

**Thomas A. Fanning**

*Chairman, President & CEO*  
Southern Company



## **Dear Fellow Shareholders,**

**Southern Company's franchise operations have never performed better than they did in 2014. We continued to provide the most outstanding customer service in our industry. In terms of system reliability, we continued to set—and raise—the bar. We grew our portfolio of wholesale renewable assets and made significant progress on major construction projects.**

In these and many other areas, Southern Company's franchise business continues to lead the way as we strengthen existing operations and seek new opportunities to grow and expand our reach for the benefit of the customers and communities we serve.

As evidenced throughout this report, we are steadfastly committed to 'doing energy better.' This speaks to our goal to make, move and help customers use energy more efficiently than anyone else in our industry. With that mission in mind, we have sharpened our focus on innovation.

Innovation has been a hallmark of Southern Company since its inception, and in 2014 we were very intentional in our efforts to leverage the creativity of our workforce. In May, we announced an internal competition to tap into that creative energy and surface fresh ideas. Known as SO Prize, the competition was designed to recognize system employees who devised the most inventive solutions to address the various challenges of the electric utility industry,

and to position Southern Company for continued success in the years to come.

The response was overwhelming, with more than 500 individuals and cross-functional teams submitting nearly 1,000 ideas. From among those, we identified six in particular as having transformative potential. Their stories are detailed elsewhere in this report, and I am confident that you will be extremely impressed with the depth and breadth of thinking represented.

The complete story of 2014 is perhaps best told through a brief review of progress on each of our five strategic priorities:

### **Excel at the Fundamentals**

Nothing is more fundamental to our business than customer service. Southern Company and its four traditional operating companies occupied the top five spots in the most recent Customer Value Benchmark survey, our annual peer comparison of U.S. electric utilities. Those of

our traditional operating companies that were rated in the J.D. Power and Associates American Customer Satisfaction Survey all ranked either first or second in their respective categories. Alabama Power was also named the Most Trusted Residential Electric Utility in America by Lifestory Research, an independent research firm.

Our transmission and distribution businesses performed superbly, setting all-time record lows for the frequency and duration of transmission outages, as well as an all-time system record for distribution outage frequency. And these results are just the latest in a 12-year trend of improved performance.

#### **Achieve Success with Major Construction Projects**

Work continues on Georgia Power's Vogtle units 3 and 4, where our focus continues to be on safety and quality, with construction of the two nuclear islands as our critical path going forward. Milestones achieved in 2014 include the placement of the Unit 4 containment vessel bottom head, the Unit 3 lower ring and the CA20 critical module, which houses plant components and the used fuel storage area.

Vogtle construction has not been without its challenges. We received a revised forecast from our contractor that reflects an 18-month delay from previously estimated in-service dates. It is significant to note, however, that the proposed schedule does not change the range of the expected customer rate impact. The forecasted effect on customer rates is still less than originally anticipated, with the overall impact projected to be 6 to 8 percent, compared with 12 percent when certified by the Georgia Public Service Commission in 2009. These new units will fuel a growing Georgia for at least 60 years, resulting in significant lifecycle savings. Building them safely—and correctly—is far more important than building them quickly.

At Mississippi Power's Integrated Gasification Combined Cycle project in Kemper County, Mississippi, construction is nearly complete and we have completed the first firing of the facility's gasifier burners, which functioned as expected. We anticipate our first syngas production in the third quarter of 2015. Operational training and control systems validation, as well as start-up and commissioning activities, are all underway and progressing well.

#### **Support the Building of a National Energy Policy**

We continue to advocate for a common sense national energy policy that embraces the full energy portfolio and places a premium on energy innovation and the restoration of America's financial integrity. Our vision for the full energy portfolio includes new nuclear, 21st century coal, natural gas and renewables such as wind and solar, together with an emphasis on energy efficiency.

#### **Promote Energy Innovation**

We continue to produce and purchase power from a variety of renewable energy sources. Our traditional operating companies have the

flexibility to serve customers with that generated energy, or sell some or all of it—or the associated renewable energy credits—to third parties.

In 2014, we continued to grow our wholesale renewable portfolio through our Southern Power subsidiary, which added three new solar facilities in California and New Mexico. Southern Power is also developing a 131-megawatt solar plant in Taylor County, Georgia, and has acquired two other solar projects in Georgia that will provide an additional 99 megawatts. Along with the expansion of its solar assets, Southern Power has also entered into an agreement to acquire the 299-megawatt Kay Wind project in Oklahoma.

Upon completion of these facilities, Southern Power is expected to own more than 970 megawatts of renewable energy generating capacity, and is clearly becoming an industry leader in the advancement and operation of renewable energy technologies.

In addition, Gulf Power has filed for approval to purchase power from Kingfisher Wind in Oklahoma, and Georgia Power is evaluating wind turbines on Skidaway Island, Georgia.

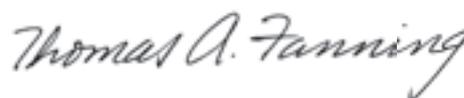
#### **Value and Develop Our People**

Fortune magazine recently named Southern Company to its "World's Most Admired Companies" list as a top utility worldwide for the sixth consecutive year, and we were cited as one of the 40 Best Companies for Diversity by Black Enterprise magazine. G.I. Jobs magazine ranked Southern Company first among utilities in its Top 100 Military Friendly Employers, the eighth consecutive year we have received the top ranking. In 2014, we completed 481 transfers of employees between our various subsidiaries, broadening their experience and knowledge of our industry and business operations.

These and many other accomplishments are the direct result of an unwavering focus on the core values that have shaped our company's identity since its inception. Going forward, we remain anchored in those values. In particular, our customer-focused business model will continue to be the guiding principle for all that we do. As we turn our attention to the future, I am confident that the opportunities we encounter will give rise to even greater creativity and innovation throughout our organization, even as we remain rooted in this firm foundation.

Thank you for your continued confidence in Southern Company. Our management and employees remain diligent in their efforts to provide exceptional shareholder value. It is an honor to serve you.

*Sincerely,*



**Thomas A. Fanning**  
March 26, 2015