

Section 6. Conclusions

Southern Company strategies to meet environmental requirements have yielded a 40 percent reduction in SO₂ and NO_x emissions since 1990. Over the next decade, the company plans to invest more than \$6 billion to reduce SO₂, NO_x, and mercury by 70 percent from today's levels. The current strategy for dealing with SO₂, NO_x, and mercury emissions meets recently-adopted and projected requirements. The process for developing the strategy uses state-of-the-art modeling techniques, is robust, thorough, systematic, and reviewed annually.

Regarding the climate change issue, Southern Company is involved in research and public policy formation and undertakes voluntary greenhouse gas emissions reduction, avoidance, and sequestration projects. Analysis of CO₂ price signals indicates that they would raise the cost of electricity for Southern Company customers. Effects on shareholder value and competitiveness would depend on the design and the details of any climate change policy program and the regulatory treatment of the costs by the states in which the company operates. The analysis also shows that projected CO₂ emissions growth as a result of meeting rising customer demand will not be reduced significantly without the availability of new, large-scale, cost-effective, low-CO₂ emitting technologies.

Consequently, Southern Company is considering a variety of technology options, including energy efficiency, renewable energy, natural gas technology, coal-based advances, and nuclear power.

Southern Company will continue to investigate ways to increase the cost-effectiveness and availability of renewable energy options. However, barring some unforeseen technological advance, it is unlikely that renewables will provide more than a few hundred megawatts of generation in the Southeast. To meet the larger need, Southern Company is pursuing promising coal-based and nuclear technologies and support national energy policies to promote those technologies.

Southern Company has been operating, with the Department of Energy (DOE), the Power Systems

Development Facility near Wilsonville, Alabama for more than a decade. This facility, the nation's premier research center for the development of advanced coal-based electricity generation options, has developed an advanced gasifier. Southern Company, DOE and the Orlando Utilities Commission are installing a full-scale version of this technology at the Stanton Energy Center in Orlando, Florida. This IGCC plant is expected to be commercial by 2011.

Southern Company is also a member of the FutureGen consortium, which is partnering with DOE to develop an advanced coal-based electricity generating plant with carbon capture and sequestration.

Nuclear power offers a unique opportunity for economically-viable, large-scale, CO₂-free power generation technology. With the possible addition of new nuclear generation beginning in 2015, Southern Company's CO₂ emissions growth would slow. As part of the NuStart Energy consortium, Southern Company is pursuing ways to ensure that nuclear technology is a viable option for future generation needs. Southern Company has filed a proposal with DOE for an evaluation of the feasibility of siting and licensing new nuclear generation in Southern Company's service territory and has filed a letter with the Nuclear Regulatory Commission stating its intent to pursue an Early Site Permit for new nuclear generation. The company is moving as quickly as possible to make nuclear power an option for future base load needs and has high expectations that new nuclear capacity will be sought in the 2015-2016 timeframe.

The protection of the environment and the increasing need for electricity to power a growing economy will continue to present challenges for the United States and Southern Company. Southern Company is committed to meet those challenges in a way that also protects its customers and shareholders. The company's plans and activities for the future address the near-term obligations of new regulatory programs, as well as the research, development, and deployment commitments necessary to ensure the availability of new generation options that are both cost-effective and environmentally friendly.

Forward looking statement cautionary note

Much of the information contained in this report is forward-looking information based on current expectations and plans that involve risks and uncertainties. Some of the forward-looking information relates to scenarios that seek to predict future environmental rules and regulations, Southern Company's ability to address those rules and regulations in a cost-effective manner, solutions for addressing such rules and regulations, costs involved in addressing those rules and regulations, and continued economic growth in Southern Company's service territory. 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 December 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 Environmental Protection Agency (EPA) civil actions against certain Southern Company subsidiaries; 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; advances in technology; state and federal rate regulations and the impact of pending and future rate cases and negotiations; 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 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; and catastrophic events such as fires, earthquakes, floods, hurricanes or other similar occurrences. Southern Company and its subsidiaries expressly disclaim any obligation to update any forward-looking information.