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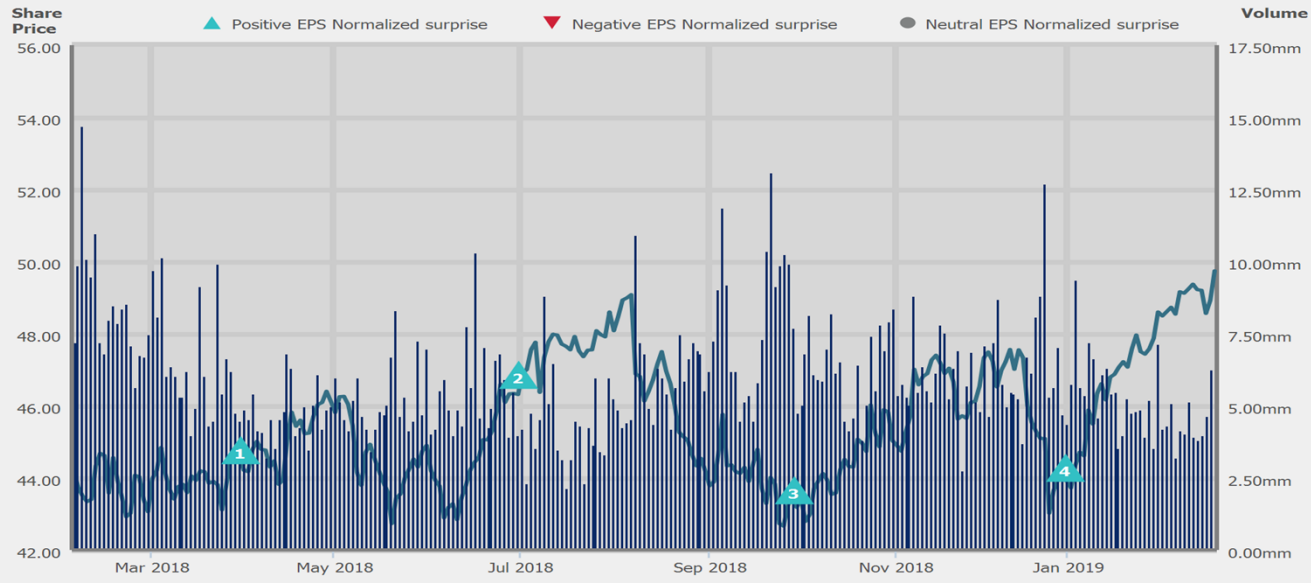
FQ4 2018 Earnings Call Transcripts

Wednesday, February 20, 2019 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2018-			-FQ1 2019-	-FY 2018-			-FY 2019-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.23	0.25	▲8.70	0.82	3.04	3.07	▲0.99	3.02
Revenue (mm)	4879.40	5337.00	▲9.38	6218.92	23080.12	23495.00	▲1.80	22411.41

Currency: USD
Consensus as of Feb-20-2019 12:46 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2018	0.84	0.88	1 4.76 %
FQ2 2018	0.69	0.80	2 15.94 %
FQ3 2018	1.07	1.14	3 6.54 %
FQ4 2018	0.23	0.25	4 8.70 %

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Call Participants

EXECUTIVES

Andrew William Evans
Executive VP & CFO

Scott Gammill
Head of Investor Relations

Thomas A. Fanning
Chairman, President & CEO

ANALYSTS

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Angieszka Anna Storozynski
Macquarie Research

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Jonathan P. Arnold
Deutsche Bank AG, Research Division

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Michael Weinstein
Crédit Suisse AG, Research Division

Paul Patterson
Glenrock Associates LLC

Praful Mehta
Citigroup Inc, Research Division

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Presentation

Operator

Good morning. My name is Daisy, and I will be your conference operator today. At this time, I would like to welcome everyone to the Southern Company Fourth Quarter 2018 Earnings Call. [Operator Instructions] As a reminder, this conference is being recorded, Wednesday, February 20, 2019. Your speakers for today are Scott Gammill, Tom Fanning and Drew Evans.

I would now like to turn the call over to Mr. Scott Gammill, Investor Relations Director. Please go ahead, sir.

Scott Gammill
Head of Investor Relations

Thank you, Daisy. Good morning, and welcome to Southern Company's Fourth Quarter 2018 Earnings Call. Joining me this morning are Tom Fanning, Chairman, President and Chief Executive Officer of Southern Company; and Drew Evans, Chief Financial Officer.

Let me remind you we'll be making 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 in 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, which are both available 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 morning, and thank you for joining us. As always, we appreciate your interest in Southern Company. As we report our 2018 results and look ahead to 2019 and beyond, our focus remains on investing in our premier, state-regulated utilities and providing outstanding risk-adjusted returns for investors.

2018 was a year of incredible accomplishments for Southern Company. We ended the year with a great deal of uncertainty regarding corporate tax reform and our own first full year as general contractor at Vogtle 3 and 4. First, regarding tax reform, we reached timely, innovative and constructive outcomes with regulators in multiple jurisdictions, and as a result, are in the process of delivering approximately $1.8 billion of benefits to customers while preserving our credit quality and improving earnings per share. At Vogtle Units 3 and 4, we completed our first full year as general contractor. In July, we revised the estimated cost to complete and recalibrated site production expectations with a site-wide reset. Since then, we have achieved a trajectory of staffing and productive hours worked per week that is ahead of what we targeted on our last earnings call. We continue to have a lot of work ahead of us to sustain this performance, but we are pleased with our progress and are confident that we can meet the schedule approved by our regulators. I'll provide more details on Vogtle 3 and 4 shortly.

We are executing our business model in a world-class manner. Our modernization initiatives have improved customer service and the resilience of our system. Through aggressive cost management, we expect to continue to invest in our state-regulated franchise while keeping rates low, sustaining our outstanding operational performance and delivering strong financial performance.

In 2018, we successfully completed strategic, value-accretive transactions totaling over $11 billion, efficiently sourcing equity to strengthen our balance sheet. Notably, we closed on the sale of Gulf Power Company on January 1, 2019, and we expect to close on the sale of Southern Power's Mankato facility this

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summer. Our decisive actions substantially reduced our projected equity needs, removed significant risk on financing plans and positions the company for future growth.

Customers are at the center of everything we do, and we have continued our long-standing track record of providing some of the best customer service in the business. For example, Georgia Power was the highest-rated utility for both residential and business customer satisfaction by J.D. Power in the South region in 2018, and Nicor Gas was rated among the most trusted utility brands by residential customers.

Let's turn now to an update on Plant Vogtle Units 3 and 4. Throughout 2018, progress at the site was significant. We achieved our major 2018 construction milestones for the project. Overall, including engineering, procurement and the initial test plan, the project is approximately 74% complete.

During the past 3 months, several significant milestones were achieved. Unit 3 milestones included: setting the first reactor coolant pump, placement of the third and final containment ring and setting the main control room roof. At Unit 4, we set the pressurizer and second steam generator inside the containment vessel. Additionally, since our third quarter earnings call, the remaining 2 AP1000 units in China, Sanmen 2 and Haiyang 2, achieved commercial operation. Lessons learned from China will continue to benefit our project.

On our third quarter call, we detail solid productivity improvements. And I'm pleased to report today that positive momentum at that site continues. We've successfully added approximately 700 new, skilled craft resources, attracting pipe fitters and electricians to the site. We told you in November that we were targeting to ramp up to 140,000 productive hours worked per week by March. So far, for the month of February, we have averaged 141,000 earned hours per week. In fact, last week, we achieved 146,000 hours with a CPI of 1.08. We are focused on sustaining this progress throughout 2019 and into spring of 2020.

As we have discussed previously, we continue to manage construction on a more aggressive schedule in order to preserve margin to the regulatory approved dates. For reference, we currently estimate that we need to sustain approximately 110,000 weekly earned hours in order to meet the November '21 and November 2022 regulatory approved schedule. We are currently in the midst of rebaselining our work for Vogtle Units 3 and 4. At a high level, this effort involves a verification of estimates for remaining commodity quantities, hours to install those quantities, staffing trends, testing and system turnover requirements and achievable craft labor production. This rebaselining effort will refine the weekly work plan for the remainder of the project. Our overarching objective in the rebaselining effort is to maintain the aggressive work plan at the site, allowing us to preserve as much margin in our schedule as possible to the November 2021 and November 2022 regulatory approved in-service dates. While it's important to acknowledge that this rebaselining effort is not complete, we continue to expect that the project's schedule and capital cost forecast will be consistent with our prior estimates. And based on early indications, we also expect a reduction in the amount of remaining productive hours needed to complete the project. We expect to conclude the rebaseline effort prior to our first quarter call, and Georgia Power will file a report with the Georgia PSC reflecting the results no later than May 15. The Public Service Commission staff will then have until July 31 to file their observation on the outcome of the rebaseline process with the Commission.

In the appendix of our slide deck for this call, we've provided the most recent Schedule Performance Index, Cost Performance Index and percent complete metrics. While we continue to believe that these measures are the best indicators of progress at the site, please note that the charts provided for the Schedule Performance Index and percent complete metrics do not reflect the ongoing rebaselining effort. And we believe it is likely that the most recent results shown on those charts are not representative of the current status of the project. We will provide an update on the results of the rebaselining effort, including an update on these key measures, on our first quarter earnings call.

On the regulatory front, the Georgia Public Service Commission voted yesterday to approve a stipulation between the PSC staff and Georgia Power that settled all issues in VCM 19, which included combining the filing of VCM 20 and 21 in August of 2019 at the request of the PSC staff. Combining the filings recognizing -- recognizes the ongoing rebaselining effort and is designed to accommodate an unusually busy regulatory calendar in Georgia, which includes Georgia Power's triennial Integrated Resource Plan

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filing and rate case filings for Georgia Power and Atlanta Gas Light. This action is not without precedent. Some of you may remember that in 2013, we made a similar determination with the PSC staff to combine VCMs 9 and 10 during Georgia Power's 2013 rate case.

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

Andrew William Evans
Executive VP & CFO

Thanks, Tom, and good morning, everyone. As you can see from the materials we released this morning, adjusted results for the quarter and the full year exceeded our expectation. Due to the positive impact of weather and cost control for the first -- for the full year, their related customer refund accruals occurred in the fourth quarter. So comparison of year-over-year adjusted fourth quarter earnings results is not particularly informative, and I'll focus on the full year.

For the full year on an adjusted basis, Southern Company earned $3.13 billion or $3.07 per share in 2018 compared to $3.02 billion or $3.02 a share for 2017. A detailed reconciliation of our reported and adjusted results is included in this morning's release and earnings package.

Last year, as a result of the impacts of tax reform on our business, we reset the starting point of our expected long-term EPS growth trajectory to $2.87 per share. Our adjusted 2018 results of $3.07 per share were approximately 7% above the midpoint of our original guidance range. This result was also above our updated guidance range disclosed on the second quarter call, which was increased due to performance through midyear and the Florida asset transactions. The major drivers versus 2017 were the positive effects of constructive regulatory outcomes and weather at our state-regulated utilities, somewhat offset by increased depreciation and amortization, interest expense and share issuance. Importantly, we have also been successful in holding our non-fuel O&M expense flat at our state-regulated electric utilities year-over-year as we continue to create and seek out operational efficiencies.

Looking at some of the operational highlights. Our generation system load was 4% higher in 2018 compared to 2017, representing our second-highest load on record. The increase was primarily due to extreme cold temperatures in January and warmer-than-normal temperatures in September. We also experienced record gas burn and gas generation in 2018 due to higher loads throughout the year and lower gas prices in the second and third quarters.

For 2018, our energy supply mix was comprised of 47% natural gas, 27% coal, 15% nuclear and 11% renewables. Notably, generation from coal plants continued to trend downward, which is in line with our stated carbon reduction objectives.

Moving now to an economic review of the year, we continued to see robust net income -- net in-migration, particularly in the Southeast. Across our regulated utilities, we added 41,000 new residential electric customers and 32,000 new residential gas meters during 2018. Our combined business territories continues to see slightly faster population growth than the rest of the nation, and in particular, Atlanta is currently the fourth-fastest growing metro area in the United States. Retail electric sales growth for the year was approximately 1% on a weather-normalized basis, principally driven by this customer growth with a minimal decline in customer usage. As we forecast future years, we anticipate the customer growth trend to continue, but we also expect a slight annual decline in customer usage.

When looking at these 2 factors combined, our forecast for retail electric sales growth remains flat to 1%. While we achieved growth at the top end of the said range in 2018, our guidance remains flat to 1% for 2019 for sales.

The commercial customer class continues to grow. However, energy efficiency, e-commerce and other changes in business models are challenging overall demand growth. While there are signs of slowing momentum in the fourth quarter in selected industrial segments, industrial sales were strong for the year in 2018, with 7 of our top-10 industrial segments posting year-over-year growth.

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Overall, total employment growth remained strong in our service territories. Alabama and Georgia both outpaced the national average, with employment growth of 2.2% and 2.5%, respectively. And developers continue to select sites in the Southeast for large-scale economic development projects.

Before I turn the call back to Tom, I'd like to discuss our 2019 EPS guidance range and our long-term outlook. Our 2019 EPS guidance range is $2.98 per share to $3.10 per share. The $3.04 per share midpoint represents growth of approximately 6% from $2.87 per share, the midpoint of our original 2018 guidance range.

In the first quarter of 2019, we estimate that we will earn $0.70 per share, excluding a preliminary gain on the sale of Gulf Power currently estimated to be $1.28 per share as well as any other adjustments in that period. Our expected long-term EPS growth rate remains 4% to 6%, using the same base of $2.87 per share that we established a year ago. This growth rate is driven by strong fundamentals across our state-regulated electric and gas utilities and a continued focus on cost control. We expect our state-regulated utilities to comprise over 90% of total projected earnings through the 5-year horizon.

Our long-term outlook continues to be driven by capital investment in our state-regulated businesses. Our investment plan of $38 billion includes a projected rate base growth at our regulated utilities of approximately 6%. This updated plan reflects a $3.7 billion increase over last year's forecast for 2019 through 2022, excluding the previously disclosed Vogtle cost increase. The main drivers of the increase are significant, incremental state-regulated utility investment, primarily related to the closure of ash ponds or environmental spend in Georgia and Alabama as we continue initiatives to modernize and increase the resilience of our electric generation, transmission and distribution infrastructure.

For Southern Power, the cumulative 5-year investment plan of $900 million is comprised entirely of previously announced projects and maintenance capital for the existing generation fleet. We expect to remain opportunistic with regard to growth at Southern Power, seeking to deploy new capital for projects that meet our stringent risk and hurdle rate objectives, but any incremental growth opportunities at Southern Power are expected to enhance the long-term financial plan and be largely self-funded.

We currently forecast a total equity need of $2.5 billion to $3 billion over the next 5 years. We have the capacity to fulfill most or all of our projected equity needs through our robust internal equity plans. However, we will continue to preserve all options and evaluate other potential equity alternatives. We have demonstrated discipline and agility in seeking the most efficient sources of equity in the past. 2018 could not be more indicative of this. And we will remain equally thoughtful and investor focused as we fulfill our future equity needs. Financial integrity and strong credit metrics provide significant benefit to customers and investors and has always been a top priority for us.

We have taken significant steps over the past year to deleverage our balance sheet. And in 2019, we expect to continue to strengthen our balance sheet and improve our credit metrics.

Another long-standing priority for Southern Company is providing a regular, predictable and sustainable return to shareholders through our dividend. We have an outstanding track record of dividend payments and growth. Over a 71-year period dating back to 1948, we have paid 285 consecutive quarterly dividends that have been equal to or greater than the prior quarters. While future dividend policy is the purview of the Board of Directors, we are proud of this track record, and we believe our financial outlook continues to support our objective of growing the dividend $0.08 per year.

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

Thomas A. Fanning
Chairman, President & CEO

Thank you, Drew. In closing, throughout 2018, we continued to execute across all our businesses, achieving outstanding results. The foundation of our business remains strong. Our customer-focused business model with an emphasis on outstanding reliability, best-in-class customer service and rates well below the national average continues to be the cornerstone of delivering value to customers and shareholders.

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Our credit profiles are significantly improved. We continue to project 4% to 6% long-term growth in our business. And our employees across the franchise continue to deliver outstanding service to customers and the communities that we are privileged to serve.

2019 will be an extraordinarily important year for Southern Company, with particular focus on Vogtle Units 3 and 4 and investment in our state-regulated businesses. We have a long track record of successfully executing on our business model and believe we are poised for continued success in the months and years ahead.
We appreciate your continued interest in Southern Company. Operator, we are now ready to take your questions.

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Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Greg Gordon with Evercore.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Just numbers look great. Near-term outlook looks great. I just wanted to make sure I understand, precisely, the message you're trying to deliver on Vogtle today because it's just a tad confusing. If I heard you correctly, you said you were at 146,000, productivity of 146,000 recently. You're at 140,000 today. The target was to be at 140,000 by...

Thomas A. Fanning
Chairman, President & CEO

March.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

By March. And that if you can maintain at least 110,000, you believe you can deliver the regulatory in-service date in November on the current cost schedule. Is that correct?

Thomas A. Fanning
Chairman, President & CEO

Yes, yes. In general, we were...

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

The reason I'm asking -- sorry to jump in on you.

Thomas A. Fanning
Chairman, President & CEO

Yes, go ahead, go ahead.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

The reason I'm asking is because you then said you're now rebaselining. And I think the -- but the rebaselining, if my understanding is correct, is just delivering a schedule to the regulator that now reflects that aspiration.

Thomas A. Fanning
Chairman, President & CEO

It's all of that.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

Versus the prior aspiration, which was different.

Thomas A. Fanning
Chairman, President & CEO

Yes, it's every so often, say, 18 months or so, we'll take a look at the schedule and based on everything. We have to kind of use schedule in discrete periods, right? You -- we obviously look every week to

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optimize workflows and process, learning from China as they have now achieved startup. All of that goes into our thinking about what the implications are for the work performed for the remaining construction period of the plant. All of that input goes into what we call rebaselining. And the output, we believe, now it's not done yet, got to stress this to everybody, but everything that we see right now, as of today, says, "Costs and schedule are preserved, and we expect to have to spend less hours to complete the project than what is currently in our budgets," okay? And if I just gave a little more refinement there, what we know today, what we believe today, is at least a reduction in hours of around 600,000 hours. Now there may be more, we'll see what happens. We'll deliver that when it becomes public as we conclude the rebaselining effort. So in general, what we said in October was we needed to hit 140,000 by March. We've hit 140,000 in February. Last week, we hit 146,000. So we're very happy with the productivity and the staffing resources necessary to deliver productive hours per week. So good track. The challenge for us, can we sustain that from February of '19 to February of '20? You should expect that those numbers may bounce around during that period of time. But if we can average 140,000, we believe right now, and this is before baselining is complete, that we'll be able to hit our more aggressive schedule. Recall the schedule that we are focusing on paramount is November '21, November '22, for units 3 and 4, respectively. It remains the case that we are working on site to April schedules. The idea there is to deliver more margin to the regulatory-approved schedules by the Georgia Public Service Commission, okay? And we try to give you reference points. And let me just make sure we get those clear. On productive hours worked per week, we think if we average 110,000 hours per week, we can hit November schedules. Hitting anything better than that improves our likelihood of gaining margin to November. That's why we're targeting 140,000, or even above, for the remainder of the period, February '19, February of '20. These numbers, we believe, are consistent with the April schedule that we had in place. But again, we've got to finish rebaselining. There's a lot that goes on. Even theoretically, you could reduce hours and have a prolonged schedule, maybe a week, 2 weeks, 3 weeks, a month, something like that. It just depends on a whole lot of sequencing that goes on. But the point is if we do better than 110,000, we're gaining margin to November. We're targeting 140,000. And we're doing a little better than that right now. One other point. These charts in the back, we had an argument internally about providing you those charts. That's okay, we fight all the time here. The charts are based on the old schedule. They do not include the new rebaselining and everything else. And let me just give you kind of the reference points there. On CPI, if we can beat -- I think it's 1.4, CPI is 1.4, then we will do better than our budget that we're projecting for the November in-service dates. And schedule, if we can beat 1.3, we will do better than the November schedule. That's how we're evaluating those charts. Those are the reference points. Now I'm sorry, Greg, I went into a little bit of detail, maybe more than you wanted, but I want to be very clear about where we are.

Gregory Harmon Gordon
Evercore ISI Institutional Equities, Research Division

No, that's exactly -- Tom, that's exactly what I was asking. So right now, you're creating margin against the November schedule. You'll sort of codify exactly what the current schedule is in the rebaselining process that you're going to submit to the Commission. And then as long as you can keep on track, you're continuing to create a little bit of -- above 110,000, you continue to create a little bit of headroom to the November in-service date. I think that's clear. I guess the one final question, then I'll jump to the back. You said you might be able to do it in fewer hours. Does fewer hours mean actually a lower cost? I mean, is it really -- is it [base times] hour? Or are there other factors involved?

Thomas A. Fanning
Chairman, President & CEO

It depends on -- yes, there's other factors: the amount of commodities involved, piping wire, stuff like that. Certainly, the cost of the units employed. I think we suggested -- there was all this conversation in the past about we need people from Canada and everything else, and I still that would be a good thing to have. What we did on the site was actually increase wages for electricians and pipe fitters to essentially top decile. Now we were able to absorb those costs in our own variance without touching contingency. But there will be issues along the way that really deal with unit cost. Hours certainly matter, and all other things being equal, if you have less hours, you have less cost, you have less schedule. But we can't say that with certainty until rebaselining is complete. So let us finish the work, and we'll tell everybody what the results are once it's complete.

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Operator

Our next question comes from the line of Julien Dumoulin-Smith with Bank of America Merrill Lynch.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Can you hear me?

Thomas A. Fanning
Chairman, President & CEO

Yes, sir. Hear you fine.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Excellent. So perhaps following up on Greg's question on Vogtle, if you don't mind. You talk about a reduction in the amount of remaining productive hours. Can you elaborate a little bit more? You may have already touched on this just a tad in the last question, but I want to hit that very specifically here. What is improving in terms of the underlying construction site from a productivity perspective?

Thomas A. Fanning
Chairman, President & CEO

Yes, so if you recall, one of the big issues we talked about was we kind of staged it. We need more people. And once we get the people on the site, we got to get them productive. And I think we've talked in the past about some guys -- so an electrician walks on the site, so we got a new person, but it takes him a while to get productive. We estimate that there is a little bit of friction, it may take 2 weeks or so to get the person working at near-best capability. So there's this issue of -- what do we get, about 75 people per week? Getting them up to speed, and so you'll see some friction in the -- especially the CPI metric. But as you get staffing where you need it, and everybody starts to become productive, CPI should start to go down. And in fact, that's exactly what we're seeing on the site. So it's a function of getting people, getting them productive and then working better. The other factor that has been important here is not just attracting but retaining people. And not only retaining but also less absenteeism and a variety of other things. All of our compensation practices right now incent people to stay, to have good attendance and to be productive. And I must say, we've had terrific partnership with Bechtel. I want to make sure I call out my friends Brendan Bechtel and Jack Futcher and Barb and the whole team there at Vogtle 3 and 4. We work with them day in and day out, and we continue to surprise ourselves, I think, with more productivity at the site. It goes to material management practices, it goes to work packages, just real kind of meat and potatoes, blocking and tackling kind of stuff. We continue to find ways to improve.

Andrew William Evans
Executive VP & CFO

Julien, I think another way for you maybe to think about this is that rebaselining is an effort to understand the number of hours that it takes to complete each of the tasks that are required for completion of the facility. And so efficiency is an important measure, but after a year or so of operations, just really redefining what each individual task will take in terms of total hours. That way, we're not tracking against a curve that's incomplete.

Thomas A. Fanning
Chairman, President & CEO

And everybody should know, Julien, we know it well. There is still a long way to go. Building margin is just smart. You just don't know what's going to happen in the future. We're showing a really good report today. It's important for us to continue to build the margin. That just insulates us against risk in the future.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

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And just to reconcile this, the hiring ramp, I know you're already at these 140,000 plus hours a week. How do you think about that today, given the 700? You just mentioned a second ago about you would like to see potentially Canadian hires but implied that it wasn't necessary at this point? Just where are we there?

Thomas A. Fanning
Chairman, President & CEO

Yes, yes, Julien, I meant -- yes, the Canada comment was just another arrow in the quiver should something else happen. We still have to go through outage season. Will people stay with us? A variety of all -- but that's just belt and suspenders. We feel like everything we're doing right now is getting us the people we need. And in fact, what I would say is pipe fitters, we're pretty well where we need to be. We do need a few more electricians down the road, but we're where we need to be right now. And we'll assess hitting the market for more people later.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Got it. It's composition of people rather than hiring ramp at this point?

Thomas A. Fanning
Chairman, President & CEO

Yes, I -- we're actually very happy with where we are. And in fact, we have a backlog right now. So what does that mean? People see what's happening at the site. I think word is spreading quickly. We've had great cooperation. Sean McGarvey, U.S. Building Trades. They see this as a quality work site, a safe work site. They can count on the hours. And so people are really attracted to come here now. So I think what we want to do is continue to see that. We've had more applications come in than we can process or want to process on the site. Like I said, we could process maybe 150 people on the site, but we couldn't make them productive. That would just be a cost measure. Our kind of target has been around 75 people per week. And so we have a backlog right now. We feel good about staffing. We feel good about making them productive. And the numbers that we show so far reflect that.

Operator

Our next question comes from the line of Jonathan Arnold with Deutsche Bank.

Jonathan P. Arnold
Deutsche Bank AG, Research Division

Appreciate the extra information on the slides that you're going to update with the rebaselining. And the one you didn't talk about was the percent complete in your answer to Greg, Tom. And I was just curious when you look at those December and January numbers, they seem to be a long way short, even though you're exceeding your current targets on hours worked. And should we expect that, that gap will effectively be eliminated once you rebaseline? So the -- is that the right way to kind of think about how that's going to change? Or anything you could say to that picture?

Thomas A. Fanning
Chairman, President & CEO

That graph, I think, is based on the aggressive schedule. And it's based on an April target, okay? And it's on the old data. It's on the old kind of hours worked and everything else. So my sense is there's really 2 pieces of information you don't see on that. One is, how does that compare to November? Two is, it doesn't include the benefits of rebaselining.

Jonathan P. Arnold
Deutsche Bank AG, Research Division

Okay. But it sounds like putting that together, it's safe to assume next time you show it to us, that gap between the blue and the green (sic) [grey] bars ought to be a lot smaller.

Thomas A. Fanning

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Chairman, President & CEO

Yes, and Jonathan, let me just give you that. We chatted about that just before the call what that would look like. Now this is highly imperfect. I'm giving you what we believe. We think at kind of this 140,000-plus level, we're going to be completing about 2% per month. And that will essentially converge these 2 lines. But we need to show you that. We had a real debate about whether to show this is or not. We said we would show it to you. That's why we put all these disclaimers up here.

Jonathan P. Arnold
Deutsche Bank AG, Research Division

Well, having that answer to explain it was very helpful. And then just one other on -- when we look back to -- just on guidance, look back to how you showed your guidance sort of last year, you have this sort of 4% to 6% cone, and the numbers coming in at the high end in 2019, including Vogtle, which you've obviously now affirmed, and then sort of drifting into the middle in '20 and towards the lower end in '21. I'm just curious, is that still the right kind of trajectory to be thinking about? Or is that old presentation now sort of redundant?

Andrew William Evans
Executive VP & CFO

Jonathan, I think that's still fair. You have to remember that what will actually be reported is still a function of the ROEs that are allowed during the construction period for Vogtle. And so that capital deployment does put a little bit of pressure on what would have been reported normally. Tom and I talked a lot about this. I think absent Vogtle, we're quite comfortable with the -- sort of our strength within that cone of earnings.

Thomas A. Fanning
Chairman, President & CEO

We'd be at the top end of the range.

Andrew William Evans
Executive VP & CFO

We'd be the top end, but we are comfortable that we can stay within it, even with the ROE depression that we get from Vogtle deployment.

Thomas A. Fanning
Chairman, President & CEO

And remember, Vogtle 3 and 4, I think, is 8% of our earnings, somewhere around there.

Andrew William Evans
Executive VP & CFO

Yes.

Thomas A. Fanning
Chairman, President & CEO

And just remember, during this period, especially '20 and '21, we're in that period where we have the lower ROEs associated with incremental expenditures. But recall, once we clear '21 and '22, once you get these units in, the trajectory really accelerates. It looks like an 8% kind of number out there from, say, '20 to '22 or '21 to '23. So it has a little bit of a shape. And it shouldn't surprise anybody. You all have known about the regulatory settlement with Georgia for some time. I'm happy that if you look at kind of our range this year, it shows at the top side, 8% over $2.87. And the bottom side is anchored in the bottom of our 4% growth rate.

Andrew William Evans
Executive VP & CFO

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Yes, the most significant difference, probably, year-over-year, is that we really are focusing our efforts on this $38 billion worth of investment into regulated enterprise. We continue to identify projects, whether environmental or modernization in transmission and distribution, we're still exploring opportunity around migration of the generating fleet to a less carbon-intensive mode. And so I think these will be a series of updates as we explore these options through '20 and '21. But this is our single-best projection of our future, I think, today.

Thomas A. Fanning
Chairman, President & CEO

Yes, and one more, just kind of point of interest. The Georgia Commission's always been kind of innovative and creative. For the first time in our IRP, we introduced a section called resilience. And it really talks about thinking differently about the electric system, in other words, integrating in concepts of resilience beyond transmission lines and generating plants to gas pipelines and what are the implications of storage and how can we think differently about the make, move and sell concept in terms of improving the reliability and ultimately, the resilience to customers. These are really important concepts.

Jonathan P. Arnold
Deutsche Bank AG, Research Division

Great. And just one housekeeping item. Did you end up sharing with customers in Georgia in 2018?

Thomas A. Fanning
Chairman, President & CEO

Yes, in fact, Drew will probably know this better than I do, but I said on TV this morning, we shared -- I mean, we gave benefits to customers this year of around $2 billion, $1.8 billion from tax reform, they got about 2/3 of the benefit, and then another $200 million or so, perhaps more, $209 million is what people are showing me right now, in terms of sharing.

Andrew William Evans
Executive VP & CFO

You got it. And equally weighted across Alabama and Georgia or closely equivalent.

Thomas A. Fanning
Chairman, President & CEO

And we love to have the regulatory mechanisms. If the company does well, customers do well.

Operator

Our next question comes from the line of Annie (sic) [Angie] Storozynski with Macquarie.

Angieszka Anna Storozynski
Macquarie Research

So no questions about Vogtle for me, for a change. So we saw the IRP filing from Georgia Power. We're still waiting to see what the Alabama Power files. And given the changes in the sharing mechanisms for any over-earning, I was just wondering -- I mean, we obviously still expected this earnings pivot during construction at Vogtle, but is there a way to minimize that earnings slowdown from Alabama Power?

Thomas A. Fanning
Chairman, President & CEO

From Alabama Power...

Angieszka Anna Storozynski
Macquarie Research

Meaning like just have some strength in Alabama Power earnings in order to offset the temporary weakness in earnings at Vogtle?

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Thomas A. Fanning
Chairman, President & CEO

Oh, I see what you're saying. Look, yes, we talk a lot about it. I think, our plan, we call it optionality. We've got lots of singles we can hit here, lay aside any home runs. Lots of little singles we can hit along the way, that we think we can optimize plans. Particularly, in '21, it's kind of the year we're focused on. We certainly have the ability to do that.

Andrew William Evans
Executive VP & CFO

I think ascribing it to Alabama perhaps is a little bit unfair. We'll look at a variety of options across the unregulated complex in total. Alabama's going to seek to do what's in the best interest of their customers, at all times, related to rate and return.

Thomas A. Fanning
Chairman, President & CEO

Yes, thank you, Drew. That clarification is exactly right. And in fact, when we think about -- we haven't talked about it yet, but kind of the investor-friendly asset sales and all that stuff, we were very active last year. We have lots more opportunity to do things here. I would view it more as kind of pruning. We just announced Mankato, and we expect to close that, I guess, by June or so. There's more of that to do, whether it's Southern Power, PowerSecure, things like that. We'll see.

Andrew William Evans
Executive VP & CFO

A perfect example is hyper investment in unregulated subsidiary generally leads to some dilution in the near term. We can produce a better earnings profile out of that business in the short term by utilizing its own assets to fund its development, and as Tom said, maybe prune back a little bit in things that are a little less strategic or find opportunities where people have a different view of value than we do.

Thomas A. Fanning
Chairman, President & CEO

And we certainly have done that in '18. And one more comment, boy, we have a great appetite within our operating companies, Alabama, Georgia and Mississippi, the gas business, to where, without forcing anything, we're not backing in the numbers. These are things that we can identify, whether it's ash ponds or resilience in the transmission system, that's very reasonable and things that we should do for the benefit of customers. The other trade we've made, you've heard about modernization, reducing O&M significantly. Georgia has done a heck of a lot of that. Mississippi, just to give you an example, have reduced over the years, personnel at that company from 1,500 to now about 1,000, a little over 1,000. So we're really taking money out of the business. We are creating headroom to invest in matters of resilience and technology to improve customer service. Georgia Power withdrew from a lot of its local offices, bill-paying offices, and yet increased customer touch through technology by 4x. We have lots of opportunity to do better.

Angieszka Anna Storozynski
Macquarie Research

Okay. And just one other question. So your large-cap peers seem to be pursuing lots of growth from commercial renewables. I know that you have some growth embedded in your plans for Southern Power, but how do you see this? Is this just more as a way to basically give you some flexibility around that 4% to 6% earnings growth? Or do you think that the commercial renewables are still delivering attractive returns, and as such, should be pursued?

Thomas A. Fanning
Chairman, President & CEO

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Yes, Angie, that's a terrific kind of point to raise. And we've debated about how to talk about this. Let me just tell you what our point of view is and let the other companies speak for themselves. We find, especially in the current environment, we find that solar and wind margins are shrinking pretty dramatically. And we'll still be active. I guess we have a placeholder in our financial plan of something like $500 million a year for this stuff. We don't expect to spend it. We expect more to be in the $200 million range. And that's really a function of the market. You recall, when the market was hot, we played really hard. On the other hand, we have a tremendous appetite inside our franchise businesses to spend more CapEx. What you're seeing with us is an intentional reallocation of CapEx away from those markets to our franchise markets. And it really is a function of need and weighted average cost of capital and what we expect the market will deliver.

Andrew William Evans
Executive VP & CFO

We're certainly not turning away from the concept of renewables. In fact, Georgia Power included over 1,000 megawatts of renewables within their most recent IRP. And so I think you might see the form of that investment change a little bit. But as Tom said, as we look at things in the unregulated space, it's not only the margins that have declined, but perhaps the duration of contract and the credit quality of counterparty.

Thomas A. Fanning
Chairman, President & CEO

Exactly.

Andrew William Evans
Executive VP & CFO

It simply falls through some of our return expectations. And so we just have to evaluate these things on a case-by-case basis and make sure they are accretive to shareholder value.

Thomas A. Fanning
Chairman, President & CEO

Let me -- he made such a good point, let me underline it. Value is a function of risk and return. Returns are down in that market, in our opinion. Risk is up because the duration of the contract available is down. We don't find that all that attractive.

Operator

Our next question comes from the line of Praful Mehta with Citigroup.

Praful Mehta
Citigroup Inc, Research Division

I guess, going back to Vogtle, if you don't mind. Great progress so far and great to see that you're tracking to be faster in terms of schedule. I guess, just wanted to understand a little bit on the testing phase. I know that, that will start at some point, in terms of testing all the equipment. How would you see that? And do you see any uncertainty being added to your schedule as you get to that testing phase?

Thomas A. Fanning
Chairman, President & CEO

You're right on the money. This is the next big thing to talk about. So coming out of the kind of July reset and then into the October earnings call or November earnings call, whenever it was, setting the trajectory of getting people on site and getting them productive was the most important thing we could do. We already have been involved in some turnover from construction to startup. So that actually has been ongoing. None of those systems, in the past, have been all that critical in terms of critical path to schedule. Frankly, we haven't done as well as we would like to do on those early efforts. But we are now laser focused on what it's going to take in order to move out of construction phase into startup phase.

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And let me just tell you, if we stay on this April schedule, conceivably, you could have fuel load as early as, for Unit 3, October of 2020. That's 18 months away. So we are right now in a big-time mode on focusing, taking in systems, turning them over to the startup folks. And that's not only the construction and operation, but the paperwork and all the stuff we have in place to get the ITAAC complete to go to high fuel load. We have integrated teams in place. We have some of the best people around the United States, our own people, Bechtel, and we're very happy with kind of where we are right now. You should know also that this is an area of great learning from China. We have seen what they've done at Sanmen and Haiyang. We've taken best practices. And in fact, we are thinking even as a part of the rebaselining is rethinking the schedule and sequence of some major events in the schedule to give us more certainty on the turnover package issue. This will be the next big thing to talk about. And we have talked internally about some graphics and some other ways to give you some transparency as to how this is going. Right now, we want to make sure we got people, got them productive. The next thing will be our progress on the question you raised. And wait a minute, maybe just let me just add 2 more things. One way to talk about this is just what are the big kind of systems that you should watch. One is initial energization. We think that's going to happen in the second quarter. And then the integrated flush of the system. This is essentially where you take water and move it through the pipes, you clean out the pipes and you get ready to operate. That's kind of the integrated flush, third quarter. And that's one way to talk about it. But you've got to imagine, there is a lot of systems that go -- underlie all these big issues. If we hit these big issues on time, we should hit the little issues on time. So we're going to work hard to find a way to communicate this with you.

Praful Mehta
Citigroup Inc, Research Division

Got you. That is super helpful. So as you think about the testing phase, building in some cushion through the current phase as you enter testing is probably what you're trying to track for, given there is a little bit of uncertainty, at least, in terms of how that testing would go. Is that fair?

Thomas A. Fanning
Chairman, President & CEO

Sure. Let me add one more thing that's just important. I know people love to complain about government and everything else. I would argue that this administration has been very helpful. Congress has been very helpful. In fact, even the past administration was helpful on building Vogtle. The NRC is a very tough regulator. They are very exacting and requiring, as they should be. And we work well with them. One of the things that when we got the AP1000 technology approved, if you remember, way back when, by the NRC, there was a lot of first-of-a-kind issues with that technology. Now with Sanmen and Haiyang operating, we were able to work with the NRC to eliminate what had been required as first-of-a-kind test issues. So those issues have been eliminated or lessened. And that has added about 3 weeks to our margin. So we're very happy to continue to work with the NRC to look for innovative, creative ways to help achieve the schedules we have in place.

Praful Mehta
Citigroup Inc, Research Division

As usual, very comprehensive answer. So really appreciate that. I guess, just quickly moving onto the finance side. Just to quickly test, on the equity, you've mentioned $2.5 billion to $3 billion over 5 years. Was there any clarification around strategic asset sales or other M&A transactions as a part of that? I wasn't clear on that point. So just wanted to clarify, could that equity number come down as you look at more M&A transactions?

Andrew William Evans
Executive VP & CFO

For -- I think a simple answer to your question is absolutely, it could. What we want to demonstrate, though, is that we can meet the requirements of the plan we've laid out for ourselves just using the internal plans at our disposal. And so that's basically dividend reinvestment and any option exercise that occurs. I think '18 has been very indicative of the approach that we'll take, but the -- I would say the

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majors have been done or in process for 2019. We're always looking to prune, make sure that there are opportunities to kind of refocus smaller business lines, and we're going to be as opportunistic around those things as we possibly can this year.

Thomas A. Fanning
Chairman, President & CEO

And if I could just beat some good news accomplishment, I think we bought well, and we sold well. I think we demonstrate terrific discipline in that. I think the AGL acquisition was a terrific one for shareholders. I think SONAT was a terrific one for shareholders. When you think about what we were able to do in '18, we sold a gas business in New Jersey and a few other places for 37x earnings, the highest multiple ever paid for a gas business. The Florida gas business we sold was, I think, tied right at for the second-highest multiple ever paid. Gulf was the highest multiple paid, in our knowledge, for any electric company. When you think about just other ways to dimension that, we were carrying assets at the time at $45 a share and sold them for $90 a share. We sold 5% of our earnings for 12% of our market cap. So it wasn't just that we were raising money. We were historically raising money with valuations that people hadn't seen before. These were all very accretive, very friendly to shareholders.

Operator

Our next question comes from the line of Michael Weinstein with Crédit Suisse.

Michael Weinstein
Crédit Suisse AG, Research Division

On the -- on rate base growth versus earnings growth, it looks like the -- especially on the electric side, it looks like the electric rate base growth profile is a little higher, about 1% higher, and that's taking out Gulf Power and I guess, replacing it with more ash pond CapEx. I'm wondering if that's going up, and it looks like the incremental equity is a little bit less than half of the incremental CapEx overall, all those things would seem to indicate higher guidance -- higher guidance growth rate going forward. But the growth rate is basically the same growth rate off that 2018 midpoint. Is that -- maybe just talk about what is it about the translation from rate base growth to earnings growth that's keeping that rate -- the earnings growth about the same.

Andrew William Evans
Executive VP & CFO

So this is a little like the question I think we took earlier and really relates to the shape of our or the path of our growth through that 4% to 6% earnings expectations. We know that we're going to have pressure related to Vogtle with construction investment over the next 3-year period. And so it doesn't translate as you see it here, sort of, 6% growth in state-regulated -- or 6% growth in electric utility to a full 6% growth at the corporation. I don't know that we'd be particularly doing ourselves a benefit by moving our growth rate -- our growth ranges around at a time when we're really focused on execution on Vogtle, but we'll kind of revisit that idea when we're substantially complete there.

Thomas A. Fanning
Chairman, President & CEO

But even at -- even with Vogtle, we're within the 4% to 6% cone.

Andrew William Evans
Executive VP & CFO

That's right.

Thomas A. Fanning
Chairman, President & CEO

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And if you look at the end, like I suggested before, the shape, for whatever flatter kind of performance you'll get through '21, it really takes off once you start clearing 3 and 4, and it looks more like 8% growth at that point.

Andrew William Evans
Executive VP & CFO

And Michael, you are correct. The vast majority of the change here relates to environmental CapEx and also some modernization of the T&D infrastructure over that period. But our change is a little over 4 -- I think a little over $4 billion, or kind of in that proximity and really is almost entirely in regulated enterprise.

Thomas A. Fanning
Chairman, President & CEO

Yes, and I just want to add, these aren't made-up numbers. They're not like, what do we need to fill a hole and let's create CapEx to do that. These are projects that we know about. They are sensible, and they help customers.

Andrew William Evans
Executive VP & CFO

Identified and largely filed.

Thomas A. Fanning
Chairman, President & CEO

Yes.

Michael Weinstein
Crédit Suisse AG, Research Division

I appreciate your comment also about the -- I guess, the increased competitiveness on the nonregulated renewable side. I'm also noticing that your -- the amount of CapEx that's going to the gas pipelines segment declines over time and I'm just wondering if that is also sort of an area that you might be thinking about divesting at some point.

Andrew William Evans
Executive VP & CFO

Divesting. It's an interesting question. I think we will continue to look at opportunity within the midstream. We really enjoy the investment there that we have in SONAT. Dalton is a construction that was completed 1.5 years ago that's brought tremendous benefit, I think, to the customers of Georgia. The same could be said of the other 2 constructions, although they are much smaller in terms of relative contributions to -- particularly the first one that I mentioned. But divestiture, I don't know. I think as these things get to commercial operation, we'll just have to assess whether they're better held by us or by others.

Thomas A. Fanning
Chairman, President & CEO

Yes, and the old joke around here is strategic means the numbers don't work. SONAT is strategic, and the numbers work. It's a wonderful annuity. That's another one where we bought well, I think. And as you mentioned, Dalton is perfect for our system. There's high synergy with those assets.

Andrew William Evans
Executive VP & CFO

The primary goal was to bring low-cost gas into our service territories, and to the extent that we can continue to do that, SONAT certainly does into the Southeast for both the gas and electric businesses, ACP or PennEast Pipeline into Illinois. Anything that serves the customer probably fits in our portfolio.

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Michael Weinstein
Crédit Suisse AG, Research Division

And just one final question about PowerSecure. So I mean, that was a relatively recent purchase. And I guess, you're thinking about it being a nonstrategic asset at this point. Does that mean you're...

Thomas A. Fanning
Chairman, President & CEO

Oh, no, no. Yes, no, no, no, I hope I didn't communicate that. PowerSecure, we think, is a really important thing. In fact, somebody, I think it was Angie, asked before about generation in the commercial and industrial realm. In fact, that's what we've seen. The last 3 wind deals we've done have been General Mills, General Motors and a cruise line. Here is the point. We see the age of big iron, making, moving and selling at scale, central station power units, as potentially slowing down and dissipating over time. Won't go away. And I can't tell you the time frame in which this is happening, but I think it's happening to some degree now. And then what we see in its place is something we refer to as distributed infrastructure. So now think about make, move and sell on the customer premises. And so we think that a certain combination of Southern Power, as it applies to Angie's question, the commercial and industrial segment, along with the strategic portion of PowerSecure, really do matter. And also, we are finding in the market elements of Sequent. Now we don't even include Sequent in our guidance and all that stuff. That is a subsidiary that's part of the gas infrastructure. Their major purpose in life, beyond managing the pipeline investments we have, like SONAT, is to make sure that the pipelines are full of gas and that we have efficient operation. Customers are finding now that if we can handle their fuel management issues, that synergy, along with distributed infrastructure, has great appeal and may fill up this gap that's developing on what we call distributed infrastructure. There is a whole lot about PowerSecure that is very strategic. There are elements, perhaps, that may not be and we'll figure that out over time.

Andrew William Evans
Executive VP & CFO

You have to really put that investment in context of size, and it does show up in our capital deployment, it's just not as capital intensive as the core businesses.

Thomas A. Fanning
Chairman, President & CEO

It's tiny.

Andrew William Evans
Executive VP & CFO

Yes, it's -- this is, an experiment is not the correct word, probably very important for us to be able to understand how the distributed generation market develops. We have a good sense of it within our own service territories, but there are others that are further along in their journey, whether that's sort of out west of us or otherwise. And so I think we'll continue to invest in that business to understand how distributed generation might change the utility business in total. It's a very important way for us to understand the markets.

Operator

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

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Mine's going to be really, really quick. When looking at the capital spend guidance there, the one thing that kind of stood out is there's very little at the regulated electrics for any new generation in the next few years, meaning next 3 or 4, 3 to 5 years. Just curious, are you guys being conservative about whether there's an opportunity to build renewables in rate base? Or whether as you potentially retire or run your coal units even less often, whether new gas fire generation in rate base would be needed?

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Andrew William Evans
Executive VP & CFO

I'd say if you look at the projections today, it's more the lack of having these items here are probably more around the uncertainty of whether or not they'll be -- the IRPs will reflect them. However, we are in process with IRPs in Georgia and ultimately, in Alabama and expect at least 1,000 megawatts of renewables will be built within the Georgia portfolio.

Thomas A. Fanning
Chairman, President & CEO

And we're always looking over our hand in terms of the economics of the best mix of capacity we got. It wouldn't surprise me, we've announced some stuff in the IRP at Georgia, Hammond, McIntosh, to see more of that thinking elsewhere in the system. It's just tough to think about all of the expense, whether it's O&M, environmental, everything else, supporting the coal fleet. We think that is a drumbeat that will continue. And as technologies develop, whether they're renewables or new highly efficient gas or storage, we'll take that into account as well.

Operator

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

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

First question, I just wanted to be certain. In the past, you all had given us a net income sort of profile for Vogtle depending on the construction time line and the ROE hedge that you've been alluding to. Is that still a good profile to be using for modeling purposes?

Thomas A. Fanning
Chairman, President & CEO

I think so. If it's not, we'll cover that with you offline. But I don't think anything has changed materially there.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Okay. Also a couple of your utilities have, obviously, seen an increase in their authorized equity ratios in the recent past. Again, for your planning purposes, as you look out long term and the 4% to 6% growth, are you assuming that those higher equity ratios stay where they are? Or how are you thinking about that as future rate cases are coming up?

Andrew William Evans
Executive VP & CFO

We are assuming that they stay in place, assuming that tax law stays as it is. You'll probably remember that the adjustments to capital structure really were simply for maintenance of the current credit quality of the utilities as they exist prior to -- existed prior to reform. And so Ali, we do expect they'll continue. That'll be adjudicated in Georgia over the next few months for both Atlanta Gas Light and Georgia Power. We're working to make some progress in the state of Illinois. And Alabama had, I think, really, really strong commitment from their regulators to maintain the credit quality of their business. And so comfortable with how we've described it in the projections.

Thomas A. Fanning
Chairman, President & CEO

And let me tell you something, if I could give you a quick policy argument. Tax reform, as they've done it, has been so beneficial to so many people. The argument against it is only the fat cats, the rich people benefit. It's dead wrong in our business. The way we've structured it, something like $1.8 billion of some sort of rate reductions accrue, whether they're refunds or other sort of rate reductions, accrue

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to customers. And 46% of our customers make less than $40,000 a year. And when you look at that segment, energy budget is a high part of their disposable income. This has a direct positive impact on some of the people in our economy that need it the most. This has been a great outcome.

Ali Agha
SunTrust Robinson Humphrey, Inc., Research Division

Got you. And just one quick question. The effective tax rate, if we calculated it right, on your adjusted earnings was slightly lower than I think what you were expecting earlier. Is this a good sort of runway to be thinking about in future years as well?

Andrew William Evans
Executive VP & CFO

I think the largest change year-over-year was the impact of tax reform. But let me get back to you in terms of the effective rate and the cash tax rate. I don't think it's varied differently -- significantly from our original expectation.

Thomas A. Fanning
Chairman, President & CEO

Yes.

Andrew William Evans
Executive VP & CFO

A little bit of movement perhaps related to gains on sale of assets, but that'd be the principal difference.

Thomas A. Fanning
Chairman, President & CEO

Yes, not in the year.

Operator

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

Paul Patterson
Glenrock Associates LLC

Well, listen, I mean, you guys have really pretty much covered everything with Vogtle. Just a quick follow-up on the staff testimony in November, sort of raised some concerns about the 29-month extension and what have you. And I was just wondering...

Andrew William Evans
Executive VP & CFO

20 what?

Paul Patterson
Glenrock Associates LLC

29-month, right?

Thomas A. Fanning
Chairman, President & CEO

Yes.

Paul Patterson
Glenrock Associates LLC

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And I just wanted to sort of get a sense as to what sort of changed between November and now, other than what you guys have already gone over? I mean, I guess, it would appear that things have really improved quite a bit. And perhaps that skepticism, if they were to write it today, would be less. I'm not asking you to speak for them, but if you can sort of address -- I mean, you guys never really, I think, filed rebuttal testimony or anything. So that's why -- I was just wondering if you could just fill in a little bit there as to why they had so much skepticism then and sort of the outlook now?

Thomas A. Fanning
Chairman, President & CEO

Yes, so you hit my first answer right on the head, and that is I don't want to speak for the staff. Look, if you just look at the facts right now, whether it's productive hours per week, 110,000 versus 140,000 plus hours work per week, we're developing margin to November. We're able to get the staff we need. We haven't eaten into any of the contingency. So schedule, cost, productivity, these numbers look pretty good. Now we have to sustain them. There may be things that we don't know, the unknown, unknown. We have the units in China working well. So we know the technology works. So here's the thing, I think, just as I indicated on an earlier question, I think that we're able to demonstrate we get staff, we get them productive, we're working. I think the next big issue is going to be turnover. And I know Dr. Jacobs, who we dearly love, he's a really smart guy and works with us and sits in all our meetings, that's part of his area of expertise. But how we move from construction now to startup, looking towards hot fuel load, potentially as soon as 18 months away, is kind of the big issue right now. And we'll talk more about that in calls ahead.

Operator

And that will conclude today's question-and-answer session, sir. Are there any closing remarks?

Thomas A. Fanning
Chairman, President & CEO

No, we're really happy to be able to report these results. It's the productive work of thousands of people making thousands of good decisions every day. I want to call out Bechtel, our partner on this important Vogtle journey that we're on. I think we're in good shape right now. The challenge is going to be keep the momentum going, sustain the progress and continue to execute the way we have. The financial plan is awfully robust.

I think we've demonstrated agility and being able to respond to changed conditions in some of the best regulatory environments in the United States. We expect that will continue. Lots of important work ahead in '19, but I think we're poised to execute and do well during this year.

Thank you for your followership of this company, and we'll continue to work on your behalf as hard as we can. Have a great week.

Operator
Thank you, sir. Ladies and gentlemen, this concludes the Southern Company Fourth Quarter 2018 Earnings Call. You may now disconnect.

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