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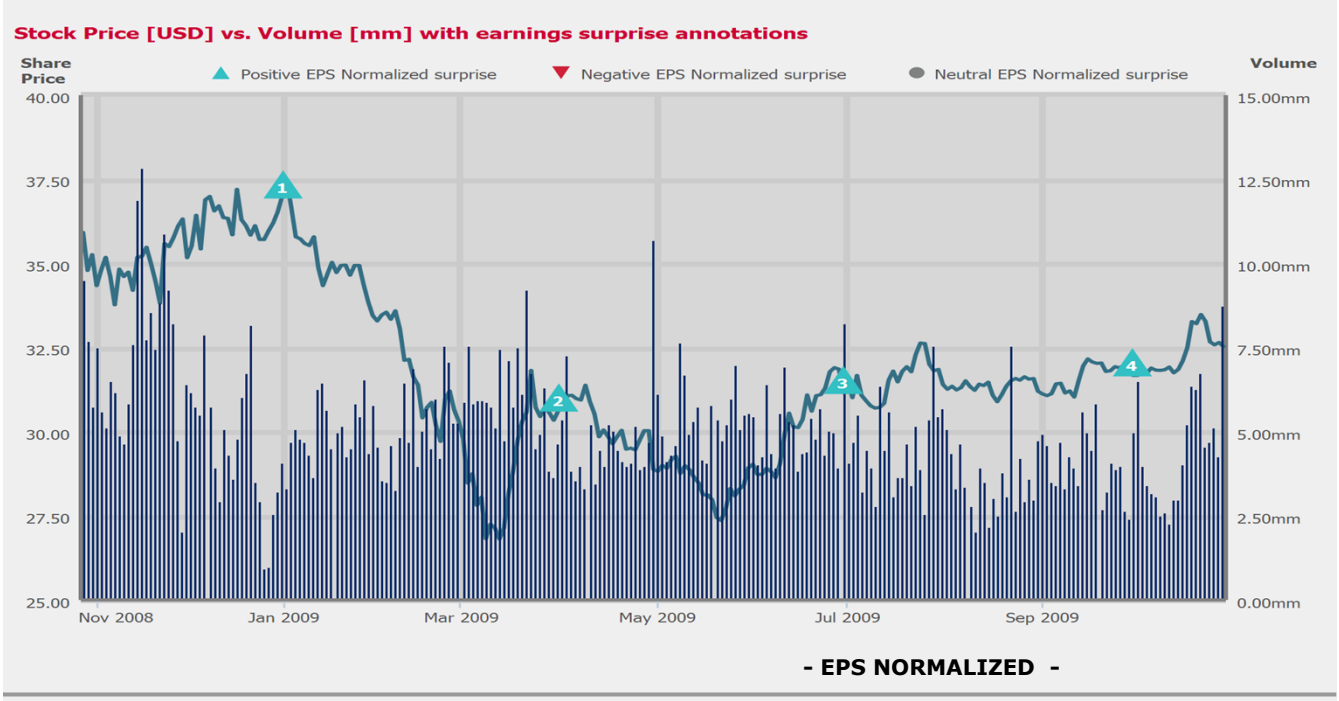
FQ3 2009 Earnings Call Transcripts

Wednesday, October 28, 2009 5:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2009-			-FQ4 2009-	-FY 2009-		-FY 2010-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	GUIDANCE	CONSENSUS
EPS Normalized	0.98	0.99	▲1.02	0.31	2.32	2.30	2.45
Revenue (mm)	5731.89	4682.00	▼(18.32 %)	4024.02	17100.23	-	17818.48

Currency: USD
Consensus as of Oct-28-2009 4:20 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2008	0.25	0.26	1 4.00 %
FQ1 2009	0.41	0.42	2 2.44 %
FQ2 2009	0.57	0.61	3 7.02 %
FQ3 2009	0.98	0.99	4 1.02 %

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Call Participants

EXECUTIVES

David M. Ratcliffe
Former Chairman & CEO

William Paul Bowers
Executive Vice President

ANALYSTS

Agnieszka Anna Storozynski
Macquarie Research

Annie Tsao
AllianceBernstein

Ashar Khan
SAC Capital

Dan Eggers
Credit Suisse

Dan Jenkins
State of Wisconsin Investment Board

Gregory Harmon Gordon
Morgan Stanley, Research Division

Paul Patterson
Glenrock Associates

Phyllis Gray
Dwight Asset Management.

Steven Gambuzza
Longbow Capital

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Presentation

Operator

Good afternoon, my name is Michael, and I will be your conference operator today. At this time, I would like to welcome everyone to the Southern Company Third Quarter '09 Conference Call. [Operator Instructions] I would now like to turn the conference over to Mr. David Ratcliffe. You may begin your conference.

David M. Ratcliffe
Former Chairman & CEO

Thank you, Michael. And good afternoon, and thank all of you for joining us. I'm pleased to be with you today for our third quarter earnings call. Joining me today is Paul Bowers, our Chief Financial Officer.

Let me remind you that we will make forward-looking statements today, in addition to providing historical information. There are various important factors that could cause actual results to differ materially from those indicated in the forward-looking statements, including those discussed in our Form 10-K and subsequent SEC filings. In addition, we will present non-GAAP financial information on this call. Reconciliations to the applicable GAAP measure are included in the financial information we released this morning.

During the third quarter, it's clear that our financial performance has been impacted by this major recession were in and extremely mild weather, even the effects of a 500-year flood in parts of Georgia. Despite the depth and breadth of these challenges, our goal from the outset of the year was provide as much transparency as possible. I'm pleased to report that we have performed well, managing through the challenges and executing our business plan.

Let me provide you with some specific examples. On August 27, the Georgia Public Service Commission approved Georgia Power's request to amortize $324 million in a regulatory account as a reduction to expenses. Under the terms of the order, Georgia Power will amortize up to 1/3 of the regulatory liability or $108 million in 2009. In addition, the company will be allowed to amortize up to 2/3 of the regulatory liability or $216 million in 2010.

As a result, Georgia Power avoided the need to seek immediate rate relief, and is now expected to remain on its normal rate case filing schedule for 2010. In this economy, when our customers are struggling with their own finances, this constructive agreement is in the best interest of both customers and the company.

Turning now to another significant development, the Mississippi Public Service Commission has concluded its first phase of hearings on Mississippi Power's request to construct a 582-megawatt integrated gasification combined cycle or IGCC generation facility. This phase has addressed the need for new capacity. We expect a decision on or before November 10. The next phase of hearings to determine the technology or particular resource to meet that need is scheduled to begin in February 2010, with a final decision on the certificates to build the Kemper County facility set for May 2010.

If approved, the plant will be built utilizing an indigenous supply of lignite coal. The plant is expected to go into commercial service in 2014, and will include technology to capture up to 65% of the carbon dioxide emissions. As a result, the plant will have the same CO2 emission footprint as an equivalent natural gas facility, but without the exposure to volatile gas prices.

In a related development, the South Mississippi Electric Power Association has expressed interest and signed a non-binding letter of intent last month to explore ownership of up to 20% of this facility. In addition, you may have seen the announcement last month that the world's first commercial coal gasification facility using the technology that was developed by Southern Company and its partners will be built in China. A 120-megawatt facility will be built by the electric company that serves the Guangdong province in the People's Republic of China. The transport gasifier technology will be added to an existing combined-cycle facility, which is currently fueled by oil. The refired facility is expected to begin operation

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in 2011. This project will provide us valuable construction and operating experience for the Kemper County facility.

Turning now from coal gasification to nuclear technology, I'm pleased to report that we are making significant progress on the Vogtle 3 and 4 units in Georgia. We received our early site permit from the Nuclear Regulatory Commission in August, as well as authority to initiate limited work at the site. The construction site has been turned over to Shaw and Westinghouse to proceed.

Shaw and its contractors have excavated approximately 1.7 million cubic yards of earth to date, which equates to removing nearly 25 feet of soil of approximately 50 acres. Construction is well underway, including support buildings, water pipe installation and concrete batch plant. Once the combined construction operating license is received, construction will begin on the reactor and safety-related systems.

At this point, I'll turn the call over to Paul for a discussion of our financial highlights for the third quarter and our earnings guidance for the remainder of 2009.

William Paul Bowers
Executive Vice President

Thank you, David. As you mentioned, we had a solid quarter of results despite unusually mild weather and a challenged economy. In the third quarter of 2009, we reported earnings of $0.99 per share. That's a decrease of $0.02 per share over the third quarter of 2008.

Let's turn to the major factors that drove our third quarter numbers compared to the third quarter of 2008. First, the negative factors, ore usage and economic growth, primarily in the commercial industrial classes, reduced our earnings $0.05 per share compared to the third quarter of 2008. I will provide additional comments on how the economy is affecting our customers in a few minutes.

Other revenues had a net negative $0.01 per share impact when compared to the same period last year. Increases in customer charges and increased recognition of environmental-caused revenues had a positive impact of $0.09 per share. This increase was offset by a decline of $0.10 per share in retail revenues from industrial and commercial market response rates.

Weather reduced our earnings by $0.03 per share compared to the third quarter of 2008. Weather in the third quarter of 2009 was $0.05 below normal, while weather in the third quarter of 2008 was $0.02 below normal. Clearly, one of the coolest third quarters on record.

Higher interest expense in the third quarter decreased earnings by $0.01 per share, compared to the same period in 2008. An increase in the number of shares outstanding reduced our earnings by $0.03 per share. So the total negative factors reduced our earnings by $0.13 per share compared to the third quarter of 2008.

Now let's turn to the positive factors that drove our earnings in the third quarter. Lower non-fuel O&M expenses added $0.06 per share to our earnings in the third quarter compared to the third quarter of 2008. As we have mentioned in our previous earnings call, we are continuing to seek out efficiencies in our operating and maintenance activities to help offset the reduction in revenues due to the economic recession, while not jeopardizing our commitment to industry-leading reliability, customer satisfaction and safety.

Lower depreciation and amortization added $0.03 per share to our earnings in the third quarter of 2009 compared to the same period in 2008. This increase was driven mainly by reduction in amortization related to the Georgia Power accounting order that David mentioned in his opening remarks.

Other income and deductions, mainly AFUDC [Allowance for Funds Used During Construction] contributed $0.01 per share compared to the third quarter of 2008. Southern power added $0.01 per share to earnings in the third quarter when compared to the third quarter of 2008.

In conclusion, we had $0.13 per share of negative earnings drivers and $0.11 per share of positive earnings drivers compared to the third quarter of 2008. Overall, our third quarter came in at $0.99 per

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share compared to $1.01 per share in the third quarter of 2008, or a decrease of $0.02 per share. Before I discuss our earnings estimates for the fourth quarter, I'd like to take a moment to provide you with an update on the economy, Southern Power and a review of our peak season operational performance.

Turning now to a discussion of the economy, we'll begin with our customer data. Industrial sales were 9.6% lower in the third quarter of 2009 compared to the third quarter of 2008. The most significant reductions were in primary metals, which were down to 28.5% from the same period last year. The Chemical sector was down 19.6%, while Stone, Clay and Glass was down 14%. And Textiles experienced a 15.2% reduction as compared to the third quarter of 2008.

While Industrial sales are still below 2008 levels, the economic stimulus created by the Cash For Clunkers program resulted in increased energy consumption for the Primary Metals, Textiles and Transportation sectors for the quarter. In addition, the restocking of depleted inventory had a positive impact in Industrial segment for this quarter. To be specific, sales in this segment increased by 11% in the third quarter compared to the second quarter of 2009. These increases in sales occurred across all major sectors, with Primary Metals increasing by 25% and the Transportation or Auto sector increasing by 11%.

Adjusting for weather, residential sales remained basically flat in relation to 2008, with a slight increase in sales of 0.4%. Building permits remained positive in the third quarter, indicating an annual number of 26,000 permits, which represents 50% of the 2008 levels. As expected, sales in the Commercial segment continue to weaken. Weather-adjusted Commercial sales fell by 2.1% compared to the third quarter of 2008, reflecting in lagging nature of the sales decline in this segment.

Most economists believe that the recession, technically ended in August, with three months of positive GDP [gross domestic product] growth. With that as a backdrop, the economy remains fragile with high unemployment and uncertainty over future consumer spending.

Our sales results on a year-over-year basis continue to highlight the fact that this recession will have an impact on our sales for some time. But we still believe the recovery will be somewhat anemic. We see some positive signs beginning to emerge. A recovering global economy, combined with the South's strong transportation infrastructure and the lower value of the dollar could create new opportunities for manufacturers in our region to export their products.

In addition, economic development activity in the region continues to be very strong, with more than 300 active projects underway within Southern Company's footprint, indicating that the Southeast is still an attractive location to start, expand or relocate a business. Last month, Site Selection magazine recognized Alabama Power and Georgia Power as two of the top utilities in the nation for their economic development activity.

Turning now to Southern Power, since our last earnings call, we have had several new developments occur as Southern Power subsidiaries. These new activities show that, as we've said in January, we would seek out opportunities, both within the region and outside the Southeast, if they were economically attractive, fit our business strategy and with [ph] profile.

First, we have broken ground on the construction of the Clay County generation plant in North Carolina. As we discussed earlier this year, the plant will consist of four gas-fired combustion turbines and will generate approximately 720 megawatts of energy. Southern Power has long-term contracts with North Carolina Electric Membership Corporation and the North Carolina Municipal Power Agencies for the majority of this capacity. Commercial operations of all four units is expected in early 2012.

Second, we announced earlier this month that Southern Power is acquiring Nacogdoches Power LLC from American Renewable, the original developer of the project. And we'll move forward with construction of a 100-megawatt biomass power plant in East Texas near the Louisiana-Texas border. The output of this facility will be purchased by the city of Austin under a 20-year Power Purchase Agreement, a contract structure that fits our model. When completed, the facility will be one of the largest biomass fuel-generating facilities in the United States, and will burn 1 million tons of wood waste per year.

Third, Southern Power announced last week an agreement with LS Power to acquire the West Georgia Generating Company assets in a like current [ph] exchange for the DeSoto generation facility in Florida in

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approximately $140 million in cash. West Georgia facility consists of four gas-fired combustion turbines, with an installed capacity of 600-megawatt. The output from two units is sold under a Power Purchase Agreement with the Municipal Electric Authority of Georgia and the Georgia Energy Cooperative. The MEAG agreement began in 2009 and expires in 2029, while the GEC contract begins in 2010 and expires in 2030. These projects reflect our commitment to continue the growth and development of Southern Power, while at the same time maintaining our business model, while having the capacity under a long-term contract.

Our final update concerns the peak season performance of our fossil and hydro generation group. The peak season of 2009, from May 1 to September 30, marks our third best equivalent forced outage rate or E4 performance. E4 is a measurement of the rate at which units are either forced offline, or had to reduce their capacity due to unexpected equipment failures. The overall E4 performance of our fossil and hydro fleet during this peak season was 1.43%. To put this in perspective, our 1.43% E4 can be compared with the industry top quartile performance of slightly more than 5%, and the industry average of 6.9% for 2008.

Most importantly, this focus on reliability saves customers approximately $150 million in fuel cost when compared to the industry average. This performance clearly indicate that even with our intense focus on cost, our fossil and hydro fleet is performing well above industry norm and most importantly, our customers benefit from efficient and reliable fleet.

Turning now to our earnings guidance for the remainder of 2009, our third quarter results were $0.99 per share compared to our estimate of $0.93 to $0.99 per share. We expect earnings to be $0.28 to $0.30 per share for the fourth quarter of 2009, which will contribute to a full-year result of $2.30 to $2.32 per share. The full-year guidance of $2.30 to $2.32 per share excludes the merit litigation settlement charge that was taken in the second quarter. Including the merit litigation settlement, we expect our earnings for the full year to be $2.05 to $2.07 per share. At this point, I'll turn the call back over to David for his closing remarks.

David M. Ratcliffe
Former Chairman & CEO

As you've heard this afternoon, we are managing our business well despite significant headwinds from the economy and unusually mild weather. Nine months ago, I told you that this year would provide both challenges and opportunities, and it certainly has. Despite the challenges, we remain steadfast and focused, and we've capitalized on the opportunities available to us moving forward, with our capital program, a program that will help the environment, provide our customers a new generation of nuclear technology, deploy new coal-gasification and carbon-capture technologies, turn wood waste into electricity and expand our fleet of natural gas-fired units, both in the Retail business and at Southern Power. And at the same time, we're delivering world-class service and reliability at prices that remain below the national average.
Last month marked Southern Company's 60th year on the New York Stock Exchange. We've managed through numerous economic and financial challenges throughout those six decades, while continuing to be a major contributor to the long-term prosperity of the Southeast. At this point, Paul and I are ready to take your questions. So Michael, we'll take the first question.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Dan Eggers with Crédit Suisse.

Dan Eggers
Credit Suisse

David I remember last quarter you talked about kind of a roundtable you had with your large industrial customers, have you convened such a meeting against since last quarter. The signs that you guys are seeing is from restocking in restart in the third quarter. Is that continuing on or was that kind of a one-time response to a tight inventory situation?

David M. Ratcliffe
Former Chairman & CEO

Dan, let me ask Paul to give you the latest update from that. I don't know that we conducted a roundtable as such. We do have customer representatives that are assigned to each of our major accounts, and the expectation is that we mine that data every single month just to make sure we're doing the best job of gathering that intelligence. Let Paul tell you what we see in field.

William Paul Bowers
Executive Vice President

The roundtable that we had in July, we gave you some insight in terms of the weakness in that segment, on Industrial segment, specifically but when you look at this quarter, we saw a positive movement associated with the restocking of inventory and we also saw some positive movement associated with some exports. When you look at our ports, primarily Mobile and Savannah, Savannah had a sequential quarter-over-quarter increase in exports by 10% so that is positive. However, there are some indicators that says that they'll go back to a normal level of output for the remaining part of this year, not a higher output that we saw in the third quarter.

Dan Eggers
Credit Suisse

And then on the O&M savings, the $0.06 in the quarter, what sense of that do you guys see as being sustainable next year? You're kind of assuming things get a little bit better and how much of that is going to have to come back in employee wages and kind of things that were just avoided from a spending perspective this year?

David M. Ratcliffe
Former Chairman & CEO

Dan, when you look at the savings that we saw year-to-date in O&M efficiency, it's really the rate of growth that we have to look at for 2010. We think we'll see the $100 million of reductions in our O&M calls going forward but still you'll have some increase in O&M expenses as we go into 2010. You mentioned one, that the employee salary ranges start moving again or you start seeing an increase in calls around maintenance.

Dan Eggers
Credit Suisse

With some of the NRC [Nuclear Regulatory Commission] issues around the AP1000, how is that affecting kind of your planning perspective as far as the pre-site development work. Does that cause you guys any concern as far as looking at other alternatives and what is your option if you decide that it wasn't a viable technology to exit the contracts you have with Shaw and everybody else?

David M. Ratcliffe

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Former Chairman & CEO

Dan, let me be clear. We don't have any concerns about that at this point in time. We're moving forward with the reconstruction as I indicated earlier. I think its important to recognize that what is happening with the NRC design certification process is exactly what it's designed to do. It allows the NRC folks to raise concerns and it requires Westinghouse, Toshiba to deal with those concerns and address them during the design phase. Remember, we're still in a design phase. The work that we're doing is actually pre-reactor construction work. We won't get into that level of construction for another, probably year and a half or so, until we get a combined construction and operating license. I believe that we're comfortable that Westinghouse and Toshiba have ample opportunities to cure the design concerns that NRC has raised.

Operator

Your next question comes from Greg Gordon with Morgan Stanley.

Gregory Harmon Gordon
Morgan Stanley, Research Division

I know it's probably a tough question to give any specific answer given how tough prognosticating is in the short run, but are you prepared to give us any view on what a reasonable baseline assumption is for overall sales for next year?

William Paul Bowers
Executive Vice President

We really are not. We'll be coming out in January with our guidance for the year and at that point, we'll give you a clear indication on what we expect.

Gregory Harmon Gordon
Morgan Stanley, Research Division

Can I ask as I think about the drivers for the economic recovery in sales, at least as it pertains to industrial, there are two factors that I wonder about. One is overall improvements in capacity utilization and the other is offsetting improvements in efficiency. Can you talk at least about the second item which is one that you probably have a lot more insight into, which is what you're seeing in terms of your industrial customers in diverse to become more efficient and less energy intensive?

William Paul Bowers
Executive Vice President

Greg, when you look at that second question, what we're seeing primarily is the investment for additional capacity additions in some of our leading Industrial sectors. In our Refinery sector, they're adding capacity which is making utilization at the facility more efficient but also more volumes coming out. We're also seeing additional lines of investment going in to our Automobile sectors. And then when you look at Electro-Technologies that are being deployed, it really becomes more electric intensive versus natural gas or steam intensive so we think some of that as well. And we're tracking that on a realtime basis to ensure that we have a good understanding of what's going to occur in the Industrial sector.

David M. Ratcliffe
Former Chairman & CEO

And just to add to that Greg that I think, as Paul said, what we're seeing as people invest capital to improve the existing facilities and either expand them or add efficiency, which in my judgment is a very strong indicator that when things do begin to stabilize and turn up, that our region is going to be where they produce whatever they are producing. There are some cases where obviously people have gone out of business but for the folks that are surviving, it's clear that they're investing in their facilities in preparation for growth in the future.

Operator

Your next question comes from Angie Storozynski with Macquarie Capital.

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Agnieszka Anna Storozynski
Macquarie Research

I wanted to ask you a question about the expansion of your gas price generation fleets, both for Southern Power and for your Retail businesses. Would you consider buying maybe existing assets in the region or using GAAP funds [ph] (35:19) on your own? Secondly from your Southern Power perspective, are you seeing a lot of interest from co-ops and munis in signing long-term contract for from providers like your company?

David M. Ratcliffe
Former Chairman & CEO

We have, as we indicated in our remarks, both purchased existing gas. That was part of the LS Power deal, it was a swap for existing gas assets. We'll continue to look at those opportunities both in the Retail business and in Southern Power business. At the same time, we're continuing the construction of significant new capacity in the Retail business, particularly at McDonough to expand our own retail gas-powered capacity.

Agnieszka Anna Storozynski
Macquarie Research

The second question about the demand for new PPAs from munis or co-ops, some growth strategies for your Southern Power system?

William Paul Bowers
Executive Vice President

As you look at Southern Power and our generation fleet and looking at the mix of PPAs that we have, currently we are 83% covered in our capacity through 2017. We're constantly evaluating when those contracts come off contract and when we had to go into the market for remarketing. Just like the contract that will be coming in, in 2011, that capacity was actually remarketed in 2005. But we've been in the market trying to increase and update our contracts, while at the same time, providing input to current RFPs that are out there.

David M. Ratcliffe
Former Chairman & CEO

There is an active marketplace out there for capacity in the co-ops and municipal ranks.

Operator

Your next question comes from Annie Tsao with AllianceBernstein.

Annie Tsao
AllianceBernstein

Two questions just to clarify one thing, going forward, should I think about industrial sales is getting better but the commercial sales is kind of reversed, getting worse?

William Paul Bowers
Executive Vice President

On a year-over-year basis, remember the fourth quarter of 2008 was when we saw the precipitous drop in industrial sales. So from a comparable standpoint, there should be a better percentage improvement for the Industrial segment. But we also said this year that Commercial is the segment that we're going to be watching and this quarter showed the signs of it's beginning to weaken in terms of our sales results.

Annie Tsao
AllianceBernstein

Second question has to do with your IGCC project with China. If that proves to be successful, what's your strategy for that?

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David M. Ratcliffe
Former Chairman & CEO

I'm not sure I understand your question. Obviously, what we're trying to do is to encourage commercialization of the technology that we developed at our Power Systems Development Facility with Kellogg, Brown and Root. This would be the first commercial demonstration of that technology. We have discussions underway with other parties so we'll continue to look for opportunities to encourage commercialization of that technology.

Operator

And our next question comes from Steve Gambuzza with Longbow Capital.

Steven Gambuzza
Longbow Capital

The RTP impact in the quarter, did you call out as $0.09, is that correct?

David M. Ratcliffe
Former Chairman & CEO

We said $0.10.

Steven Gambuzza
Longbow Capital

In the $0.28 to $0.30 that you've guided to for Q4, is there an impact versus Q4 of last year?

David M. Ratcliffe
Former Chairman & CEO

Yes, sort of approximately about $0.03 we're anticipating from RTP.

Steven Gambuzza
Longbow Capital

If I do the math then, it seems like it's probably for the full year adding a $0.03, this is the first nine months. It's more than $0.20 then, right? It's like $0.21?

David M. Ratcliffe
Former Chairman & CEO

That's right. If you recall, Steve, we made a comment that, in the second quarter call, that we were projecting out a $0.20 number as compared to 2008. When you consider what we've seen in terms of the slowdown in the economy, and we also had a $0.02 refund associated with RTP in the second quarter has had that impact.

Steven Gambuzza
Longbow Capital

Where was the balance sheet on a debt-to-cap basis at the end of the quarter?

David M. Ratcliffe
Former Chairman & CEO

Debt to cap, we're about 59%.

Steven Gambuzza
Longbow Capital

How much deferred fuel is on the balance sheet right now and what's the plan for getting that back?

David M. Ratcliffe
Former Chairman & CEO

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We are right at $635 million of under recovery fuel balance. We have roughly $325 million of that in our rates. One other interesting point, we've made a 40% improvement on our under recovered fuel balance, which is about $500 million benefit thus far this year.

Steven Gambuzza
Longbow Capital

So when you say like roughly half of it is covered in rates, meaning that without any changes to your rates, if fuel were to be relatively stable, half of the time would bring half of that balance back?

David M. Ratcliffe
Former Chairman & CEO

That's exactly right.

Steven Gambuzza
Longbow Capital

Is there a plan for filing to recover the other half?

David M. Ratcliffe
Former Chairman & CEO

That is, as you recall in our regulatory discussions on Georgia Power, we'll be filing a fuel case in December with them.

Operator

Your next question comes from Phyllis Gray with Dwight Asset Management.

Phyllis Gray
Dwight Asset Management.

I wanted to ask what the amount of the regulatory amortization from the Georgia Power order was for the quarter?

David M. Ratcliffe
Former Chairman & CEO

$0.04.

Phyllis Gray
Dwight Asset Management.

And in dollars?

David M. Ratcliffe
Former Chairman & CEO

About $54 million.

Phyllis Gray
Dwight Asset Management.

And could you share some balance sheet items for debt balance and equity balance for the end of the quarter?

David M. Ratcliffe
Former Chairman & CEO

End of the quarter, our debt balance is roughly $18 billion and our equity balance, roughly $14.4 billion.

Operator

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Your next question comes from Ashar Khan with Incremental Capital.

Ashar Khan
SAC Capital

What would be the ROE for this year at Georgia Power versus what was agreed in the stipulation, apples to apples?

David M. Ratcliffe
Former Chairman & CEO

Ashar, you had to remember, the total company return also include a wholesale component and the total company return is uplifted by about 120 to 140 basis points from the wholesale piece of the business. And as you know, part of the stipulated agreement that we had with the Georgia Public Service Commission was that the retail return would not exceed 9.75 for the year.

Ashar Khan
SAC Capital

So where do we come in this year based on your results, the $2.30 to $2.32, where would we come in this year? Do you have an approximation?

David M. Ratcliffe
Former Chairman & CEO

Around 11%.

Ashar Khan
SAC Capital

That's on a total basis, that's with the wholesale and everything included?

David M. Ratcliffe
Former Chairman & CEO

That's right.

Operator

[Operator Instructions] Your next question comes from Paul Patterson with Glenrock Associates.

Paul Patterson
Glenrock Associates

Just back on the demand response, now you guys are expecting a $0.25 decrease from the year before. How should we think about this going into 2010?

David M. Ratcliffe
Former Chairman & CEO

Paul, when you look at RTP, it's really a function of what the load will be out of that segment and also the impact of roughly fuel costs that will be driven into the marginal fuel numbers, but you have to really have a forecast of one, the industrial loads and then two, what the marginal price will be.

Paul Patterson
Glenrock Associates

And I was hoping you guys would have something like that or some idea?

David M. Ratcliffe
Former Chairman & CEO

We'll give you that in January.

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Paul Patterson
Glenrock Associates

Do you think it looks better though, directionally?

David M. Ratcliffe
Former Chairman & CEO

I think what we tried to say earlier was there's more upside in the Industrial sector than there is downside. That's sort of what we feel.

Operator

Your next question comes from Dan Jenkins with the State of Wisconsin.

Dan Jenkins
State of Wisconsin Investment Board

First, I was wondering if you could give me the year-to-date, as of 9/30 CapEx and cash from operations.

David M. Ratcliffe
Former Chairman & CEO

Cash from operations, roughly $2.36 billion, that shouldn't be roughly, that is the number. Also from a CapEx standpoint, we're projecting roughly $3.2 billion year-to-date.

Dan Jenkins
State of Wisconsin Investment Board

I was wondering the rate in agencies, you're on negative at Moody's and Fitch. You've always put a lot of emphasis on your mid-A rating are important to you. Has that changed kind of your approach as far as equity issuance or how you're going to respond to that?

David M. Ratcliffe
Former Chairman & CEO

No, Dan. As we stated before from a financial integrity standpoint, A credit is very vertical to us. We may comment that we'll do what we need to do to ensure that we've shore up the A credit. And as you know, the stress that we're seeing within the market with an aggressive capital program and a downturn in the economy has put those metrics on a negative outlook. But as we look to the future, we'll do what we need to do to maintain that A credit.

Dan Jenkins
State of Wisconsin Investment Board

Just a question on Page 7 and Page 6, if you look at the operating revenues for the various subs for the quarter versus year-to-date, the operating revenues tend to be weaker than the year-to-date. Whereas if you look at on Page 6, the KWH sales, they tended to be a little stronger in the quarter than year-to-date. What kind of reconciles that difference you said, fuel cost or the revenues weaker than the volume?

David M. Ratcliffe
Former Chairman & CEO

Dan, you've said it. It's the fuel cost that's driving those numbers.

Dan Jenkins
State of Wisconsin Investment Board

And then on Page 7 again on the Southern Power, you had nearly a 50% drop in the quarter-end revenues yet earnings held up. Is that due to capacity charges or what's been driving the margin up there?

David M. Ratcliffe
Former Chairman & CEO

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Again, that's the fuel number as well.

Dan Jenkins
State of Wisconsin Investment Board

I wonder if do you have any financing that still needs to be done in '09?

David M. Ratcliffe
Former Chairman & CEO

Yes, there will still be some to go. Year-to-date, we have some debt issuance of $2.2 billion thus far. We project another $500 million for the end of the year.

Operator

Your next question is a follow up from Greg Gordon with Morgan Stanley.

Gregory Harmon Gordon
Morgan Stanley, Research Division

I saw that you were on the TV earlier, on the Fox News, you made a comment that you thought that the economy would be relatively flat next year versus this year. When you made that statement as you thought would be flat, were you commenting on the economic outlook or were you commenting on your earnings?

David M. Ratcliffe
Former Chairman & CEO

I'm commenting on the economic outlook.

Operator

And there are no further questions at this time.

David M. Ratcliffe
Former Chairman & CEO

Michael, thanks, and thanks to all of you for joining us. We look forward to seeing you at the first part of the year and wrap up the year. Thanks.

Operator
Thank you. Ladies and gentlemen, this will conclude today's conference call. You may now disconnect.

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