, 2021, relating to the consolidated financial statements and financial statement schedule of Southern Company Gas and Subsidiary Companies, appearing in this Annual Report on Form 10-K of Southern Company Gas for the year ended December 31, 2020.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 17, 2021

Consent of Independent Registered Public Accounting Firm

Southern Company Gas
Atlanta, Georgia

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-231185) and Form S-8 (No. 333-26963 and 333-154965) of Southern Company Gas of our report dated February 8, 2021, relating to the consolidated financial statements of Southern Natural Gas Company, L.L.C., which appears in this Annual Report on Form 10-K of Southern Company Gas.

/s/ BDO USA, LLP
Houston, Texas
February 17, 2021

/s/Janaki Akella
Janaki Akella

/s/John D. Johns
John D. Johns

/s/Juanita Powell Baranco
Juanita Powell Baranco

/s/Dale E. Klein
Dale E. Klein

/s/Jon A. Boscia
Jon A. Boscia

/s/Ernest J. Moniz
Ernest J. Moniz

/s/Henry A. Clark III
Henry A. Clark III

/s/William G. Smith, Jr.
William G. Smith, Jr.

/s/Anthony F. Earley, Jr.
Anthony F. Earley, Jr.

/s/Steven R. Specker
Steven R. Specker

/s/Thomas A. Fanning
Thomas A. Fanning

/s/E. Jenner Wood III
E. Jenner Wood III

/s/David J. Grain
David J. Grain

/s/Andrew W. Evans
Andrew W. Evans

/s/Colette D. Honorable
Colette D. Honorable

/s/Ann P. Daiss
Ann P. Daiss

/s/Donald M. James
Donald M. James

Extract from minutes of meeting of the board of directors of The Southern Company.

RESOLVED: That for the purpose of signing the reports under the Securities Exchange Act of 1934 to be filed with the Securities and Exchange Commission with respect to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and its 2021 Quarterly Reports on Form 10-Q, and any necessary or appropriate amendment or amendments to any such reports, the Company, the members of its Board of Directors and its officers be and hereby are authorized to give their several powers of attorney to Myra C. Bierria and Melissa K. Caen.

The undersigned officer of The Southern Company does hereby certify that the foregoing is a true and correct copy of a resolution duly and regularly adopted at a meeting of the board of directors of The Southern Company, duly held on February 8, 2021, at which a quorum was in attendance and voting throughout, and that said resolution has not since been rescinded but is still in full force and effect.

Dated: February 17, 2021

THE SOUTHERN COMPANY

By

/s/Melissa K. Caen

Melissa K. Caen
Assistant Secretary



Mark A. Crosswhite
Chairman, President and
Chief Executive Officer

600 North 18th Street
Post Office Box 2641
Birmingham, Alabama 35291-0001

Tel 205 257 0600
Fax 205 257 5100

January 22, 2021

Andrew W. Evans
30 Ivan Allen Jr. Blvd., N.W.
Atlanta, Georgia 30308

Melissa K. Caen
30 Ivan Allen Jr. Blvd., N.W.
Atlanta, Georgia 30308

Dear Mr. Evans and Ms. Caen:

Alabama Power Company (the "Company") proposes to file or join in the filing of reports under the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission with respect to the following: (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and (2) the Company's Quarterly Reports on Form 10-Q during 2021.

The Company and the undersigned directors and officers of the Company, individually as a director and/or as an officer of the Company, hereby make, constitute and appoint each of you our true and lawful Attorney for each of us and in each of our names, places and steads to sign and cause to be filed with the Securities and Exchange Commission in connection with the foregoing said Annual Report on Form 10-K, said Quarterly Reports on Form 10-Q and any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

ALABAMA POWER COMPANY

By _____ /s/Mark A. Crosswhite

Mark A. Crosswhite
Chairman, President and
Chief Executive Officer

/s/Angus R. Cooper, III
Angus R. Cooper, III

/s/Catherine J. Randall
Catherine J. Randall

/s/Mark A. Crosswhite
Mark A. Crosswhite

/s/R. Mitchell Shackelford III
R. Mitchell Shackelford III

/s/O. B. Grayson Hall, Jr.
O. B. Grayson Hall, Jr.

/s/Selwyn M. Vickers
Selwyn M. Vickers

/s/Anthony A. Joseph
Anthony A. Joseph

/s/Phillip M. Webb
Phillip M. Webb

/s/James K. Lowder
James K. Lowder

/s/Philip C. Raymond
Philip C. Raymond

/s/Robert D. Powers
Robert D. Powers

/s/Anita Allcorn-Walker
Anita Allcorn-Walker

Extract from minutes of meeting of the board of directors of Alabama Power Company.

RESOLVED: That for the purpose of signing the reports under the Securities Exchange Act of 1934 to be filed with the Securities and Exchange Commission with respect to the filing of this Company's Annual Report on Form 10-K for the year ended December 31, 2020 and its 2021 Quarterly Reports on Form 10-Q, and any necessary or appropriate amendment or amendments to any such reports, this Company, the members of its board of directors and its officers are authorized to give their several powers of attorney to Andrew W. Evans and Melissa K. Caen.

The undersigned officer of Alabama Power Company does hereby certify that the foregoing is a true and correct copy of a resolution duly and regularly adopted at a meeting of the board of directors of Alabama Power Company, duly held on January 22, 2021, at which a quorum was in attendance and voting throughout, and that said resolution has not since been rescinded but is still in full force and effect.

Dated: February 17, 2021

ALABAMA POWER COMPANY

By

/s/Melissa K. Caen

Melissa K. Caen
Assistant Secretary

/s/W. Paul Bowers
W. Paul Bowers

/s/Kessel D. Stelling, Jr.
Kessel D. Stelling, Jr.

/s/Mark L. Burns
Mark L. Burns

/s/Charles K. Tarbutton
Charles K. Tarbutton

/s/Jill Campbell
Jill Campbell

/s/Clyde C. Tuggle
Clyde C. Tuggle

/s/Shantella E. Cooper
Shantella E. Cooper

/s/Christopher C. Womack
Christopher C. Womack

/s/Lawrence L. Gellerstedt, III
Lawrence L. Gellerstedt, III

/s/David P. Poroeh
David P. Poroeh

/s/Douglas J. Hertz
Douglas J. Hertz

/s/Sarah P. Adams
Sarah P. Adams

/s/Thomas M. Holder
Thomas M. Holder

Extract from unanimous written consent of the board of directors of Georgia Power Company.

RESOLVED: That for the purpose of signing the reports under the Securities Exchange Act of 1934 to be filed with the Securities and Exchange Commission with respect to the filing of this Company's Annual Report on Form 10-K for the year ended December 31, 2020 and its 2021 Quarterly Reports on Form 10-Q, and any necessary or appropriate amendment or amendments to any such reports, the Company, the members of its board of directors and its officers are authorized to give their several powers of attorney to David P. Porocho, Andrew W. Evans and Melissa K. Caen.

The undersigned officer of Georgia Power Company does hereby certify that the foregoing is a true and correct copy of a resolution duly and regularly adopted at a meeting of the board of directors of Georgia Power Company, duly held on November 18, 2020, at which a quorum was in attendance and voting throughout, and that said resolution has not since been rescinded but is still in full force and effect.

Dated: February 17, 2021

GEORGIA POWER COMPANY

By

/s/Melissa K. Caen

Melissa K. Caen
Assistant Secretary

Daniel S. Tucker
Executive Vice President
Chief Financial Officer, and
Treasurer

Bin 10240
241 Ralph McGill Boulevard NE
Atlanta, GA 30308-3374
Tel 404.506.4301



January 14, 2021

Andrew W. Evans and Melissa K. Caen:

As an officer of Georgia Power Company, I hereby make, constitute, and appoint you my true and lawful Attorney in my name, place, and stead, to sign and cause to be filed with the Securities and Exchange Commission (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2020, (2) the Company's Quarterly Reports on Form 10-Q during 2021 and (3) any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

/s/Daniel S. Tucker

Daniel S. Tucker

October 27, 2020

Mr. Andrew W. Evans
The Southern Company
30 Ivan Allen Jr. Blvd., NW
Atlanta, GA 30308

Ms. Melissa K. Caen
Southern Company Services, Inc.
30 Ivan Allen Jr. Blvd., NW
Atlanta, GA 30308

Mr. Evans and Ms. Caen:

Mississippi Power Company (the “Company”) proposes to file or join in the filing of reports under the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission with respect to the following: (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 and (2) the Company’s Quarterly Reports on Form 10-Q during 2021.

The Company and the undersigned directors and officers of the Company, individually as a director and/or as an officer of the Company, hereby make, constitute and appoint each of you our true and lawful Attorney for each of us and in each of our names, places and steads to sign and cause to be filed with the Securities and Exchange Commission in connection with the foregoing said Annual Report on Form 10-K, said Quarterly Reports on Form 10-Q and any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

MISSISSIPPI POWER COMPANY

By /s/Anthony L Wilson
Anthony L. Wilson
Chairman, President and Chief
Executive Officer

/s/Carl J. Chaney
Carl J. Chaney

/s/Anthony L. Wilson
Anthony L. Wilson

/s/L. Royce Cumbest
L. Royce Cumbest

/s/Camille Scales Young
Camille Scales Young

/s/Thomas Duff
Thomas Duff

/s/Moses H. Feagin
Moses H. Feagin

/s/Mark E. Keenum
Mark E. Keenum

/s/Jeffrey A. Stone
Jeffrey A. Stone

/s/M. L. Waters
M. L. Waters

/s/Matthew P. Grice
Matthew P. Grice

Extract from minutes of meeting of the board of directors of Mississippi Power Company.

RESOLVED, That for the purpose of signing the reports under the Securities Exchange Act of 1934, as amended, to be filed with the Securities and Exchange Commission with respect to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and its 2021 Quarterly Reports on Form 10-Q, and any necessary or appropriate amendment or amendments to any such reports, the Company, the members of its board of directors and its officers are authorized to give their several powers of attorney to Andrew W. Evans and Melissa K. Caen.

The undersigned officer of Mississippi Power Company does hereby certify that the foregoing is a true and correct copy of a resolution duly and regularly adopted at a meeting of the board of directors of Mississippi Power Company, duly held on October 27, 2020, at which a quorum was in attendance and voting throughout, and that said resolution has not since been rescinded but is still in full force and effect.

Dated: February 17, 2021

MISSISSIPPI POWER COMPANY

By

/s/Melissa K. Caen

Melissa K. Caen
Assistant Secretary

February 9, 2021

Mr. Andrew W. Evans
The Southern Company
30 Ivan Allen Jr. Blvd., NW
Atlanta, GA 30308

Ms. Melissa K. Caen
Southern Company Services, Inc.
30 Ivan Allen Jr. Blvd., NW
Atlanta, GA 30308

Mr. Evans and Ms. Caen:

As a director of Mississippi Power Company, I hereby make, constitute, and appoint you my true and lawful Attorney in my name, place, and stead, to sign and cause to be filed with the Securities and Exchange Commission (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2020, (2) the Company's Quarterly Reports on Form 10-Q during 2021 and (3) any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

/s/Mary Graham

Dr. Mary Graham

November 12, 2020

Mr. Elliott L. Spencer
Southern Power Company
30 Ivan Allen Jr. Blvd, NW
Atlanta, GA 30308

Ms. Sonnet C. Edmonds
Southern Power Company
30 Ivan Allen Jr. Blvd, NW
Atlanta, GA 30308

Ms. Melissa K. Caen
Southern Company Services, Inc.
30 Ivan Allen Jr. Blvd, NW
Atlanta, GA 30308

Mr. Spencer, Ms. Edmonds and Ms. Caen:

Southern Power Company (the “Company”) proposes to file or join in the filing of reports under the Securities Exchange Act of 1934, as amended, with the Securities and Exchange Commission with respect to the following: (1) the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 and (2) the Company’s Quarterly Reports on Form 10-Q during 2021.

The Company and the undersigned directors and officers of the Company, individually as a director and/or as an officer of the Company, hereby make, constitute and appoint each of you our true and lawful Attorney for each of us and in each of our names, places and steads to sign and cause to be filed with the Securities and Exchange Commission in connection with the foregoing said Annual Report on Form 10-K, said Quarterly Reports on Form 10-Q and any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

SOUTHERN POWER COMPANY

By _____ /s/Christopher Cummiskey
Christopher Cummiskey
Chief Executive Officer

/s/Stanley W. Connally, Jr.
Stanley W. Connally, Jr.

/s/James Y. Kerr II
James Y. Kerr II

/s/Christopher Cummiskey
Christopher Cummiskey

/s/Mark S. Lantrip
Mark S. Lantrip

/s/Andrew W. Evans
Andrew W. Evans

/s/Elliott L. Spencer
Elliott L. Spencer

/s/Thomas A. Fanning
Thomas A. Fanning

/s/Jelena Andrin
Jelena Andrin

/s/Kimberly S. Greene
Kimberly S. Greene

/s/Sonnet C. Edmonds
Sonnet C. Edmonds

Extract from minutes of meeting of the board of directors of Southern Power Company.

RESOLVED: That for the purpose of signing the reports under the Securities Exchange Act of 1934 to be filed with the Securities and Exchange Commission with respect to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and its 2021 Quarterly Reports on Form 10-Q, and any necessary or appropriate amendment or amendments to any such reports, the Company, the members of its board of directors and its officers are authorized to give their several powers of attorney to Elliott L. Spencer, Sonnet C. Edmonds and Melissa K. Caen.

The undersigned officer of Southern Power Company does hereby certify that the foregoing is a true and correct copy of a resolution duly and regularly adopted at a meeting of the board of directors of Southern Power Company, duly held on November 12, 2020, at which a quorum was in attendance and voting throughout, and that said resolution has not since been rescinded but is still in full force and effect.

Dated: February 17, 2021

SOUTHERN POWER COMPANY

By

/s/Melissa K. Caen

Melissa K. Caen
Assistant Secretary

February 5, 2021

Mr. Elliott L. Spencer
Southern Power Company
30 Ivan Allen Jr. Blvd, NW
Atlanta, GA 30308

Ms. Sonnet C. Edmonds
Southern Power Company
30 Ivan Allen Jr. Blvd, NW
Atlanta, GA 30308

Ms. Melissa K. Caen
Southern Company Services, Inc.
30 Ivan Allen Jr. Blvd, NW
Atlanta, GA 30308

Mr. Spencer, Ms. Edmonds and Ms. Caen:

As a director of Southern Power Company, I hereby make, constitute, and appoint you my true and lawful Attorney in my name, place, and stead, to sign and cause to be filed with the Securities and Exchange Commission (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2020, (2) the Company's Quarterly Reports on Form 10-Q during 2021 and (3) any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

/s/Bryan D. Anderson

Bryan D. Anderson

/s/Sandra N. Bane
Sandra N. Bane

/s/John E. Rau
John E. Rau

/s/Thomas D. Bell, Jr.
Thomas D. Bell, Jr.

/s/James A. Rubright
James A. Rubright

/s/Charles R. Crisp
Charles R. Crisp

/s/Daniel S. Tucker
Daniel S. Tucker

/s/Brenda J. Gaines
Brenda J. Gaines

/s/Grace A. Kolvereid
Grace A. Kolvereid

/s/Kimberly S. Greene
Kimberly S. Greene

/s/Barbara P. Christopher
Barbara P. Christopher

/s/Norman G. Holmes
Norman G. Holmes

Extract from minutes of meeting of the board of directors of Southern Company Gas.

RESOLVED: That for the purpose of signing the reports under the Securities Exchange Act of 1934 to be filed with the Securities and Exchange Commission with respect to the filing of the Company's Annual Report on Form 10-K for the year ended December 31, 2020 and its 2021 Quarterly Reports on Form 10-Q, and any necessary or appropriate amendment or amendments to any such reports, the Company, the members of its Board of Directors and its officers be and hereby are authorized to give their several powers of attorney to Myra C. Bierria and Melissa K. Caen.

The undersigned officer of Southern Company Gas does hereby certify that the foregoing is a true and correct copy of a resolution duly and regularly adopted at a meeting of the board of directors of Southern Company Gas, duly held on October 27, 2020, at which a quorum was in attendance and voting throughout, and that said resolution has not since been rescinded but is still in full force and effect.

Dated: February 17, 2021

SOUTHERN COMPANY GAS

By

/s/Melissa K. Caen

Melissa K. Caen
Assistant Secretary



Ten Peachtree Place NE
Atlanta, GA 30309
404 584 4000 tel

January 14, 2021

Myra C. Bierria and Melissa K. Caen:

As an officer of Southern Company Gas, I hereby make, constitute, and appoint you my true and lawful Attorney in my name, place, and stead, to sign and cause to be filed with the Securities and Exchange Commission (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2020, (2) the Company's Quarterly Reports on Form 10-Q during 2021 and (3) any necessary or appropriate amendment or amendments to any such reports, to be accompanied in each case by any necessary or appropriate exhibits or schedules thereto.

Yours very truly,

/s/David P. Poroeh

David P. Poroeh
Executive Vice President, Chief Financial Officer,
Chief Risk Officer and Treasurer

THE SOUTHERN COMPANY
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Thomas A. Fanning, certify that:

1. I have reviewed this annual report on Form 10-K of The Southern Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Thomas A. Fanning

Thomas A. Fanning
Chairman, President and
Chief Executive Officer

THE SOUTHERN COMPANY**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Andrew W. Evans, certify that:

1. I have reviewed this annual report on Form 10-K of The Southern Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Andrew W. Evans

Andrew W. Evans

Executive Vice President and Chief Financial Officer

ALABAMA POWER COMPANY**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Mark A. Crosswhite, certify that:

1. I have reviewed this annual report on Form 10-K of Alabama Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Mark A. Crosswhite

Mark A. Crosswhite

Chairman, President and Chief Executive Officer

ALABAMA POWER COMPANY

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Philip C. Raymond, certify that:

1. I have reviewed this annual report on Form 10-K of Alabama Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Philip C. Raymond

Philip C. Raymond
Executive Vice President, Chief Financial Officer
and Treasurer

GEORGIA POWER COMPANY

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, W. Paul Bowers, certify that:

1. I have reviewed this annual report on Form 10-K of Georgia Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/W. Paul Bowers

W. Paul Bowers
Chairman and Chief Executive Officer

GEORGIA POWER COMPANY

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Daniel S. Tucker, certify that:

1. I have reviewed this annual report on Form 10-K of Georgia Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Daniel S. Tucker

Daniel S. Tucker

Executive Vice President, Chief Financial Officer and Treasurer

MISSISSIPPI POWER COMPANY
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Anthony L. Wilson, certify that:

1. I have reviewed this annual report on Form 10-K of Mississippi Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Anthony L. Wilson

Anthony L. Wilson
Chairman, President and
Chief Executive Officer

MISSISSIPPI POWER COMPANY**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Moses H. Feagin, certify that:

1. I have reviewed this annual report on Form 10-K of Mississippi Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Moses H. Feagin

Moses H. Feagin

Senior Vice President, Treasurer and
Chief Financial Officer

SOUTHERN POWER COMPANY
CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Christopher Cummiskey, certify that:

1. I have reviewed this annual report on Form 10-K of Southern Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Christopher Cummiskey

Christopher Cummiskey
Chief Executive Officer

SOUTHERN POWER COMPANY**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, Elliott L. Spencer, certify that:

1. I have reviewed this annual report on Form 10-K of Southern Power Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Elliott L. Spencer

Elliott L. Spencer
Senior Vice President, Chief
Financial Officer and Treasurer

SOUTHERN COMPANY GAS**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

I, Kimberly S. Greene, certify that:

1. I have reviewed this annual report on Form 10-K of Southern Company Gas;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/Kimberly S. Greene

Kimberly S. Greene
Chairman, President and Chief Executive Officer

SOUTHERN COMPANY GAS**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

I, David P. Poroch, certify that:

1. I have reviewed this annual report on Form 10-K of Southern Company Gas;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2021

/s/David P. Poroch

David P. Poroch

Executive Vice President, Chief Financial
Officer and Treasurer

CERTIFICATION
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K of The Southern Company for the year ended December 31, 2020, we, the undersigned, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our individual knowledge and belief, that:

- (1) such Annual Report on Form 10-K of The Southern Company for the year ended December 31, 2020, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Annual Report on Form 10-K of The Southern Company for the year ended December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of The Southern Company.

/s/Thomas A. Fanning

Thomas A. Fanning
Chairman, President and
Chief Executive Officer

/s/Andrew W. Evans

Andrew W. Evans
Executive Vice President and
Chief Financial Officer

February 17, 2021

CERTIFICATION

**18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report on Form 10-K of Alabama Power Company for the year ended December 31, 2020, we, the undersigned, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our individual knowledge and belief, that:

- (1) such Annual Report on Form 10-K of Alabama Power Company for the year ended December 31, 2020, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Annual Report on Form 10-K of Alabama Power Company for the year ended December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of Alabama Power Company.

/s/Mark A. Crosswhite

Mark A. Crosswhite
Chairman, President and Chief Executive Officer

/s/Philip C. Raymond

Philip C. Raymond
Executive Vice President,
Chief Financial Officer and Treasurer

February 17, 2021

CERTIFICATION

**18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report on Form 10-K of Georgia Power Company for the year ended December 31, 2020, we, the undersigned, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our individual knowledge and belief, that:

- (1) such Annual Report on Form 10-K of Georgia Power Company for the year ended December 31, 2020, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Annual Report on Form 10-K of Georgia Power Company for the year ended December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of Georgia Power Company.

/s/W. Paul Bowers

W. Paul Bowers
Chairman and Chief Executive Officer

/s/Daniel S. Tucker

Daniel S. Tucker
Executive Vice President, Chief Financial Officer and Treasurer

February 17, 2021

CERTIFICATION

**18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Annual Report on Form 10-K of Mississippi Power Company for the year ended December 31, 2020, we, the undersigned, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our individual knowledge and belief, that:

- (1) such Annual Report on Form 10-K of Mississippi Power Company for the year ended December 31, 2020, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Annual Report on Form 10-K of Mississippi Power Company for the year ended December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of Mississippi Power Company.

/s/Anthony L. Wilson

Anthony L. Wilson
Chairman, President and Chief Executive Officer

/s/Moses H. Feagin

Moses H. Feagin
Senior Vice President, Treasurer and
Chief Financial Officer

February 17, 2021

CERTIFICATION

18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K of Southern Power Company for the year ended December 31, 2020, we, the undersigned, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our individual knowledge and belief, that:

- (1) such Annual Report on Form 10-K of Southern Power Company for the year ended December 31, 2020, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Annual Report on Form 10-K of Southern Power Company for the year ended December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of Southern Power Company.

/s/Christopher Cummiskey

Christopher Cummiskey
Chief Executive Officer

/s/Elliott L. Spencer

Elliott L. Spencer
Senior Vice President, Chief Financial Officer
and Treasurer

February 17, 2021

CERTIFICATION
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Annual Report on Form 10-K of Southern Company Gas for the year ended December 31, 2020, we, the undersigned, hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of our individual knowledge and belief, that:

- (1) such Annual Report on Form 10-K of Southern Company Gas for the year ended December 31, 2020, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in such Annual Report on Form 10-K of Southern Company Gas for the year ended December 31, 2020, fairly presents, in all material respects, the financial condition and results of operations of Southern Company Gas.

/s/Kimberly S. Greene

Kimberly S. Greene
Chairman, President and Chief Executive Officer

/s/David P. Poroeh

David P. Poroeh
Executive Vice President, Chief Financial
Officer and Treasurer

February 17, 2021