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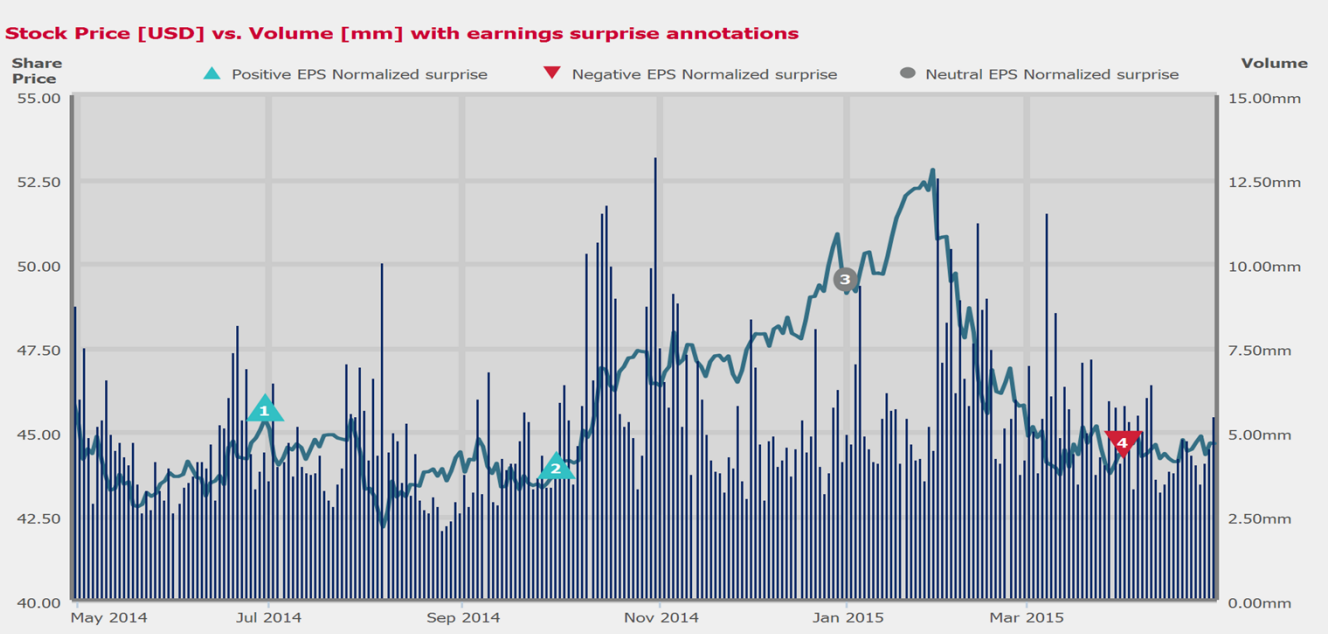
FQ1 2015 Earnings Call Transcripts

Wednesday, April 29, 2015 5:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2015-			-FQ2 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.58	0.56	▼(3.45 %)	0.70	2.84	2.93
Revenue (mm)	4519.28	4183.00	▼(7.44 %)	4594.95	18821.77	19447.32

Currency: USD
Consensus as of Apr-29-2015 12:21 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2014	0.66	0.68	1 3.03 %
FQ3 2014	1.07	1.09	2 1.87 %
FQ4 2014	0.38	0.38	3 0.00 %
FQ1 2015	0.58	0.56	4 (3.45 %)

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Presentation

Operator

Good afternoon. My name is Jose, and I will be your conference operator today. At this time, I would like to welcome everyone to the Southern Company First Quarter 2015 Earnings Call. [Operator Instructions] I would now like to turn the conference over to Mr. Dan Tucker, Vice President of Investors Relations and Financial Planning. Please go ahead, sir.

Daniel S. Tucker
Former Senior VP & Treasurer

Thank you, Jose. Welcome, everyone, to Southern Company's First Quarter 2015 Earnings Call. Joining me this afternoon are Tom Fanning, Chairman, President and Chief Executive Officer of Southern Company; and Art Beattie, Chief Financial Officer.

Let me remind you that we will make forward-looking statements today in addition to providing historical information. Various important factors could cause actual results to differ materially from those indicated in the forward-looking statements, including those discussed on our Form 10-K and subsequent 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 as well as the slides for this conference call. The slides we will discuss during today's call can be viewed on our Investor Relations website at investor.southerncompany.com.

At this time, I'll turn the call over to Tom Fanning.

Thomas A. Fanning
Chairman, President & CEO

Good afternoon, and thank you for joining us. Many of you have heard me speak before about the full portfolio and its significance to Southern Company and to our industry as a whole. Simply put, we are inventing the future of clean, safe, reliable and affordable energy for the benefit of the customers and communities we serve. Our full portfolio strategy, which includes new nuclear and innovative new technologies for 21st Century Coal as well as natural gas, renewables and energy efficiency is a fundamental component of that mission.

I'd like to take a few moments to highlight how this, all the above approach, continues to be beneficial to customers and to discuss several projects helping to shape the full portfolio for the future.

To begin with, our diverse generation fleet enabled us to quickly adapt to constantly changing market conditions with the ability to utilize the most cost-efficient generation resources at any particular point in time. When natural gas prices are low, for example, we are able to take advantage by burning more natural gas and less coal. Such was the case in the first quarter of this year. Gas energy climbed to 48% of our energy production. Our use of coal for the quarter was the lowest in several decades, falling to 32% of our energy mix. And as a hallmark of our integrated business model, we passed those savings along to our customers.

Natural gas, of course, will continue to be a dominant solution. Recently, our gas consumption was about 1.5 Bcf per day. This year, it could approach 1.9 Bcf per day, and by 2020, the amount could be as much as 2.3 Bcf per day. But natural gas is not a panacea, as we cannot assume that current prices will endure indefinitely. We must, therefore, continue to pursue the development of a truly diverse generation portfolio, one that provides the necessary optionality and flexibility to adjust to changing market conditions.

In addition to natural gas, 21st Century Coal and new nuclear, we are rapidly building out our energy portfolio with renewables, including solar and wind. With that in mind, I would like to take a more detailed look at how we've expanded our renewable resources in recent months.

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Four Southern Company subsidiaries recently marked major milestones in the strategic expansion of one of the nation's largest renewable energy portfolios through the announced development or acquisition of large-scale solar projects. Gulf Power and Mississippi Power recently announced power purchase agreements with solar facilities totaling 173 megawatts that are currently being developed on military bases in their respective states.

Georgia Power broke ground at Fort Benning, the first of 4 30-megawatt retail rate base solar projects in development with the U.S. Department of Defense, and there's more likely to come.

In February, our Southern Power subsidiary announced the acquisition of 2 solar projects totaling 99 megawatts in Georgia, the 80-megawatt Decatur Parkway Solar Project, and the 19-megawatt Decatur County Solar Project. And most recently, Southern Power announced the acquisition of a controlling interest in the 32-megawatt Lost Hills-Blackwell Solar Facility in California from First Solar.

Also, in March, Southern Power announced with -- an agreement to acquire the 299-megawatt Kay Wind facility currently under construction in Oklahoma. This acquisition is expected to close in late 2015 upon successful completion of the project. Kay Wind will be the largest renewable electric generation plant in the Southern Company's system and the first wind facility we will own. Upon completion of these projects, the Southern Company system expects to own or purchase the output of more than 3,100 megawatts of renewable resources systemwide, including 44 solar facilities in 7 states.

Let's now discuss our 2 large construction projects, which are equally important to our full portfolio of generation resources: our new nuclear project, Plant Vogtle Units 3 and 4; and our 21st Century Coal facility in Kemper County, Mississippi, featuring coal gasification technology developed by our researchers in partnership with KBR and the Department of Energy. Both of these projects stemmed from state-specific resource planning processes that value generation diversity, including the hedge that these new resources represent against potential carbon dioxide regulations in the future.

First, an update on Plant Vogtle Units 3 and 4. The primary focus of the project continues to be on quality and safety. Georgia Power has maintained an exceptional safety record for a construction project of this size, which currently has over 5,000 people on site. During the first quarter, our outstanding safety culture manifested itself as we performed over 1 million safe work hours without a recordable injury. The quality oversight from our nuclear team continues to be invaluable. This is a complex project with numerous challenges. We are proud of how well our processes and controls are holding up to the inspection of both the NRC inspectors and Georgia Power's regulator.

More importantly, our own rigorous oversight is being manifested in the quality of the facility. The new Vogtle units are being built to serve Georgia customers for 60-plus years, and the oversight employees today should help ensure that these units will function at a high level for decades to come.

Construction activities are tracking closely with the revised schedule provided by the contractors in January. The greatest risk to the schedule for both units continues to be in the timely delivery of structural sub-modules. I'm pleased to report that the quality at the Lake Charles facility has improved, and we no longer expect sub-modules from that facility to require remediation on-site before being released for assembling. We anticipate continued delivery of panels throughout the year from Lake Charles, and we've been informed that the scope of work may be expanding there.

Critical path remains closely aligned with delivery and installation of panels for the shield building. These panels are fabricated by Newport News Industrial, and quality has been good. Acceleration of work at NNI, along with improving the panel installation process, represents one of our best opportunities to improve on the schedule provided by the contractors.

Critical path runs somewhat parallel with activities inside the containment vessel. The CA-01 module is one of the major next steps inside this area of the nuclear island. The final concrete pours necessary to install CA-01 were completed late last week. CA-01 is now projected to be lifted into place early in the third quarter of this year.

A number of you have visited the site in person, and the progress is obvious. While the entire project is proceeding well, the Unit 3 annex building is an area of noteworthy progress. The annex building is

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necessary for the initial energization of the control systems for Unit 3, an important early step in the start-up process. The concrete foundations and structural steel for this facility are well underway. And in late February, the first of 34 wall sub-modules for the Unit 4 CA-20 module was upended, marking the start of the assembly process.

On the regulatory front, $198 million in expenditures submitted in the 11th Vogtle Construction Monitoring report were unanimously approved on February 19, with a cumulative amount approved to date of $2.8 billion. Additionally, the procedural and scheduling order for the 12th Vogtle Construction Monitoring report was approved on April 7. Consistent with the long-standing Georgia law, the order reaffirmed that neither the project's certified cost nor the VCM 8 stipulation in 2013 constitute a cost recovery cap. Georgia Power will be allowed recovery of all reasonable and prudent start-up costs up to and above the certified amount. And we believe the semiannual VCM process, including the testimony of the independent monitor, continues to build a record that has thoroughly documented Georgia Power's prudent management of the project. The order also establishes a schedule for filings and hearings on our request of the commission to verify and approve $169 million in expenditures for the second half of 2014. Georgia Power expects to file direct testimony on Friday, hearings are scheduled to begin on June 2, and we anticipate a decision in mid-August. A full schedule is included in our slide deck.

Now let's turn to an update on the Kemper County IGCC project. The Kemper Project also bodes a terrific safety record. With now over 2,500 workers on site, no safety incident occurred during the first quarter. In early March, we completed the first firing with natural gas of the facility's gasifier burners, a significant milestone.

We continue to make tremendous progress on our other start-up activities as we look ahead to the first synthesis gas production planned now for the third quarter. In the meantime, the combined cycle at Kemper continues to perform exceptionally well, with the first quarter equivalent forced outage rate of less than 1% and a capacity factor in line with the rest of our combined cycle fleet.

Turning to the legal and regulatory fronts. The Mississippi Supreme Court's order, which deemed that the 2013 Kemper settlement unenforceable and reversed the subsequent rate order, has been met with vocal opposition from statewide industry groups, business organizations, the state Economic Council and members of the public utility staff and commission as well as other public entities through amicus briefs filed with the Mississippi Supreme Court.

Most of the briefs emphasize that the rate plan agreed to in 2013 was of great benefit to the customers of Mississippi Power and that a traditional rate case could mean rate impacts approaching 40% for some customers. This compares to the 25% rate increase contemplated in the original settlement, 18% of which is already in place. While we await the court's decision on rehearing, we will continue to work towards a reasonable, comprehensive settlement with the public utility staff. However, as a possible alternative to a settlement, we are also preparing to file a rate case by mid-May. With the completion of the project in sight, we want to ensure that the rate recovery is adequately addressed in a timely manner.

I'll now turn the call over to Art for a financial and economic overview.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Thanks, Tom. As you can see from the materials we released this morning, we had solid results for the first quarter of 2015, reporting earnings of $508 million or $0.56 per share compared with earnings of $351 million or $0.39 per share in the first quarter of last year.

The first quarter results for 2015 include a $6 million after-tax charge related to an increased construction estimate for Mississippi Power's Kemper integrated gasification combined cycle project. The first quarter results for 2014 included a $235 million after-tax charge for the Kemper County -- for the Kemper IGCC project or $0.27 per share. Excluding these items, Southern Company earned $514 million or $0.56 per share during the first quarter of 2015 compared to $586 million or $0.66 per share in the first quarter of 2014. Earnings for the first quarter of 2015 were in line with our expectations, and were positively

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influenced by retail revenue effects at Southern Company's traditional operating companies, offset by milder winter weather than in 2014 and increased operating and maintenance expenses.

Moving now to an economic and sales review for the first quarter. Economic growth in the first quarter of 2015 was modest, but our retail sales across all customer classes are encouraging. Total weather-adjusted retail sales grew 1% in the first quarter, led by industrial sales, which were up 2%.

We have now enjoyed 8 consecutive quarters of positive year-over-year industrial sales growth in our region. Industrial sales growth remains broad-based across 8 of our largest 10 industrial segments. The strongest industrial segments include petroleum, up 10%; stone, clay and glass, up 6% due to improvements in the housing market; transportation improved 5% as automotive manufacturers expanded output.

Weather-adjusted residential sales were slightly positive for the first quarter of 2015, primarily due to strong customer growth of nearly 16,000, a 55% increase over the approximate 10,000 new customers gained in the first quarter of 2014. Weather-adjusted commercial sales were up 0.7% for the quarter. Office vacancy rates continue to show signs of improvement, and more office retail projects are being announced. Currently, more than 1.9 million square feet of office space is under construction in Metro Atlanta. In addition, a number of new Atlanta projects are expected to begin construction soon, including the Mercedes-Benz headquarters.

According to the U.S. Bureau of Labor Statistics, nonfarm employment increased in all the states of our retail service territory between February of 2014 and February of 2015. Nationally, Georgia ranked #5 among all states for job growth, and Atlanta was ranked among the top 5 Metro areas. Meanwhile, our economic development pipeline remains robust with more than 300 potential projects, representing 37,000 potential new jobs and over $34 billion in potential capital investment. The climate for business and investment remains strong in our serviced region. Alabama and Georgia were recently ranked #1 and #4, respectively, amongst states in which to do business by Site Selection magazine.

Turning briefly back to Southern Power. As Tom mentioned in his opening remarks, Southern Power continues to find new projects that meet its investment criteria. In our fourth quarter call in early February, we outlined 2 categories for Southern Power's CapEx projections: base CapEx and placeholder CapEx for growth. Base CapEx includes projects we have identified as likely, even though we may not have reached final terms or received all regulatory approvals.

In February, our base CapEx included, among others, the Kay Wind and Decatur projects Tom mentioned earlier. Since then, Southern Power has identified a number of additional projects for 2015 and 2016. As a result, we are shifting dollars out of the placeholder category and into base CapEx for Southern Power. The result is that we have accounted for all of our original 2015 placeholders and have moved $100 million from the placeholder to base in 2016. With our 2015 success, thus far, and the long runway between now and the end of 2016, we are confident about our ability to find solid projects to account for our remaining 2016 placeholders.

Before turning the call back to Tom, let me cover 2 final items. First, our earnings estimate for the second quarter, which is $0.69 per share. Secondly, I'd like to highlight our dividend announcement last week. Our Board of Directors approved a $0.07 increase in our common dividend to an annualized rate of $2.17 per share. This is our 14th consecutive annual increase and marks 270 consecutive quarters, dating back to 1948, that Southern Company will have paid a dividend equal to or greater than the previous quarter to its shareholders. Over the past 2 decades, our dividend has accounted for nearly 70% of our total shareholder return. It is the cornerstone of our value proposition, and the board's decision last week reinforces its confidence in the strength of our long-term financial plan.

I will now turn the call back over to Tom for his closing remarks.

Thomas A. Fanning
Chairman, President & CEO

Thanks, Art. After a successful year in 2014, Southern Company has entered the new year with strong momentum. We see a franchise business that is operating better than ever, solidifying its position as an

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industry leader in all phases of the business. We see important progress on major capital projects, and we continue to excel with our customer-focused business model. We also see a strengthening economy and a region poised to grow in the months and years ahead. In short, we believe Southern Company is well positioned to succeed in 2015 and in the years ahead behind the strength of our 26,000 employees and their commitment to provide clean, safe, reliable and affordable energy to the customers and communities we serve.

Southern Company is keenly focused on remaining an industry leader for the long term, and forward-thinking decisions with regard to our generating portfolio are a key aspect of that effort. But the evolution of our business does not stop there. We recently announced the launch of a new Energy Innovation Center to be located in Atlanta's Technology Square. While we remain steadfast in our commitment to excel at the fundamentals of making, moving and selling and consuming electricity, we also understand that the way in which customers use energy may change over time. The Energy Innovation Center is just one way in which we are working to anticipate the future and lead the way with the development of new energy innovations. Going forward, we will continue to build on our long history of inventing the future by relying on the thinking of our entire workforce and with potential partners such as NEF and other major established and new entrants to the energy industry. Initial possibilities involve expanding the notion of energy infrastructure to assets beyond the meter, unmanned aerial vehicles, hydrogen production from underutilized generating facilities and desalinization plants.

As Art indicated earlier, the strength of our underlying franchise as well as our continued focus on remaining an industry leader through innovation underpin the board's decision last week to increase our dividend, which supports our objective of providing superior, risk-adjusted, total shareholder returns to investors over the long term.
We are now ready to take your questions. Operator, we'll now take the first question.

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Question and Answer

Operator

[Operator Instructions] And our first question is coming from the line of Greg Gordon from Evercore ISI.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

So what is the legal path in Mississippi today that either gets you back to a settled rate deal or puts you in a formal rate case filing? Like what are the different paths to get us back into a settled low rate hike or put us into a rate filing in May?

Thomas A. Fanning
Chairman, President & CEO

Yes. That's right. Just as we described, there's 2 paths. One is we've been having, as we -- as you all know, prolonged series of discussions with the staff. We continue to think they are constructive. I think the result of a settlement could, in essence, preserve and form the rate structure that we put in place in 2013. Failing to reach a settlement, we will file a rate increase in a conventional rate case. It is conceivable you could file the rate case and file the settlement at the same time, but those are the 2 paths.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Okay. But the Supreme Court's decision has essentially closed off the creative approach you used to prefunding the capital prospects? Or is that not the case?

Thomas A. Fanning
Chairman, President & CEO

No. We -- that's not the case. The settlement would essentially preserve the structure which would mimic what was approved in 2013.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

That will be great. Second question is on your continued expansion of the renewables platform. When we look at -- so essentially, the announcement of this new -- of this wind project acquisition is -- fills in some of the sort of the notional space in your Southern Power CapEx budget?

Thomas A. Fanning
Chairman, President & CEO

That's right.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

It's not incremental to the budget that you've already articulated to us?

Thomas A. Fanning
Chairman, President & CEO

It's part of the -- yes, it was in the base already. And what we've done is -- and I think the change here, it's on the graph we showed, is that we essentially have spoken for all the placeholders in '15. So we're very confident of hitting our numbers for Southern Power in '15.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

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Great. And how much of your total CapEx in '16 at Southern Power is currently sort of money projects that are booked definitely going forward, versus placeholders? Oh, that's here on -- sorry.

Thomas A. Fanning
Chairman, President & CEO

About $400 million.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Page 12. Sorry, I didn't see that.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes. There you go. It's about $400 million. That's [indiscernible]

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Can you articulate -- sorry, go ahead.

Thomas A. Fanning
Chairman, President & CEO

No, we feel really good about hitting our placeholders in '16 also, but we're not at the stage we're ready to declare those as part of base. We've improved it by $100 million.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Got you. And then is there a way you can articulate what you think the earnings contribution is going to be from the Kay Wind facility when it comes in?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Well, the Kay Wind facility, the benefits are not investment tax credits. They're production tax credits. So I don't recall the '16 benefit, but it should not benefit '15 at all. It will be a '16 addition.

Thomas A. Fanning
Chairman, President & CEO

It'll be a little over $0.01 a year. Something like that for whatever tenure.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

That's great. And when is the next milestone, if we have a firm milestone -- this is my last question. Your conversations with your EP&C contractor at Vogtle, with regard to the delay they announced in the new service date?

Thomas A. Fanning
Chairman, President & CEO

Yes. So we continue to have constructive discussions there. And one of the things, I think, we tried to highlight in the initial remarks is that we can see our way through to some ways to improve the schedule that the contractors have delivered to us. We've been pretty clear about that in our disclosures. So we continue to work with them, and we're trying to find ways to reach an amicable kind of resolution to that.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

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And is there a sort of definitive milestone to look for there in terms of a drop dead date? Or...

Thomas A. Fanning
Chairman, President & CEO

Not really. The ultimate conclusion would be litigation in the city of Augusta, Georgia.

Operator

And our next questions come from the line of James von Riesemann from Mizuho.

James Darrell von Riesemann
Mizuho Securities USA LLC, Research Division

I have 2 questions for you. So the first question is, can you guys provide a little bit more color on the -- this continuing disconnect between the 3% GDP growth on the service territory and yet 0.2% residential growth?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, Jim. Our expectation was, for the year, about 3% GDP growth. That was underlying our forecast of low growth this year of the 1.3%. We've had a very strong economy here in the Southeast. I think our numbers and results reflect that, it's -- as we outlined in the script, it's driven by the industrial sales growth. But we're beginning to see movement on the residential and the commercial end as well. This is the first quarter in about 4 years where we've had positive growth in all 3 customer classes. So we think it's broad-based, and if we look at employment growth, both in the manufacturing sector and then other sectors, it's beating the national numbers. So the economy in the Southeast has been a bit stronger, in our view, than what we're seeing on the 0.2%.

Thomas A. Fanning
Chairman, President & CEO

Yes. In fact, at the risk of falling into Fed-speak [ph], too, there's fascinating developments. And some of the things we're seeing are better than, but in some ways, mimic what we're seeing nationally. Better than clearly is in the industrial growth sector. Even surprising to us, how strong it is. And even probably better than what we're showing, we think that chemical, for example, was slightly negative, but those were outages. So we expect to see chemicals rebound, and recall a continuing theme has been segments which are dependent upon natural gas. Well, those are going to be really strong, we think, for the rest of the year. The only kind of cloud on the horizon there, primary metals, and we think that's kind of strong dollar, strong imports, low oil prices, and therefore metal associated with pipelines are probably slowing down a bit. But one of the things that I think is really interesting that Art alluded to on the residential sector, we're starting to see a pickup in household wealth formation. Pretty modest, but still a pickup. Interestingly, the Fed guys are concerned by that, in that it looks like they're not consuming this pickup in either the top line revenue or a reduction in cost like lower gasoline prices. They're saving it. We are within kind of an historical range of savings rate, so it's not particularly troubling to me. And frankly, if households are reducing debt or investing or even just putting money in a checking account for now, at least they are less exposed, they're more resilient to future economic dislocations. So it's not all bad. If value's a function of risk and return, and GDP growth has returned, increased savings rate is an improvement in risk. So it's not all bad. And when you consider that the United States GDP was 0.2% growth in the first quarter, you look at our numbers, clearly better. We feel pretty good about our prospects going forward.

James Darrell von Riesemann
Mizuho Securities USA LLC, Research Division

So the answer to your -- the question on the growth and the improvement leads me into my next question. So if I look at your trailing 12 months on a weather-normalized basis, you're at $2.76. But if I remember correctly, at the end of the -- in conjunction with the fourth quarter call, you had $2.76 to $2.88 was your expectations for the year. How did you get to the upper end of that band, or even the middle end of that band, given that your trailing 12's at the very bottom?

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Thomas A. Fanning
Chairman, President & CEO

Improvement at Southern Power is an easy way.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Weather -- good weather, better-than-expected economic outcomes.

James Darrell von Riesemann
Mizuho Securities USA LLC, Research Division

Okay, okay. And I'm just not -- there's nothing else that I'm missing, am I?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

I don't think so.

Thomas A. Fanning
Chairman, President & CEO

No. And if you remember, too, one of the things -- I think we said this before, Art, was the lower end of our range was down by Southern Power not filling in its complement of CapEx. We've kind of lived with the base scenario. Well, we think we're there for 2015 and potentially could even improve.

Operator

And our next questions come from the line of Brian Chin from Merrill Lynch.

Brian James Chin
BofA Merrill Lynch, Research Division

Just a quick one. The long-term EPS CAGR slide isn't in the deck. Are we just to assume that it's still 3% to 4% longer term?

Thomas A. Fanning
Chairman, President & CEO

Yes. We only adjust that kind of once a year, right? We come out every January. We give guidance for the year and our long-term growth estimate. And then we only update that in our October call once we've got through the big earnings month in the summer.

Operator

And our next questions come from the line of Mark Barnett from MorningStar Equity Research.

Mark Barnett
Morningstar Inc., Research Division

A couple of questions here. One's sort of bigger picture. You gave a little bit of detail around what you've seen in the commercial sector. And obviously, it's -- from a usage perspective, it lags a little bit, but we have a nice pickup here in the quarter. I'm wondering, is this about the level of improvement that you've baked into your expectations and your guidance here?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Actually, we're looking for a little more improvement. The expectations for the year, in terms of segments, like 1.4% on commercial, about 1% on residential and 1.7% on industrial. So we're a bit ahead of our industrial numbers, we've still got a little ways to go on commercial.

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Thomas A. Fanning
Chairman, President & CEO

Yes. 1.3% for the year, total.

Mark Barnett
Morningstar Inc., Research Division

Right. Sorry, that number had slipped, the 1.4% of commercial, that's the level that's in your guidance. Okay. And then year-over-year, obviously, base business growth driving a lot of that OpEx, I'm sure. Is this level kind of the year-over-year increase sort of the guide for the remainder of the year? Or do you have a lot of flexibility there?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

I'm sorry...

Thomas A. Fanning
Chairman, President & CEO

Our flexibility on CapEx is going to go to [indiscernible] .

Mark Barnett
Morningstar Inc., Research Division

Oh, I'm sorry. OpEx.

Thomas A. Fanning
Chairman, President & CEO

Yes. If it's -- yes. O&M.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Operating expenses? Yes, yes, yes. It was -- the first quarter was a bit of an anomaly. You may remember, Mark, that first quarter of last year, we deferred a lot of expenses at Alabama Power. They were nonnuclear outage costs under an accounting order that they were operating under last year. And then, also, if you look at year-over-year, there were more megawatts out this year across the system than there were last year. So there are more outage costs this year. And then you just got normal growth for the rest. That's a big piece of it as well. So if we look at what we expect for the year, I still think my guidance from our last call of about a 3% to 3.5% growth in nonfuel O&M for the year still applies, and the first quarter is just kind of an outlier that will correct itself through the year.

Thomas A. Fanning
Chairman, President & CEO

And when we came up with the $0.55 estimate for the first quarter, it almost exactly expected this level of O&M.

Mark Barnett
Morningstar Inc., Research Division

Got it. Okay. Thanks for the reminder. It has been a long day, as somebody has mentioned earlier. Last question, and can you just remind me if Governor Dean has signed the new solar bill, the HB37 [ph]? And generally, what you expect to see as a result in terms of maybe your own programs or offerings in the state.

Thomas A. Fanning
Chairman, President & CEO

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He has not signed it, to our knowledge. But I can tell you, all this is very consistent with our plan. I have always tried to position the company, given whatever business circumstances exist for us to find ways to play offense. And to the extent distributed generation becomes important to the customers of this state, it is the clear mission of our businesses to provide that service and those assets to our customers. So we fully support any development with respect to distributed generation, whether that's rooftop solar or some ideas, let's say, with storage or community solar or financing or anything else. Now whether we do that ourselves or do it through third parties, our job is to find ways to succeed in this changing business environment. And I think we're demonstrating that in a superb way.

Operator

And our next questions come from the line of Anthony Crowdell from Jefferies.

Anthony Christopher Crowdell
Jefferies LLC, Research Division

I just wanted to follow up on Mr. Gordon goes to Washington's questions on Mississippi. Just it seems that there's a disconnect there, when you look at the 2 road maps you have of a conventional rate case for the 30% to 40% rate increase or, I'm not sure if you used this term, but maybe a glide path or some type of nice trajectory of rate increases. It would seem like a no-brainer if you were a regulator or you're one of the intervenor parties. Could you maybe highlight what that disconnect is and maybe handicap what you think the chances are of a potential settlement in Mississippi?

Thomas A. Fanning
Chairman, President & CEO

Anthony, the only thing I can tell you, I don't want to characterize the decision that's kind of in front of these folks. But if you look at the broad-based support that the company has enjoyed to ask the Supreme Court to reconsider their decisions and the amicus briefs, including the staff. To me, it is an obvious decision that benefits the citizens of Mississippi to pursue the settlement or at least restore what the Supreme Court invalidated in its recent order. Either one of those is, I think, in a broad sense, the obvious way to go in the state.

Operator

And our next questions come from the line of Michael Weinstein from UBS.

Michael Weinstein
UBS Investment Bank, Research Division

First question is about pipeline, the midstream opportunities. Wondering if you're still considering going forward with that and how serious is that consideration?

Thomas A. Fanning
Chairman, President & CEO

Yes. Here's some fascinating supporting data. We're actually looking at several opportunities and active discussions. We'll see how that goes. When you think about it, before I came into this role, we were consuming coal. 70% of our energy came from coal, and then 16% from natural gas. When you look at recent history, 1.5 Bcf per day. Now this year, maybe as high as 1.9 and depending on what happens with 111(d) and a variety of other things, that per-day gas consumption can average somewhere around 2.3 Bcf per day. So when you think about the attractiveness of Southern Company being one of the nation's largest consumers of natural gas, our value as a kind of a key tenet to any of the infrastructure that needs to be built out to meet that kind of demand really gives us some opportunities to pursue a variety of investments. And we're all over that stuff. So we'll see what happens.

Michael Weinstein
UBS Investment Bank, Research Division

How about gas reserves and rate base? I mean, you're...

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Thomas A. Fanning
Chairman, President & CEO

This goes way back even when I was, gee whiz, I think I was CFO and COO. So we're talking now 10 years ago. We've been kind of kicking that around. And back then, we weren't consuming that much natural gas, and it wasn't as important. But certainly it's an idea that merit. And as natural gas becomes more important to us, especially given its volatility relative to other fuel stocks, we'll certainly keep that on the front burner of ideas. In any case, we would not want to take price risk on molecules in the ground. This would all be a fuel clause related issue.

Michael Weinstein
UBS Investment Bank, Research Division

Right. One other question about nuclear. We've heard recently from Commissioner Echols that he is -- that he sees the need for another 2 units beyond the current, and that it depends on how well the project goes, and whether 111(d) goes [indiscernible]. So I'm just wondering if you have actually been in conversations about that. How's -- is that something that's actually being planned out at this point? Or is it just being -- is it just talk for now? And also, is this something that you can hold over the [indiscernible] heads, sort of, so to speak, kind of guarantee some kind of good performance going forward also on the litigation?

Thomas A. Fanning
Chairman, President & CEO

So many of you on the call may remember, in 2014, I want to say it was the summer in a Q&A session at the Bipartisan Policy Center, I think, after a talk I made, that I did allude to the fact that we would be, I forget, delighted to consider new nuclear. The steps that would be taken first would be to essentially begin the permitting process to undertake a new plant, not necessarily to commit to build a new plant. So in essence, it's fairly modest dollars in order to secure the option. And we moved along, and then we were hit in December with the change in schedule put forth by our contractor group. We were very clear that we don't believe that their contractors are doing everything they can do in order to fully mitigate their schedule per the requirements of the contract. And so what I said at that time was that I thought it was sensible for us to set aside a lot of talk about new projects until we came to more resolution as to the commercial dispute. It is clear to me that if the contractors want to succeed in the United States with AP1000, then they need to perform well on Vogtle 3 and 4. It is, in fact, the benchmark plant for all AP1000s going forward. So you can draw your own conclusions as to their motives.

Operator

And our next questions come from the line of Daniel Eggers from Crédit Suisse.

Daniel L. Eggers
Crédit Suisse AG, Research Division

Tom, just on the nuclear conversation. Can you maybe just share some of the things that you guys saw to expedite or to catch up on the delays of the EPC folks? Number one. And then, number two, if you look at kind of how they got their delays in schedule, are there things you're going to be able to do to mitigate that from happening kind of going forward, so we don't run into this 12 or 18 months from now, them saying, "Well, we have the same sort of delay problems."

Thomas A. Fanning
Chairman, President & CEO

Yes, yes, yes. So we tried to kind of suggest that in the prepared remarks at the outset. I think there's a clear opportunity to advance some schedule mitigation with Newport News, that's our opinion. And it's not only production out of their facilities, but also the installation of the panels. We need to make sure that all of that is done well. Also, you must know that -- especially those of you that have visited the site, we encourage everybody on the phone, if you can figure out a way to get to the site, we love showing it off. I think the people that were there were, I think, really struck with the kind of progress and quality of the

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work there. We have an enormous quality assurance program. And as licensee of the plant, we ultimately are responsible for having the right kind of plant built there. Our QA program has been focused not only on site but also at places like Lake Charles. And I think our working with the contractor has helped put them in a position where now we essentially have been able to accept production out of that facility and go ahead and put it into production process. As we move to more work inside the nuclear island, that kind of process improvement, quality assurance and ultimately production on site is going to move the needle in the right direction. So we remain relentlessly focused on ways to work with them to do that. And I would argue, in the past quarter or so, I think we've made some progress in our thinking.

Daniel L. Eggers
Crédit Suisse AG, Research Division

And I know Mike just asked the question, but just on the gas reserves and rate base issue. The legislation in Mississippi seemed to open that as a little bit more of a window than previously discussed. Is that something you guys are going to look to pursue? Or how do you read that legislative action?

Thomas A. Fanning
Chairman, President & CEO

Well, it's a law largely focused on EMC's [ph] recovery of economic development projects. It does authorize the PSC to deem that natural gas reserves are used and useful as a utility plan or whatever. So a similar concept -- so it is something we would consider, as it is natural gas kind of generation in Mississippi. I think once you're post Kemper, Plant Ratcliffe, it's 1/3, 1/3, 1/3, coal, gas and Kemper. A similar concept that we have at Kemper is, in fact, the lignite mine. It's a similar idea where essentially we own the lignite and it's in rate base and it serves to hedge kind of any future price swings. Remember, that is almost no volatility going forward. So it's certainly a valid idea, something we consider and makes sense.

Daniel L. Eggers
Crédit Suisse AG, Research Division

Okay, and I guess just on the renewable side of the business. You guys were able to put renewables and rate base in Georgia, you've been doing PPAs in the other states. Is there going to be an opportunity when you guys can start putting -- or feel more comfortable putting some of those assets into your rate base rather than contracting out where the cost of capital's higher?

Thomas A. Fanning
Chairman, President & CEO

Yes, sure. And I think to the extent those assets ever get flipped, sold, what have you, I think we're a natural buyer. One of the things that we always kind of think about is, for any of our assets, and although we tend to acquire some, you know we've built some or swapped some, who is the best owner? And we always seek to achieve that position. So there -- I think there will be opportunities for us, should those assets ever come to the market, for us to be a strong player in acquiring them. That may be at Southern Power or it could be at the OpCo.

Daniel L. Eggers
Crédit Suisse AG, Research Division

But you don't necessarily see the utilities doing more to develop renewables in territory in a rate base asset?

Thomas A. Fanning
Chairman, President & CEO

Oh, no. Absolutely, we could. And in fact, I tried to suggest that in that little funny sentence where I said, "and there's probably more to come," if you remember that sentence. We've done a lot of business in Georgia. We've done 4 x 30 with DOD facilities, and I said, "and there's more to come." So I'm very bullish on that. We've had a terrific relationship with the DOD. You know that the DOD has a renewable mandate

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goal, what have you, and I think we were probably the first ones in the United States to work with them constructively to fulfill that mandate.

Operator

And our next question's coming from the line of Ali Agha from SunTrust.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Tom. First question, Tom, just wanted to clarify the -- your scenarios on getting closure on the Mississippi issue. I recall, one of the options previously was for the Supreme Court to overturn the ruling, which I guess was 5-4. Is that still an option? Or are you really thinking, is global settlement could address all the issues there is in the original ruling and take care of it from that perspective?

Thomas A. Fanning
Chairman, President & CEO

Ali, it's both of those. The commission -- I mean, the Supreme Court could certainly reconsider their decision, that obviously -- and think about the broad support in the state, just about everybody in the state that we had huge participation in the amicus brief. But failing that, we could reach a global settlement, which would, in effect, mimic many of the characteristics of the original rate order that was entered into in 2013. We could get that as well. We think any of those are better than filing for a 40% increase in a rate case, but we'll see how it goes. Those are the paths we will follow.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

And also, to be clear, I think you mentioned thinking about filing that rate case by mid-May, just a couple of weeks from here. So in your mind, the other 2 paths, whether a global settlement or a Supreme Court reversal, realistically could happen within the next couple of weeks?

Thomas A. Fanning
Chairman, President & CEO

Sure. And then I suggested on the call earlier today that another alternative is for us to file the settlement proposal at the same time contemporaneous with the conventional rate case.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Right. Yes, that's right. And then secondly, this 4 [ph] show-cause motives that they put out there to you guys on market power issues, how big of a deal is that? And how do you see that playing out?

Thomas A. Fanning
Chairman, President & CEO

We don't think it's a big deal right now. Look, there -- I don't think there's any evidence. In my opinion, there's very little evidence, no evidence that Southern Power has any market power in the Southeast. I think this was a reaction by the FERC staff that basically pointed out that there was not much activity in our auction mechanism that we had put in place, really, up until 2014. In 2015, we introduced kind of a tweak on that auction process, which increased the activity of the auction many fold. But you've got to understand, through that period, we've been a net purchaser, not seller. So heaven's sakes, I don't know how we exercise market power as a net purchaser of energy. Number two, the Southeast has been traditionally a bilateral market, and people are very happy. There's been no contention at FERC that suggests that there's something wrong with the auction process we have in place. This, in fact, was ruled by the FERC that basically is raising a question where I'm not sure there's any problem at all. So we have a chance to respond and we'll provide our evidence and have a good constructive dialog with FERC and we'll see how it goes. In the near term, you should think about that in the next 3 to 5 years. At least in the thinking we've done so far, there's almost no potential adverse financial impact from this.

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Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

I see. Okay. And then in your financial planning, you still have assumed no equity issuance through '17. I was just curious, how much cushion do you have right now so that, that scenario -- different scenarios keep you in that no-equity-issuance mode? Or are you fairly close if you get more Southern Power activity, et cetera, that equity comes back into the equation?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, Ali. Just recall, last year we issued $800 million versus the $600 million we planned. So we're a bit ahead of where we thought we'd be. We don't really have any scenarios in which, in the foreseeable future, even with the Southern Power investments that we have outlined in our CapEx program, where we would need more equity. It would have to be in excess of the amounts that we've forecasted, and you can see we've filled up our bucket in 2015 on placeholder projects, and we still have a ways to go in 2016. So I think we're good to give you a feel for, I don't have a number to give you about where we are in the limit, but I think we're in pretty good shape.

Thomas A. Fanning
Chairman, President & CEO

And I think we've suggested in the past that kind of as we start to wind down our CapEx, and if you look at our CapEx slides, kind of, what was it, $6.8 billion to $5.5 billion or so, to $4.3 billion or something like that. We're probably over-equitized, to some degree. So there's not pressure to sell more equity.

Operator

And our next question's come from the line of Michael Lapides from Goldman Sachs.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Tom, one quick Mississippi question, and then one natural gas question for you. In Mississippi, how -- the court decision referenced pretty clearly the need for a prudency review before the commission can grant any kind of rate increases. And given that this stems from a ratepayer or a customer's acting as litigant here, do you need to have a prudency hearing of some kind as part of any settlement docket?

Thomas A. Fanning
Chairman, President & CEO

We've already filed a prudency record last year. So we think all the evidence is there necessary for the commission to act right now.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Got it. So the commission could issue a prudency determination based on what's in the record right now, and that should satisfy effectively what the Supreme Court said had not been satisfied when the Supreme Court made its ruling?

Thomas A. Fanning
Chairman, President & CEO

That is our belief.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Okay. On the natural gas side. When you look at the infrastructure of the natural gas system that -- throughout your service territory and maybe even slight neighboring areas, where do you all see is the biggest bottlenecks? Meaning, where is there a lack of midstream infrastructure that is needed to be able,

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over the next, I want to say 5 to 10 years because it's kind of hard to look much more beyond that, to help alleviate some natural gas- or other midstream-related bottlenecks in your area?

Thomas A. Fanning
Chairman, President & CEO

Yes, so that's a fascinating question, and I wish I had my map and my pointer and -- it really depends on what you believe out of 111(d) and what we do with other kind of displaced coal assets, should they arise. Recall, under half MATS or MATS, we went from kind of 20,000 megawatts down to 13,000 with 4 of the 1,000 coal units being retired -- I mean, being converted to gas, 3,000 retired completely. By EPA's own math, and I'm not going to stand by their math, because I frankly don't believe it's achievable in the time frames they do, but they would have us retire enough coal down to about 4,000 megawatts. So what do you do? Do you convert that to gas? Do you build greenfield gas? Where do you build it? If you want to think about the way the pipes work in the Southeast, there's kind of 2 big themes. The normal, conventional historical theme would have come from the west. And you got a lot of pipelines that kind of run from the Gulf of Mexico up through the northwestern part of Georgia, if you want to think about it that way, where you don't have a whole lot of distance to cover, you have some embedded costs that are attractive, and we could certainly link into systems to the West. And there's even -- it's not just Gulf of Mexico stuff, right? There's Fayetteville and some other areas out there that are shale gas-related. The other theme would come out of kind of the north. And so you would think about pipes that may come down north to south and kind of approach our territory more from the east. And so we'll see how that goes. You're talking about probably more expensive pipe. So can you get a basis there, for instance, the gas between the north and, say, a Henry Hub-looking kind of proxy. So that's really the 2 big themes in gas infrastructure that we seem to see.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Got it. And -- my apologies, real quick back on Mississippi, and this may be an Art question. Art, given the court case and where it stands now, what happened in the first quarter from a GAAP accounting perspective in revenues in Mississippi versus what had been basically going on through all of '13 and '14? I'm just trying to kind of match up our GAAP revenue numbers to the Mississippi rate increases. Are they reflected in GAAP revenue? I know the cash was collected previously, I'm just trying to think through the puts and takes here.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

The -- Michael, the -- we didn't record any mirror quip [ph] revenue in the first quarter, but there were some impacts for equity return on some other pieces that actually went back into last -- fourth quarter of last year, where we unbooked some of that. But it was very -- it was all really deferred. I don't have a number to give you, but I can give you something after the call.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Yes. I mean, just trying to think big picture. You're basically no longer booking the revenue related to Kemper, that $156 million number.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Well, all of that was never going to income, per se. It was all being booked on the balance sheet as a regulatory liability, and it was going to be used to offset rate increases as the plant went into service over time. That was the whole design of Mirror quip [ph].

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

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Right. Okay. I'll follow-up -- I can follow up offline. Sorry to get down -- get too far down in the weeds from this one on the call.

Thomas A. Fanning
Chairman, President & CEO

No. Yes, we love that stuff. No problem.

Operator

And our next question's coming from Shar Pourreza from Guggenheim Partners.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Tom, Art. Just a real question -- quick question on Mississippi. I know you're kind of working on potentially striking the global settlement. Just can you remind us if the asset has sort of a capacity factor hurdle it has to meet once it's live? It's good to see that it's running like a CCGT, but I'm kind of curious on what the hurdles are once it's live.

Thomas A. Fanning
Chairman, President & CEO

Well, recall that the combined cycle that's running right now is running on natural gas. Ultimately, we have been working with the commission on an arrangement in which -- and when you think about it, when we had the project certified, there was a capital cost component, and then there was an energy cost component. And what we've been able to kind of think about in the settlement is a way for us to essentially assure that Mississippi customers are held harmless from any cost overruns. We've done that painfully for all of us. And then, otherwise, to assure that the energy benefits are there for Mississippi customers, and I think we can get that done. And you all must recognize that when Plant Ratcliffe was originally approved -- this is a process that occurred in 2009 and 2010, and remember, we only had 10% of the engineering done. There have been a host of changes in a variety of fronts, including natural gas prices, commodity prices, all host of things. I think what we would undertake to do is make sure that we could deliver the energy benefits that the commission thought they were getting when the project was approved. We've already spoken for the capital cost. I think we can get that done.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Got it. Got it. And then just one question on renewables, Tom, as we're starting to see some more contracts being signed post ITC's step-down. Curious on if you're seeing that within the Southeast. And then kind of what that placeholder could look like for Southern Power between wind and solar, say, post 2016.

Thomas A. Fanning
Chairman, President & CEO

Yes. So what's interesting, Shar, is that right now, there's an enormous rush to get stuff done, particularly in solar, before the end of '16. And certainly, that has filled up our wheelbarrow of capital placeholders for '15, and we feel really good about where we are for '16. The wind deal was a way to straddle. In fact, it was interesting, one of our own directors used the phrase, a divot, in kind of the development activity of renewables and, therefore earnings associated with the new renewables. The other thing that's fascinating is, as we start to consider kind of the beyond renewables to 111(d), we'll probably have a final rule there in the summer, say, August, the states will now have to start providing for the reality of complying with that rule. And therefore, we've got to start thinking about gas. And remember, as I suggested earlier on the call, if we're going to do new gas generation, we need new gas infrastructure. Those things can go hand-in-hand in filling in that kind of flat spot.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

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Got it, got it. And then just on any of the Southeast states, is anybody close to submitting a state implementation plan? Or are we just like really far off?

Thomas A. Fanning
Chairman, President & CEO

You don't have a final rule to react to. Hey, Shar, Art just pointed something out -- why don't you say what it -- on the solar.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes. If you look at our CapEx budget in terms of growth CapEx in 2017, it's like $200 million, but...

Thomas A. Fanning
Chairman, President & CEO

Of solar projects.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Solar projects, so it's very, very small compared to '15 and '16.

Thomas A. Fanning
Chairman, President & CEO

Yes. So there is $200 million, anyway.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes.

Thomas A. Fanning
Chairman, President & CEO

It's way less than what we're seeing right now.

Operator

And our next question's coming from the line of Paul Ridzon from KeyBanc.

Paul Thomas Ridzon
KeyBanc Capital Markets Inc., Research Division

Tom, it seems, incrementally, with each call, you're embracing more and more renewables. I mean, if this trend continues, what are your current thoughts about when a YieldCo might come into serious consideration?

Thomas A. Fanning
Chairman, President & CEO

So we're really following through on what we said we would do. It's funny. I -- it's kind of what you say and how you say it, I guess. The whats of what we've been saying here have been pretty consistent for a while now, that we thought that renewables would be important, certainly, solar renewable, through '15 and '16 while you have the 30% investment tax credit environment. And that kind of beyond '16, into '17 and '18 where 30% goes to 10%, all of a sudden, wind starts looking like a way to address that gap. Also, you should know the strategic synergy. We started procuring wind energy via contract. And so for us to take an equity position in wind puts us in a different posture than we had been before. With respect to a YieldCo, you know that we'll consider anything, but I think, on balance, we felt that Southern Company, in and of itself, was a YieldCo anyway. We have really efficient ways to raise capital. I think it introduces complexity into your balance sheet. And long term, I'm not sure that it enures to the benefit

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of shareholders. It certainly has short-term appeal, but I would never want to impair the long-term viability of this company by doing financial engineering or tricks. The other thing you should just know, and let's just point out again, we haven't really talked about it in this call but we have in other calls, we have terrific tax appetite. And given our scale, given our tax appetite, you know that we've always been conservative. Gee whiz, our tax appetite remains a competitive advantage for us to play in these fields. Link in that with our experience, with the major vendors, our low cost of capital, access to capital markets. Gee whiz, I think the developers that want to do something significant look to Southern as the premier partner right now. That's why we've been able to fill up our dance card.

Paul Thomas Ridzon
KeyBanc Capital Markets Inc., Research Division

Okay. And then it was refreshing to see the Kemper charge kind of immaterial this quarter. How does the future look there?

Thomas A. Fanning
Chairman, President & CEO

Tell me about it. Hey, look, we're in start-up right now. There's a smidgen of construction left, but we're essentially in start-up. And the team there is working wonderfully. We brought in a guy that has had a tremendous amount of experience in start up of these types of processes, Trip -- I mean, Chip Troxclair. He and his team have really done a dynamite job of staying to schedule and working around the issues. It's refreshing to us as well. They're doing a great job.

Operator

And our next question comes from the line of Dan Jenkins from State of Wisconsin Investment Board.

Dan Jenkins

First question's on Slide 18, your financing plan. I noticed there are a couple of revisions from the slide from last quarter, the big ones being Alabama, in '15, went from $700 million to $1,375 million, and then, Mississippi bank debt, in '16, went from 0 to $900 million. I was wondering if you could talk about what's driving those changes.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes. I believe the Alabama took advantage and issued some additional debt this year or actually did some refunding that probably wasn't reflected in the schedule we showed you on the last call. The Mississippi bank debt was really a renewal of bank notes that were maturing this year. That was about $775 million maturing this year, and we actually renewed those, plus a couple of $100 million or $175 million or so of additional money. And really, that's serving as bridge financing for -- until we get into the position where we can either go to capital markets or do our securitization financing.

Dan Jenkins

Okay. Then I wanted to go back a little bit on your retail sales growth. You talked about the change in the weather-normalized sales. I was wondering if you could give us a little color on the customer growth, how is that going as consistent with your expectation or how is that playing out?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes. Well, we talked a little bit about customer growth in the residential side. We had 16,000 new. I think last year we added 10,000 in the first quarter. So pretty good jump in growth. I think if you do a year-over-year look, it's about a 37,000 increase. If you do a year -- what we have added since the first quarter of last year, 37,000. You may recall that prior to the recession, we were adding almost 60,000 or more a year. So it's not back to where it was, but it's showing stronger growth.

Dan Jenkins

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Okay. And then last, I was looking at the Vogtle construction update on Slide 5, I think it is, and I noticed you didn't really change any of the information related to Unit 4. And I was wondering if that was according -- still according to plan or if there's been some slippage in the near term and on the horizon, or essentially the same as what you reported last quarter?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

I don't have last quarter's slide in front of me, but I believe that what you're seeing there is still kind of consistent with where we are. The biggest new module, that CA-04 module is not a very big one, neither are CB-65 or 66. So the next biggest module for Unit 4 will be CA-20, and we mentioned that in the script. That is just now beginning assembly in the MAB, the module assembly building.

Dan Jenkins

So the schedule hasn't really changed for Unit 4, then, from what you reported last time?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Not that I'm aware.

Operator

And at this time, there's no further question. Mr. Fanning, are there any closing remarks?

Thomas A. Fanning
Chairman, President & CEO

Yes. Thank you. Listen, everybody, we appreciate you being on the call. I think the company's off to a great start. As we've said, the franchise, for some time now, has been in as good a shape as it's ever been. We continue to execute like champions, and we're going to do our best to make sure that as shareholders, you're handsomely rewarded. Thanks very much. Talk to you soon.

Operator
Ladies and gentlemen, this does conclude the Southern Company First Quarter 2015 Earnings Call. You may now disconnect.

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