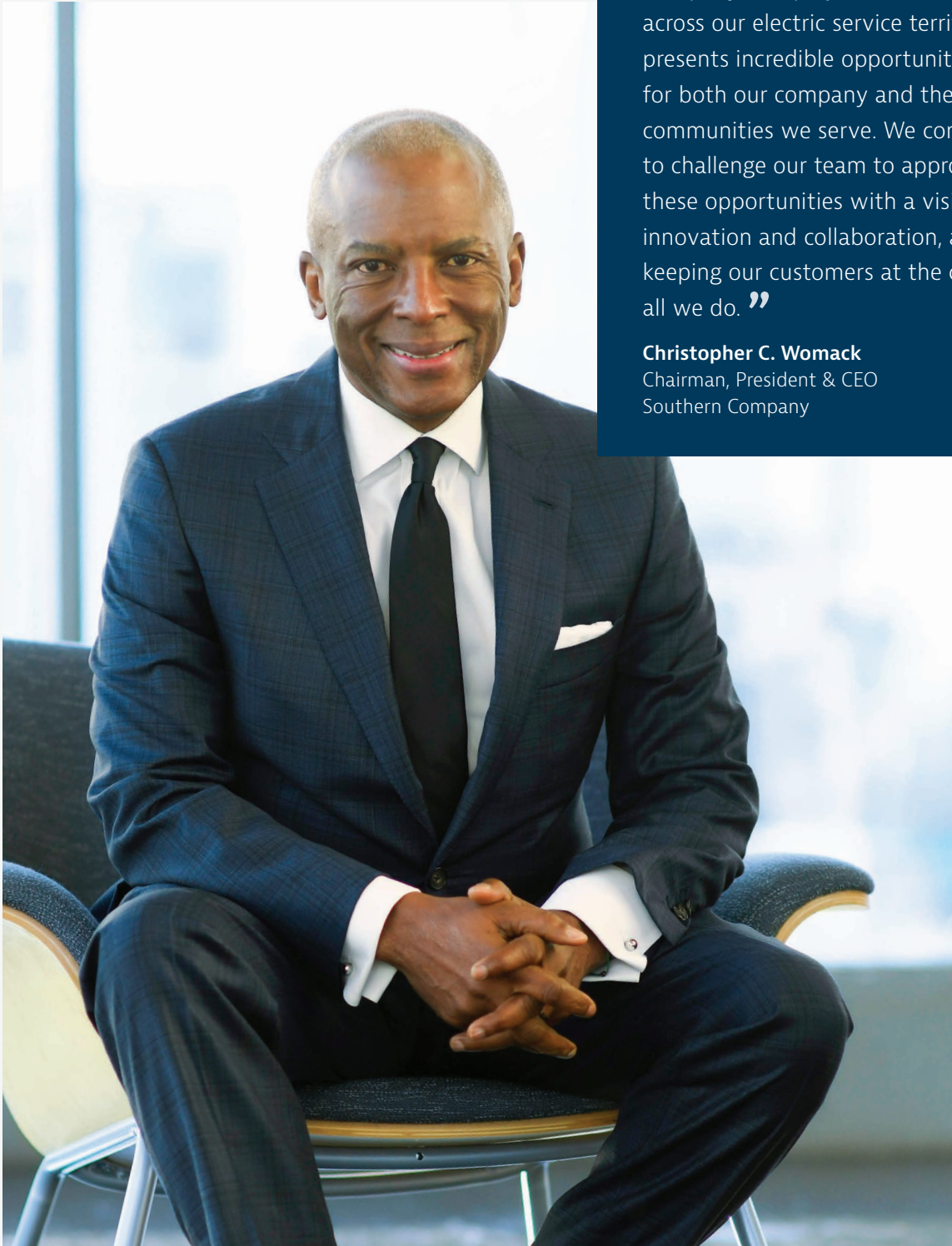


2024

Annual
Report





“

It is an exciting time to be at Southern Company. The projected historic growth across our electric service territory presents incredible opportunities for both our company and the communities we serve. We continue to challenge our team to approach these opportunities with a vision of innovation and collaboration, always keeping our customers at the center of all we do.”

Christopher C. Womack
Chairman, President & CEO
Southern Company

Chairman's Message

Dear Fellow Shareholders,

2024 was another outstanding year for Southern Company.

We celebrated monumental milestones and navigated unprecedented challenges. Our many achievements include delivering strong financial results, celebrating commercial operation for Georgia Power's Vogtle Unit 4, making progress on our net zero goal, continuing to advocate for sound energy policy, advancing our energy portfolio and transitioning for the future, seeking out opportunities to run more efficiently, executing a historic storm response and more, all while staying intently focused on Our Values and our culture.

We invested in our infrastructure as well as our team and leaders. Our success operationally, paired with our focus on people – customers and employees alike – is why we are recognized as one of the World's Most Admired Electric and Natural Gas Utility Companies by Fortune Magazine.

It is an exciting time to be at Southern Company. The projected historic growth across our electric service territory presents incredible opportunities for both our company and the communities we serve. We continue to challenge our team to approach these opportunities with a vision of innovation and collaboration, always keeping our customers at the center of all we do.

Excelling at the Fundamentals

I am, first and foremost, most proud of how our team continued to put customers first throughout 2024. While this is our daily mission, our dedication was especially evident as we came together over the past year in response to several weather events that impacted many of our customers, including the most destructive storm in Georgia Power's 140-year history.

In late September, Hurricane Helene swept through Georgia, leaving catastrophic damage in its wake so severe that entire sections of the power grid had to be rebuilt in areas of the state. The numbers were staggering – nearly 12,000 poles were broken, over 1,500 miles of wire downed and more than 5,800 transformers were damaged. But the response was even greater, and the effort was nothing short of

monumental. More than 20,000 personnel worked to restore service as safely and quickly as possible, including teammates from Alabama Power, Georgia Power and Mississippi Power. And Atlanta Gas Light, with support from Virginia Natural Gas teammates, safely completed more emergency leak calls in Augusta, Georgia across the final four days of September alone than they did in the first five months of 2024 combined. It was truly an all-hands-on-deck endeavor.

But Helene wasn't the first or the only severe weather the team faced last year. On January 17, Southern Company's system reliably served a historic amount of electric usage, reaching an all-time record winter peak load, surpassing that of past winter weather events, including 2014's polar vortex and 2022's Winter Storm Elliott.

Another monumental achievement from last year was the completion of Georgia Power's Vogtle Unit 4 – making Plant Vogtle the largest generator of clean energy in the nation. Bringing the first new nuclear reactors online in the United States in over 30 years was no small feat, but was made possible because of our steadfast belief in the project and the relentless efforts of thousands of our team members. This long-term investment will benefit customers and communities in Georgia for the next 60 to 80 years, helping us to meet the energy demands of our growing economy.

And our economy isn't just growing, it is booming. Economic development activities at our electric utilities continue to be robust. Over the past year, more than 150 companies announced expanded operations or made the decision to locate new facilities within our southeastern footprint – like the Meta \$800 million data center that Alabama Power helped bring to Montgomery. These projects are expected to support over 20,000 new jobs, and the economic development pipeline from large electric load customers, including data centers and large manufacturers, represents over 50,000 MWs of potential incremental load by the mid-2030s. And we remain committed to our approach to sustainably serving this exciting growth opportunity, including pricing and contract terms designed to protect our investments and provide economic benefits back to existing customers.

Investing for a Bright Energy Future

We were also busy investing in our grid and system to increase reliability and resiliency and improve the customer experience. In 2024, Southern Company implemented a new Meter Data Management system, centralizing and validating meter data for billing, analytics and customer use. We also introduced an advanced data and analytics platform that unifies customer and meter data, making advanced analytics faster and more efficient. These updates allow our operating companies to use modern tools to anticipate evolving customer needs and improve first-contact customer engagement and resolution.

Meanwhile, 95% of Mississippi Power's customers are now served by a self-healing network, significantly reducing the frequency and duration of outages by isolating faults and automatically restoring service to unaffected customers. This investment prevented nearly ten million outage minutes throughout 2023 and 2024. Over 1,000 reclosers have been installed, working toward the goal of extensive network coverage and improving grid reliability and customer satisfaction.

And in Georgia, the first grid-connected battery energy storage system (BESS) in Georgia Power's history entered commercial operation at the Mossy Branch Battery Facility, capable of storing 65 MWh of energy to enhance grid resiliency and reliability.

In April 2024, Southern Power announced the commercial operation of its 30th solar site, the South Cheyenne Solar Facility. It is the company's first site in Wyoming and expands its operational footprint to 15 states. Southern Power also announced two expansions of its Millers Branch Solar Facility in Texas, which upon completion will be Southern Power's largest solar facility to date and be capable of generating up to 512 MWh.

Growing Our Company and Communities

Our commitment to the communities we serve goes well beyond the energy solutions we provide or the economic development support we offer. Our operating companies have been helping hometowns across our service footprint grow and prosper for more than 100 years. Our philanthropic investments, employee volunteer efforts and economic development initiatives are focused on elevating our communities for generations to come.

We had a phenomenal year in 2024, and I'm extremely proud of all we have accomplished as one team across our company. Southern Company is poised for a bright future, and I cannot be more excited for the opportunities ahead of us.

Thank you for your continued confidence in Southern Company. It is a privilege to serve you.

Sincerely,



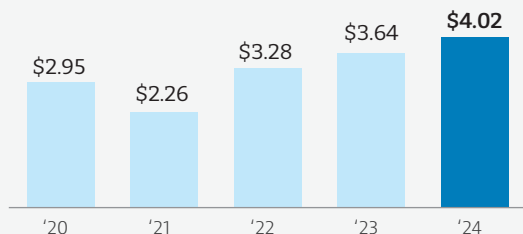
Christopher C. Womack

April 1, 2025

Financial Highlights

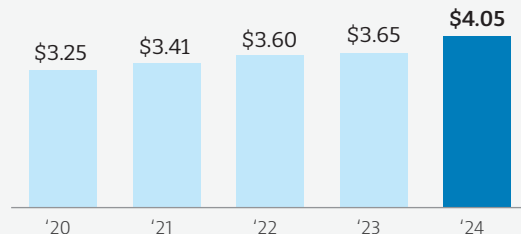
Basic Earnings Per Share

(in dollars)



Basic Earnings Per Share—Excluding Items*

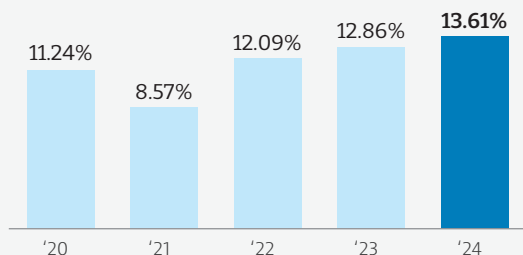
(in dollars)



* Not a financial measure under generally accepted accounting principles. See Reconciliation of Non-GAAP Financial Metric on page 11 for additional information and specific adjustments made to this measure by year.

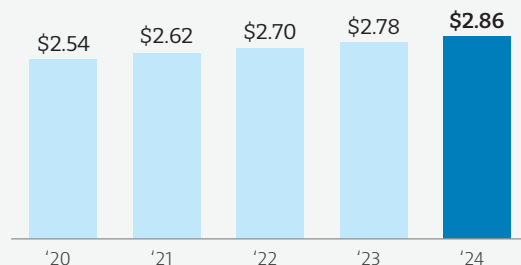
Return On Average Common Equity

(percent)



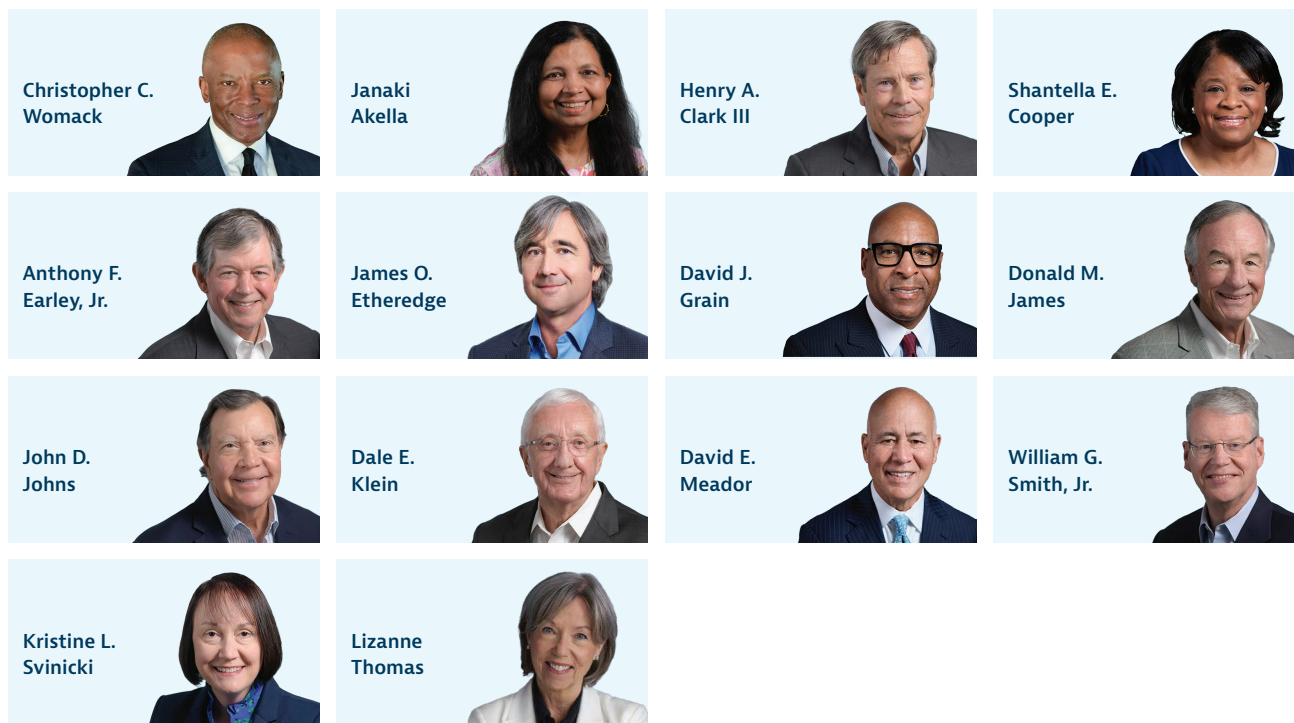
Dividends Per Share

(in dollars)



	2024	2023	Change
Operating Revenues (in millions)	\$ 26,724	\$ 25,253	5.8 %
Earnings (in millions)	\$ 4,401	\$ 3,976	10.7 %
Basic Earnings Per Share	\$ 4.02	\$ 3.64	10.4 %
Diluted Earnings Per Share	\$ 3.99	\$ 3.62	10.2 %
Dividends Per Share (amount paid)	\$ 2.86	\$ 2.78	2.9 %
Dividend Yield (year-end, percent)	3.5	4.0	(12.5)%
Average Shares Outstanding (in millions)	1,096	1,092	0.4 %
Return On Average Common Equity (percent)	13.61	12.86	5.8 %
Book Value Per Share	\$ 30.28	\$ 28.83	5.0 %
Market Price Per Share (year-end, closing)	\$ 82.32	\$ 70.12	17.4 %
Total Market Value Of Common Stock (year-end, in millions)	\$ 90,279	\$ 76,488	18.0 %
Total Assets (in millions)	\$145,180	\$139,331	4.2 %
Total Kilowatt-Hour Sales (in millions)	199,038	195,507	1.8 %
Retail	148,906	144,531	3.0 %
Wholesale	50,132	50,976	(1.7)%
Total Utility Customers (year-end, in thousands)	8,936	8,861	0.8 %

Board of Directors



Management Council



Board of Directors

Christopher C. Womack

Chairman, President and CEO, Southern Company
Atlanta, GA | Age 67 | elected 2023

Janaki Akella

Former Digital Transformation Leader
Google LLC (technology)
Palo Alto, CA | Age 64 | elected 2019

Henry A. Clark III

Retired Senior Advisor, Evercore Inc.
(global independent investment advisory firm)
Hobe Sound, FL | Age 75 | elected 2009

Shantella E. Cooper

Founder and CEO, Journey Forward Strategies, LLC
(consulting)
Atlanta, GA | Age 57 | elected 2023

Anthony F. Earley, Jr.

Retired Chairman, President and CEO
PG&E Corporation (energy)
Bloomfield Hills, MI | Age 75 | elected 2019

James O. Etheredge*

Managing Director, Monarch Private Capital,
Retired CEO - North America,
Accenture plc (consulting and technology)
Atlanta, GA | Age 61 | elected 2025

David J. Grain

Founder and CEO
Grain Management, LLC (private equity firm)
Sarasota, FL | Age 62 | elected 2012

Donald M. James

Retired Chairman and CEO
Vulcan Materials Company (construction materials)
Pensacola, FL | Age 76 | elected 1999

John D. Johns

Senior Advisor, Blackstone Inc.,
Retired Chairman and CEO of DLI North America Inc.,
the oversight company for Protective Life Insurance
Corporation (insurance)
Birmingham, AL | Age 73 | elected 2015

Dale E. Klein

Reese Endowed Professor in the Cockrell School of
Engineering at the University of Texas at Austin;
former Commissioner and Chairman, U.S. Nuclear
Regulatory Commission (energy)
Austin, TX | Age 77 | elected 2010

David E. Meador

Retired Vice Chairman and Chief Administrative
Officer, DTE Energy (energy)
Bloomfield Hills, MI | Age 68 | elected 2023

William G. Smith, Jr.

Chairman, President and CEO
Capital City Bank Group, Inc. (banking)
Tallahassee, FL | Age 71 | elected 2006

Kristine L. Svinicki

Adjunct Professor, University of Michigan and
former Commissioner and Chairman,
U.S. Nuclear Regulatory Commission (energy)
Milwaukee, WI | Age 58 | elected 2021

Lizanne Thomas

Retired Partner, Jones Day (legal)
Atlanta, GA | Age 67 | elected 2023

* James O. Etheredge was elected to the board of
directors effective April 1, 2025.

Management Council

Christopher C. Womack

Chairman, President and CEO
Womack, 67, joined the company in 1988

Bryan D. Anderson

Executive Vice President and President,
External Affairs
Anderson, 58, joined the company in 2010

Stanley W. Connally, Jr.

Executive Vice President and Chief Operating Officer
Connally, 55, joined the company in 1989

Christopher Cummiskey

Executive Vice President, Chief Commercial Officer,
Southern Company and Chairman, President and CEO,
Southern Company Services, Inc.
Cummiskey, 50, joined the company in 2013

Sloane N. Drake

Executive Vice President and
Chief Human Resources Officer
Drake, 48, joined the company in 2001

Kimberly S. Greene

Chairman, President and CEO, Georgia Power
Greene, 58, joined the company in 1991

James Y. Kerr II

Chairman, President and CEO,
Southern Company Gas
Kerr, 61, joined the company in 2014

J. Jeffrey Peoples

Chairman, President and CEO, Alabama Power
Peoples, 65, joined the company in 1984

Peter P. Sena

Chairman, President and CEO, Southern Nuclear
Sena, 61, joined the company in 2019

Sterling A. Spainhour

Executive Vice President and Chief Legal Officer
Spainhour, 56, joined the company in 2016

Daniel S. Tucker

Executive Vice President and Chief Financial Officer
Tucker, 54, joined the company in 1998

Anthony L. Wilson

Chairman and CEO, Mississippi Power
Wilson, 61, joined the company in 1984

Financial Contents

7	Definitions
11	Reconciliation of Non-GAAP Financial Metric
12	Cautionary Statement Regarding Forward-Looking Statements
13	Available Information
14	Southern Company Business
14	Five-Year Cumulative Performance Graph
15	Management's Report on Internal Control Over Financial Reporting
16	Report of Independent Registered Public Accounting Firm
18	Management's Discussion and Analysis of Financial Condition and Results of Operations
56	Consolidated Statements of Income
57	Consolidated Statements of Comprehensive Income
58	Consolidated Statements of Cash Flows
60	Consolidated Balance Sheets
62	Consolidated Statements of Stockholders' Equity
63	Index to the Notes to Financial Statements
64	Notes to Financial Statements

Definitions

When used in this Annual Report, the following terms will have the meanings indicated.

ARP

Georgia Power's Alternate Rate Plans approved by the Georgia PSC; 2019 ARP for the years 2020 through 2022 and 2022 ARP for the years 2023 through 2025

AFUDC

Allowance for funds used during construction

Alabama Power

Alabama Power Company

Amended and Restated Loan Guarantee Agreement

Loan guarantee agreement entered into by Georgia Power with the DOE in 2014, as amended and restated in 2019, under which the proceeds of borrowings were 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

ASU

Accounting Standards Update

Atlanta Gas Light

Atlanta Gas Light Company, a wholly-owned subsidiary of Southern Company Gas

Bechtel

Bechtel Power Corporation

Bechtel Agreement

The 2017 construction completion agreement between the Vogtle Owners and Bechtel

CAMT

Corporate alternative minimum tax

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

CO₂

Carbon dioxide

COD

Commercial operation date

CODM

Chief operating decision maker

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

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

ECCR

Georgia Power's Environmental Compliance Cost Recovery tariff

ECO Plan

Mississippi Power's environmental compliance overview plan

ELG

Effluent limitations guidelines

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

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

FCC

Federal Communications Commission

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

Definitions

Fitch

Fitch Ratings, Inc.

FP&L

Florida Power and Light Company

GAAP

U.S. generally accepted accounting principles

Georgia Power

Georgia Power Company

GHG

Greenhouse gas

GRAM

Atlanta Gas Light's Georgia Rate Adjustment Mechanism

Guarantee Settlement Agreement

The 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 FP&L, with FP&L 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

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

IRA

Inflation Reduction Act of 2022

IRP

Integrated resource plan

IRS

Internal Revenue Service

ITC

Investment tax credit

KWH

Kilowatt-hour

LIFO

Last-in, first-out

LNG

Liquefied natural gas

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

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

natural gas distribution utilities

Southern Company Gas' natural gas distribution utilities (Nicor Gas, Atlanta Gas Light, Virginia Natural Gas, and Chattanooga Gas)

NCCR

Georgia Power's Nuclear Construction Cost Recovery tariff

NDR

Alabama Power's Natural Disaster Reserve

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 electric membership corporation)

Definitions

OTC

Over-the-counter

PEP

Mississippi Power's Performance Evaluation Plan

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

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, Rate CNP PPA, and Rate CNP Depreciation

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

Registrants

Southern Company, Alabama Power, Georgia Power, Mississippi Power, Southern Power Company, and Southern Company Gas

ROE

Return on equity

S&P

S&P Global Ratings, a division of S&P Global Inc.

SAVE

Steps to Advance Virginia's Energy, an infrastructure replacement program at Virginia Natural Gas

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

SNG

Southern Natural Gas Company, L.L.C., a pipeline system in which Southern Company Gas has a 50% ownership interest

SO₂

Sulfur dioxide

SOFR

Secured Overnight Financing Rate

Southern Company

The Southern Company

Southern Company Gas

Southern Company Gas and its subsidiaries

Southern Company Gas Capital

Southern Company Gas Capital Corporation, a wholly-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 and battery energy storage 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

Definitions

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, and Mississippi Power

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

Vogle Owners

Georgia Power, OPC, MEAG Power, and Dalton

Westinghouse

Westinghouse Electric Company LLC

Reconciliation of Non-GAAP Financial Metric

(In millions, except earnings per share)	Year Ended December 31,				
	2024	2023	2022	2021	2020
Net Income – GAAP	\$4,401	\$3,976	\$3,524	\$ 2,393	\$ 3,119
Average Shares Outstanding	1,096	1,092	1,075	1,061	1,058
Basic Earnings Per Share	\$ 4.02	\$ 3.64	\$ 3.28	\$ 2.26	\$ 2.95
Net Income – GAAP	\$4,401	\$3,976	\$3,524	\$ 2,393	\$ 3,119
Less Non-GAAP Excluded Items:					
Estimated Loss on Plants Under Construction ⁽¹⁾	7	51	(199)	(1,703)	(328)
Tax Impact	(15)	(13)	51	433	84
Acquisition and Disposition Impacts ⁽²⁾	—	(1)	(115)	209	60
Tax Impact	—	33	32	(90)	(22)
Loss on Extinguishment of Debt ⁽³⁾	—	(5)	—	(23)	(29)
Tax Impact	—	1	—	6	7
Estimated Loss on Qualifying Infrastructure Plant and Other Capital Investments ⁽⁴⁾	—	(96)	—	—	—
Tax Impact	—	24	—	—	—
Impairments ⁽⁵⁾	(36)	—	(119)	(91)	(206)
Tax Impact	9	—	—	19	101
Accelerated Depreciation from Repowering ⁽⁶⁾	(9)	—	—	—	—
Tax Impact	2	—	—	—	—
Wholesale Gas Services ⁽⁷⁾	—	—	—	18	17
Tax Impact	—	—	—	(3)	(3)
Net Income – Excluding Items	\$4,443	\$3,982	\$3,874	\$ 3,618	\$ 3,438
Basic Earnings Per Share – Excluding Items	\$ 4.05	\$ 3.65	\$ 3.60	\$ 3.41	\$ 3.25

- (1) Net income for the year ended December 31, 2024 includes a pre-tax credit to income of \$21 million (\$16 million after tax) related to the estimated probable loss on Plant Vogtle Units 3 and 4 reflecting a revision to Georgia Power's total project capital cost forecast resulting from a reduction in remaining expected site demobilization costs and other contractor obligations. Additionally, net income for the year ended December 31, 2024 includes a \$14 million income tax charge related to the remeasuring of deferred tax assets associated with the previously recognized estimated probable loss on Plant Vogtle Units 3 and 4 due to a change in the State of Georgia corporate tax rate. Net income for the year ended December 31, 2023 includes a pre-tax net credit to income of \$68 million (\$50 million after tax) and for the years ended December 31, 2022, 2021, and 2020 includes net pre-tax charges of \$183 million (\$137 million after tax), \$1.7 billion (\$1.3 billion after tax), and \$325 million (\$242 million after tax), respectively, related to the estimated probable loss associated with construction of Plant Vogtle Units 3 and 4. Further charges and/or credits may occur; however, the amount and timing are uncertain. Net income for all periods presented also includes charges (net of salvage proceeds), associated legal expenses (net of insurance recoveries), and tax impacts related to Mississippi Power's Kemper IGCC. Mississippi Power expects to incur additional pre-tax period costs related to dismantlement of the abandoned gasifier-related assets and site restoration activities, including related costs for compliance and safety, asset retirement obligation accretion, and property taxes, net of salvage, totaling approximately \$15 million in 2025.
- (2) Net income for the year ended December 31, 2023 includes a \$35 million favorable tax impact related to a reversal of an uncertain tax position associated with the 2019 sale of Gulf Power. Net income for the years ended December 31, 2023 and 2022 includes disposition impacts associated with the sales of two Southern Company Gas natural gas storage facilities, including pre-tax impairment charges totaling \$131 million (\$99 million after tax) for the year ended December 31, 2022. Net income for the year ended December 31, 2022 also includes a \$14 million pre-tax (\$11 million after-tax) gain as a result of the early termination of the transition services agreement related to the 2019 sale of Gulf Power. Net income for the year ended December 31, 2021 includes: (i) a \$93 million pre-tax (\$99 million after-tax) gain associated with the termination of a leasehold interest in assets associated with two leveraged lease projects; (ii) \$16 million of income tax benefits recognized as the result of another leveraged lease investment disposition; and (iii) a \$121 million pre-tax (\$92 million after-tax) gain on the sale of Sequent, as well as \$85 million of additional tax expense due to the resulting changes in state apportionment rates. Net income for the year ended December 31, 2020 includes: (i) \$39 million pre-tax (\$23 million after-tax) gain on the sale of Plant Mankato and (ii) a \$22 million pre-tax (\$16 million after-tax) gain on the sale of a natural gas storage facility. Further impacts may result from future acquisition and disposition activities; however, the amount and timing of any such impacts are uncertain.
- (3) Net income for the years ended December 31, 2023, 2021 and 2020 includes costs associated with the extinguishment of debt at Southern Company. Similar transaction costs may occur in the future at Southern Company or one of its unregulated subsidiaries; however, the amount and timing of any such costs are uncertain.
- (4) Net income for the year ended December 31, 2023 includes pre-tax charges totaling \$96 million (\$72 million after tax) for estimated losses at Southern Company Gas associated with the Illinois Commission disallowances related to (i) its review of the Qualifying Infrastructure Plant (QIP) capital investments by Nicor Gas under the QIP rider, or Investing in Illinois program, and (ii) Nicor Gas' general base rate case proceeding. Further charges may occur; however, the amount and timing of any such charges are uncertain.
- (5) Net income for the year ended December 31, 2024 includes a pre-tax impairment loss of \$36 million (\$27 million after tax) associated with the discontinued development of a multi-use commercial facility at Alabama Power. Net income for the year ended December 31, 2022 includes an impairment charge of \$119 million associated with goodwill at PowerSecure. Net income for the years ended December 31, 2021 and 2020 includes impairment charges associated with two leveraged leases. Net income for the year ended December 31, 2021 also includes pre-tax impairment charges totaling \$84 million (\$67 million after tax) related to Southern Company Gas' investment in the PennEast Pipeline project. Impairment charges may occur in the future; however, the amount and timing of any such charges are uncertain.
- (6) Net income for the year ended December 31, 2024 includes a pre-tax charge, net of noncontrolling interests impacts, of \$9 million (\$7 million after tax) associated with accelerated depreciation related to the repowering of the Kay Wind facility at Southern Power. Accelerated depreciation related to the equipment being replaced will continue until commercial operation of the repowering project, which is projected to occur in the third quarter 2026. Pre-tax accelerated depreciation, net of noncontrolling interest impacts, is projected to total approximately \$100 million in 2025 and \$40 million in 2026.
- (7) Net income for the years ended December 31, 2021 and 2020 includes the Wholesale Gas Services business, which was sold on July 1, 2021. Presenting net income and earnings per share excluding Wholesale Gas Services provided an additional measure of operating performance that excluded the volatility resulting from mark-to-market and lower of weighted average cost or current market price accounting adjustments.

Cautionary Statement Regarding Forward-Looking Statements

Southern Company's Annual Report contains forward-looking statements. Forward-looking statements include, among other things, statements concerning regulated rates, the strategic goals for the business, customer and sales growth, economic conditions, including inflation, 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, 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 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 and Plant Vogtle Units 3 and 4;
- 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 and commodities;
- the ability to complete necessary or desirable pipeline expansion or infrastructure projects, limits on pipeline capacity, public and policymaker support for such projects, and operational interruptions to natural gas distribution and transmission activities;
- transmission constraints;
- the ability to control costs and avoid cost and schedule overruns during the development, construction, and operation of facilities or other projects due to challenges which include, but are not limited to, changes in labor costs, availability, and productivity; challenges with the 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; the impacts of inflation; 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 or any remediation related thereto; design and other licensing-based compliance matters; challenges with start-up activities, including major equipment failure, or system integration, and/or operational performance; challenges related to pandemic health events; 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 interest rates or as a result of project delays;
- legal proceedings and regulatory approvals and actions related to past, ongoing, and proposed construction projects, including state PSC or other applicable state regulatory agency approvals and FERC and NRC actions;
- the ability to construct facilities in accordance with the requirements of permits and licenses, 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 and battery energy storage 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 transmission facilities, extension of retirement dates for fossil fuel plants, and fuel and other cost recovery mechanisms;
- the ability to successfully operate the traditional electric operating companies', SEGCO's, and Southern Power's generation, transmission, distribution, and battery energy storage facilities, as applicable, and Southern Company Gas' natural gas distribution and storage facilities and the successful performance of necessary corporate functions;
- the inherent risks involved in operating nuclear generating facilities;
- the inherent risks involved in generation, transmission, and distribution of electricity and transportation and storage of natural gas, including accidents, explosions, fires, mechanical problems, discharges or releases of toxic or hazardous substances or gases, and other environmental risks;

Cautionary Statement Regarding Forward-Looking Statements

- 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 cyber and physical attacks;
- global and U.S. economic conditions, including impacts from geopolitical conflicts, recession, inflation, tariffs, 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;
- the ability of the traditional electric operating companies 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, wars, 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.

Southern Company expressly disclaims any obligation to update any forward-looking statements.

Available Information

Southern Company's Annual Report on Form 10-K for the year ended December 31, 2024 (Form 10-K), as well as other documents filed by Southern Company pursuant to the Securities Exchange Act of 1934, as amended, are available electronically at <http://www.sec.gov>.

A copy of the Form 10-K as filed with the SEC will be provided without charge upon written request to the office of the Corporate Secretary. Requests for copies should be directed to the Corporate Secretary, 30 Ivan Allen Jr. Blvd., N.W., Atlanta, GA 30308.

The "Management's Discussion and Analysis of Financial Condition and Results of Operations" herein generally discusses 2024 and 2023 items and year-to-year comparisons between 2024 and 2023. Discussions of 2022 items and year-to-year comparisons between 2023 and 2022 that are not included in this Annual Report can be found in Item 7 of Southern Company's Annual Report on Form 10-K for the year ended December 31, 2023, which was filed with the SEC on February 14, 2024.

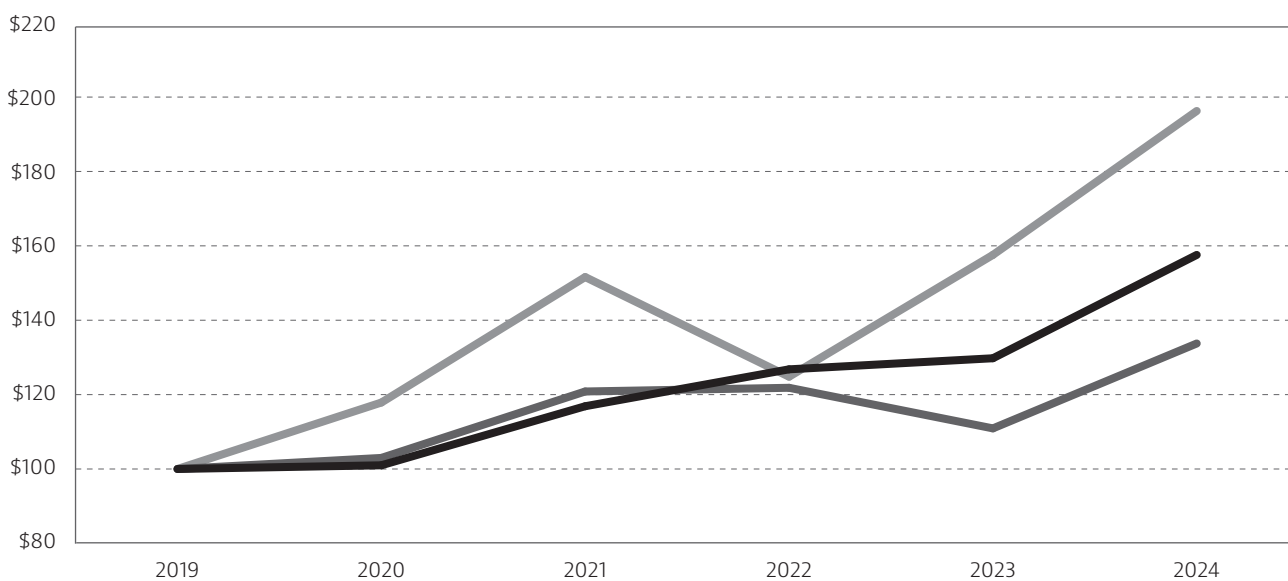
Southern Company Business

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, operates, and manages power generation assets, including renewable energy 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 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 of the Subsidiary Registrants, 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 122,000 square miles in the Southeast. Southern Holdings is an intermediate holding company subsidiary, which invests in various projects. Southern Nuclear operates and provides services to the Southern Company system's nuclear power plants. PowerSecure develops distributed energy and resilience solutions and deploys microgrids for commercial, industrial, governmental, and utility customers.

Five-Year Cumulative Performance Graph

This performance graph compares the cumulative total shareholder return on Southern Company's common stock with the Standard & Poor's 500 index and the Philadelphia Utility Index for the past five years. The graph assumes that \$100 was invested on December 31, 2019 in Southern Company's common stock and each of the indices and that all dividends were reinvested. The stockholder return shown for the five-year historical period may not be indicative of future performance.



	2019	2020	2021	2022	2023	2024
— Southern Company	100	101	117	127	130	158
— Philadelphia Utilities Index	100	103	121	122	111	134
— S&P 500	100	118	152	125	158	197

Management's Report on Internal Control Over Financial Reporting

Southern Company and Subsidiary Companies

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, 2024.

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, 2024, which is included herein.



Christopher C. Womack
Chairman, President, and Chief Executive Officer



Daniel S. Tucker
Executive Vice President, Chief Financial Officer, and Treasurer

February 19, 2025

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, 2024 and 2023, 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, 2024, 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, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2024, 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, 2024, 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.

Report of Independent Registered Public Accounting Firm

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 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) to the financial statements

Critical Audit Matter Description

Southern Company's traditional electric operating companies and natural gas distribution utilities (the "regulated utility subsidiaries") 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 may impact multiple financial statement line items and disclosures.

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 through 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 those investments.

We identified the impact of rate regulation related to certain assets and liabilities as a critical audit matter due to the significant judgments made by management to support its assertions about impacted account balances and disclosures and/or the high degree of subjectivity involved in assessing the potential impact of future regulatory orders on incurred costs. 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. Auditing these judgments, which include assumptions about the outcome of future decisions by the Commissions, required specialized knowledge of accounting for rate regulations and the rate setting process due to its inherent complexities.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the impact of rate regulation on certain assets and liabilities 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 certain incurred costs and (2) refunds or future reductions in rates that should be reported as regulatory liabilities; and the monitoring and evaluation of regulatory developments that may affect the likelihood of recovering certain costs in future rates or of a future reduction in rates. We also tested the effectiveness of management's controls over the initial recognition of certain regulatory assets or liabilities.
- We read and evaluated relevant regulatory orders issued and/or other relevant publicly available information to assess the likelihood of recovery of certain incurred costs in future rates or of a future reduction in rates based on precedents of the treatment of similar costs under similar circumstances.
- We tested certain incurred costs recorded as regulatory assets or liabilities during the period for completeness and accuracy.
- We obtained representation from management regarding the likelihood of recoverability of incurred costs and potential refund or future reduction in rates to assess management's assertions about the likelihood 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, including where there is a high degree of subjectivity involved in assessing the potential impact of future regulatory orders on incurred costs.



Atlanta, Georgia
February 19, 2025

We have served as Southern Company's auditor since 2002.

Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

Business Activities

Southern Company is a holding company that owns all of the common stock of three traditional electric operating companies, 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, operates, and manages power generation assets, including renewable energy 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 three reportable segments – gas distribution operations, gas pipeline investments, 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, 15, and 16 to the financial statements for additional information.

Southern Company's other business activities include providing distributed energy and resilience solutions and deploying microgrids for commercial, industrial, governmental, and utility customers, as well as investments in telecommunications. 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.

See FUTURE EARNINGS POTENTIAL herein for a discussion of many factors that could impact the Registrants' future results of operations, financial condition, and liquidity.

Recent Developments

Alabama Power

On May 7, 2024, the Alabama PSC approved a decrease to Rate ECR from 3.270 cents per KWH to 3.015 cents per KWH, or approximately \$135 million annually, effective with July 2024 billings. On December 3, 2024, the Alabama PSC approved an additional reduction to Rate ECR from 3.015 cents per KWH to 2.600 cents per KWH, or \$218 million annually, effective with January 2025 billings.

On September 18, 2024, Alabama Power notified the Alabama PSC of its intent to use a portion of its reliability reserve balance in 2024. As a result, Alabama Power had usage of the reliability reserve in the amount of \$12 million during the fourth quarter 2024 for reliability-related transmission, distribution, and generation expenses and nuclear production-related expenses.

On October 24, 2024, Alabama Power entered into an agreement to acquire all of the equity interests in Tenaska Alabama Partners, L.P. for a total purchase price of approximately \$622 million, subject to working capital adjustments. Tenaska Alabama Partners, L.P. owns and operates the Lindsay Hill Generating Station, an approximately 855-MW combined cycle generation facility in Autauga County, Alabama. On October 30, 2024, Alabama Power filed a petition for a CCN with the Alabama PSC for authorization to procure additional generating capacity through the acquisition of the Lindsay Hill Generating Station. Alabama Power expects to complete the acquisition by the end of the third quarter 2025. The ultimate outcome of this matter cannot be determined at this time.

On November 27, 2024, Alabama Power made its required annual Rate RSE submission to the Alabama PSC of projected data for calendar year 2025, resulting in an increase of 4.87%, or \$325 million annually, that became effective for the billing month of January 2025.

For the year ended December 31, 2024, Alabama Power's weighted common equity return exceeded 6.15%, resulting in Alabama Power establishing a current regulatory liability of \$12 million for Rate RSE refunds, which will be refunded to customers through bill credits in May 2025.

See Note 2 to the financial statements under "Alabama Power" for additional information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Georgia Power

Plant Vogtle Units 3 and 4 Construction and Start-Up Status

Georgia Power placed Plant Vogtle Units 3 and 4 in service on July 31, 2023 and April 29, 2024, respectively. During the second quarter 2024, following Unit 4's in-service date, Southern Nuclear evaluated the remaining expected site demobilization costs and other contractor obligations and reduced the remaining estimate to complete forecast by approximately \$21 million, including the impact of joint owner cost-sharing. Accordingly, Georgia Power recorded a pre-tax credit to income of approximately \$21 million (\$16 million after tax), including the joint owner agreement impacts, in the second quarter 2024 to recognize forecasted capital costs previously charged to income. Georgia Power's share of the remaining project capital cost forecast, including completion of site demobilization and remaining contractor obligations, is \$69 million. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction – Cost and Schedule" for additional information.

Plant Vogtle Units 3 and 4 Regulatory Matters

In December 2023, the Georgia PSC approved Georgia Power's application to adjust rates to include reasonable and prudent Plant Vogtle Units 3 and 4 costs as modified by the related stipulation (Prudency Stipulation) among Georgia Power, the staff of the Georgia PSC, and certain intervenors.

Georgia Power included in retail rate base \$5.462 billion of construction and capital costs as well as \$647 million of associated retail rate base items effective with the April 29, 2024 in-service date for Unit 4, pursuant to the approved Prudency Stipulation. Annual retail base revenues increased approximately \$730 million and the average retail base rates were adjusted by approximately 5% (net of the elimination of the NCCR tariff described below) effective May 1, 2024.

Further, as included in the approved Prudency Stipulation, since commercial operation for Unit 4 was not achieved by March 31, 2024, Georgia Power's ROE used to determine the NCCR tariff and calculate AFUDC was reduced to zero effective April 1, 2024. Effective May 1, 2024, following commercial operation for Unit 4, Georgia Power's NCCR tariff was eliminated.

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

Rate Plans

On December 17, 2024, in accordance with the terms of the 2022 ARP, the Georgia PSC approved tariff adjustments effective January 1, 2025 that resulted in a net increase in rates of \$306 million. Georgia Power is required to file its next general base rate case by July 1, 2025. See Note 2 to the financial statements under "Georgia Power – Rate Plans – 2022 ARP" for additional information.

Integrated Resource Plans

As included in the 2022 IRP final order, Georgia Power initiated a request for proposals (RFP) of up to 8,500 MWs of capacity from a variety of resources with expected CODs or delivery commencement dates between 2028 and 2030. The RFP included Georgia Power-owned proposals. In conjunction with those proposals, Georgia Power entered into agreements for engineering, procurement, and construction through January 2025. Winning participants are expected to be notified in June 2025, and the Georgia PSC is anticipated to render a decision related to the certification of the winning submissions in the fourth quarter 2025. Depending on the outcomes of the RFP and certification processes, Georgia Power could spend up to \$14 billion, excluding AFUDC, on approved Georgia Power-owned proposals and related transmission investments through 2029. The ultimate outcome of this matter cannot be determined at this time.

On April 16, 2024, the Georgia PSC approved Georgia Power's updated IRP as modified by a stipulation among Georgia Power, the staff of the Georgia PSC, and certain intervenors (2023 IRP Update). The 2023 IRP Update includes the authority to develop, own, and operate up to 1,400 MWs from three simple cycle combustion turbines at Plant Yates with the recoverable costs not to exceed the certified amount, which was approved by the Georgia PSC on August 20, 2024. With this approval, the Georgia PSC recognized the potential for circumstances beyond Georgia Power's control that could cause the project costs to exceed the certified amount, in which case Georgia Power would provide documentation to the Georgia PSC to explain and justify potential recovery of additional reasonable and prudent costs. Georgia Power is required to file semi-annual construction monitoring reports with the Georgia PSC through commercial operation, the first of which was filed on February 14, 2025. See Note 2 to the financial statements under "Georgia Power – Integrated Resource Plans – 2023 IRP Update" for additional information.

On January 31, 2025, Georgia Power filed its triennial IRP (2025 IRP). The filing includes a request to extend the operation of Plant Scherer Unit 3 (614 MWs based on 75% ownership) through at least December 31, 2035 and Plant Gaston Units 1 through 4 (500 MWs based on 50% ownership through SEGCO) through at least December 31, 2034.

The 2025 IRP requests approval to pursue installation of environmental controls and natural gas co-firing at Plant Bowen Units 1 through 4 (3,160 MWs), Plant Scherer Units 1 and 2 (137 MWs based on 8.4% ownership), and Plant Scherer Unit 3 for compliance with both ELG supplemental rules and GHG rules.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Additionally, the 2025 IRP requests upgrades to Plant McIntosh Units 10 and 11 (1,319 MWs) for a projected 194 MWs of incremental capacity by 2028 and Plant McIntosh Units 1 through 8 (640 MWs) for a projected 74 MWs of incremental capacity by 2033. Also, the 2025 IRP requests upgrades to Plant Hatch Units 1 and 2 (900 MWs based on 50.1% ownership) and Plant Vogtle Units 1 and 2 (1,060 MWs based on 45.7% ownership) for a projected 112 MWs of incremental capacity, some of which would be available as early as 2028.

The 2025 IRP requests approval of investments related to the continued reliable hydro operations of nine facilities, as well as the authority to develop, own, and operate a projected incremental 16 MWs from Plant Goat Rock Units 3 through 6.

The 2025 IRP also includes requests for RFPs for at least 1,100 MWs of utility scale and distributed generation renewable resources. Georgia Power is seeking to add up to 4,000 MWs of incremental renewable resources by 2035.

A decision from the Georgia PSC on the 2025 IRP is expected in July 2025. The ultimate outcome of these matters cannot be determined at this time. See Note 2 to the financial statements under "Georgia Power – Integrated Resource Plans – 2025 IRP" for additional information.

Mississippi Power

On April 26, 2024, Mississippi Power filed its 2024 IRP with the Mississippi PSC. The Mississippi PSC did not note any deficiencies within the prescribed 120-day review period; therefore, the filing is concluded. The 2024 IRP included a schedule to retire Plant Watson Unit 4 (268 MWs) and Plant Greene County Units 1 and 2 (206 MWs based on 40% ownership) and to retire early Plant Daniel Units 1 and 2 (502 MWs based on 50% ownership), all by the end of 2028, which is consistent with the completion of Mississippi Power's affiliate PPA with Georgia Power. On January 9, 2025, Mississippi Power notified the Mississippi PSC of its intent to extend the retirement date of Plant Daniel Unit 2 and potentially extend the retirement dates of other fossil steam units beyond their current 2028 retirement dates in order to serve recently signed economic development loads of approximately 600 MWs.

On November 8, 2024, Mississippi Power entered into an agreement with FP&L to acquire FP&L's 50% ownership interest in Plant Daniel Units 1 and 2. This acquisition will include a payment by FP&L to Mississippi Power of between \$35 million and \$38 million, which represents an estimate of the incremental cost to Mississippi Power to assume ownership of FP&L's interest, based on the timing of the completion of the transaction. On January 7, 2025, the Mississippi PSC approved Mississippi Power's request for (i) the inclusion of the acquired assets and the associated costs at Plant Daniel in Mississippi Power's retail rate base, upon completion of the transaction, (ii) the establishment of a new regulatory liability account in which all of the proceeds to be paid by FP&L will be recorded, and (iii) Mississippi Power's ability to amortize that regulatory liability by charging certain expenditures against it. The completion of the transaction is subject to the satisfaction or waiver of certain conditions, including, among other customary closing conditions, approval by the Florida PSC.

On February 14, 2025, Mississippi Power submitted its annual ECO Plan filing to the Mississippi PSC, which requested a \$6 million annual increase in revenues.

On May 28, 2024, the FERC issued an order accepting Mississippi Power's request for an \$8 million increase in annual wholesale base revenues under the MRA tariff, effective May 29, 2024, subject to refund. On December 23, 2024, Mississippi Power and Cooperative Energy filed a settlement agreement with the FERC. The settlement agreement provides for (i) a \$1 million increase in annual wholesale base revenues and a refund to customers of approximately \$4 million, (ii) a rate escalation of 2.5% on an annual basis in periods subsequent to December 31, 2024 and continuing through the end of the Shared Services Agreement (SSA) on December 31, 2035, and (iii) a waiver of rights by Mississippi Power and Cooperative Energy to file for any changes in non-fuel rates through the end of the term of the SSA. The settlement agreement is subject to approval by the FERC.

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

Southern Power

During 2024, Southern Power completed construction of and placed in service the 150-MW South Cheyenne solar facility. In addition, Southern Power continued construction of the 200-MW first phase and began construction of the 180-MW second phase and the 132-MW third phase of the Millers Branch solar facility with commercial operation projected to occur in the fourth quarter 2025, the second quarter 2026, and the fourth quarter 2026, respectively. Upon completion, the Millers Branch solar project will have a total generating capacity of 512 MWs, substantially all of which is contracted under multiple PPAs ranging from 15 years to 20 years.

In November 2024, Southern Power committed to a development project to repower 200 MWs of the 299-MW Kay Wind facility. The output of the project is contracted under an amended 20-year PPA with commercial operation projected to occur in the third quarter 2026.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 facilities' net book value (or expected in-service value for facilities under construction) as the investment amount. With the inclusion of investments associated with facilities under construction, as well as other capacity and energy contracts, Southern Power's average investment coverage ratio at December 31, 2024 was 96% through 2029 and 87% through 2034, with an average remaining contract duration of approximately 12 years.

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

Southern Company Gas

Nicor Gas

In June 2023, the Illinois Commission concluded its review of the Qualifying Infrastructure Plant (QIP) capital investments by Nicor Gas for calendar year 2019 under the QIP rider, also referred to as Investing in Illinois program. The Illinois Commission disallowed \$32 million of the \$415 million of capital investments commissioned in 2019, together with the related return on investment. Nicor Gas recorded a pre-tax charge to income in the second quarter 2023 of \$38 million (\$28 million after tax) associated with the disallowance of capital investments placed in service in 2019. The disallowance is reflected on the statement of income as an \$8 million reduction to revenues and \$30 million in estimated loss on regulatory disallowance. On August 3, 2023, the Illinois Commission denied a rehearing request filed by Nicor Gas. On August 24, 2023, Nicor Gas filed a notice of appeal with the Illinois Appellate Court. On November 25, 2024, the Illinois Appellate Court agreed with the Illinois Commission's review of the QIP capital investments by Nicor Gas for calendar year 2019 under the QIP rider apart from one immaterial item. On December 24, 2024, Nicor Gas filed a petition for leave to appeal \$14 million of the 2019 QIP disallowance with the Illinois Supreme Court. Nicor Gas defends these investments in infrastructure as prudently incurred.

In connection with Nicor Gas' 2023 general base rate case proceeding, the Illinois Commission disallowed \$126.8 million of capital investments that have been completed or were planned to be completed through December 31, 2024. This includes \$31 million for capital investments placed in service in 2022 and 2023 under the Investing in Illinois program and \$95.9 million for other transmission and distribution capital investments. Nicor Gas recorded a pre-tax charge to income in the fourth quarter 2023 of \$58 million (\$44 million after tax) associated with the disallowances, with the remaining \$69 million related to prospective projects that will be postponed and/or reevaluated. The disallowance is reflected on the statement of income in estimated loss on regulatory disallowance. On January 3, 2024, the Illinois Commission denied a request by Nicor Gas for rehearing on the base rate case disallowances associated with capital investment, as well as on other issues determined in the Illinois Commission's November 2023 base rate case decision. On February 6, 2024, Nicor Gas filed a notice of appeal with the Illinois Appellate Court related to the Illinois Commission's rate case ruling.

Any further cost disallowances by the Illinois Commission in the pending cases and the 2020 through 2023 annual review proceedings could be material to the financial statements of Southern Company Gas. See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects – Nicor Gas" for additional information.

On January 3, 2025, Nicor Gas filed a general base rate case with the Illinois Commission requesting a \$309 million increase in annual base rate revenues. The requested increase is based on a projected test year for the 12-month period ending December 31, 2026, an ROE of 10.35%, and an equity ratio of 54.6%. The Illinois Commission is expected to rule on the requested increase within the 11-month statutory time limit, after which rate adjustments will be effective.

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

Atlanta Gas Light

On July 2, 2024, the Georgia PSC approved a stipulation related to Atlanta Gas Light's 2024 Integrated Capacity and Delivery Plan, which allows capital investments totaling approximately \$0.6 billion annually for the years 2025 through 2027 with related revenue requirement recovery through either the annual GRAM filing or the System Reinforcement Rider surcharge adjustment. Additionally, the Georgia PSC approved a surcharge recovery mechanism for capital projects related to municipal, county, and Georgia Department of Transportation infrastructure work. Rate changes associated with the new surcharge will be based on requests filed annually on September 1. If approved, new rates will become effective January 1 of the following year.

On December 12, 2024, the Georgia PSC approved Atlanta Gas Light's annual GRAM filing, which included annual base rate increases of \$72 million, \$73 million, and \$74 million effective January 1, 2025, 2026, and 2027, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Virginia Natural Gas

On June 7, 2024, the Virginia Commission approved the extension of the existing SAVE program through 2029. The extension of the program includes investments of \$70 million in each year from 2025 through 2029, with a potential variance of up to \$5 million allowed for the program, for a maximum total investment over the five-year extension (2025 through 2029) of \$355 million.

On August 1, 2024, Virginia Natural Gas filed a base rate case with the Virginia Commission seeking an increase in annual base revenues of \$63 million, including \$17 million related to the recovery of investments under the SAVE program, primarily to recover investments and increased costs associated with infrastructure and technology. The requested increase is based on a projected 12-month period beginning January 1, 2025, an ROE of 10.45%, and an equity ratio of 54.92%. Rate adjustments were effective January 1, 2025, subject to refund. The Virginia Commission is expected to issue an order on the requested increase in the fourth quarter 2025. The ultimate outcome of this matter cannot be determined at this time.

Key Performance Indicators

In striving to achieve attractive risk-adjusted returns while providing cost-effective energy to approximately 8.9 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 Southern Company's financial performance.

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

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 \$4.4 billion in 2024, an increase of \$425 million, or 10.7%, from 2023. The increase was primarily due to an increase in retail electric revenues associated with rates and pricing and weather impacts, an increase in natural gas revenues associated with rate increases, an increase in other revenues, and an increase in other electric revenues, partially offset by increases in non-fuel operations and maintenance expenses, income tax expense, interest expense, depreciation and amortization, taxes other than income taxes, and cost of other sales.

Basic EPS was \$4.02 in 2024 and \$3.64 in 2023. Diluted EPS, which factors in additional shares primarily related to stock-based compensation, was \$3.99 in 2024 and \$3.62 in 2023. EPS for 2024 and 2023 was negatively impacted by \$0.01 and \$0.06 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 \$2.86 in 2024 and \$2.78 in 2023. In January 2025, Southern Company declared a quarterly dividend of 72 cents per share. For 2024, the dividend payout ratio was 71% compared to 76% for 2023.

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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

	2024	2023
	<i>(in millions)</i>	
Electricity business	\$4,473	\$3,994
Gas business	740	615
Other business activities	(812)	(633)
Net Income	\$4,401	\$3,976

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:

	2024	Increase (Decrease) from 2023
	<i>(in millions)</i>	
Electric operating revenues	\$21,603	\$1,605
Fuel	4,096	(269)
Purchased power	883	—
Cost of other sales	237	66
Other operations and maintenance	5,111	432
Depreciation and amortization	4,034	169
Taxes other than income taxes	1,288	129
Estimated loss on Plant Vogtle Units 3 and 4	(21)	47
Total electric operating expenses	15,628	574
Operating income	5,975	1,031
Allowance for equity funds used during construction	209	(38)
Interest expense, net of amounts capitalized	1,372	98
Other income (expense), net	523	(10)
Income taxes	1,003	420
Net income	4,332	465
Net loss attributable to noncontrolling interests	(141)	(14)
Net Income Attributable to Southern Company	\$ 4,473	\$ 479

Electric Operating Revenues

Electric operating revenues for 2024 were \$21.6 billion, reflecting a \$1.6 billion, or 8.0%, increase from 2023. Details of electric operating revenues were as follows:

	2024	2023
	<i>(in millions)</i>	
Retail electric — prior year	\$ 16,343	
Estimated change resulting from —		
Rates and pricing	1,309	
Sales growth	36	
Weather	314	
Fuel and other cost recovery	(212)	
Retail electric — current year	\$ 17,790	\$16,343
Wholesale electric revenues	2,431	2,467
Other electric revenues	896	792
Other revenues	486	396
Electric operating revenues	\$ 21,603	\$19,998

Retail electric revenues increased \$1.4 billion, or 8.9%, in 2024 as compared to 2023. The significant factors driving this change are shown in the preceding table. The increase in rates and pricing was primarily due to the inclusion of Plant Vogtle Units 3 and 4 in retail rates net of the elimination of the NCCR tariff at Georgia Power, customer bill credits in 2023 at Alabama Power related to the flowback of certain excess accumulated deferred income taxes, base tariff increases at Georgia Power in accordance with the 2022 ARP, higher contributions from commercial and industrial customers with variable demand-driven pricing at Georgia Power, and an increase in Rate CNP New Plant revenues at Alabama Power.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 estimated changes related to sales and weather.

Wholesale electric revenues from power sales were as follows:

	2024	2023
	<i>(in millions)</i>	
Capacity and other	\$ 652	\$ 630
Energy	1,779	1,837
Total	\$2,431	\$2,467

In 2024, wholesale electric revenues decreased \$36 million, or 1.5%, as compared to 2023 due to a decrease of \$58 million in energy revenues, partially offset by an increase of \$22 million in capacity and other revenues. Energy revenues decreased \$45 million at the traditional electric operating companies and \$13 million at Southern Power primarily due to fuel and purchased power price decreases compared to 2023. Partially offsetting the Southern Power decrease was an increase in the volume of KWHs sold primarily under natural gas and solar PPAs. The increase in capacity revenues was primarily due to a net increase in revenues from capacity contracts at Georgia Power and an increase in capacity revenues associated with natural gas PPAs at Southern Power. The changes in capacity and energy revenues also reflect decreases resulting from power sales agreements that ended in 2023 at Alabama Power and Mississippi Power.

Wholesale electric revenues consist of revenues from 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 under cost-based tariffs 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.

Other electric revenues increased \$104 million, or 13.1%, in 2024 as compared to 2023. The increase was primarily due to increases of \$77 million in open access transmission tariff sales at the traditional electric operating companies, \$29 million in regulated sales primarily associated with power delivery construction and maintenance at Georgia Power, and \$23 million in regulated outdoor lighting sales at Georgia Power, partially offset by a net increase of \$17 million in realized losses associated with price stability products for retail customers on variable demand-driven pricing tariffs at Georgia Power and a decrease of \$14 million related to liquidated damages receipts associated with generation facility production guarantees and an arbitration award in 2023 at Southern Power.

Other revenues increased \$90 million, or 22.7%, in 2024 as compared to 2023. The increase was primarily due to increases of \$71 million in unregulated sales at Georgia Power associated with power delivery construction and maintenance, energy conservation projects, and renewables and \$13 million in unregulated outdoor lighting sales at the traditional electric operating companies.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Energy Sales

Changes in revenues are influenced heavily by the change in the volume of energy sold from year to year. KWH sales for 2024 and the percent change from 2023 were as follows:

	2024		
	Total KWHs	Total KWH Percent Change	Weather-Adjusted Percent Change ^(*)
	<i>(in billions)</i>		
Residential	49.3	4.7%	(0.5)%
Commercial	50.2	3.9	2.2
Industrial	48.9	0.7	0.7
Other	0.5	(3.1)	(3.7)
Total retail	148.9	3.0%	0.8%
Wholesale	50.1	(1.7)	
Total energy sales	199.0	1.8%	

(*) Weather-adjusted KWH sales are estimated using statistical models of the historical relationship between temperatures and energy sales, and then removing the estimated effect of deviations from normal temperature conditions. 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 increased by 1.1 billion KWHs in 2024 as compared to 2023. Weather-adjusted residential KWH sales decreased 0.5% primarily due to decreased customer usage, partially offset by customer growth. Weather-adjusted commercial KWH sales increased 2.2% primarily due to increased customer usage, primarily driven by existing data centers, and customer growth. Industrial KWH sales increased 0.7% primarily due to increases in the pipeline and transportation sectors, partially offset by a decrease in the primary metals sector.

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

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:

	2024	2023
Total generation <i>(in billions of KWHs)</i> ^(a)	188	184
Total purchased power <i>(in billions of KWHs)</i>	18	18
Sources of generation <i>(percent)</i> —		
Gas	52	54
Nuclear ^(a)	20	18
Coal	18	17
Hydro	2	3
Wind, Solar, and Other	8	8
Cost of fuel, generated <i>(in cents per net KWH)</i> —		
Gas	2.62	2.77
Nuclear ^{(a)(b)}	0.86	0.76
Coal	3.94	4.33
Average cost of fuel, generated <i>(in cents per net KWH)</i> ^(a)	2.50	2.68
Average cost of purchased power <i>(in cents per net KWH)</i> ^(c)	5.14	5.17

(a) Excludes KWHs generated from test period energy at Plant Vogtle Units 3 and 4 prior to each unit's respective in-service date. The related fuel costs were charged to CWIP in accordance with FERC guidance. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information on Plant Vogtle Units 3 and 4.

(b) Excludes \$55 million of credits recorded to nuclear fuel expense in 2024 resulting from litigation related to nuclear fuel disposal costs. See Note 3 to the financial statements under "Nuclear Fuel Disposal Costs" for additional information.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

In 2024, total fuel and purchased power expenses were \$5.0 billion, a decrease of \$269 million, or 5.1%, as compared to 2023. The decrease was primarily the result of a \$244 million decrease related to the average cost of fuel generated and purchased, partially offset by a \$30 million net increase related to the volume of KWHs generated and purchased. Also contributing to the decrease was a \$55 million credit to nuclear fuel expense at Georgia Power resulting from litigation related to nuclear fuel disposal costs. See Note 3 to the financial statements under "Nuclear Fuel Disposal Costs" for additional information.

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 2024, fuel expense was \$4.1 billion, a decrease of \$269 million, or 6.2%, as compared to 2023. The decrease was primarily due to a 9.0% decrease in the average cost of coal per KWH generated, a 5.4% decrease in the average cost of natural gas per KWH generated, and a 3.5% decrease in the volume of KWHs generated by natural gas, partially offset by a 15.6% increase in the volume of KWHs generated by nuclear, a 13.2% increase in the average cost per KWH generated by nuclear, an 8.0% decrease in the volume of KWHs generated by hydro, and a 7.6% increase in the volume of KWHs generated by coal. Also contributing to the decrease was a \$55 million credit to nuclear fuel expense at Georgia Power resulting from litigation related to nuclear fuel disposal costs. See Note 3 to the financial statements under "Nuclear Fuel Disposal Costs" for additional information.

Purchased Power

In 2024, purchased power expense was \$883 million, which was flat compared to 2023.

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.

Cost of Other Sales

Cost of other sales increased \$66 million, or 38.6%, in 2024 as compared to 2023. The increase was primarily due to increases of \$40 million in expenses associated with unregulated power delivery construction and maintenance contracts at Georgia Power and \$18 million in expenses associated with energy conservation projects at Georgia Power.

Other Operations and Maintenance Expenses

Other operations and maintenance expenses increased \$432 million, or 9.2%, in 2024 as compared to 2023. The increase was primarily due to increases of \$170 million in generation expenses primarily associated with Plant Vogtle Units 3 and 4 being placed in service at Georgia Power, maintenance and scheduled outage expenses, and Rate CNP Compliance-related expenses at Alabama Power, \$166 million in transmission and distribution expenses primarily related to line maintenance and billing adjustments with integrated transmission system owners at Georgia Power, \$41 million in customer service and sales expenses including bad debt, \$36 million related to an impairment loss associated with Alabama Power discontinuing the development of a multi-use commercial facility, \$21 million associated with an additional Rate NDR accrual at Alabama Power, \$20 million associated with reliability reserve accruals and reliability-related expenses at Alabama Power and Mississippi Power, \$16 million associated with a gain on the sale of spare parts in 2023 at Southern Power, \$11 million associated with an arbitration award received in 2023 at Southern Power related to losses previously incurred, and \$10 million in amortization of deferred cloud implementation costs, partially offset by a \$91 million increase in gains from sales of integrated transmission system assets at Georgia Power and a \$31 million decrease in technology infrastructure and application production expenses. See Note 1 to the financial statements under "Storm Damage and Reliability Reserves" and "Impairment of Long-Lived Assets" and Note 2 to the financial statements under "Georgia Power – Transmission Asset Sales" and " – Nuclear Construction" for additional information.

Depreciation and Amortization

Depreciation and amortization increased \$169 million, or 4.4%, in 2024 as compared to 2023. The increase was primarily due to an increase of \$244 million associated with additional plant in service, partially offset by a decrease of \$59 million in amortization of regulatory assets related to CCR AROs at Georgia Power as approved in the 2024 compliance filing under the terms of the 2022 ARP and an increase of \$24 million in amortization of federal ITCs at Georgia Power. See Note 2 to the financial statements under "Georgia Power – Rate Plans" for additional information. Also see Note 10 to the financial statements for additional information on amortization of federal ITCs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Taxes Other Than Income Taxes

Taxes other than income taxes increased \$129 million, or 11.1%, in 2024 as compared to 2023. The increase was primarily due to increases of \$92 million in property taxes primarily resulting from an increase in the assessed value of property at the traditional electric operating companies as well as a decrease in the capitalized portion of property taxes at Georgia Power primarily due to Plant Vogtle Units 3 and 4 being placed in service in July 2023 and April 2024, respectively, \$23 million in municipal franchise fees resulting from higher retail revenues at Georgia Power, and \$13 million in utility license taxes at Alabama Power resulting from an increase in the tax base. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

Estimated Loss on Plant Vogtle Units 3 and 4

Georgia Power recorded credits to income related to the estimated probable loss on Plant Vogtle Units 3 and 4 totaling \$21 million and \$68 million in 2024 and 2023, respectively. The credits to income reflected revisions to the total project capital cost forecast for the construction and completion of Plant Vogtle Units 3 and 4 and the related cost recovery. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information.

Allowance for Equity Funds Used During Construction

Allowance for equity funds used during construction decreased \$38 million, or 15.4%, in 2024 as compared to 2023. The decrease was primarily associated with Plant Vogtle Units 3 and 4 being placed in service in July 2023 and April 2024, respectively, at Georgia Power and Plant Barry Unit 8 being placed in service in November 2023 at Alabama Power, partially offset by an increase in capital expenditures subject to AFUDC at Georgia Power. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" and "Alabama Power – Rate CNP New Plant" for additional information.

Interest Expense, Net of Amounts Capitalized

Interest expense, net of amounts capitalized increased \$98 million, or 7.7%, in 2024 as compared to 2023. The increase primarily reflects approximately \$43 million related to higher interest rates and \$37 million related to higher average outstanding borrowings, as well as a net decrease of \$35 million in AFUDC debt and capitalized interest primarily related to Plant Vogtle Units 3 and 4 at Georgia Power and Plant Barry Unit 8 at Alabama Power. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein, Note 2 to the financial statements under "Alabama Power – Rate CNP New Plant" and "Georgia Power – Nuclear Construction," and Note 8 to the financial statements for additional information.

Income Taxes

Income taxes increased \$420 million, or 72.0%, in 2024 as compared to 2023. The increase was primarily due to higher pre-tax earnings, a \$197 million decrease in the flowback of certain excess deferred income taxes at Alabama Power, and a \$112 million increase in charges to a valuation allowance on certain state tax credit carryforwards at Georgia Power, partially offset by an increase of \$79 million in the generation of advanced nuclear PTCs at Georgia Power and \$26 million from the recognition of certain state tax positions from amended returns at Georgia Power. See Note 10 to the financial statements for additional information.

Net Loss Attributable to Noncontrolling Interests

Substantially all noncontrolling interests relate to renewable projects at Southern Power. Net loss attributable to noncontrolling interests increased \$14 million, or 11.0%, in 2024 as compared to 2023. The increased loss was primarily due to \$23 million in higher HLBV loss allocations to Southern Power's tax equity partners, partially offset by \$12 million in higher income allocations to Southern Power's equity partners.

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 and gas marketing services.

Management's Discussion and Analysis of Financial Condition and Results of Operations

A condensed statement of income for the gas business follows:

	2024	Increase (Decrease) from 2023
	<i>(in millions)</i>	
Operating revenues	\$4,456	\$(246)
Cost of natural gas	1,196	(448)
Other operations and maintenance	1,235	(40)
Depreciation and amortization	650	68
Taxes other than income taxes	248	(14)
Total operating expenses	3,329	(434)
Operating income	1,127	188
Earnings from equity method investments	146	6
Interest expense, net of amounts capitalized	341	31
Other income (expense), net	66	9
Income taxes	258	47
Net income	\$ 740	\$ 125

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. During the Heating Season, more customers are connected to Southern Company Gas' distribution systems and natural gas usage is higher in periods of colder weather. As a result, operating results can vary significantly from quarter to quarter. For 2024, the percentage of operating revenues and net income generated during the Heating Season was 62% and 80%, respectively. For 2023, the percentage of operating revenues and net income generated during the Heating Season was 67% and 73%, respectively.

Operating Revenues

Operating revenues in 2024 were \$4.5 billion, reflecting a \$246 million, or 5.2%, decrease compared to 2023. Details of operating revenues were as follows:

	2024
	<i>(in millions)</i>
Operating revenues – prior year	\$4,702
Estimated change resulting from –	
Rate changes	243
Gas costs and other cost recovery	(407)
Gas marketing services	(30)
Other	(52)
Operating revenues – current year	\$4,456

Revenues increased from rate changes in 2024 primarily due to base rate increases at the natural gas distribution utilities. See Note 2 to the financial statements under "Southern Company Gas – Rate Proceedings" for additional information.

Revenues associated with gas costs and other cost recovery decreased in 2024 primarily due to lower natural gas cost recovery associated with lower natural gas prices and lower demand associated with 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 gas marketing services decreased in 2024 primarily due to lower commodity prices.

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. Southern Company Gas also utilizes weather hedges to limit the negative income impacts in the event of warmer-than-normal weather in Illinois for gas distribution operations and in Illinois and Georgia for gas marketing services. Therefore, weather typically does not have a significant net income impact.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Cost of Natural Gas

Excluding Atlanta Gas Light, which does not sell natural gas to end-use customers, the natural gas distribution utilities' 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 Note 2 to the financial statements under "Southern Company Gas – Natural Gas Cost Recovery" for additional information. Cost of natural gas at the natural gas distribution utilities represented 80.3% of the total cost of natural gas for 2024.

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, and gains and losses associated with certain derivatives.

Cost of natural gas was \$1.2 billion, a decrease of \$448 million, or 27.3%, in 2024 as compared to 2023, which reflects lower gas cost recovery in 2024 as a result of a 17.1% decrease in natural gas prices compared to 2023.

Other Operations and Maintenance Expenses

Other operations and maintenance expenses decreased \$40 million, or 3.1%, in 2024 as compared to 2023. The decrease was primarily due to prior year regulatory disallowances totaling \$88 million at Nicor Gas and decreases of \$12 million related to energy services contracts and \$9 million in expenses passed through to customers primarily related to bad debt and energy efficiency programs at the natural gas distribution utilities, partially offset by increases of \$56 million in compensation and benefit expenses and \$20 million in survey, locate, and inspection expenses for distribution gas mains. See Note 2 to the financial statements under "Southern Company Gas" for additional information.

Depreciation and Amortization

Depreciation and amortization increased \$68 million, or 11.7%, in 2024 as compared to 2023. The increase was primarily due to continued 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.

Interest Expense, Net of Amounts Capitalized

Interest expense, net of amounts capitalized increased \$31 million, or 10.0%, in 2024 as compared to 2023. The increase reflects approximately \$17 million related to higher average outstanding borrowings and \$14 million related to higher interest rates. See FINANCIAL CONDITION AND LIQUIDITY – "Sources of Capital" and "Financing Activities" herein and Note 8 to the financial statements for additional information.

Income Taxes

Income taxes increased \$47 million, or 22.3%, in 2024 as compared to 2023. The increase was primarily due to higher pre-tax earnings. See Note 10 to the financial statements 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, which provides distributed energy and resilience solutions and deploys microgrids for commercial, industrial, governmental, and utility customers; Southern Holdings, which invests in various 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.

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

	2024	Increase (Decrease) from 2023
	<i>(in millions)</i>	
Operating revenues	\$ 665	\$ 111
Cost of other sales	411	56
Other operations and maintenance	213	38
Depreciation and amortization	71	(6)
Taxes other than income taxes	4	—
Total operating expenses	699	88
Operating income (loss)	(34)	23
Earnings (loss) from equity method investments	(16)	(21)
Interest expense	1,030	167
Other income (expense), net	(24)	(8)
Income taxes (benefit)	(292)	6
Net loss	\$ (812)	\$(179)

Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Revenues

Operating revenues for these other business activities increased \$111 million, or 20.0%, in 2024 as compared to 2023 primarily due to an increase of \$120 million at PowerSecure primarily related to distributed infrastructure projects, partially offset by a decrease of \$18 million at Southern Linc primarily related to equipment sales associated with commercial customers.

Cost of Other Sales

Cost of other sales for these other business activities increased \$56 million, or 15.8%, in 2024 as compared to 2023 primarily due to an increase of \$82 million at PowerSecure primarily related to distributed infrastructure projects, partially offset by a decrease of \$15 million at Southern Linc primarily related to equipment sales associated with commercial customers.

Other Operations and Maintenance

Other operations and maintenance expenses for these other business activities increased \$38 million, or 21.7%, in 2024 as compared to 2023 primarily due to an increase at the parent company primarily related to higher director compensation expenses.

Earnings (Loss) from Equity Method Investments

Earnings (loss) from equity method investments for these other business activities decreased \$21 million in 2024 as compared to 2023. The decrease was primarily due to investment losses at Southern Holdings. See Note 7 to the financial statements under "Southern Company" for additional information on Southern Holdings' equity method investments.

Interest Expense

Interest expense for these other business activities increased \$167 million, or 19.4%, in 2024 as compared to 2023. The increase primarily results from parent company financing activities and includes approximately \$88 million related to higher average outstanding borrowings and \$59 million related to higher interest rates. See Note 8 to the financial statements for additional information.

Income Taxes (Benefit)

The income tax benefit for these other business activities decreased \$6 million, or 2.0%, in 2024 as compared to 2023. The decrease was primarily due to a \$35 million tax benefit in 2023 at the parent company related to a reversal of an uncertain tax position associated with the 2019 sale of Gulf Power as well as higher pre-tax earnings at PowerSecure, largely offset by higher pre-tax losses at the parent company.

FUTURE EARNINGS POTENTIAL

General

Prices for electric service provided by the traditional electric operating companies and natural gas distribution service provided 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 through various regulatory mechanisms and/or processes and may be adjusted periodically within certain limitations. Effectively operating pursuant to these regulatory mechanisms and/or processes and appropriately balancing required costs and capital expenditures with customer prices will continue to challenge the traditional electric operating companies and the natural gas distribution utilities for the foreseeable future. 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 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. The Registrants are unable to predict changes in law, regulations, regulatory guidance, legal interpretations, policy positions, and implementation actions that may result from the change in presidential administrations.

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, including those related to projected long-term demand growth, stringent environmental standards, including CCR rules, safety, system reliability and resiliency, fuel, restoration following major storms, and capital expenditures, including constructing new electric generating plants, extending the retirement dates of certain fossil fuel plants, and expanding and improving the transmission and distribution systems; continued customer growth; and the trends of an uncertain inflationary environment and reduced electricity usage per customer, especially in residential and commercial markets.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Earnings in the electricity business will also depend upon maintaining and growing sales and pricing of large customers such that incremental costs are met with adequate incremental revenues, considering, among other things, recent trends driving projected growth in electricity consumption including the increasing digitization of the economy and growth in data centers, an increase in industrial activity in the Southern Company system's electric service territory, and continued electrification of transportation. These projected growth opportunities could be offset by energy efficiency trends in each market.

Global and U.S. economic conditions continue to be affected by higher-than-expected inflation that arose from the COVID-19 pandemic and associated policy responses of governments and central banks. In response to elevated inflation levels, the U.S. Federal Reserve raised interest rates faster than any rate increase cycle in the last 40 years, which have helped to slow the rate of inflation and curtail economic activity. In 2024, the U.S. Federal Reserve began cutting policy rates as inflation began to approach the 2% target level. Uncertainty remains as to whether the rate reductions will continue in 2025 as potential fiscal policy changes could influence inflation levels, progress to the 2% target, and subsequent policy rate decisions. This uncertainty in economic growth, interest rates, tariffs, and inflation could impact customer demand for energy and the cost of doing business. The shifting economic policy variables and weakening of historic relationships among economic activity, prices, and employment have increased the uncertainty of future levels of economic activity, which will directly impact future energy demand and operating costs. Weakening economic activity increases the risk of slowing or declining energy sales. See RESULTS OF OPERATIONS herein for information on energy sales in the Southern Company system's service territory during 2024.

The level of future earnings for Southern Power's competitive wholesale electric business depends on numerous factors including the parameters of the wholesale market and the efficient operation of its wholesale generating assets; Southern Power's ability to execute its growth strategy through the development, construction, or acquisition of renewable facilities and other energy projects while containing costs; regulatory matters; customer creditworthiness; total electric generating capacity available in Southern Power's market areas; Southern Power's ability to successfully remarket capacity as current contracts expire; renewable portfolio standards; continued availability of federal and state ITCs and PTCs, which could be impacted by future tax legislation; transmission constraints; cost of generation from units within the Southern Company power pool; and operational limitations. See "Income Tax Matters" herein for information regarding the IRA's expansion of the availability of federal ITCs and PTCs. Also see Notes 10 and 15 to the financial statements for additional information.

The level of future earnings for Southern Company Gas' primary business of distributing natural gas and its complementary businesses in the gas pipeline investments 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, including those related to projected long-term demand growth, safety, system reliability and resiliency, natural gas, and capital expenditures, including expanding and improving the natural gas distribution systems; the completion and subsequent operation of ongoing infrastructure and other construction projects; customer creditworthiness; and certain policies to limit the use of natural gas, such as the potential in Illinois and across certain other parts of the United States for state or municipal bans on the use of natural gas or policies designed to promote electrification. 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 business to capture value from locational and seasonal spreads. Additionally, changes in commodity prices, primarily driven by tight gas supplies, geopolitical events, and diminished gas production, subject a portion of Southern Company Gas' operations to earnings variability and may result in higher natural gas prices. Additional economic factors may contribute to this environment. The demand for natural gas may increase, which may cause natural gas prices to rise and drive higher volatility in the natural gas markets on a longer-term basis. Alternatively, a significant drop in oil and natural gas prices could lead to a consolidation of natural gas producers or reduced levels of natural gas production.

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; demand growth in data centers; customer energy conservation practices; the use of alternative energy sources by customers; government incentives to reduce overall energy usage; fuel, labor, and material prices in an environment of heightened inflation and material and labor supply chain disruptions; 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Mississippi Power provides service under long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under requirements cost-based electric tariffs which are subject to regulation by the FERC. The contracts with these wholesale customers represented 13.9% of Mississippi Power's total operating revenues in 2024. See Note 2 to the financial statements under "Mississippi Power – Municipal and Rural Associations Tariff" for information on a rate settlement related to Mississippi Power's contract with Cooperative Energy through the end of 2035, subject to approval by the FERC.

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, or the sale of interests in, 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 and "Construction Programs" herein for additional information.

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, avian and other wildlife and habitat protection, 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. New or revised environmental laws and regulations could further affect many areas of operations for the Subsidiary Registrants. 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 generally 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 extensions or retirements and replacements, 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, the outcome of pending and/or future legal challenges and regulatory matters, and the ability to continue recovering the related costs, through rates for the traditional electric operating companies and the natural gas distribution utilities and/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 for 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/or operating any type of existing or future 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 may have the potential to affect their demand for electricity and natural gas.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Although the timing, requirements, and estimated costs could change materially 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 2029 based on the current environmental compliance strategy for the Southern Company system and the traditional electric operating companies are as follows:

	2025	2026	2027	2028	2029	Total
	<i>(in millions)</i>					
Southern Company	\$236	\$523	\$357	\$494	\$218	\$1,828
Alabama Power	67	110	115	217	70	579
Georgia Power	158	396	222	266	138	1,180
Mississippi Power	11	17	20	10	10	68

These estimates do not include compliance costs associated with regulation of GHG emissions. See "Environmental Laws and Regulations – Greenhouse Gases" herein for additional information. The Southern Company system also anticipates substantial expenditures associated with surface impoundment closure and groundwater 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

Air Quality

Since 1990, the Southern Company system reduced SO₂ and NO_x air emissions by 99% and 92%, respectively, through 2023. Since 2005, the Southern Company system reduced mercury air emissions by 97% through 2023.

In February 2023, the EPA published a final rule disapproving 19 state implementation plans (SIPs), including SIPs submitted by the States of Alabama and Mississippi, under the interstate transport (good neighbor) provisions of the Clean Air Act for the 2015 Ozone National Ambient Air Quality Standards (NAAQS). In March 2023, the State of Mississippi and Mississippi Power challenged the EPA's disapproval of the Mississippi SIP in the U.S. Court of Appeals for the Fifth Circuit. In June 2023, the U.S. Court of Appeals for the Fifth Circuit stayed the EPA's disapproval of the Mississippi SIP, pending appeal. In April 2023, the State of Alabama, Alabama Power, and PowerSouth Energy Cooperative challenged the EPA's disapproval of the Alabama SIP in the U.S. Court of Appeals for the Eleventh Circuit. In August 2023, the U.S. Court of Appeals for the Eleventh Circuit stayed the EPA's disapproval of the Alabama SIP, pending appeal. On October 21, 2024, the U.S. Supreme Court issued an order granting review of a decision by the U.S. Court of Appeals for the Tenth Circuit transferring challenges to the EPA's disapproval of Oklahoma's and Utah's interstate transport SIPs to the U.S. Court of Appeals for the D.C. Circuit. On October 24, 2024, the U.S. Court of Appeals for the Eleventh Circuit placed the Alabama SIP disapproval case in abeyance pending the U.S. Supreme Court's decision on the venue issue.

In June 2023, the EPA published the 2015 Ozone NAAQS Good Neighbor federal implementation plan (FIP), which requires reductions in NO_x emissions from sources in 23 states, including Alabama and Mississippi, to assure those states satisfy their Clean Air Act good neighbor obligations for the 2015 Ozone NAAQS. Georgia and North Carolina have approved interstate transport SIPs addressing the 2015 Ozone NAAQS and are not subject to this rule. In June 2023, the State of Mississippi and Mississippi Power challenged the FIP for Mississippi in the U.S. Court of Appeals for the Fifth Circuit. In August 2023, the State of Alabama, Alabama Power, and PowerSouth Energy Cooperative challenged the FIP for Alabama in the U.S. Court of Appeals for the Eleventh Circuit. Both cases are being held in abeyance pending resolution of the Mississippi SIP disapproval and Alabama SIP disapproval cases, respectively. On June 27, 2024, the U.S. Supreme Court stayed the FIP pending the disposition of petitions for review of the FIP in the U.S. Court of Appeals for the D.C. Circuit and any petition for writ of certiorari to the U.S. Supreme Court. On September 12, 2024, the U.S. Court of Appeals for the D.C. Circuit granted the EPA's motion for partial voluntary remand of the FIP to address the administrative record deficiencies preliminarily identified by the U.S. Supreme Court. On December 10, 2024, the EPA published its supplemental response to comments on the FIP which addresses the administrative record deficiencies. On February 6, 2025, the EPA filed a motion in the U.S. Court of Appeals for the D.C. Circuit requesting a 60-day abeyance of the FIP challenges so that the new Trump Administration can determine how to proceed with the litigation.

In July and September 2023, the EPA published an Interim Final Rule and an updated Interim Final Rule that stays the implementation of the FIPs for states with judicially stayed SIP disapprovals, including Mississippi and Alabama, respectively. The Interim Final Rule revises the existing regulations to maintain currently applicable trading programs for those states.

The ultimate impact of the rule and associated legal matters cannot be determined at this time; however, implementation of the stayed FIPs may result in increased compliance costs.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Water Quality

In 2020, the EPA published the final steam electric ELG reconsideration rule (2020 ELG Rule), a reconsideration of the 2015 ELG rule's limits on bottom ash transport water and flue gas desulfurization wastewater that extended the latest applicability date for both discharges to December 31, 2025. The 2020 ELG Rule also updated the voluntary incentive program (VIP) and provided new subcategories for low utilization electric generating units and electric generating units that will permanently cease coal combustion by 2028. On May 9, 2024, the EPA published the final rule revising the Steam Effluent Guidelines (2024 ELG Rule), which establishes more stringent limits for flue gas desulfurization wastewater, bottom ash transport water, and combustion residual leachate to be met no later than December 31, 2029. The 2024 ELG Rule maintains the existing rule's permanent cessation of coal subcategory and the existing rule's VIP and adds a new cessation subcategory which allows units to cease coal combustion by December 31, 2034 as opposed to meeting the new more stringent requirements. The 2024 ELG Rule also establishes limitations for legacy wastewater which became effective on July 8, 2024. Numerous groups and states filed petitions for review challenging the rule in multiple federal circuit courts, and, on June 14, 2024, the challenges were consolidated in the U.S. Court of Appeals for the Eighth Circuit. On July 26, 2024, industry and state petitioners filed a motion to stay the rule pending judicial review, which was denied on October 10, 2024. The ultimate impact of the 2024 ELG Rule and associated legal matters cannot be determined at this time; however, it may result in significant compliance costs.

As required by the 2020 ELG Rule, in 2021, Alabama Power and Georgia Power each submitted initial notices of planned participation (NOPP) for applicable units seeking to qualify for these cessation of coal combustion or VIP subcategories that require compliance by December 31, 2028.

Alabama Power submitted its NOPP to the Alabama Department of Environmental Management (ADEM) indicating plans to retire Plant Barry Unit 5 (700 MWs) and to cease using coal and begin operating solely on natural gas at Plant Barry Unit 4 (350 MWs) and Plant Gaston Unit 5 (880 MWs). Alabama Power, as agent for SEGCO, indicated plans to retire Plant Gaston Units 1 through 4 (1,000 MWs). However, Alabama Power, in conjunction with Georgia Power, is evaluating extending the operation of Plant Gaston Units 1 through 4 beyond the indicated retirement date. The NOPP submittals are subject to the review of the ADEM. Plant Barry Unit 4 ceased using coal and began to operate solely on natural gas in December 2022. See Notes 2 and 7 to the financial statements under "Georgia Power – Integrated Resource Plans" and "SEGCO," respectively, for additional information.

The remaining assets for which Alabama Power has indicated retirement, due to early closure or repowering of the unit to natural gas, have net book values totaling approximately \$944 million (excluding capitalized asset retirement costs which are recovered through Rate CNP Compliance) at December 31, 2024. Based on an Alabama PSC order, Alabama Power is authorized to establish a regulatory asset to record the unrecovered investment costs, including the plant asset balance and the site removal and closure costs, associated with unit retirements caused by environmental regulations (Environmental Accounting Order). Under the Environmental Accounting Order, the regulatory asset would be amortized and recovered over an affected unit's remaining useful life, as established prior to the decision regarding early retirement, through Rate CNP Compliance. See Note 2 to the financial statements under "Alabama Power – Rate CNP Compliance" and " – Environmental Accounting Order" for additional information.

Georgia Power submitted its NOPP to the Georgia Environmental Protection Division (EPD) indicating plans to retire Plant Wansley Units 1 and 2 (926 MWs based on 53.5% ownership), which occurred in August 2022, Plant Bowen Units 1 and 2 (1,400 MWs), and Plant Scherer Unit 3 (614 MWs based on 75% ownership) on or before the compliance date of December 31, 2028. Georgia Power also submitted a NOPP indicating plans to pursue compliance with the 2020 ELG Rule for Plant Scherer Units 1 and 2 (137 MWs based on 8.4% ownership) through the VIP by no later than December 31, 2028. Georgia Power intends to comply with the ELG rules for Plant Bowen Units 3 and 4 through the generally applicable requirements by December 31, 2025; therefore, no NOPP submission was required for these units. The NOPP submittals and generally applicable requirements are subject to the review of the Georgia EPD and decisions related to retirement or continued operation of units are subject to Georgia PSC approval.

On January 31, 2025, Georgia Power filed its 2025 IRP, which includes a request to extend the operation of Plant Scherer Unit 3 through at least December 31, 2035 and Plant Gaston Units 1 through 4 (500 MWs based on 50% ownership through SEGCO) through at least December 31, 2034. As in the 2023 IRP Update as well as the 2025 IRP, Plant Bowen Units 1 and 2 were also assumed to operate through at least the end of 2035. See Notes 2 and 7 to the financial statements under "Georgia Power – Integrated Resource Plans" and "SEGCO," respectively, for additional information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Coal Combustion Residuals

In 2015, the EPA finalized non-hazardous solid waste regulations for the management and disposal of CCR, including coal ash and gypsum, in landfills and surface impoundments at active electric generating power plants. The CCR Rule requires landfills and surface impoundments to be evaluated against a set of performance criteria and potentially closed if certain criteria are not met. Closure of existing landfills and surface impoundments requires installation of equipment and infrastructure to manage CCR in accordance with the CCR Rule. In addition to the federal CCR Rule, the States of Alabama and Georgia finalized state regulations regarding the management and disposal of CCR within their respective states. In 2019, the State of Georgia received partial approval from the EPA for its state CCR permitting program, which has broader applicability than the federal rule. The State of Mississippi has not developed a state CCR permit program.

On June 7, 2024, the EPA published a final determination to deny the ADEM's CCR permit program. Alabama Power's permits to close its CCR facilities remain valid under state law. In the absence of an EPA-approved state permit program, CCR facilities in Alabama will remain subject to both the federal and state CCR rules. The ultimate impact of this action cannot be determined at this time; however, it may result in significant compliance costs.

The Holistic Approach to Closure: Part A rule, finalized in 2020, revised the deadline to stop sending CCR and non-CCR wastes to unlined surface impoundments to April 11, 2021 and established a process for the EPA to approve extensions to the deadline. The traditional electric operating companies stopped sending CCR and non-CCR wastes to their unlined surface impoundments prior to April 11, 2021 and, therefore, did not submit requests for extensions. Beginning in January 2022, the EPA issued numerous Part A determinations that state its current positions on a variety of CCR Rule compliance requirements, such as criteria for groundwater corrective action and CCR unit closure. The traditional electric operating companies are working with state regulatory agencies to determine whether the EPA's current positions may impact closure and groundwater monitoring plans.

In April 2022, the Utilities Solid Waste Activities Group and a group of generating facility operators filed petitions for review in the U.S. Court of Appeals for the D.C. Circuit challenging whether the EPA's January 2022 actions establish new legislative rules that should have gone through notice-and-comment rulemaking. On June 28, 2024, the U.S. Court of Appeals for the D.C. Circuit issued a decision dismissing the challenges to the EPA's January 2022 actions and interpretations related to the closure performance standards in the 2015 CCR rule. The ultimate impact of this decision and the EPA's current positions cannot be determined at this time; however, it may result in significant compliance costs.

On May 8, 2024, the EPA published the final legacy CCR surface impoundments rule which regulates two new categories of federally regulated CCR, legacy surface impoundments and CCR management units (CCRMUs). The rule requires legacy surface impoundments and CCRMUs to meet certain existing regulatory requirements, including a requirement to initiate closure within 42 months after the effective date of the final rule for legacy surface impoundments and within 54 months after the effective date of the final rule for CCRMUs. The final rule also includes an option to defer closure of previously closed units where certain criteria have been met. The final rule also includes enhanced reporting requirements. The EPA is also finalizing an alternative provision for closure by removal that will allow certifying completion of closure of a unit while conducting groundwater monitoring and corrective action during post-closure care. Numerous industry groups, electric generators, and states filed petitions for review challenging the rule in the U.S. Court of Appeals for the D.C. Circuit. On August 19, 2024, an industry petitioner filed a motion seeking to stay the legacy CCR rule pending judicial review, which was denied by the U.S. Court of Appeals for the D.C. Circuit on November 1, 2024. On November 5, 2024, the industry petitioner filed an emergency stay application with the U.S. Supreme Court, which was denied on December 11, 2024. On February 13, 2025, the U.S. Court of Appeals for the D.C. Circuit placed the legacy CCR rule challenges in abeyance for 120 days so that the new Trump Administration can determine how to proceed with the litigation. The ultimate impact of the final rule and associated legal matters cannot be determined at this time; however, it may result in significant compliance costs.

Based on requirements for closure and monitoring of landfills and surface impoundments 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 compliance monitoring, closure methodologies and strategies, 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" herein, Notes 2 and 3 to the financial statements under "Georgia Power – Rate Plans" and "General Litigation Matters – Alabama Power," respectively, and Note 6 to the financial statements for additional information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Greenhouse Gases

On May 9, 2024, the EPA published the final GHG rules for existing fossil fuel-fired steam electric generating units and new fossil fuel-fired combustion turbines and combined cycle generation facilities, which requires GHG limits for subcategories of both new and existing units. The new rules do not include standards for existing fossil fuel-fired combustion turbines and combined cycle generation facilities, which have been deferred to a future rulemaking. Requirements for existing coal-fired units are based on technologies such as carbon capture and sequestration (CCS) and natural gas co-firing. States have 24 months after the rule's publication to submit state plans for existing units. The rule allows states to consider remaining useful life and other factors to specify alternative, unit-specific emissions limits and compliance timelines for existing units, as needed to address reliability and other concerns. Existing source compliance will begin as early as January 1, 2030, depending on the subcategory. The final rule incorporates some limited reliability mechanisms including a provision for short-term grid emergencies and a "reliability assurance mechanism" that allows for a one-time, up to one year, extension of existing coal unit retirement dates specified in an approved state plan. The standards for new combustion turbines and combined cycles include subcategories for low, intermediate, and base load operations. Compliance with new source standards begins when the unit comes online, with requirements for CCS beginning on January 1, 2032. The EPA also simultaneously repealed the Affordable Clean Energy rule. Numerous industry groups, electric generators, and states have filed petitions for review challenging the rule in the U.S. Court of Appeals for the D.C. Circuit. A total of eight stay motions were filed seeking a stay of the rule pending judicial review, which were denied by the U.S. Court of Appeals for the D.C. Circuit on July 19, 2024. On February 5, 2025, the EPA filed a motion in the U.S. Court of Appeals for the D.C. Circuit requesting a 60-day abeyance of the challenges so that the new Trump Administration can determine how to proceed with the litigation. On October 16, 2024, the U.S. Supreme Court denied emergency stay applications filed by numerous industry groups, electric generators, and states. The ultimate impact of the final rules and associated legal matters cannot be determined at this time; however, it may result in significant compliance costs.

In 2021, the United States officially rejoined the Paris Agreement. 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. On January 20, 2025, President Trump issued an executive order directing the United States to withdraw from the Paris Agreement and revoke commitments made by the United States under the United Nations Framework Convention on Climate Change.

Additional GHG policies, including legislation, may emerge in the future requiring the United States to accelerate its 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, 15% natural gas, and 14% nuclear in 2007 to a mix of 18% coal, 52% natural gas, and 20% nuclear in 2024. This transition has been supported in part by the Southern Company system retiring over 6,700 MWs of coal-fired generating capacity since 2010 and converting 3,700 MWs of generating capacity from coal to natural gas since 2015, as well as the addition of over 1,100 MWs of nuclear generating capacity (based on Georgia Power's ownership interest in Plant Vogtle Units 3 and 4) since 2023. In addition, the Southern Company system's capacity mix consists of over 12,500 MWs of renewable and storage facilities through ownership (including 100% of the nameplate capacity of Southern Power's facilities owned with partners) and long-term PPAs. See "Environmental Laws and Regulations – Water Quality" herein for information on plans to retire or convert to natural gas additional coal-fired generating capacity. 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.

The following table provides the Registrants' 2023 and preliminary 2024 Scope 1 GHG emissions based on equity share of facilities:

	2023	Preliminary 2024
	<i>(in million metric tons of CO₂ equivalent)</i>	
Southern Company ^(*)	79	79
Alabama Power	28	30
Georgia Power	24	24
Mississippi Power	9	9
Southern Power	13	12
Southern Company Gas ^(*)	2	2

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

Management's Discussion and Analysis of Financial Condition and Results of Operations

Southern Company system management has established an intermediate goal of a 50% reduction in GHG emissions from 2007 levels by 2030 and a long-term goal of net zero GHG emissions by 2050. Based on the preliminary 2024 emissions, the Southern Company system has achieved an estimated GHG emission reduction of 49% since 2007. Although electric generation increased, GHG emissions remained flat in 2024 when compared to 2023 due to an increase in lower carbon generation, including from Plant Vogtle Units 3 and 4, as discussed further under RESULTS OF OPERATIONS – "Southern Company – Electricity Business" herein. While none of Southern Company's subsidiaries are currently subject to renewable portfolio standards or similar requirements, management of the traditional electric operating companies is working with applicable regulators through their IRP processes to continue the generating fleet transition in a manner responsible to customers, communities, employees, and other stakeholders. The natural gas distribution utilities also engage in long-term planning processes in accordance with their state regulatory processes and are investing in programs and efforts to reduce GHG emissions associated with the delivery and use of natural gas, such as advanced leak detection and repair and renewable natural gas. Achievement of these goals is dependent on various factors, many of which the Southern Company system does not control, including load growth across the Southern Company system's service territory, energy policy and regulations, natural gas prices, and the pace and extent of development and deployment of low- to no-GHG energy technologies and negative carbon concepts. Southern Company system management plans to continue to economically transition the Southern Company system's generating fleet through a diverse portfolio of resources including low-carbon and carbon-free resources; making the necessary related investments in transmission and distribution systems; continuing to implement effective energy efficiency and demand response programs; customer demand for carbon-free energy; implementing initiatives to reduce natural gas distribution emissions; continuing research and development with a 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. There is no guarantee that the Southern Company system will achieve these goals.

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.

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 Southern Company system strategy continues to include 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.

The traditional electric operating companies are engaged in continuous construction programs to accommodate existing and estimated future loads on their respective systems. Major generation construction projects are subject to state PSC approval in order to be included in retail rates. See Note 2 to the financial statements under "Georgia Power – Integrated Resource Plans" for information regarding Georgia Power's construction of three simple cycle combustion turbines at Plant Yates and additional capacity through its 2022 IRP and 2023 IRP Update sought through RFPs.

Southern Power's construction program includes the Millers Branch solar project and the Kay Wind repowering project. The Kay Wind repowering project results in accelerated depreciation related to the equipment being replaced that will continue until commercial operation of the project, which is projected to occur in the third quarter 2026. Pre-tax accelerated depreciation, net of noncontrolling interest impacts, is projected to total approximately \$100 million in 2025 and \$40 million in 2026. See Note 15 to the financial statements under "Southern Power" for information relating to Southern Power's construction of renewable energy facilities.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 resiliency, reduce emissions, 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 Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects" for additional information on Southern Company Gas' construction program.

SNG is developing an approximately \$3 billion proposed pipeline project, designed to meet customer demand by increasing SNG's existing pipeline capacity by approximately 1.3 billion cubic feet per day. Subject to the satisfaction or waiver of various conditions, including the receipt of all required approvals by regulators, including the FERC, the operator of the joint venture anticipates the project will be completed in 2029. Southern Company Gas' share of the total project costs would be 50%. The ultimate outcome of this matter cannot be determined at this time. See Note 7 to the financial statements under "Southern Company Gas" for additional information on SNG.

See FINANCIAL CONDITION AND LIQUIDITY – "Cash Requirements – Capital Expenditures" 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 certain of the traditional electric operating companies, other investor-owned utilities, IPPs, municipalities, electric cooperatives, 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, Fitch, 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. See FINANCIAL CONDITION AND LIQUIDITY – "Credit Rating Risk" herein for additional information.

Southern Power works to maintain and expand its share of the wholesale market. During 2024, Southern Power continued to be successful in remarketing up to 1,014 MWs of annual natural gas and solar generation capacity to load-serving entities through several PPAs extending over the next 16 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.

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 generating facilities are also primarily through long-term PPAs; however, these 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 associated renewable energy credits.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Southern Company receives ITCs and PTCs in connection with investments in solar, wind, fuel cell, advanced nuclear, hydroelectric, and battery energy storage facilities primarily at Southern Power, Georgia Power, and Alabama Power.

Southern Power's ITCs relate to its investment in new solar facilities and battery energy storage facilities (co-located with existing solar facilities) that are acquired or constructed and its PTCs relate to the first 10 years of energy production from its wind and solar facilities, which have had, and may continue to have, a material impact on Southern Power's cash flows and net income. At December 31, 2024, Southern Company and Southern Power had approximately \$765 million and \$384 million, respectively, of unutilized federal ITCs and PTCs, which are currently projected to be fully utilized by 2028 but could be further delayed. Since 2018, Southern Power has utilized tax equity partnerships for certain wind, solar, and battery energy storage projects, where the tax equity 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.

In the third quarter 2023 and the second quarter 2024, Georgia Power started generating advanced nuclear PTCs for Plant Vogtle Units 3 and 4, respectively, beginning on each unit's respective in-service date. PTCs are recognized as an income tax benefit based on KWH production. In addition, pursuant to the Vogtle Joint Ownership Agreements (as defined in Note 2 to the financial statements under "Georgia Power – Nuclear Construction – Cost and Schedule"), Georgia Power is purchasing advanced nuclear PTCs for Plant Vogtle Units 3 and 4 from the other Vogtle Owners. The gain recognized on the purchase of the joint owner PTCs is recognized as an income tax benefit. See Note 2 to the financial statements under "Georgia Power – Nuclear Construction" for additional information regarding Plant Vogtle Units 3 and 4.

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.

Inflation Reduction Act

In 2022, the IRA was signed into law. The IRA extends, expands, and increases ITCs and PTCs for clean energy projects, allows PTCs for solar projects, adds ITCs for stand-alone energy storage projects with an option to elect out of the tax normalization requirement, and allows for the transferability of the tax credits. The IRA extends and increases the tax credits for CCS projects and adds tax credits for clean hydrogen and nuclear projects. Additional ITC and PTC amounts are available if the projects meet domestic content requirements or are located in low-income or energy communities. The IRA also enacted a 15% CAMT on book income, with material adjustments for pension costs and tax depreciation. The 15% CAMT on book income can be reduced by tax credits.

For solar projects placed in service in 2022 through 2032, the IRA provides for a 30% ITC and an option to claim a PTC instead of an ITC. Starting in 2023 and through 2032, the IRA provides for a 30% ITC for stand-alone energy storage projects. For wind projects placed in service in 2022 through 2032, the IRA provides for a 100% PTC, adjusted for inflation annually. For projects placed in service before 2022, the 2024 PTC rate is 2.9 cents per KWH. For projects placed in service in 2022 and later, the 2024 PTC rate is 3 cents per KWH. The same PTC rate applies for solar projects for which the PTC option has been elected. To realize the full value of ITCs and PTCs, the IRA requires satisfaction of prevailing wage and apprenticeship requirements.

In April 2024, the IRS issued final regulations related to the transfer of tax credits. In 2024, Alabama Power, Georgia Power, and Southern Power entered into purchase and sale agreements with non-affiliated parties to sell ITCs and PTCs at a discount to the generated credit value in 2024, 2025, and 2026. The discount will be recorded as a reduction in tax credits recognized in the financial statements. The Southern Company system continues to explore the ability to efficiently monetize tax credits through third-party transferability agreements. See Note 10 to the financial statements for additional information.

Alabama Power and Georgia Power have nuclear generating facilities that may qualify to generate and claim PTCs under the IRA beginning in 2024.

Management's Discussion and Analysis of Financial Condition and Results of Operations

On September 12, 2024, the U.S. Treasury Department and the IRS issued a notice of proposed regulations that would address the application of the CAMT. Southern Company is evaluating the proposed regulations and is subject to the CAMT for the 2024 tax year, primarily driven by tax deductions for Georgia Power's storm restoration costs and the natural gas safe harbor tax accounting method change, based on interpretations of the early CAMT guidance. The CAMT will primarily be satisfied by tax credits for the 2024 tax year. The CAMT impacts operating cash flows of certain Registrants but will not impact the Registrants' net income. See Note 2 to the financial statements under "Georgia Power – Storm Damage Recovery" for additional information on Georgia Power's storm restoration costs. Also see "Natural Gas Safe Harbor Method" herein and Note 10 to the financial statements for additional information.

Implementation of the IRA provisions related to existing nuclear generating facilities and CAMT is subject to the issuance of additional guidance by the U.S. Treasury Department and the IRS. The Registrants are still evaluating the impacts, and the ultimate outcome of this matter cannot be determined at this time.

Georgia State Tax Legislation

On April 18, 2024, the State of Georgia enacted tax legislation that reduced the corporate income tax rate from 5.75% to 5.39% effective for the 2024 tax year. This legislation reduced the amount of Southern Company's and certain subsidiaries' income tax expense in the State of Georgia and existing state net accumulated deferred tax liabilities, increased regulatory liabilities at Georgia Power and Southern Company Gas, and reduces Georgia Power's ability to utilize certain state tax credits in the State of Georgia. The legislation did not have a material impact on the net income of the applicable Registrants.

Natural Gas Safe Harbor Method

In April 2023, the IRS issued Revenue Procedure 2023–15, which provides a safe harbor tax method of accounting that taxpayers may use to determine whether certain expenditures to maintain, repair, replace, or improve natural gas transmission and distribution property must be capitalized or allowed as repair deductions. The revenue procedure allows multiple alternatives for implementation which will result in a tax accounting method change for Southern Company Gas' eligible expenditures. On April 30, 2024, the IRS issued Revenue Procedure 2024–23, which gives additional implementation guidance on the natural gas safe harbor tax method of accounting for qualifying repair deductions. Southern Company and Southern Company Gas intend to submit a tax accounting method change for qualifying expenditures with the filing of the 2024 federal income tax return. The new tax method of accounting is expected to result in a material net positive cash flow for Southern Company Gas; however, the timing of this positive cash flow will be delayed by application of the CAMT. This method change will not have an impact on the net income of Southern Company and Southern Company Gas. See Note 10 to the financial statements under "Deferred Tax Assets and Liabilities – Tax Credit Carryforwards" for additional information.

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.

ACCOUNTING POLICIES

Application of Critical Accounting Policies and Estimates

The Registrants prepare their financial statements in accordance with GAAP, which requires the use of estimates, judgments, and assumptions. Significant accounting policies are described in the notes to the financial statements. Detailed further herein are certain estimates made in the application of these policies that may have a material impact on the results of operations, financial condition, 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 these critical accounting policies and estimates with the Audit Committee of Southern Company's Board of Directors. The following critical accounting policies and estimates include only those that are applicable to Southern Company.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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. Additionally, a regulatory agency may disallow recovery of all or a portion of certain assets. See Note 2 to the financial statements under "Southern Company Gas – Infrastructure Replacement Programs and Capital Projects – Nicor Gas" for information regarding the disallowance of certain capital investments at Nicor Gas.

Revenues related to regulated utility operations as a percentage of total operating revenues in 2024 for the applicable Registrants were as follows: 89% for Southern Company, 98% for Alabama Power, 95% for Georgia Power, 99% for Mississippi Power, and 87% 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.

Accounting for Income Taxes (Southern Company, Georgia Power, Mississippi Power, Southern Power, and Southern Company Gas)

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 except for certain credit utilization and state apportionment results. 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 net operating loss 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. See Note 10 to the financial statements under "Deferred Tax Assets and Liabilities – Tax Credit Carryforwards" and " – Net Operating Loss Carryforwards" for additional information.

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. Any apportionments and/or filing methodologies ultimately finalized in a manner inconsistent with expectations could have a material effect on the financial statements of the applicable Registrants.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Estimating AROs requires significant judgment. 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 surface impoundments. 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 Plants Hatch and Vogtle). 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. The cost estimates for Alabama Power are based on closure-in-place for all surface impoundments. The cost estimates for Georgia Power and Mississippi Power are based on a combination of closure-in-place for some surface impoundments and closure by removal for others. Additionally, the closure designs and plans in the States of Alabama and Georgia are subject to approval by environmental regulatory agencies. See Note 6 to the financial statements and FUTURE EARNINGS POTENTIAL – "Environmental Matters – Environmental Laws and Regulations – Coal Combustion Residuals" herein for additional information, including updates to AROs related to surface impoundments recorded during 2024 by certain Registrants.

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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The LRR on pension and other postretirement benefit plan assets is based on Southern Company's investment strategy, as described in Note 11 to the financial statements, 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.

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 2025	Projected Obligation for Pension Plan at December 31, 2024	Projected Obligation for Other Postretirement Benefit Plans at December 31, 2024
	<i>(in millions)</i>		
Discount rate:			
Southern Company	\$29/\$(24)	\$370/\$(351)	\$31/\$(30)
Alabama Power	\$8/\$(7)	\$89/\$(84)	\$8/\$(8)
Georgia Power	\$8/\$(7)	\$106/\$(101)	\$11/\$(10)
Mississippi Power	\$1/\$(1)	\$16/\$(16)	\$1/\$(1)
Southern Company Gas	\$2/\$(2)	\$24/\$(23)	\$3/\$(3)
Salaries:			
Southern Company	\$15/\$(15)	\$75/\$(72)	\$-/\$-
Alabama Power	\$4/\$(4)	\$20/\$(20)	\$-/\$-
Georgia Power	\$4/\$(4)	\$20/\$(19)	\$-/\$-
Mississippi Power	\$1/\$(1)	\$3/\$(3)	\$-/\$-
Southern Company Gas	\$1/\$(1)	\$2/\$(2)	\$-/\$-
Long-term return on plan assets:			
Southern Company	\$40/\$(41)	N/A	N/A
Alabama Power	\$10/\$(10)	N/A	N/A
Georgia Power	\$13/\$(13)	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.

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

Goodwill (Southern Company and Southern Company Gas)

The acquisition method of accounting for business combinations 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 recorded at the reporting unit level, which 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. Goodwill is tested for impairment at the reporting unit level on an annual basis in the fourth quarter of the year and on an interim basis if events and circumstances occur that indicate goodwill may be impaired.

Goodwill is evaluated for impairment either under the qualitative assessment option or the quantitative option to determine the fair value of the reporting unit. If goodwill is determined to be impaired, an impairment loss measured at the amount by which the reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill, is recorded.

Goodwill for Southern Company and Southern Company Gas was \$5.2 billion and \$5.0 billion, respectively, at December 31, 2024. During 2022, Southern Company recorded a \$119 million impairment loss as a result of its annual goodwill impairment test for PowerSecure.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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" for additional information regarding the applicable Registrants' goodwill.

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

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 impairment indicator exists, the asset is tested for recoverability by comparing the asset carrying amount 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 amount of the asset, the fair value of the asset is determined and a loss is recorded equal to the difference between the carrying amount 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 amount 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. See Notes 1 and 15 to the financial statements for additional information, including recent asset impairments.

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.

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 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.

FINANCIAL CONDITION AND LIQUIDITY

Overview

The financial condition of each Registrant remained stable at December 31, 2024. 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 build new generation facilities to meet projected long-term demand requirements and to replace units being retired as part of the generation fleet transition, to maintain existing generation facilities, to comply with environmental regulations including adding environmental modifications to certain existing generating units and closures of surface impoundments, 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 transmission and 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 2024, Southern Power utilized federal tax credit carryforwards, which provided \$75 million in operating cash flows. For the three-year period from 2025 through 2027, each Registrant's projected stock dividends, capital expenditures, and debt maturities, as well as distributions to noncontrolling interests for Southern

Management's Discussion and Analysis of Financial Condition and Results of Operations

Power, are expected to exceed its operating cash flows. Southern Company plans to finance future cash needs in excess of its operating cash flows through one or more of the following: accessing borrowings from financial institutions, issuing debt, equity, and/or hybrid securities in the capital markets, and/or through its stock plans and its continuous equity offering program. Each Subsidiary Registrant plans to finance its future cash needs in excess of its operating cash flows primarily through external securities issuances, borrowings from financial institutions, and equity contributions from Southern Company. 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.

See Note 11 to the financial statements under "Pension Plans" for information on the Registrants' investments in their qualified pension plans. No mandatory contributions to the qualified pension plans are anticipated during 2025. See Note 6 to the financial statements under "Nuclear Decommissioning" for information on Alabama Power's and Georgia Power's investments in their respective nuclear decommissioning trust funds.

At the end of 2024, the market price of Southern Company's common stock was \$82.32 per share (based on the closing price as reported on the NYSE) and the book value was \$30.28 per share, representing a market-to-book value ratio of 272%, compared to \$70.12, \$28.83, and 243%, respectively, at the end of 2023.

Cash Requirements

Capital Expenditures

Total estimated capital expenditures, including LTSA and nuclear fuel commitments, for the Registrants through 2029 based on their current construction programs are as follows:

	2025	2026	2027	2028	2029
	<i>(in billions)</i>				
Southern Company ^{(a)(b)(c)(d)}	\$14.8	\$11.5	\$11.0	\$11.3	\$11.0
Alabama Power ^(a)	2.9	2.2	2.1	2.1	2.1
Georgia Power ^(b)	8.6	6.4	5.9	6.5	6.3
Mississippi Power	0.3	0.4	0.3	0.3	0.3
Southern Power ^(c)	0.9	0.3	0.1	0.1	0.1
Southern Company Gas ^(d)	2.0	2.1	2.5	2.2	2.1

(a) Includes amounts contingent upon approval by the Alabama PSC related to Alabama Power's October 2024 CCN filing totaling \$640 million in 2025, \$23 million in 2026, \$15 million in 2027, \$13 million in 2028, and \$107 million in 2029. See Note 2 to the financial statements under "Alabama Power – Petition for Certificate of Convenience and Necessity" for additional information.

(b) Includes committed expenditures in 2025 related to generation construction projects Georgia Power has bid through an RFP as initiated in the 2022 IRP. Excludes all other expenditures not yet approved of up to \$14 billion, excluding AFUDC, for Georgia Power-owned proposals in RFPs and related transmission investments through 2029. See Note 2 to the financial statements under "Georgia Power – Integrated Resource Plans" for additional information.

(c) Includes \$0.4 billion and \$0.1 billion in 2025 and 2026, respectively, related to the Millers Branch solar project and \$0.3 billion and \$0.1 billion in 2025 and 2026, respectively, related to the Kay Wind repowering project. Excludes approximately \$0.7 billion per year for 2025 and 2026 and \$0.8 billion per year for 2027 through 2029 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. See Note 15 to the financial statements under "Southern Power" for additional information regarding the Millers Branch solar project and the Kay Wind repowering project.

(d) Includes gas pipeline investment of approximately \$0.1 billion, \$0.2 billion, \$0.7 billion, \$0.4 billion, and \$0.2 billion for 2025 through 2029, respectively. See FUTURE EARNINGS POTENTIAL – "Construction Programs" herein for information regarding this project.

These capital expenditures include estimates to comply with environmental laws and regulations, but do not include compliance costs associated with regulation of GHG emissions. See FUTURE EARNINGS POTENTIAL – "Environmental Matters" herein for additional information. At December 31, 2024, significant purchase commitments were outstanding in connection with the Registrants' construction programs.

The traditional electric operating companies also anticipate continued expenditures associated with closure and monitoring of surface impoundments and landfills in accordance with the CCR Rule and the related state rules, which are reflected in the applicable Registrants' ARO liabilities. The cost estimates for Alabama Power are based on closure-in-place for all surface impoundments. The cost estimates for Georgia Power and Mississippi Power are based on a combination of closure-in-place for some surface impoundments and closure by removal for others. These estimated costs are likely to change, and could change materially, as assumptions and details pertaining to closure

Management's Discussion and Analysis of Financial Condition and Results of Operations

are refined and compliance activities continue. Current estimates of these costs through 2029 are provided in the table below. Material expenditures in future years for ARO settlements will also be required for surface impoundments, 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.

	2025	2026	2027	2028	2029
	<i>(in millions)</i>				
Southern Company	\$729	\$692	\$569	\$535	\$865
Alabama Power	364	299	237	216	282
Georgia Power	309	357	325	316	580
Mississippi Power	30	14	2	2	2

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, regulation, and/or tariff policy; the cost, availability, 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. In addition, there can be no assurance that costs related to capital expenditures and AROs 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.

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, 2024, 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.

Fuel and purchased power costs represent a significant component of funding ongoing operations for the traditional electric operating companies and Southern Power. Total estimated costs for fuel and purchased power commitments at December 31, 2024 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, 2024. As discussed under "Capital Expenditures" herein, estimated expenditures for nuclear fuel are included in the applicable Registrants' construction programs for the years 2025 through 2029. Nuclear fuel commitments at December 31, 2024 that extend beyond 2029 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.

	2025	2026	2027	2028	2029	Thereafter
	<i>(in millions)</i>					
Southern Company ^(*)	\$3,820	\$3,207	\$2,740	\$2,099	\$1,346	\$4,245
Alabama Power	1,356	1,055	891	695	305	1,039
Georgia Power ^(*)	1,371	1,195	1,046	866	623	1,759
Mississippi Power	447	428	371	271	197	866
Southern Power	709	595	501	340	221	581

(*) Excludes capacity payments related to Plant Vogtle Units 1 and 2, which are discussed in Note 3 to the financial statements under "Commitments."

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 2025 through 2029. Total estimated payments for LTSA commitments at December 31, 2024 that extend beyond 2029 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 2029)	\$1,416	\$317	\$120	\$142	\$837

In addition, Southern Power has certain other operations and maintenance agreements. Total estimated costs for these commitments at December 31, 2024 are provided in the table below.

	2025	2026	2027	2028	2029	Thereafter
	<i>(in millions)</i>					
Southern Power's operations and maintenance agreements	\$67	\$51	\$49	\$46	\$40	\$274

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. Gas supply commitments include amounts for gas commodity purchases associated with Nicor Gas and SouthStar of 39 million mmBtu at floating gas prices calculated using forward natural gas prices at December 31, 2024 and valued at \$136 million. 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, 2024 were as follows:

	Pipeline Charges, Storage Capacity, and Gas Supply
	<i>(in millions)</i>
2025	\$ 643
2026	374
2027	204
2028	197
2029	221
Thereafter	2,859
Total	\$4,498

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, hybrid, and/or equity issuances. Equity capital can be provided from any combination of Southern Company's stock plans, private placements, or public offerings.

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. Operating cash flows provide a substantial portion of the Registrants' cash needs.

The amount, type, and timing of any financings in 2025, 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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, 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.

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, up to 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, 2024, the amount of subsidiary retained earnings restricted to dividend totaled \$1.6 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.

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, 2024. The following table shows the amount by which current liabilities exceeded current assets at December 31, 2024 for the applicable Registrants:

At December 31, 2024	Southern Company	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
Current liabilities in excess of current assets	\$5,299	\$1,832	\$118	\$250	\$579

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, 2024, unused committed credit arrangements with banks were as follows:

At December 31, 2024	Southern Company parent	Alabama Power ^(a)	Georgia Power	Mississippi Power	Southern Power ^(b)	Southern Company Gas ^(c)	SEGCO	Southern Company
	<i>(in millions)</i>							
Unused committed credit	\$1,998	\$1,364	\$2,026	\$275	\$600	\$1,598	\$30	\$7,891

(a) Includes \$14 million at Alabama Property Company, a wholly-owned subsidiary of Alabama Power. Alabama Power is not party to this arrangement.

(b) At December 31, 2024, Southern Power also had two continuing letters of credit facilities for standby letters of credit, of which \$27 million was unused. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(c) Includes \$798 million and \$800 million at Southern Company Gas Capital and Nicor Gas, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 certain revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. At December 31, 2024, outstanding variable rate demand revenue bonds of the traditional electric operating companies with allocated liquidity support totaled approximately \$1.7 billion (comprised of approximately \$796 million at Alabama Power, \$819 million at Georgia Power, and \$69 million at Mississippi Power). In addition, at December 31, 2024, Alabama Power and Georgia Power had approximately \$207 million and \$157 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months. Alabama Power's \$207 million of fixed rate revenue bonds are classified as securities due within one year on its balance sheet as they are not covered by long-term committed credit. All other variable rate demand revenue bonds and fixed rate revenue bonds required to be remarketed within the next 12 months are classified as long-term debt on the balance sheets as a result of available long-term committed credit.

See Note 8 to the financial statements under "Bank Credit Arrangements" for additional information.

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,		
	2024	2023	2022	2024	2023	2022
	<i>(in millions)</i>					
Southern Company	\$1,338	\$2,314	\$2,609	4.8%	5.7%	4.9%
Alabama Power	—	40	—	—	5.5	—
Georgia Power	200	1,329	1,600	5.3	5.9	5.0
Mississippi Power	14	—	—	4.6	—	—
Southern Power	—	138	225	—	5.5	4.7
Southern Company Gas:						
Southern Company Gas Capital	\$ 283	\$ 23	\$ 285	4.7%	5.5%	4.8%
Nicor Gas	172	392	483	4.6	5.5	4.7
Southern Company Gas Total	\$ 455	\$ 415	\$ 768	4.7%	5.5%	4.7%

	Short-term Debt During the Period ^(*)								
	Average Amount Outstanding			Weighted Average Interest Rate			Maximum Amount Outstanding		
	2024	2023	2022	2024	2023	2022	2024	2023	2022
	<i>(in millions)</i>						<i>(in millions)</i>		
Southern Company	\$1,606	\$2,191	\$1,995	5.6%	5.6%	2.2%	\$3,211	\$3,270	\$2,894
Alabama Power	50	44	6	5.5	5.0	2.1	250	230	200
Georgia Power	560	1,440	673	6.0	5.8	3.1	1,422	2,260	1,710
Mississippi Power	40	56	8	5.4	5.5	1.6	154	169	71
Southern Power	125	158	166	5.4	5.6	2.3	256	359	350
Southern Company Gas:									
Southern Company Gas Capital	\$ 95	\$ 163	\$ 279	5.3%	5.3%	1.8%	\$ 405	\$ 440	\$ 547
Nicor Gas	141	88	349	5.3	5.1	2.1	397	483	830
Southern Company Gas Total	\$ 236	\$ 251	\$ 628	5.3%	5.2%	2.0%			

(*) Average and maximum amounts are based upon daily balances during the 12-month periods ended December 31, 2024, 2023, and 2022.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Analysis of Cash Flows

Net cash flows provided from (used for) operating, investing, and financing activities in 2024 and 2023 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>					
2024						
Operating activities	\$ 9,788	\$ 2,895	\$ 4,793	\$ 406	\$ 708	\$ 1,552
Investing activities	(9,400)	(1,987)	(4,896)	(373)	(330)	(1,711)
Financing activities	(208)	(732)	146	(58)	(354)	168
2023						
Operating activities	\$ 7,553	\$ 2,079	\$ 2,752	\$ 369	\$1,096	\$ 1,762
Investing activities	(9,668)	(2,196)	(5,079)	(370)	(265)	(1,656)
Financing activities	999	(161)	1,922	(20)	(820)	(154)

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 \$2.2 billion in 2024 as compared to 2023 primarily due to the timing of vendor payments, increased retail fuel cost recovery primarily at Georgia Power, and the timing of fossil fuel stock purchases, partially offset by the timing of customer receivable collections, storm restoration costs at Georgia Power, and decreased natural gas cost recovery at the natural gas distribution utilities.

The net cash used for investing activities in 2024 and 2023 was primarily related to the Subsidiary Registrants' construction programs.

The net cash used for financing activities in 2024 was primarily related to common stock dividend payments, a reduction in commercial paper borrowings, and a net decrease in short-term borrowings, partially offset by net issuances of long-term debt. The net cash provided from financing activities in 2023 was primarily related to net issuances of long-term debt and an increase in commercial paper borrowings, partially offset by common stock dividend payments and net repayments of short-term bank loans.

Significant Balance Sheet Changes

Southern Company

Significant balance sheet changes in 2024 for Southern Company included:

- an increase of \$4.8 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 securities due within one year) related to net issuances of senior notes, partially offset by the maturity of junior subordinated notes;
- an increase of \$1.8 billion in total common stockholders' equity primarily related to net income, partially offset by common stock dividend payments;
- a decrease of \$1.0 billion in notes payable due to a reduction in commercial paper borrowings and net repayments of short-term bank debt;
- an increase of \$0.8 billion in accounts payable primarily related to the timing of vendor payments and storm restoration costs at Georgia Power;
- a decrease of \$0.8 billion in deferred under recovered fuel clause revenues primarily due to increased fuel cost recovery at Georgia Power;
- an increase of \$0.8 billion in other regulatory assets, deferred primarily related to storm restoration costs at Georgia Power;
- an increase of \$0.7 billion in accumulated deferred income taxes primarily related to an increase in property-related and storm damage timing differences; and
- an increase of \$0.6 billion in prepaid pension costs primarily related to actuarial gains resulting from increases in the assumed discount rates and actual returns on plan assets.

See "Financing Activities" herein and Notes 1, 2, 5, 8, and 10 to the financial statements for additional information.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Financing Activities

The following table outlines long-term debt financing activities for the year ended December 31, 2024:

Company	Issuances and Reofferings		Maturities and Redemptions		
	Senior Notes	Other Long-Term Debt	Senior Notes	Revenue Bonds	Other Long-Term Debt ^(a)
	<i>(in millions)</i>				
Southern Company parent	\$3,050	\$ —	\$ 600	\$ —	\$ 863
Alabama Power	—	8	—	21	24
Georgia Power	2,117	—	400	—	109
Mississippi Power	250	—	200	—	1
Southern Company Gas	450	283	—	—	—
Other ^(b)	—	—	—	—	25
Elimination ^(c)	—	—	—	—	(21)
Southern Company	\$5,867	\$291	\$1,200	\$21	\$1,001

(a) Includes reductions in finance lease obligations resulting from cash payments under finance leases and, for Georgia Power, principal amortization payments totaling \$86 million for FFB borrowings. See Note 8 to the financial statements under "Long-term Debt – DOE Loan Guarantee Borrowings" for additional information.

(b) Includes repayment by SEGCO of \$20 million of its \$100 million principal amount long-term bank loan due November 15, 2025, which is guaranteed by Alabama Power. See Note 3 to the financial statements under "Guarantees" for additional information.

(c) 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 2024, Southern Company issued approximately 5.8 million shares of common stock primarily through equity compensation plans. Also during 2024, Southern Company entered into forward sale contracts for the issuance of shares of common stock that are expected to be settled in 2025. See Note 8 to the financial statements under "Equity Distribution Agreement" for additional information.

In February 2024, Southern Company issued an additional \$400 million aggregate principal amount of its Series 2023D 5.50% Senior Notes due March 15, 2029 (Series 2023D Senior Notes) and an additional \$400 million aggregate principal amount of its Series 2023E 5.70% Senior Notes due March 15, 2034 (Series 2023E Senior Notes). Upon these issuances, the aggregate principal amount of outstanding Series 2023D Senior Notes and Series 2023E Senior Notes was \$1.0 billion and \$1.1 billion, respectively.

Also in February 2024, Southern Company borrowed \$300 million pursuant to a short-term uncommitted bank credit arrangement, which was repaid in March 2024.

Also in February 2024, Southern Company repaid at maturity \$600 million aggregate principal amount of its Series 2021A 0.60% Senior Notes.

In May 2024, Southern Company issued \$1.5 billion aggregate principal amount of its Series 2024A 4.50% Convertible Senior Notes due June 15, 2027 in a private offering. See Note 8 to the financial statements under "Convertible Senior Notes" for additional information.

In August 2024, Southern Company repaid at maturity \$862.5 million aggregate principal amount of its Series 2019A Remarketable Junior Subordinated Notes.

In September 2024, Southern Company issued \$750 million aggregate principal amount of Series 2024B 4.85% Senior Notes due March 15, 2035.

Subsequent to December 31, 2024, Southern Company issued \$565 million aggregate principal amount of Series 2025A 6.50% Junior Subordinated Notes due March 15, 2085.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Alabama Power

In January 2024, Alabama Power repaid at maturity its obligations with respect to approximately \$21 million aggregate principal amount of The Industrial Development Board of the Town of Wilsonville (Alabama) Pollution Control Revenue Bonds (Alabama Power Company Gaston Plant Project), Series D.

In May 2024, Alabama Power entered into a \$50 million short-term floating rate bank loan, which it repaid at maturity in July 2024.

In October 2024, a subsidiary of Alabama Power repaid the remaining \$22 million outstanding principal amount of a \$39 million long-term floating rate bank loan entered into in December 2022 with a maturity date of December 12, 2029.

In December 2024, a subsidiary of Alabama Power borrowed \$1 million under a \$15 million credit line entered into in December 2024 with a maturity date of December 11, 2026.

Georgia Power

In January 2024, Georgia Power borrowed an additional \$150 million pursuant to a short-term uncommitted bank credit arrangement. In February 2024, Georgia Power repaid the aggregate \$250 million outstanding.

Also in February 2024, Georgia Power issued \$500 million aggregate principal amount of Series 2024A 5.004% Senior Notes due February 23, 2027 and \$900 million aggregate principal amount of Series 2024B 5.250% Senior Notes due March 15, 2034.

In June 2024, Georgia Power entered into a \$200 million short-term floating rate bank loan bearing interest based on term SOFR.

In July 2024, Georgia Power repaid \$210 million of a \$420 million short-term floating rate bank loan due November 2024. In August 2024, Georgia Power repaid the remaining \$210 million outstanding.

In September 2024, Georgia Power repaid at maturity \$400 million aggregate principal amount of its Series 2019A 2.20% Senior Notes.

In November 2024, Georgia Power issued approximately \$117 million aggregate principal amount of Series 2024C Floating Rate Senior Notes due November 15, 2074.

In December 2024, Georgia Power issued \$600 million aggregate principal amount of Series 2024D 4.55% Senior Notes due March 15, 2030.

Mississippi Power

In March 2024, Mississippi Power issued in a private placement \$100 million aggregate principal amount of Series 2024A 5.62% Senior Notes due March 15, 2034 and \$50 million aggregate principal amount of Series 2024B 5.72% Senior Notes due March 15, 2036. In June 2024, pursuant to the same agreement, Mississippi Power issued in a private placement \$100 million aggregate principal amount of Series 2024C 5.91% Senior Notes due June 15, 2054.

Also in June 2024, Mississippi Power repaid at maturity \$200 million aggregate principal amount of its Series 2021A Floating Rate Senior Notes.

Southern Company Gas

During 2024, Southern Company Gas received additional cash advances totaling \$8 million under a long-term financing agreement related to a construction contract, for a total aggregate outstanding balance of \$68 million.

In September 2024, Nicor Gas issued in a private placement \$25 million aggregate principal amount of 4.78% Series First Mortgage Bonds due September 15, 2031, \$100 million aggregate principal amount of 5.00% Series First Mortgage Bonds due September 15, 2034, and \$31 million aggregate principal amount of 5.58% Series First Mortgage Bonds due September 15, 2059. In December 2024, pursuant to the same agreement, Nicor Gas issued in a private placement \$50 million aggregate principal amount of 4.63% Series First Mortgage Bonds due December 15, 2029 and \$69 million aggregate principal amount of 5.66% Series First Mortgage Bonds due December 15, 2064.

In September 2024, Southern Company Gas Capital issued \$450 million aggregate principal amount of Series 2024A 4.95% Senior Notes due September 15, 2034, guaranteed by Southern Company Gas.

Credit Rating Risk

At December 31, 2024, 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, services at Plant Vogtle Units 3 and 4.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The maximum potential collateral requirements under these contracts at December 31, 2024 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	\$ 35	\$ 1	\$ —	\$ —	\$ 34	\$ —
At BBB- and/or Baa3	484	2	60	1	422	—
At BB+ and/or Ba1 or below	2,009	402	789	325	1,403	13

(*) 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 \$106 million of cash collateral posted related to PPA requirements at December 31, 2024.

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 Products Company (Chevron), have agreements under which Mississippi Power provides retail service to the Chevron refinery in Pascagoula, Mississippi through at least 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 May 2, 2024, S&P upgraded the issuer credit rating for Southern Company to A- from BBB+. Due to S&P's rating methodology, the upgrade of Southern Company's issuer credit rating resulted in the upgrade of the senior unsecured long-term debt ratings of Mississippi Power, Southern Company Gas Capital, and Atlanta Gas Light to A- from BBB+, the senior unsecured long-term debt rating of Georgia Power to A from BBB+, the senior unsecured long-term debt rating of Alabama Power to A from A-, and the senior unsecured long-term debt ratings of Southern Company and Southern Power to BBB+ from BBB. Nicor Gas' long-term issuer rating remained at A-. S&P revised its credit rating outlook for Southern Company and its subsidiaries to stable from positive.

On August 20, 2024, Fitch upgraded the senior unsecured long-term debt ratings of Georgia Power and Mississippi Power to A from A-.

On September 26, 2024, Moody's upgraded the senior unsecured long-term debt rating of Southern Company to Baa1 from Baa2 and of Georgia Power to A3 from Baa1. Moody's also revised the ratings outlook for Southern Company to stable from positive.

Market Price Risk

The Registrants had no material change in market risk exposure for the year ended December 31, 2024 when compared to the year ended December 31, 2023. 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.

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 business also actively manages 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

Management's Discussion and Analysis of Financial Condition and Results of Operations

substantially protect economic margins (as spreads between wholesale and retail natural gas prices widen between periods) and thereby minimize exposure to declining earnings. 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, 2024 for the applicable Registrants:

At December 31, 2024	Southern Company ^(*)	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
	<i>(in millions, except percentages)</i>				
Long-term variable interest rate exposure	\$4,727	\$ 1,042	\$ 1,636	\$ 69	\$ 500
Weighted average interest rate on long-term variable interest rate exposure	4.77%	3.38%	4.16%	3.14%	4.98%
Impact on annualized interest expense of 100 basis point change in interest rates	\$ 47	\$ 10	\$ 16	\$ 1	\$ 5

(*) Includes \$1.4 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 Company and Southern Power had foreign currency denominated debt at December 31, 2024 and have each mitigated exposure to foreign currency exchange rate risk through the use of foreign currency swaps. See Note 14 to the financial statements under "Foreign Currency Derivatives" for additional information.

Changes in fair value of energy-related derivative contracts for Southern Company and Southern Company Gas for the years ended December 31, 2024 and 2023 are provided in the table below. At December 31, 2024 and 2023, 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, 2022, assets (liabilities), net	\$ (11)	\$ (37)
Contracts realized or settled	207	33
Current period changes ^(b)	(500)	(45)
Contracts outstanding at December 31, 2023, assets (liabilities), net	\$ (304)	\$ (49)
Contracts realized or settled	211	7
Current period changes ^(b)	54	52
Contracts outstanding at December 31, 2024, assets (liabilities), net	\$ (39)	\$ 10

(a) Excludes cash collateral held on deposit in broker margin accounts of \$17 million, \$62 million, and \$41 million at December 31, 2024, 2023, and 2022, respectively, and immaterial premium and intrinsic value associated with weather derivatives for all periods presented.

(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 at December 31, 2024 and 2023 for Southern Company and Southern Company Gas were as follows:

	Southern Company	Southern Company Gas
	<i>mmBtu Volume (in millions)</i>	
At December 31, 2024:		
Commodity – Natural gas swaps	255	—
Commodity – Natural gas options	176	83
Total hedge volume	431	83
At December 31, 2023:		
Commodity – Natural gas swaps	109	—
Commodity – Natural gas options	339	102
Total hedge volume	448	102

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 90 million mmBtu and short natural gas positions of 7 million mmBtu at December 31, 2024 and the net of long natural gas positions of 112 million mmBtu and short natural gas positions of 10 million mmBtu at December 31, 2023.

For the Southern Company system, the weighted average swap contract cost per mmBtu was approximately \$0.15 per mmBtu below market prices at December 31, 2024 and was approximately \$0.76 per mmBtu below market prices at December 31, 2023. 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.

The Registrants use OTC 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. 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, 2024 were as follows:

	Fair Value Measurements of Contracts at December 31, 2024				
	Total Fair Value	Maturity			
		2025	2026 – 2027	2028 – 2029	Thereafter
		<i>(in millions)</i>			
Southern Company					
Level 1 ^(a)	\$ 7	\$ 6	\$ 1	\$—	\$—
Level 2 ^(b)	(46)	(52)	4	1	1
Southern Company total ^(c)	<u>\$(39)</u>	<u>\$(46)</u>	<u>\$ 5</u>	<u>\$ 1</u>	<u>\$ 1</u>
Southern Company Gas					
Level 1 ^(a)	\$ 7	\$ 6	\$ 1	\$—	\$—
Level 2 ^(b)	3	3	—	—	—
Southern Company Gas total ^(c)	<u>\$ 10</u>	<u>\$ 9</u>	<u>\$ 1</u>	<u>\$—</u>	<u>\$—</u>

(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 \$17 million as well as immaterial premium and associated intrinsic value associated with weather derivatives.

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 generally enter into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's, S&P, or Fitch 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.

Credit Risk

Except as discussed herein, the Southern Company system is not exposed to any concentrations of credit risk.

Concentration of credit risk occurs at Atlanta Gas Light for amounts billed for services and other costs to its customers, which consist of the 14 Marketers in Georgia. For 2024, the four largest Marketers based on customer count, which includes SouthStar, accounted for 20% of Southern Company Gas' operating revenues.

Consolidated Statements of Income

For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
	(in millions)		
Operating Revenues:			
Retail electric revenues	\$17,790	\$16,343	\$18,197
Wholesale electric revenues	2,431	2,467	3,641
Other electric revenues	896	792	747
Natural gas revenues	4,456	4,702	5,962
Other revenues	1,151	949	732
Total operating revenues	26,724	25,253	29,279
Operating Expenses:			
Fuel	4,096	4,365	6,835
Purchased power	883	883	1,593
Cost of natural gas	1,196	1,644	3,004
Cost of other sales	668	560	396
Other operations and maintenance	6,539	6,093	6,824
Depreciation and amortization	4,755	4,525	3,663
Taxes other than income taxes	1,540	1,425	1,411
Estimated loss on Plant Vogtle Units 3 and 4	(21)	(68)	183
Total operating expenses	19,656	19,427	23,909
Operating Income	7,068	5,826	5,370
Other Income and (Expense):			
Allowance for equity funds used during construction	235	268	224
Earnings from equity method investments	139	144	151
Interest expense, net of amounts capitalized	(2,743)	(2,446)	(2,022)
Other income (expense), net	530	553	500
Total other income and (expense)	(1,839)	(1,481)	(1,147)
Earnings Before Income Taxes	5,229	4,345	4,223
Income taxes	969	496	795
Consolidated Net Income	4,260	3,849	3,428
Dividends on preferred stock of subsidiaries	—	—	11
Net loss attributable to noncontrolling interests	(141)	(127)	(107)
Consolidated Net Income Attributable to Southern Company	\$ 4,401	\$ 3,976	\$ 3,524
Common Stock Data:			
Earnings per share —			
Basic	\$ 4.02	\$ 3.64	\$ 3.28
Diluted	3.99	3.62	3.26
Average number of shares of common stock outstanding — (in millions)			
Basic	1,096	1,092	1,075
Diluted	1,102	1,098	1,081

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
		<i>(in millions)</i>	
Consolidated Net Income	\$4,260	\$3,849	\$3,428
Other comprehensive income (loss):			
Qualifying hedges:			
Changes in fair value, net of tax of \$(2), \$(17), and \$(19), respectively	(5)	(41)	(60)
Reclassification adjustment for amounts included in net income, net of tax of \$28, \$27, and \$23, respectively	80	69	73
Pension and other postretirement benefit plans:			
Benefit plan net gain (loss), net of tax of \$10, \$(14), and \$18, respectively	23	(39)	48
Reclassification adjustment for amounts included in net income, net of tax of \$—, \$—, and \$3, respectively	1	1	10
Total other comprehensive income (loss)	99	(10)	71
Dividends on preferred stock of subsidiaries	—	—	11
Comprehensive loss attributable to noncontrolling interests	(141)	(127)	(107)
Consolidated Comprehensive Income Attributable to Southern Company	\$4,500	\$3,966	\$3,595

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
	<i>(in millions)</i>		
Operating Activities:			
Consolidated net income	\$ 4,260	\$ 3,849	\$ 3,428
Adjustments to reconcile consolidated net income to net cash provided from operating activities —			
Depreciation and amortization, total	5,266	4,986	4,064
Deferred income taxes	536	63	670
Utilization of federal tax credit carryforward	90	353	88
Allowance for equity funds used during construction	(235)	(268)	(224)
Pension, postretirement, and other employee benefits	(556)	(527)	(436)
Settlement of asset retirement obligations	(566)	(617)	(455)
Storm damage and reliability reserve accruals	163	124	430
Stock based compensation expense	132	137	127
Estimated loss on Plant Vogtle Units 3 and 4	(21)	(68)	183
Retail fuel cost under recovery – long-term	(32)	(206)	(2,166)
Natural gas cost under recovery – long-term	—	—	207
Storm damage cost recovery – long-term	(631)	—	—
Other, net	(39)	(138)	226
Changes in certain current assets and liabilities —			
–Receivables	(372)	482	(771)
–Retail fuel cost under recovery	984	686	(100)
–Fossil fuel for generation	140	(368)	(125)
–Materials and supplies	(189)	(345)	(160)
–Natural gas cost under recovery	—	108	158
–Other current assets	(47)	(106)	(186)
–Accounts payable	492	(863)	1,021
–Accrued taxes	206	23	51
–Customer refunds	83	(157)	119
–Natural gas cost over recovery	(21)	214	—
–Other current liabilities	145	191	153
Net cash provided from operating activities	9,788	7,553	6,302
Investing Activities:			
Property additions	(8,955)	(9,095)	(7,923)
Nuclear decommissioning trust fund purchases	(1,551)	(1,142)	(1,125)
Nuclear decommissioning trust fund sales	1,535	1,121	1,112
Proceeds from dispositions	369	164	275
Cost of removal, net of salvage	(632)	(592)	(649)
Change in construction payables, net	106	18	203
Payments pursuant to LTSAs	(108)	(99)	(190)
Other investing activities	(164)	(43)	(133)
Net cash used for investing activities	(9,400)	(9,668)	(8,430)

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows (continued)

For the Years Ended December 31, 2024, 2023, and 2022

	2024	2023	2022
	<i>(in millions)</i>		
Financing Activities:			
Increase (decrease) in notes payable, net	(648)	973	(337)
Proceeds —			
Long-term debt	6,159	8,972	5,132
Short-term borrowings	700	350	2,650
Common stock	143	36	1,808
Redemptions and repurchases —			
Long-term debt	(2,222)	(4,294)	(2,158)
Short-term borrowings	(1,020)	(1,630)	(1,150)
Preferred stock	—	—	(298)
Distributions to noncontrolling interests	(185)	(234)	(259)
Payment of common stock dividends	(2,954)	(3,035)	(2,907)
Other financing activities	(181)	(139)	(145)
Net cash provided from (used for) financing activities	(208)	999	2,336
Net Change in Cash, Cash Equivalents, and Restricted Cash	180	(1,116)	208
Cash, Cash Equivalents, and Restricted Cash at Beginning of Year	921	2,037	1,829
Cash, Cash Equivalents, and Restricted Cash at End of Year	\$ 1,101	\$ 921	\$ 2,037
Supplemental Cash Flow Information:			
Cash paid during the period for —			
Interest (net of \$103, \$132, and \$103 capitalized, respectively)	\$ 2,538	\$ 2,184	\$ 1,758
Income taxes, net (excludes credit transfers)	176	132	146
Noncash transactions —			
Accrued property additions at year-end	1,199	1,027	1,024
LTSA credits utilized from the sale of spare parts	13	23	—
Contributions from noncontrolling interests	—	—	15
Issuance of common stock under dividend reinvestment plan	179	—	—

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets

At December 31, 2024 and 2023

Assets	2024	2023
	(in millions)	
Current Assets:		
Cash and cash equivalents	\$ 1,070	\$ 748
Receivables —		
Customer accounts	2,228	2,030
Unbilled revenues	825	786
Under recovered fuel clause revenues	713	696
Other accounts and notes	597	519
Accumulated provision for uncollectible accounts	(74)	(68)
Materials and supplies	2,178	1,989
Fossil fuel for generation	803	943
Natural gas for sale	388	420
Prepaid expenses	294	406
Assets from risk management activities, net of collateral	39	36
Regulatory assets – asset retirement obligations	353	274
Other regulatory assets	804	1,120
Other current assets	476	533
Total current assets	10,694	10,432
Property, Plant, and Equipment:		
In service	137,143	128,428
Less: Accumulated depreciation	40,126	37,725
Plant in service, net of depreciation	97,017	90,703
Other utility plant, net	410	499
Nuclear fuel, at amortized cost	873	858
Construction work in progress	6,389	7,784
Total property, plant, and equipment	104,689	99,844
Other Property and Investments:		
Goodwill	5,161	5,161
Nuclear decommissioning trusts, at fair value	2,621	2,424
Equity investments in unconsolidated subsidiaries	1,416	1,368
Other intangible assets, net of amortization of \$412 and \$376, respectively	332	368
Miscellaneous property and investments	668	665
Total other property and investments	10,198	9,986
Deferred Charges and Other Assets:		
Operating lease right-of-use assets, net of amortization	1,386	1,432
Deferred charges related to income taxes	889	886
Prepaid pension costs	2,674	2,079
Unamortized loss on reacquired debt	203	220
Deferred under recovered retail fuel clause revenues	485	1,261
Regulatory assets – asset retirement obligations, deferred	5,458	5,459
Other regulatory assets, deferred	7,037	6,264
Other deferred charges and assets	1,467	1,468
Total deferred charges and other assets	19,599	19,069
Total Assets	\$145,180	\$139,331

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets (continued)

At December 31, 2024 and 2023

Liabilities and Stockholders' Equity	2024	2023
	(in millions)	
Current Liabilities:		
Securities due within one year	\$ 4,718	\$ 2,476
Notes payable	1,338	2,314
Accounts payable	3,701	2,898
Customer deposits	486	503
Accrued taxes —		
Accrued income taxes	57	8
Other accrued taxes	997	860
Accrued interest	682	652
Accrued compensation	1,261	1,151
Asset retirement obligations	731	744
Liabilities from risk management activities, net of collateral	160	294
Operating lease obligations	200	183
Natural gas cost over recovery	193	214
Other regulatory liabilities	369	141
Other current liabilities	1,100	1,029
Total current liabilities	15,993	13,467
Long-Term Debt	58,768	57,210
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	11,730	10,990
Deferred credits related to income taxes	4,434	4,674
Accumulated deferred ITCs	2,056	2,067
Employee benefit obligations	1,011	1,115
Operating lease obligations, deferred	1,253	1,307
Asset retirement obligations, deferred	9,203	9,573
Other cost of removal obligations	2,016	1,957
Other regulatory liabilities, deferred	692	715
Other deferred credits and liabilities	1,350	1,031
Total deferred credits and other liabilities	33,745	33,429
Total Liabilities	108,506	104,106
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)	5,446	5,423
Paid-in capital	14,149	13,775
Treasury, at cost	(59)	(59)
Retained earnings	13,750	12,482
Accumulated other comprehensive loss	(78)	(177)
Total common stockholders' equity	33,208	31,444
Noncontrolling interests	3,466	3,781
Total Stockholders' Equity (See accompanying statements)	36,674	35,225
Total Liabilities and Stockholders' Equity	\$145,180	\$139,331
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, 2024, 2023, and 2022

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, 2021	1,061	(1)	\$5,279	\$11,950	\$ (47)	\$10,929	\$ (237)	\$4,402	\$32,276
Consolidated net income (loss)	—	—	—	—	—	3,524	—	(107)	3,417
Other comprehensive income	—	—	—	—	—	—	71	—	71
Stock issued	29	—	138	1,670	—	—	—	—	1,808
Stock-based compensation	—	—	—	44	—	—	—	—	44
Cash dividends of \$2.7000 per share	—	—	—	—	—	(2,907)	—	—	(2,907)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	—	88	88
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(259)	(259)
Other	—	—	—	9	(6)	(8)	(1)	—	(6)
Balance at December 31, 2022	1,090	(1)	5,417	13,673	(53)	11,538	(167)	4,124	34,532
Consolidated net income (loss)	—	—	—	—	—	3,976	—	(127)	3,849
Other comprehensive income (loss)	—	—	—	—	—	—	(10)	—	(10)
Stock issued	2	—	6	30	—	—	—	—	36
Stock-based compensation	—	—	—	73	—	—	—	—	73
Cash dividends of \$2.7800 per share	—	—	—	—	—	(3,035)	—	—	(3,035)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	—	21	21
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(236)	(236)
Other	—	—	—	(1)	(6)	3	—	(1)	(5)
Balance at December 31, 2023	1,092	(1)	5,423	13,775	(59)	12,482	(177)	3,781	35,225
Consolidated net income (loss)	—	—	—	—	—	4,401	—	(141)	4,260
Other comprehensive income	—	—	—	—	—	—	99	—	99
Stock issued	6	—	23	299	—	—	—	—	322
Stock-based compensation	—	—	—	56	—	—	—	—	56
Dividends of \$2.8600 per share	—	—	—	—	—	(3,133)	—	—	(3,133)
Capital contributions from noncontrolling interests	—	—	—	—	—	—	—	11	11
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(185)	(185)
Other	—	—	—	19	—	—	—	—	19
Balance at December 31, 2024	1,098	(1)	\$5,446	\$14,149	\$ (59)	\$13,750	\$ (78)	\$3,466	\$36,674

The accompanying notes are an integral part of these consolidated financial statements.

Index to the Notes to Financial Statements

64	Note 1	Summary of Significant Accounting Policies
77	Note 2	Regulatory Matters
96	Note 3	Contingencies, Commitments, and Guarantees
101	Note 4	Revenue from Contracts with Customers
105	Note 5	Property, Plant, and Equipment
108	Note 6	Asset Retirement Obligations
112	Note 7	Consolidated Entities and Equity Method Investments
114	Note 8	Financing
122	Note 9	Leases
128	Note 10	Income Taxes
135	Note 11	Retirement Benefits
158	Note 12	Stock Compensation
160	Note 13	Fair Value Measurements
166	Note 14	Derivatives
174	Note 15	Acquisitions and Dispositions
175	Note 16	Segment and Related Information

Notes to Financial Statements

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. Southern Power develops, constructs, acquires, owns, operates, and manages power generation assets, including renewable energy 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). Southern Company Gas is also involved in several other complementary businesses including gas pipeline investments 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. 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 Plants Hatch and Vogtle. PowerSecure develops distributed energy and resilience solutions and deploys microgrids for commercial, industrial, governmental, and utility customers.

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 an 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.

Recently Adopted Accounting Standards

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (ASU 2023-07), which requires entities to disclose significant segment expenses, other segment items, the title and position of the CODM, and information related to how the CODM assesses segment performance and allocates resources, among certain other required disclosures. Additionally, previous annual disclosures will be required in interim periods. The Registrants adopted ASU 2023-07 and applied the guidance retrospectively effective for the fiscal year beginning January 1, 2024. ASU 2023-07 will be applied retrospectively for the interim periods beginning January 1, 2025. See Note 16 for additional information and related disclosures.

Notes to Financial Statements

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 2024, 2023, and 2022 were as follows:

	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
			<i>(in millions)</i>		
2024	\$813	\$1,197	\$130	\$93	\$290
2023	611	857	113	86	261
2022	549	762	115	86	262

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; and other services with respect to business and operations. These costs are primarily included in other operations and maintenance expenses or capitalized to property, plant, and equipment. Costs for these services in 2024, 2023, and 2022 amounted to \$260 million, \$251 million, and \$267 million, respectively, for Alabama Power and \$835 million, \$899 million, and \$895 million, respectively, 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>	
2024	\$8	\$17
2023	4	13
2022	4	29

Georgia Power has entered into several PPAs with Southern Power and one PPA with Mississippi Power for capacity and energy. Georgia Power's total expenses associated with these PPAs were \$203 million, \$143 million, and \$151 million in 2024, 2023, and 2022, 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 \$149 million, \$145 million, and \$154 million for 2024, 2023, and 2022, respectively. Included within these revenues were affiliate PPAs accounted for as operating leases, which totaled \$121 million, \$116 million, and \$116 million for 2024, 2023, and 2022, respectively. Mississippi Power's total revenues from its PPA with Georgia Power, which commenced in 2024, were \$60 million in 2024 and are included in wholesale revenue affiliates on Mississippi Power's statements of income. See Notes 2 and 9 for additional information.

Notes to Financial Statements

SCS (as agent for Alabama Power, Georgia Power, and Southern Power) and certain subsidiaries of 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" for additional information. Transportation costs under these agreements in 2024, 2023, and 2022 were as follows:

	Alabama Power	Georgia Power	Southern Power	Southern Company Gas
			(in millions)	
2024	\$13	\$103	\$35	\$28
2023	12	101	34	28
2022	18	99	37	27

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, Georgia Power, Mississippi Power, and Southern Power for all periods presented.

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 \$7 million, \$5 million, and \$6 million in 2024, 2023, and 2022, respectively. See Notes 2 and 5 under "Mississippi Power – Integrated Resource Plans" and "Joint Ownership Agreements," respectively, for additional information.

Alabama Power, Georgia Power, and Mississippi Power each have agreements with PowerSecure for equipment purchases and/or services related to utility infrastructure construction, distributed energy, and energy efficiency projects. Costs under these agreements were immaterial for all periods presented.

Southern Company Gas has a \$74 million contract with the U.S. General Services Administration to increase energy efficiency at certain federal buildings across Georgia, which is expected to be completed in 2025. Southern Company Gas engaged PowerSecure to provide the majority of the construction services under the contract. During 2024, 2023, and 2022, Southern Company Gas paid \$13 million, \$29 million, and \$10 million, respectively, to PowerSecure related to this agreement.

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 \$25 million, \$33 million, and \$39 million for 2024, 2023, and 2022, 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. 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.

Notes to Financial Statements

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 recognized for estimated deliveries of electricity not yet billed to these customers from the last bill date to the end of the accounting 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 leases, normal sale derivatives, or contracts with customers. Capacity revenues from PPAs classified as operating leases are recognized on a straight-line basis over the term of the agreement. Energy revenues are recognized in the period the energy is delivered. Capacity revenues from PPAs classified as sales-type leases are recognized by accounting for interest income on the net investment in the lease.

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.

Notes to Financial Statements

Southern Company Gas

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. 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.

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, revenues are based on actual deliveries through the end of the period.

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.

Gas Distribution Operations

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. 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.

The tariffs for 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 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. Revenue related to alternative revenue programs was \$43 million, \$20 million, and \$(5) million in 2024, 2023, and 2022, respectively. These programs primarily consist of:

- *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 and Chattanooga Gas;
- *Revenue normalization mechanisms* – mitigate the impact of conservation and declining customer usage and are contained in the tariffs for Virginia Natural Gas and Nicor 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.

Gas Marketing Services

Gas marketing services is comprised of several choice-based natural gas marketers operating in various deregulated jurisdictions. While gas marketing services follows the same general approach to revenue recognition described for Southern Company Gas above, it recognizes revenues on certain 12-month utility-bill management contracts as the lesser of cumulative earned or cumulative billed amounts.

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), Southern Power, and Southern Company Gas each have a diversified base of customers and no single customer comprises 10% or more of each company's revenues.

Mississippi Power provides service under long-term contracts with rural electric cooperative associations and a municipality located in southeastern Mississippi under requirements cost-based MRA electric tariffs which are subject to regulation by the FERC. The contracts with these wholesale customers represented 13.9% of Mississippi Power's total operating revenues in 2024.

Notes to Financial Statements

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 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 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 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, which, together with the deferred credit, results 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 2024 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 "Deferred Tax Assets and Liabilities – Tax Credit Carryforwards" and "– Net Operating Loss Carryforwards" for additional information.

In April 2024, the IRS issued final regulations related to the transferability of certain tax credits under the IRA. Southern Company and certain subsidiaries have tax credits that are eligible to be transferred at a discount to the generated credit value. The discount will be recorded as a reduction in tax credits recognized in the financial statements. See Note 10 under "Current and Deferred Income Taxes" for additional information.

Under current tax law, Georgia Power is eligible to generate advanced nuclear PTCs for Plant Vogtle Units 3 and 4, which are recognized as an income tax benefit based on KWH production and are eligible to be transferred. Pursuant to the Vogtle Joint Ownership Agreements (as defined in Note 2 under "Georgia Power – Nuclear Construction – Cost and Schedule"), Georgia Power is purchasing advanced nuclear PTCs for Plant Vogtle Units 3 and 4 from the other Vogtle Owners. The gain recognized on the purchase of the joint owner PTCs is recognized as an income tax benefit.

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.

Notes to Financial Statements

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 \$112 million, \$129 million, and \$158 million in 2024, 2023, and 2022, 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 applicable Registrants in 2024, 2023, and 2022 was as follows:

	Southern Company	Alabama Power	Georgia Power ^(*)	Southern Power	Southern Company Gas
			(in millions)		
2024	\$ 339	\$ 76	\$ 209	\$ 7	\$ 47
2023	400	109	251	3	37
2022	327	90	213	—	24

(*) 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 through each unit's respective in-service date.

The average AFUDC composite rates for 2024, 2023, and 2022 for the traditional electric operating companies and the natural gas distribution utilities were as follows:

	2024	2023	2022
Alabama Power	8.1 %	8.1%	7.9%
Georgia Power ^(a)	7.7 %	7.6%	7.3%
Mississippi Power ^(b)	— %	—%	5.3%
Southern Company Gas:			
Atlanta Gas Light	7.7 %	7.4%	7.6%
Chattanooga Gas	7.1 %	7.1%	7.1%
Nicor Gas	5.6 %	4.6%	2.0%

(a) Excludes AFUDC related to the construction of Plant Vogtle Units 3 and 4 in 2022 and 2023 and Plant Vogtle Unit 4 in 2024. See Note 2 under "Georgia Power – Nuclear Construction" for additional information.

(b) Mississippi Power's AFUDC was immaterial in 2024 and 2023.

Impairment of Long-Lived Assets

The Registrants evaluate long-lived assets for impairment when events or changes in circumstances indicate that the carrying amount 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 amount, or an estimate of undiscounted future cash flows attributable to the asset group, as compared with the carrying amount of the assets. If an impairment has occurred, the amount of the impairment loss recognized is determined by either the amount of regulatory disallowance or by the amount the carrying amount exceeds the estimated fair value of the assets. For assets identified as held for sale, the carrying amount 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.

In the third quarter 2024, Alabama Power discontinued the development of a multi-use commercial facility. Given the decision to discontinue commercial development, Alabama Power performed an impairment test using a comparative market analysis and determined the carrying amount of the asset exceeded its fair value, net of selling costs. This resulted in a pre-tax impairment loss of \$36 million (\$27 million after tax) reflected in other operations and maintenance on the statements of income.

See Note 15 under "Southern Company Gas" for information regarding impairment charges recorded during 2022.

Notes to Financial Statements

Goodwill and Other Intangible Assets

Goodwill and other intangible assets not subject to amortization are evaluated for impairment on an annual basis and when events or changes in circumstances necessitate an evaluation for impairment. Other intangible assets subject to amortization are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

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 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.

For its 2024 annual goodwill impairment test, Southern Company Gas management performed the quantitative assessment, which resulted in the fair value of its reporting units with goodwill exceeding their carrying amounts. For its 2023 and 2022 annual goodwill impairment tests, Southern Company Gas management performed the qualitative assessment and determined that it was more likely than not that the fair value of its reporting units with goodwill exceeded their carrying amounts, and therefore no quantitative assessment was required.

For its 2024 annual goodwill impairment test, PowerSecure management performed the qualitative assessment and determined that it was more likely than not that the fair value of PowerSecure exceeded its carrying amount, and therefore no quantitative assessment was required. For its 2023 annual goodwill impairment test, PowerSecure management performed the quantitative assessment, which resulted in the fair value of PowerSecure exceeding its carrying amount. For its 2022 annual goodwill impairment test, PowerSecure management performed the quantitative assessment, which resulted in the fair value of PowerSecure being lower than its carrying amount. The fair value was estimated using a discounted cash flow analysis. The decline in fair value primarily resulted from declining macroeconomic conditions, reducing sales growth and estimated cash flows. As a result, a goodwill impairment of \$119 million was recorded in the fourth quarter 2022.

At December 31, 2024 and 2023, goodwill was as follows:

	At December 31, 2024	At December 31, 2023
	<i>(in millions)</i>	
Southern Company	\$5,161	\$5,161
Southern Company Gas:		
Gas distribution operations	\$4,034	\$4,034
Gas marketing services	981	981
Southern Company Gas total	\$5,015	\$5,015

At December 31, 2024 and 2023, other intangible assets were as follows:

	At December 31, 2024			At December 31, 2023		
	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						
Subject to amortization:						
Customer relationships	\$ 212	\$(182)	\$ 30	\$212	\$(172)	\$ 40
Trade names	64	(59)	5	64	(53)	11
PPA fair value adjustments	390	(168)	222	390	(148)	242
Other	3	(3)	—	3	(3)	—
Total subject to amortization	\$ 669	\$(412)	\$257	\$669	\$(376)	\$293
Not subject to amortization:						
FCC licenses	75	—	75	75	—	75
Total other intangible assets	\$ 744	\$(412)	\$332	\$744	\$(376)	\$368
Southern Power^(*)						
PPA fair value adjustments	\$ 390	\$(168)	\$222	\$390	\$(148)	\$242
Southern Company Gas^(*)						
Gas marketing services						
Customer relationships	\$ 156	\$(150)	\$ 6	\$156	\$(145)	\$ 11
Trade names	26	(23)	3	26	(21)	5
Total other intangible assets	\$ 182	\$(173)	\$ 9	\$182	\$(166)	\$ 16

(*) All subject to amortization.

Notes to Financial Statements

Amortization associated with other intangible assets in 2024, 2023, and 2022 was as follows:

	2024	2023	2022
		<i>(in millions)</i>	
Southern Company ^(a)	\$35	\$38	\$39
Southern Power ^(b)	20	20	20
Southern Company Gas			
Gas marketing services	7	10	11

(a) Includes \$20 million annually recorded as a reduction to operating revenues.

(b) Recorded as a reduction to operating revenues.

At December 31, 2024, the estimated amortization associated with other intangible assets for the next five years is as follows:

	2025	2026	2027	2028	2029
			<i>(in millions)</i>		
Southern Company	\$32	\$27	\$23	\$23	\$23
Southern Power	20	20	20	20	19
Southern Company Gas					
Gas marketing services	6	3	—	—	—

Acquisition Accounting

At the time of an acquisition, management will assess whether acquired assets and activities meet the definition of a business.

Acquisitions that meet the definition of a business are accounted for under the acquisition method, and operating results from the date of acquisition are included in the acquiring entity's financial statements. Identifiable assets acquired, liabilities assumed, and any noncontrolling interests (including any intangible assets) are recognized and measured at fair value. 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. See Note 15 for additional information, including recent and proposed acquisitions.

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. For potential or successful acquisitions that meet the definition of a business, any due diligence or transaction costs incurred are expensed as incurred. If the acquisition is accounted for as an asset acquisition, direct and incremental transaction costs can be capitalized as a component of the cost of the assets acquired.

Historically, any contingent consideration 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, 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 non-current assets on the balance sheets or reduce existing payables for LTSA-related work.

Notes to Financial Statements

already completed. 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, Cash Equivalents, and Restricted Cash

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.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that total to the amount shown in the statements of cash flows for the applicable Registrants:

	Southern Company	Alabama Power	Georgia Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>				
At December 31, 2024					
Cash and cash equivalents	\$1,070	\$585	\$ 97	\$159	\$43
Restricted cash ^(a) :					
Other current assets	31	—	21	9	1
Total cash, cash equivalents, and restricted cash^(b)	\$1,101	\$585	\$118	\$168	\$44
At December 31, 2023					
Cash and cash equivalents	\$ 748	\$324	\$ 9	\$124	\$33
Restricted cash ^(a) :					
Other current assets	141	85	37	17	2
Other deferred charges and assets	31	—	29	3	—
Total cash, cash equivalents, and restricted cash^(b)	\$ 921	\$409	\$ 75	\$144	\$35

(a) For Alabama Power and Georgia Power, reflects proceeds from the issuance of solid waste disposal facility revenue bonds in 2023 and 2022, respectively. See Note 8 under "Long-term Debt" for additional information. For Southern Power, reflects \$9 million and \$17 million at December 31, 2024 and 2023, respectively, resulting from an arbitration award held to fund future replacement costs and \$3 million at December 31, 2023 held to fund estimated construction completion costs at the Deuel Harvest wind facility. For Southern Company Gas, reflects collateral for workers' compensation, life insurance, and long-term disability insurance.

(b) Total may not add due to rounding.

Storm Damage and Reliability Reserves

In accordance with their respective state PSC orders, the traditional electric operating companies accrue certain amounts annually related to storm damage recovery. 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 facilities and, for Mississippi Power, the cost of uninsured damages to its generation facilities and other property. Alabama Power and Mississippi Power also have authority from the Alabama PSC and the Mississippi PSC, respectively, to accrue certain additional amounts as circumstances warrant. Alabama Power recorded an additional accrual of \$21 million in 2024, which is included in the table below.

Storm damage reserve activity for the traditional electric operating companies during 2023 and 2024 was as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power
	<i>(in millions)</i>			
Balance at December 31, 2022	\$ 216	\$ 97	\$ 83	\$ 36
Accrual	61	18	31	12
Weather-related damages	(211)	(39)	(168)	(4)
Balance at December 31, 2023	\$ 66	\$ 76	\$ (54)	\$ 44
Accrual	79	34	31	14
Weather-related damages	(850)	(40)	(804)	(6)
Balance at December 31, 2024	\$(705)	\$ 70	\$(827)	\$ 52

Notes to Financial Statements

The traditional electric operating companies accrued the following amounts related to storm damage recovery in 2022:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power
			<i>(in millions)</i>	
2022	\$ 239	\$ 19	\$ 213	\$ 7

In 2022, costs for weather-related damages charged against storm damage reserves totaled \$24 million and \$82 million for Alabama Power and Georgia Power, respectively, and were immaterial for Mississippi Power.

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.

During 2022, the Alabama PSC and the Mississippi PSC authorized Alabama Power and Mississippi Power, respectively, to make accruals to a reliability reserve if certain conditions are met. During 2024, 2023, and 2022, Alabama Power and Mississippi Power accrued the following amounts to their reliability reserves:

	Southern Company	Alabama Power	Mississippi Power
		<i>(in millions)</i>	
2024	\$ 84	\$ 63	\$ 21
2023	63	52	11
2022	191	166	25

See Note 2 under "Alabama Power – Reliability Reserve Accounting Order" and "Mississippi Power – Reliability Reserve Accounting Order" for additional information.

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 the average cost of propane gas inventory, liquefied natural 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, Southern Company Gas records natural gas inventories on a weighted average cost of gas 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, 2024, the Nicor Gas LIFO inventory balance was \$188 million. Based on the average cost of gas purchased in December 2024, the estimated replacement cost of Nicor Gas' inventory at December 31, 2024 was \$326 million.

Notes to Financial Statements

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.

Concentration of Credit Risk

Concentration of credit risk occurs at Atlanta Gas Light for amounts billed for services and other costs to its customers, which consist of 14 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.

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, and interest rates. 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', Southern Power's, and Southern Company Gas' 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 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, 2024.

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.

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 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 included in earnings in the period of change. These contracts are not designated as hedges for accounting purposes.

Notes to Financial Statements

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.

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, 2021	\$(162)	\$(76)	\$(237)
Current period change	13	58	71
Balance at December 31, 2022	(149)	(18)	(167)
Current period change	28	(38)	(10)
Balance at December 31, 2023	(121)	(56)	(177)
Current period change	75	24	99
Balance at December 31, 2024	\$ (46)	\$(32)	\$ (78)
Southern Power			
Balance at December 31, 2021	\$ 1	\$(29)	\$ (27)
Current period change	(10)	20	10
Balance at December 31, 2022	(9)	(9)	(18)
Current period change	8	(7)	1
Balance at December 31, 2023	(1)	(16)	(17)
Current period change	8	7	15
Balance at December 31, 2024	\$ 7	\$ (9)	\$ (2)
Southern Company Gas			
Balance at December 31, 2021	\$ (14)	\$ 38	\$ 24
Current period change	(11)	18	7
Balance at December 31, 2022	(25)	56	31
Current period change	1	(16)	(15)
Balance at December 31, 2023	(24)	40	16
Current period change	21	11	32
Balance at December 31, 2024	\$ (3)	\$ 51	\$ 48

(*) 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.

Notes to Financial Statements

2. REGULATORY MATTERS

Regulatory Assets and Liabilities

Details of regulatory assets and (liabilities) reflected in the balance sheets at December 31, 2024 and 2023 are provided in the following tables:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
	<i>(in millions)</i>				
At December 31, 2024					
AROs ^(*)	\$ 5,810	\$ 1,906	\$ 3,658	\$ 248	\$ —
Retiree benefit plans ^(*)	2,605	680	892	134	44
Remaining net book value of retired assets	1,198	454	729	15	—
Deferred income tax charges	927	264	634	27	—
Storm damage	859	—	827	32	—
Deferred depreciation	535	286	249	—	—
Environmental remediation ^(*)	249	—	16	—	233
Vacation pay ^(*)	224	85	112	12	15
Loss on reacquired debt	219	32	183	4	—
Software and cloud computing costs	200	76	116	4	4
Under recovered regulatory clause revenues	167	119	—	17	31
Regulatory clauses	162	82	—	—	80
Nuclear outage	92	39	53	—	—
Fuel-hedging (realized and unrealized) losses	69	23	29	17	—
Qualifying repairs of natural gas distribution systems	53	—	—	—	53
Long-term debt fair value adjustment	52	—	—	—	52
Plant Daniel Units 3 and 4	23	—	—	23	—
Other regulatory assets	184	42	40	30	72
Deferred income tax credits	(4,536)	(1,398)	(2,149)	(219)	(755)
Other cost of removal obligations	(1,176)	24	816	(170)	(1,846)
Over recovered regulatory clause revenues	(285)	(29)	(52)	—	(204)
Reliability reserves	(188)	(131)	—	(57)	—
Storm/property damage reserves	(122)	(70)	—	(52)	—
Nuclear fuel disposal cost recovery	(100)	(100)	—	—	—
Other regulatory liabilities	(180)	(28)	(14)	(6)	(31)
Total regulatory assets (liabilities), net	\$ 7,041	\$ 2,356	\$ 6,139	\$ 59	\$(2,252)
At December 31, 2023					
AROs ^(*)	\$ 5,733	\$ 1,936	\$ 3,505	\$ 247	\$ —
Retiree benefit plans ^(*)	3,011	815	976	140	146
Remaining net book value of retired assets	1,357	499	841	17	—
Deferred income tax charges	897	262	605	28	—
Under recovered regulatory clause revenues	413	381	—	12	20
Fuel-hedging (realized and unrealized) losses	270	100	121	49	—
Deferred depreciation	270	143	127	—	—
Environmental remediation ^(*)	255	—	20	—	235
Loss on reacquired debt	238	35	197	5	1
Vacation pay ^(*)	217	83	107	11	16
Software and cloud computing costs	150	59	84	2	5
Regulatory clauses	140	112	—	—	28
Storm damage	92	—	54	38	—
Nuclear outage	83	50	33	—	—
Long-term debt fair value adjustment	60	—	—	—	60
Qualifying repairs of natural gas distribution systems	40	—	—	—	40
Plant Daniel Units 3 and 4	25	—	—	25	—
Other regulatory assets	189	39	33	25	93
Deferred income tax credits	(4,686)	(1,506)	(2,161)	(241)	(759)
Other cost of removal obligations	(1,312)	28	617	(186)	(1,771)
Over recovered regulatory clause revenues	(287)	(3)	(46)	—	(238)
Reliability reserves	(179)	(143)	—	(36)	—
Storm/property damage reserves	(120)	(76)	—	(44)	—
Other regulatory liabilities	(333)	(94)	(23)	(2)	(101)
Total regulatory assets (liabilities), net	\$ 6,523	\$ 2,720	\$ 5,090	\$ 90	\$(2,225)

(*) Generally not earning a return as they are excluded from rate base or are offset in rate base by a corresponding asset or liability.

Notes to Financial Statements

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:

AROs and other cost of removal obligations – Generally recorded over the related property lives, which may range up to 64 years for Alabama Power, 54 years for Georgia Power, 67 years for Mississippi Power, and 85 years for Southern Company Gas. AROs and other cost of removal obligations are settled and trued up following completion of the related activities. Alabama Power is recovering CCR ARO expenditures over a 38-year period ending in 2054 through Rate CNP Compliance. Effective January 1, 2023, Georgia Power is recovering CCR ARO expenditures over four-year periods through its ECCR tariff. Prior to 2023, expenditures were recovered over three-year periods. See “Georgia Power – Rate Plans” herein and Note 6 for additional information.

Retiree benefit plans – Recovered and amortized over the average remaining service period, which may range up to 14 years for Alabama Power, Georgia Power, Mississippi Power, and 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.

Remaining net book value of retired assets –

Alabama Power: Primarily represents the net book value of Plant Gorgas Unit 10 (\$419 million at December 31, 2024) being amortized over 13 years (through 2037) and Plant Barry Unit 4 (\$35 million at December 31, 2024) being amortized over 10 years (through 2034). See “Alabama Power – Environmental Accounting Order” herein for additional information.

Georgia Power: Net book values of Plant Wansley Units 1 and 2 and Plant Hammond Units 3 and 4 (totaling \$418 million and \$302 million, respectively, at December 31, 2024) are being amortized over remaining periods between one and 11 years (between 2025 and 2035). Balance also includes unusable materials and supplies inventories, for which the Georgia PSC will determine a recovery period in a future base rate case.

Mississippi Power: Represents net book value of certain environmental compliance assets at Plant Watson and Plant Greene County. The retail portion is being amortized over 10 years (through 2033) and the wholesale portion is being amortized over 10 years (through 2034). See “Mississippi Power – Environmental Compliance Overview Plan” herein for additional information.

Deferred income tax charges and credits – Charges are recovered and credits are primarily amortized over the related property lives, which may range up to 64 years for Alabama Power, 54 years for Georgia Power, 67 years for Mississippi Power, and 85 years for Southern Company Gas. See Note 10 for additional information. These accounts include certain deferred income tax assets and liabilities not subject to normalization, as described further below:

Alabama Power: Related amounts at December 31, 2024 include excess federal deferred income tax liabilities that are available for the benefit of customers in 2025, as discussed under “Alabama Power – Excess Accumulated Deferred Income Tax Accounting Order” herein. Remaining amounts are being recovered and amortized ratably over the related property lives.

Georgia Power: Related amounts at December 31, 2024 include \$135 million of deferred income tax assets related to construction costs for Plant Vogtle Units 3 and 4 being recovered over 10 years (through 2034) and \$102 million of excess state deferred income tax liabilities that will be returned to customers in 2025. See “Georgia Power – Nuclear Construction – Regulatory Matters” herein for additional information on recovery of costs related to Plant Vogtle Units 3 and 4.

Southern Company Gas: Related amounts at December 31, 2024 include \$24 million of deferred income tax liabilities being amortized over periods generally not exceeding five years, primarily related to excess state deferred income tax liabilities. See “Southern Company Gas – Rate Proceedings” herein for additional information.

Storm damage – See “Georgia Power – Storm Damage Recovery” herein and Note 1 under “Storm Damage and Reliability Reserves” for additional information. Mississippi Power’s balance represents deferred storm costs associated with Hurricanes Ida and Zeta being recovered through PEP over seven years (through 2029).

Deferred depreciation –

Alabama Power: Represents deferred depreciation for Plant Barry Unit 5 (\$114 million at December 31, 2024) and Plant Barry common coal assets (\$48 million at December 31, 2024) to be amortized until 2036 beginning when Plant Barry Unit 5 is retired and Plant Gaston Unit 5 coal assets (\$124 million at December 31, 2024) to be amortized until 2039 beginning when the assets are retired.

Georgia Power: Represents deferred depreciation for Plant Scherer Units 1 through 3 (\$139 million at December 31, 2024) to be amortized over six years beginning in 2029 and Plant Bowen Units 1 and 2 (\$80 million at December 31, 2024) to be amortized over four years beginning in 2031, both as approved under Georgia Power’s 2022 ARP, and Plant Vogtle Unit 3 and common facilities (\$29 million at December 31, 2024) being amortized over 10 years (through 2034). See “Georgia Power – Nuclear Construction – Regulatory Matters” herein for additional information on recovery of costs related to Plant Vogtle Units 3 and 4.

Environmental remediation – Effective January 1, 2023, Georgia Power is recovering \$5 million annually for environmental remediation under the 2022 ARP. 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.

Notes to Financial Statements

Vacation pay – Recorded as earned by employees and recovered as paid, generally within one year. Includes both vacation and banked holiday pay, if applicable.

Loss on reacquired debt – Recovered over either the remaining life of the original issue or, if refinanced, over the remaining life of the new issue. At December 31, 2024, the remaining amortization periods do not exceed 23 years for Alabama Power, 28 years for Georgia Power, 17 years for Mississippi Power, and three years for Southern Company Gas.

Software and cloud computing costs – Represents certain deferred operations and maintenance costs associated with software and cloud computing projects. For Alabama Power, costs are amortized ratably over the life of the related software, which ranges up to 10 years (through 2034). For Georgia Power, costs incurred through 2022 are being amortized over five years (through 2027), and the recovery period for costs incurred after 2022 will be determined in its next base rate case. For Mississippi Power, the recovery period will be determined in Mississippi Power's annual PEP filing process following the completion of the projects and is expected to begin no earlier than 2026. For Southern Company Gas, costs are being amortized ratably over the life of the related software, which ranges up to 10 years (through 2034).

Under and over recovered regulatory clause revenues –

Alabama Power: Balances are recorded monthly and expected to be recovered over periods of up to six years, with the majority expected to be recovered within one year. 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, 2024, \$17 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.

Regulatory clauses –

Alabama Power: Effective January 1, 2023, balance is being amortized through Rate RSE over a five-year period ending in 2027.

Southern Company Gas: Represents amounts related to Nicor Gas' volume balancing adjustment rider expected to be recovered over a period of less than two years.

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.

Fuel-hedging (realized and unrealized) losses and gains – 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 four years for Mississippi Power. Immaterial amounts for fuel-hedging gains at December 31, 2024 and 2023 are included in other regulatory liabilities.

Qualifying repairs of natural gas distribution systems – Represents deferred costs of certain repairs at Atlanta Gas Light being amortized over 20 years.

Long-term debt fair value adjustment – Recovered over the remaining lives of the original debt issuances at acquisition, which range up to 14 years at December 31, 2024.

Plant Daniel Units 3 and 4 – Represents the difference between Mississippi Power's revenue requirement for Plant Daniel Units 3 and 4 under purchase accounting and operating lease accounting. At December 31, 2024, consists of the \$16 million retail portion being amortized through 2039 over the remaining life of the related property and the \$8 million wholesale portion being amortized over 10 years (through 2034).

Other regulatory assets – Comprised of numerous immaterial components with remaining amortization periods at December 31, 2024 generally not exceeding 19 years for Alabama Power, 10 years for Georgia Power, 10 years for Mississippi Power, and 15 years for Southern Company Gas.

Reliability reserves and storm/property damage reserves – Utilized as related expenses are incurred. See "Alabama Power – Rate NDR" and " – Reliability Reserve Accounting Order," "Georgia Power – Storm Damage Recovery," and "Mississippi Power – System Restoration Rider" and " – Reliability Reserve Accounting Order" herein and Note 1 under "Storm Damage and Reliability Reserves" for additional information.

Nuclear fuel disposal cost recovery – Represents award resulting from litigation related to nuclear fuel disposal costs. See Note 3 under "Nuclear Fuel Disposal Costs" for additional information.

Other regulatory liabilities – Comprised of numerous immaterial components with remaining amortization periods at December 31, 2024 generally not exceeding one year for Alabama Power, three years for Georgia Power, one year for Mississippi Power, and 20 years for Southern Company Gas.

Notes to Financial Statements

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.

Petition for Certificate of Convenience and Necessity

On October 24, 2024, Alabama Power entered into an agreement to acquire all of the equity interests in Tenaska Alabama Partners, L.P. for a total purchase price of approximately \$622 million, subject to working capital adjustments. Tenaska Alabama Partners, L.P. owns and operates the Lindsay Hill Generating Station, an approximately 855-MW combined cycle generation facility in Autauga County, Alabama. On October 30, 2024, Alabama Power filed a petition for a CCN with the Alabama PSC for authorization to procure additional generating capacity through the acquisition of the Lindsay Hill Generating Station.

As part of the acquisition, Alabama Power will assume an existing power sales agreement under which the full output of the generating facility remains committed to a third party through April 2027. Upon expiration of the power sales agreement, Alabama Power expects to recover costs associated with the Lindsay Hill Generating Station acquisition through Rate CNP New Plant, Rate CNP Compliance, Rate ECR, and Rate RSE.

The completion of the acquisition is subject to the satisfaction or waiver of certain conditions, including, among other customary closing conditions, approval by the Alabama PSC and the FERC, as well as the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act. Alabama Power expects to complete the acquisition by the end of the third quarter 2025.

The ultimate outcome of this matter cannot be determined at this time.

Renewable Generation Certificate

Through the issuance of a Renewable Generation Certificate (RGC), Alabama Power is authorized by the Alabama PSC to procure renewable capacity and energy and to market the related energy and environmental attributes to customers and other third parties. Under the original RGC, Alabama was authorized to procure up to 500 MWs of renewable capacity and energy. In June 2023, the Alabama PSC issued an order approving modifications to Alabama Power's RGC. The modifications authorized Alabama Power to procure an additional 2,400 MWs of renewable capacity and energy by June 14, 2029 and to market the related energy and environmental attributes to customers and other third parties. The modifications also increased the size of allowable renewable projects from 80 MWs to 200 MWs and increased the annual approval limit from 160 MWs to 400 MWs. Through December 31, 2024, Alabama Power has procured solar capacity totaling approximately 498 MWs under the RGC.

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.

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, 2024 and 2023, Alabama Power's equity ratio was approximately 53.9% and 52.3%, respectively.

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%. Alabama Power's ability to retain a portion of the revenue that causes the actual WCER for a given year to exceed the allowed range positions Alabama Power to address the pressure on its credit quality, without increasing retail rates under Rate RSE in the near term. There is no provision for additional customer billings should the actual retail return fall below the WCER range.

Retail rates under Rate RSE did not change for 2023 or 2024.

Notes to Financial Statements

For the years ended December 31, 2022, 2023, and 2024, Alabama Power's WCER exceeded 6.15%, resulting in Alabama Power establishing a current regulatory liability of \$62 million, \$15 million, and \$12 million, respectively, for Rate RSE refunds. In accordance with an Alabama PSC order issued in February 2023, Alabama Power refunded the 2022 amount to customers through bill credits in August 2023. The \$15 million regulatory liability at December 31, 2023 was refunded to customers through bill credits in April 2024. The \$12 million regulatory liability at December 31, 2024 will be refunded to customers through bill credits in May 2025.

On November 27, 2024, Alabama Power made its required annual Rate RSE submission to the Alabama PSC of projected data for calendar year 2025, resulting in an increase of 4.87%, or \$325 million annually, that became effective for the billing month of January 2025.

Excess Accumulated Deferred Income Tax Accounting Order

In 2022, the Alabama PSC directed Alabama Power to accelerate the amortization of a regulatory liability associated with excess federal accumulated deferred income taxes. Under this order, in 2023, approximately \$304 million was returned to customers through bill credits to offset the impact of the rate increase discussed under "Rate CNP Depreciation" herein.

In October 2023, the Alabama PSC issued an order modifying its 2022 order and authorizing Alabama Power to (i) flow back in 2023 approximately \$24 million of certain federal excess accumulated deferred income taxes resulting from the Tax Reform Legislation and (ii) make available any remaining balance of excess accumulated deferred income taxes at the end of 2023 for the benefit of customers in 2024 and/or 2025. At December 31, 2023, the remaining balance was \$81 million, of which approximately \$67 million was flowed back in 2024 and \$14 million will flow back in 2025 for the benefit of customers.

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.

In July 2022, the Alabama PSC approved a CCN authorizing Alabama Power to complete the acquisition of the Calhoun Generating Station. The transaction closed in September 2022, and, in October 2022, Alabama Power filed Rate CNP New Plant with the Alabama PSC to recover the related costs. The filing reflected an increase in annual revenues of \$34 million, or 0.6%, effective with November 2022 billings.

In 2020, the Alabama PSC approved a CCN authorizing Alabama Power to complete the acquisition of the Central Alabama Generating Station, which occurred in August 2020. Through May 2023, Alabama Power recovered substantially all costs associated with the Central Alabama Generating Station through Rate RSE, offset by revenues from a power sales agreement. Beginning in July 2022, fuel costs associated with Central Alabama Generating Station are being recovered through Rate ECR. In March 2023, Alabama Power filed Rate CNP New Plant with the Alabama PSC to recover costs associated with the acquisition of the Central Alabama Generating Station. The filing reflected an annual increase in retail revenues of \$78 million, or 1.1%, effective with June 2023 billings. On May 24, 2023, the Central Alabama Generating Station was placed into retail service.

The Alabama PSC's 2020 CCN also authorized Alabama Power to construct an approximately 720-MW combined cycle facility at Alabama Power's Plant Barry (Plant Barry Unit 8) and the recovery of estimated in-service costs. On November 1, 2023, the unit was placed in service. In December 2023, Alabama Power filed Rate CNP New Plant with the Alabama PSC to recover the related costs. The filing reflected an annual increase in retail revenues of \$91 million, or 1.4%, effective with January 2024 billings.

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 factors 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 2022 through 2024 and no adjustment is expected for 2025. At December 31, 2024 and 2023, Alabama Power had an under recovered Rate CNP PPA balance of \$84 million and \$103 million, respectively, of which \$17 million and \$18 million, respectively, is included in other regulatory assets, current and \$67 million and \$85 million, respectively, is included in other regulatory assets, deferred on Southern Company's and Alabama Power's balance sheets.

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

Notes to Financial Statements

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. Accordingly, changes in the billing factors 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 December 2022, December 2023, and November 2024, Alabama Power submitted calculations to the Alabama PSC associated with its cost of complying with governmental mandates for the following calendar year, as provided under Rate CNP Compliance. The 2022 filing reflected a \$255 million, or 3.7%, annual increase effective with January 2023 billings, primarily due to updated depreciation rates. The 2023 filing reflected a \$23 million, or 0.3%, annual decrease effective with January 2024 billings. The 2024 filing reflected a projected under recovered retail revenue requirement of \$50 million. On December 3, 2024, the Alabama PSC issued a consent order requiring Alabama Power to leave the 2024 Rate CNP Compliance factors in effect for 2025, with any prior year under collected amount deemed recovered before any current year amounts are recovered, and any remaining under recovered amounts reflected in the 2025 filing.

At December 31, 2024, Alabama Power had an under recovered Rate CNP Compliance balance of \$35 million which is included in other regulatory assets, deferred on Southern Company's and Alabama Power's balance sheets. At December 31, 2023, Alabama Power had an under recovered Rate CNP Compliance balance of \$33 million, of which \$8 million is included in other regulatory assets, current and \$25 million is included in other regulatory assets, deferred on Southern Company's and Alabama Power's balance sheets.

Rate CNP Depreciation

In 2022, the Alabama PSC approved Rate CNP Depreciation, which allows Alabama Power to recover changes in depreciation resulting from updates to certain depreciation rates, excluding any depreciation recovered through Rate CNP New Plant, Rate CNP Compliance, or costs associated with the capitalization of asset retirement costs. Rate CNP Depreciation resulted in an annual revenue increase of approximately \$318 million, or 4.6%, effective with January 2023 billings. No adjustments to Rate CNP Depreciation occurred during 2024 and no adjustment is expected for 2025.

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 the related operating cash flows. The Alabama PSC may approve billing rates under Rate ECR of up to 5.910 cents per KWH.

The Alabama PSC approved adjustments to Rate ECR from 1.960 cents per KWH to 2.557 cents per KWH, or approximately \$310 million annually, effective with August 2022 billings and from 2.557 cents per KWH to 3.510 cents per KWH, or approximately \$500 million annually, effective with December 2022 billings. In November 2023, the Alabama PSC approved a decrease to Rate ECR from 3.510 cents per KWH to 3.270 cents per KWH, or approximately \$126 million annually, effective with December 2023 billings. On May 7, 2024, the Alabama PSC approved a decrease to Rate ECR from 3.270 cents per KWH to 3.015 cents per KWH, or approximately \$135 million annually, effective with July 2024 billings. On December 3, 2024, the Alabama PSC approved an additional reduction to Rate ECR from 3.015 cents per KWH to 2.600 cents per KWH, or \$218 million annually, effective with January 2025 billings. The rate will adjust to 5.910 cents per KWH in January 2026 absent a further order from the Alabama PSC.

At December 31, 2024, Alabama Power's over recovered fuel costs totaled \$29 million and is included in other regulatory liabilities, current on Southern Company's and Alabama Power's balance sheets. At December 31, 2023, Alabama Power's under recovered fuel costs totaled \$246 million and is included in regulatory assets – under recovered retail fuel clause revenues on Southern Company's and Alabama Power's balance sheets. 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.

Plant Greene County

Alabama Power jointly owns Plant Greene County Units 1 and 2 with an affiliate, Mississippi Power. See Note 5 under "Joint Ownership Agreements" for additional information. Mississippi Power's 2024 IRP includes a schedule to retire Mississippi Power's 40% ownership interest in Plant Greene County Units 1 and 2 by the end of 2028. Alabama Power currently expects to retire Plant Greene County Units 1 and 2 (300 MWs based on 60% ownership) by the end of 2028. Alabama Power and Mississippi Power have continued to evaluate operating conditions and business needs relevant to the anticipated retirement of Plant Greene County Units 1 and 2. The ultimate outcome of this matter cannot be determined at this time. See "Mississippi Power – Integrated Resource Plans" herein for additional information.

Notes to Financial Statements

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 48-month period (24-month period prior to modifications approved by the Alabama PSC in 2022). 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. The maximum total Rate NDR charge was limited to \$10.00 per month per non-residential customer account and \$5.00 per month per residential customer account through July 12, 2022. Subsequently, modifications approved by the Alabama PSC replaced the maximum total Rate NDR charge with a maximum charge to recover a deficit of \$5.00 per month per non-residential customer account and \$2.50 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, which can be used to offset storm charges. Alabama Power made an additional accrual of \$21 million in 2024.

Alabama Power collected approximately \$12 million, \$12 million, and \$14 million in 2024, 2023, and 2022, respectively, under Rate NDR. Beginning with August 2022 billings, the reserve establishment charge was suspended and the reserve maintenance charge was activated as a result of the NDR balance exceeding \$75 million. Alabama Power expects to collect approximately \$12 million annually under Rate NDR unless the NDR balance falls below \$50 million. At December 31, 2024 and 2023, the NDR balance was \$70 million and \$76 million, respectively, and is included in other regulatory liabilities, deferred on Southern Company's and Alabama Power's balance sheets.

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.

Reliability Reserve Accounting Order

In 2022, the Alabama PSC approved an accounting order authorizing Alabama Power to create a reliability reserve separate from the NDR and transition the previous Rate NDR authority related to reliability expenditures to the reliability reserve. Alabama Power may make accruals to the reliability reserve if the NDR balance exceeds \$35 million. In July 2023, the Alabama PSC issued an order authorizing Alabama Power to expand the existing authority of its reliability reserve to include certain production-related expenses that are intended to maintain reliability in between scheduled generating unit maintenance outages.

At December 31, 2022, Alabama Power accrued \$166 million to the reserve. In August 2023 and on September 18, 2024, Alabama Power notified the Alabama PSC of its intent to use a portion of its reliability reserve balance in 2023 and 2024, respectively. As a result, Alabama Power had usage of the reliability reserve in the amount of \$23 million and \$12 million during the fourth quarter 2023 and 2024, respectively, for reliability-related transmission, distribution, and generation expenses and nuclear production-related expenses.

At December 31, 2024 and 2023, Alabama Power's reliability reserve balance was \$131 million and \$143 million, respectively, and is included in other regulatory liabilities, deferred on Southern Company's and Alabama Power's balance sheets.

Environmental Accounting Order

Based on an order from the Alabama PSC, 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.

With the completion of the Calhoun Generating Station acquisition, Alabama Power expected to retire Plant Barry Unit 5 in late 2023 or early 2024, subject to certain operating conditions. In 2022, Alabama Power reclassified approximately \$600 million for Plant Barry Unit 5 from plant in service, net of depreciation to other utility plant, net and will continue to depreciate the asset according to the original depreciation rates. Alabama Power has continued to evaluate operating conditions relevant to the expected retirement of Plant Barry Unit 5 and now expects to retire the unit on or before December 31, 2028. At retirement, Alabama Power will reclassify the remaining net investment costs of the unit to a regulatory asset to be recovered over the unit's remaining useful life, as established prior to the decision to retire, through Rate CNP Compliance. See "Rate CNP New Plant" herein for additional information.

Notes to Financial Statements

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 recovers its costs from the regulated retail business through traditional base tariffs, Demand-Side Management (DSM) tariffs, the ECCR tariff, and Municipal Franchise Fee (MFF) tariffs. These tariffs were set under the 2019 ARP for the years 2020 through 2022 and under the 2022 ARP for the years 2023 through 2025 as described herein. In addition, fuel costs are collected through a separate fuel cost recovery tariff.

See "Nuclear Construction – Regulatory Matters" herein for information regarding the approved recovery through retail base rates of certain costs related to Plant Vogtle Unit 3 and the common facilities shared between Plant Vogtle Units 3 and 4 (Common Facilities) that became effective August 1, 2023 based on the in-service date of July 31, 2023 for Unit 3, as well as base rate adjustments for the remaining costs related to Plant Vogtle Units 3 and 4 that became effective May 1, 2024 based on the in-service date of April 29, 2024 for Unit 4. Financing costs on certified construction costs of Plant Vogtle Units 3 and 4 were collected through Georgia Power's NCCR tariff until the inclusion of certified construction costs in rate base. When the base rate adjustments occurred following commercial operation of Unit 4, the NCCR tariff ceased to be collected and financing costs are now included in Georgia Power's general retail revenue requirements. See "Nuclear Construction" herein for additional information on Plant Vogtle Units 3 and 4.

Rate Plans

2022 ARP

In 2022, the Georgia PSC voted to approve the 2022 ARP, under which Georgia Power increased its rates on January 1, 2023. In November 2023 and on December 17, 2024, the Georgia PSC approved tariff adjustments effective January 1, 2024 and 2025, respectively. Details of tariff adjustments are provided in the following table:

Tariff	2023	2024	2025
		(in millions)	
Traditional base ^(a)	\$194	\$275	\$194
ECCR	(21)	(99)	126
DSM	37	10	(22)
MFF	6	5	9
Total ^(b)	\$216	\$191	\$306

(a) For 2025, net of \$122 million related to the Georgia state tax rate reduction.

(b) Totals may not add due to rounding.

In the 2022 ARP, the Georgia PSC approved recovery through the ECCR tariff of estimated CCR ARO compliance costs for 2023, 2024, and 2025 over four-year periods beginning January 1 of each respective year, with recovery of construction contingency beginning in the year following actual expenditures, resulting in \$20 million and \$60 million reductions in the related amortization for 2023 and 2024, respectively, and an increase of \$123 million in the related amortization for 2025. Compliance costs incurred were \$300 million and \$265 million in 2023 and 2024, respectively, and are expected to be \$330 million in 2025. The CCR ARO costs are expected to be revised for actual expenditures and updated estimates through future annual compliance filings.

Further, under the 2022 ARP, Georgia Power's retail ROE is set at 10.50% and its equity ratio is set at 56%. Earnings will be evaluated against a retail ROE range of 9.50% to 11.90%. Any retail earnings above 11.90% 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 2022 ARP, Georgia Power projects that its retail earnings will be below 9.50% for any calendar year, it may 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, 2026 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 2023 and 2024, Georgia Power's retail ROE was within the allowed retail ROE range.

Georgia Power is required to file a general base rate case by July 1, 2025, in response to which the Georgia PSC would be expected to determine whether the 2022 ARP should be continued, modified, or discontinued.

Notes to Financial Statements

2019 ARP

Georgia Power's retail ROE under the 2019 ARP was set at 10.50% and earnings were evaluated against a retail ROE range of 9.50% to 12.00%. Any retail earnings above 12.00% were shared, with 40% applied to reduce regulatory assets, 40% directly refunded to customers, and the remaining 20% retained by Georgia Power. In 2022, Georgia Power's retail ROE exceeded 12.00%, and Georgia Power reduced regulatory assets by \$117 million and refunded \$117 million to customers through bill credits in the first quarter 2023.

Integrated Resource Plans

2022 IRP

In 2022, the Georgia PSC approved Georgia Power's 2022 IRP, as modified by a stipulation among Georgia Power, the staff of the Georgia PSC, and certain intervenors and as further modified by the Georgia PSC.

In the 2022 IRP decision, the Georgia PSC approved, among other things, the certification of six PPAs (including five affiliate PPAs with Southern Power that are subject to approval by the FERC) with capacities of 1,567 MWs beginning in 2024, 380 MWs beginning in 2025, and 228 MWs beginning in 2028, procured through a capacity request for proposals (RFP) authorized in the 2019 IRP. On June 27, 2024, the FERC approved the five affiliate PPAs with Southern Power. See Note 9 for additional information.

In the third quarter 2024, Georgia Power entered into an agreement for engineering, procurement, and construction of a 265-MW battery energy storage facility, which is projected to be placed in service in 2026, as authorized in the 2022 IRP. Georgia Power is required to file quarterly construction monitoring reports with the Georgia PSC through commercial operation. The ultimate outcome of this matter cannot be determined at this time.

As included in the 2022 IRP final order, Georgia Power initiated an RFP of up to 8,500 MWs of capacity from a variety of resources with expected CODs or delivery commencement dates between 2028 and 2030. The RFP included Georgia Power-owned proposals. In conjunction with those proposals, Georgia Power entered into agreements for engineering, procurement, and construction through January 2025. Winning participants are expected to be notified in June 2025, and the Georgia PSC is anticipated to render a decision related to the certification of the winning submissions in the fourth quarter 2025. Depending on the outcomes of the RFP and certification processes, Georgia Power could spend up to \$14 billion, excluding AFUDC, on approved Georgia Power-owned proposals and related transmission investments through 2029. The ultimate outcome of this matter cannot be determined at this time.

2023 IRP Update

On April 16, 2024, the Georgia PSC approved Georgia Power's updated IRP as modified by a stipulation among Georgia Power, the staff of the Georgia PSC, and certain intervenors (2023 IRP Update), which set forth a plan to support the recent increase in the state of Georgia's economic development and Georgia Power's projected energy needs since the 2022 IRP. In the 2023 IRP Update decision, the Georgia PSC approved the following requests:

- Authority to develop, own, and operate up to 1,400 MWs from three simple cycle combustion turbines at Plant Yates with the recoverable costs not to exceed the certified amount, which was approved by the Georgia PSC on August 20, 2024. With this approval, the Georgia PSC recognized the potential for circumstances beyond Georgia Power's control that could cause the project costs to exceed the certified amount, in which case Georgia Power would provide documentation to the Georgia PSC to explain and justify potential recovery of additional reasonable and prudent costs. Georgia Power is required to file semi-annual construction monitoring reports with the Georgia PSC through commercial operation, the first of which was filed on February 14, 2025.
- Certification of an affiliate PPA with Mississippi Power for 750 MWs, which began January 1, 2024 and will continue through December 2028.
- Certification of a non-affiliate PPA for 230 MWs, which began May 1, 2024 and will continue through December 2028.
- Authority to develop, own, and operate up to 500 MWs of battery energy storage facilities, including storage systems co-located with existing Georgia Power-owned solar facilities with the recoverable costs not to exceed the certified amount, as approved by the Georgia PSC on December 3, 2024, as well as the issuance of an expedited RFP for an additional 500 MWs of battery energy storage facilities. Georgia Power is required to file quarterly construction monitoring reports for Georgia Power-owned resources with the Georgia PSC through commercial operation.
- Approval of transmission projects necessary to support the generation resources approved in the 2023 IRP Update.

The 2023 IRP Update assumed a retirement date at the end of 2035 for Plant Bowen Units 1 and 2 (1,400 MWs). See "2025 IRP" herein for additional information.

On January 12, 2024, Georgia Power entered into an agreement for engineering, procurement, and construction to construct three 442-MW simple cycle combustion turbine units at Plant Yates (Plant Yates Units 8, 9, and 10), which are projected to be placed in service in the fourth quarter 2026, the second quarter 2027, and the third quarter 2027, respectively.

Notes to Financial Statements

In the third quarter 2024, Georgia Power entered into agreements for engineering, procurement, and construction of four battery energy storage facilities totaling 500 MWs, which are projected to be placed in service in 2026.

At December 31, 2024, Georgia Power had recorded approximately \$760 million of combined capital costs, excluding AFUDC, for the 265-MW battery energy storage facility approved in the 2022 IRP, the 500 MWs of battery energy storage facilities approved in the 2023 IRP Update, and the 1,400 MWs from three simple cycle combustion turbines at Plant Yates approved in the 2023 IRP Update. The total certified amounts related to these projects are approximately \$2.8 billion, excluding AFUDC.

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

2025 IRP

On January 31, 2025, Georgia Power filed its triennial IRP (2025 IRP). The filing includes a request to extend the operation of Plant Scherer Unit 3 (614 MWs based on 75% ownership) through at least December 31, 2035 and Plant Gaston Units 1 through 4 (500 MWs based on 50% ownership through SEGCO) through at least December 31, 2034. See Note 7 under "SEGCO" for additional information.

As in the 2023 IRP Update, Plant Bowen Units 1 and 2 are also assumed to operate through at least the end of 2035.

In addition, the 2025 IRP includes, among other things, requests for approval of the following:

- Pursuit of installation of environmental controls and natural gas co-firing at Plant Bowen Units 1 through 4 (3,160 MWs), Plant Scherer Units 1 and 2 (137 MWs based on 8.4% ownership), and Plant Scherer Unit 3 for compliance with both ELG supplemental rules and GHG rules.
- Upgrades to Plant McIntosh Units 10 and 11 (1,319 MWs) for a projected 194 MWs of incremental capacity by 2028 and Plant McIntosh Units 1 through 8 (640 MWs) for a projected 74 MWs of incremental capacity by 2033.
- Upgrades to Plant Hatch Units 1 and 2 (900 MWs based on 50.1% ownership) and Plant Vogtle Units 1 and 2 (1,060 MWs based on 45.7% ownership) for a projected 112 MWs of incremental capacity, some of which would be available as early as 2028.
- Investments related to the continued reliable hydro operations of nine facilities, as well as the authority to develop, own, and operate a projected incremental 16 MWs from Plant Goat Rock Units 3 through 6.
- RFPs for at least 1,100 MWs of utility scale and distributed generation renewable resources. Georgia Power is seeking to add up to 4,000 MWs of incremental renewable resources by 2035.
- Issuance of a capacity RFP to procure resources to meet capacity needs in 2032 and 2033.
- Strategic power delivery infrastructure plan necessary to help ensure adequate reliability and serve the projected future load growth expected in Georgia.
- Certification of approximately 187 MWs of wholesale capacity associated with Plant Scherer Unit 3 to be placed in retail rate base, some of which is projected to be available in 2026.

A decision from the Georgia PSC on the 2025 IRP is expected in July 2025. The ultimate outcome of these matters cannot be determined at this time.

Transmission Asset Sales

On March 7, 2024, the FERC approved the sale of transmission line assets under the integrated transmission system agreement, with a net book value of \$236 million. On April 24, 2024, the sale, with a purchase price of \$351 million, was completed resulting in a pre-tax gain of approximately \$114 million (\$84 million after tax) recorded in the second quarter 2024.

Fuel Cost Recovery

Georgia Power has established fuel cost recovery rates approved by the Georgia PSC. During 2022, Georgia Power's under recovered fuel balance increased significantly due to higher fuel and purchased power costs. In May 2023, the Georgia PSC approved a stipulation between Georgia Power and the staff of the Georgia PSC to increase annual fuel billings by 54%, or approximately \$1.1 billion, effective June 1, 2023. The increase includes a three-year recovery period for \$2.2 billion of Georgia Power's under recovered fuel balance at May 31, 2023. Under the approved stipulation, Georgia Power is allowed to adjust its fuel cost recovery rates under an interim fuel rider prior to the next fuel case, subject to a maximum 40% cumulative change, if its under or over recovered fuel balance accumulated since May 31, 2023 exceeds \$200 million. Georgia Power is scheduled to file its next fuel case no later than February 28, 2026.

Georgia Power's under recovered fuel balance totaled \$1.2 billion at December 31, 2024, of which \$713 million is included in under recovered fuel clause revenues and under recovered retail fuel clause revenues on Southern Company's and Georgia Power's balance sheets, respectively, and \$453 million is included in deferred under recovered retail fuel clause revenues on Southern Company's and Georgia Power's balance sheets. The under recovered fuel balance totaled \$1.9 billion at December 31, 2023, of which \$694 million is included in under recovered fuel clause revenues and under recovered retail fuel clause revenues on Southern Company's and Georgia Power's balance sheets, respectively, and \$1.2 billion is included in deferred under recovered retail fuel clause revenues on Southern Company's and Georgia Power's balance sheets.

Notes to Financial Statements

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. During 2022, Georgia Power recovered \$213 million annually under the 2019 ARP. Beginning January 1, 2023, Georgia Power is recovering \$31 million annually under the 2022 ARP. At December 31, 2023, Georgia Power's regulatory asset balance related to storm damage was \$54 million, of which \$31 million is included in other regulatory assets, current and \$23 million is included in other regulatory assets, deferred on Southern Company's and Georgia Power's balance sheets. During September 2024, Hurricane Helene caused significant damage to Georgia Power's transmission and distribution facilities. The incremental restoration costs related to this hurricane totaled approximately \$870 million, of which approximately \$750 million was deferred in the regulatory asset for storm damage, approximately \$90 million was capitalized to property, plant, and equipment, and approximately \$30 million was deferred to be billed in 2025 to open access transmission tariff customers. At December 31, 2024, Georgia Power's regulatory asset balance related to storm damage was \$827 million, of which \$31 million is included in other regulatory assets, current and \$795 million is included in other regulatory assets, deferred on Southern Company's and Georgia Power's balance sheets. 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 net income but do impact the related operating cash flows. See Note 1 under "Storm Damage and Reliability Reserves" for additional information.

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.

In 2017, Georgia Power, acting for itself and as agent for the other Vogtle Owners, executed the Bechtel Agreement, under which Bechtel is reimbursed for actual costs plus a base fee and an at-risk fee, 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.

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, and mandatory prepayment events.

Cost and Schedule

Georgia Power placed Unit 3 and Unit 4 in service on July 31, 2023 and April 29, 2024, respectively. During the second quarter 2024, following Unit 4's in-service date, Southern Nuclear evaluated the remaining expected site demobilization costs and other contractor obligations and reduced the remaining estimate to complete forecast by approximately \$21 million, including the impact of joint owner cost-sharing described below. Accordingly, Georgia Power recorded a pre-tax credit to income of approximately \$21 million (\$16 million after tax), including the joint owner impacts described below, in the second quarter 2024 to recognize forecasted capital costs previously charged to income.

Georgia Power's net capital costs incurred through December 31, 2024 in connection with Plant Vogtle Units 3 and 4, and its approximate proportionate share of additional capital costs to be incurred after December 31, 2024, including completion of site demobilization and remaining contractor obligations, is as follows:

	<i>(in millions)</i>
Total project capital cost forecast ^{(a)(b)}	\$ 10,732
Net investment at December 31, 2024 ^(b)	(10,663)
Remaining estimate to complete	\$ 69

(a) Includes approximately \$1.2 billion of costs that are not shared with the other Vogtle Owners. Excludes financing costs capitalized through AFUDC of approximately \$440 million accrued through Unit 4's in-service date.

(b) Net of \$1.7 billion received from Toshiba under the Guarantee Settlement Agreement and approximately \$188 million in related customer refunds.

Georgia Power's financing costs for construction of Plant Vogtle Units 3 and 4 totaled approximately \$3.53 billion, of which \$3.08 billion had been recovered through Unit 4's in-service date.

Notes to Financial Statements

Pursuant to the regulatory orders discussed below, any further changes to the capital cost forecast will not be recoverable through regulated rates and will be required to be charged or credited to income. Such charges or credits are not expected to be material.

Georgia Power previously reached agreements with MEAG Power, OPC, and Dalton to resolve its respective dispute with each regarding the cost-sharing and tender provisions of the joint ownership agreements, as amended (Vogle Joint Ownership Agreements). Under the terms of these agreements, among other items, Georgia Power will reimburse a portion of MEAG Power's, OPC's, and Dalton's costs of construction for Plant Vogtle Units 3 and 4 as such costs are incurred and with no further adjustment for force majeure costs, which payments (including amounts paid to date) will total approximately \$91 million, \$99 million, and \$5.3 million for MEAG Power, OPC, and Dalton, respectively, based on the current project capital cost forecast. Georgia Power will also reimburse 20% of MEAG Power's costs of construction and 66% of each of OPC's and Dalton's costs of construction with respect to any amounts over the current project capital cost forecast, with no further adjustment for force majeure costs.

Georgia Power recorded pre-tax charges to income through 2023 of \$567 million (\$424 million after tax) and a pre-tax credit to income in the second quarter 2024 of \$7.6 million (\$5.7 million after tax) associated with the cost-sharing provisions of the Vogle Joint Ownership Agreements, including the settlements with the other Vogle Owners described above. These charges are included in the total project capital cost forecast and will not be recovered from retail customers.

The ultimate impact of these matters on the project capital cost forecast for Plant Vogtle Units 3 and 4 is not expected to be material.

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 allowed Georgia Power to recover financing costs for Plant Vogtle Units 3 and 4. Financing costs were recovered on all applicable certified costs through annual adjustments to the NCCR tariff up to the certified capital cost of \$4.418 billion. Financing costs related to capital costs above \$4.418 billion up to \$7.562 billion approved for recovery as described below were recognized through AFUDC and are being recovered through retail rates over the life of Plant Vogtle Units 3 and 4; however, Georgia Power did not record AFUDC related to any capital costs in excess of \$7.562 billion. In 2022, the Georgia PSC approved Georgia Power's filing to increase the NCCR tariff by \$36 million annually, effective January 1, 2023. In November 2023, Georgia Power filed a request to continue for 2024 the NCCR tariff that was effective during 2023. The staff of the Georgia PSC accepted the proposal and no further approval from the Georgia PSC was required. See additional information below on AFUDC and the NCCR tariff following commercial operation of Unit 4.

In 2021, the Georgia PSC approved an order under which Georgia Power would include in rate base an allocation of \$2.1 billion to Plant Vogtle Unit 3 and the Common Facilities from the \$3.6 billion of Plant Vogtle Units 3 and 4 costs previously deemed prudent by the Georgia PSC and would recover the related depreciation through retail base rates effective the month after Unit 3 is placed in service. In compliance with the Georgia PSC order, Georgia Power increased annual retail base rates by \$318 million effective August 1, 2023 based on the in-service date of July 31, 2023 for Unit 3. The related increase in annual retail base rates included recovery of all projected operations and maintenance expenses for Unit 3 and the Common Facilities and other related costs of operation, partially offset by the related PTCs. Financing costs (debt and equity) on the remaining portion of the total Unit 3 and the Common Facilities construction costs continued to be recovered through the NCCR tariff or deferred. Georgia Power deferred as a regulatory asset the debt component of financing costs as well as the remaining depreciation until Unit 4 costs were placed in retail base rates as described below. The regulatory assets for the debt component of financing costs and depreciation are being recovered over 10 years beginning May 2024, as approved by the Georgia PSC, with a remaining balance of \$23 million and \$29 million, respectively, at December 31, 2024. The equity component of financing costs (\$39 million at December 31, 2024) represents an unrecognized ratemaking amount that is not reflected on Georgia Power's balance sheets. This amount will be recognized in Georgia Power's income statements in the periods it is billable to customers.

In December 2023, the Georgia PSC approved Georgia Power's application to adjust rates to include reasonable and prudent Plant Vogtle Units 3 and 4 costs as modified by the related stipulation (Prudency Stipulation) among Georgia Power, the staff of the Georgia PSC, and certain intervenors.

Under the terms of the approved Prudency Stipulation, Georgia Power will recover \$7.562 billion in total construction and capital costs and associated retail rate base items of \$1.02 billion, which includes AFUDC financing costs above \$4.418 billion (the Georgia PSC-certified amount) up to \$7.562 billion. Georgia Power will also recover projected operations and maintenance expenses, depreciation, nuclear decommissioning accruals, and property taxes, net of projected PTCs. After considering construction and capital costs already in retail base rates of \$2.1 billion and \$362 million of associated retail rate base items for Unit 3 and Common Facilities (approved by the Georgia PSC in 2021), Georgia Power included in retail rate base the remaining \$5.462 billion of construction and capital costs as well as \$647 million of associated retail rate base items effective with the April 29, 2024 in-service date for Unit 4. Annual retail base revenues increased approximately \$730 million and the average retail base rates were adjusted by approximately 5% (net of the elimination of the NCCR tariff described below) effective May 1, 2024.

Notes to Financial Statements

Reductions to the ROE used to calculate the NCCR tariff (pursuant to prior Georgia PSC orders) negatively impacted earnings by approximately \$80 million through the second quarter 2024 and \$310 million and \$300 million in 2023 and 2022, respectively. Further, as included in the approved Prudency Stipulation, since commercial operation for Unit 4 was not achieved by March 31, 2024, Georgia Power's ROE used to determine the NCCR tariff and calculate AFUDC was reduced to zero effective April 1, 2024, which resulted in a negative impact to earnings of approximately \$10 million (for one month) in the second quarter 2024 based on the April 29, 2024 in-service date. Effective May 1, 2024, following commercial operation of Unit 4, Georgia Power's NCCR tariff was eliminated and financing costs are included in Georgia Power's general retail revenue requirements. Financing costs of \$10 million that were not recovered through the NCCR tariff will be addressed in Georgia Power's next retail base rate case proceeding.

As of each Unit's respective first refueling outage, if the respective Unit's performance has materially deviated from expected performance, the Georgia PSC may order Georgia Power to credit customers for operations and maintenance expenses or disallow costs associated with the repair or replacement of any system, structure, or component found to have caused the material deviation in performance if proven to be the result of imprudent engineering, construction, procurement, testing, or start-up. Unit 3 demonstrated high performance and reliability during the first 14 months of operation leading up to its first refueling outage, which took place in the fall of 2024 and no performance-related disallowance is expected. Unit 4 has also demonstrated high performance and reliability since being placed in service and its first refueling outage is projected to begin in the fall of 2025. The ultimate outcome of these matters cannot be determined at this time.

The approval of the Prudency Stipulation resolved all issues for determination by the Georgia PSC regarding the reasonableness, prudence, and cost recovery for the remaining Plant Vogtle Units 3 and 4 construction and capital costs not already in retail base rates.

As a result of the Georgia PSC's approval of the Prudency Stipulation, Georgia Power recorded a pre-tax credit to income of approximately \$228 million (\$170 million after tax) in the fourth quarter 2023 to recognize CWIP costs previously charged to income, which are now recoverable through retail rates. Associated AFUDC on these costs, which totaled approximately \$14 million, was also recognized.

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.

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 in March of the current year and the PEP lookback filing in March of the subsequent year. The annual PEP projected filings utilize a historic test year adjusted for "known and measurable" changes and discounted cash flow and regression formulas to determine base ROE. The PEP lookback filing reflects the actual revenue requirement.

In June 2022, the Mississippi PSC approved Mississippi Power's annual retail PEP filing, resulting in an annual increase in revenues of approximately \$18 million, or 1.9%, effective with the first billing cycle of April 2022. In June 2023 and on June 13, 2024, the Mississippi PSC approved Mississippi Power's annual retail PEP filings for 2023 and 2024, respectively, with no change in retail rates.

Integrated Resource Plans

In 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 the excess reserve margin Mississippi Power anticipated at that time. The order stated that Mississippi Power will be allowed to defer any retirement-related costs as regulatory assets for future recovery.

In 2021, the Mississippi PSC concluded its review of Mississippi Power's 2021 IRP. The 2021 IRP included a schedule to retire Plant Watson Unit 4 (268 MWs) and Plant Greene County Units 1 and 2 (206 MWs based on 40% ownership) in December 2023, 2025, and 2026, respectively, consistent with each unit's remaining useful life in the most recent approved depreciation studies. In addition, the schedule reflected the early retirement of Plant Daniel Units 1 and 2 (502 MWs based on 50% ownership) by the end of 2027.

Notes to Financial Statements

In October 2023, Mississippi Power signed an affiliate PPA with Georgia Power for 750 MWs of capacity, which began January 1, 2024 and will continue through December 2028.

On April 26, 2024, Mississippi Power filed its 2024 IRP with the Mississippi PSC. The Mississippi PSC did not note any deficiencies within the prescribed 120-day review period; therefore, the filing is concluded. The 2024 IRP included a schedule to retire Plant Watson Unit 4 and Plant Greene County Units 1 and 2 and to retire early Plant Daniel Units 1 and 2, all by the end of 2028, which is consistent with the completion of Mississippi Power's affiliate PPA with Georgia Power. On January 9, 2025, Mississippi Power notified the Mississippi PSC of its intent to extend the retirement date of Plant Daniel Unit 2 and potentially extend the retirement dates of other fossil steam units beyond their current 2028 retirement dates in order to serve recently signed economic development loads of approximately 600 MWs.

The remaining net book value of Plant Daniel Units 1 and 2 was approximately \$478 million at December 31, 2024, and Mississippi Power is continuing to depreciate these units using the current approved rates. Mississippi Power expects to reclassify the net book value remaining at retirement to a regulatory asset to be amortized over a period to be determined by the Mississippi PSC in future proceedings, consistent with the 2020 order. The Plant Watson and Plant Greene County units are expected to be fully depreciated upon retirement.

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

Plant Daniel

On November 8, 2024, Mississippi Power entered into an agreement with FP&L to acquire FP&L's 50% ownership interest in Plant Daniel Units 1 and 2. This acquisition will include a payment by FP&L to Mississippi Power of between \$35 million and \$38 million, which represents an estimate of the incremental cost to Mississippi Power to assume ownership of FP&L's interest, based on the timing of the completion of the transaction. On January 7, 2025, the Mississippi PSC approved Mississippi Power's request for (i) the inclusion of the acquired assets and the associated costs at Plant Daniel in Mississippi Power's retail rate base, upon completion of the transaction, (ii) the establishment of a new regulatory liability account in which all of the proceeds to be paid by FP&L will be recorded, and (iii) Mississippi Power's ability to amortize that regulatory liability by charging certain expenditures against it. The completion of the transaction is subject to the satisfaction or waiver of certain conditions, including, among other customary closing conditions, approval by the Florida PSC. The ultimate outcome of this matter cannot be determined at this time.

Environmental Compliance Overview Plan

The Mississippi PSC has authorized Mississippi Power to defer in a regulatory asset for future recovery all plant retirement- or partial retirement-related costs resulting from environmental regulations.

In April 2022, April 2023, and May 2024, the Mississippi PSC approved Mississippi Power's annual ECO Plan filings, resulting in increases in revenues of approximately \$1 million annually effective with the first billing cycle of May 2022, \$3 million annually effective with the first billing cycle of May 2023, and \$9 million annually effective with the first billing cycle of June 2024, respectively.

On February 14, 2025, Mississippi Power submitted its annual ECO Plan filing to the Mississippi PSC, which requested a \$6 million annual increase in revenues. 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 \$43 million effective in February 2022. On February 6, 2024, the Mississippi PSC approved Mississippi Power's request to increase retail fuel revenues by \$18 million annually effective with the first billing cycle of March 2024. The approved filing included the deferral of approximately \$61 million of under recovered fuel costs as of October 2023. On January 7, 2025, the Mississippi PSC approved Mississippi Power's request for no change in retail fuel revenues effective with the first billing cycle of February 2025. The approved filing included the deferral of approximately \$25 million of under recovered fuel costs as of October 2024, which is expected to be included in Mississippi Power's next fuel filing. Mississippi Power will continue to accrue its weighted-average cost of capital on any under or over fuel recovery balance.

At December 31, 2024, Mississippi Power had \$32 million of deferred under recovered retail fuel clause revenues primarily associated with its fuel-hedging program and \$32 million of over recovered retail fuel clause revenues primarily related to lower recoverable fuel costs on its balance sheet. At December 31, 2023, Mississippi Power had \$50 million of deferred under recovered retail fuel clause revenues and \$27 million of over recovered retail fuel clause revenues primarily associated with its fuel-hedging program on its balance sheet. See Note 1 under "Fuel Costs" for additional information.

Mississippi Power has wholesale MRA and Market Based (MB) fuel cost recovery factors. Effective with the first billing cycles for January 2023, 2024, and 2025, annual revenues under the wholesale MRA fuel rate increased \$22 million, decreased \$4 million, and decreased \$19 million, respectively. At December 31, 2024 and 2023, wholesale MRA fuel costs were over recovered \$19 million and \$5 million, respectively, and were included in other current liabilities on Mississippi Power's balance sheets. The wholesale MB fuel rate did not change materially in any period presented. The wholesale MB fuel cost recovery was immaterial for both periods presented.

Notes to Financial Statements

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 annually establishes an ad valorem tax adjustment factor that is approved by the Mississippi PSC. Any changes are not expected to have a significant effect on Mississippi Power's net income but will affect operating cash flows. Effective with the first billing cycle of July 2022, June 2023, and July 2024, the Mississippi PSC approved changes in annual revenues collected through the ad valorem tax adjustment factor resulting in a \$5 million increase, a \$7 million decrease, and a \$5 million decrease, respectively.

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 year, the Mississippi PSC, the MPUS, and Mississippi Power agree on SRR revenue level(s). In the event the expected annual charges exceed the annual accrual or the target balance has been met, Mississippi Power and the Mississippi PSC will determine the appropriate change to the annual accrual. Additionally, if PEP earnings are above a certain threshold, Mississippi Power has the ability to apply any required PEP refund as an additional accrual to the property damage reserve in lieu of customer refunds.

Mississippi Power's net retail SRR accrual, which includes carrying costs and previously included amortization of related excess deferred income tax benefits, was \$12.6 million in 2024, \$11.7 million in 2023, and \$6.9 million in 2022. At December 31, 2024 and 2023, the retail property damage reserve balance was \$52 million and \$45 million, respectively, and is included in other regulatory liabilities, deferred on Mississippi Power's balance sheets.

In 2021, the Mississippi PSC approved Mississippi Power's annual SRR filing, which requested an increase in retail revenues of approximately \$9 million annually effective with the first billing cycle of March 2022. In April 2023, the Mississippi PSC approved Mississippi Power's annual SRR filing, with no change in retail rates. Mississippi Power's minimum annual SRR accrual was increased from \$8.3 million to \$11.7 million. On April 11, 2024, the Mississippi PSC approved Mississippi Power's annual SRR filing to the Mississippi PSC, with no change in retail rates. Mississippi Power's minimum annual SRR accrual was increased from \$11.7 million to \$12.6 million.

Reliability Reserve Accounting Order

In 2022, the Mississippi PSC approved an accounting order authorizing Mississippi Power to create a reliability reserve to offset future generation, transmission, and distribution reliability-related expenditures for use in a future year. Mississippi Power may make accruals to the reliability reserve each year after meeting with the MPUS and Mississippi PSC staff. Mississippi Power will provide annually, through its capital plan, energy delivery plan, or PEP filing, any amounts to be charged against the reliability reserve during the current year. During 2024, 2023, and 2022, Mississippi Power accrued \$21 million, \$11 million, and \$25 million, respectively, to the reliability reserve. At December 31, 2024 and 2023, the reliability reserve balance was \$57 million and \$36 million, respectively, and is included in other regulatory liabilities, deferred on Mississippi Power's balance sheets.

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 share in providing electricity to the Cooperative Energy delivery points under the tariff. In August 2022, the FERC accepted an amended SSA between Mississippi Power and Cooperative Energy, effective July 1, 2022, under which Cooperative Energy will continue to decrease its use of Mississippi Power's generation services under the MRA tariff up to 2.5% annually through 2035. At December 31, 2024, Mississippi Power is serving approximately 385 MWs of Cooperative Energy's annual demand. Beginning in 2036, Cooperative Energy will provide 100% of its electricity requirements at the MRA delivery points under the tariff. Neither party has the option to cancel the amended SSA.

In October 2023, the FERC approved a settlement agreement filed by Mississippi Power and Cooperative Energy in July 2023 related to Mississippi Power's July 2022 request for a \$23 million increase in annual wholesale base revenues under the MRA tariff. The settlement agreement provided for a \$16 million increase in annual wholesale base revenues, effective September 14, 2022, and a refund to customers of approximately \$6 million, which was completed in November 2023, primarily related to the difference between the approved rates and interim rates.

Notes to Financial Statements

On May 28, 2024, the FERC issued an order accepting Mississippi Power's request for an \$8 million increase in annual wholesale base revenues under the MRA tariff, effective May 29, 2024, subject to refund. On December 23, 2024, Mississippi Power and Cooperative Energy filed a settlement agreement with the FERC. The settlement agreement provides for (i) a \$1 million increase in annual wholesale base revenues and a refund to customers of approximately \$4 million, (ii) a rate escalation of 2.5% on an annual basis in periods subsequent to December 31, 2024 and continuing through the end of the SSA on December 31, 2035, and (iii) a waiver of rights by Mississippi Power and Cooperative Energy to file for any changes in non-fuel rates through the end of the term of the SSA. The settlement agreement is subject to approval by the FERC. The ultimate outcome of this matter cannot be determined at this time.

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 their respective 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.

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. With the exception of Chattanooga Gas, the natural gas distribution utilities 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" herein for additional information. Also see "Infrastructure Replacement Programs and Capital Projects" herein 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 at December 31, 2024	9.51%	10.25%	9.70%	9.80%
Weather normalization mechanisms ^(a)			✓	✓
Decoupled, including straight-fixed-variable rates ^(b)	✓	✓	✓	
Regulatory infrastructure program rate ^(c)		✓	✓	✓
Bad debt rider ^(d)	✓		✓	✓
Energy efficiency plan ^(e)	✓		✓	
Annual base rate adjustment mechanism ^(f)		✓		✓
Year of last base rate case decision	2023	2019	2023	2018

(a) 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.

(b) Allows for recovery of fixed residential customer service costs separately from assumed natural gas volumes used by customers and provides a benchmark level of revenue for recovery.

(c) See "Infrastructure Replacement Programs and Capital Projects" herein for additional information. Chattanooga Gas' pipeline replacement program costs are recovered through its annual base rate review mechanism.

(d) 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.

(e) Recovery of costs associated with plans to achieve specified energy savings goals.

(f) Regulatory mechanism allowing annual adjustments to base rates up or down based on authorized ROE and/or ROE range.

Notes to Financial Statements

Infrastructure Replacement Programs and Capital Projects

In addition to capital expenditures recovered through base rates by each of the natural gas distribution utilities, Virginia Natural Gas has a separate rate rider that provides timely recovery of capital expenditures for specific infrastructure replacement programs, and Atlanta Gas Light has a separate rate rider that provides for the timely recovery of capital expenditures for a specific reinforcement capital program. Total capital expenditures incurred during 2024 for all gas distribution operations were \$1.7 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, 2024. 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	Capital Expenditures in 2024	Capital Expenditures Since Project Inception	Pipe Installed Since Project Inception	Scope of Program	Program Duration	Last Year of Program
			<i>(in millions)</i>		<i>(miles)</i>	<i>(miles)</i>	<i>(years)</i>	
Virginia Natural Gas	SAVE	Rider	\$ 75	\$561	598	938	18	2029
Atlanta Gas Light	System Reinforcement Rider	Rider	99	279	29	N/A	6	2027
Chattanooga Gas	Pipeline Replacement Program	Rate Base	12	28	24	73	7	2027
Total			\$186	\$868	651	1,011		

Virginia Natural Gas

The SAVE program, an accelerated infrastructure replacement program, allows Virginia Natural Gas to continue replacing aging pipeline infrastructure. The program included authorized annual investments of \$70 million in each year from 2022 through 2024, with a total potential variance of up to \$5 million allowed for the program, for a maximum total investment over the previous six-year term (2019 through 2024) of \$365 million.

On June 7, 2024, the Virginia Commission approved the extension of the existing SAVE program through 2029. The extension of the program includes investments of \$70 million in each year from 2025 through 2029, with a potential variance of up to \$5 million allowed for the program, for a maximum total investment over the five-year extension (2025 through 2029) of \$355 million.

The SAVE program is subject to annual review by the Virginia Commission. In accordance with the base rate case approved by the Virginia Commission in 2023, Virginia Natural Gas is recovering program costs incurred prior to January 1, 2023 through base rates. Program costs incurred subsequent to January 1, 2023 are currently being recovered through a separate rider and are subject to future base rate case proceedings. See "Rate Proceedings – Virginia Natural Gas" herein for additional information.

Atlanta Gas Light

In 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 quantified as an unrecognized ratemaking amount that is not reflected on the balance sheets. These allowed costs are primarily the equity return on the capital investment under the infrastructure programs in place prior to GRAM and are being recovered through GRAM and base rates until the earlier of the full recovery of such amounts or December 31, 2025. The under recovered balance at December 31, 2024 was \$22 million, including \$11 million of unrecognized equity return, and is expected to be recovered by December 31, 2025. The Georgia PSC reviews Atlanta Gas Light's performance annually under GRAM. See "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.

See "Rate Proceedings – Atlanta Gas Light" herein for additional information regarding the Georgia PSC's 2021 approval of Atlanta Gas Light's GRAM filing and Integrated Capacity and Delivery Plan (i-CDP). The Georgia PSC also approved a new System Reinforcement Rider for authorized large pressure improvement and system reliability projects, which is expected to recover related capital investments totaling \$286 million for the years 2022 through 2024, of which \$99 million, \$104 million, and \$76 million was incurred in 2024, 2023, and 2022, respectively.

Notes to Financial Statements

Chattanooga Gas

In 2021, the Tennessee Public Utilities Commission approved Chattanooga Gas' pipeline replacement program to replace approximately 73 miles of distribution main over a seven-year period. The estimated total cost of the program is \$118 million, which will be recovered through Chattanooga Gas' annual base rate review mechanism.

Nicor Gas

Illinois legislation allowed Nicor Gas to provide more widespread safety and reliability enhancements to its distribution system through 2023 and stipulated that rate increases to customers as a result of any infrastructure investments did 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, which concluded in 2023 and is subject to annual review, as discussed further below. In accordance with orders from the Illinois Commission, Nicor Gas recovered program costs incurred through a separate rider and base rates. See "Rate Proceedings – Nicor Gas" herein for additional information.

In June 2023, the Illinois Commission concluded its review of the Qualifying Infrastructure Plant (QIP) capital investments by Nicor Gas for calendar year 2019 under the QIP rider, also referred to as Investing in Illinois program. The Illinois Commission disallowed \$32 million of the \$415 million of capital investments commissioned in 2019, together with the related return on investment. Nicor Gas recorded a pre-tax charge to income in the second quarter 2023 of \$38 million (\$28 million after tax) associated with the disallowance of capital investments placed in service in 2019. The disallowance is reflected on the statement of income as an \$8 million reduction to revenues and \$30 million in estimated loss on regulatory disallowance. On August 3, 2023, the Illinois Commission denied a rehearing request filed by Nicor Gas. On August 24, 2023, Nicor Gas filed a notice of appeal with the Illinois Appellate Court. On November 25, 2024, the Illinois Appellate Court agreed with the Illinois Commission's review of the QIP capital investments by Nicor Gas for calendar year 2019 under the QIP rider apart from one immaterial item. On December 24, 2024, Nicor Gas filed a petition for leave to appeal \$14 million of the 2019 QIP disallowance with the Illinois Supreme Court. Nicor Gas defends these investments in infrastructure as prudently incurred.

The following table provides a summary of QIP capital investments during the nine-year program:

Year	Status of QIP Annual Review Proceeding	Capital Investments	Disallowed	Month of Disallowance
<i>(in millions)</i>				
2015 – 2018	Complete	\$ 1,246	\$ —	
2019	Complete ^(a)	415	32	June 2023
2020	Filed March 2021	402 ^(b)		
2021	Filed March 2022	392 ^(b)		
2022	Filed March 2023	408 ^(b)	6 ^{(c)(d)}	November 2023
2023	Filed March 2024	365 ^(b)	25 ^{(c)(d)}	November 2023
		\$ 3,228	\$ 63	

(a) Petition for leave to appeal filed to the Illinois Supreme Court for \$14 million.

(b) Capital investments are subject to the required QIP annual review proceeding; years 2020 through 2023 are pending with the Illinois Commission.

(c) Appealed to the Illinois Appellate Court.

(d) Disallowed in Nicor Gas' 2023 general base rate case proceeding. See "Rate Proceedings – Nicor Gas" herein for additional information regarding the Illinois Commission's disallowance of certain capital investments.

Any further cost disallowances by the Illinois Commission in the pending cases could be material to the financial statements of Southern Company Gas. The ultimate outcome of these matters cannot be determined at this time.

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 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. Natural gas costs generally do not have a significant effect on Southern Company's or Southern Company Gas' net income but could have a significant effect on 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, 2024 and 2023, the over recovered balance was \$193 million and \$214 million, respectively, which is included in natural gas cost over recovery on Southern Company's and Southern Company Gas' balance sheets.

Notes to Financial Statements

Rate Proceedings

Nicor Gas

In November 2023, the Illinois Commission approved a \$223 million annual base rate increase for Nicor Gas, which became effective December 1, 2023. The base rate increase was based on an ROE of 9.51% and an equity ratio of 50.00%.

In connection with Nicor Gas' 2023 general base rate case proceeding, the Illinois Commission disallowed \$126.8 million of capital investments that have been completed or were planned to be completed through December 31, 2024. This includes \$31 million for capital investments placed in service in 2022 and 2023 under the Investing in Illinois program and \$95.9 million for other transmission and distribution capital investments. Nicor Gas recorded a pre-tax charge to income in the fourth quarter 2023 of \$58 million (\$44 million after tax) associated with the disallowances, with the remaining \$69 million related to prospective projects that will be postponed and/or reevaluated. The disallowance is reflected on the statement of income in estimated loss on regulatory disallowance. See "Infrastructure Replacement Programs and Capital Projects – Nicor Gas" herein for additional information regarding the Illinois Commission's disallowance of certain capital investments. On January 3, 2024, the Illinois Commission denied a request by Nicor Gas for rehearing on the base rate case disallowances associated with capital investment, as well as on other issues determined in the Illinois Commission's November 2023 base rate case decision. On February 6, 2024, Nicor Gas filed a notice of appeal with the Illinois Appellate Court related to the Illinois Commission's rate case ruling.

On January 3, 2025, Nicor Gas filed a general base rate case with the Illinois Commission requesting a \$309 million increase in annual base rate revenues. The requested increase is based on a projected test year for the 12-month period ending December 31, 2026, an ROE of 10.35%, and an equity ratio of 54.6%. The Illinois Commission is expected to rule on the requested increase within the 11-month statutory time limit, after which rate adjustments will be effective.

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

Atlanta Gas Light

The Georgia PSC evaluates Atlanta Gas Light's earnings against an 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 allows inclusion in base rates of the recovery of and return on the infrastructure program investments, including, but not limited to, GRAM adjustments. GRAM filing rate adjustments are based on an authorized ROE of 10.25%. GRAM adjustments for 2021 could not exceed 5% of 2020 base rates. The 5% limitation does not set a precedent in any future rate proceedings by Atlanta Gas Light.

In April 2021, Atlanta Gas Light filed its i-CDP with the Georgia PSC, which included a series of ongoing and proposed pipeline safety, reliability, and growth programs for the next 10 years (2022 through 2031), as well as the required capital investments and related costs to implement the programs. The i-CDP reflected capital investments totaling approximately \$0.5 billion to \$0.6 billion annually.

In November 2021, the Georgia PSC approved a stipulation between Atlanta Gas Light and the staff of the Georgia PSC, under which, for the years 2022 through 2024, Atlanta Gas Light would incrementally reduce its combined GRAM and System Reinforcement Rider request by 10% through Atlanta Gas Light's GRAM mechanism, which resulted in a reduction of \$5 million for 2022, \$7 million for 2023, and \$9 million for 2024. The stipulation also provided for \$1.7 billion of total capital investment for the years 2022 through 2024.

In December 2022 and December 2023, the Georgia PSC approved Atlanta Gas Light's annual GRAM filings, which resulted in annual base rate increases of \$53 million effective January 1, 2023 and \$53 million effective January 1, 2024, respectively. On December 12, 2024, the Georgia PSC approved Atlanta Gas Light's annual GRAM filing, which included annual base rate increases of \$72 million, \$73 million, and \$74 million effective January 1, 2025, 2026, and 2027, respectively.

On July 2, 2024, the Georgia PSC approved a stipulation related to Atlanta Gas Light's 2024 i-CDP, which included a series of ongoing and proposed pipeline safety, reliability, and growth programs for the next 10 years (2025 through 2034), as well as the required capital investments and related cost to implement the programs. The i-CDP allows capital investments totaling approximately \$0.6 billion annually for the years 2025 through 2027 with related revenue requirement recovery through either the annual GRAM filing or the System Reinforcement Rider surcharge adjustment. Additionally, the Georgia PSC approved a surcharge recovery mechanism for capital projects related to municipal, county, and Georgia Department of Transportation infrastructure work. Rate changes associated with the new surcharge will be based on requests filed annually on September 1. If approved, new rates will become effective January 1 of the following year.

Virginia Natural Gas

In August 2023, the Virginia Commission approved a stipulation related to Virginia Natural Gas' August 2022 general base rate case filing, which allowed for a \$48 million increase in annual base rate revenues based on an ROE of 9.70% and an equity ratio of 49.06%. Interim rates became effective as of January 1, 2023, subject to refund, based on Virginia Natural Gas' original requested increase of approximately \$69 million. Refunds to customers related to the difference between the approved rates effective September 1, 2023 and the interim rates were completed during the fourth quarter 2023.

Notes to Financial Statements

On August 1, 2024, Virginia Natural Gas filed a base rate case with the Virginia Commission seeking an increase in annual base revenues of \$63 million, including \$17 million related to the recovery of investments under the SAVE program, primarily to recover investments and increased costs associated with infrastructure and technology. The requested increase is based on a projected 12-month period beginning January 1, 2025, an ROE of 10.45%, and an equity ratio of 54.92%. Rate adjustments were effective January 1, 2025, subject to refund. The Virginia Commission is expected to issue an order on the requested increase in the fourth quarter 2025. 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 comprised 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, 2024	December 31, 2023
	<i>(in millions)</i>	
Atlanta Gas Light	\$11	\$23
Virginia Natural Gas	10	10
Chattanooga Gas	7	7
Nicor Gas	—	3
Total	\$28	\$43

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 intend to dispute the allegations raised in and vigorously defend against the pending legal challenges discussed below; however, the ultimate outcome of each of these matters cannot be determined at this time.

Southern Company and Mississippi Power

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. In 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. In connection with the DOE closeout discussions, in 2019, the Civil Division of the Department of Justice informed Southern Company and Mississippi Power of a civil investigation related to the DOE grants. In August 2023, the U.S. District Court for the Northern District of Georgia unsealed a civil action in which defendants Southern Company, SCS, and Mississippi Power are alleged to have violated certain provisions of the False Claims Act by fraudulently inducing the DOE to disburse funds pursuant to the grants. The federal government declined to intervene in the action. In October 2023, the plaintiff, a former SCS employee, filed an amended complaint, again alleging certain violations of the False Claims Act. The plaintiff seeks to recover all damages incurred personally and on behalf of the federal government caused by the defendants' alleged violations, as well as treble damages and attorneys' fees, among other relief. On February 2, 2024, the defendants moved to dismiss the amended complaint. On August 28, 2024, the court granted the defendants' motion in part and denied it in part, dismissing the plaintiff's False Claims Act count along with its accompanying treble damages and attorneys' fees but allowing the employment retaliation claim to proceed. The plaintiff requested interlocutory appeal of the court's decision on October 4, 2024. On October 14, 2024, the defendants asserted counterclaims for conversion and misappropriation of trade secrets. On November 20, 2024, the defendants filed a motion for judgment on the pleadings on the plaintiff's employment retaliation claim. On December 23, 2024, the plaintiff filed a motion to dismiss the defendants' counterclaims. An adverse outcome could have a material impact on Southern Company's and Mississippi Power's financial statements.

Notes to Financial Statements

Alabama Power

In September 2022, Mobile Baykeeper filed a citizen suit in the U.S. District Court for the Southern District of Alabama alleging that Alabama Power's plan to close the Plant Barry surface impoundment utilizing a closure-in-place methodology violates the Resource Conservation and Recovery Act (RCRA) and regulations governing CCR. Among other relief requested, Mobile Baykeeper sought a declaratory judgment that the RCRA and regulations governing CCR were being violated, preliminary and injunctive relief to prevent implementation of Alabama Power's closure plan, and the development of a closure plan that satisfies regulations governing CCR requirements. In December 2022, Alabama Power filed a motion to dismiss the case. On January 4, 2024, the lawsuit was dismissed without prejudice by the U.S. District Court judge. On February 1, 2024, the plaintiff filed a motion to reconsider, which was denied by the U.S. District Court judge on July 22, 2024. On August 20, 2024, the plaintiff filed a notice of appeal in the U.S. Court of Appeals for the Eleventh Circuit challenging the denial of the motion to reconsider the order of dismissal.

In January 2023, the EPA issued a Notice of Potential Violations (NOPV) associated with Alabama Power's plan to close the Plant Barry surface impoundment. On September 26, 2024, Alabama Power reached a settlement with the EPA resolving two of the three allegations in the NOPV related to the groundwater monitoring system and the emergency action plan at the Plant Barry surface impoundment. The settlement did not resolve the EPA's allegation relating to Alabama Power's plan to close the Plant Barry surface impoundment. Alabama Power has affirmed to the EPA its position that it is in compliance with CCR requirements.

These matters could have a material impact on Alabama Power's and Southern Company's financial statements, including ARO estimates and cash flows. See Note 6 for a discussion of Alabama Power's ARO liabilities.

Georgia Power

In July 2020, a group of individual plaintiffs filed a complaint, which was amended in December 2022, in the Superior Court of Fulton County, Georgia against Georgia Power alleging that the construction and operation of Plant Scherer has impacted groundwater and air, resulting in alleged personal injuries and property damage. The plaintiffs sought an unspecified amount of monetary damages including punitive damages, a medical monitoring fund, and injunctive relief. In December 2022, the Superior Court of Fulton County, Georgia granted Georgia Power's motion to transfer the case to the Superior Court of Monroe County, Georgia. In May 2023, the Superior Court of Monroe County, Georgia denied Georgia Power's motion to dismiss the case for lack of subject matter jurisdiction. In July 2023, the Superior Court of Monroe County, Georgia denied the remaining motions to dismiss certain claims and plaintiffs that Georgia Power filed at the outset of the case. On March 11, 2024, Georgia Power filed a motion to dismiss certain claims. On March 14, 2024, Georgia Power filed motions for summary judgment. In May 2024, Georgia Power filed additional motions for summary judgment. In August 2024, the court denied certain motions for summary judgment, while granting other motions for summary judgment, eliminating some claims from the first one-plaintiff trial.

In October 2021, February 2022, and January 2023, a total of eight additional complaints were filed in the Superior Court of Monroe County, Georgia against Georgia Power alleging that releases from Plant Scherer have impacted groundwater and air, resulting in alleged personal injuries and property damage. The plaintiffs sought an unspecified amount of monetary damages including punitive damages. After Georgia Power removed these cases to the U.S. District Court for the Middle District of Georgia, the plaintiffs voluntarily dismissed their complaints without prejudice in November 2022 and January 2023. In May 2023, the plaintiffs in the cases originally filed in October 2021, February 2022, and January 2023 refiled their eight complaints in the Superior Court of Monroe County, Georgia. Also in May 2023, a new complaint was filed in the Superior Court of Monroe County, Georgia against Georgia Power alleging that the construction and operation of Plant Scherer have impacted groundwater and air, resulting in alleged personal injuries. The plaintiff sought an unspecified amount of monetary damages, including punitive damages. Also in May 2023, Georgia Power removed all of these cases to the U.S. District Court for the Middle District of Georgia. The plaintiffs requested the court remand the cases back to the Superior Court of Monroe County, Georgia.

On November 18, 2024, the parties reached an agreement to resolve all pending lawsuits in the Superior Court of Fulton County, Georgia and the Superior Court of Monroe County, Georgia. On November 22, 2024, the Superior Court of Monroe County, Georgia entered an order granting Georgia Power's motions for summary judgment, finding there is no evidence that Georgia Power's operations negatively impacted drinking water wells or caused personal injury or property damage. On November 25, 2024, the plaintiffs voluntarily dismissed with prejudice all remaining claims in the litigation. The settlement amount did not have a material impact on Georgia Power's financial statements. These matters are now concluded.

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

Notes to Financial Statements

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.

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 2024, 2023, and 2022, Georgia Power recovered approximately \$5 million, \$5 million, and \$12 million, respectively, through the ECCR tariff for environmental remediation.

Southern Company Gas is subject to environmental remediation liabilities associated with former manufactured gas plant sites. Southern Company Gas' accrued environmental remediation liability at December 31, 2024 and 2023 was based on the estimated cost of environmental investigation and remediation associated with these sites.

At December 31, 2024 and 2023, the environmental remediation liability and the balance of under recovered environmental remediation costs were reflected in the balance sheets of Southern Company, Georgia Power, and Southern Company Gas as shown in the table below. Alabama Power and Mississippi Power did not have environmental remediation liabilities at December 31, 2024 or 2023.

	Southern Company	Georgia Power	Southern Company Gas
	<i>(in millions)</i>		
December 31, 2024:			
Environmental remediation liability:			
Other current liabilities	\$ 37	\$13	\$ 24
Accrued environmental remediation	198	—	198
Under recovered environmental remediation costs:			
Other regulatory assets, current	\$ 37	\$ 5	\$ 32
Other regulatory assets, deferred	212	11	201
December 31, 2023:			
Environmental remediation liability:			
Other current liabilities	\$ 44	\$14	\$ 30
Accrued environmental remediation	192	—	192
Under recovered environmental remediation costs:			
Other regulatory assets, current	\$ 45	\$ 5	\$ 40
Other regulatory assets, deferred	210	15	195

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 take title to and 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 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 their third round of lawsuits against the U.S. government in the Court of Federal Claims, seeking damages 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. In 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.

In 2017, Alabama Power and Georgia Power filed their fourth round of lawsuits against the U.S. government in the Court of Federal Claims, seeking damages 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. In 2020, Alabama Power and Georgia Power filed amended complaints in those fourth-round lawsuits adding damages incurred from January 1, 2018 to December 31, 2019 to the claim period.

Notes to Financial Statements

On June 7, 2024, and August 15, 2024, the Court of Federal Claims entered final judgments on the remaining damages in the third and fourth round of lawsuits, respectively, awarding Alabama Power a total of approximately \$100 million and Georgia Power a total of approximately \$121 million (based on its ownership interests), which represent claims for the period from January 1, 2011 through December 31, 2019. This represents recovery on all claims that Alabama Power and Georgia Power have filed against the U.S. government to date.

On December 3, 2024, the Alabama PSC directed Alabama Power to return the award, which was reflected as a regulatory liability at December 31, 2024, to customers through bill credits during the months of January, February, and March 2025. During the third quarter 2024, Georgia Power credited the award to accounts where the original costs were charged, which reduced rate base, fuel, and cost of service for the benefit of customers, as previously authorized by the Georgia PSC. As a result of this regulatory treatment, there will be no material impact on Southern Company's, Alabama Power's, or Georgia Power's net income.

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. However, Alabama Power and Georgia Power expect to credit any future 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.

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 \$16.3 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 \$500 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 \$166 million per incident for each licensed reactor it operates but not more than an aggregate of \$25 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 \$332 million and \$473 million, respectively, per incident, but not more than an aggregate of \$49 million and \$71 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, 2028. 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.

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, 2024 under the NEIL policies would be \$60 million and \$80 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

Notes to Financial Statements

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, cash flows, and results of operations.

All retrospective assessments, whether generated for liability, property, or replacement power, may be subject to applicable state premium taxes.

Other Matters

Alabama Power

In April 2019, Bellsouth Telecommunications d/b/a AT&T Alabama (AT&T) filed a complaint against Alabama Power with the FCC alleging that the pole rental rate AT&T is required to pay pursuant to the parties' joint use agreement is unjust and unreasonable under federal law. The complaint sought a new rate and refunds of alleged overpayments since 2013. In August 2019, the FCC stayed the case in favor of arbitration, which AT&T did not pursue. On December 31, 2024, Alabama Power and AT&T reached a settlement that resolved several disputes between the parties, including the outstanding FCC complaint. The terms of the settlement are not expected to have a material impact on Alabama Power's or Southern Company's financial statements. The joint use agreement remains in effect.

Mississippi Power

In 2022, 2023, and 2024, 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 \$15 million pre-tax (\$12 million after tax) in 2022, \$17 million pre-tax (\$12 million after tax) in 2023, and \$12 million pre-tax (\$9 million after tax) in 2024. 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 the end of 2025. 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 approximately \$15 million.

See "General Litigation Matters – Southern Company and Mississippi Power" herein for information regarding litigation associated with the Kemper County energy facility.

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.

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 \$4 million, \$3 million, and \$4 million in 2024, 2023, and 2022, respectively. At December 31, 2024, Georgia Power's estimated long-term obligations related to this commitment totaled \$35 million, consisting of \$3 million for 2025, \$2 million annually for 2026 through 2029, and \$24 million thereafter.

See Note 9 for information regarding PPAs accounted for as leases.

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.

Notes to Financial Statements

Alabama Power has guaranteed a \$100 million principal amount long-term bank loan SEGCO entered into in 2018 and subsequently extended and amended. 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, 2024, the capitalization of SEGCO consisted of \$56 million of equity and \$80 million of long-term debt that matures in November 2025, on which the annual interest requirement is derived from a variable rate index. SEGCO had no short-term debt outstanding at December 31, 2024. 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, with Georgia Power's railcar leases terminating in June 2024.

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. Included in the wholesale electric revenues of the traditional electric operating companies and Southern Power are revenues associated with affiliate transactions. These revenues are generated through long-term PPAs or short-term energy sales made in accordance with the IIC, as approved by the FERC. Amounts related to these affiliate revenues are eliminated in consolidation for Southern Company. See Note 1 under "Affiliate Transactions" and "Revenues" for additional information. 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
2024						
				(in millions)		
Operating revenues						
Retail electric revenues						
Residential	\$ 8,276	\$ 3,133	\$ 4,835	\$ 308	\$ —	\$ —
Commercial	6,585	2,042	4,219	324	—	—
Industrial	3,892	1,742	1,808	342	—	—
Other	124	13	102	9	—	—
Total retail electric revenues	18,877	6,930	10,964	983	—	—
Natural gas distribution revenues						
Residential	1,753	—	—	—	—	1,753
Commercial	417	—	—	—	—	417
Transportation	1,295	—	—	—	—	1,295
Industrial	34	—	—	—	—	34
Other	316	—	—	—	—	316
Total natural gas distribution revenues	3,815	—	—	—	—	3,815
Wholesale electric revenues						
PPA energy revenues	1,059	206	94	4	778	—
PPA capacity revenues	641	108	136	63	400	—
Non-PPA revenues	226	139	5	375	230	—
Total wholesale electric revenues	1,926	453	235	442	1,408	—
Other natural gas revenues						
Gas marketing services	507	—	—	—	—	507
Other	18	—	—	—	—	18
Total other natural gas revenues	525	—	—	—	—	525
Other revenues	1,621	240	721	52	37	—
Total revenue from contracts with customers	26,764	7,623	11,920	1,477	1,445	4,340
Other revenue sources ^(*)	(40)	(69)	(589)	(14)	569	116
Total operating revenues	\$26,724	\$7,554	\$11,331	\$1,463	\$2,014	\$4,456

Notes to Financial Statements

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
2023						
				(in millions)		
Operating revenues						
Retail electric revenues						
Residential	\$ 7,309	\$2,904	\$ 4,105	\$ 300	\$ —	\$ —
Commercial	5,860	1,928	3,624	308	—	—
Industrial	3,613	1,721	1,558	334	—	—
Other	112	12	91	9	—	—
Total retail electric revenues	16,894	6,565	9,378	951	—	—
Natural gas distribution revenues						
Residential	1,981	—	—	—	—	1,981
Commercial	505	—	—	—	—	505
Transportation	1,184	—	—	—	—	1,184
Industrial	45	—	—	—	—	45
Other	324	—	—	—	—	324
Total natural gas distribution revenues	4,039	—	—	—	—	4,039
Wholesale electric revenues						
PPA energy revenues	1,107	234	87	20	790	—
PPA capacity revenues	624	156	51	45	376	—
Non-PPA revenues	250	65	35	407	409	—
Total wholesale electric revenues	1,981	455	173	472	1,575	—
Other natural gas revenues						
Gas marketing services	528	—	—	—	—	528
Other	31	—	—	—	—	31
Total other natural gas revenues	559	—	—	—	—	559
Other revenues	1,355	213	578	39	55	—
Total revenue from contracts with customers	24,828	7,233	10,129	1,462	1,630	4,598
Other revenue sources ^(*)	425	(183)	(11)	12	559	104
Total operating revenues	\$25,253	\$7,050	\$10,118	\$1,474	\$2,189	\$4,702

Notes to Financial Statements

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, 2024 and 2023:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Accounts Receivable						
At December 31, 2024	\$ 3,048	\$ 783	\$ 1,244	\$ 113	\$ 106	\$ 660
At December 31, 2023	2,820	821	1,011	90	122	684
Contract Assets						
At December 31, 2024	\$ 323	\$ 3	\$ 184	\$ —	\$ —	\$ 72
At December 31, 2023	271	2	121	—	—	56
Contract Liabilities						
At December 31, 2024	\$ 140	\$ 11	\$ 34	\$ —	\$ 2	\$ 3
At December 31, 2023	116	—	1	—	4	—

Contract assets for Georgia Power primarily relate to retail customer fixed 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, and unregulated service agreements, where payment is contingent on project completion. Contract liabilities for Georgia Power primarily relate to cash collections recognized in advance of revenue for unregulated service agreements. Southern Company Gas' contract assets relate to work performed on an energy efficiency enhancement and upgrade contract with the U.S. General Services Administration. Southern Company Gas receives cash advances from a third-party financial institution to fund work performed, of which approximately \$68 million had been received at December 31, 2024. These advances have been accounted for as long-term debt on the balance sheets. See Note 1 under "Affiliate Transactions" for additional information regarding the construction contract. At December 31, 2024 and 2023, Southern Company's unregulated distributed generation business had contract assets of \$67 million and \$91 million, respectively, and contract liabilities of \$95 million and \$115 million, respectively, for outstanding performance obligations, all of which are expected to be satisfied within one year.

Revenues recognized in 2024 and 2023, which were included in contract liabilities at December 31, 2023 and 2022, respectively, were \$98 million and \$36 million respectively, for Southern Company and immaterial for the other Registrants. Contract liabilities are primarily classified as current on the balance sheets as the corresponding revenues are generally expected to be recognized within one year.

Remaining Performance Obligations

Southern Company's subsidiaries may enter into long-term contracts with customers in which revenues are recognized as performance obligations are satisfied over the contract term. For the traditional electric operating companies and Southern Power, these contracts primarily relate to PPAs whereby electricity and generation capacity are provided 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. For Southern Company Gas, these contracts primarily relate to the U.S. General Services Administration contract described above. 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, 2024 are expected to be recognized as follows:

	2025	2026	2027	2028	2029	Thereafter
	<i>(in millions)</i>					
Southern Company	\$ 937	\$ 427	\$ 371	\$ 343	\$ 309	\$ 2,636
Alabama Power	11	—	—	—	—	—
Georgia Power	69	30	15	16	2	27
Mississippi Power ^(*)	63	66	69	73	—	—
Southern Power ^(*)	340	331	340	316	312	2,609
Southern Company Gas	2	—	—	—	—	—

(*) Includes performance obligations related to affiliate PPAs with Georgia Power. See Note 1 under "Affiliate Transactions" for additional information.

Notes to Financial Statements

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, 2024 and 2023:

At December 31, 2024:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Electric utilities:						
Generation	\$ 61,292	\$16,801	\$26,089	\$2,946	\$14,920	\$ —
Transmission	16,280	6,449	8,800	989	—	—
Distribution	28,678	10,373	16,887	1,418	—	—
General/other	6,547	2,878	3,260	344	41	—
Electric utilities' plant in service	112,797	36,501	55,036	5,697	14,961	—
Southern Company Gas:						
Natural gas transportation and distribution	18,896	—	—	—	—	18,896
Storage facilities	1,748	—	—	—	—	1,748
Other	1,694	—	—	—	—	1,694
Southern Company Gas plant in service	22,338	—	—	—	—	22,338
Other plant in service	2,008	—	—	—	—	—
Total plant in service	\$137,143	\$36,501	\$55,036	\$5,697	\$14,961	\$22,338

At December 31, 2023:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Electric utilities:						
Generation	\$ 57,325	\$16,584	\$22,587	\$2,909	\$14,649	\$ —
Transmission	15,561	6,152	8,402	966	—	—
Distribution	26,482	9,775	15,380	1,327	—	—
General/other	6,305	2,918	3,001	321	41	—
Electric utilities' plant in service	105,673	35,429	49,370	5,523	14,690	—
Southern Company Gas:						
Natural gas transportation and distribution	17,798	—	—	—	—	17,798
Storage facilities	1,565	—	—	—	—	1,565
Other	1,477	—	—	—	—	1,477
Southern Company Gas plant in service	20,840	—	—	—	—	20,840
Other plant in service	1,915	—	—	—	—	—
Total plant in service	\$128,428	\$35,429	\$49,370	\$5,523	\$14,690	\$20,840

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 through 4 and 24 months for Plant Hatch Units 1 and 2. Georgia Power's amortization period begins the month the refueling outage starts.

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.

Notes to Financial Statements

The Registrants have deferred certain implementation costs related to cloud hosting arrangements. At December 31, 2024 and 2023, deferred cloud implementation costs, net of amortization, which are generally included in other deferred charges and assets on the Registrants' balance sheets, were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Deferred cloud implementation costs, net:						
At December 31, 2024	\$321	\$92	\$111	\$13	\$12	\$35
At December 31, 2023	325	85	99	13	15	43

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. Amortization of deferred cloud implementation costs recognized in 2024, 2023, and 2022 was immaterial for Mississippi Power, Southern Power, and Southern Company Gas and was as follows for the other Registrants:

	Southern Company	Alabama Power	Georgia Power
	<i>(in millions)</i>		
2024	\$56	\$17	\$22
2023	46	11	19
2022	29	8	12

See Note 2 under "Regulatory Assets and Liabilities" for information on deferrals of certain other operations and maintenance costs associated with software and cloud computing projects by the traditional electric operating companies and natural gas distribution utilities, as authorized by their respective state PSCs or applicable state regulatory agencies.

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 2024, 2023, and 2022 were as follows:

	2024	2023	2022
Alabama Power	4.2%	4.1%	2.7%
Georgia Power	3.4%	3.8%	3.3%
Mississippi Power	3.3%	3.4%	3.4%
Southern Company Gas	2.9%	2.7%	2.7%

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. Effective January 1, 2023, Alabama Power's and Georgia Power's depreciation rates were revised. On October 25, 2024, Mississippi Power filed an updated depreciation study with the Mississippi PSC requesting an \$11 million increase in total annual depreciation. On February 13, 2025, Mississippi Power entered into a stipulation with the MPUS to include certain modifications to the interim net salvage rates and increases to certain service lives. The stipulation requests an \$8 million increase in total annual depreciation. The ultimate outcome of this matter cannot be determined at this time. 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, 2024 and 2023, accumulated depreciation for Southern Company and Southern Company Gas consisted of utility plant in service totaling \$38.9 billion and \$36.6 billion, respectively, for Southern Company and \$5.6 billion and \$5.3 billion, respectively, for Southern Company Gas, as well as other plant in service totaling \$1.2 billion and \$1.1 billion, respectively, for Southern Company and \$252 million and \$210 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 10 years for transportation equipment, five to 40 years for storage facilities, and up to 78 years for other assets. Useful lives for the assets of Southern Company's other non-utility subsidiaries range up to 40 years.

Notes to Financial Statements

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 35 years

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.

Joint Ownership Agreements

At December 31, 2024, 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				
Plant Greene County (natural gas) Units 1 and 2	60.0% ^(a)	\$ 192	\$ 140	\$ 1
Plant Miller (coal) Units 1 and 2	91.8 ^(b)	2,180	829	7
Georgia Power				
Plant Hatch (nuclear) Units 1 and 2	50.1% ^(c)	\$1,464	\$ 604	\$ 66
Plant Vogtle (nuclear) Units 1 and 2	45.7 ^(c)	3,621	2,342	162
Plant Vogtle (nuclear) Units 3 and 4	45.7 ^(c)	7,953	119	45
Plant Scherer (coal) Units 1 and 2	8.4 ^(c)	289	140	4
Plant Scherer (coal) Unit 3	75.0 ^(c)	1,316	720	22
Rocky Mountain (pumped storage)	25.4 ^(d)	182	160	6
Mississippi Power				
Plant Greene County (natural gas) Units 1 and 2	40.0% ^(a)	\$ 125	\$ 88	\$ 2
Plant Daniel (coal) Units 1 and 2	50.0 ^(e)	791	286	3
Southern Company Gas				
Dalton Pipeline (natural gas pipeline)	50.0% ^(f)	\$ 271	\$ 32	\$ 1

(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, and Scherer in varying amounts jointly with one or more of the following entities: OPC, MEAG Power, Dalton, FP&L, and Jacksonville Electric Authority. 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 with FP&L. In accordance with the operating agreement, Mississippi Power acts as FP&L's agent with respect to the operation and maintenance of these units. See Note 2 under "Mississippi Power – Plant Daniel" for information on Mississippi Power's agreement with FP&L to acquire FP&L's 50% ownership interest in Plant Daniel Units 1 and 2.

(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.

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.

Notes to Financial Statements

Assets Subject to Lien

Mississippi Power provides retail service to its largest retail customer, Chevron Products Company (Chevron), at its refinery in Pascagoula, Mississippi through at least 2038 in accordance with agreements approved by the Mississippi PSC. The agreements grant Chevron a security interest in the co-generation assets located at the refinery and owned by Mississippi Power, with a lease receivable balance of \$139 million at December 31, 2024, 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. See Note 9 under "Lessor" for additional information.

See Note 8 under "Long-term Debt" for information regarding debt secured by certain assets of Georgia 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 surface impoundments. 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). 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, 2022	\$ 10,840	\$ 4,287	\$ 6,034	\$ 179	\$ 144
Liabilities incurred	90	—	90	—	—
Liabilities settled	(617)	(270)	(304)	(18)	—
Accretion expense	403	156	230	5	6
Cash flow revisions	(399)	(15)	(385)	2	—
Balance at December 31, 2023	\$ 10,317	\$ 4,158	\$ 5,665	\$ 168	\$ 150
Liabilities incurred	130	8	120	—	2
Liabilities settled	(566)	(254)	(270)	(17)	—
Accretion expense	400	153	232	5	7
Cash flow revisions	(347)	(7)	(332)	(8)	—
Balance at December 31, 2024	\$ 9,934	\$ 4,058	\$ 5,415	\$ 148	\$ 159

(*) Included in other deferred credits and liabilities on Southern Power's consolidated balance sheets.

Notes to Financial Statements

In June 2023, Alabama Power completed an updated decommissioning cost site study for Plant Farley. The estimated cost of decommissioning based on the study resulted in a decrease in Alabama Power's ARO liability of approximately \$15 million. See "Nuclear Decommissioning" herein for additional information.

Following initial criticality for Plant Vogtle Unit 3 and 4 on March 6, 2023 and February 14, 2024, respectively, Georgia Power recorded AROs of approximately \$90 million and \$118 million, respectively. See "Nuclear Decommissioning" herein and Note 2 under "Georgia Power – Nuclear Construction" for additional information.

In September 2023 and November 2023, Georgia Power recorded net decreases of approximately \$175 million and \$210 million, respectively, to its AROs related to the CCR Rule and the related state rule resulting from changes in estimates, including lower future inflation rates and the timing of closure activities.

In September 2024, Georgia Power completed updated decommissioning cost site studies for Plants Hatch and Vogtle Units 1 through 4. The estimated cost of decommissioning based on the studies resulted in a decrease in Georgia Power's ARO liability of \$389 million. See "Nuclear Decommissioning" herein for additional information.

In November 2024, Georgia Power recorded a net increase of approximately \$60 million to its AROs related to the CCR Rule and the related state rule resulting from changes in estimates, including higher future inflation rates and the timing of closure activities.

The cost estimates for AROs related to the disposal of CCR are based on information at December 31, 2024 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. The cost estimates for Alabama Power are based on closure-in-place for all surface impoundments. The cost estimates for Georgia Power and Mississippi Power are based on a combination of closure-in-place for some surface impoundments and closure by removal for others. 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. The ultimate outcome of these matters cannot be determined at this time. See Note 3 under "General Litigation Matters – Alabama Power" for additional information.

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.

Notes to Financial Statements

Investment securities in the Funds at December 31, 2024 and 2023 were as follows:

	Southern Company	Alabama Power	Georgia Power
	<i>(in millions)</i>		
At December 31, 2024:			
Equity securities	\$1,413	\$ 848	\$ 565
Debt securities	976	335	641
Other securities	232	202	30
Total investment securities in the Funds	\$2,621	\$1,385	\$1,236
At December 31, 2023:			
Equity securities	\$1,288	\$ 796	\$ 492
Debt securities	895	277	618
Other securities	239	186	53
Total investment securities in the Funds	\$2,422	\$1,259	\$1,163

These amounts exclude receivables related to investment income and pending investment sales and payables related to pending investment purchases.

The fair value increases (decreases) of the Funds, including unrealized gains (losses) and reinvested interest and dividends and excluding the Funds' expenses, for 2024, 2023, and 2022 are shown in the table below.

	Southern Company	Alabama Power	Georgia Power
	<i>(in millions)</i>		
Fair value increases (decreases)			
2024	\$ 229	\$ 143	\$ 86
2023	281	157	124
2022	(360)	(171)	(189)
Unrealized gains (losses)			
At December 31, 2024	\$ 113	\$ 64	\$ 49
At December 31, 2023	241	119	122
At December 31, 2022	(391)	(204)	(187)

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 \$12 million and \$13 million at December 31, 2024 and 2023, 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.

Notes to Financial Statements

At December 31, 2024 and 2023, the accumulated provisions for the external decommissioning trust funds were as follows:

	2024	2023
	<i>(in millions)</i>	
Alabama Power		
Plant Farley	\$1,385	\$1,259
Georgia Power		
Plant Hatch	\$ 735	\$ 705
Plant Vogtle Units 1 and 2	460	434
Plant Vogtle Units 3 and 4	41	24
Total	\$1,236	\$1,163

Site study cost is the estimate to decommission a specific facility as of the site study year. The decommissioning cost estimates are based on removal of the plant from service and prompt dismantlement. 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, 2024 based on the most current studies were as follows:

	<u>Alabama Power</u>	<u>Georgia Power</u>		
	Plant Farley	Plant Hatch ^(*)	Plant Vogtle Units 1 and 2 ^(*)	Plant Vogtle Unit 3 and 4 ^(*)
Most current study year	2023	2024	2024	2024
Decommissioning periods:				
Beginning year	2037	2034	2047	2062
Completion year	2087	2088	2092	2074
		<i>(in millions)</i>		
Site study costs:				
Radiated structures	\$ 1,402	\$ 795	\$ 674	\$ 599
Spent fuel management	513	306	255	88
Non-radiated structures	133	77	107	89
Total site study costs	\$ 2,048	\$ 1,178	\$ 1,036	\$ 776

(*) 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. Significant assumptions used to determine these costs for ratemaking were an estimated inflation rate of 4.5% for Plant Farley, 2.5% for Plants Hatch and Vogtle Units 1 and 2, and 2.3% for Plant Vogtle Units 3 and 4 and an estimated trust earnings rate of 7.0% for Plant Farley, 4.5% for Plants Hatch and Vogtle Units 1 and 2, and 4.3% for Plant Vogtle Units 3 and 4.

Amounts previously contributed to the Funds for Plant Farley are currently projected to be adequate to meet the decommissioning obligations. Alabama Power's site-specific estimates of decommissioning costs for Plant Farley are updated every five years. The next site study for Alabama Power is expected to be completed in 2028. Projections of funds are reviewed with the Alabama PSC to ensure that, over time, the deposits and earnings of the Funds will provide adequate funding to cover the site-specific costs. If necessary, Alabama Power would seek the Alabama PSC's approval to address any changes in a manner consistent with NRC and other applicable requirements.

Notes to Financial Statements

Under the 2019 ARP, Georgia Power's annual decommissioning cost for ratemaking in 2022 was a total of \$4 million for Plant Hatch and Plant Vogtle Units 1 and 2. Effective January 1, 2023, as approved in the 2022 ARP, there is no annual decommissioning cost for ratemaking for Plant Hatch and Plant Vogtle Units 1 and 2. Any funding amount required by the NRC during the period covered by the 2022 ARP will be deferred to a regulatory asset and recovery is expected to be determined in Georgia Power's next base rate case. See Note 2 under "Georgia Power – Rate Plans – 2022 ARP" for additional information. Effective August 1, 2023, as approved under the Plant Vogtle Unit 3 and Common Facilities rate proceeding, Georgia Power's annual decommissioning cost for ratemaking is \$8 million for Plant Vogtle Unit 3. Effective May 1, 2024, as approved under the Prudency Stipulation, Georgia Power's annual decommissioning cost for ratemaking is \$8 million for Plant Vogtle Unit 4. See Note 2 under "Georgia Power – Nuclear Construction – Regulatory Matters" for additional information.

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 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.

Southern Company

At December 31, 2024 and 2023, Southern Holdings had equity method investments totaling \$128 million and \$126 million, respectively, primarily related to investments in venture capital funds focused on energy and utility investments. Earnings/losses from these investments were immaterial for all periods presented.

SEGCO

Alabama Power and Georgia Power own equally all of the outstanding capital stock of SEGCO, which owns electric generating units at Plant Gaston with a total rated capacity of 1,020 MWs, as well as associated transmission facilities. Retirement of SEGCO's generating units is currently expected to occur by December 31, 2028. However, Alabama Power, in conjunction with Georgia Power, is evaluating extending the operation of Plant Gaston Units 1 through 4 beyond the indicated retirement date. See Note 2 under "Georgia Power – Integrated Resource Plans – 2025 IRP" for additional information. 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 an ROE. The share of purchased power included in purchased power, affiliates in the statements of income totaled \$115 million in 2024, \$112 million in 2023, and \$124 million in 2022 for Alabama Power and \$118 million in 2024, \$115 million in 2023, and \$127 million in 2022 for Georgia Power.

SEGCO paid dividends of \$20 million in 2024, \$25 million in 2023, and \$14 million in 2022, 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.

Notes to Financial Statements

SP Solar and SP Wind

SP Solar is owned by Southern Power and a limited partner. A wholly-owned subsidiary of Southern Power is the general partner and holds a 1% ownership interest, and another wholly-owned subsidiary of Southern Power owns a 66% ownership interest. The limited partner holds the remaining 33% noncontrolling interest. 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, 2024 and 2023, SP Solar had total assets of \$5.4 billion and \$5.6 billion, respectively, total liabilities of \$372 million and \$399 million, respectively, and noncontrolling interests of \$1.0 billion. Cash distributions from SP Solar are allocated 67% to Southern Power and 33% to the limited partner 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.

SP Wind is owned by Southern Power and three financial investors. A wholly-owned subsidiary of 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, 2024 and 2023, SP Wind had total assets of \$2.0 billion and \$2.1 billion, respectively, total liabilities of \$177 million and \$187 million, respectively, and noncontrolling interests of \$35 million and \$38 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 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, 2024 and 2023, the other VIEs had total assets of \$1.6 billion and \$1.7 billion, respectively, total liabilities of \$224 million and \$230 million, respectively, and noncontrolling interests of \$691 million and \$761 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

During 2023 and 2022, Southern Power sold its remaining equity method investments in wind projects and received proceeds totaling \$50 million and \$38 million, respectively. Earnings (loss) from these investments, including the gains associated with the sales, were immaterial for 2023 and 2022.

Southern Company Gas

The carrying amounts of Southern Company Gas' equity method investments at December 31, 2024 and 2023 were as follows:

Investment Balance	December 31, 2024	December 31, 2023
	<i>(in millions)</i>	
SNG	\$1,245	\$ 1,202
Other	34	33
Total	\$1,279	\$ 1,235

The earnings from Southern Company Gas' equity method investment related to SNG were \$146 million in 2024, \$139 million in 2023, and \$146 million in 2022. The earnings from Southern Company Gas' other equity method investments were immaterial for all periods presented.

Notes to Financial Statements

8. FINANCING

Long-term Debt

Details of long-term debt at December 31, 2024 and 2023 are provided in the following table:

	At December 31, 2024		Balance Outstanding at December 31,	
	Maturity	Weighted Average Interest Rate	2024	2023
<i>(in millions)</i>				
Southern Company				
Senior notes ^(a)	2025–2074	4.33%	\$44,862	\$40,235
Junior subordinated notes	2027–2081	4.32%	7,389	8,333
FFB loans ^(b)	2025–2044	2.88%	4,703	4,788
Revenue bonds ^(c)	2025–2063	3.15%	3,379	3,400
First mortgage bonds ^(d)	2025–2064	3.79%	2,775	2,500
Medium-term notes	2026–2027	7.03%	84	84
Other long-term debt	2025–2045	4.96%	209	234
Finance lease obligations ^(e)			287	298
Unamortized fair value adjustment			275	302
Unamortized debt premium (discount), net			(58)	(198)
Unamortized debt issuance expenses			(419)	(290)
Total long-term debt			63,486	59,686
Less: Amount due within one year			4,718	2,476
Total long-term debt excluding amount due within one year			\$58,768	\$57,210
Alabama Power				
Senior notes	2025–2073	3.94%	\$ 9,875	\$ 9,875
Revenue bonds ^(c)	2025–2063	3.11%	1,300	1,321
Other long-term debt	2026–2030	6.11%	61	75
Finance lease obligations ^(e)			4	5
Unamortized debt premium (discount), net			(19)	(20)
Unamortized debt issuance expenses			(67)	(73)
Total long-term debt			11,154	11,183
Less: Amount due within one year			655	223
Total long-term debt excluding amount due within one year			\$10,499	\$10,960
Georgia Power				
Senior notes	2025–2074	4.49%	\$11,292	\$ 9,575
Junior subordinated notes	2077	5.00%	270	270
FFB loans ^(b)	2025–2044	2.88%	4,703	4,788
Revenue bonds ^(c)	2025–2062	3.18%	1,968	1,968
Finance lease obligations ^(e)			261	240
Unamortized debt premium (discount), net			(21)	(19)
Unamortized debt issuance expenses			(123)	(122)
Total long-term debt			18,350	16,700
Less: Amount due within one year			966	502
Total long-term debt excluding amount due within one year			\$17,384	\$16,198

Notes to Financial Statements

	At December 31, 2024		Balance Outstanding at December 31,	
	Maturity	Weighted Average Interest Rate	2024	2023
<i>(in millions)</i>				
Mississippi Power				
Senior notes	2026–2054	4.33%	\$ 1,575	\$ 1,525
Revenue bonds ^(c)	2025–2052	3.16%	111	111
Finance lease obligations ^(e)			14	16
Unamortized debt premium (discount), net			2	1
Unamortized debt issuance expenses			(9)	(9)
Total long-term debt			1,693	1,644
Less: Amount due within one year			12	201
Total long-term debt excluding amount due within one year			\$ 1,681	\$ 1,443
Southern Power				
Senior notes ^(a)	2025–2046	4.05%	\$ 2,695	\$ 2,728
Unamortized debt premium (discount), net			(4)	(4)
Unamortized debt issuance expenses			(11)	(13)
Total long-term debt			2,680	2,711
Less: Amount due within one year			500	—
Total long-term debt excluding amount due within one year			\$ 2,180	\$ 2,711
Southern Company Gas				
Senior notes	2025–2051	4.41%	\$ 5,375	\$ 4,930
First mortgage bonds ^(d)	2025–2064	3.79%	2,775	2,500
Medium-term notes	2026–2027	7.03%	84	84
Other long-term debt	2025–2045	3.81%	68	59
Unamortized fair value adjustment			275	302
Unamortized debt premium (discount), net			(9)	(8)
Unamortized debt issuance expenses			(37)	(34)
Total long-term debt			8,531	7,833
Less: Amount due within one year			302	—
Total long-term debt excluding amount due within one year			\$ 8,229	\$ 7,833

(a) Includes a fair value gain (loss) of \$(45) million and \$(12) million at December 31, 2024 and 2023, respectively, related to Southern Power's foreign currency hedge on its euro-denominated senior notes.

(b) Secured by a first priority lien on (i) Georgia Power's undivided ownership interest in Plant Vogtle Units 3 and 4 (primarily the units, 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" herein for additional information.

(c) 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 and wastewater facilities. In some cases, the 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) Secured by the underlying lease ROU asset. See Note 9 for additional information.

Notes to Financial Statements

Maturities of long-term debt for the next five years are as follows:

	Southern Company ^(a)	Alabama Power ^(b)	Georgia Power ^(c)	Mississippi Power	Southern Power ^(d)	Southern Company Gas
	<i>(in millions)</i>					
2025	\$ 4,727	\$ 658	\$ 967	\$ 12	\$ 500	\$ 300
2026	3,792	47	451	66	964	530
2027	4,075	551	1,015	10	—	154
2028	2,827	107	868	357	—	150
2029	1,990	—	861	1	—	150

(a) See notes (b), (c), and (d) below.

(b) Alabama Power's 2025 maturities include \$200 million aggregate principal amount of Series 2023A Floating Rate Senior Notes due May 15, 2073 that are repayable at the option of the holders at certain dates that began in 2024. As a result, the senior notes are classified as securities due within one year on the balance sheets of Southern Company and Alabama Power at December 31, 2024.

(c) 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. Georgia Power's 2025 maturities include approximately \$117 million aggregate principal amount of Series 2024C Floating Rate Senior Notes due November 15, 2074 that are repayable at the option of the holders at certain dates beginning in 2025. As a result, the senior notes are classified as securities due within one year on the balance sheets of Southern Company and Georgia Power at December 31, 2024.

(d) Southern Power's 2026 maturities include \$564 million of 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 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 was authorized to make term loan borrowings through the FFB in an amount up to approximately \$5.130 billion.

In 2021, Georgia Power made the final borrowings under the FFB Credit Facilities and no further borrowings are permitted. During 2024, Georgia Power made principal amortization payments of \$86 million under the FFB Credit Facilities. At December 31, 2024 and 2023, Georgia Power had \$4.7 billion and \$4.8 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 secured by a first priority lien on (i) Georgia Power's undivided ownership interest in Plant Vogtle Units 3 and 4 (primarily the units, 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.

The final maturity date for each advance under the FFB Credit Facilities is February 20, 2044. Interest is payable quarterly and principal payments began in 2020. Each borrowing under the FFB Credit Facilities bears interest at a fixed rate equal to the applicable U.S. Treasury rate at the time of the borrowing 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.

In the event certain mandatory prepayment events occur, 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) loss of necessary governmental approvals for operation of Plant Vogtle Units 3 and 4; (ii) loss of regulation by the Georgia PSC; (iii) cost disallowances by the Georgia PSC that could have a material adverse effect on Georgia Power's ability to repay the outstanding borrowings under the FFB Credit Facilities; (iv) certain material casualty losses or a governmental taking of Plant Vogtle Units 3 and 4; or (v) loss of access to the intellectual property rights necessary to operate Plant Vogtle Units 3 and 4. 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.

See Note 2 under "Georgia Power – Nuclear Construction" for additional information.

Notes to Financial Statements

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, 2024 and 2023. Each Registrant's senior notes, junior subordinated notes, 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 May 2022, Southern Company remarketed \$862.5 million aggregate principal amount of its Series 2019A Remarketable Junior Subordinated Notes due August 1, 2024 (2019A RSNs) and \$862.5 million aggregate principal amount of its Series 2019B Remarketable Junior Subordinated Notes due August 1, 2027 (2019B RSNs), pursuant to the terms of its 2019 Series A Equity Units (Equity Units). In connection with the remarketing, the interest rates on the 2019A RSNs and the 2019B RSNs were reset to 4.475% and 5.113%, respectively, payable on a semi-annual basis. In August 2022, the proceeds were ultimately used to settle the purchase contracts entered into as part of the Equity Units and Southern Company issued approximately 25.2 million shares of common stock and received proceeds of \$1.725 billion. In August 2024, Southern Company repaid at maturity the \$862.5 million 2019A RSNs. At December 31, 2023, the 2019A RSNs were included on Southern Company's consolidated balance sheet in securities due within one year. At December 31, 2024 and 2023, the 2019B RSNs were included on Southern Company's consolidated balance sheets in long-term debt.

Convertible Senior Notes

In May 2024, Southern Company issued \$1.5 billion aggregate principal amount of Series 2024A 4.50% Convertible Senior Notes due June 15, 2027 (Series 2024A Convertible Senior Notes).

In February 2023, Southern Company issued \$1.5 billion aggregate principal amount of Series 2023A 3.875% Convertible Senior Notes due December 15, 2025 (Series 2023A Convertible Senior Notes). In March 2023, Southern Company issued an additional \$225 million aggregate principal amount of the Series 2023A Convertible Senior Notes upon the exercise by the initial purchasers of their over-allotment option.

Interest on the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes is payable semiannually. The Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes will mature on June 15, 2027 and December 15, 2025, respectively, unless earlier converted or repurchased, but are not redeemable at the option of Southern Company. Both the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes are direct, unsecured, and unsubordinated obligations of Southern Company, ranking equally with all of Southern Company's other unsecured and unsubordinated indebtedness from time to time outstanding, and are effectively subordinated to all secured indebtedness of Southern Company.

Under the following circumstances, holders may convert their Series 2024A Convertible Senior Notes and their Series 2023A Convertible Senior Notes at their option prior to the close of business on the business day preceding March 15, 2027 and September 15, 2025, respectively:

- during any calendar quarter (and only during such calendar quarter), if the last reported sale price of Southern Company's common stock for at least 20 trading days (whether or not consecutive) during the period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the applicable conversion price of the Series 2024A Convertible Senior Notes or the Series 2023A Convertible Senior Notes, as the case may be, on each applicable trading day as determined by Southern Company;
- during the five business day period after any 10 consecutive trading day period (Measurement Period) in which the applicable trading price per \$1,000 principal amount of Series 2024A Convertible Senior Notes or Series 2023A Convertible Senior Notes, as the case may be, for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price of the common stock and the applicable conversion rate on each such trading day; or
- upon the occurrence of certain corporate events specified in the respective supplemental indentures governing the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes.

On or after March 15, 2027, for the Series 2024A Convertible Senior Notes, and September 15, 2025, for the Series 2023A Convertible Senior Notes, a holder may convert all or any portion of its Series 2024A Convertible Senior Notes or its Series 2023A Convertible Senior Notes, as the case may be, at any time prior to the close of business on the second scheduled trading day immediately preceding the applicable maturity date regardless of the foregoing conditions.

Southern Company will settle conversions of the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes by paying cash up to the aggregate principal amount of the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes to be converted and paying or delivering, as the case may be, cash, shares of common stock, or a combination of cash and shares of common stock, at Southern Company's election, in respect of the remainder, if any, of Southern Company's conversion obligation in

Notes to Financial Statements

excess of the aggregate principal amount of the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes being converted. The Series 2024A Convertible Senior Notes are initially convertible at a rate of 10.8166 shares of common stock per \$1,000 principal amount converted, which is approximately equal to \$92.45 per share of common stock. The Series 2023A Convertible Senior Notes are initially convertible at a rate of 11.8818 shares of common stock per \$1,000 principal amount converted, which is approximately equal to \$84.16 per share of common stock. These conversion rates will be subject to adjustment upon the occurrence of certain specified events but will not be adjusted for accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (as defined in the respective supplemental indentures governing the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes), Southern Company will, in certain circumstances, increase the applicable conversion rate by a number of additional shares of common stock for conversions in connection with the make-whole fundamental change.

Upon the occurrence of a fundamental change (as defined in the respective supplemental indentures governing the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes), holders of the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes may require Southern Company to purchase all or a portion of their Series 2024A Convertible Senior Notes and their Series 2023A Convertible Senior Notes, in principal amounts equal to \$1,000 or an integral multiple thereof, for cash at a price equal to 100% of the principal amount of the Series 2024A Convertible Senior Notes and the Series 2023A Convertible Senior Notes to be purchased plus any accrued and unpaid interest.

Equity Distribution Agreement

In May 2024, Southern Company established an at-the-market program by entering into an equity distribution agreement pursuant to which it may sell, from time to time, up to an aggregate of 50 million shares of its common stock, including through forward sale contracts. In November 2024, Southern Company entered into separate forward sale contracts with forward purchasers for the sale of:

- 1,000,000 shares of common stock with an initial forward price of \$86.5645 per share and
- 1,000,000 shares of common stock with an initial forward price of \$87.9658 per share.

In addition, in December 2024, Southern Company entered into a forward sale contract with a forward purchaser for the sale of 436,614 shares of its common stock, 143,920 of which had been sold by the forward seller as of December 31, 2024, with the remaining 292,694 shares sold subsequent to December 31, 2024, all with an initial forward price of \$83.3293 per share.

Each initial forward price is subject to adjustment under certain specified circumstances as specified in the forward sale contracts. Southern Company may settle each of the forward transactions in shares, cash, or net shares on or before December 31, 2025. As of December 31, 2024, no shares had been settled under these forward confirmations.

Bank Credit Arrangements

At December 31, 2024, committed credit arrangements with banks were as follows:

Company	Expires				Total	Unused	Expires within One Year
	2025	2026	2027	2029			
	<i>(in millions)</i>						
Southern Company parent ^(a)	\$150	\$ —	\$ —	\$1,850	\$2,000	\$1,998	\$150
Alabama Power ^(b)	—	665	—	700	1,365	1,364	—
Georgia Power	300	—	—	1,750	2,050	2,026	300
Mississippi Power	—	—	275	—	275	275	—
Southern Power ^{(a)(c)}	—	—	—	600	600	600	—
Southern Company Gas ^(d)	100	—	—	1,500	1,600	1,598	100
SEGCO	30	—	—	—	30	30	30
Southern Company	\$580	\$665	\$275	\$6,400	\$7,920	\$7,891	\$580

(a) Arrangement expiring in 2029 represents a \$2.45 billion combined arrangement for Southern Company and Southern Power allowing for flexible sublimits.

(b) Includes \$15 million expiring in 2026 at Alabama Property Company, a wholly-owned subsidiary of Alabama Power, of which \$14 million was unused at December 31, 2024. Alabama Power is not party to this arrangement.

(c) Does not include Southern Power Company's \$75 million and \$100 million continuing letter of credit facilities for standby letters of credit, expiring in 2027 and 2026, respectively, of which \$16 million and \$11 million, respectively, was unused at December 31, 2024. Southern Power's subsidiaries are not parties to its bank credit arrangements or letter of credit facilities.

(d) Southern Company Gas, as the parent entity, guarantees the obligations of Southern Company Gas Capital, which is the borrower of \$800 million of the credit arrangement expiring in 2029. Southern Company Gas' committed credit arrangement expiring in 2029 also includes \$700 million for which Nicor Gas is the borrower and which is restricted for working capital needs of Nicor Gas. Pursuant to the multi-year credit arrangement expiring in 2029, the allocations between Southern Company Gas Capital and Nicor Gas may be adjusted. Nicor Gas is also the borrower under a \$100 million credit arrangement expiring in 2025. See "Structural Considerations" herein for additional information.

Notes to Financial Statements

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, Nicor Gas, and SEGCO, contain covenants that limit debt levels and contain cross-acceleration provisions to other indebtedness (including guarantee obligations) that are restricted only to the indebtedness of the individual company. The 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, Mississippi Power'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 junior subordinated notes 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 subsidiaries. At December 31, 2024, 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 certain revenue bonds of the traditional electric operating companies and the commercial paper programs of the Registrants, Nicor Gas, and SEGCO. At December 31, 2024, outstanding variable rate demand revenue bonds of the traditional electric operating companies with allocated liquidity support totaled approximately \$1.7 billion (comprised of approximately \$796 million at Alabama Power, \$819 million at Georgia Power, and \$69 million at Mississippi Power). In addition, at December 31, 2024, Alabama Power and Georgia Power had approximately \$207 million and \$157 million, respectively, of fixed rate revenue bonds outstanding that are required to be remarketed within the next 12 months. Alabama Power's \$207 million of fixed rate revenue bonds are classified as securities due within one year on its balance sheets as they are not covered by long-term committed credit. All other variable rate demand revenue bonds and fixed rate revenue bonds required to be remarketed within the next 12 months are classified as long-term debt on the balance sheets as a result of available long-term committed credit.

At both December 31, 2024 and 2023, Southern Power had \$106 million 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.

Notes to Financial Statements

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, 2024		Notes Payable at December 31, 2023	
	Amount Outstanding <i>(in millions)</i>	Weighted Average Interest Rate	Amount Outstanding <i>(in millions)</i>	Weighted Average Interest Rate
Southern Company				
Commercial paper	\$ 1,138	4.7%	\$ 1,794	5.6%
Short-term bank debt	200	5.3	520	6.4
Total	\$ 1,338	4.8%	\$ 2,314	5.7%
Alabama Power				
Commercial paper	\$ —	—%	\$ 40	5.5%
Georgia Power				
Commercial paper	\$ —	—%	\$ 809	5.6%
Short-term bank debt	200	5.3	520	6.4
Total	\$ 200	5.3%	\$ 1,329	5.9%
Mississippi Power				
Commercial paper	\$ 14	4.6%	\$ —	—%
Southern Power				
Commercial paper	\$ —	—%	\$ 138	5.5%
Southern Company Gas				
Commercial paper:				
Southern Company Gas Capital	\$ 283	4.7%	\$ 23	5.5%
Nicor Gas	172	4.6	392	5.5
Total	\$ 455	4.7%	\$ 415	5.5%

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 2024, Southern Company issued approximately 5.8 million shares of common stock primarily through equity compensation plans.

Shares Reserved

At December 31, 2024, a total of 177 million shares were reserved for issuance pursuant to the Southern Investment Plan, employee savings plans, the Equity and Incentive Compensation Plan (which includes performance share units and restricted stock units as discussed in Note 12), an at-the-market program, and the Series 2024A Convertible Senior Notes and Series 2023A Convertible Senior Notes (as discussed under "Convertible Senior Notes" herein). Of the shares reserved, 25 million shares are available for awards under the Equity and Incentive Compensation Plan at December 31, 2024.

Diluted Earnings Per Share

For Southern Company, the only difference in computing basic and diluted earnings per share (EPS) is attributable to awards outstanding under stock-based compensation plans, the Series 2024A Convertible Senior Notes, the Series 2023A Convertible Senior Notes, and forward sale contracts pursuant to the equity distribution agreement. EPS dilution resulting from stock-based compensation plans and the forward sale contracts is determined using the treasury stock method, and EPS dilution resulting from the Series 2024A Convertible Senior Notes

Notes to Financial Statements

and the Series 2023A Convertible Senior Notes is determined using the net share settlement method. See Note 12 and "Convertible Senior Notes" and "Equity Distribution Agreement" herein for additional information. Shares used to compute diluted EPS were as follows:

	Average Common Stock Shares		
	2024	2023	2022
As reported shares	1,096	1,092	1,075
Effect of stock-based compensation	6	6	6
Diluted shares	1,102	1,098	1,081

For all periods presented, an immaterial number of stock-based compensation awards was excluded from the diluted EPS calculation because the awards were anti-dilutive.

For 2024, there was no dilution resulting from the Series 2024A Convertible Senior Notes and the forward sale contracts, and the dilution resulting from the Series 2023A Convertible Senior Notes was immaterial.

Preferred Stock of Subsidiaries

As discussed further under "Alabama Power" herein, during 2022, Alabama Power redeemed all of its preferred stock and Class A preferred stock.

Alabama Power

Alabama Power has preferred stock, Class A preferred stock, preference stock, and common stock authorized, but only common stock outstanding at December 31, 2024.

During 2022, Alabama Power redeemed all of its preferred stock and Class A preferred stock at the redemption prices per share provided in the table below, plus accrued and unpaid dividends to the redemption date.

Preferred Stock Redeemed During 2022	Par Value/Stated Capital Per Share	Shares	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

Georgia Power

Georgia Power has preferred stock, Class A preferred stock, preference stock, and common stock authorized, but only common stock outstanding.

Mississippi Power

Mississippi Power has preferred stock and common stock authorized, but only common stock outstanding.

Dividend Restrictions

The income of Southern Company is derived primarily from equity in earnings of its subsidiaries. At December 31, 2024, consolidated retained earnings included \$6.5 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, up to 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, 2024, the amount of Southern Company Gas' subsidiary retained earnings available for dividend payment totaled \$1.6 billion.

Notes to Financial Statements

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 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

Lessee

The Registrants 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.

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>					
At December 31, 2024						
Electric generating units ^(*)	\$ 672	\$ 56	\$ 1,509	\$ —	\$ —	\$ —
Real estate/land	834	3	45	2	540	20
Communication towers	118	2	4	—	—	21
Railcars	64	31	29	4	—	—
Other	52	2	2	16	—	—
Total	\$1,740	\$ 94	\$ 1,589	\$22	\$540	\$41
At December 31, 2023						
Electric generating units ^(*)	\$ 670	\$ 58	\$ 1,028	\$ —	\$ —	\$ —
Real estate/land	871	4	54	2	546	28
Communication towers	123	1	4	—	—	23
Railcars	64	32	27	5	—	—
Other	60	3	2	18	—	—
Total	\$1,788	\$ 98	\$ 1,115	\$25	\$546	\$51

(*) Amounts related to affiliate leases are eliminated in consolidation for Southern Company. See "Contracts that Contain a Lease" herein for additional information.

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 20 years while the land leases have remaining terms of up to 44 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 remaining terms of up to 16 years.

Renewal options exist in many of the leases. The expected term used in calculating the lease obligation generally reflects only the noncancelable period of the lease unless it is 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 Nicor Gas include

Notes to Financial Statements

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 15 years. Georgia Power has several PPAs with Southern Power that Georgia Power accounts for as leases with a lease obligation of \$893 million and \$416 million at December 31, 2024 and 2023, 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 both the Georgia PSC and the FERC. Amounts related to the affiliate PPAs are eliminated in consolidation for Southern Company.

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.

Residual Value Guarantees

Residual value guarantees exist primarily in railcar leases at Alabama Power and Georgia Power, with Georgia Power's railcar leases terminating in June 2024. The amounts probable of being paid under those guarantees are included in the lease payments. All such amounts were immaterial at December 31, 2024 and 2023.

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 ROU 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>					
At December 31, 2024						
Operating Leases						
Operating lease ROU assets, net	\$1,386	\$84	\$1,331	\$ 8	\$484	\$38
Operating lease obligations – current	\$ 200	\$14	\$ 169	\$ 4	\$ 29	\$11
Operating lease obligations – non-current	1,253	76	1,159	4	511	30
Total operating lease obligations ^(*)	\$1,453	\$90	\$1,328	\$ 8	\$540	\$41
Finance Leases						
Finance lease ROU assets, net	\$ 254	\$ 4	\$ 227	\$14	\$ —	\$ —
Finance lease obligations – current	\$ 9	\$ 1	\$ 20	\$ 1	\$ —	\$ —
Finance lease obligations – non-current	278	3	241	13	—	—
Total finance lease obligations	\$ 287	\$ 4	\$ 261	\$14	\$ —	\$ —
At December 31, 2023						
Operating Leases						
Operating lease ROU assets, net	\$1,432	\$87	\$ 884	\$ 9	\$488	\$47
Operating lease obligations – current	\$ 183	\$12	\$ 135	\$ 3	\$ 29	\$11
Operating lease obligations – non-current	1,307	81	740	6	517	40
Total operating lease obligations ^(*)	\$1,490	\$93	\$ 875	\$ 9	\$546	\$51
Finance Leases						
Finance lease ROU assets, net	\$ 272	\$ 5	\$ 203	\$15	\$ —	\$ —
Finance lease obligations – current	\$ 11	\$ 2	\$ 18	\$ 1	\$ —	\$ —
Finance lease obligations – non-current	287	3	222	15	—	—
Total finance lease obligations	\$ 298	\$ 5	\$ 240	\$16	\$ —	\$ —

(*) Includes operating lease obligations related to PPAs at Southern Company, Alabama Power, and Georgia Power totaling \$567 million, \$55 million, and \$1.3 billion, respectively, at December 31, 2024 and \$566 million, \$8 million, and \$813 million, respectively, at December 31, 2023.

Notes to Financial Statements

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.

Lease costs for 2024, 2023, and 2022, 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>					
2024						
Lease cost						
Operating lease cost ^(*)	\$248	\$ 19	\$190	\$ 4	\$27	\$12
Finance lease cost:						
Amortization of ROU assets	20	2	23	1	—	—
Interest on lease obligations	15	—	15	1	—	—
Total finance lease cost	35	2	38	2	—	—
Short-term lease costs	37	15	15	—	—	—
Variable lease cost	48	(1)	77	—	4	—
Total lease cost	\$368	\$ 35	\$320	\$ 6	\$31	\$12
2023						
Lease cost						
Operating lease cost ^(*)	\$252	\$ 16	\$192	\$ 5	\$34	\$12
Finance lease cost:						
Amortization of ROU assets	24	2	19	1	—	—
Interest on lease obligations	14	—	17	—	—	—
Total finance lease cost	38	2	36	1	—	—
Short-term lease costs	40	16	16	—	—	—
Variable lease cost	47	—	74	—	4	—
Total lease cost	\$377	\$ 34	\$318	\$ 6	\$38	\$12
2022						
Lease cost						
Operating lease cost ^(*)	\$297	\$ 59	\$198	\$ 5	\$32	\$15
Finance lease cost:						
Amortization of ROU assets	23	1	15	1	—	—
Interest on lease obligations	13	—	17	1	—	—
Total finance lease cost	36	1	32	2	—	—
Short-term lease costs	64	44	13	—	—	—
Variable lease cost	125	13	105	—	5	—
Sublease income	(1)	—	—	—	—	—
Total lease cost	\$521	\$117	\$348	\$ 7	\$37	\$15

(*) Includes operating lease costs related to PPAs at Southern Company, Alabama Power, and Georgia Power totaling \$108 million, \$5 million, and \$168 million, respectively, in 2024, \$112 million, \$4 million, and \$174 million, respectively, in 2023, and \$162 million, \$48 million, and \$180 million, respectively, in 2022.

Georgia Power has variable lease payments that are based on the amount of energy produced by certain renewable generating facilities subject to PPAs, including \$45 million, \$42 million, and \$45 million in 2024, 2023, and 2022, respectively, from finance leases which are included in purchased power on Georgia Power's statements of income, of which \$22 million, \$21 million, and \$21 million was included in purchased power, affiliates in 2024, 2023, and 2022, respectively.

Notes to Financial Statements

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>					
2024						
Other information						
Cash paid for amounts included in the measurements of lease obligations:						
Operating cash flows from operating leases	\$243	\$19	\$186	\$ 4	\$33	\$12
Operating cash flows from finance leases	15	—	21	—	—	—
Financing cash flows from finance leases	11	2	23	1	—	—
ROU assets obtained under operating leases	146	11	609	—	10	1
Reassessment of ROU assets under operating leases	(7)	—	—	—	(7)	—
ROU assets obtained under finance leases	1	—	44	—	—	—
2023						
Other information						
Cash paid for amounts included in the measurements of lease obligations:						
Operating cash flows from operating leases	\$253	\$17	\$199	\$ 5	\$33	\$12
Operating cash flows from finance leases	15	—	22	—	—	—
Financing cash flows from finance leases	18	2	16	1	—	—
ROU assets obtained under operating leases	100	30	26	1	7	7
ROU assets obtained under finance leases	3	3	18	—	—	—
2022						
Other information						
Cash paid for amounts included in the measurements of lease obligations:						
Operating cash flows from operating leases	\$303	\$58	\$206	\$ 5	\$30	\$14
Operating cash flows from finance leases	11	—	20	1	—	—
Financing cash flows from finance leases	16	1	10	1	—	—
ROU assets obtained under operating leases	56	10	17	9	—	3
Reassessment of ROU assets under operating leases	16	—	—	—	16	—
ROU assets obtained under finance leases	118	2	116	—	—	—
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
At December 31, 2024						
Weighted-average remaining lease term in years:						
Operating leases	16.4	10.2	7.9	4.3	32.3	6.8
Finance leases	16.0	2.7	10.1	10.9	N/A	N/A
Weighted-average discount rate:						
Operating leases	4.73%	5.04%	4.73%	3.83%	4.88%	3.84%
Finance leases	4.86%	4.05%	5.8%	2.74%	N/A	N/A
At December 31, 2023						
Weighted-average remaining lease term in years:						
Operating leases	17.2	11.1	7.5	4.6	33.1	7.0
Finance leases	16.7	4.3	10.6	11.9	N/A	N/A
Weighted-average discount rate:						
Operating leases	4.68%	5.02%	4.58%	3.67%	4.89%	3.80%
Finance leases	4.85%	3.93%	5.95%	2.74%	N/A	N/A

Notes to Financial Statements

Maturities of lease liabilities are as follows:

	At December 31, 2024					Southern Company Gas
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	
	<i>(in millions)</i>					
Maturity Analysis						
Operating leases:						
2025	\$ 239	\$ 18	\$ 228	\$ 4	\$ 31	\$12
2026	212	15	224	3	29	9
2027	190	12	223	1	29	4
2028	170	9	217	—	29	3
2029	138	7	196	—	30	4
Thereafter	1,255	56	511	1	978	15
Total	2,204	117	1,599	9	1,126	47
Less: Present value discount	751	27	271	1	586	6
Operating lease obligations	\$1,453	\$ 90	\$1,328	\$ 8	\$ 540	\$41
Finance leases:						
2025	\$ 28	\$ 2	\$ 39	\$ 2	\$ —	\$—
2026	27	1	41	2	—	—
2027	26	1	41	1	—	—
2028	25	—	42	1	—	—
2029	25	—	42	1	—	—
Thereafter	290	—	139	9	—	—
Total	421	4	344	16	—	—
Less: Present value discount	134	—	83	2	—	—
Finance lease obligations	\$ 287	\$ 4	\$ 261	\$14	\$ —	\$—

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.

At December 31, 2024, Georgia Power has two affiliate PPAs with Southern Power that have not yet commenced and will be accounted for as leases. The PPAs each have a term of 10 years and are expected to commence in 2025 and 2028. The estimated total obligations associated with these PPAs is \$83 million. Southern Company Gas has executed an 11.5-year building lease agreement that will commence during the first half of 2025. The lease has a total obligation of approximately \$105 million.

Lessors

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 10 years, after which the contracts renew on a month-to-month basis at the customer's option. For Georgia Power, these arrangements also include PPAs related to electric generating units accounted for as operating leases with remaining terms of up to 15 years. 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 14 years. For Southern Power, these arrangements consist of PPAs related to electric generating units accounted for as operating leases with remaining terms of up to 22 years and PPAs related to battery energy storage facilities accounted for as sales-type leases with remaining terms of up to 17 years. Southern Company Gas is the lessor in operating leases related to gas pipelines with remaining terms of up to 18 years. For Southern Company, these arrangements also include PPAs related to fuel cells accounted for as operating leases with remaining terms of up to 9 years.

Notes to Financial Statements

Lease income for 2024, 2023, and 2022, is as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
<i>(in millions)</i>						
2024						
Lease income – interest income on sales-type leases	\$ 24	\$ —	\$ —	\$15	\$ 9	\$ —
Lease income – operating leases	136	9	28	3	88	36
Variable lease income	417	1	—	—	450	—
Total lease income	\$577	\$10	\$28	\$18	\$547	\$36
2023						
Lease income – interest income on sales-type leases	\$ 24	\$ —	\$ —	\$14	\$ 10	\$ —
Lease income – operating leases	164	35	29	2	85	37
Variable lease income	406	1	—	—	437	—
Total lease income	\$594	\$36	\$29	\$16	\$532	\$37
2022						
Lease income – interest income on sales-type leases	\$ 25	\$ —	\$ —	\$15	\$ 10	\$ —
Lease income – operating leases	208	77	32	2	85	36
Variable lease income	417	1	—	—	448	—
Total lease income	\$650	\$78	\$32	\$17	\$543	\$36

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 related to PPAs is included in wholesale revenues for Alabama Power, Georgia Power, and Southern Power. Scheduled payments to be received under outdoor lighting contracts' initial terms, tolling arrangements, and PPAs accounted for as leases are presented in the following maturity analyses.

The undiscounted cash flows expected to be received for in-service leased assets under the leases are as follows:

	At December 31, 2024		
	Southern Company	Mississippi Power	Southern Power
<i>(in millions)</i>			
2025	\$ 52	\$ 24	\$ 15
2026	38	23	15
2027	37	22	15
2028	36	21	15
2029	35	20	15
Thereafter	302	132	170
Total undiscounted cash flows	\$500	\$242	\$245
Net investment in sales-type lease ^(*)	297	139	158
Difference between undiscounted cash flows and discounted cash flows	\$203	\$103	\$ 87

(*) For Mississippi Power, included in other current assets (\$10 million and \$10 million at December 31, 2024 and 2023, respectively) and other property and investments (\$129 million and \$138 million at December 31, 2024 and 2023, respectively) on the balance sheets. For Southern Power, included in other current assets (\$15 million and \$15 million at December 31, 2024 and 2023, respectively) and net investment in sales-type leases (\$143 million and \$148 million at December 31, 2024 and 2023, respectively) on the balance sheets.

Notes to Financial Statements

The undiscounted cash flows to be received under operating leases and contracts accounted for as operating leases are as follows:

	At December 31, 2024			
	Southern Company	Alabama Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>			
2025	\$ 117	\$ 6	\$ 142	\$ 35
2026	111	5	148	29
2027	109	4	150	28
2028	109	4	161	28
2029	112	3	164	28
Thereafter	621	31	506	326
Total	\$1,179	\$53	\$1,271	\$474

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 contracts accounted for as operating leases at Georgia Power and Mississippi Power are immaterial.

Southern Company Leveraged Lease

At December 31, 2024, a subsidiary of Southern Holdings had one leveraged lease agreement, which relates to energy generation, with an expected remaining term of seven years. Southern Company receives federal income tax deductions for depreciation and amortization, as well as interest on long-term debt, related to this investment. Southern Company wrote off the related investment balance in 2020 following an evaluation of the recoverability of the lease receivable and the expected residual value of the generation assets at the end of the lease.

In June 2022, the Southern Holdings subsidiary operating the generating plant for the lessee provided notice to the lessee to terminate the related operating and maintenance agreement effective June 30, 2023. Subsequently, the lessee failed to make the semi-annual lease payment due in December 2022. As a result, the Southern Holdings subsidiary was unable to make its corresponding payment to the holders of the underlying non-recourse debt related to the generation assets. The parties to the lease entered into forbearance agreements which suspended the related contractual rights of the parties while they continued restructuring negotiations, during which the termination date for the operating and maintenance agreement was delayed until July 31, 2023. The negotiations were completed in July 2023, resulting in the Southern Holdings subsidiary agreeing to continue operating the plant for the lessee until the lessee's associated power off-take agreement ends in 2032, subject to certain terms and conditions. The restructuring had no material impact on Southern Company's financial statements. Southern Company will continue to monitor the operational performance of the underlying assets and evaluate the ability of the lessee to continue to meet its obligations, including those associated with a future closure or retirement of the generation assets and associated properties, including the dry ash landfill.

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 except for certain credit utilization and state apportionment results. In accordance with IRS regulations, each company is jointly and severally liable for the federal tax liability.

Notes to Financial Statements

Current and Deferred Income Taxes

Details of income tax provisions are as follows:

	2024					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Federal —						
Current	\$ 221	\$ 357	\$ 200	\$ 32	\$ (112)	\$ 84
Deferred	387	(111)	211	2	106	86
Total federal	608	246	411	34	(6)	170
State —						
Current	152	103	52	(1)	6	42
Deferred	209	11	140	14	(13)	46
Total state	361	114	192	13	(7)	88
Total	\$ 969	\$ 360	\$ 603	\$ 47	\$ (13)	\$ 258
	2023					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Federal —						
Current	\$ 54	\$ 242	\$ 205	\$ 49	\$ (320)	\$ 62
Deferred	299	(257)	195	(26)	334	68
Total federal	353	(15)	400	23	14	130
State —						
Current	41	82	37	1	(1)	24
Deferred	102	14	11	12	(1)	57
Total state	143	96	48	13	(2)	81
Total	\$ 496	\$ 81	\$ 448	\$ 36	\$ 12	\$ 211
	2022					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Federal —						
Current	\$ 10	\$ 54	\$ 38	\$ 42	\$ (43)	\$ 122
Deferred	455	259	152	(16)	56	(3)
Total federal	465	313	190	26	13	119
State —						
Current	27	14	(21)	—	2	42
Deferred	303	96	201	11	5	19
Total state	330	110	180	11	7	61
Total	\$ 795	\$ 423	\$ 370	\$ 37	\$ 20	\$ 180

Notes to Financial Statements

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 or transferred 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 were immaterial in 2024 and 2023 and \$17 million in 2022. Southern Power received \$71 million, \$332 million, and \$49 million of cash related to federal ITCs under renewable energy initiatives in 2024, 2023, and 2022, respectively. See "Deferred Tax Assets and Liabilities" herein for additional information.

In accordance with regulatory requirements, deferred federal ITCs for the traditional electric operating companies are 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 amortized to income tax expense over the life of the respective asset. ITCs amortized in 2024, 2023, and 2022 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>	
2024	\$ 109	\$ 58
2023	84	58
2022	83	58

When Southern Power recognizes tax credits, the tax basis of the asset is reduced by 50% of the ITCs received, which, together with the deferred credit, results 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 and other state credits, which are recognized in the period in which the credits are generated, reduced Georgia Power's income tax expense by \$44 million in 2024, \$49 million in 2023, and \$53 million in 2022.

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 \$32 million in 2024, \$26 million in 2023, and \$27 million in 2022.

In 2024, Alabama Power, Georgia Power, and Southern Power entered into transferability agreements with non-affiliated parties to sell ITCs and PTCs at a discount to the generated credit value in 2024, 2025, and 2026. Georgia Power and Southern Power received cash of \$11 million and \$24 million, respectively, from credits transferred during the year. The discount will be recorded as a reduction in tax credits recognized in the financial statements. The Southern Company system continues to explore the ability to efficiently monetize its tax credits through third-party transferability agreements.

Pursuant to the Vogtle Joint Ownership Agreements, Georgia Power paid \$131 million in 2024 and \$39 million in 2023 to the other Vogtle Owners for advanced nuclear PTCs for Plant Vogtle Unit 3 and 4, which were utilized and not reflected as a reduction to current income tax expense. The gains recognized in both periods were recorded in income tax benefit and were immaterial.

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, Georgia Power, and Alabama Power.

Notes to Financial Statements

A reconciliation of the federal statutory income tax rate to the effective income tax (benefit) rate is as follows:

2024						
	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	3.6	5.0	1.7	4.4	(2.3)	7.0
Changes in valuation allowance, net of federal benefit	1.9	—	3.1	—	—	—
Employee stock plans' dividend deduction	(0.4)	—	—	—	—	—
Non-deductible book depreciation	0.6	0.6	0.7	0.3	—	—
Flowback of excess deferred income taxes	(3.9)	(5.3)	(2.2)	(6.5)	—	(2.2)
AFUDC-Equity	(0.8)	(0.7)	(1.0)	—	—	—
Federal PTCs	(2.8)	(0.1)	(3.7)	—	(17.2)	—
ITC amortization	(1.2)	(0.1)	(0.2)	—	(26.4)	—
Noncontrolling interests	0.6	—	—	—	17.1	—
Other	(0.1)	—	(0.2)	—	0.2	—
Effective income tax (benefit) rate	18.5%	20.4%	19.2%	19.2%	(7.6)%	25.8%

2023						
	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	2.9	5.2	2.1	4.9	(0.7)	7.8
Changes in valuation allowance, net of federal benefit	(0.3)	—	(0.6)	—	—	—
Employee stock plans' dividend deduction	(0.5)	—	—	—	—	—
Non-deductible book depreciation	0.7	0.7	0.8	0.4	—	—
Flowback of excess deferred income taxes	(9.2)	(19.8)	(2.6)	(10.2)	—	(2.6)
AFUDC-Equity	(1.1)	(1.2)	(1.2)	—	—	—
Federal PTCs	(1.2)	—	(1.4)	—	(7.4)	—
ITC amortization	(1.3)	(0.1)	(0.1)	—	(19.0)	—
Noncontrolling interests	0.6	—	—	—	11.1	—
Other	(0.2)	(0.2)	(0.3)	0.1	0.1	(0.6)
Effective income tax rate	11.4%	5.6%	17.7%	16.2%	5.1%	25.6%

2022						
	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	7.8	4.8	3.3	4.4	1.9	6.4
Changes in valuation allowance, net of federal benefit	(1.6)	—	3.2	—	—	—
Employee stock plans' dividend deduction	(0.5)	—	—	—	—	—
Non-deductible book depreciation	0.6	0.5	0.6	0.3	—	—
Flowback of excess deferred income taxes	(6.6)	(1.9)	(9.6)	(7.8)	—	(2.5)
AFUDC-Equity	(1.1)	(0.8)	(1.5)	—	—	—
Federal PTCs	—	—	—	—	(6.6)	—
ITC amortization	(1.3)	(0.1)	(0.1)	—	(17.2)	(0.1)
Noncontrolling interests	0.5	—	—	—	8.4	—
Other	—	0.3	—	0.3	(0.1)	(0.9)
Effective income tax rate	18.8%	23.8%	16.9%	18.2%	7.4%	23.9%

Notes to Financial Statements

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, 2024					
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Deferred tax liabilities —						
Accelerated depreciation	\$ 9,828	\$ 2,583	\$ 3,810	\$ 344	\$ 1,309	\$ 1,575
Property basis differences	3,025	1,497	918	192	—	412
Employee benefit obligations	1,067	362	470	54	13	60
AROs	727	458	221	—	—	—
Under recovered fuel and natural gas costs	318	13	305	—	—	—
Regulatory assets —						
AROs	1,886	658	1,193	35	—	—
Employee benefit obligations	746	191	237	35	—	35
Remaining book value of retired assets	360	168	187	5	—	—
Storm damage reserves	216	—	216	—	—	—
Premium on reacquired debt	57	8	48	1	—	—
Other	678	171	187	61	1	201
Total deferred income tax liabilities	18,908	6,109	7,792	727	1,323	2,283
Deferred tax assets —						
AROs	2,613	1,116	1,414	35	—	—
CAMT carryforwards	40	—	18	—	—	104
ITC and PTC carryforwards	1,380	48	719	—	384	—
Employee benefit obligations	897	196	279	49	16	87
Estimated loss on plants under construction	773	—	773	—	—	—
Estimated loss on regulatory disallowance	20	—	—	—	—	20
Other state deferred tax attributes	366	—	26	224	49	16
Federal effect of net state deferred tax liabilities	402	197	100	—	23	107
Other property basis differences	176	—	75	—	85	—
State effect of federal deferred taxes	126	126	—	—	—	—
Other partnership basis differences	60	—	—	—	60	—
Regulatory liability associated with the Tax Reform Legislation (not subject to normalization)	18	18	—	—	—	—
Long-term debt fair value adjustment	73	—	—	—	—	73
Other comprehensive losses	48	3	—	—	1	—
Other	601	227	160	50	20	86
Total deferred income tax assets	7,593	1,931	3,564	358	638	493
Valuation allowance	(333)	—	(157)	(41)	(27)	(6)
Net deferred income tax assets	7,260	1,931	3,407	317	611	487
Net deferred income taxes (assets)/liabilities	\$ 11,648	\$ 4,178	\$ 4,385	\$ 410	\$ 712	\$ 1,796
Recognized in the balance sheets:						
Accumulated deferred income taxes — assets	\$ (82)	\$ —	\$ —	\$ (82)	\$ —	\$ —
Accumulated deferred income taxes — liabilities	\$ 11,730	\$ 4,178	\$ 4,385	\$ 492	\$ 712	\$ 1,796

Notes to Financial Statements

December 31, 2023

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
Deferred tax liabilities —						
Accelerated depreciation	\$ 9,683	\$2,566	\$3,628	\$ 339	\$1,346	\$1,576
Property basis differences	2,647	1,444	812	188	—	189
Employee benefit obligations	979	321	446	49	12	74
AROs	833	476	314	—	—	—
Under recovered fuel and natural gas costs	601	80	508	13	—	—
Regulatory assets —						
AROs	1,902	667	1,196	39	—	—
Employee benefit obligations	797	213	260	37	—	11
Remaining book value of retired assets	369	143	221	5	—	—
Premium on reacquired debt	63	9	53	1	—	—
Other	700	182	223	43	2	191
Total deferred income tax liabilities	18,574	6,101	7,661	714	1,360	2,041
Deferred tax assets —						
AROs	2,735	1,143	1,510	39	—	—
ITC and PTC carryforwards	1,387	12	691	—	481	—
Employee benefit obligations	985	224	316	52	10	89
Estimated loss on plants under construction	857	—	857	—	—	—
Estimated loss on regulatory disallowance	26	—	—	—	—	26
Other state deferred tax attributes	363	—	13	231	49	8
Federal effect of net state deferred tax liabilities	418	215	92	—	27	101
Other property basis differences	197	—	83	—	97	—
State effect of federal deferred taxes	115	115	—	—	—	—
Other partnership basis differences	85	—	—	—	85	—
Regulatory liability associated with the Tax Reform Legislation (not subject to normalization)	34	30	—	3	—	—
Long-term debt fair value adjustment	79	—	—	—	—	79
Other comprehensive losses	67	4	4	—	6	—
Other	538	188	152	57	18	74
Total deferred income tax assets	7,886	1,931	3,718	382	773	377
Valuation allowance	(206)	—	(75)	(41)	(27)	(7)
Net deferred income tax assets	7,680	1,931	3,643	341	746	370
Net deferred income taxes (assets)/liabilities	\$10,894	\$4,170	\$4,018	\$ 373	\$ 614	\$1,671
Recognized in the balance sheets:						
Accumulated deferred income taxes – assets	\$ (96)	\$ —	\$ —	\$ (96)	\$ —	\$ —
Accumulated deferred income taxes – liabilities	\$10,990	\$4,170	\$4,018	\$ 469	\$ 614	\$1,671

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, 2024 and 2023.

Notes to Financial Statements

Tax Credit Carryforwards

Federal ITC/PTC carryforwards at December 31, 2024 were as follows:

	Southern Company	Alabama Power	Georgia Power	Southern Power
	<i>(in millions)</i>			
Federal ITC/PTC carryforwards	\$ 765	\$ 48	\$ 147	\$ 384
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	2028	2028	2028	2028

The estimated tax credit utilization reflects the various transactions described in Note 15 and could be impacted by numerous factors, including the acquisition or construction of additional renewable projects, changes in taxable income projections, transfer of eligible credits, potential income tax rate changes, and remaining final guidance on the IRA. In the third quarter 2023 and the second quarter 2024, Georgia Power started generating advanced nuclear PTCs for Plant Vogtle Units 3 and 4, respectively, beginning on each unit's respective in-service date. In addition, pursuant to the Vogtle Joint Ownership Agreements, Georgia Power is purchasing advanced nuclear PTCs for Plant Vogtle Unit 3 and 4 from the other Vogtle Owners. See Note 2 under "Georgia Power – Nuclear Construction" for additional information on Plant Vogtle Units 3 and 4.

At December 31, 2024, Southern Company and Georgia Power also had approximately \$515 million and \$472 million, respectively, in net state investment and other net state tax credit carryforwards for the State of Georgia that will expire between tax years 2024 and 2033 and are not expected to be fully utilized. Southern Company and Georgia Power have a net state valuation allowance of \$161 million and \$124 million, respectively, associated with these carryforwards, which increased during 2024 by \$101 million and \$64 million, respectively.

At December 31, 2024, Southern Company and certain subsidiaries also had approximately \$40 million in net CAMT carryforwards that have an indefinite carryforward period and are expected to be fully utilized by 2031.

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

Net Operating Loss Carryforwards

At December 31, 2024, the net state income tax benefit of state and local NOL carryforwards and associated valuation allowances for Southern Company's subsidiaries were as follows:

Company/Jurisdiction	Approximate Net State Income Tax Benefit of NOL Carryforwards	Tax Year NOL Begins Expiring	Net State Valuation Allowance for NOL Carryforwards
	<i>(in millions)</i>		<i>(in millions)</i>
Mississippi Power			
Mississippi	\$178	2032	\$(32)
Southern Power			
Oklahoma	\$ 26	2035	\$(11)
Florida	10	2034	(10)
Other states	2	2034	—
Southern Power Total	\$ 38		\$(21)
Other^(*)			
New York	\$ 11	2036	\$(11)
New York City	14	2036	(14)
Other states	24	2025	(4)
Southern Company Total	\$265		\$(82)

(*) Represents other non-registrant Southern Company subsidiaries. Alabama Power, Georgia Power, and Southern Company Gas did not have material state or local NOL carryforwards at December 31, 2024.

Certain state NOLs are not expected to be fully utilized prior to expiration. The ultimate outcome of these matters cannot be determined at this time.

Notes to Financial Statements

Unrecognized Tax Benefits

Changes in unrecognized tax benefits for the periods presented were as follows:

	Southern Company	Georgia Power <i>(in millions)</i>	Southern Company Gas
Unrecognized tax benefits at December 31, 2021	\$ 47	\$ —	\$ —
Tax positions changes —			
Increase from prior periods	33	—	32
Unrecognized tax benefits at December 31, 2022	80	—	32
Tax positions changes —			
Increase from prior periods	88	86	2
Statute of limitations expiration	(52)	(9)	—
Unrecognized tax benefits at December 31, 2023	116	77	34
Tax positions changes —			
Increase from prior periods	10	—	10
Decrease from prior periods	(44)	(43)	—
Unrecognized tax benefits at December 31, 2024	\$ 82	\$ 34	\$ 44

The unrecognized tax positions increase from prior periods for 2022 is primarily related to the amendment of certain 2018 state tax filing positions related to Southern Company Gas dispositions. If accepted by the states, these positions would decrease Southern Company's and Southern Company Gas' annual effective tax rates. The ultimate outcome of these unrecognized tax benefits is dependent on acceptance by each state and is not expected to be resolved within the next 12 months.

The unrecognized tax positions increase from prior periods for 2023 is primarily related to the amendment of certain 2019 through 2021 state tax filing positions related to tax credit utilization, a portion of which decreased in the fourth quarter 2023 due to a statute of limitations expiration. If effective settlement of the positions is favorable, these positions would decrease Southern Company's and Georgia Power's annual effective tax rates. The ultimate outcome of this unrecognized tax benefit, which is expected to be resolved within the next 12 months, is dependent on acceptance by the state or expiration of related statute of limitations.

The unrecognized tax positions reductions due to statute of limitations expiration for 2023 primarily relate to a 2019 state tax filing position to exclude certain gains from 2019 dispositions from taxation in a certain unitary state. This tax position and related interest was recognized in the fourth quarter 2023 and decreased Southern Company's annual effective tax rate.

The unrecognized tax positions increase from prior periods for 2024 is primarily related to a certain state tax filing position at Southern Company Gas. If effective settlement of this position is favorable, this position would decrease Southern Company's and Southern Company Gas' annual effective tax rates. The ultimate outcome is dependent on acceptance by the state.

The unrecognized tax positions decrease from prior periods for 2024 is primarily related to the 2019 and 2020 amended state filing positions related to tax credit utilization at Georgia Power.

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 2023. Southern Company is a participant in the Compliance Assurance Process of the IRS. The IRS selected six Southern Power partnership returns for exam for the 2020 and 2021 tax years. One audit for 2021 is still under review, and the remaining audits have been closed with no change. The ultimate outcome of this matter cannot be determined at this time. The audits for the Registrants' state income tax returns have either been concluded, or the statute of limitations has expired, for years prior to 2018.

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, 2024 and no mandatory contributions to the qualified pension plan are anticipated for the year ending December 31, 2025. 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

Notes to Financial Statements

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, 2025, no contributions to any other postretirement trusts are expected.

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:	2024					Southern
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Company Gas
Pension plans						
Discount rate – benefit obligations	5.07%	5.08%	5.06%	5.06%	5.14%	5.05%
Discount rate – interest costs	4.94	4.94	4.94	4.93	5.01	4.93
Discount rate – service costs	5.19	5.20	5.21	5.19	5.20	5.13
Expected long-term return on plan assets	8.30	8.30	8.30	8.30	8.30	8.30
Annual salary increase	4.60	4.60	4.60	4.60	4.60	4.60
Other postretirement benefit plans						
Discount rate – benefit obligations	4.99%	5.01%	4.98%	4.98%	5.06%	4.98%
Discount rate – interest costs	4.90	4.90	4.89	4.90	4.94	4.89
Discount rate – service costs	5.16	5.17	5.16	5.16	5.14	5.16
Expected long-term return on plan assets	7.67	7.97	7.59	7.43	—	6.36
Annual salary increase	4.60	4.60	4.60	4.60	4.60	4.60

Assumptions used to determine net periodic costs:	2023					Southern
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Company Gas
Pension plans						
Discount rate – benefit obligations	5.25%	5.26%	5.25%	5.25%	5.31%	5.24%
Discount rate – interest costs	5.13	5.14	5.12	5.12	5.19	5.12
Discount rate – service costs	5.36	5.38	5.38	5.37	5.37	5.31
Expected long-term return on plan assets	8.40	8.40	8.40	8.40	8.40	8.40
Annual salary increase	4.80	4.80	4.80	4.80	4.80	4.80
Other postretirement benefit plans						
Discount rate – benefit obligations	5.18%	5.20%	5.17%	5.17%	5.24%	5.16%
Discount rate – interest costs	5.08	5.09	5.07	5.08	5.12	5.07
Discount rate – service costs	5.34	5.35	5.34	5.33	5.33	5.33
Expected long-term return on plan assets	7.67	7.95	7.49	7.43	—	6.59
Annual salary increase	4.80	4.80	4.80	4.80	4.80	4.80

Assumptions used to determine net periodic costs:	2022					Southern
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Company Gas
Pension plans						
Discount rate – benefit obligations	3.09%	3.12%	3.07%	3.07%	3.21%	3.04%
Discount rate – interest costs	2.55	2.58	2.51	2.54	2.79	2.53
Discount rate – service costs	3.34	3.36	3.37	3.35	3.36	3.21
Expected long-term return on plan assets	8.25	8.25	8.25	8.25	8.25	8.25
Annual salary increase	4.80	4.80	4.80	4.80	4.80	4.80
Other postretirement benefit plans						
Discount rate – benefit obligations	2.90%	2.95%	2.87%	2.88%	3.07%	2.82%
Discount rate – interest costs	2.32	2.38	2.30	2.27	2.55	2.17
Discount rate – service costs	3.26	3.30	3.27	3.26	3.25	3.22
Expected long-term return on plan assets	7.21	7.54	6.88	7.22	—	6.08
Annual salary increase	4.80	4.80	4.80	4.80	4.80	4.80

Notes to Financial Statements

	2024					
Assumptions used to determine benefit obligations:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate	5.76%	5.78%	5.75%	5.76%	5.84%	5.73%
Annual salary increase	4.60	4.60	4.60	4.60	4.60	4.60
Other postretirement benefit plans						
Discount rate	5.64%	5.67%	5.61%	5.63%	5.73%	5.62%
Annual salary increase	4.60	4.60	4.60	4.60	4.60	4.60

	2023					
Assumptions used to determine benefit obligations:	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
Pension plans						
Discount rate	5.07%	5.08%	5.06%	5.06%	5.14%	5.05%
Annual salary increase	4.60	4.60	4.60	4.60	4.60	4.60
Other postretirement benefit plans						
Discount rate	4.99%	5.01%	4.98%	4.98%	5.06%	4.98%
Annual salary increase	4.60	4.60	4.60	4.60	4.60	4.60

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. 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.

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, 2024 were as follows:

	Initial Cost Trend Rate	Ultimate Cost Trend Rate	Year That Ultimate Rate is Reached
Pre-65	8.00%	4.50%	2033
Post-65 medical	5.50	4.50	2033
Post-65 prescription	11.00	4.50	2033

Pension Plans

The total accumulated benefit obligation for the pension plans at December 31, 2024 and 2023 was as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
	<i>(in millions)</i>					
December 31, 2024	\$11,437	\$2,617	\$3,438	\$519	\$140	\$779
December 31, 2023	11,991	2,746	3,674	546	145	808

An actuarial gain of \$887 million and an actuarial loss of \$493 million were recorded for the annual remeasurement of the Southern Company system pension plans at December 31, 2024 and 2023, respectively, primarily due to an increase of 69 basis points and a decrease of 18 basis points, respectively, in the overall discount rate used to calculate the benefit obligation as a result of higher market interest rates.

Notes to Financial Statements

Changes in the projected benefit obligations and the fair value of plan assets during the plan years ended December 31, 2024 and 2023 were as follows:

	2024					Southern Company Gas
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	
	(in millions)					
Change in benefit obligation						
Benefit obligation at beginning of year	\$13,252	\$3,076	\$4,009	\$599	\$177	\$882
Service cost	292	68	70	12	7	28
Interest cost	635	148	191	29	9	42
Benefits paid	(728)	(162)	(239)	(33)	(6)	(46)
Actuarial gain	(887)	(222)	(298)	(40)	(20)	(64)
Balance at end of year	12,564	2,908	3,733	567	167	842
Change in plan assets						
Fair value of plan assets at beginning of year	14,618	3,544	4,571	669	185	980
Actual return on plan assets	604	148	152	23	7	39
Employer contributions	65	9	35	5	2	5
Benefits paid	(728)	(162)	(239)	(33)	(6)	(46)
Fair value of plan assets at end of year	14,559	3,539	4,519	664	188	978
Accrued asset	\$ 1,995	\$ 631	\$ 786	\$ 97	\$ 21	\$136

	2023					Southern Company Gas
	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	
	(in millions)					
Change in benefit obligation						
Benefit obligation at beginning of year	\$12,602	\$2,906	\$3,851	\$569	\$163	\$ 868
Service cost	275	64	68	11	6	24
Interest cost	626	145	191	28	8	42
Benefits paid	(744)	(155)	(224)	(32)	(6)	(104)
Actuarial loss	493	116	123	23	6	52
Balance at end of year	13,252	3,076	4,009	599	177	882
Change in plan assets						
Fair value of plan assets at beginning of year	14,218	3,427	4,456	649	178	1,002
Actual return on plan assets	1,092	260	331	50	12	79
Employer contributions	52	11	9	2	2	3
Benefits paid	(744)	(154)	(225)	(32)	(7)	(104)
Fair value of plan assets at end of year	14,618	3,544	4,571	669	185	980
Accrued asset	\$ 1,366	\$ 468	\$ 562	\$ 70	\$ 8	\$ 98

The projected benefit obligations for the qualified and non-qualified pension plans at December 31, 2024 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
		(in millions)				
Projected benefit obligations:						
Qualified pension plan	\$11,886	\$2,794	\$3,622	\$540	\$146	\$788
Non-qualified pension plan	678	114	111	27	21	54

Notes to Financial Statements

Amounts recognized in the balance sheets at December 31, 2024 and 2023 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, 2024:						
Prepaid pension costs ^(a)	\$2,674	\$ 746	\$ 897	\$ 124	\$ 41	\$ 191
Other regulatory assets, deferred ^(b)	2,708	741	973	144	—	126
Other current liabilities	(68)	(13)	(13)	(2)	(2)	(4)
Employee benefit obligations ^(c)	(611)	(102)	(98)	(25)	(18)	(51)
Other regulatory liabilities, deferred	(50)	—	—	—	—	—
AOCI	52	—	—	—	11	(54)
December 31, 2023:						
Prepaid pension costs ^(a)	\$2,079	\$ 585	\$ 706	\$ 99	\$ 31	\$ 158
Other regulatory assets, deferred ^(b)	2,960	821	1,051	152	—	143
Other current liabilities	(64)	(11)	(13)	(2)	(2)	(3)
Employee benefit obligations ^(c)	(649)	(106)	(131)	(27)	(21)	(58)
Other regulatory liabilities, deferred	(47)	—	—	—	—	—
AOCI	79	—	—	—	20	(45)

(a) Included in prepaid pension and other postretirement benefit costs on Alabama Power's balance sheet and other deferred charges and assets on Southern Power's consolidated balance sheet.

(b) Amounts for Southern Company exclude regulatory assets of \$155 million and \$173 million at December 31, 2024 and 2023, respectively, associated with unamortized amounts in Southern Company Gas' pension plans prior to its acquisition by Southern Company.

(c) Included in other deferred credits and liabilities on Southern Power's consolidated balance sheets.

Presented below are the amounts included in regulatory assets at December 31, 2024 and 2023 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, 2024					
Regulatory assets:					
Prior service cost	\$ 8	\$ 3	\$ 5	\$ 1	\$ (4)
Net loss	2,650	738	968	143	91
Regulatory amortization	—	—	—	—	39
Total regulatory assets ^(*)	\$2,658	\$741	\$973	\$144	\$126
Balance at December 31, 2023					
Regulatory assets:					
Prior service cost	\$ 9	\$ 4	\$ 6	\$ 1	\$ (7)
Net loss	2,904	817	1,045	151	100
Regulatory amortization	—	—	—	—	50
Total regulatory assets ^(*)	\$2,913	\$821	\$1,051	\$152	\$143

(*) Amounts for Southern Company exclude regulatory assets of \$155 million and \$173 million at December 31, 2024 and 2023, respectively, associated with unamortized amounts in Southern Company Gas' pension plans prior to its acquisition by Southern Company.

Notes to Financial Statements

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, 2024 and 2023 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, 2022	\$ 2,371	\$ 679	\$ 887	\$ 123	\$ 111
Net loss	576	153	178	31	34
Reclassification adjustments:					
Amortization of prior service costs	(1)	(1)	(1)	—	2
Amortization of net loss	(33)	(10)	(13)	(2)	—
Amortization of regulatory assets ^(*)	—	—	—	—	(4)
Total reclassification adjustments	(34)	(11)	(14)	(2)	(2)
Total change	542	142	164	29	32
Balance at December 31, 2023	\$ 2,913	\$ 821	\$ 1,051	\$ 152	\$ 143
Net gain	(199)	(63)	(58)	(5)	(7)
Reclassification adjustments:					
Amortization of prior service costs	(1)	(1)	(1)	—	2
Amortization of net loss	(55)	(16)	(19)	(3)	(1)
Amortization of regulatory assets ^(*)	—	—	—	—	(11)
Total reclassification adjustments	(56)	(17)	(20)	(3)	(10)
Total change	(255)	(80)	(78)	(8)	(17)
Balance at December 31, 2024	\$ 2,658	\$ 741	\$ 973	\$ 144	\$ 126

(*) Amounts for Southern Company exclude regulatory assets of \$155 million and \$173 million at December 31, 2024 and 2023, 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, 2024 and 2023 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, 2024			
AOCI:			
Prior service cost	\$ (1)	\$ —	\$ (1)
Net (gain) loss	53	11	(53)
Total AOCI	\$ 52	\$ 11	\$(54)
Balance at December 31, 2023			
AOCI:			
Prior service cost	\$ (1)	\$ —	\$ (2)
Net (gain) loss	80	20	(43)
Total AOCI	\$ 79	\$ 20	\$(45)

Notes to Financial Statements

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, 2024 and 2023 are presented in the following table:

	Southern Company	Southern Power	Southern Company Gas
	<i>(in millions)</i>		
AOCI:			
Balance at December 31, 2022	\$ 24	\$ 11	\$ (75)
Net loss	62	9	29
Reclassification adjustments:			
Amortization of prior service costs	1	—	1
Amortization of net loss	(8)	—	—
Total reclassification adjustments	(7)	—	1
Total change	55	9	30
Balance at December 31, 2023	\$ 79	\$ 20	\$ (45)
Net gain	(29)	(9)	(11)
Reclassification adjustments:			
Amortization of prior service costs	1	—	2
Amortization of net gain	1	—	—
Total reclassification adjustments	2	—	2
Total change	(27)	(9)	(9)
Balance at December 31, 2024	\$ 52	\$ 11	\$ (54)

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>					
2024						
Service cost	\$ 292	\$ 68	\$ 70	\$ 12	\$ 7	\$ 28
Interest cost	635	148	191	29	9	42
Expected return on plan assets	(1,263)	(307)	(393)	(58)	(17)	(85)
Recognized net loss ^(*)	55	16	19	3	—	—
Net amortization ^(*)	—	1	1	—	—	15
Prior service cost ^(*)	—	—	—	—	—	(3)
Net periodic pension income	\$ (281)	\$ (74)	\$(112)	\$(14)	\$ (1)	\$ (3)
2023						
Service cost	\$ 275	\$ 64	\$ 68	\$ 11	\$ 6	\$ 24
Interest cost	626	145	191	28	8	42
Expected return on plan assets	(1,229)	(297)	(385)	(56)	(15)	(85)
Recognized net (gain) loss ^(*)	32	9	13	2	—	(5)
Net amortization ^(*)	—	1	1	—	—	15
Prior service cost ^(*)	—	—	—	—	—	(3)
Net periodic pension income	\$ (296)	\$ (78)	\$(112)	\$(15)	\$ (1)	\$(12)
2022						
Service cost	\$ 412	\$ 99	\$ 103	\$ 17	\$ 9	\$ 34
Interest cost	408	96	123	18	6	28
Expected return on plan assets	(1,265)	(306)	(399)	(57)	(15)	(91)
Recognized net loss ^(*)	240	62	75	11	2	8
Net amortization ^(*)	—	1	1	—	—	15
Prior service cost ^(*)	—	—	—	—	—	(3)
Net periodic pension cost (income)	\$ (205)	\$ (48)	\$ (97)	\$(11)	\$ 2	\$ (9)

(*) For Southern Company, excludes amounts related to net periodic pension cost of \$20 million, \$17 million, and \$21 million for the years ended December 31, 2024, 2023, and 2022, respectively, associated with unamortized amounts in Southern Company Gas' pension plans prior to its acquisition by Southern Company.

Notes to Financial Statements

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.

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, 2024, 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:						
2025	\$ 773	\$ 170	\$ 245	\$ 34	\$ 7	\$ 58
2026	801	177	250	36	8	60
2027	823	183	254	37	8	62
2028	842	187	258	38	7	64
2029	862	192	262	38	8	66
2030 to 2034	4,529	1,013	1,333	204	51	346

Other Postretirement Benefits

Changes in the APBO and the fair value of the Registrants' plan assets during the plan years ended December 31, 2024 and 2023 were as follows:

	2024					
	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	\$ 1,386	\$ 329	\$ 489	\$ 57	\$ 9	\$ 172
Service cost	15	4	4	1	—	1
Interest cost	65	16	23	3	—	8
Benefits paid	(105)	(25)	(37)	(4)	(1)	(12)
Actuarial (gain) loss	(2)	2	9	(2)	1	(13)
Balance at end of year	1,359	326	488	55	9	156
Change in plan assets						
Fair value of plan assets at beginning of year	1,095	403	410	25	—	128
Actual return on plan assets	96	37	34	—	—	18
Employer contributions	55	6	13	3	1	7
Benefits paid	(105)	(25)	(37)	(4)	(1)	(12)
Fair value of plan assets at end of year	1,141	421	420	24	—	141
Accrued asset (liability)	\$ (218)	\$ 95	\$ (68)	\$ (31)	\$ (9)	\$ (15)

	2023					
	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	\$ 1,441	\$ 344	\$ 514	\$ 59	\$ 9	\$ 179
Service cost	15	4	4	1	—	1
Interest cost	70	17	25	3	—	9
Benefits paid	(107)	(24)	(36)	(4)	(1)	(18)
Actuarial (gain) loss	(33)	(12)	(18)	(2)	1	1
Balance at end of year	1,386	329	489	57	9	172
Change in plan assets						
Fair value of plan assets at beginning of year	998	372	368	24	—	113
Actual return on plan assets	131	52	51	2	—	19
Employer contributions	73	3	27	3	1	14
Benefits paid	(107)	(24)	(36)	(4)	(1)	(18)
Fair value of plan assets at end of year	1,095	403	410	25	—	128
Accrued asset (liability)	\$ (291)	\$ 74	\$ (79)	\$ (32)	\$ (9)	\$ (44)

Notes to Financial Statements

Amounts recognized in the balance sheets at December 31, 2024 and 2023 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, 2024:						
Prepaid other postretirement benefit costs ^(a)	\$ —	\$ 95	\$ —	\$ —	\$ —	\$ —
Other regulatory assets, deferred ^(b)	24	—	3	—	—	—
Other current liabilities	(6)	—	—	—	(1)	—
Employee benefit obligations ^(c)	(212)	—	(68)	(31)	(8)	(15)
Other regulatory liabilities, deferred	(213)	(45)	(67)	(9)	—	(84)
AOCI	(14)	—	—	—	—	(15)
December 31, 2023:						
Prepaid other postretirement benefit costs ^(a)	\$ —	\$ 74	\$ —	\$ —	\$ —	\$ —
Other regulatory assets, deferred ^(b)	23	—	11	—	—	—
Other current liabilities	(6)	—	—	—	(1)	—
Employee benefit obligations ^(c)	(285)	—	(79)	(32)	(8)	(44)
Other regulatory liabilities, deferred	(231)	(48)	(85)	(10)	—	(68)
AOCI	(9)	—	—	—	1	(10)

(a) Included in prepaid pension and other postretirement benefit costs on Alabama Power's balance sheet.

(b) Amounts for Southern Company exclude regulatory assets of \$16 million and \$24 million at December 31, 2024 and 2023, respectively, associated with unamortized amounts in Southern Company Gas' other postretirement benefit plans prior to its acquisition by Southern Company.

(c) Included in other deferred credits and liabilities on Southern Power's consolidated balance sheets.

Presented below are the amounts included in net regulatory assets (liabilities) at December 31, 2024 and 2023 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, 2024:					
Regulatory assets (liabilities):					
Prior service cost	\$ 11	\$ 3	\$ 4	\$ 1	\$ —
Net gain	(200)	(48)	(68)	(10)	(71)
Regulatory amortization	—	—	—	—	(13)
Total regulatory assets (liabilities) ^(*)	\$(189)	\$(45)	\$(64)	\$(9)	\$(84)
Balance at December 31, 2023:					
Regulatory assets (liabilities):					
Prior service cost	\$ 13	\$ 4	\$ 5	\$ 1	\$ —
Net gain	(216)	(52)	(79)	(11)	(64)
Regulatory amortization	—	—	—	—	(4)
Total regulatory assets (liabilities) ^(*)	\$(203)	\$(48)	\$(74)	\$(10)	\$(68)

(*) Amounts for Southern Company exclude regulatory assets of \$16 million and \$24 million at December 31, 2024 and 2023, respectively, associated with unamortized amounts in Southern Company Gas' other postretirement benefit plans prior to its acquisition by Southern Company.

Notes to Financial Statements

The changes in the balance of net regulatory assets (liabilities) related to the other postretirement benefit plans for the plan years ended December 31, 2024 and 2023 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, 2022	\$(136)	\$(21)	\$(39)	\$ (9)	\$(58)
Net gain	(77)	(30)	(38)	(1)	—
Reclassification adjustments:					
Amortization of prior service costs	(1)	—	(1)	—	—
Amortization of net gain	6	3	4	—	—
Amortization of regulatory assets ^(*)	—	—	—	—	(10)
Total reclassification adjustments	5	3	3	—	(10)
Total change	(72)	(27)	(35)	(1)	(10)
Balance at December 31, 2023	\$(208)	\$(48)	\$(74)	\$(10)	\$(68)
Net (gain) loss	8	1	6	1	(12)
Reclassification adjustments:					
Amortization of prior service costs	(2)	(1)	(1)	—	—
Amortization of net gain	13	3	5	—	5
Amortization of regulatory assets ^(*)	—	—	—	—	(9)
Total reclassification adjustments	11	2	4	—	(4)
Total change	19	3	10	1	(16)
Balance at December 31, 2024	\$(189)	\$(45)	\$(64)	\$ (9)	\$(84)

(*) Amounts for Southern Company exclude regulatory assets of \$16 million and \$24 million at December 31, 2024 and 2023, 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, 2024 and 2023 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, 2024			
AOCI:			
Net (gain) loss	\$(14)	\$—	\$(15)
Balance at December 31, 2023			
AOCI:			
Prior service cost	\$ 1	\$—	\$—
Net (gain) loss	(10)	1	(10)
Total AOCI	\$ (9)	\$ 1	\$(10)

Notes to Financial Statements

The components of OCI related to the other postretirement benefit plans for the plan years ended December 31, 2024 and 2023 are presented in the following table:

	Southern Company	Southern Power	Southern Company Gas
	<i>(in millions)</i>		
AOCI:			
Balance at December 31, 2022	\$ (4)	\$ —	\$ (2)
Net (gain) loss	(12)	1	—
Reclassification adjustments:			
Amortization of net gain (loss)	7	—	(8)
Total change	(5)	1	(8)
Balance at December 31, 2023	\$ (9)	\$ 1	\$ (10)
Net gain	(8)	(1)	(5)
Reclassification adjustments:			
Amortization of net gain (loss)	3	—	—
Total change	(5)	(1)	(5)
Balance at December 31, 2024	\$ (14)	\$ —	\$ (15)

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>					
2024						
Service cost	\$ 15	\$ 4	\$ 4	\$ 1	\$ —	\$ 1
Interest cost	65	16	23	3	—	8
Expected return on plan assets	(89)	(35)	(32)	(3)	1	(13)
Net amortization ^(*)	(13)	(3)	(4)	—	—	6
Net periodic other postretirement benefit cost (income)	\$(22)	\$(18)	\$ (9)	\$ 1	\$ 1	\$ 2
2023						
Service cost	\$ 15	\$ 4	\$ 4	\$ 1	\$ —	\$ 1
Interest cost	70	17	25	3	—	9
Expected return on plan assets	(83)	(33)	(29)	(3)	1	(10)
Net amortization ^(*)	(11)	(3)	(3)	—	—	6
Net periodic other postretirement benefit cost (income)	\$ (9)	\$(15)	\$ (3)	\$ 1	\$ 1	\$ 6
2022						
Service cost	\$ 23	\$ 6	\$ 6	\$ 1	\$ —	\$ 1
Interest cost	42	10	15	2	—	5
Expected return on plan assets	(80)	(32)	(28)	(2)	1	(9)
Net amortization ^(*)	(1)	—	2	—	—	6
Net periodic other postretirement benefit cost (income)	\$(16)	\$(16)	\$ (5)	\$ 1	\$ 1	\$ 3

(*) For Southern Company, excludes amounts related to net periodic other postretirement benefit cost of \$8 million for all years presented associated with unamortized amounts in Southern Company Gas' other postretirement benefit plans prior to its acquisition by Southern Company.

Notes to Financial Statements

The service cost component of net periodic other postretirement benefit cost is included in operations and maintenance expenses and all other components of net periodic other 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:						
2025	\$112	\$ 24	\$ 40	\$ 5	\$1	\$16
2026	112	25	40	5	1	16
2027	113	26	41	5	1	15
2028	114	26	41	5	1	15
2029	114	27	42	5	1	14
2030 to 2034	558	133	205	22	1	61

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.

Notes to Financial Statements

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
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.	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.
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.	
Fixed income: A mix of domestic and international bonds.	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.
Trust-owned life insurance (TOLI): Investments of taxable trusts aimed at minimizing the impact of taxes on the portfolio.	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.
Real estate: Investments in equity or debt of real properties and in publicly traded real estate securities.	Investments in real estate, special situations, private equity, private credit, and infrastructure are typically invested in private partnerships and/or other pooled vehicles (Investment Funds) which are generally classified as Net Asset Value as a Practical Expedient, since the Investment Funds and underlying assets are not publicly traded and/or often have liquidity restrictions. The managers of the Investment Funds value 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 total market value of each of the Investment Funds is determined by aggregating the value of the underlying assets less liabilities.
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.	
Private equity: Investments in private or public securities typically through privately-negotiated and/or structured transactions, including leveraged buyouts, venture capital, and distressed debt.	
Private credit: Investments focused on debt instruments, of which returns are driven by income rather than capital appreciation.	
Infrastructure: Investments in real assets, typically with long-term, predictable, and stable cash flows and a meaningful income component.	

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.

Notes to Financial Statements

The fair values, and actual allocations relative to the target allocations, of the Southern Company system's pension plans at December 31, 2024 and 2023 are presented below.

At December 31, 2024:	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:					41%	41%
Domestic equity	\$ 2,095	\$ 835	\$ —	\$ 2,930		
International equity	1,959	1,032	—	2,991		
Fixed income:					30	31
U.S. Treasury, government, and agency bonds	—	1,780	—	1,780		
Mortgage- and asset-backed securities	—	48	—	48		
Corporate bonds	—	1,715	—	1,715		
Pooled funds	—	792	—	792		
Cash equivalents and other	255	—	—	255		
Real estate investments	361	—	1,563	1,924	12	13
Special situations	—	—	237	237	3	2
Private equity	—	—	1,797	1,797	9	12
Private credit	—	—	152	152	3	1
Infrastructure	—	—	—	—	2	—
Total	\$ 4,670	\$ 6,202	\$ 3,749	\$ 14,621	100%	100%
Liabilities:						
Derivatives	\$ —	\$ (33)	\$ —	\$ (33)		
Total	\$ 4,670	\$ 6,169	\$ 3,749	\$ 14,588	100%	100%
Alabama Power						
Assets:						
Equity:					41%	41%
Domestic equity	\$ 509	\$ 203	\$ —	\$ 712		
International equity	476	251	—	727		
Fixed income:					30	31
U.S. Treasury, government, and agency bonds	—	433	—	433		
Mortgage- and asset-backed securities	—	12	—	12		
Corporate bonds	—	417	—	417		
Pooled funds	—	193	—	193		
Cash equivalents and other	62	—	—	62		
Real estate investments	88	—	380	468	12	13
Special situations	—	—	57	57	3	2
Private equity	—	—	437	437	9	12
Private credit	—	—	37	37	3	1
Infrastructure	—	—	—	—	2	—
Total	\$ 1,135	\$ 1,509	\$ 911	\$ 3,555	100%	100%
Liabilities:						
Derivatives	\$ —	\$ (8)	\$ —	\$ (8)		
Total	\$ 1,135	\$ 1,501	\$ 911	\$ 3,547	100%	100%

Notes to Financial Statements

At December 31, 2024:	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:					41%	41%
Domestic equity	\$ 652	\$ 259	\$ —	\$ 911		
International equity	608	320	—	928		
Fixed income:					30	31
U.S. Treasury, government, and agency bonds	—	552	—	552		
Mortgage- and asset-backed securities	—	15	—	15		
Corporate bonds	—	532	—	532		
Pooled funds	—	246	—	246		
Cash equivalents and other	79	—	—	79		
Real estate investments	112	—	485	597	12	13
Special situations	—	—	73	73	3	2
Private equity	—	—	558	558	9	12
Private credit	—	—	47	47	3	1
Infrastructure	—	—	—	—	2	—
Total	\$ 1,451	\$ 1,924	\$ 1,163	\$ 4,538	100%	100%
Liabilities:						
Derivatives	\$ —	\$ (10)	\$ —	\$ (10)		
Total	\$ 1,451	\$ 1,914	\$ 1,163	\$ 4,528	100%	100%
Mississippi Power						
Assets:						
Equity:					41%	41%
Domestic equity	\$ 97	\$ 38	\$ —	\$ 135		
International equity	89	47	—	136		
Fixed income:					30	31
U.S. Treasury, government, and agency bonds	—	81	—	81		
Mortgage- and asset-backed securities	—	2	—	2		
Corporate bonds	—	78	—	78		
Pooled funds	—	36	—	36		
Cash equivalents and other	12	—	—	12		
Real estate investments	16	—	71	87	12	13
Special situations	—	—	11	11	3	2
Private equity	—	—	82	82	9	12
Private credit	—	—	7	7	3	1
Infrastructure	—	—	—	—	2	—
Total	\$ 214	\$ 282	\$ 171	\$ 667	100%	100%
Liabilities:						
Derivatives	\$ —	\$ (2)	\$ —	\$ (2)		
Total	\$ 214	\$ 280	\$ 171	\$ 665	100%	100%

Notes to Financial Statements

At December 31, 2024:	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:					41%	41%
Domestic equity	\$ 27	\$ 11	\$ —	\$ 38		
International equity	25	13	—	38		
Fixed income:					30	31
U.S. Treasury, government, and agency bonds	—	23	—	23		
Mortgage- and asset-backed securities	—	1	—	1		
Corporate bonds	—	22	—	22		
Pooled funds	—	10	—	10		
Cash equivalents and other	3	—	—	3		
Real estate investments	5	—	20	25	12	13
Special situations	—	—	3	3	3	2
Private equity	—	—	23	23	9	12
Private credit	—	—	2	2	3	1
Infrastructure	—	—	—	—	2	—
Total	\$ 60	\$ 80	\$ 48	\$188	100%	100%
Southern Company Gas						
Assets:						
Equity:					41%	41%
Domestic equity	\$142	\$ 56	\$ —	\$198		
International equity	132	69	—	201		
Fixed income:					30	31
U.S. Treasury, government, and agency bonds	—	120	—	120		
Mortgage- and asset-backed securities	—	3	—	3		
Corporate bonds	—	115	—	115		
Pooled funds	—	53	—	53		
Cash equivalents and other	17	—	—	17		
Real estate investments	24	—	105	129	12	13
Special situations	—	—	16	16	3	2
Private equity	—	—	121	121	9	12
Private credit	—	—	10	10	3	1
Infrastructure	—	—	—	—	2	—
Total	\$ 315	\$ 416	\$ 252	\$983	100%	100%
Liabilities:						
Derivatives	\$ —	\$ (2)	\$ —	\$ (2)		
Total	\$ 315	\$ 414	\$ 252	\$981	100%	100%

Notes to Financial Statements

At December 31, 2023:	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:					41%	40%
Domestic equity	\$ 1,959	\$ 771	\$ —	\$ 2,730		
International equity	1,947	1,052	—	2,999		
Fixed income:					30	32
U.S. Treasury, government, and agency bonds	—	1,973	—	1,973		
Mortgage- and asset-backed securities	—	44	—	44		
Corporate bonds	—	1,724	—	1,724		
Pooled funds	—	777	—	777		
Cash equivalents and other	371	58	—	429		
Real estate investments	369	—	1,684	2,053	12	14
Special situations	—	—	245	245	3	2
Private equity	—	—	1,761	1,761	9	12
Private Credit	—	—	25	25	3	—
Infrastructure	—	—	—	—	2	—
Total	\$ 4,646	\$ 6,399	\$ 3,715	\$ 14,760	100%	100%
Alabama Power						
Assets:						
Equity:					41%	40%
Domestic equity	\$ 476	\$ 187	\$ —	\$ 663		
International equity	472	255	—	727		
Fixed income:					30	32
U.S. Treasury, government, and agency bonds	—	479	—	479		
Mortgage- and asset-backed securities	—	11	—	11		
Corporate bonds	—	418	—	418		
Pooled funds	—	188	—	188		
Cash equivalents and other	90	14	—	104		
Real estate investments	89	—	408	497	12	14
Special situations	—	—	59	59	3	2
Private equity	—	—	427	427	9	12
Private credit	—	—	6	6	3	—
Infrastructure	—	—	—	—	2	—
Total	\$ 1,127	\$ 1,552	\$ 900	\$ 3,579	100%	100%

Notes to Financial Statements

At December 31, 2023:	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:					41%	40%
Domestic equity	\$ 611	\$ 241	\$ —	\$ 852		
International equity	609	329	—	938		
Fixed income:					30	32
U.S. Treasury, government, and agency bonds	—	617	—	617		
Mortgage- and asset-backed securities	—	14	—	14		
Corporate bonds	—	539	—	539		
Pooled funds	—	243	—	243		
Cash equivalents and other	116	18	—	134		
Real estate investments	115	—	527	642	12	14
Special situations	—	—	77	77	3	2
Private equity	—	—	551	551	9	12
Private credit	—	—	8	8	3	—
Infrastructure	—	—	—	—	2	—
Total	\$ 1,451	\$ 2,001	\$ 1,163	\$ 4,615	100%	100%
Mississippi Power						
Assets:						
Equity:					41%	40%
Domestic equity	\$ 89	\$ 35	\$ —	\$ 124		
International equity	89	48	—	137		
Fixed income:					30	32
U.S. Treasury, government, and agency bonds	—	90	—	90		
Mortgage- and asset-backed securities	—	2	—	2		
Corporate bonds	—	79	—	79		
Pooled funds	—	36	—	36		
Cash equivalents and other	17	3	—	20		
Real estate investments	17	—	77	94	12	14
Special situations	—	—	11	11	3	2
Private equity	—	—	81	81	9	12
Private credit	—	—	1	1	3	—
Infrastructure	—	—	—	—	2	—
Total	\$ 212	\$ 293	\$ 170	\$ 675	100%	100%
Southern Power						
Assets:						
Equity:					41%	40%
Domestic equity	\$ 24	\$ 10	\$ —	\$ 34		
International equity	25	13	—	38		
Fixed income:					30	32
U.S. Treasury, government, and agency bonds	—	25	—	25		
Mortgage – and asset backed securities	—	1	—	1		
Corporate bonds	—	22	—	22		
Pooled funds	—	10	—	10		
Cash equivalents and other	5	1	—	6		
Real estate investments	5	—	21	26	12	14
Special situations	—	—	3	3	3	2
Private equity	—	—	22	22	9	12
Private credit	—	—	—	—	3	—
Infrastructure	—	—	—	—	2	—
Total	\$ 59	\$ 82	\$ 46	\$ 187	100%	100%

Notes to Financial Statements

At December 31, 2023:	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:					41%	40%
Domestic equity	\$ 130	\$ 52	\$ —	\$ 182		
International equity	130	71	—	201		
Fixed income:					30	32
U.S. Treasury, government, and agency bonds	—	132	—	132		
Mortgage- and asset-backed securities	—	3	—	3		
Corporate bonds	—	116	—	116		
Pooled funds	—	52	—	52		
Cash equivalents and other	25	4	—	29		
Real estate investments	25	—	113	138	12	14
Special situations	—	—	16	16	3	2
Private equity	—	—	118	118	9	12
Private credit	—	—	2	2	3	—
Infrastructure	—	—	—	—	2	—
Total	\$ 310	\$ 430	\$ 249	\$ 989	100%	100%

Notes to Financial Statements

The fair values, and actual allocations relative to the target allocations, of the applicable Registrants' other postretirement benefit plan assets at December 31, 2024 and 2023 are presented below.

At December 31, 2024:	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:					61%	62%
Domestic equity	\$ 94	\$ 98	\$ —	\$ 192		
International equity	54	83	—	137		
Fixed income:					29	28
U.S. Treasury, government, and agency bonds	—	54	—	54		
Mortgage- and asset-backed securities	—	1	—	1		
Corporate bonds	—	48	—	48		
Pooled funds	—	99	—	99		
Cash equivalents and other	16	—	—	16		
Trust-owned life insurance	—	478	—	478		
Real estate investments	11	—	43	54	4	5
Special situations	—	—	6	6	1	1
Private equity	—	—	50	50	3	4
Private credit	—	—	4	4	1	—
Infrastructure	—	—	—	—	1	—
Total	\$175	\$861	\$103	\$1,139	100%	100%
Liabilities:						
Derivatives	\$ —	\$ (1)	\$ —	\$ (1)		
Total	\$175	\$860	\$103	\$1,138	100%	100%
Alabama Power						
Assets:						
Equity:					68%	68%
Domestic equity	\$ 17	\$ 7	\$ —	\$ 24		
International equity	16	9	—	25		
Fixed income:					23	24
U.S. Treasury, government, and agency bonds	—	14	—	14		
Corporate bonds	—	14	—	14		
Pooled funds	—	11	—	11		
Cash equivalents and other	2	—	—	2		
Trust-owned life insurance	—	294	—	294		
Real estate investments	3	—	13	16	3	4
Special situations	—	—	2	2	1	1
Private equity	—	—	15	15	3	3
Private credit	—	—	1	1	1	—
Infrastructure	—	—	—	—	1	—
Total	\$ 38	\$349	\$ 31	\$ 418	100%	100%

Notes to Financial Statements

At December 31, 2024:	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:					59%	59%
Domestic equity	\$52	\$ 7	\$ —	\$ 59		
International equity	16	41	—	57		
Fixed income:					35	33
U.S. Treasury, government, and agency bonds	—	14	—	14		
Corporate bonds	—	14	—	14		
Pooled funds	—	48	—	48		
Cash equivalents and other	10	—	—	10		
Trust-owned life insurance	—	184	—	184		
Real estate investments	4	—	13	17	3	4
Special situations	—	—	2	2	1	1
Private equity	—	—	15	15	2	3
Total	\$82	\$308	\$30	\$420	100%	100%
Mississippi Power						
Assets:						
Equity:					34%	32%
Domestic equity	\$ 3	\$ 1	\$ —	\$ 4		
International equity	3	1	—	4		
Fixed income:					43	44
U.S. Treasury, government, and agency bonds	—	7	—	7		
Corporate bonds	—	2	—	2		
Pooled funds	—	1	—	1		
Cash equivalents and other	1	—	—	1		
Real estate investments	—	—	2	2	10	11
Special situations	—	—	—	—	2	2
Private equity	—	—	2	2	7	10
Private credit	—	—	—	—	3	1
Infrastructure	—	—	—	—	1	—
Total	\$ 7	\$ 12	\$ 4	\$ 23	100%	100%
Southern Company Gas						
Assets:						
Equity:					72%	73%
Domestic equity	\$ 1	\$ 76	\$ —	\$ 77		
International equity	1	23	—	24		
Fixed income:					26	25
U.S. Treasury, government, and agency bonds	—	1	—	1		
Corporate bonds	—	1	—	1		
Pooled funds	—	32	—	32		
Cash equivalents and other	1	—	—	1		
Real estate investments	—	—	1	1	1	1
Private equity	—	—	1	1	1	1
Total	\$ 3	\$133	\$ 2	\$138	100%	100%

Notes to Financial Statements

At December 31, 2023:	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:					60%	61%
Domestic equity	\$ 85	\$ 87	\$ —	\$ 172		
International equity	53	82	—	135		
Fixed income:					30	28
U.S. Treasury, government, and agency bonds	—	57	—	57		
Mortgage- and asset-backed securities	—	2	—	2		
Corporate bonds	—	47	—	47		
Pooled funds	—	92	—	92		
Cash equivalents and other	21	2	—	23		
Trust-owned life insurance	—	456	—	456		
Real estate investments	11	—	46	57	4	6
Special situations	—	—	6	6	1	1
Private equity	—	—	48	48	3	4
Private credit	—	—	1	1	1	—
Infrastructure	—	—	—	—	1	—
Total	\$170	\$825	\$101	\$1,096	100%	100%
Alabama Power						
Assets:						
Equity:					67%	66%
Domestic equity	\$ 16	\$ 6	\$ —	\$ 22		
International equity	16	9	—	25		
Fixed income:					23	23
U.S. Treasury, government, and agency bonds	—	16	—	16		
Corporate bonds	—	14	—	14		
Pooled funds	—	8	—	8		
Cash equivalents and other	3	—	—	3		
Trust-owned life insurance	—	280	—	280		
Real estate investments	3	—	14	17	4	6
Special situations	—	—	2	2	1	1
Private equity	—	—	15	15	3	4
Private credit	—	—	—	—	1	—
Infrastructure	—	—	—	—	1	—
Total	\$ 38	\$333	\$ 31	\$ 402	100%	100%

Notes to Financial Statements

At December 31, 2023:	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:					58%	57%
Domestic equity	\$ 47	\$ 6	\$ —	\$ 53		
International equity	16	40	—	56		
Fixed income:					35	35
U.S. Treasury, government, and agency bonds	—	16	—	16		
Corporate bonds	—	14	—	14		
Pooled funds	—	47	—	47		
Cash equivalents and other	13	—	—	13		
Trust-owned life insurance	—	176	—	176		
Real estate investments	4	—	14	18	3	4
Special situations	—	—	2	2	1	1
Private equity	—	—	14	14	2	3
Private credit	—	—	—	—	1	—
Total	\$ 80	\$ 299	\$ 30	\$ 409	100%	100%
Mississippi Power						
Assets:						
Equity:					34%	33%
Domestic equity	\$ 3	\$ 1	\$ —	\$ 4		
International equity	3	1	—	4		
Fixed income:					43	44
U.S. Treasury, government, and agency bonds	—	7	—	7		
Corporate bonds	—	2	—	2		
Pooled funds	—	1	—	1		
Cash equivalents and other	1	—	—	1		
Real estate investments	1	—	2	3	10	11
Special situations	—	—	—	—	2	2
Private equity	—	—	2	2	7	10
Private credit	—	—	—	—	3	—
Infrastructure	—	—	—	—	1	—
Total	\$ 8	\$ 12	\$ 4	\$ 24	100%	100%
Southern Company Gas						
Assets:						
Equity:					72%	72%
Domestic equity	\$ 2	\$ 67	\$ —	\$ 69		
International equity	2	22	—	24		
Fixed income:					26	26
U.S. Treasury, government, and agency bonds	—	1	—	1		
Corporate bonds	—	1	—	1		
Pooled funds	—	29	—	29		
Cash equivalents and other	1	—	—	1		
Real estate investments	—	—	1	1	1	1
Private equity	—	—	1	1	1	1
Total	\$ 5	\$ 120	\$ 2	\$ 127	100%	100%

Notes to Financial Statements

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 2024, 2023, and 2022 were as follows:

	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Power	Southern Company Gas
			<i>(in millions)</i>			
2024	\$137	\$29	\$31	\$5	\$3	\$20
2023	131	28	31	5	3	18
2022	124	26	29	5	3	17

12. STOCK COMPENSATION

Stock-based compensation in the form of Southern Company performance share units (PSU) and restricted stock units (RSU) may be granted through the Equity and Incentive Compensation Plan to eligible Southern Company system employees.

At December 31, 2024, 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	1,154	158	161	36	36	183

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 are expected to 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. Stock-based compensation activity is immaterial for the Subsidiary Registrants.

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 two 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 and ROE awards based on Southern Company's equity-weighted return over the performance period.

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	2024	2023	2022
Expected volatility	19.1%	30.0%	29.6%
Interest rate	4.0%	3.8%	1.7%
Weighted average grant-date fair value	\$80.99	\$76.83	\$79.69

The Registrants recognize TSR award compensation expense on a straight-line basis over the three-year performance period without remeasurement.

Notes to Financial Statements

The fair values of 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 2024, 2023, and 2022 was \$69.67, \$68.93, and \$66.87, respectively. Compensation expense for ROE awards is generally recognized ratably over the three-year performance period adjusted for expected changes in ROE performance. Total compensation cost recognized for vested ROE awards reflects final performance metrics.

Southern Company had 2.4 million unvested PSUs outstanding at December 31, 2023. In February 2024, the PSUs that vested for the three-year performance period ended December 31, 2023 were converted into 2.3 million shares outstanding at a share price of \$66.95. During 2024, Southern Company granted 1.1 million PSUs and 1.2 million PSUs were vested or forfeited, resulting in 2.3 million unvested PSUs outstanding at December 31, 2024. In February 2025, the PSUs that vested for the three-year performance period ended December 31, 2024 were converted into 2.0 million shares outstanding at a weighted average share price of \$83.87.

Southern Company's total PSU compensation cost and the related tax benefit recognized in income for the years ended December 31, 2024, 2023, and 2022 were as follows:

	2024	2023	2022
		<i>(in millions)</i>	
Compensation cost recognized in income	\$102	\$107	\$101
Tax benefit of compensation cost recognized in income	27	28	26

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, 2024, Southern Company's total unrecognized compensation cost related to PSUs was \$33 million and is expected to be recognized over a weighted-average period of approximately 19 months.

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 2024, 2023, and 2022 were \$70.49, \$68.95, and \$67.20, 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 0.9 million RSUs outstanding at December 31, 2023. During 2024, Southern Company granted 0.5 million RSUs and 0.5 million RSUs were vested or forfeited, resulting in 0.9 million unvested RSUs outstanding at December 31, 2024, including RSUs related to employee retention agreements.

Southern Company's total RSU compensation cost and the related tax benefit recognized in income for the years ended December 31, 2024, 2023, and 2022 were as follows:

	2024	2023	2022
		<i>(in millions)</i>	
Compensation cost recognized in income	\$30	\$30	\$26
Tax benefit of compensation cost recognized in income	8	8	7

Total unrecognized compensation cost related to RSUs at December 31, 2024, which is being recognized over a weighted-average period of approximately 19 months, was immaterial for Southern Company.

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.

Notes to Financial Statements

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 and the last exercise occurred in November 2024.

Southern Company's cash receipts from issuances related to stock options exercised under the share-based payment arrangements for the years ended December 31, 2024, 2023, and 2022 were \$14 million, \$28 million, and \$75 million, respectively.

Southern Company's total intrinsic value of options exercised and the related tax benefit for the years ended December 31, 2024, 2023, and 2022 were as follows:

	2024	2023	2022
		(in millions)	
Intrinsic value of options exercised	\$10	\$18	\$49
Tax benefit of options exercised	2	4	12

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.

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.

Notes to Financial Statements

At December 31, 2024, 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, 2024:	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)	
	(in millions)				
Southern Company					
Assets:					
Energy-related derivatives ^(a)	\$ 12	\$ 77	\$ —	\$ —	\$ 89
Investments in trusts: ^(b)					
Domestic equity	849	250	—	—	1,099
Foreign equity	148	175	—	—	323
U.S. Treasury and government agency securities	—	371	—	—	371
Municipal bonds	—	47	—	—	47
Pooled funds – fixed income	—	7	—	—	7
Corporate bonds	—	452	—	—	452
Mortgage and asset backed securities	—	106	—	—	106
Private equity	—	—	—	181	181
Cash and cash equivalents	1	—	—	—	1
Other	39	3	—	9	51
Investments, available for sale:					
U.S. Treasury and government agency securities	2	7	—	—	9
Corporate bonds	1	2	—	—	3
Mortgage and asset backed securities	—	10	—	—	10
Cash equivalents and restricted cash	533	19	—	—	552
Other investments	9	31	8	—	48
Total	\$1,594	\$1,557	\$ 8	\$190	\$3,349
Liabilities:					
Energy-related derivatives ^(a)	\$ 5	\$ 124	\$ —	\$ —	\$ 129
Interest rate derivatives	—	269	—	—	269
Foreign currency derivatives	—	218	—	—	218
Contingent consideration	3	—	16	—	19
Other	—	13	11	—	24
Total	\$ 8	\$ 624	\$ 27	\$ —	\$ 659
Alabama Power					
Assets:					
Energy-related derivatives	\$ —	\$ 26	\$ —	\$ —	\$ 26
Nuclear decommissioning trusts: ^(b)					
Domestic equity	459	241	—	—	700
Foreign equity	148	—	—	—	148
U.S. Treasury and government agency securities	—	16	—	—	16
Municipal bonds	—	1	—	—	1
Corporate bonds	—	287	—	—	287
Mortgage and asset backed securities	—	31	—	—	31
Private equity	—	—	—	181	181
Other	11	1	—	9	21
Cash equivalents and restricted cash	334	19	—	—	353
Other investments	—	31	—	—	31
Total	\$ 952	\$ 653	\$ —	\$190	\$1,795
Liabilities:					
Energy-related derivatives	\$ —	\$ 42	\$ —	\$ —	\$ 42

Notes to Financial Statements

	Fair Value Measurements Using			Net Asset Value as a Practical Expedient (NAV)	Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
At December 31, 2024:					
<i>(in millions)</i>					
Georgia Power					
Assets:					
Energy-related derivatives	\$ —	\$ 19	\$ —	\$ —	\$ 19
Nuclear decommissioning trusts: ^(b)					
Domestic equity	390	1	—	—	391
Foreign equity	—	174	—	—	174
U.S. Treasury and government agency securities	—	355	—	—	355
Municipal bonds	—	46	—	—	46
Corporate bonds	—	165	—	—	165
Mortgage and asset backed securities	—	75	—	—	75
Other	28	2	—	—	30
Cash equivalents	35	—	—	—	35
Total	\$453	\$837	\$ —	\$ —	\$1,290
Liabilities:					
Energy-related derivatives	\$ —	\$ 42	\$ —	\$ —	\$ 42
Mississippi Power					
Assets:					
Energy-related derivatives	\$ —	\$ 19	\$ —	\$ —	\$ 19
Liabilities:					
Energy-related derivatives	\$ —	\$ 34	\$ —	\$ —	\$ 34
Southern Power					
Assets:					
Energy-related derivatives	\$ —	\$ 4	\$ —	\$ —	\$ 4
Cash equivalents	51	—	—	—	51
Total	\$ 51	\$ 4	\$ —	\$ —	\$ 55
Liabilities:					
Foreign currency derivatives	\$ —	\$ 51	\$ —	\$ —	\$ 51
Contingent consideration	3	—	16	—	19
Other	—	13	11	—	24
Total	\$ 3	\$ 64	\$ 27	\$ —	\$ 94
Southern Company Gas					
Assets:					
Energy-related derivatives ^(a)	\$ 12	\$ 9	\$ —	\$ —	\$ 21
Non-qualified deferred compensation trusts:					
Domestic equity	—	8	—	—	8
Foreign equity	—	1	—	—	1
Pooled funds – fixed income	—	7	—	—	7
Cash and cash equivalents	1	—	—	—	1
Investments, available for sale:					
U.S. Treasury and government agency securities	2	7	—	—	9
Corporate bonds	1	2	—	—	3
Mortgage and asset backed securities	—	10	—	—	10
Cash equivalents	22	—	—	—	22
Total	\$ 38	\$ 44	\$ —	\$ —	\$ 82
Liabilities:					
Energy-related derivatives ^(a)	\$ 5	\$ 6	\$ —	\$ —	\$ 11
Interest rate derivatives	—	84	—	—	84
Total	\$ 5	\$ 90	\$ —	\$ —	\$ 95

(a) Excludes cash collateral of \$17 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.

Notes to Financial Statements

At December 31, 2023, 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, 2023:	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)	\$ 6	\$ 49	\$ —	\$ —	\$ 55
Investments in trusts: ^(b)					
Domestic equity	764	216	—	—	980
Foreign equity	145	171	—	—	316
U.S. Treasury and government agency securities	—	369	—	—	369
Municipal bonds	—	48	—	—	48
Pooled funds – fixed income	—	6	—	—	6
Corporate bonds	—	389	—	—	389
Mortgage and asset backed securities	—	89	—	—	89
Private equity	—	—	—	169	169
Cash and cash equivalents	3	—	—	—	3
Other	58	3	—	9	70
Cash equivalents and restricted cash	253	15	—	—	268
Other investments	9	27	8	—	44
Total	\$ 1,238	\$ 1,382	\$ 8	\$ 178	\$ 2,806
Liabilities:					
Energy-related derivatives ^(a)	\$ 46	\$ 312	\$ —	\$ —	\$ 358
Interest rate derivatives	—	264	—	—	264
Foreign currency derivatives	—	122	—	—	122
Contingent consideration	3	—	16	—	19
Other	—	13	—	—	13
Total	\$ 49	\$ 711	\$ 16	\$ —	\$ 776
Alabama Power					
Assets:					
Energy-related derivatives	\$ —	\$ 15	\$ —	\$ —	\$ 15
Nuclear decommissioning trusts: ^(b)					
Domestic equity	443	208	—	—	651
Foreign equity	145	—	—	—	145
U.S. Treasury and government agency securities	—	20	—	—	20
Municipal bonds	—	1	—	—	1
Corporate bonds	—	231	—	—	231
Mortgage and asset backed securities	—	25	—	—	25
Private equity	—	—	—	169	169
Other	8	—	—	9	17
Cash equivalents and restricted cash	119	15	—	—	134
Other investments	—	27	—	—	27
Total	\$ 715	\$ 542	\$ —	\$ 178	\$ 1,435
Liabilities:					
Energy-related derivatives	\$ —	\$ 110	\$ —	\$ —	\$ 110

Notes to Financial Statements

At December 31, 2023:	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)	
	(in millions)				
Georgia Power					
Assets:					
Energy-related derivatives	\$ —	\$ 13	\$ —	\$ —	\$ 13
Nuclear decommissioning trusts: ^(b)					
Domestic equity	321	1	—	—	322
Foreign equity	—	170	—	—	170
U.S. Treasury and government agency securities	—	349	—	—	349
Municipal bonds	—	47	—	—	47
Corporate bonds	—	158	—	—	158
Mortgage and asset backed securities	—	64	—	—	64
Other	50	3	—	—	53
Total	\$371	\$805	\$ —	\$ —	\$1,176
Liabilities:					
Energy-related derivatives	\$ —	\$124	\$ —	\$ —	\$ 124
Mississippi Power					
Assets:					
Energy-related derivatives	\$ —	\$ 15	\$ —	\$ —	\$ 15
Cash equivalents	17	—	—	—	17
Total	\$ 17	\$ 15	\$ —	\$ —	\$ 32
Liabilities:					
Energy-related derivatives	\$ —	\$ 61	\$ —	\$ —	\$ 61
Southern Power					
Assets:					
Energy-related derivatives	\$ —	\$ 3	\$ —	\$ —	\$ 3
Liabilities:					
Energy-related derivatives	\$ —	\$ 5	\$ —	\$ —	\$ 5
Foreign currency derivatives	—	22	—	—	22
Contingent consideration	3	—	16	—	19
Other	—	13	—	—	13
Total	\$ 3	\$ 40	\$16	\$ —	\$ 59
Southern Company Gas					
Assets:					
Energy-related derivatives ^(a)	\$ 6	\$ 3	\$ —	\$ —	\$ 9
Non-qualified deferred compensation trusts:					
Domestic equity	—	7	—	—	7
Foreign equity	—	1	—	—	1
Pooled funds – fixed income	—	6	—	—	6
Cash and cash equivalents	3	—	—	—	3
Total	\$ 9	\$ 17	\$ —	\$ —	\$ 26
Liabilities:					
Energy-related derivatives ^(a)	\$ 46	\$ 12	\$ —	\$ —	\$ 58
Interest rate derivatives	—	79	—	—	79
Total	\$ 46	\$ 91	\$ —	\$ —	\$ 137

(a) Excludes cash collateral of \$62 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.

Notes to Financial Statements

Valuation Methodologies

The energy-related derivatives primarily consist of exchange-traded and OTC 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 OTC 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 two of its acquisitions whereby it is primarily obligated to make generation-based payments to the seller, commencing at the commercial operation of each facility and continuing through 2026 and 2036, respectively. The obligations are primarily categorized as Level 3 under Fair Value Measurements as the fair value is determined using significant unobservable inputs for the forecasted facility's 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 the obligations reflects the net present value of expected payments and any periodic change arising from forecasted generation is expected to be immaterial.

Southern Power also has payment obligations through 2040 whereby it must reimburse the transmission owners for interconnection facilities and network upgrades constructed to support connection of a Southern Power generating facility to the transmission system. The obligations are categorized as Level 2 under Fair Value Measurements as the fair value is determined using observable inputs for the contracted amounts and reimbursement period, as well as a discount rate. The fair value of the obligations reflects the net present value of expected payments.

"Other investments" primarily includes 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 market 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 \$190 million and \$178 million at December 31, 2024 and 2023, respectively. Unfunded commitments related to the private market investments totaled \$78 million and \$87 million at December 31, 2024 and 2023, respectively. Private market investments include high-quality private equity funds across several market sectors, funds that invest in real estate assets, and a private credit fund. Private market funds do not have redemption rights. Distributions from these funds will be received as the underlying investments in the funds are liquidated.

Southern Company Gas' investments, available for sale relate to a wholly-owned subsidiary that insures various risk exposures of Southern Company Gas and its subsidiaries. Corporate and municipal bonds, government agency securities, and commercial paper are valued using pricing models maximizing the use of observable inputs for similar securities, including basing value on yields currently available on comparable securities of issues with similar credit ratings. Mortgage and asset backed securities are valued through an analysis of the underlying assets and a review of the documentation, including financials, the manager's valuation methodology in valuing their underlying assets, the types of assets and risks involved, and the investor's exit and termination parameters.

Notes to Financial Statements

At December 31, 2024 and 2023, 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 billions)</i>					
At December 31, 2024:						
Long-term debt, including securities due within one year:						
Carrying amount	\$63.2	\$11.2	\$18.1	\$1.7	\$2.7	\$8.5
Fair value	57.7	9.8	16.2	1.5	2.6	7.4
At December 31, 2023:						
Long-term debt, including securities due within one year:						
Carrying amount	\$59.4	\$11.2	\$16.5	\$1.6	\$2.7	\$7.8
Fair value	55.0	10.1	15.1	1.4	2.6	6.8

(*) The carrying amount of Southern Company Gas' long-term debt includes fair value adjustments from 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.

14. DERIVATIVES

The Registrants 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. 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 Subsidiary Registrants 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 in the event of warmer-than-normal weather. 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 reflected in natural gas revenues.

Notes to Financial Statements

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.

At December 31, 2024, 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 ^(*)	431	2030	2028
Alabama Power	123	2027	—
Georgia Power	116	2027	—
Mississippi Power	103	2028	—
Southern Power	6	2030	2025
Southern Company Gas ^(*)	83	2027	2028

(*) 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 90 million mmBtu and short natural gas positions of 7 million mmBtu at December 31, 2024, which is also included in Southern Company's total volume.

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 15 million mmBtu for Southern Company, which includes 4 million mmBtu for Alabama Power, 6 million mmBtu for Georgia Power, 2 million mmBtu for Mississippi Power, and 3 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, 2025 are immaterial for Southern Company, Southern Power, and Southern Company Gas.

Interest Rate Derivatives

Southern Company and certain subsidiaries may enter into interest rate derivatives to hedge exposure to changes in interest rates. 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.

Notes to Financial Statements

At December 31, 2024, the following interest rate derivatives were outstanding:

	Notional Amount	Weighted Average Interest Rate Paid	Interest Rate Received	Hedge Maturity Date	Fair Value Gain (Loss) December 31, 2024
	(in millions)				(in millions)
Fair Value Hedges of Existing Debt					
Southern Company parent	\$ 400	1-month SOFR + 0.80%	1.75%	March 2028	\$ (42)
Southern Company parent	1,000	1-month SOFR + 2.48%	3.70%	April 2030	(143)
Southern Company Gas	500	1-month SOFR + 0.49%	1.75%	January 2031	(84)
Southern Company	\$1,900				\$ (269)

For cash flow hedges of interest rate derivatives, the estimated pre-tax gains (losses) expected to be reclassified from AOCI to interest expense for the year ending December 31, 2025 are \$(13) million for Southern Company and immaterial for the traditional electric operating companies and Southern Company Gas. Deferred gains and losses related to interest rate derivatives are expected to be amortized into earnings through 2054 for Southern Company, Georgia Power, and Mississippi Power, 2052 for Alabama 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. 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, including foreign currency gains or losses arising from changes in the U.S. currency exchange rates. Southern Company has elected to exclude the cross-currency basis spread from the assessment of effectiveness in the fair value hedges of its foreign currency risk and record any difference between the change in the fair value of the excluded components and the amounts recognized in earnings as a component of OCI.

At December 31, 2024, the following foreign currency derivatives were outstanding:

	Pay Notional	Pay Rate	Receive Notional	Receive Rate	Hedge Maturity Date	Fair Value Gain (Loss) December 31, 2024
	(in millions)		(in millions)			(in millions)
Cash Flow Hedges of Existing Debt						
Southern Power	\$ 564	3.78%	€ 500	1.85%	June 2026	\$ (51)
Fair Value Hedges of Existing Debt						
Southern Company parent	1,476	3.39%	1,250	1.88%	September 2027	(167)
Southern Company	\$2,040		€1,750			\$ (218)

For cash flow hedges of foreign currency derivatives, the estimated pre-tax losses expected to be reclassified from AOCI to earnings for the year ending December 31, 2025 are \$25 million for Southern Power.

Derivative Financial Statement Presentation and Amounts

The Registrants 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.

Notes to Financial Statements

The fair value of energy-related derivatives, interest rate derivatives, and foreign currency derivatives was reflected as either assets or liabilities in the balance sheets (included in "Other" or shown separately as "Risk Management Activities") as follows:

Derivative Category and Balance Sheet Location	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	<i>(in millions)</i>			
Southern Company				
Energy-related derivatives designated as hedging instruments for regulatory purposes				
Current	\$ 33	\$ 82	\$ 12	\$ 198
Non-current	42	40	31	117
Total derivatives designated as hedging instruments for regulatory purposes	75	122	43	315
Derivatives designated as hedging instruments in cash flow and fair value hedges				
Energy-related derivatives:				
Current	4	3	—	29
Non-current	4	—	3	4
Interest rate derivatives:				
Current	—	61	—	74
Non-current	—	208	—	190
Foreign currency derivatives:				
Current	—	36	—	34
Non-current	—	182	—	88
Total derivatives designated as hedging instruments in cash flow and fair value hedges	8	490	3	419
Energy-related derivatives not designated as hedging instruments				
Current	5	3	8	8
Non-current	1	—	1	2
Total derivatives not designated as hedging instruments	6	3	9	10
Gross amounts recognized	89	615	55	744
Gross amounts offset^(a)	(44)	(61)	(23)	(85)
Net amounts recognized in the Balance Sheets^(b)	\$ 45	\$ 554	\$ 32	\$ 659
Alabama Power				
Energy-related derivatives designated as hedging instruments for regulatory purposes				
Current	\$ 11	\$ 30	\$ 6	\$ 69
Non-current	15	12	9	41
Total derivatives designated as hedging instruments for regulatory purposes	26	42	15	110
Gross amounts offset	(19)	(19)	(10)	(10)
Net amounts recognized in the Balance Sheets	\$ 7	\$ 23	\$ 5	\$ 100
Georgia Power				
Energy-related derivatives designated as hedging instruments for regulatory purposes				
Current	\$ 6	\$ 32	\$ 2	\$ 82
Non-current	13	9	10	42
Total derivatives designated as hedging instruments for regulatory purposes	19	41	12	124
Energy-related derivatives not designated as hedging instruments				
Current	—	1	—	—
Non-current	—	—	1	—
Total derivatives not designated as hedging instruments	—	1	1	—
Gross amounts recognized	19	42	13	124
Gross amounts offset	(15)	(15)	(11)	(11)
Net amounts recognized in the Balance Sheets	\$ 4	\$ 27	\$ 2	\$ 113

Notes to Financial Statements

Derivative Category and Balance Sheet Location	2024		2023	
	Assets	Liabilities	Assets	Liabilities
	(in millions)			
Mississippi Power				
Energy-related derivatives designated as hedging instruments for regulatory purposes				
Current	\$ 5	\$ 15	\$ 3	\$ 27
Non-current	14	19	12	34
Total derivatives designated as hedging instruments for regulatory purposes	19	34	15	61
Gross amounts offset	(17)	(17)	(14)	(14)
Net amounts recognized in the Balance Sheets	\$ 2	\$ 17	\$ 1	\$ 47
Southern Power				
Derivatives designated as hedging instruments in cash flow hedges				
Energy-related derivatives:				
Current	\$ 1	\$ —	\$ —	\$ 5
Non-current	3	—	3	—
Foreign currency derivatives:				
Current	—	11	—	11
Non-current	—	40	—	11
Total derivatives designated as hedging instruments in cash flow hedges	4	51	3	27
Net amounts recognized in the Balance Sheets	\$ 4	\$ 51	\$ 3	\$ 27
Southern Company Gas				
Energy-related derivatives designated as hedging instruments for regulatory purposes				
Current	\$ 11	\$ 5	\$ 1	\$ 20
Derivatives designated as hedging instruments in cash flow and fair value hedges				
Energy-related derivatives:				
Current	3	3	—	24
Non-current	1	—	—	4
Interest rate derivatives:				
Current	—	17	—	20
Non-current	—	67	—	59
Total derivatives designated as hedging instruments in cash flow and fair value hedges	4	87	—	107
Energy-related derivatives not designated as hedging instruments				
Current	5	2	7	8
Non-current	1	—	1	2
Total derivatives not designated as hedging instruments	6	2	8	10
Gross amounts recognized	21	94	9	137
Gross amounts offset^(a)	7	(10)	12	(50)
Net amounts recognized in the Balance Sheets^(b)	\$ 28	\$ 84	\$ 21	\$ 87

(a) Gross amounts offset includes cash collateral held on deposit in broker margin accounts of \$17 million and \$62 million at December 31, 2024 and 2023, respectively.

(b) Net amounts of derivative instruments outstanding exclude immaterial premium and intrinsic value associated with weather derivatives for all periods presented.

Notes to Financial Statements

At December 31, 2024 and 2023, 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 Sheets

Derivative Category and Balance Sheet Location	Southern Company	Alabama Power	Georgia Power	Mississippi Power	Southern Company Gas
<i>(in millions)</i>					
At December 31, 2024:					
Energy-related derivatives:					
Other regulatory assets, current	\$ (61)	\$ (23)	\$ (26)	\$ (11)	\$ (1)
Other regulatory assets, deferred	(5)	—	—	(5)	—
Other regulatory liabilities, current	8	4	—	—	4
Other regulatory liabilities, deferred	8	3	4	1	—
Total energy-related derivative gains (losses)	\$ (50)	\$ (16)	\$ (22)	\$ (15)	\$ 3
At December 31, 2023:					
Energy-related derivatives:					
Other regulatory assets, current	\$(180)	\$(67)	\$ (80)	\$(25)	\$(8)
Other regulatory assets, deferred	(87)	(32)	(33)	(22)	—
Other regulatory liabilities, current	9	4	—	1	4
Other regulatory liabilities, deferred	1	—	1	—	—
Total energy-related derivative gains (losses)	\$(257)	\$(95)	\$(112)	\$(46)	\$(4)

For the years ended December 31, 2024, 2023, and 2022, the pre-tax effects of cash flow and fair value hedge accounting on AOCI for the applicable Registrants were as follows:

Gain (Loss) From Derivatives Recognized in OCI	2024	2023	2022
<i>(in millions)</i>			
Southern Company			
Cash flow hedges:			
Energy-related derivatives	\$ (7)	\$(81)	\$ 3
Interest rate derivatives	23	(12)	46
Foreign currency derivatives	(40)	14	(105)
Fair value hedges ^(*) :			
Foreign currency derivatives	16	21	(24)
Total	\$ (8)	\$(58)	\$ (80)
Georgia Power			
Cash flow hedges:			
Interest rate derivatives	\$ 24	\$ (2)	\$ 31
Mississippi Power			
Cash flow hedges:			
Interest rate derivatives	\$ 7	\$ —	\$ —
Southern Power			
Cash flow hedges:			
Energy-related derivatives	\$ (1)	\$(18)	\$ (15)
Foreign currency derivatives	(40)	14	(105)
Total	\$(41)	\$ (4)	\$(120)
Southern Company Gas			
Cash flow hedges:			
Energy-related derivatives	\$ (6)	\$(63)	\$ 18
Interest rate derivatives	(5)	—	—
Total	\$(11)	\$(63)	\$ 18

(*) Represents amounts excluded from the assessment of effectiveness for which the difference between changes in fair value and periodic amortization is recorded in OCI.

Notes to Financial Statements

The pre-tax effects of interest rate derivatives designated as cash flow hedging instruments on AOCI were immaterial for Alabama Power for the years ended December 31, 2023 and 2022.

The pre-tax effects of cash flow and fair value hedge accounting on income for the years ended December 31, 2024, 2023, and 2022 were as follows:

Statements of Income Location	Derivative Category	Gain (Loss)		
		2024	2023	2022
		<i>(in millions)</i>		
Southern Company				
Cost of natural gas	Energy-related cash flow hedges	\$ (40)	\$ (44)	\$ 37
Other operations and maintenance	Energy-related cash flow hedges	(2)	(2)	—
Depreciation and amortization	Energy-related cash flow hedges	(6)	(23)	(5)
Interest expense, net of amounts capitalized	Interest rate cash flow hedges	(16)	(35)	(25)
	Foreign currency cash flow hedges	(12)	(11)	(19)
Other income (expense), net	Interest rate fair value hedges	(4)	37	(291)
	Foreign currency cash flow hedges	(33)	19	(83)
	Foreign currency fair value hedges	2	69	(106)
	Amount excluded from effectiveness testing recognized in earnings	(16)	(21)	24
Southern Power				
Depreciation and amortization	Energy-related cash flow hedges	\$ (6)	\$ (23)	\$ (5)
Interest expense, net of amounts capitalized	Foreign currency cash flow hedges	(12)	(11)	(19)
Other income (expense), net	Foreign currency cash flow hedges	(33)	19	(83)
Southern Company Gas				
Cost of natural gas	Energy-related cash flow hedges	\$ (40)	\$ (44)	\$ 37
Other operations and maintenance	Energy-related cash flow hedges	(2)	(2)	—
Interest expense, net of amounts capitalized	Interest rate cash flow hedges	(1)	(19)	(4)
	Interest rate fair value hedges	(5)	6	(86)

The pre-tax effects of cash flow hedge accounting on income for interest rate derivatives were immaterial for the traditional electric operating companies for all years presented.

At December 31, 2024 and 2023, 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, 2024	At December 31, 2023	At December 31, 2024	At December 31, 2023
	<i>(in millions)</i>		<i>(in millions)</i>	
Southern Company				
Long-term debt	\$ (2,936)	\$ (3,024)	\$ 242	\$ 235
Southern Company Gas				
Long-term debt	\$ (422)	\$ (427)	\$ 75	\$ 70

Notes to Financial Statements

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, 2024, 2023, and 2022 were as follows:

Derivatives in Non-Designated Hedging Relationships	Statements of Income Location	Gain (Loss)		
		2024	2023	2022
			<i>(in millions)</i>	
Energy-related derivatives	Natural gas revenues ^(*)	\$ —	\$ —	\$(11)
	Cost of natural gas	94	59	(65)
Total derivatives in non-designated hedging relationships		\$ 94	\$ 59	\$(76)

(*) Excludes the impact of weather derivatives recorded in natural gas revenues of \$12 million, \$15 million, and \$(7) million for 2024, 2023 and 2022, 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

The Registrants 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. Generally, collateral may be provided by a Southern Company guaranty, letter of credit, or cash. At December 31, 2024, the Registrants had no collateral posted with derivative counterparties to satisfy these arrangements.

For Southern Company, the fair value of foreign currency derivative liabilities and interest rate 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, was \$72 million at December 31, 2024. For Southern Power, the fair value of foreign currency 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, was \$24 million at December 31, 2024. For the traditional electric operating companies and Southern Power, 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 at December 31, 2024. 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.

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, 2024, cash collateral posted in these accounts was immaterial for Alabama Power and Southern Power. 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, 2024, cash collateral held on deposit in broker margin accounts was \$17 million.

The Registrants are exposed to losses related to financial instruments in the event of counterparties' nonperformance. The Registrants generally enter into agreements and material transactions with counterparties that have investment grade credit ratings by Moody's, S&P, or Fitch 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.

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.

Notes to Financial Statements

The Registrants do not anticipate a material adverse effect on their respective financial statements as a result of counterparty nonperformance.

15. ACQUISITIONS AND DISPOSITIONS

Alabama Power

In 2022, Alabama Power completed its acquisition of the Calhoun Generating Station, which was accounted for as an asset acquisition. The total purchase price was \$179 million, of which \$171 million was related to net assets recorded within property, plant, and equipment on the balance sheet and reflected in property additions within the investing section of the statement of cash flows. The remainder primarily related to fossil fuel stock and materials and supplies. See Note 2 under "Alabama Power – Rate CNP New Plant" for additional information.

On October 24, 2024, Alabama Power entered into an agreement to acquire all of the equity interests in Tenaska Alabama Partners, L.P., which owns and operates the Lindsay Hill Generating Station. See Note 2 under "Alabama Power – Petition for Certificate of Convenience and Necessity" for additional information.

Mississippi Power

On November 8, 2024, Mississippi Power entered into an agreement with FP&L to acquire FP&L's 50% ownership interest in Plant Daniel Units 1 and 2. See Note 2 under "Mississippi Power – Plant Daniel" for additional information.

Southern Power

Southern Power's acquisition-related costs for the projects discussed under "Asset Acquisitions" and "Construction Projects" were not material for any of the years presented.

Asset Acquisitions

During 2023, Southern Power acquired the Millers Branch and South Cheyenne projects, as discussed further under "Construction Projects" below, with an aggregate purchase price of \$193 million. There were no asset acquisitions during 2024 and 2022.

Construction Projects

During 2024, Southern Power completed construction of and placed in service the 150-MW South Cheyenne solar facility. In addition, Southern Power continued construction of the 200-MW first phase and began construction of the 180-MW second phase and the 132-MW third phase of the Millers Branch solar facility. At December 31, 2024, the total cost of construction incurred for the Millers Branch project was \$292 million, which is primarily included in CWIP.

Project Facility	Resource	Approximate Nameplate Capacity (MW)	Location	Actual/Projected COD	PPA Contract Period
Projects Under Construction at December 31, 2024					
Millers Branch					
Phase I	Solar	200	Haskell County, TX	Fourth quarter 2025	20 years
Phase II	Solar	180	Haskell County, TX	Second quarter 2026	15 years
Phase III	Solar	132	Haskell County, TX	Fourth quarter 2026	15 years
Projects Completed During 2024					
South Cheyenne	Solar	150	Laramie County, WY	April 2024	20 years
Projects Completed During 2022					
Garland Solar Storage ^(a)	Battery energy storage	88	Kern County, CA	September 2021 through February 2022 ^(b)	20 years
Tranquillity Solar Storage ^(a)	Battery energy storage	72	Fresno County, CA	November 2021 through March 2022 ^(c)	20 years

(a) Southern Power consolidates each project's operating results in its financial statements and the tax equity partner and two other partners each own a noncontrolling interest. See Note 9 under "Lessor" for additional information.

(b) The facility has a total capacity of 88 MWs, of which 73 MWs were placed in service in 2021 and 15 MWs were placed in service in 2022.

(c) The facility has a total capacity of 72 MWs, of which 32 MWs were placed in service in 2021 and 40 MWs were placed in service in 2022.

Notes to Financial Statements

Development Projects

In November 2024, Southern Power committed to a development project to repower 200 MWs of the 299-MW Kay Wind facility located in Kay County, Oklahoma. The output of the project is contracted under an amended 20-year PPA with commercial operation projected to occur in the third quarter 2026.

Southern Company Gas

In September 2022, certain affiliates of Southern Company Gas entered into agreements to sell two natural gas storage facilities located in California and Texas for an aggregate purchase price of \$186 million, plus working capital and certain other adjustments. The sale of the Texas facility was completed in November 2022 and the sale of the California facility was completed in September 2023. Both sales resulted in an immaterial loss. Completion of the sale of the Texas facility was subject to release of a Southern Company Gas parent guarantee, which was executed in October 2022 and, as a result, Southern Company Gas recorded pre-tax impairment charges totaling approximately \$131 million (\$99 million after tax) in the fourth quarter 2022.

Neither of these dispositions, both individually and combined, represented a strategic shift in operations for Southern Company Gas 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 were classified as discontinued operations for the applicable periods presented.

16. SEGMENT AND RELATED INFORMATION

The Registrants adopted ASU 2023-07 and applied the guidance retrospectively effective for the fiscal year beginning January 1, 2024. See Note 1 under "Recently Adopted Accounting Standards" for additional information.

The CODM at Southern Company, the traditional electric operating companies, and Southern Company Gas is the chairman, president, and chief executive officer of such Registrant. Southern Power's CODM consists of the chairman and chief executive officer and the president. The CODMs assess segment performance using net income that is reflected on the Registrants' respective statements of income as net income attributable to the registrant, net income after dividends on preferred stock, or net income, as applicable. The CODMs use net income in the annual budget and forecasting process and consider budget versus actual results on a monthly basis when making decisions about the allocation of resources. Unless noted below, the CODMs do not utilize segment asset 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. While the traditional electric operating companies represent three separate operating segments, they are vertically integrated utilities providing electric service to retail customers, as well as wholesale customers, in the Southeast and have been aggregated into one reportable segment. Revenues from sales by Southern Power to the traditional electric operating companies were \$371 million, \$537 million, and \$875 million in 2024, 2023, and 2022, respectively. Revenues from sales of natural gas from Southern Company Gas to the traditional electric operating companies and Southern Power were immaterial for all periods presented. 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 distributed energy and resilience solutions and deploying microgrids for commercial, industrial, governmental, and utility customers, as well as investments in telecommunications. All other inter-segment revenues are not material.

Southern Company's CODM utilizes segment net income, including variances to budget and forecasts, to assess performance and is not provided with segment expense information. To achieve the consolidated net income goal, Southern Company's CODM sets net income expectations for each operating segment, which is expected to monitor its expenses in order to achieve its assigned net income target. Therefore, Southern Company has no reportable significant segment expenses.

Notes to Financial Statements

Financial data for business segments and products and services for the years ended December 31, 2024, 2023, and 2022 was as follows:

	Electric Utilities				Southern Company Gas	Total Reportable Segments	All Other	Eliminations	Consolidated
	Traditional Electric Operating Companies	Southern Power	Eliminations	Total					
<i>(in millions)</i>									
2024									
Operating revenues	\$ 19,977	\$ 2,014	\$ (388)	\$ 21,603	\$ 4,456	\$ 26,059	\$ 843	\$(178)	\$ 26,724
Other segment items ^{(a)(b)(c)(d)}	10,057	1,060	(388)	10,729	2,613	13,342	802	(149)	13,995
Depreciation and amortization ^(e)	3,512	522	—	4,034	650	4,684	71	—	4,755
Earnings from equity method investments	8	—	—	8	146	154	(17)	2	139
Interest expense	1,255	117	—	1,372	341	1,713	1,030	—	2,743
Income taxes (benefit)	1,016	(13)	—	1,003	258	1,261	(292)	—	969
Segment net income (loss) ^{(b)(c)(d)(e)(f)}	\$ 4,145	\$ 328	\$ —	\$ 4,473	\$ 740	\$ 5,213	\$ (785)	\$ (27)	\$ 4,401
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 5,017	\$ 144	\$ —	\$ 5,161
Total assets	105,577	12,653	(1,025)	117,205	26,177	143,382	2,371	(573)	145,180
2023									
Operating revenues	\$ 18,358	\$ 2,189	\$ (549)	\$ 19,998	\$ 4,702	\$ 24,700	\$ 718	\$(165)	\$ 25,253
Other segment items ^{(a)(c)(g)(h)}	9,643	1,187	(549)	10,281	3,124	13,405	699	(150)	13,954
Depreciation and amortization	3,361	504	—	3,865	582	4,447	78	—	4,525
Earnings from equity method investments	(1)	—	—	(1)	140	139	5	—	144
Interest expense	1,145	129	—	1,274	310	1,584	879	(17)	2,446
Income taxes (benefit)	571	12	—	583	211	794	(298)	—	496
Segment net income (loss) ^{(c)(f)(g)(h)}	\$ 3,637	\$ 357	\$ —	\$ 3,994	\$ 615	\$ 4,609	\$ (635)	\$ 2	\$ 3,976
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 5,017	\$ 144	\$ —	\$ 5,161
Total assets	100,429	12,761	(545)	112,645	25,083	137,728	2,446	(843)	139,331
2022									
Operating revenues	\$ 20,408	\$ 3,369	\$ (904)	\$ 22,873	\$ 5,962	\$ 28,835	\$ 593	\$(149)	\$ 29,279
Other segment items ^{(a)(c)(i)(j)}	12,820	2,341	(904)	14,257	4,536	18,793	771	(138)	19,426
Depreciation and amortization	2,513	516	—	3,029	559	3,588	75	—	3,663
Earnings from equity method investments	—	—	—	—	148	148	3	—	151
Interest expense	929	138	—	1,067	263	1,330	694	(2)	2,022
Income taxes (benefit)	828	20	—	848	180	1,028	(233)	—	795
Segment net income (loss) ^{(c)(f)(i)(j)}	\$ 3,318	\$ 354	\$ —	\$ 3,672	\$ 572	\$ 4,244	\$ (711)	\$ (9)	\$ 3,524
Goodwill	\$ —	\$ 2	\$ —	\$ 2	\$ 5,015	\$ 5,017	\$ 144	\$ —	\$ 5,161
Total assets	95,861	13,081	(659)	108,283	24,621	132,904	2,665	(678)	134,891

(a) Primarily consists of fuel, purchased power, cost of natural gas, cost of other sales, other operations and maintenance, taxes other than income taxes, charges (credits) to income for estimated probable losses, losses (gains) on asset dispositions, impairment charges, AFUDC equity, non-service cost-related retirement benefits income, and net income (loss) attributable to noncontrolling interests.

(b) For the traditional electric operating companies, includes a pre-tax impairment loss at Alabama Power of \$36 million (\$27 million after tax) related to Alabama Power discontinuing the development of a multi-use commercial facility. See Note 1 under "Impairment of Long-Lived Assets" for additional information.

Notes to Financial Statements

- (c) For the traditional electric operating companies, includes pre-tax charges (credits) to income at Georgia Power for the estimated probable loss associated with the construction and completion of Plant Vogtle Units 3 and 4 of \$(21) million (\$(16) million after tax) in 2024, \$(68) million (\$(50) million after tax) in 2023, and \$183 million (\$137 million after tax) in 2022. See Note 2 under "Georgia Power – Nuclear Construction" for additional information.
- (d) For the traditional electric operating companies, includes a pre-tax gain at Georgia power of approximately \$114 million (\$84 million after tax) related to the sale of transmission line assets under the integrated transmission system agreement. See Note 2 under "Georgia Power – Transmission Asset Sales" for additional information.
- (e) For Southern Power, includes pre-tax accelerated depreciation of \$9 million (\$7 million after tax) related to the commitment to repower 200 MWs of the Kay Wind facility. See Note 15 under "Southern Power – Development Projects" for additional information.
- (f) Attributable to Southern Company.
- (g) For Southern Power, includes an \$18 million pre-tax loss recovery (\$9 million after tax and partnership allocations) related to an arbitration award and a \$16 million pre-tax gain (\$12 million after tax) on the sale of spare parts. See Note 3 under "General Litigation Matters – Southern Power" for additional information.
- (h) For Southern Company Gas, includes pre-tax charges totaling approximately \$96 million (\$72 million after tax) associated with the disallowance of certain capital investments at Nicor Gas. See Note 2 under "Southern Company Gas" for additional information.
- (i) For Southern Company Gas, includes pre-tax impairment charges totaling approximately \$131 million (\$99 million after tax) related to the sale of natural gas storage facilities. See Note 15 under "Southern Company Gas" for additional information.
- (j) For the "All Other" column, includes a \$119 million goodwill impairment loss (pre-tax and after tax) at PowerSecure. See Note 1 under "Goodwill and Other Intangible Assets" for additional information.

Products and Services

Year	Electric Utilities' Revenues			
	Retail	Wholesale	Other	Total
	<i>(in millions)</i>			
2024	\$17,790	\$2,431	\$1,382	\$21,603
2023	16,343	2,467	1,188	19,998
2022	18,197	3,641	1,035	22,873

Year	Southern Company Gas' Revenues			
	Gas Distribution Operations	Gas Marketing Services	All Other	Total
	<i>(in millions)</i>			
2024	\$3,899	\$516	\$41	\$4,456
2023	4,090	548	64	4,702
2022	5,240	638	84	5,962

Traditional Electric Operating Companies

Each of the traditional electric operating companies' single reportable business segment is the sale of electricity. Revenues from products and services of the traditional electric operating companies are segregated into retail, wholesale, and other as reflected on their statements of income.

Alabama Power and Georgia Power have identified utility operations and maintenance expenses as significant segment expenses provided to their CODMs. Utility operations and maintenance expenses is calculated as other operations and maintenance, as reflected on the statements of income, less expenses from unregulated products and services, losses (gains) on asset dispositions, impairment charges, and amortization of cloud software. Alabama Power's utility operations and maintenance expenses are disaggregated into expenses related to Rate RSE and Rate CNP Compliance, which are not applicable to Georgia Power. See Note 2 under "Alabama Power" for additional information.

Notes to Financial Statements

Financial data for Alabama Power's and Georgia Power's significant segment expenses and other segment information for the years ended December 31, 2024, 2023, and 2022 was as follows:

	2024	2023	2022
	<i>(in millions)</i>		
Alabama Power			
Operating revenues	\$ 7,554	\$ 7,050	\$ 7,817
Utility operations and maintenance			
Rate RSE expenses	1,480	1,421	1,645
Rate CNP Compliance expenses	279	254	237
Total utility operations and maintenance	1,759	1,675	1,882
Other segment items ^{(a)(b)}	2,125	2,098	2,915
Depreciation and amortization	1,459	1,401	875
Interest expense	448	425	382
Income taxes	360	81	423
Segment net income ^(b)	\$ 1,403	\$ 1,370	\$ 1,340
Capital expenditures	\$ 2,114	\$ 2,159	\$ 2,206
Georgia Power			
Operating revenues	\$ 11,331	\$10,118	\$11,584
Utility operations and maintenance	2,210	1,901	2,237
Other segment items ^{(a)(c)(d)}	3,476	3,382	5,249
Depreciation and amortization	1,774	1,681	1,430
Interest expense	725	626	485
Income taxes	603	448	370
Segment net income ^{(c)(d)}	\$ 2,543	\$ 2,080	\$ 1,813
Capital expenditures	\$ 5,355	\$ 5,394	\$ 4,219

- (a) Primarily consists of fuel, purchased power, expenses from unregulated products and services, losses (gains) on asset dispositions, impairment charges, amortization of cloud software, taxes other than income taxes, charges (credits) to income for estimated probable losses, AFUDC equity, and non-service cost-related retirement benefits income. Also includes earnings from equity method investments, which were immaterial for all periods presented.
- (b) For 2024, includes a pre-tax impairment loss of \$36 million (\$27 million after tax) related to Alabama Power discontinuing the development of a multi-use commercial facility. See Note 1 under "Impairment of Long-Lived Assets" for additional information.
- (c) Includes pre-tax charges (credits) to income for the estimated probable loss associated with the construction and completion of Plant Vogtle Units 3 and 4 of \$(21) million (\$(16) million after tax) in 2024, \$(68) million (\$(50) million after tax) in 2023, and \$183 million (\$137 million after tax) in 2022. See Note 2 under "Georgia Power – Nuclear Construction" for additional information.
- (d) For 2024, includes a pre-tax gain of approximately \$114 million (\$84 million after tax) related to the sale of transmission line assets under the integrated transmission system agreement. See Note 2 under "Georgia Power – Transmission Asset Sales" for additional information.

Mississippi Power's CODM utilizes segment expense information in the form of variances to budget to assess performance; therefore, Mississippi Power has no reportable significant segment expenses. Mississippi Power's segment information for revenues, depreciation and amortization, interest expense, and income taxes is reflected on its statements of income. Mississippi Power's earnings from equity method investments are included in other income (expense), net on its statements of income and were immaterial for all periods presented. Other segment items primarily consist of fuel and purchased power, other operations and maintenance, taxes other than income taxes, and non-service cost-related retirement benefits income and totaled \$0.9 billion, \$1.0 billion, and \$1.3 billion for the years ended December 31, 2024, 2023, and 2022, respectively.

Notes to Financial Statements

Southern Power

Southern Power's single reportable business segment is the sale of electricity in the competitive wholesale market. Substantially all of Southern Power's revenues from products and services are reflected as wholesale on its consolidated statements of income. Southern Power's CODM utilizes segment expense information in the form of variances to budget to assess performance; therefore, Southern Power has no reportable significant segment expenses. Southern Power's segment information for revenues, depreciation and amortization, interest expense, and income taxes (benefit) is reflected on its consolidated statements of income. Southern Power had no earnings from equity method investments for any period presented. Other segment items primarily consist of fuel, purchased power, other operations and maintenance, taxes other than income taxes, losses (gains) on asset dispositions, and net income (loss) attributable to noncontrolling interests and totaled \$1.1 billion, \$1.2 billion, and \$2.3 billion for the years ended December 31, 2024, 2023, and 2022, respectively.

Southern Company Gas

Southern Company Gas manages its business through three reportable segments – gas distribution operations, gas pipeline investments, 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.

The gas distribution operations segment 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.

The gas pipeline investments segment consists of joint ventures in natural gas pipeline investments including a 50% interest in SNG 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. See Notes 5 and 7 for additional information.

The gas marketing services segment provides natural gas marketing to end-use customers primarily in Georgia and Illinois through SouthStar.

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 a natural gas storage facility in Texas through its sale in November 2022 and a natural gas storage facility in California through its sale in September 2023.

Southern Company Gas' CODM utilizes segment expense information in the form of variances to budget to assess performance; therefore, Southern Company Gas has no reportable significant segment expenses.

Notes to Financial Statements

Financial data for business segments for the years ended December 31, 2024, 2023, and 2022 was as follows:

	Gas Distribution Operations	Gas Pipeline Investments	Gas Marketing Services	Total Reportable Segments	All Other	Eliminations	Consolidated
<i>(in millions)</i>							
2024							
Operating revenues	\$ 3,899	\$ 32	\$ 516	\$ 4,447	\$ 23	\$ (14)	\$ 4,456
Other segment items ^(a)	2,236	6	356	2,598	29	(14)	2,613
Depreciation and amortization	630	5	14	649	1	—	650
Earnings from equity method investments	—	146	—	146	—	—	146
Interest expense	311	35	3	349	(8)	—	341
Income taxes	172	31	41	244	14	—	258
Segment net income (loss)	\$ 550	\$ 101	\$ 102	\$ 753	\$ (13)	\$ —	\$ 740
Total assets	\$24,067	\$1,573	\$1,696	\$27,336	\$10,047	\$(11,206)	\$26,177
2023							
Operating revenues	\$ 4,105	\$ 32	\$ 548	\$ 4,685	\$ 36	\$ (19)	\$ 4,702
Other segment items ^{(a)(b)}	2,702	5	402	3,109	34	(19)	3,124
Depreciation and amortization	561	5	15	581	1	—	582
Earnings from equity method investments	—	140	—	140	—	—	140
Interest expense	275	32	3	310	—	—	310
Income taxes	126	32	37	195	16	—	211
Segment net income (loss)^(b)	\$ 441	\$ 98	\$ 91	\$ 630	\$ (15)	\$ —	\$ 615
Total assets	\$22,906	\$1,534	\$1,615	\$26,055	\$ 9,675	\$(10,647)	\$25,083
2022							
Operating revenues	\$ 5,267	\$ 32	\$ 638	\$ 5,937	\$ 55	\$ (30)	\$ 5,962
Other segment items ^{(a)(c)}	3,907	6	488	4,401	165	(30)	4,536
Depreciation and amortization	516	5	16	537	22	—	559
Earnings from equity method investments	—	148	—	148	—	—	148
Interest expense	229	27	3	259	4	—	263
Income taxes (benefit)	145	35	37	217	(37)	—	180
Segment net income (loss)^(c)	\$ 470	\$ 107	\$ 94	\$ 671	\$ (99)	\$ —	\$ 572
Total assets	\$22,040	\$1,577	\$1,616	\$25,233	\$ 8,943	\$(9,555)	\$24,621

(a) Primarily consists of cost of natural gas, other operations and maintenance, taxes other than income taxes, impairment charges, estimated loss on regulatory disallowance, AFUDC equity, and non-service cost-related retirement benefits income.

(b) For gas distribution operations, includes pre-tax charges totaling approximately \$96 million (\$72 million after tax) associated with the disallowance of certain capital investments at Nicor Gas. See Note 2 under "Southern Company Gas" for additional information.

(c) For the "All Other" column, includes pre-tax impairment charges totaling approximately \$131 million (\$99 million after tax) related to the sale of natural gas storage facilities. See Note 15 under "Southern Company Gas" for additional information.

Shareholder Information

Transfer Agent

EQ Shareowner Services is Southern Company's transfer agent, dividend-paying agent, investment plan administrator and registrar. If you have questions concerning your registered Southern Company shareowner account, please contact:

EQ Shareowner Services
1110 Centre Pointe Curve, Suite 101
Mendota Heights, Minnesota 55120

Telephone: 1.800.554.7626
Website: shareowneronline.com

Southern Company Shareholder Relations

Telephone: 404.506.0965
Email: shareholderservices@southernco.com

Southern Investment Plan

The Southern Investment Plan is a convenient way to become a Southern Company shareholder. Participants in the Plan can purchase additional shares in Southern Company through optional cash purchases and reinvestment of dividends.

The Southern Investment Plan prospectus can be found at investor.southerncompany.com/shareowner-services/default.aspx.

Dividend Payments

Southern Company has paid dividends since 1948. Historically, dividends are declared and paid quarterly at the discretion of the board of directors.

Auditors

Deloitte & Touche LLP
191 Peachtree St. NE
Suite 2000
Atlanta, GA 30303

Investor Information

For information about earnings and dividends, stock quotes and current news releases, please visit us at investor.southerncompany.com.

Institutional Investor Inquiries

Southern Company maintains an investor relations office in Atlanta, Georgia, 404.506.0901, to meet the information needs of institutional investors and securities analysts.

Electronic Delivery of Proxy Materials

Any stockholder may enroll for electronic delivery of proxy materials by logging on at www.icsdelivery.com/so.

Common Stock

Southern Company common stock is listed on the NYSE under the ticker symbol SO. On January 31, 2025, Southern Company had 91,209 shareholders of record.

The 2024 annual report is submitted for shareholders' information. It is not intended for use in connection with any sale or purchase of, or any solicitation of offers to buy or sell, securities.

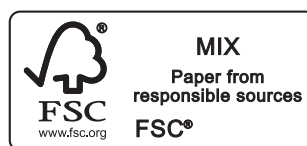
Southern Company is a holding company that conducts business through its subsidiaries. Unless the context otherwise requires, references to Southern Company's customers, communities and operations in this 2024 annual report refer to the customers, communities and operations of its subsidiaries.

Pages 6-180 of this 2024 annual report contain excerpts from Southern Company's Annual Report on Form 10-K for the year ended December 31, 2024, which was filed with the SEC on February 19, 2025. Information in these pages is provided as of the February 19, 2025 filing date and has not been updated for any subsequent events or developments.

(Front Cover) Crews and equipment staged in Brunswick, Georgia ready to restore service in the aftermath of Hurricane Helene

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