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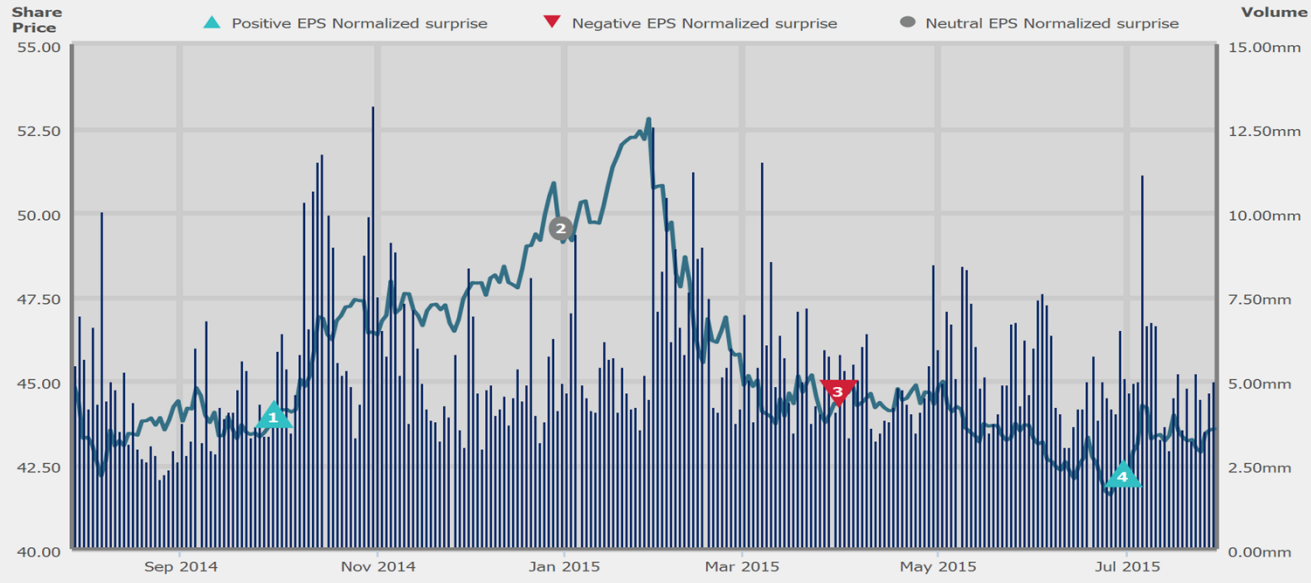
FQ2 2015 Earnings Call Transcripts

Wednesday, July 29, 2015 5:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2015-			-FQ3 2015-	-FY 2015-	-FY 2016-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.70	0.71	▲1.43	1.14	2.83	2.93
Revenue (mm)	4640.26	4337.00	▼(6.54 %)	5625.19	18973.78	19611.98

Currency: USD
Consensus as of Jul-29-2015 9:17 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2014	1.07	1.09	1 1.87 %
FQ4 2014	0.38	0.38	2 0.00 %
FQ1 2015	0.58	0.56	3 (3.45 %)
FQ2 2015	0.70	0.71	4 1.43 %

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Presentation

Operator

Ladies and gentlemen, thank you for standing by. Good afternoon, my name is Savannah, and I will be your conference coordinator on today's call. At this time, I would like to welcome everyone to the Southern Company Second Quarter 2015 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded, Wednesday, July 29, 2015. I would now like to turn the call 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, Savannah. Welcome, everyone, to Southern Company's Second 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, along with the slides for this conference call. The slides we will discuss during today's call may 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. As always, we appreciate your interest in Southern Company. Our traditional operating companies continued to operate superbly in the second quarter of 2015, making great progress towards our full year objectives. Contributing to this performance is underlying strength in retail electricity sales. For the first time in a decade, we've experienced 2 consecutive quarters of growth in all 3 retail customer classes: residential, commercial and industrial. In particular, we are encouraged by the developing strength of the residential sector fueled in large part by a healthy growth in the housing sector. Our wholesale subsidiary, Southern Power, also performed extremely well in the second quarter. Year-to-date results for Southern Power represent solid growth compared to 2014 and we expect them to exceed their plan for 2015 and the outlook for 2016 is promising. As we suggested last quarter, Southern Power has now confirmed solar and wind projects to account for all of its placeholder capital in 2015. The project pipeline remains robust and we could potentially exceed our forecasted placeholders for both 2015 and 2016.

We continued to leverage our full portfolio of generation resources to deliver low-cost electricity for customers. With our coal burn near record lows, our natural gas consumption is increasing and our gas burn is expected to increase to an average of 1.8 Bcf per day this year. This compares with our average gas burn of 1.5 Bcf per day over the last 3 calendar years.

We've also continued to grow renewable generation resources. Last week, the Georgia Public Service Commission approved Georgia Power's request to build a 46-megawatt solar project at the U.S. Marine Corps logistics base in Albany, Georgia. With this approval, Georgia Power now has 166 megawatts of solar generation under development on military bases in Georgia, which speaks to a strong partnership with the United States Department of Defense. Georgia Power also launched its new solar sales and installation service on July 1. Through a variety of solar programs, Georgia Power will add thousands of solar panels to the Georgia landscape for customers who desire that option.

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All of our traditional operating companies are now pursuing significant renewable generation projects, and Southern Power continues to grow its renewable portfolio.

So based on the currently approved project, the Southern Company system expects to own or purchase the output of more than 3,200 megawatts of renewable resources including 46 solar facilities in 7 states by the end of 2016.

I would now like to focus our discussion on the 2 major construction projects, both very important to our full portfolio of generating resources. Georgia Power's new nuclear projects, Plant Vogtle Units 3 and 4 and Mississippi Power's 21st century coal facility in Kemper County, Mississippi.

First, an update on the Plant Vogtle Units 3 and 4. Construction is proceeding very well as the focus continues to be on quality and safety. We hold our Southern Company management council meeting at the worksite last week where our senior management team was able to observe progress firsthand. For Unit 3, final preparations are underway to set the 1,000-ton CA-01 module in the containment vessel, which is expected to occur in early August. Assembly of the CA-03 module had begun and concrete placements continue in preparation for the initial installations of shield building panels expected in the coming months.

The Unit 4 nuclear island continues to benefit from lessons learned on Unit 3. Three of the smaller structural modules were recently installed, and assembly of CA-20 has begun in the module assembly building. Significant work has also occurred in areas outside the nuclear island, including work on the structural steel for the Unit 3 Annex building. The Annex building will be a critical component in the initial energization testing that is anticipated in 2016, a key milestone in preparation for the eventual testing and start-up of Unit 3. And groundwork for the Unit 3 switchyard is also finished and there has been significant progress on other transmission infrastructure. The Unit 3 cooling tower is complete, and the Unit 4 cooling tower is now more than 100 feet tall. Overall, we remain on target for the anticipated completion of Unit 3 in the second quarter of 2019 and Unit 4 in the second quarter of 2020.

On the regulatory front. The Georgia Public Service Commission staff has recommended approval of costs submitted in the 12th Vogtle Construction Monitoring report and we expect the commission to render a decision on August 18.

Now let's turn to an update on the Kemper County IGCC project. Kemper start up is also progressing with first syngas production expected later this year. Operator training is well underway and portions of the plant have been turned over to the operations team. Control system validation, an area of significant initial focus, is also on schedule to support these feature milestones. Mississippi Power's continuing start-up and checkout activity, and as expected with any project, is identifying and remediating issues along the way. In some cases, equipment is being repaired by the original equipment manufacturer, while in other cases, the engineering and construction team is implementing solutions on-site. To a large extent, contingencies for cost and schedule have been sufficient to absorb these activities and the focus remains on the expected in-service phase [ph] in the first half of 2016.

I'll move now to a discussion of regulatory matters. Based on the Mississippi Public Service Commission's July 7 order, Mississippi Power has ceased billing customers for Kemper. As a result, Mississippi Power filed a rate proposal on July 10 for an 18% increase primarily to recover costs associated with the project's combined cycle, transmission investment as well as Kemper-related regulatory assets. The combined cycle has been running since August of 2014 and performing exceptionally well. In fact, over the last 11 months, Kemper's combined-cycle operations have delivered more than 3 billion kilowatt hours of electricity and saved the Mississippi Power customers more than $15 million, having displaced other higher-cost methods of generation. Year-to-date, this unit has experienced an equivalent forced outage rate or EFOR of approximately 1.25% compared with an industry average EFOR of over 6% for natural gas combined cycles. As the commission is not expected to rule on any permanent rates for Kemper prior to November, Mississippi also petitioned to PSC implement the 18% increase on an interim basis subject to refund. A hearing on the interim rate is scheduled for August 6. At the same time, the PSC may also rule on Mississippi Power's proposed Mirror CWIP refund plan, which was filed in response to the July 7 order.

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

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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 second quarter of 2015, reporting earnings of $629 million or $0.69 a share compared with earnings of $611 million or $0.68 a share in the second quarter of 2014. For the 6 months ended June 30, 2015, earnings were $1.14 billion or $1.25 a share compared with earnings of $962 million or $1.08 a share for the same period in 2014. Earnings for the 3 and 6 months ended June 30, 2015, include after-tax charges of $14 million and $20 million, respectively, related to increased construction estimates for Mississippi Power's Kemper County integrated gasification combined cycle project. Earnings for the 6 months ended June 30, 2014, include after-tax charges of $235 million or $0.26 a share related to the Kemper County IGCC project. Earnings for the 3 and 6 months ended June 30, 2015, also include a $4 million after-tax charge related to discontinued operations of Mirant and the March 2009 settlement agreement with MC Asset Recovery. Excluding these charges, Southern Company earned $647 million or $0.71 a share during the second quarter of 2015 compared with $611 million or $0.68 per share during the second quarter of 2014, an increase of $0.03 per share. For the first 6 months of 2015, excluding these charges, Southern Company earned $1 -- $1.16 billion or $1.28 per share compared with earnings of $1.20 billion or $1.34 a share for the same period in 2014, a decrease of $0.06 a share.

Earnings for the second quarter of 2015 were positively influenced by retail revenue effects at Southern Company's traditional operating companies, warmer weather and a stronger-than-expected performance from our Southern Power subsidiary. Earnings were negatively influenced by increased nonfuel O&M expenses.

Moving on to an economic and sales review for the second quarter. As Tom just mentioned, we experienced weather-normal growth in all 3 customer classes, residential, commercial and industrial, in consecutive quarters for the first time since 2004. We are particularly encouraged by growth in the residential class, which saw weather-normal sales increase 1.2% in the second quarter, largely a result of customer growth. We've added nearly 22,000 new residential customers through June of this year, which compares to just over 13,000 customers added during the same period in 2014, an increase of nearly 60% over last year and our 2015 forecast. Residential growth is shifting from absorption of vacant properties to new construction as 85% of our customer gains are from new connects. While not yet back to prerecession levels, new connects are 14% ahead of 2014, which further indicates a strengthening housing market and healthy migration into our service region. Between 2013 and 2014, Atlanta was ranked #4 among U.S. cities with the highest net migration.

Our commercial markets are continuing to show strength as well with a second quarterly increase in weather-adjusted sales of 0.7%. This growth is supported by strong nonmanufacturing employment growth. Atlanta experienced the second fastest rate of job growth of the 12 largest metro areas in the U.S. and its office vacancy rate is at the lowest level since 2008.

Earlier this month, we reengaged with our economic roundtable, a group consisting of regional economists and executives from several of our largest customers that meets twice a year. The panelists expect GDP growth of approximately 2.5% for 2015. They also noted an improvement in the national housing market, which further supports what we are experiencing with migration to our region as homeowners are better able to sell their existing homes and relocate to higher-growth job markets.

Finally, our earnings estimate for the third quarter is $1.16 per share.

I'll turn the call back over to Tom for his closing remarks.

Thomas A. Fanning
Chairman, President & CEO

Thank you, Art. Here at the midpoint of 2015, we continue to see a franchise business that is operating at a high level, and we see important progress on major capital projects. We also see a strengthening economy and a region poised for continued growth. Finally, Southern Power's on track to exceed its original financial targets. In short, we believe Southern Company is well positioned for continued success

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in 2015 and beyond, behind the strength of our 26,000 employees and their commitment to our customer-focused business model.
We're 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 comes from the line of Greg Gordon with Evercore ISI.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

I know you guys usually only update guidance once a year at the beginning of the year, but you made a comment that you're feeling pretty good about where the financial performance stands year-to-date. How do we look -- are you prepared to comment about how we look inside the guidance range for '15?

Thomas A. Fanning
Chairman, President & CEO

Yes. No, Greg, we're going to keep doing what we've been doing for, gosh, I know this was -- ever since I was CFO, that's over 10 years ago now, but -- so we provide initial guidance in January and then we always update kind of in October once we get past the summer months. We'll just keep with that practice.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Fair enough. My second question was looking at the financing plan on Page 12 of the slide deck. It actually looks like your total debt financing needs are slightly lower over the '15 to '17 time period and you still are not projecting to need any equity. Is that plan you sort of formally updated for the SMEPA refund and what you hope to get in terms of a decision in Mississippi with regard to the refunds there?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Greg, this is Art. Yes, it does. We have adjusted some of the operating companies' needs out of '15 and reduced those and then Southern Power has been a small bit of adjustment as well, offset by some increases in the holding company level. But all in all...

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Yes, so when you say you've reduced the needs of the operating companies, does that mean that there's more cash flow than you expected there? Or you've cut back on expected capital expenditures at the regulated businesses? Or does that mean there's just your modulating down sort of the placeholder CapEx in Southern Power.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, it's a combination of all that, plus as you look into '16, we pushed some out of '15 into '16. But if you net them all, it's a slight bit of an increase, not great.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Okay. And can you guys just explain again specifically what it is that you're hoping to get from the Mississippi Commission on August 6? 18% rate increase for one and then what is the preferred plan for the customer refund?

Thomas A. Fanning
Chairman, President & CEO

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Yes, sure. So the simple answer is that we have a plan in place that amounts to about an 18% increase permanently for assets in service including some amortizations of some regulatory assets. So that amounts to 18%. We won't be able to have those rates put into place by the commission until the process is complete, which we think now might be, who knows, November, something like that. So the interim rates we would expect to be put into place on or around August 6. That would permit us to basically keep the rate structures in place that have been in place minus the refunds. So that's really the process. Number one, interim rates equal to what we believe is the right kind of rates associated with assets in service and we think that will be complete at the end of this year, November. And then we will have the rest of the assets either ruled on by the end of the year, we don't know the answer to this, or conceivably pushed into '16. That's associated with what we believe will be about a 10% look in number, 6% associated with securitization bonds, 4% associated with the other assets. In terms of the refund plan, our preference is to have a default that would be a billed credit. The customers could elect to take a check. All that would be complete within 90 days.

Operator

Our next question comes from the line of Anthony Crowdell with Jefferies.

Anthony Christopher Crowdell
Jefferies LLC, Research Division

Just 2 quick questions. Unfortunately, there with the smallest part of your business on Mississippi, one is, I think, previously you were thinking you'd get syngas entered into the unit in July and maybe that's been pushed back. Can you give us some color on that? And the second question is related to, I guess, the staff recommendations in Mississippi that were released last Friday. The staff had recommended some conditions, two of them of interest, one was that an equity infusion of like $200 million rather quickly. And also the parent, Southern Company guarantee investment grade credit at Mississippi Power to the duration of the project. I just wonder if you could maybe talk about those? Is that something your company's willing to entertain until they get full clarity on the actual -- the entirety of the project?

Thomas A. Fanning
Chairman, President & CEO

Let me take the first one on syngas. So basically, there's 3 or 4 big pieces that we need to do. One is that we're working on the syngas cooler superheater, the ash silo and the fluidization line's pressure testing. We're doing all those right now. Once we get those done, then we'll go through in-service pressure test. We expect to complete all of that kind of by mid-August. That's very near-term stuff. As well, there is some called particular control device that basically takes the foreign matter, a particulate manner out of the flue gas. Then we will move into the fluidization process. The first thing we will do is actually run the gasifier. This is kind of a new step we've put in place, we just think it's prudent though. So we will use sand to emulate the lignite particle and shapes. So we're going sand through the gasifier. So essentially the fluidization will be able to be demonstrated without the production of syngas. Putting that step in place pushes actual syngas production out of lignite into the fourth quarter. So that's roughly the schedule, kind of 4 or 5 kind of big things we're doing right now we expect to be complete by mid-August. Then we start the simulated process with sand. Once we get that in place, then we'll do the lignite. So these are all intentional and we think it will serve us well as we continue to go through an orderly start-up. Anthony, with respect to the second question, it really goes to the staff recommendation. We have -- Southern Company has stood behind everything we said we would do with respect to getting the plant built and started up and that's what we're doing, and right now, there has been a staff recommendation. It's better, I think for us not to comment particularly to any staff recommendation. Certainly, as any recommendation could relate to Southern Company. I think we believe that when you look at the issue at hand, that is rates or assets in service and those service that produced great value to Mississippi's customers and they have been performing exceedingly well compared to any measure, we think we'll be treated fairly and we expect constructive treatment out of the commission not only for interim rates, but also for permanent rates related to those sets of assets, okay? Is there anything else that you wanted me to cover about that?

Anthony Christopher Crowdell

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Jefferies LLC, Research Division

I guess just do you expect the, I guess, interim rates, I know there's a window when the commission has to, I guess, approve interim rates and also maybe permanent rates, does that all get decided with the current commission? Or does that get decided maybe in '16 when you have two new faces on the commission?

Thomas A. Fanning
Chairman, President & CEO

We think that the 18% that we're seeking, both in interim and permanent, would be with this commission. There are two paths that could happen on the remaining 10% or so. Remember 6% of those 10% relates to securitization bonds, which is not involved in any ROE to Mississippi Power. The only remaining kind of return elements to Mississippi Power is 4%. That could either happen this year based on a current filing or a new filing we might make or it could be pushed into '10, we'll just see -- I mean, '16. We'll just see where that goes. So we believe that, so far, the plant, knock on wood, has been going great, the start-up has been going great. We've had some normal bumps in the road, but we've been able to handle them with the contingencies that we've had in place and we're very happy with the performance of the team on-site. They're doing a heck of a job.

Operator

Our next question comes from the line of Steven Fleishman with Wolfe Research.

Steven Isaac Fleishman
Wolfe Research, LLC

Just one other thing, I know you just went through an extensive schedule on Kemper. I did -- I think when you commented on it, you said something to the effect of you're kind of, to a large extent, kind of within the contingency for it. I just wanted to make sure I understood what messaging you were trying to say there.

Thomas A. Fanning
Chairman, President & CEO

Yes, sure. And thanks for the clarification. So what I meant by that was -- remember when we -- gosh, we took this reserve whenever. We last changed the schedule into the first half of '16, we basically provided for, I want to say, about $30 million a month and that included some contingency. And so as I said in the kind of prepared remarks, that, that contingency is working and it speaks to whatever kind of unforeseen changes we've had to make, any work, rework, those kinds of things. The only -- when I said largely, the only thing I'm referring to really isn't schedule, it goes to these little small things that we've been showing like, for example, a net increase this time of $14 million for the quarter. That's all we're referring to.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay, okay. And then maybe just also in your comment at the end on kind of happy with financial results or I think you've said maybe meet or exceed expectations?

Thomas A. Fanning
Chairman, President & CEO

I said that on Southern Power.

Steven Isaac Fleishman
Wolfe Research, LLC

So that's on Southern Power?

Thomas A. Fanning
Chairman, President & CEO

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Right.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. And is that due to the higher investments in renewables?

Thomas A. Fanning
Chairman, President & CEO

Yes. And just to review the bidding there. If you think about it, in '14, remember, we had, I forget, placeholders for 3 years as we kind of typically do. And in '14, we started seeing so much success, we accelerated those placeholders into '14 and that produced better-than-expected results. And then remember when we said our financials this year, we said we're going to replicate '14 and '15, in other words, '14 results for '15, and we're going to add some stretch. I'm telling you right now I think we're going to beat our stretch targets for '15 for Southern Power. And we said this on the last call, but it just continues to be true and perhaps further, that the placeholders are getting filled up for '16. So I'm feeling very confident about our ability for the placeholders in '16 and in fact potentially, can't guarantee it, but potentially there could be upside to even our expectations for '16. By October, we may be able to shed even -- a little more light on both of those '15 and '16 issues, but let's wait till the next earnings call when we'll have a little more transparency. But we're feeling very good about our progress in executing.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay, but I guess my only question then on that is if that becomes -- what happens then in '17 if we don't have an ITC anymore, or I guess it's smaller, does that become a big headwind?

Thomas A. Fanning
Chairman, President & CEO

Sure. Not a headwind. We've talked about this before and it was the shape of kind of earnings. So I think this would largely be true for most folks and that is absent solar investment tax credits, which go from 30% to 10%, you would generally expect to see a flattening out of earnings from -- you'd love to see -- so we're telling you, we're seeing a really good picture. The franchise is doing great, so the power is doing great, you're going to see a trajectory and '15 and '16. All things being equal, if the solar credits go away or at least go to 10%, you'd see some flattening of progress, especially if people try to push stuff into '16 to get it done. So '16 to '17 can flatten out a little bit. One of the things though that we're working on is ways to fill in, what you're calling that divot, and that divot could be filled in with some wind projects. We announced earlier Kay Wind. There are some other things we're looking at. As you know, they have a different earnings profile associated with it, there are production tax credits, so 10-year kind of deal. And so we're working on ways right now to improve what '17 may look like assuming you don't get an extension on the solar credits.

Operator

Our next question comes from the line of Daniel Eggers with Crédit Suisse.

Daniel L. Eggers
Crédit Suisse AG, Research Division

Just Tom, can we just talk a little bit about EPA and the CPP, and I guess, A, whether you think the stories are right that is going to come next week? And then kind of what adjustments you guys think are going to make it into the final rule?

Thomas A. Fanning
Chairman, President & CEO

Yes, so Dan, it's anybody's guess at this point. When EPA pushed forward the preliminary rule, and they got, gosh, over 4 million comments. I think they themselves realized that the proposed rule has some

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significant flaws. And I think we've been working constructively with EPA to try and fix those flaws. There's been a number of kind of important areas that we look forward to EPA addressing. For example, one that's been just widely discussed is the so-called cliff date of 2020. So we would look for EPA to provide some flexibility. My sense is they are likely going to keep teeth in the 2030 requirement, but we could see some flexibility on 2020, who knows. EEI certainly has put forth a recommendation for that. Other issues could be related to current noncarbon-emitting resources that could be life extension of nukes, it could be increases in capacity of nukes. It could be our own Vogtle 3 and 4, which originally we didn't get credit for that somehow EPA would recognize that, that absolutely meets the intention of reducing carbon. And it really goes to Kemper County and actually other things. There's a host of other issues, Dan, that could be considered. You hear about energy efficiency requirements. You hear about the original methodology that EPA took to determine kind of the renewable capacity of certain states. But for me to say where they're going to come out on those issues, again, would be pure conjecture --

Daniel L. Eggers
Crédit Suisse AG, Research Division

Okay, got it. I guess next question, Tom, is just to see the economic backstop to CBI and Westinghouse on Vogtle and given kind of all their troubles they have incurred so far. A, is that having any effect on how Westinghouse is behaving on the project itself. And then B, what is your source of recourse if Toshiba has problems or if they sell down their interest in Westinghouse to make sure your protections stay in place?

Thomas A. Fanning
Chairman, President & CEO

Well, we have an awfully strong contract, number one. And remember, our contract is very different in its makeup and what you see as the summer project for SCANA. So we -- our contract is typically viewed as a turnkey fixed-price deal and actually we've improved it over the construction cycle that we'd experienced so far. So that's kind of number one. Number two is when you think about just the commercial incentives for CBI, for Westinghouse and even Toshiba, the best thing they can do to improve their own financial integrity is to perform under the contract. So that's important. Number three, I know there's been some trade press about Toshiba's ability to execute given that they've had some negative publicity. In 2013, Westinghouse took appropriate charges for many of these issues. Those issues are behind Westinghouse. To the extent there is a double -- a 2-notch downgrade at Toshiba's level, then they would post an LOC, we think they have the ability to do that. So the contract provides us protection. Incentives, even in the event of tremendous turmoil, would always direct them to perform under the contract. And then, finally, to the extent there are downgrades, the contract provides for Toshiba to post a letter of credit. We think they have the ability to do that.

Daniel L. Eggers
Crédit Suisse AG, Research Division

Great. I guess one last question. Can you remind how you guys think about M&A from a corporate strategy perspective and how you prioritize that relative to other uses of capital?

Thomas A. Fanning
Chairman, President & CEO

Absolutely, yes. We've talked about this a lot and nothing's changed. Essentially -- and we've talked about it in the past in terms of thinking about this kind of long-term trajectory that we're on. As our CapEx program starts to wind down, I think, this year we're $6.8 billion in CapEx and next year $5.5 billion and the year after that $4.3 billion, I think those are the numbers, round numbers. When you think about that, the consequence is that EPS starts to slow and we've talked about that and then we said there's a shape to that. In other words, EPS growth should resume once you get into the next decade, you reached capacity equilibrium in the region as well. There could be new CapEx associated with environmental law as well. There could be new CapEx associated with 111(d). So kind of on its own, we think the curve resumes. In the interim, as we see CapEx winding down, we see cash flow growing immensely. And what we've said is during this period of immense cash flow, certainly compared to our recent history, Southern actually looked a little over equitized. So we've said that on several earnings calls. So what do we do

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about that? We've often talked about 3 options. The first simplest option is to buy back your own shares. The second option is kind of at the other end of the spectrum is to buy somebody else's shares and we always said that would require a premium and you would have to demonstrate a likelihood of recovery of the premium through increased value to shareholders. And in the middle has been just buying assets, and frankly, we've been doing that. If you look at kind of Southern Power's performance, we certainly have exceeded our own expectations on our ability to execute asset purchases, particularly in solar and wind. So we've done that very successfully. So those are really the options I would cover.

Operator

Our next question comes from the line of Stephen Byrd with Morgan Stanley.

Stephen Calder Byrd
Morgan Stanley, Research Division

Most of my talks have been covered. I just wanted to hit on your nuclear briefly and check in on the Chinese project, the Sanmen. Anything notable in terms of development there since the last quarter?

Thomas A. Fanning
Chairman, President & CEO

Not really. With respect to have new nuclear in Georgia, what I said was we were going to call a timeout on pushing that one forward until we got this dispute resolved from a commercial standpoint. Recall, what we said in the past is the dispute isn't so much with us anymore. It's kind of among and between the contractors. So we look forward to them to kind of constructively resolve their own issues and then I think we can deal with them in a constructive way. So let's see how that goes. With respect to Sanmen, I think the most important thing there is there's been a lot of conversation about this reactor coolant pump issue. That's not a critical path issue for us and it looks as if they have made a successful resolution on some of the design issues. So that will accrete to our benefit. So it's going fine.

Operator

Our next question comes from the line of Michael Lapides with Goldman Sachs.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

When you think about Southern Power, about -- how you think about the maximum? Meaning, how big would you want Southern Power to be relative to the overall? And whether that impacts how you think about -- whether there are -- whether under different umbrellas, Southern Power might have even greater growth opportunities, if there is such a cap?

Thomas A. Fanning
Chairman, President & CEO

Yes, that's a great question. That's something we actually talk about. Yes, right now, there are about 8% of Southern. And you probably remember from prior discussions, but just to review for everybody's benefit, the way we structure Southern Power is to essentially replicate the kind of credit profile, risk profile that we have at Southern. That is as apart from any merchant investment, long-term bilateral contract durations of 14 years or so, creditworthy counterparts, we don't take your fuel risk, we don't take transmission risk. So it kind of has the feel from a portfolio of risk standpoint as does the rest of our franchise business. Now the question you raise is a very interesting one and that is how high is too high is our appetite? I think you could easily kind of double Southern Power relative to the rest of Southern Company and still I think, stay within our appetite. But that would be pushing it somewhere in the 15% of net income range. But there, again, we'd have to see what the nature of those investments are, tax appetite, all that stuff, we have to review that. But that's what I would roughly say relative to where we are now, we could still double it and remain within our appetite.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

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Somebody asked a question earlier about the EPA and wanted to ask you -- and obviously, there's a lot of wood to chop when it comes to the upcoming carbon rules, state implementation, plan designs, et cetera. How are you thinking about what the impact of other potential rules that haven't been finalized are, say, maybe ozone and what that means both for the CapEx profile and for the cost of customers and the time line for implementation. And whether it's ozone or some other rule that I'm not thinking of?

Thomas A. Fanning
Chairman, President & CEO

Yes, listen, it's an excellent thought. Because one of the problems that, well, let me start out with. I've been very public on this one. The body that has the same kind of lens we do, that is to balance the important objectives for our customers of clean, safe, reliable and affordable energy is Congress. I think with all the best of intentions, EPA doesn't have the ability to assess. I think they get clean, but they don't have the ability to assess in a balanced way, safe, reliable and affordable. It's not what they do. And so when we think about long-term implications of a regulator, like EPA, putting out piecemeal [indiscernible] of regulation, it is an important fact to note that the so-called pancaking of these various regulations are not particularly well coordinated and balancing the overall energy portfolio in the United States. That's why I've always said we needed kind of a consistent national energy policy. And I think we got great leadership there. Fred Upton in the house, Lisa Murkowski in the Senate. These are terrific leaders of the United States and I think they've got all of our best interest at heart and balancing these important issues. The other issue that's just kind of interesting to think about along these lines, I would have gone to the HAPs MACT, now MATS issue, the remand to the D.C. District Court. And depending on what they do, they could send it back to EPA for clarification on how do they costs into account. Well, the practical matter is, as this industry complied in good faith to that kind of far-reaching regulation, we've already spent billions of dollars. We started closing plants. We've eliminated jobs and tax base. We've done all sorts of things. The regulation remains in place even though it's being revisited. It's important, I think, to learn as a lesson that whenever you evaluate the far-reaching implications of some of these regulations, we need to get all this right out of the gate as opposed to after the fact. So that would be kind of my big lesson learned. One is thinking about the pancake effect. We've got to think about it in an integrated way. Number two, we've got to get all those clean, safe, reliable, affordable factors considered before we implement. And three, I'd love to see national energy policy enacted by Congress.

Operator

Our next question comes from the line of Carrie Saint Louis with Fidelity.

Carrie Saint Louis

So I just wanted to touch base a little bit more on the capital raising in Mississippi Power. So looking at the slides, it looks like you guys have put some banks out at Mississippi Power.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, that was true, Carrie, this is Art. Back in the spring, about $900 million, yes.

Carrie Saint Louis

What was the decision behind that?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Well, again, it was renewing some bank loans that were already outstanding and we added a little bit to it at the same time. Again, these are to serve as a bridge until we get some clarity on regulatory issues or to the point where we can issue securitization bonds and take that debt out.

Carrie Saint Louis

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Okay, but is it like a general term loan? Are you deciding that you're not going to issue in the public market at Mississippi Power until there's a little bit more regulatory clarity? Or just what was the decision to use that type of funding versus public market issuance?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, that's absolutely true. With so much -- on the clarity side, that's a problem, so we're trying to do it as best we can. And again, the banks are worried about security as well. So it's not just the public markets.

Thomas A. Fanning
Chairman, President & CEO

I think just from a structural standpoint, too, we believe that securitization bonds are in the near-term future. Bank debt's a bridge to that as an efficient way to finance.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes.

Carrie Saint Louis

Okay. And then just 2 other quick questions. On the Southern Company, the $1 billion of issuance of this year, what is -- why are you issuing so much of the parent this year versus prior year. So it seems like a lot of issuance, I think it's $1.6 billion overall.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, these are remaining amounts and a lot of that is to cover the cash needs that all of our Southern subs for the capital that we might be providing to them and it also covers some of the Mississippi Power needs related to this refund and it will be provided in the form of an intercompany loan.

Carrie Saint Louis

Okay. And then turning to equity. So there still looks like there's no contemplation of increased equity issuance at the company?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

That is our current plan. We continue to manage our portfolio over the long term. Things change. But Southern Power, if they keep executing on their plan to the upper limit, there could be additional needs in that regard, but it depends on where we are with cash and where we see the future CapEx going for the entire business.

Thomas A. Fanning
Chairman, President & CEO

Yes, and Carrie, let me just jump in on this. When -- if you look at our CapEx plan going into '17, you see the drop from $6.8 billion to $4.3 billion. We're throwing off cash. So it would be kind of silly for us to issue equity and then in turn repurchase it 2 years later.

Carrie Saint Louis

Yes, I guess just the concern I have is that your -- S&P put the whole complex, Southern and all opcos on review for downgrade and I guess that was done during this last quarter. So I guess -- and I don't want to read anything into it, but I would have thought that maybe you would like to maintain your ratings there. So I guess, you're not -- I guess, your comment is that you're not looking to issue equity to defend current credit rating. Is that a fair comment? Or how should I think about that? I would have

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thought maybe you'd use a little bit more discretion about future equity, but it seems like you're saying not necessary.

Thomas A. Fanning
Chairman, President & CEO

Well, we've got to run this business in the long term. And I think the S&P move was all about Mississippi, to be honest with you. And I'm assuming that we're going to get fair treatment with the interim rates and then the permanent rates. So I think we just need clarity around that process.

Carrie Saint Louis

So are you -- if somehow in Mississippi, things don't go as expected with the outcome for interim rate release, is there a view that you would be open to considering issuing equity? Or are you saying that, that's just not in the plans regardless?

Thomas A. Fanning
Chairman, President & CEO

Well, look, I mean, we're open to anything, to the honest with you. But we expect fair treatment. I think we have a compelling take for fair treatment. I don't expect anything other than that.

Carrie Saint Louis

Well, I appreciate that. I think an openness to equity is always constructive.

Operator

Our next question comes from the line of Paul Ridzon with KeyBanc.

Paul Thomas Ridzon
KeyBanc Capital Markets Inc., Research Division

Quick question. You said you got that, at this point, the Vogtle dispute was among the consortium. Kind of what residual risk do you see Georgia Power still wearing here?

Thomas A. Fanning
Chairman, President & CEO

So I think Georgia Power has demonstrated that they are very well protected via their contract. Residual risk, to me, I suppose there is some theoretical risk there. But as a practical matter, when you think about even with the schedule changes, even with the increases in costs associated with those schedule changes, we believe that the majority of the costs, the big majority of the costs associated with that is being borne by the contractors and that's being demonstrated over and over again. And in fact, when you think about the fact that when Georgia had this plant certified, everyone thought that the cost is going to be a 12% price increase to Georgia Power's customers because the benefits have overwhelmed the increases in costs. We think now that estimate, frankly, Paul, has actually improved this quarter as you see in the VCM 12 filing. So now we think we're in the bottom of the 6% to 8% range. Largely, this recent improvement is because we're refinancing at a much better rate than what even we thought when we got the federal loan guarantees. Remaining kind of risk, I think we've disclosed in prior quarters, one of the features of the contract is called the financial integrity payment. It basically provides that as the contractors perform their obligations, if they use up all of their profit and then they spend another $250 million above their profit -- I guess, it's above their cost, then we would share a $250 million segment of which our share of that would be about $114 million. And then everything above that would be for the account of the contractors guaranteed by Toshiba. That's been a part of the contract since day 1. That's probably it in my view, other than certain owner's costs and everything else. But that's about it. I think we're in terrific shape on the contract.

Paul Thomas Ridzon
KeyBanc Capital Markets Inc., Research Division

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And then do you -- just back to Southern Power and how big it could be. Do you think that Southern Power should be valued any differently than the utility?

Thomas A. Fanning
Chairman, President & CEO

Man, haven't we thought about that over the years. I know you've, over the years, thought about kind of and I thought about it, too. Remember at one time, all the infrastructure guys were buying up all these bilateral contracted entities and they had tremendous value. We actually thought about that. And please understand, from my background as a CFO, I know Art feels this way, we're always after shareholder interest. And so theoretically, you're always a buyer and a seller at a certain price. We're always there to do what's best for shareholders. There's a better owner, we'll take advantage of it. The other thing, though, it's not just a dollars and cent business. There's real blood and guts and relationships in this stuff. When you think about kind of the relationship that Southern Power has been able to strike in the marketplace, it is really important because it goes to the center of our business model. Customers in the middle everything we do: reliability, price and service. One of the most loyal customer groups that Southern Power has are co-ops and municipals. They absolutely have a long-term view on these kinds of assets and what service may be provided for their customers. So I'm not sure. We'd have to think very hard about ever selling those kinds of relationships away from the franchise. And that's other considerations we'd have to take into account.

Paul Thomas Ridzon
KeyBanc Capital Markets Inc., Research Division

And so switch subjects over to Mississippi. You said you expect a fair outcome. I assume that you would not consider the staff rec to be a fair outcome?

Thomas A. Fanning
Chairman, President & CEO

Yes, I just don't want to even comment on the staff rec.

Operator

Our next question comes from the line of Julien Dumoulin-Smith with UBS.

Julien Patrick Dumoulin-Smith
UBS Investment Bank, Research Division

So I wanted to go back a little bit to some of these balance sheet question first. In terms of talking about future acquisitions, you talked pretty bullishly about your balance sheet, but obviously you've got the pressures from the credit rating agencies kind of in a more immediate sense. How do you think about that contingency level that you guys obviously baked in earlier, especially relative to some of the pressures that you alluded to before with Carrie? If you can quantify perhaps is really kind of what I'm getting at.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Well, it's kind of difficult to do that when you got issues like Southern Power trying to execute on plans and don't really have a good idea. So -- but what we're thinking about from a rating agency perspective is basically getting to a point where we can use -- we can reduce the business risk -- excuse me, increase financial risk because business risk will be reduced as we move out of this construction progress.

Thomas A. Fanning
Chairman, President & CEO

Yes, let me say it a different way. Value is a function of risk and return. And when you make -- I think the heart of your question gets into a bunch of kind of current unknowables, what's going to happen with bonus appreciation and therefore cash flow, what's going to be the success rate of Southern Power, what's going to be our appetite to do things like gas infrastructure. So there's a host of things that we

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just can't get our arms around. What I can't tell you is as external -- as internal risks starts to wind down, that is we get more resolution on Kemper, that is we get more wind down of construction programs and therefore financing pressure. It's clear to me that as internal risk subsides, cash flow improves, that we can probably think differently about our capital structure. That's why we've said for some time now that, in fact, we may believe in the future we may be over equitized a bit. So I can't put a number on it, but these are things that we talk about daily.

Julien Patrick Dumoulin-Smith
UBS Investment Bank, Research Division

Right. And well, perhaps just to come back a little bit. You've alluded to scaling up the relative size of Southern Power within the Southern family here. But how do you think about potentially monetizing these assets? Obviously, given the ITC recognition and the subsequent earnings in future years and obviously your co-ownership with certain yieldcos, do you think about potentially sort of recycling the capital rather than necessarily scaling up the business per se, particularly if you're going to hit limit at max, you say, at 15% or what have you? I mean, in the context of Southern Power?

Thomas A. Fanning
Chairman, President & CEO

Think about the kind of CapEx that would be associated with doubling Southern Power right now. That is a big number, okay. So I think that chances, and you think about how big Southern is and you think that Southern continues to grow, if you think about that going to be required to double Southern Power, that is a big number. So number one, boy, that's an outside bet. Number two, I've been pretty consistent in saying if there's a better owner, we'd certainly take advantage of it. We'd always do that, but taking into account historical relationships, long-term longer partnerships, all those sorts of things.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

It's a great option to have.

Thomas A. Fanning
Chairman, President & CEO

Yes. Heck, yes.

Julien Patrick Dumoulin-Smith
UBS Investment Bank, Research Division

All right. Maybe let me just ask it more bluntly. To what extent would you pursue that as a first option rather than issuing equity in any kind of near-term sense to address balance sheet concerns?

Thomas A. Fanning
Chairman, President & CEO

If I'm a better owner of the asset and I have investment opportunities to issue equity, I would certainly issue the equity and make the investments that I need to make. I don't think about issuing equity in and of itself as being a bad thing. Number one, I'm over equitized, so I've got some margin there. Number two, if I'm above my kind of EVA threshold, then I issue equity and create value. So I don't look at issuing equity as a bad thing. If I'm issuing equity, it must mean that, all other things being equal, I've got darn good value-enhancing investments to make.

Julien Patrick Dumoulin-Smith
UBS Investment Bank, Research Division

That's very fair. And let me come back to something you alluded to in your comments previously here on gas infrastructure. Where do you stand on those opportunities? You've kind of suggested there could be updates coming, but where do we stand today?

Thomas A. Fanning

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Chairman, President & CEO

Yes, a lot, a lot, a lot of activity. I'm not prepared to give you an update today only because I've got a lot of irons in the fire and I've got to see how those things resolve themselves.

Operator

Our next question comes from the line of Ali Agha with SunTrust.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

First question, Tom. As you mentioned your weather-normalized sales for the first half are up 0.8%, as I recall, your full year target was 1.3%. Is that still the target given where we've been through the first half?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, Ali, this is Art. It still is. We don't adjust our targets that we put into our initial plans. But again, the momentum that we're seeing is beginning to approach what we've set out. We're certainly not there, but it was kind of forecast that way as well.

Thomas A. Fanning
Chairman, President & CEO

The signals we're seeing are really bullish. And if you look at kind of the national statistics, I'm sure the things the Fed is dealing with right now, we're seeing the same stuff they are. This residential move we've seen has been really bullish for us. We're not far away from where we were prerecession on migration into our area and increasing customers. We're probably, I don't know, we think about 70%, 80% away there.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

More like 60% but...

Thomas A. Fanning
Chairman, President & CEO

Well, what are we expecting for the year, 44,000 customers?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes.

Thomas A. Fanning
Chairman, President & CEO

In those days, we were 55,000 to 60,000. Okay, so whatever percentage that is.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Okay. And then secondly, perhaps to you, Art, again. As you look at your O&M ramped again through the first half, I know you had talked about having some catch-up to do. Are we where you thought we should be on the O&M front? Again, just remind us how we should think about that O&M this year and then going forward?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

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Yes, we're exactly what you said. We're right on target. Even though year-over-year, it looks like we're spending more money and it is, a lot of that is driven by a couple of things. We've had more outages at our larger operating companies this year, last year as a comparison.

Thomas A. Fanning
Chairman, President & CEO

Planned outages.

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Planned outages from a -- to the tune of maybe $0.03 year-over-year. There is regulatory deferrals in Alabama in 2014 that you don't have in 2015 and that's about another $0.03. And then for other changes that we're seeing, it's about another $0.06. So we're right in target. That deferral I mentioned at Alabama will reverse itself at year-end. So when you get to year-end, we should be right on target with what we talked about at 3% to 3.5% growth in nonfuel O&M.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

And that's the run rate to think about going forward, as well?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

That's correct.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

And lastly, Tom, just clarifying the Vogtle dispute with the contractors from your perspective. I know in the past, you've alluded to the fact that if the other side is willing, there may be a settlement to be had where you give up some, they give up some and you move forward. Is that still an option? Or am I hearing that the things are now going in a different direction that they themselves are not sure where to go? Or is that still something we should keep an eye on?

Thomas A. Fanning
Chairman, President & CEO

Oh, I think I'd say you keep an eye on. Look, we're always looking for a successful resolution. Failing a settlement, we're going to end up in quarter in Augusta, Georgia to litigate around the commercial dispute. So I think once the contractors resolve their own differences, we'll be in a position to address in a constructive way how to settle this thing. I'm still -- I'm an optimist, but I think it's reasonable optimism. I think we have a basis to go forward, but they've got to resolve their own differences first.

Operator

Our next question comes from the line of Paul Patterson with Glenrock Associates.

Paul Patterson
Glenrock Associates LLC

I have a really sort of quick question, I guess. Now that you guys are further along in the project and what have you, what do you guys estimate the cost of turning the lignite into gases on just an operational basis?

Thomas A. Fanning
Chairman, President & CEO

Okay. So when I answer that one, Paul, I generally think about it as a net energy price equivalent to gas to Mississippi's customers.

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Paul Patterson
Glenrock Associates LLC

In MMBtu, you mean?

Thomas A. Fanning
Chairman, President & CEO

Yes, so let me give it to you on what it used to be and we'll project -- we'll get an estimate on what it is now. So recall that our ability to stand behind our construction overruns has preserved largely the capital cost economics to Mississippi's customers. When I think about the relative lack of volatility of lignite fuel supply into the plant, so we control all that fuel, there's almost no volatility relative to the natural gas. Now remember, the net cost is really net of also sales of byproducts, which include sulfuric acid, ammonia and CO2. The biggest issue there is CO2. At $100 a barrel -- so it obviously isn't the case today. At $100 a barrel, remember, the CO2 revenues are indexed to oil, the net energy price was equivalent to about $1.25 per million Btu, somewhere in that range. Now with oil prices being down, the net energy price would be up. So let's say, it's, I don't know, call it, $2.50. If $100 and call oil, $50, and I'm being kind of broad-brush here. But say it's $2.50 per million Btu, somewhere in there, so my sense is gas today is, what, $2.82, somewhere in there the last I saw. You're still going to compete favorably with natural gas with this plan. It'll be, by all reasonable estimates, a base load facility. And for those economics, recall it has almost no volatility.

Paul Patterson
Glenrock Associates LLC

Okay. So let me just understand this. So what you're saying is with the CO2 being used to extract oil, is that what you mean?

Thomas A. Fanning
Chairman, President & CEO

That's right. Remember that we sold it under contract to [indiscernible] and Denbury under -- and we get paid revenue for what would otherwise be a waste stream.

Paul Patterson
Glenrock Associates LLC

Okay. Because it's indexed to oil and as a result, obviously, those numbers have changed. But even with them changing on an operational basis, you guys see all-in the -- all the reagents, all the energy you have to put it into it, et cetera, the extraction is basically approximately $2.50, give or take, is that right?

Thomas A. Fanning
Chairman, President & CEO

That was a broad estimate, okay. I don't have on the top of my head what ammonia's worth, what sulfuric acid is worth. It assumes a heat rate, it assumes a variety of things. But that would be -- as I sit here right now, would be a reasonable estimate.

Paul Patterson
Glenrock Associates LLC

And you see this as dispatching pretty much once it's up and running. We're not going to have a situation where you're just going to be running natural gas through the CCGT because it's more economic?

Thomas A. Fanning
Chairman, President & CEO

I wouldn't think so, no.

Operator

Our final question comes from the line of Dan Jenkins with State of Wisconsin Investment Board.

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Dan Jenkins

I have a couple related to the economy. You mentioned how you're seeing a rebound or a pickup in the residential and commercial areas, but I noticed that the industrial seemed it was a little slower than what we've seen in the last few months. I'm wondering if you have any more color on that?

Thomas A. Fanning
Chairman, President & CEO

Yes, sure. Look, it's been consistent with kind of what the Fed has been saying. It's what everybody has been kind of speculating, me included. Gosh, as the dollar has gained in strength relative to the euro, when you think about what's going on in China and everything else, the United States economy, like it or not, may be the best place for people to invest, including treasuries, therefore, the strength of the dollar has really increased. And one of the dilemmas that the Fed is trying to deal with is that they start on a path to liftoff, if you will, and then depending on what trajectory they select, you could see further strengthening of the dollar relative to other international currencies. And obviously, that could have an impact on exports, okay. We've seen already some of that happen. So when you think about the Grexit, whether it happens or not, Japan, China, like I said, event risk in the Soviet Union or in the Middle East, the dollar still looks pretty darn good. So we've seen some slowdown in exports. Likewise, we've seen an increase in imports. The other thing that's kind of weighed on in the industrial activity a little bit is oil prices. Oil prices being so low, we've seen kind of a reduction of bid in pipelines, some manufacturing, things like that. Primary metals are down a little bit, chemicals are down a little bit also in this whole mix. So that's what you're seeing. That's what's responsible for some of that.

Dan Jenkins

Okay, good. Also I had a question -- another question kind of related to the changes you've made to the financing plan. Overall, it has -- the 3-year total didn't change much, but it looks like the 2015 is about $445 -- $445 million lower whereas '16 is $475 million higher, but you're still talking about the same CapEx numbers. So is there -- should we maybe -- is that more related to maybe some CapEx getting delayed in the '16 that was in '15? Or how should we think about that year-over-year change related to that CapEx forecast?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Dan, it really is a function of cash flows within the operating companies, how they change, what their needs might be, whether they can push an issuance out of 1 year into the next. Again, we try to balance from a Southern Company perspective who's going to market, when they go to market so that we don't all go at the same time. So we're just trying to balance out as we move through time how we cap the markets in the most efficient way.

Dan Jenkins

Okay. And then, lastly, on Vogtle. You didn't really break out Unit 3 and Unit 4 like you have in the past. And so I was just curious, just looking into this current quarter, the third quarter, it sounds like setting the Unit 3 say 1 is one of the critical items, I was wondering if you could identify any of the other critical items at Unit 3 and Unit 4 in this upcoming quarter?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Well, the near term, you hit it, it would be to set the CA-01 in Unit 3. There some other things going on there, the transmission work that we mentioned, I believe in the script, that aux [ph] building as Tom mentioned as well is very, very important to this. But one other thing that's really not mentioned here is really down in the on-horizon part of Unit 3. It's the installation of the turbine generator, which, I believe, is late this year, or early next, I believe, which is a big deal. And that turbine building has probably another 60 feet of steel to go on top once that turbine deck's built. So if you look at the pictures we put

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in the slide deck, it's beginning to look like what it's going to look at the end of the day and that's exciting for us.

Thomas A. Fanning
Chairman, President & CEO

And you know what, I'd just make the invitation. I know certain of you guys have taken investors on to the site to be able to see this stuff. The scale of this work is just immense. And in order to kind of get an appreciation for it, if you guys ever want to come see it, we'd be glad to arrange any kind of visit you want.

Dan Jenkins

Okay. How about Unit 4, are there any critical items in the upcoming quarter there?

Arthur P. Beattie
Former Executive VP & Chief Risk Officer

Yes, Dan, I think they've set some smaller modules in, but the real big work there is going to be modular related to CA-20 assembly has begun in the module assembly building and they've begun making panels for the CA-01 module at Unit 4 as well. So those are big deals. We've learned a lot of lessons from Unit 3, and we're hopefully going to put those lessons to use and build them quicker on Unit 4.

Thomas A. Fanning
Chairman, President & CEO

Yes, and the other thing that, I guess, I'd come away with when I go out there and kick the tires on the site and listen to the people building it, we're actually feeling pretty good about the schedule on Unit 2. There's a lot of elements -- I'm sorry, Unit 4. There's a lot of elements on Unit 4 that relative to Unit 3 are accelerated. So that's good for the project.

Operator

And at this time, there are no further questions. Sir, are there any closing remarks?

Thomas A. Fanning
Chairman, President & CEO

Sure. I just want to say thank you to everybody. We had a heck of a first half of the year for the franchise's doing fabulous. We're coming off a year where we were the highest level of customer satisfaction, that's our ultimate barometer. But financially, we're great, operationally we're great. Southern Power is doing fine, making big progress on these big projects. I'm very happy to report a really good first 6 months and look forward to the next 6 months. Thank you all for being on the call. Thank you for following us, and look forward to talking with you soon. Have a great afternoon.

Operator
Thank you, sir. Ladies and gentlemen, this does conclude the Southern Company's Second Quarter 2015 Earnings Call. We thank you for participating in today's call, and you may now disconnect your lines.

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