

Southern Company

1st Quarter 2005 Earnings

March 31, 2005

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News



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April 26, 2005

Southern Company reports first quarter earnings

ATLANTA – Southern Company today reported first quarter earnings of \$323.0 million, or 43 cents a share, compared with \$331.1 million, or 45 cents a share, in the same period a year ago.

The company said that several factors contributing positively to earnings -- including continued customer growth, sustained economic strength in the Southeast and the overall impact of regulatory actions in Georgia that took effect in the first quarter -- were offset in part by mild weather, which reduced residential demand for electricity, and also by increased operations and maintenance costs.

Chairman, President and CEO David M. Ratcliffe said the first quarter earnings, which exceeded analysts' estimates, were boosted by the continued economic health of the Southeast and the region's attractiveness to new residents and businesses.

"The fundamentals of our business remain strong," Ratcliffe said. "I believe we will meet our financial, operational and customer satisfaction targets for the year."

Revenues for the first quarter were \$2.86 billion, compared with \$2.73 billion in the same period a year ago, an increase of 4.8 percent.

Kilowatt-hour sales to retail customers in Southern Company's four-state service area decreased 0.8 percent in the first quarter, compared with 2004. Residential electricity use decreased 3.5 percent. Electricity use by commercial customers -- offices, stores and other non-manufacturing firms -- increased 0.9 percent. Industrial energy use increased 0.1 percent.

Total sales of electricity to Southern Company's customers in the Southeast, including wholesale sales, decreased 0.6 percent in the first quarter, compared with the previous year.

In conjunction with this earnings announcement, Southern Company has posted on its Web site a package of detailed financial information on its first quarter performance. These materials are available at 7:30 a.m. EDT April 26 at www.southerncompany.com.

Southern Company's financial analyst call will be at 1 p.m. EDT April 26, at which time Ratcliffe and Chief Financial Officer Tom Fanning will discuss earnings and earnings guidance as well as a general business update. Investors, media and the public may listen to a live Webcast of the call at www.southerncompany.com. A replay of the Webcast will be available at the site for 12 months.

With more than 4 million customers and nearly 39,000 megawatts of generating capacity, Atlanta-based Southern Company (NYSE: SO) is the premier super-regional energy company in the Southeast and a leading U.S. producer of electricity. Southern Company owns electric utilities in four states, a growing competitive generation company and a competitive retail natural gas business, as well as fiber optics and wireless communications. Southern Company brands are known for excellent customer service, high reliability and retail electric prices that are 15 percent below the national average. Southern Company has been ranked the nation's top energy utility in the American Customer Satisfaction Index five years in a row. Southern Company has more than 500,000 shareholders, making its common stock one of the most widely held in the United States. Visit the Southern Company Web site at www.southerncompany.com.

Forward Looking Statements Note:

Certain information contained in this release is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, statements concerning results of operations and Southern Company's strategies. Southern Company cautions that there are certain factors that can cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company; accordingly, there can be no assurance that such suggested results will be realized.

The following factors, in addition to those discussed in Southern Company's Annual Report on Form 10-K for the year ended Dec. 31, 2004, and subsequent securities filings,

could cause results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, and also changes in environmental, tax 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; current and future litigation, regulatory investigations, proceedings or inquiries, including the pending EPA civil actions against certain Southern Company subsidiaries, IRS audits and Mirant-related matters; the effects, extent and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate; variations in demand for electricity and gas, including those relating to weather, the general economy and population and business growth (and declines); available sources and costs of fuels; ability to control costs; investment performance of Southern Company's employee benefit plans; advances in technology; state and federal rate regulations and the impact of pending and future rate cases and negotiations; 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; the ability to obtain new short- and long-term contracts with neighboring utilities; the direct or indirect effect on Southern Company's business resulting from terrorist incidents and the threat of terrorist incidents; interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's and its subsidiaries' credit ratings; the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices; catastrophic events such as fires, earthquakes, floods, hurricanes or other similar occurrences; the direct or indirect effects on Southern Company's business resulting from incidents similar to the August 2003 power outage in the Northeast; and the effect of accounting pronouncements issued periodically by standard-setting bodies. Southern Company and its subsidiaries expressly disclaim any obligation to update any forward-looking information.

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Southern Company Business Outlook

Strategy focused on the business, markets and customers we know best

1. Regulated retail business
 - Transmission, distribution and with the commercial operation of Plant McIntosh units 10 and 11 in mid-2005, over 35,000 MW of regulated generation within our five operating companies.
 - More than 4 million utility customers in Alabama, Georgia, Florida and Mississippi.
 - Annual revenues of approximately \$12 billion and over 25,000 employees.
 - Average long-term demand growth in our service territory projected to be 2 percent.
 - Average long-term customer growth projected to be 1.5 percent per year.
2. Competitive wholesale generation business
 - Focused on competitive wholesale energy business in the Super Southeast.
 - Competitive generation net income includes Southern Power Company's results in addition to the existing wholesale businesses in our five operating companies.
 - 5,465 MW of capacity owned by Southern Power Company. This includes the announced purchase of the Oleander Power Plant from Constellation Energy.

Goals for our Major Businesses

1. Lead the industry in service and customer satisfaction.
2. Earn superior risk adjusted returns.
3. Earn net income of at least \$300 million from the company's competitive wholesale generation business by 2007.

Financial Goals for the Company

1. Earnings per Share Growth – 5% long-term growth target.
2. Return on Equity – top quartile of electric utilities.
3. Dividend Growth – consistent with our long-term earnings per share objectives.
4. Credit Quality – maintain a solid A credit rating and a 40 percent equity ratio.

2005 EPS Guidance: \$2.04 - \$2.09

This range is based on our 5% long-term growth target and provides for normal variability which might result from:

- Moderate weather variances
- Changes in energy prices
- Economic recovery
- Other items within the scope of normal operations

Projected Sources and Uses of Funds from 2005 to 2007

<u>Sources</u>	<u>2005-2007</u> (\$ Billions)
Funds from Operations	\$9.4
Equity Issuances	-
Net Debt and Preferred	1.9
	\$11.3
<u>Uses</u>	
Capital Expenditures:	\$7.9
<i>Detailed Breakout Page 7</i>	
Common Dividends	3.4
	\$11.3

See caution regarding forward looking statements on page eight of this document

Projected Capital Expenditures	2005 – 2007
	(\$ Billions)
Regulated Infrastructure	
Fossil/Hydro Retrofits	\$0.8
Environmental	2.0
Nuclear Fuel & Retrofits	0.5
Transmission & Distribution	3.1
All Other	0.5
Total Regulated Infrastructure	\$6.9
Competitive Generation	0.9
Products/Services & Other	0.1
Total Capital Expenditures	\$ 7.9

Credit Ratings

	S & P			Moody's			Fitch	
	Senior Unsecured	Commercial Paper		Senior Unsecured	Commercial Paper		Senior Unsecured	Commercial Paper
Alabama Power	A	A-1**		A2	P-1**		A+	F-1**
Georgia Power	A	A-1*		A2	P-1*		A+	F-1*
Gulf Power	A	A-1*		A2	P-1*		A	F-1*
Mississippi Power	A	A-1*		A1	P-1*		AA-	F-1*
Savannah Electric	A	A-1*		A2	P-1*		-	-
Southern Power	BBB+	A-2		Baa1	P-2		BBB+	F-2
Southern Company	A-	A-1		A3	P-1		A	F-1
Southern Co. Svcs	A***							
*Commercial Paper issued through Southern Company Funding Corporation **Alabama Power can issue commercial paper through the Southern Company Funding Corporation or through its own commercial paper program. *** Corporate Credit Rating								

Forward Looking Statement Disclosure:

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The following factors, in addition to those discussed in Southern Company's Annual Report on Form 10-K for the year ended Dec. 31, 2004 and subsequent securities filings, could cause results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, and also changes in environmental, tax 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; current and future litigation, regulatory investigations, proceedings or inquiries, including the pending EPA civil actions against certain Southern Company subsidiaries, current IRS audits and Mirant related matters; the effects, extent and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate; variations in demand for electricity and gas, including those relating to weather, the general economy and population and business growth (and declines); available sources and costs of fuels; ability to control costs; investment performance of Southern Company's employee benefit plans; advances in technology; state and federal rate regulations and the impact of pending and future rate cases and negotiations; the performance of projects undertaken by the non-traditional business 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; the ability to obtain new short- and long-term contracts with neighboring utilities; the direct or indirect effect on Southern Company's business resulting from terrorist incidents and the threat of terrorist incidents; interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's credit ratings; the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices; catastrophic events such as fires, earthquakes, floods, hurricanes or other similar occurrences; the direct or indirect effects on Southern Company's business resulting from incidents similar to the August 2003 power outage in the Northeast; and the effect of accounting pronouncements issued periodically by standard-setting bodies. Southern Company and its subsidiaries expressly disclaim any obligation to update any forward-looking information.

Southern Company Financial Highlights

(In Millions of Dollars Except Earnings Per Share)

	<u>3 Months Ended March</u>	
	<u>2005</u> (Notes)	<u>2004</u> (Notes)
Consolidated Earnings--		
(See Notes)		
Retail Business	\$ 233	\$ 245
Competitive Generation	<u>58</u>	<u>54</u>
Total	291	299
Synthetic Fuels	22	20
Leasing Business	6	7
Parent Company and Other	<u>4</u>	<u>5</u>
Net Income	<u>\$ 323</u>	<u>\$ 331</u>
 Basic Earnings Per Share--(See Note)	 <u>\$ 0.43</u>	 <u>\$ 0.45</u>
Operating Revenues	\$ 2,864	\$ 2,732
Average Shares Outstanding (in millions)	744	737
End of Period Shares Outstanding (in millions)	744	737

Significant Factors Impacting EPS (Notes)

	<u>3 Months Ended March</u>		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Consolidated Earnings--	\$0.43	\$0.45	\$ (0.02)
 <u>Significant Factors:</u>			
Retail Business			(0.02)
Competitive Generation			-
Synthetic Fuels			-
Leasing Business			-
Parent Company and Other			-
Impact of Additional Shares			-
Total			<u>\$ (0.02)</u>

Note

- Diluted earnings per share are not more than 1 cent for any period reported above and are not material.
- Certain prior year data has been reclassified to conform with current year presentation.
- Information contained in this report is subject to audit and adjustments and certain classifications may be different from final results published in the Form 10-Q.

Southern Company
Analysis of Consolidated Earnings
(In Millions of Dollars)

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	3 Months Ended March		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Income Account-			
Retail Revenue	\$ 2,269	\$ 2,144	\$ 125
Wholesale Revenue	347	351	(4)
Other Electric Revenues	101	93	8
Non-regulated Operating Revenues	147	144	3
Total Revenues	<u>2,864</u>	<u>2,732</u>	<u>132</u>
Fuel and Purchased Power	1,018	959	59
Non-fuel O & M	821	751	70
Depreciation and Amortization	293	241	52
Taxes Other Than Income Taxes	163	158	5
Total Operating Expenses	<u>2,295</u>	<u>2,109</u>	<u>186</u>
Operating Income	569	623	(54)
Other Income, net	11	(2)	13
Interest Charges and Dividends	178	167	11
Income Taxes	79	123	(44)
NET INCOME (See Note)	<u>\$ 323</u>	<u>\$ 331</u>	<u>\$ (8)</u>

Kilowatt-Hour Sales
(In Millions of KWHs)

	3 Months Ended March		
	<u>2005</u>	<u>2004</u>	<u>Change</u>
Kilowatt-Hour Sales-			
Total Sales	45,527	45,785	-0.6%
Total Retail Sales-	36,728	37,030	-0.8%
Residential	11,641	12,063	-3.5%
Commercial	11,399	11,298	0.9%
Industrial	13,439	13,420	0.1%
Other	249	249	0.1%
Total Wholesale Sales	8,799	8,755	0.5%

Note

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Southern Company
Financial Overview
(In Millions of Dollars)

	3 Months Ended March		
	<u>2005</u>	<u>2004</u>	<u>% Change</u>
Consolidated –			
Operating Revenues	\$2,864	\$2,732	4.8%
Earnings Before Income Taxes	402	454	-11.4%
Net Income	323	331	-2.5%
Alabama Power –			
Operating Revenues	\$970	\$960	1.0%
Earnings Before Income Taxes	113	153	-26.1%
Net Income Available to Common	93	91	2.9%
Georgia Power –			
Operating Revenues	\$1,370	\$1,199	14.3%
Earnings Before Income Taxes	227	225	0.9%
Net Income Available to Common	142	144	-1.0%
Gulf Power –			
Operating Revenues	\$225	\$215	4.5%
Earnings Before Income Taxes	22	27	-17.0%
Net Income Available to Common	15	17	-13.0%
Mississippi Power –			
Operating Revenues	\$215	\$210	2.6%
Earnings Before Income Taxes	28	29	-1.9%
Net Income Available to Common	17	17	-2.1%
Savannah Electric –			
Operating Revenues	\$89	\$72	22.5%
Earnings Before Income Taxes	2	4	-58.4%
Net Income Available to Common	1	3	-77.2%
Southern Power –			
Operating Revenues	\$153	\$176	-13.0%
Earnings Before Income Taxes	38	44	-15.2%
Net Income Available to Common	23	27	-15.1%

Note

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