S&P Global
Market Intelligence

The Southern Company NYSE:SO

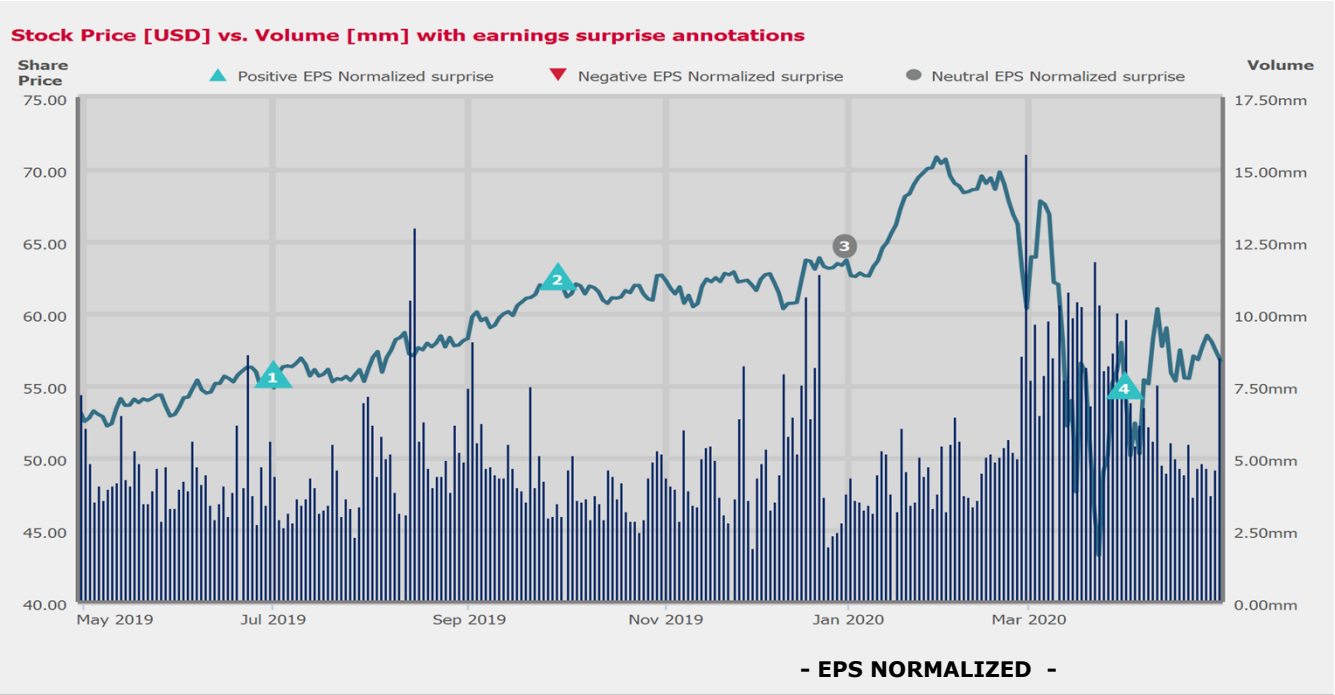
FQ1 2020 Earnings Call Transcripts

Thursday, April 30, 2020 5:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2020-			-FQ2 2020-	-FY 2020-	-FY 2021-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.71	0.78	▲9.86	0.79	3.14	3.30
Revenue (mm)	5446.56	5018.00	▼(7.87 %)	5201.18	22021.41	22847.72

Currency: USD
Consensus as of Apr-28-2020 9:29 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2019	0.72	0.80	1 11.11 %
FQ3 2019	1.14	1.34	2 17.54 %
FQ4 2019	0.27	0.27	3 0.00 %
FQ1 2020	0.71	0.78	4 9.86 %

COPYRIGHT © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Table of Contents

Call Participants 3
Presentation 4
Question and Answer 10

COPYRIGHT © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved

Attachment to STF-238-7

Call Participants

EXECUTIVES

Andrew William Evans
Executive VP & CFO

Scott Gammill
Director of Investor Relations

Thomas A. Fanning
Chairman, President & CEO

ANALYSTS

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

Ashar Khan
Verition Fund Management LLC

Charles J. Fishman
Morningstar Inc., Research Division

Durgesh Chopra
Evercore ISI Institutional Equities, Research Division

Jeremy Bryan Tonet
JP Morgan Chase & Co, 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

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Sophie Ksenia Karp
KeyBanc Capital Markets Inc., Research Division

Stephen Calder Byrd
Morgan Stanley, Research Division

Steven Isaac Fleishman
Wolfe Research, LLC

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Presentation

Operator

Good morning. My name is Nelson, and I will be your conference operator today. At this time, I would like to welcome everyone to Southern Company's First Quarter 2020 Earnings Call. [Operator Instructions] Please note, today's call is being recorded, Thursday, April 30, 2020.

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

Scott Gammill
Director of Investor Relations

Thank you, Nelson. Good afternoon, and welcome to Southern Company's First Quarter 2020 Earnings Call. Joining me today 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, Form 10-Qs 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 afternoon, and thank you all for joining us. I hope that you're well. As you can see from the materials we released this morning, we reported strong adjusted results for the first quarter, ahead of our estimate. This solid start to the year positions us well as we look to overcome short-term sales impacts from the coronavirus. Drew will provide you with more detail on our financials momentarily so I will go ahead and turn to our current operating environment amid the coronavirus pandemic.

At Southern Company, our top priority remains keeping every employee healthy and safe, while we continue to provide clean, safe, reliable and affordable energy for our customers. We were well prepared to quickly make necessary adjustments across our business, activating incident response teams throughout the company in February. We continue to execute COVID-19 pandemic plans for our business. And to date, our operational performance has been exceptional. We have not experienced, nor do we currently foresee, supply chain disruptions for our utilities or our construction projects.

We often talk about the importance of the reliability and resiliency of our electric and natural gas infrastructure, which has delivered remarkably well during this time. In face of COVID-19, our biggest asset has really been the reliability and resiliency of our workforce. I want to thank our employees who have risen to every challenge. We have been resourceful in rapidly procuring and deploying necessary protective equipment and implementing effective protocols to safeguard against the virus.

Our operations and customer service teams have continued to work around the clock. We are finding solutions to effectively work in teams remotely, and we are communicating with our workforce and external stakeholders in a whole new way. We've implemented a wide range of projects to support the physical, financial and emotional well-being of our employees during this time as they continue their superb work to support the operations of our company.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

It is also a hallmark of our company to be a citizen wherever we serve. So we have worked to identify how we can best assist our communities during these difficult times. Southern and its subsidiaries are targeting a commitment of nearly $10 million in financial -- I'm sorry, in foundation and charitable contributions, and our employees have logged thousands of volunteer hours to assist those impacted by the coronavirus pandemic. I expect we will do even more in the coming months.

Let's turn now to an update on Plant Vogtle Units 3 and 4. We remain focused on meeting the November '21 and November 2022 regulatory-approved in-service dates, and we continue to maintain an aggressive work plan on-site as a tool to help position us to meet those dates. Recall, in February, we refined the aggressive site work plan to reflect a May 2021 completion target for Unit 3 and a March 2022 completion target for Unit 4.

We also laid out a November benchmark schedule and related milestones for Unit 3. Through March, production for Unit 3 was generally consistent with the refined aggressive site work plan. April's performance was challenged due to COVID-19 impact, which put us slightly behind the aggressive site work plan. Despite these challenges, today, direct construction is approximately 90% complete. And notably, just late-breaking news, we have just completed open vessel testing. That came in about 1:00 p.m. today. We also reached several interim construction milestones for Unit 4 during the quarter, including the installation of the polar crane and setting the containment vessel top head.

Before giving an update on recent productivity, I want to highlight our commitment to the safety of our workforce on-site and the surrounding community. Since the beginning of the pandemic, we have taken a number of proactive measures intended to protect our workforce and the community against the spread of COVID-19. As we implement these measures, we've engaged independent medical advisers to guide our actions to reduce the possible spread of the virus. Among other measures, we have provided additional protective equipment, enhanced sanitation practices and implemented social distancing strategies, such as spreading out and increasing common areas, eliminating group transportation at the site and mandating those who can telework to do so.

Beyond these basics, early on, our protocol on-site ensure that anyone tested and their close contacts were promptly self-isolated off-site. We acted quickly to build an on-site medical clinic designed to expedite test results, minimize turnaround time for close proximity screening and improve facilitation of clearing personnel to return to work. Throughout this time, we have remained in close consultation with the Nuclear Regulatory Commission and the projects' co-owners as well as local and state authorities.

We are also consulting with and monitoring other megaprojects. Notably, last month, the President of the North America's Building Trades Unions commended Southern Company for going above and beyond the call of duty to keep their members on the Vogtle construction site safe and healthy.

Now turning to our recent progress. Although, overall, monthly production through March was largely consistent with the refined aggressive site work plan, mechanical, electrical and subcontract activities began to build a backlog to Unit 3's aggressive site work plan at the end of March. That trend was exacerbated through April as we began experiencing impacts across the site related to the coronavirus pandemic, including an increase in workforce absenteeism.

Two weeks ago, in an effort to mitigate the impact of COVID-19, we announced our intent to reduce density on the site and take workforce down by 20%. As we work through this transition, we expect to see a decrease in near-term production similar to the sawtooth effects that we have experienced in the past. The longer-term objective is to gain operational efficiencies and productivity by reducing workforce fatigue and absenteeism. As we move ahead, we will continue to evaluate the effectiveness of our streamlined workforce.

As you know, we regularly evaluate both cost and schedule, and we have factored recent developments into our ongoing analysis. Looking first at schedule. We are prioritizing key work fronts on Unit 3 and continue to work towards the aggressive site work plan targets, some of which have been pushed back slightly in light of recent events.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

The next major milestone for Unit 3 is the start of cold hydro testing, which is currently planned to occur in the June to July time frame. Considering our expected timing on the start of cold hydro testing, we expect Unit 3 hot functional testing to commence in the August to September time frame. On the assumption that we are able to stabilize and increase productivity to pre-pandemic levels, we are maintaining the aggressive site work plan target of year-end for Unit 3 fuel load.

As a reminder, construction completion of about 2% per month is consistent with the aggressive site work plan. Taking into account our performance to date, we now project that we need to complete approximately 1% per month to meet the November benchmark schedule. Now this is slightly down from the 1.3% we discussed last quarter. Importantly, even amid the outbreak of the pandemic, for April, our construction completion rate was about 1.25%, which supports meeting the November 2021 regulatory-approved in-service date. Critical areas of focus remain electrical and subcontract performance.

Lastly, consistent with the prioritization of Unit 3 and related staffing, we have shifted the target completion date on the aggressive site work plan for Unit 4 back to May 2022, which still provides 6 months of margin to the regulatory-approved in-service date. Recall, under the refined aggressive site work plan we laid out in February, we accelerated the target completion date for Unit 4 by 2 months to March. So the current action takes us back to the prior date of May 2022.

Turning now to costs. Based on our most recent assessment, there is no change in the total project capital cost forecast.

In the first quarter of 2020, Georgia Power allocated an additional $66 million of its project contingency, reflecting cost risks associated with construction productivity, field support, subcontracts and procurement, as well as the impact of the April 2020 reduction in workforce.

Recall the estimated cost of time between the aggressive site work plan and the regulatory-approved November in-service date or a scheduled cost margin is embedded in Georgia Power's base capital forecast. With this quarter's contingency allocation, the scheduled cost margin and the remaining cost contingency combined continue to represent approximately 20% of the remaining estimated cost to complete. As we have said, we expect to utilize the entirety of the contingency funds as we progress towards the completion of the project.

The team at Vogtle Units 3 and 4 have worked incredibly hard to create an environment at the site that has led to meaningful progress over the past few months, even while managing through this unprecedented pandemic. The next few months will be pivotal as we adjust to a smaller, more streamlined workforce and seek to improve productivity.

The safety of our workforce and the surrounding community remains paramount, and we will continue to guide our decision-making at the site. Importantly, we still expect to meet the November regulatory-approved in-service dates for both Units 3 and 4.

Drew, I'll turn it over now to you for an update on our financials and our outlook.

Andrew William Evans
Executive VP & CFO

Thanks, Tom, and good afternoon, everybody. I hope you all are well. As Tom mentioned, we had a very strong start to the year. First quarter adjusted EPS was $0.78, which is $0.08 higher than last year and $0.06 above our estimate for the quarter. The primary driver compared to last year was constructive state regulatory actions, which were completed in 2019 at our utilities.

In addition, through aggressive cost control, we were able to decrease nonfuel O&M year-over-year, which helped us overcome a $0.10 impact from warmer-than-normal weather in the first quarter. A detailed reconciliation of our reported and an adjusted results is included in today's release and earnings package.

Weather-normalized retail sales for the first quarter of 2020 were up slightly compared to last year, led by our residential customer class with only modest impacts from COVID-19 evidenced in the last 2 weeks

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

of the quarter. We added over 20,000 new electric and natural gas customers across the system, which is consistent with our expectation.

With COVID-19 top of mind, let's go ahead and turn our assessment of potential -- to the assessment of potential business impacts. While we did not see a meaningful earnings impact from COVID-19 in the first quarter, we are continually assessing potential financial impacts on our business.

At this time, we do not expect coronavirus impacts to materially affect our long-term outlook. Our expected long-term EPS growth rate remains 4% to 6%. Our $40 billion 5-year capital investment plan is unchanged. We do not foresee a need to issue equity through 2024. Liquidity is strong with good access to the capital markets at both the parent and our subsidiaries. And with last week's announcement of an $0.08 annual dividend increase, the 19th consecutive annual increase, we continue to demonstrate our commitment to enhancing shareholder value.

As we think about the potential near-term impacts of COVID-19 on our 2020 expectations, our key focus areas are sales, bad debt expense and liquidity.

Just a moment, I'm going to switch microphones, so folks can hear me better.

Starting with sales, as I mentioned, weather-normalized retail sales were up slightly for the first quarter, likely reflecting higher residential demand at the end of March as people began teleworking. Thus far, in April, total estimated weather-normalized electric retail demand is lower than our forecast by approximately 8%. Though April loads are historically volatile as customers switch between heating and cooling, we have seen demand stabilize at these approximate levels over the last few weeks. We will continue to closely monitor trends as businesses within our states begin to reopen.

Looking ahead, we are basing our current forecast for the -- for 2020 on a U-shaped economic recovery that reflects a midsummer phase-out of the stay-at-home policies with modest economic recovery across the service territories over the balance of the year. Using these assumptions, our projections indicate an overall decline in retail sales for the full year in the range of 2% to 5% on a weather-normalized basis, with residential up 1% to 3%, commercial down 5% to 10% and industrial down 4% to 8%.

As a reminder, our electric sales mix is split about 1/3, 1/3, 1/3 across each customer class. Retail sales in these ranges would lower total nonfuel electric revenue by approximately $250 million to $400 million on a consolidated basis. We plan to mitigate these impacts by continuing to aggressively manage nonfuel O&M throughout the remainder of the year.

While the current situation is unprecedented, we demonstrated a similar level of cost discipline in response to the 2008, 2009 recession, which gives us confidence in our ability to deliver in the current environment. Of course, actual impacts will be highly dependent on the duration of stay-at-home policies and the pace of economic recovery. As visibility as these factors improves, we will hone our expectations around an appropriate level of cost control.

At this time, we do not anticipate significant sales or financial impacts from COVID-19 on Southern Power or Southern Company Gas. Due to the long-term contracted nature of Southern Power's business model, we expect it to be largely insulated from pandemic impacts. Southern Company Gas has already achieved roughly half of its expected full year net income in the first quarter, and we expect earnings over the remainder of the year to be consistent with our forecast.

In addition to sales, we are also assessing the potential for an increase in bad debt expense, specifically our electric utilities. Our utilities, similar to most around the country, are not disconnecting customers for nonpayment, and we are temporarily waiving late payment fees. Our state regulators are taking constructive steps to allow utilities to defer incremental bad debt expenses related to the pandemic for recovery in future rate proceedings.

In addition, our gas utilities are largely decoupled and many have bad debt mechanisms already in place, which help to insulate them from both sales and nonpayment impacts.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

We also expect increased federal funding for programs like LIHEAP and certain provisions in the PPP program to assist eligible customers with bill payment. Between regulatory mechanisms and customer assistance programs, we believe bad debt expense impacts will be largely mitigated.

Turning now to liquidity. Because of the actions we took in the first quarter, Southern's net liquidity at the end of March improved by $800 million relative to year-end 2019 and currently stands at over $7 billion. In the second quarter, we have already taken steps to further strengthen our liquidity position, including completion of a $1 billion issuance at the parent in April. At this juncture, we believe we have ample liquidities for our capital investment plan, protect our dividend and weather potential COVID-related volatility in debt markets as well as elevated periods of customer nonpayment.

With solid results through the first quarter, our current belief is that O&M reductions can largely offset pandemic-related sales impacts. And with peak electric loads still to come, we see no reason to deviate from our current financial objectives. Consistent with historical practice, we will address earnings for the year relative to our EPS guidance after the third quarter.

For the second quarter, we assume that pressure on retail sales will persist, so it is too early to predict with precision what the overall impact would be. Recognizing all of these factors, we are providing adjusted EPS estimate for the second quarter of $0.65.

Before I turn it back to Tom, I'd like to give a brief update on some regulatory matters. In March, the Mississippi Public Service Commission unanimously approved the rate case settlement reached between Mississippi Power and the PSC staff, resulting in a rate decrease for customers and an increase in the allowed equity ratio for Mississippi Power of 55%.

On the Vogtle front, we filed VCM 22 with the Georgia PSC end of February, requesting verification and approval of $674 million spend for the period of July through December of 2019. We expect a decision from the PSC in August.

Before I turn it back to Tom, I'd like to thank our Southern family for an outstanding job during this period. Everyone is taking the new normal in stride and has remained focused on our customer at all levels. You've shown a superior -- you've shown superior performance and total commitment and for that, I'm thankful. I hope everyone stays well. And with that, I'll turn it back to Tom.

Thomas A. Fanning
Chairman, President & CEO

Thanks, Drew. As our nation seeks a path to recovery from the coronavirus pandemic, at Southern Company, we are resolute in our commitment to provide clean, safe, reliable and affordable energy for our customers. To ensure that we are actively supporting recovery efforts, southern Company and our subsidiaries are engaged with policymakers at both the state and federal level as they make critical decisions about reopening our economies.

Notably, Alabama Power's CEO, Mark Crosswhite and I were named as part of the President's Economic Revival Initiative. Along with the work that I do to help lead the Electricity Subsector Coordinating Council, the principal liaison between the federal government and the electric power industry, which has been heavily involved in pandemic recovery efforts, Southern Company continues its leadership at a national level.

Before we take your questions, I also want to highlight the extraordinary response of our teams after the recent severe storms. In April, we experienced 2 successive weekends of devastating tornadoes across our Southeast service territories that damaged or destroyed hundreds of homes and businesses. Our employees on the front lines worked tirelessly to restore service to the thousands of electric and natural gas customers that were affected by these storms.

In the aggregate, we restored service to over 600,000 customers within 24 hours, improved our capacity to work under duress effectively with coronavirus protocols. I am grateful for and extremely proud of the men and women of Southern Company, who continue to work hard each day to deliver value to customers and shareholders during these extraordinary times.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

In closing, the COVID-19 pandemic will undoubtedly have a lasting impact on the U.S. and global economies and on the communities we serve. Under what we currently view as a reasonable economic recovery scenario, we are positioning ourselves to mitigate potential financial impacts on our company through aggressive and thoughtful cost control.

The next several months will be particularly instructive for Southern and our utilities as we monitor the pace of recovery, move into the warm summer season and work to increase productivity at Vogtle Units 3 and 4. We expect our business will remain reliable and resilient over the long term in keeping with our long history of delivering on our commitments to customers, employees and shareholders.
Thank you for joining us this afternoon. Operator, we are now ready to take questions.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Shar Pourreza with Guggenheim Partners.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

So just a couple of questions here. First, just sort of thinking about some of the moving pieces. We're looking at COVID sales impact for a 2% to 5% reduction versus prior guidance of flat to up 1%, better-than-expected Q1, slightly weaker Q2 guidance versus, I guess, expectations, O&M levers. If we're assuming kind of normal weather, where do you see coming in within your earnings guidance range for the year?

And then just remind us, the sales growth figures for March and April on Slide 11, are they weather-normalized, especially with the recent storms in your jurisdictions? So how do we extrapolate how much of that was weather versus COVID versus anything else?

Thomas A. Fanning
Chairman, President & CEO

So with respect to the first question, when we set a guidance range, I think we broadly think that kind of the midpoint of the range is a place that, without all these other impacts we do, that we would expect to land. I think we remain consistent with our financial objectives for the year.

I will add. I know we've received some conversation about, should we reaffirm? Let me just hit that real quick. It has never been our practice to reaffirm guidance in interim periods. We give you guidance at the end of the year. So that would be late January, February. And then once we get through our peak kind of earnings season, which would be the third quarter, that's when we give an update as to our guidance.

We believe we're committed to hitting our financial objectives. Of course, there's uncertainty in front of us, and we run the same uncertainty everybody else does. But with what we know right now with reasonable impacts, we remain committed to everything that we've said so far. So we're sticking with that. I think further evidence of that is the recent increase in dividends.

Shar, what else did you want there?

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Sorry, just the weather on Slide 11, the impacts that you have from March through April, how much -- is that weather-normalized? And how much of it is impact from COVID versus the recent storms?

Thomas A. Fanning
Chairman, President & CEO

That is weather-normalized.

Andrew William Evans
Executive VP & CFO

And so we can think of it as virtually all COVID. Shar, I think I'd just address one other piece of your question related to our guidance estimate for second quarter. Second quarter typically is a relatively light quarter for us in terms of total demand. And you can imagine that there's a big difference between June's expectation and April's expectation. We also feel like this is the period where COVID-19 is going to have the greatest amount of impact across the retail customer base, whether it's residential, commercial or industrial.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

And even though we are putting measures in place to reduce expenses, those will largely be levelized over the balance of the period, and you're looking at an adjusted to what is a very constrained quarter in terms of sales. So I would just take it in that light. Also, if you look at last year, I think we reported $0.80 for the quarter. $0.08 of that at least was weather-related. And so I think what we're putting out, consistent with what we've already reported for the first quarter is...

Thomas A. Fanning
Chairman, President & CEO

Yes, Drew, thanks for that. I actually went back over the last 8 years and just looked at what did we estimate. And believe it or not, this is within the range of estimates. They're kind of low $0.65. In fact, I want to say, in 2018, we estimated $0.65. And when you consider you have the effect of the covirus -- the coronavirus impact, who knows? But it seems like a reasonably conservative estimate for -- from my standpoint. I'm okay with it.

Shahriar Pourreza
Guggenheim Securities, LLC, Research Division

Got it. And just on Vogtle, given the impact of COVID and the move to push the aggressive unit for site plan back to May from March, I know we've in the past, we've talked about being hopeful that we could see the units come online somewhere between the budgeted and the more aggressive time lines. Is that kind of not reality at this point? And I know you will continue to keep that May aggressive schedule until there's 0 probability it could be met. What probabilities are the site managers placing now on meeting the aggressive schedule? And at what point could you move away from May to something closer to the midpoint between the aggressive and budgeted schedules?

Thomas A. Fanning
Chairman, President & CEO

Yes. Shar, let me pick at one of the predicates in your question, and that was until there's 0 probability. That's really not the case. We always kind of do a reasonable shot. And we stick with that. Look, we have used some margin here. We had an extra month of kind of hidden margin between hot functional tests and fuel load. Essentially, we have seen so far losing kind of 10 days to 14 days in the aggressive schedule. We think through May, we'll lose another 2 weeks. The site people are going to work like crazy to mitigate the loss of that month. But we had a month of, if you will, margin in between now and fuel load that we're just consuming. Is it riskier than it was before? Yes. But it's still a reasonable objective. Otherwise, we wouldn't stick with it. Okay?

One last point. When we go from -- in the schedule, from fuel load to in-service, recall we have maintained -- and I know this has been a conversation in many earnings calls. We have maintained a 6-month schedule there. China did it in 4.5 months, and we think we can meet or beat China. So we actually have a little more margin, even to November and to May. So look, November is what matters, we got to beat November, and our eyes are on that. The site continues to believe they can hit a May schedule. Has it gotten more aggressive? Yes, still is a reasonable shot at it.

Operator

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

Steven Isaac Fleishman
Wolfe Research, LLC

So a couple of questions. So the -- has the workforce reduction been implemented now? And did it end up being around 20% that took that plan? Okay. And is it -- okay. And is it -- and maybe just give some color on -- obviously, there's different people doing different things there, are there areas where you need to refill people for certain skills? Or just how did that play out?

Thomas A. Fanning
Chairman, President & CEO

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Yes. In general, what we were able to do is to bring people off of 4 on to 3. That's how we filled whatever gaps we thought we may see. Recall, and this is in the 8-K, I think, the first reduction was voluntary. And then we moved to what we call rightsizing. So the voluntary effort didn't produce an optimal kind of result for all the work phases that we have at the plant. And remember, as I said in the script and everything else, we're particularly concerned with getting the right mix and the right productivity in electrical and with subcontracts. And so what we did by moving resources away from 4, we bolstered the mix on Unit 3 so that we believe that there is a reasonable shot to maintain the aggressive schedule, which has a May in-service date.

So that really is what has happened. Now, the other thing I just want to put out is that we are in transition. In the script, I mentioned the idea about the sawtooth effect. And we've seen that every time now, and those of you that follow these calls will remember that every time we open up a new workforce -- a new work phase in the plant, every time we lead to an increase in personnel, well, and now even with the decrease in personnel as we remix crews and schedules and everything else, we believe that sawtooth effect will occur. And so that's why we're being reasonably conservative with May.

In other words, we did 1.25% in April, which still beat the 1% that we need for November. May, may be similarly challenged. We hope it's a little better, but don't be surprised if it's not that great. But then we expect in June and beyond to really pick up the sawtooth effect and achieve what we want to do, as we have done in the past. So when we've talked to you about the sawtooth effect in the past, in fact, it has occurred. So let us readjust, get the teams right, get the work practices back together, and then we think we'll get the performance we want to see.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. And then when will we kind of get an update of how the Commission is kind of feeling about how Vogtle is going? Is that -- would that be in this VCM or really the next one? Are they going to do any special hearing on it?

Thomas A. Fanning
Chairman, President & CEO

Yes. Well, let me answer that a couple of ways. Steve, I know you're really good about this and others on the call are in terms of contacting the Commission directly or looking at all the filings and everything else. So you have heard directly kind of from the commissioners themselves, I would never put words in their mouth. But the other thing that I would just highlight to people is that Tuesday, so just a few days, the company will be testifying. And you'll be able to see the interplay between the company and the staff and everybody else. And so we'll get some illumination there.

Steven Isaac Fleishman
Wolfe Research, LLC

Okay. And then my last question is just on -- just making sure I understand the assumptions for sales. And when you talk about kind of start-up later in the summer and then recovery, is recovery kind of off of this very low level now? Or when you're talking about recovery, what do you mean by that?

Andrew William Evans
Executive VP & CFO

Steve, actually, can you hear me all right? We're having some technical difficulties, as Tom and I are socially distanced.

Steven Isaac Fleishman
Wolfe Research, LLC

I hear you well.

Andrew William Evans
Executive VP & CFO

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Good. We're modeling a lot of different things, whether it's a V, a U, a W or an L. In general, the midline of our sort of $250 million to $400 million is probably something like delayed reimbursements from stay-at-home kind of through midsummer, maybe even until August and then some recovery through the balance of the year, but certainly not complete.

If we look at the different customer classes that we're tracking today, I mean our industrial segment, which is not the largest contributor to earnings, by the way, is actually performing quite well, but it is varied. And so things like pulp and paper, some of the larger segments, chemical, are doing quite well because of low input costs or because of demand on product. Some of the things like precursors to automotive or light steel are going to take a little bit longer to rebound. But those industries, as we're watching, are starting to reopen and automotive production is beginning to restart across Georgia and Alabama, in particular.

On the commercial side, we've seen a pretty exaggerated decrease. Some of our bigger customers there are certainly retail and education. But some of those segments are starting to move back. And so I think the 2% to 5% total that we gave you really represents those different actions in aggregate, but we're looking at it in a pretty detailed way.

Thomas A. Fanning
Chairman, President & CEO

And I'll just add to that, too. So everybody, I think, knows that Georgia is one of the states stepping out and reemerging. Of course, we're doing it in a thoughtful phased process.

The other issue that I would put out there is fuel prices are really low. For the quarter, natural gas was $1.88 per million BTU. And I think the amount of natural gas cost borne by customers was around $250 million -- $247 million lower than last year. So cost of electricity, and therefore, consumption of energy is more cost-efficient than it has been before.

There's a lot in the mix right now. And also, I'll just say that I've been in contact with my friend, Jay Powell from the Fed, I would complement -- and I know there's all kinds of disagreement about this, but I would complement broadly the Federal response, whether it's the administration, whether it's Congress, whether it's the Fed, in terms of the timeliness of their response in supporting the economy, especially as compared to, say, 2008, 2009, these guys are on top of it. I'm sure we can all criticize one step here or there. But I think all the necessary chemicals are in the sea to produce something that will minimize, hopefully, the impact going forward.

Operator

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

Stephen Calder Byrd
Morgan Stanley, Research Division

I just wanted to follow up on the status of COVID at the Vogtle work site. And you've taken steps to reduce risk. Is there -- we're trying to sort of track the number of cases. Is there a risk of a trajectory of more cases such that you have to sort of adjust work practices at the site further? Or do you feel that sort of the changes you've made have made the impacts to the number of cases that you were looking for?

Thomas A. Fanning
Chairman, President & CEO

No. In fact, look, we started very early on. Before there were any COVID-19 effects, we were planning that there would be. And one of the very first things we did, I remember it was a weekend call of the executive team, was to move to the site, essentially a medical village, staffed by nurses and doctors. We have a disease specialist that's been advising the site daily. We have all the PPE we need. We have turnaround and testing conservative work practices.

And in fact, our realization, I kind of -- we've debated about talking about this on the call, but I'll throw a little bit of it out there. Our incidence rate compared to the utility industry is about half, maybe 40%,

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

something like that. Our severity of cases is way lower. One of the very smart steps that the site did very early on was to remove from the site or at least on a voluntary basis with pay, people that would be most likely to be severely impacted. That is elderly or older. Look, I'm probably in that category. I don't want to describe myself as elderly, and if they had a pre-existing condition. So if you look at it, one other thing we do that's very conservative that other people aren't doing. That is, if somebody at the site just feels funny, if they don't feel well and want to get tested, we get them tested. Not only that. We take their work associates out that have the close contact, and we test them.

When you look at the amount of testing per person at the site relative to anywhere in the communities we serve, it is somewhere -- we are testing between 5x and 10x more people than what's being tested elsewhere in the region. So it's amazing stuff. Sometimes in these close contact cases, we will test somebody that is asymptomatic, oh, and sure they turned up positive, we remove them.

And the other kind of telling factor is severity. I think we've only had 1 or 2 people be hospitalized or go to a hospital. Otherwise, they're being tested with the folks on-site, and about half of the people that have been tested positive have returned to work. I think that's all pretty positive stuff.

A couple more things that we're doing. At any work front, we limit the amount of people doing the social distancing to 3 per work site. So sometimes, we exceed that with everybody's approval, but that generally is the practice. We have eliminated close quarters break areas, close quarters lunch areas, the big [bar] thing and all that stuff. We really have worked hard right away early on to make sure, and the principle was that we wanted Plant Vogtle 3 and 4 to be a better environment for the workers there than what they could find elsewhere in their homes or in the communities in the surrounding area. And I think we've done that.

Stephen Calder Byrd
Morgan Stanley, Research Division

That's really helpful color. And just checking in on the status of just equipment testing on the site. Would you mind just giving a high-level update on, I guess, maybe percentage of equipment tested or whatever else is most relevant as we think about just sort of overall status of testing all the equipment on-site.

Thomas A. Fanning
Chairman, President & CEO

Well, all the major equipment is tested, right? So in fact, it was -- I mean right as we entered the call, we got the sign off from Westinghouse. The open vessel testing, the testing was complete. Just as you yell at your children and teenagers, check your work before you turn it in, that's what we have been doing in the past, just recent day hours, whatever. And in fact, we just got clearance from Westinghouse. And in fact, we had -- they had verified that we had passed all the tests on OVT. So we were very happy to announce that today. I don't know how -- what else would you want to hear?

Stephen Calder Byrd
Morgan Stanley, Research Division

Well, I think that makes sense. I think in the past, there was some sort of metric or percentage of equipment that's been inspected. But I can follow-up afterwards.

Thomas A. Fanning
Chairman, President & CEO

I'd say all the major equipment is there and has been tested. We'll test it again once it goes into a system, but we're done.

Hey, one other thing, the RCP, right, is all on-site and everybody admires it as they walk by it. It's a spare. We got that from Summer.

Operator

Our next question comes from the line of Durgesh Chopra with Evercore ISI.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Durgesh Chopra
Evercore ISI Institutional Equities, Research Division

Just -- I wanted to take you back to '08, '09. You mentioned you were able to offset a lot of the impact there with cost cuttings. But also, I believe it was Georgia, and correct me if I'm wrong, where you were able to amortize some of the regulatory accounts to kind of mitigate the earnings hit there? Is that sort of an opportunity available this time around?

Thomas A. Fanning
Chairman, President & CEO

Well, you've got a great memory, and you're correct. That is, in fact, what we did. We took some steps to lessen the burden, but we don't feel the need to take those steps right now. Those are certainly options in the future to approach regulators if we need to.

The one thing I think that you can just point to around the system is that I think we've received -- in fact, I would just go broadly. Our PSC, but also, I would say, FERC and NERC at the national level, folks have really, I think, bent over backwards to accommodate the needs of this unique environment. And I think the issue of being able to set aside as a regulatory asset recovery of disconnect costs and a variety of other things has been another evidence of constructive practice by our state.

And at the NERC and FERC level, I'll tell you, they've been on these ESCC calls, likewise, they're doing what they need to do in order to help the industry get through this period. Not by imposing overregulations, et cetera. I'm very complementary of what are generally very tough regulators taking constructive approaches to help and assisting through this time frame.

Durgesh Chopra
Evercore ISI Institutional Equities, Research Division

Got it. And then let me just shifting gears and -- can you talk a little bit about the credit metrics and you're really confident in your 2020 EPS numbers, but I'm just kind of curious as to what impact, if any, are you seeing or do you expect to see on your FFO to debt versus the targets? And any color on -- any dialog you may have had with the credit rating agencies?

Andrew William Evans
Executive VP & CFO

This is Drew. I would say that we've had numerous conversations with the credit rating agencies across a variety of topics and did a very fulsome review of each of those individual business units not 4 weeks ago. While we're meeting targets, FFO to debt doesn't change much. Our goal is to sort of stay with a buffer relative to what's expected for the ratings categories that we maintain and generally, as we get through the construction of Vogtle that are on an improving trajectory, which is a function really of just how the economics work of Vogtle.

The other thing that we have been working through is general liquidity, which we think is paramount to operating a well-functioning business. And we were fortunate to be a good credit in good -- in reasonable markets, and we accelerated all of the debt issuance that we needed to do for the balance of the year, at least put ourselves in a position to not have to face those challenges later on. So I think very comfortable with how we're managing liquidity and credit in total.

Thomas A. Fanning
Chairman, President & CEO

Yes. And Drew, I'm just going to ask you if you're comfortable saying something here, but our relationship with not only our regulators, but also the rating agencies, et cetera, is continuous, not discrete. And just recently, you went through a pretty intensive review by the rating agencies. What can you say about their response to that?

Andrew William Evans
Executive VP & CFO

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Just as you would expect and probably very similar to 2008 and 2009, that they have sectors that they worry about far more than utility. I think what they're focused on is -- are the constructive and proactive nature of regulators and the behaviors that we've seen insulating us from things like bad debt expense, I think, is a very protective and productive thing.

But in general, the rating agencies are still concerned with the same things they were concerned with before. But I think, certainly, our sector is less of a concern than most others.

Thomas A. Fanning
Chairman, President & CEO

And I think we got a favorable review from them?

Andrew William Evans
Executive VP & CFO

Yes.

Operator

Our next question comes from the line of Sophie Karp with KeyBanc.

Sophie Ksenia Karp
KeyBanc Capital Markets Inc., Research Division

Congrats on a solid quarter, and thank you for squeezing me in here. Yes. A lot of the questions have been asked and answered, but maybe if I can just follow-up on a couple of points here.

So firstly, on Vogtle, right, you mentioned that you reduced the size of teams to 3 people, I think you said, and the overall workforce by 20%. And is that based on kind of CDC guidelines or your internal guidelines that you've developed? And like when may you go back to like larger teams or reduce this? Because obviously it would be fair to say, I believe, that this is causing some productivity declines, right? So is that sort of a new normal for the duration of the projects in your mind? Or are we going to go back to more normal staffing at some point?

Thomas A. Fanning
Chairman, President & CEO

Yes. Sophie, that's a great question. So if you recall the -- I think we've done this in the past, kind of CapEx by quarter, we've drawn these curves. We're kind of at the peak of our curve. And assuming that we continue to be productive, the curve actually starts to turn down on Unit 3.

It will ramp up a little bit more on Unit 4 going forward. So my sense is we're going to evaluate our progress in the months ahead. But it could be that this level of activity is appropriate for where we want to be on Unit 3 and 4.

We were on the downturn of activity at Unit 3, just right there. So dropping it -- dropping the whole site from 9 to 7 isn't exactly unexpected. It's a little accelerated, which means that we're probably going to push out some hours. But it's not unexpected, and we didn't intend it when we remapped the schedule, the refinement we did in February. But accelerating 4 of those 2 months gave us essentially a bank of more margin that we're able to use in moving people from 4 to 3 to accommodate the difference in the resizing after this voluntary reduction.

So it's actually not a bad place to be. Let's see what happens in the months ahead.

Sophie Ksenia Karp
KeyBanc Capital Markets Inc., Research Division

Got it. Got it. And then my other question was on bad debt expense, right? And we're pretty early, I guess, in this as far as billing cycles go. But is there a point where it might be an issue for the balance sheet where you might want to approach your regulators to maybe recover it before the next rate case

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

cycle, which is some time away? I guess, how do you think about it internally? What is the threshold, if any?

Andrew William Evans
Executive VP & CFO

So Sophie, this is Drew. I'd say a number of things. In general, our gas utilities have riders or trackers for these types of things. And so our exposures are probably more isolated to the electric utilities.

We've had very constructive regulatory conversations. And in fact, not so much in mechanism, but at least an understanding that bad debt expense would track through a regulatory asset that we could recover when we get together next to discuss rates.

Your question, I think, was around the interim period. And to be honest, bad debt expense is not one of the things that I fear. It's a relatively low percentage of our total revenue. The thing that we're tracking really is sort of late payment of bills. And so we've been monitoring the number of customers in arrears. It has not changed materially over the last month.

We typically have about 15% of our customers in arrears at any given time, maybe more of a normal time. And we know that if we were to have to provision to something like a 40 percentage of our customers being in arrears, that we would probably have to provision somewhere between $800 million and $1 billion worth of additional capital per quarter.

All of that is incredibly manageable within the existing liquidity that we have within the business. And so we don't anticipate that there'll be anything more than maybe some temporary impact to liquidity, but really no long-term impact to bad debt.

Thomas A. Fanning
Chairman, President & CEO

Yes. And let me add another comment. It's under the who knows, but I think it's still something we've talked about getting ready for the call. And that is when you think about the intensive impact of COVID-19, it's occurring during light revenue months for us. It's occurring during April and May, which are not strong months. This is Atlanta particularly, but the Southeast is known for these beautiful long springs. And our big revenue months, 60% of our revenue, I think, comes out of the summer.

So that's going to be -- so when you think about the intense impacts, it's coming during low revenue and therefore, if we have some recovery, that's the who knows part, that will get us back to, I think, a good spot.

Hey, Sophie, one more thing you mentioned, somebody pointed out to me that I didn't cover, you said, do we follow CDC guidelines? In fact, yes, we do. And in fact, I think we're even more conservative than CDC in terms of recovery and all that stuff. We keep people out 14 days, even if they've been around somebody that's been tested, a variety of other things.

And one other thing. Yes, just one last thing. We do survey. We do stay in touch with the other megaprojects around the U.S. And their experience is not that different than ours. I think 95% are still progressing kind of as we are.

Operator

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

Michael Weinstein
Crédit Suisse AG, Research Division

On residential sales, it looks like your forecast is about 1% to 3% up, and it looks a little bit light in terms of forecast for up compared to what I've been hearing from other utilities, in the range of 3% to 4% for residential sales. Is there something about residential sales that you expect to be a little more, I guess, not as enthusiastic about it, an offsetting factor?

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Andrew William Evans
Executive VP & CFO

No. Michael, I think probably what you're noting, maybe a difference in time period. We're -- the 2% to -- 3% that we've got on our chart on Slide 11 really is meant to represent what we think the full year impacts might be.

We certainly are seeing across all of these classes, commercial, industrial and residential, more exaggerated response than what's depicted here.

What we're trying to show is just that this is what we think the full year impact would be given the point in time, the point in the heating and cooling cycle where we are today.

And as Tom said, April is sort of an interesting month in Georgia. People are starting to change over from heating into air conditioning, and so demand is quite light.

What we expect in May is a fraction of what we expect in June.

Thomas A. Fanning
Chairman, President & CEO

And August and September here are crazy.

Michael Weinstein
Crédit Suisse AG, Research Division

Right, for global, where are the fuel assemblies being manufactured? And kind of where are they right now? And are there any issues on the site...

Thomas A. Fanning
Chairman, President & CEO

Where are they manufactured -- did you say -- you're breaking up. Did you say where is the fuel manufactured?

Michael Weinstein
Crédit Suisse AG, Research Division

Yes.

Thomas A. Fanning
Chairman, President & CEO

South Carolina.

Michael Weinstein
Crédit Suisse AG, Research Division

Where are the fuel assemblies being manufactured, yes.

Thomas A. Fanning
Chairman, President & CEO

Yes. I'm sorry, you're breaking up. What...

Michael Weinstein
Crédit Suisse AG, Research Division

And are there any issues on the site?

Thomas A. Fanning
Chairman, President & CEO

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

I'm sorry, you're really breaking up. But what we hear is where is the fuel manufactured. And it's South Carolina.

Michael Weinstein
Crédit Suisse AG, Research Division

Are there any issues on site, for manufacturing process?

Thomas A. Fanning
Chairman, President & CEO

Is there any fuel on site? No. That will...

Andrew William Evans
Executive VP & CFO

Any issues in the assembly, none that we're aware of.

Thomas A. Fanning
Chairman, President & CEO

No, no.

Yes. Michael, thank you. If we missed your question there, please call us after, and we'll be glad to hit it for you. You were just breaking up a lot.

Operator

Our next question comes from the line of Jeremy Tonet with JPMorgan.

Jeremy Bryan Tonet
JP Morgan Chase & Co, Research Division

I wanted to come back to Vogtle here a little bit, if I could. With the lower Vogtle workforce, I was just wondering what type of working hours per week are you guys achieving now.

And kind of what levels would have you concerned with regards to the schedule? Or asked differently, what type of working hour numbers do you guys need to see to hit that monthly completion rate of about 1%?

Thomas A. Fanning
Chairman, President & CEO

Yes. I think we're on [5 10]. And then we don't do as many weekends as we have. So we backed off a little bit. That gives us a little bit of optionality should we need to work weekends. So we've backed off a little bit during this time frame and less density and everything else.

Further, we have shifted more work into the daylight hours as opposed to the night shift. And we have shifted more hours onto Unit 3. So that's kind of the broad approach there.

Jeremy Bryan Tonet
JP Morgan Chase & Co, Research Division

That's helpful. And just want to shift gears, I guess, to load, and appreciate that it might be just well too early to tell, but it seems like Georgia has recently started to reopen a bit here with that process started. Just wondering if you could share anything you're seeing with us live time? And was that able to inform kind of your load projections that you provided earlier on the call?

Thomas A. Fanning
Chairman, President & CEO

Well, look, we're in contact with our key account customers. I think we always do a pretty good job there. And let's let the estimates stay where the estimates are.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

You asked a little bit of a different question kind of what's our pulse of the community. I think there is a positive vibe right now, that people are trying to figure out ways to start again. The restaurants are doing all this takeout.

It just -- it feels a little better. Drew is in a different part. He lives right in the heart of the city. I live in the burbs. What's kind of your experience?

Andrew William Evans
Executive VP & CFO

Well, another way to sort of think about this is we have real-time data on actual usage. And then as you described, Tom, we have forward pulling of all of our commercial and industrial customers.

And I would say that the fact that the Governor has opened the state has not changed human behavior materially. But I would say that, in general, as we pull commercial customers, in particular, confidence around coming back at load has improved in the last couple of weeks. The last sort of data that I saw, Georgia, in particular. But these are just sort of early shoots kinds of signs, and we'll have to look at what actual demand is. We certainly have some categories where we don't expect any immediate improvement. Education is one of our top commercial segments, and we don't anticipate people being back in school for this season.

And then there are other loads like hospital, where they've exceeded historical consumption. And that's to be expected. And so I'd just -- give us a few more quarters -- a few more months, we'll be able to give you a little bit better data here.

Thomas A. Fanning
Chairman, President & CEO

But Drew, you reminded me, too, I think you guys would find this interesting. Drew is on the Board -- probably half the hospital beds in the state here in Georgia anyway. And his wife is a doctor. Give a sense as to how many of the beds are being used. Because this is kind of this capacity, flatten-the-curve concept?

Andrew William Evans
Executive VP & CFO

Yes. Tom, it's -- I probably have to stay away from absolute numbers, and I'd prefer that some of these institutions report for themselves. I would just say that I am intimate with the functioning of Emory and rating sort of safety in hospital and our academic institutions in town. I'm incredibly amazed at their ability to ramp to an expected demand.

And in general, I think that we're seeing cases in those hospitals that are a little bit lighter than models projected. But the ability of those hospitals to grasp what could be for them and to accommodate what could be a crush there has been really incredible, very sophisticated set of institutions in our area.

Thomas A. Fanning
Chairman, President & CEO

So we have 100% more capacity than what we're seeing in terms of actual cases right now. So when you think about coming back to work, there's a whole lot of gating issues that we've been working on. I've been working on in a national level in the industry and here at Southern.

One of the big indicators is, have we flattened the curve? Do you have capacity? Yes. The fact is, and I think it's been very instructive at Vogtle, that we have to learn to work with the virus. We have to learn for American commerce to get along because the only way you can be assured you don't have the virus is to have widespread available vaccines, and we don't have that yet.

Until we get there, you won't have complete recovery. So how do you act? How are you able to persist in this environment? And I think that's why -- I mean, who knows, but I think that's why Governor Kemp, that was one of the issues he was looking at. Do we have available capacity? Yes.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

The next question we will all have as a nation is do we have a second wave later this fall? We'll see.

Operator

Our next question comes from the line of Paul Fremont with Mizuho Securities.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

Hope you're all safe and healthy.

Thomas A. Fanning
Chairman, President & CEO

Yes, we're great.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

You had initially planned turnover and testing to occur simultaneous with construction. Is that still the plan?

And does COVID-19 complicate this due to the small footprint of the plant?

Thomas A. Fanning
Chairman, President & CEO

Turnover and testing and construction have been going hand in glove along the way. We get thorough reports. I know we do thorough reports once a month with everybody at the PSC and the co-owners and everything else. That's going according to pace. And sometimes you speed up testing. Remember, we got into a discussion about that in past calls. Sometimes you slow it down, letting construction catch up, or you test in other areas of the plant while you focus on construction in a particular area.

All that's going as expected. I wouldn't say that's anything other than exactly what we've expected. And I think this approach has really served us well. We've talked about that in the past, but fail fast and learn in other areas has been really helpful to us.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

And then secondly, can you update us on how many final approvals you've had from the NRC on ITAACs? And are you going to have to wait until construction is fully complete for a lot of the remaining ITAACs to be signed off on? Or how should we think about the time frame for that?

Thomas A. Fanning
Chairman, President & CEO

Yes. Let me just give you a quick numbers. The ITAACs that have been submitted, all the UIN, so this is the ITAAC that have been submitted in form without the number, have been accepted by the NRC. So every one of those.

So that really lessened the bow wave that we have. We had originally, I think, 449 ITAACs fully that need to be submitted for Unit 3. And we've had a whole lot of those completed. I guess we still have about 270 left before they're certified and we get the clearance to load fuel.

That's been going well. And the NRC, I think -- let me just -- yes, go ahead. Go ahead, Paul.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

I was going to just ask for the 270 to be approved, do you essentially have to wait until construction is complete? Or are you expecting that to happen earlier?

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Thomas A. Fanning
Chairman, President & CEO

There's -- it's a pace along the way. There is some elements of the 270 that are after construction. But we think it's -- ITAACs are going well. We're either ahead of schedule or whatever.

Paul, you may remember, I used to say that ITAACs would reach my top 3 of concerns. And while we're concerned about everything, I think electrical work and subcontract work are much bigger concerns at this point than our ability to deliver on ITAACs. I really think those guys have done great. And I want to throw a bouquet to the NRC. They have staffed up appropriately. And the teams that have been charged with approving the UINs and the ITAACs that are fully complete have done a very timely job of doing that.

I personally have worked with Steve Kuczynski and team, visiting with the NRC Commissioners, and they are committed to holding up their end of the bargain. I feel good. It's still a big issue. Let me not minimize it, but it's something I feel pretty good about.

Andrew William Evans
Executive VP & CFO

Tom, I think the only thing that I'd add, and we've tried to emphasize with folks, is the testing and turnover occurs constantly. And the best indicator that we're making progress on testing and turnover are the actual starts of the milestones themselves.

So you'll see a couple of those milestones and our progress against them this summer, and that's the best indicator that you can have of a successful testing and turnover.

Thomas A. Fanning
Chairman, President & CEO

Yes. And it's just been following. I forget. I did -- we did a variety of these town halls. I did one with Shar recently and some time ago with Fleishman. And sure enough, back then I said end of the month, well, we finished OVT end of the month.

So we're able to follow through on the schedule despite the challenges of COVID.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

And then after implementing the 20% workforce reduction, are you anticipating a significant improvement in productivity at the plant?

Thomas A. Fanning
Chairman, President & CEO

Yes. Oh, yes. And you just got to remember the sawtooth discussion we've had before. Anytime we staff up or now staff down and we have to rightsize and bring new people on and getting used to a new work front and new people working together and new supervision, there always is a bit of a learning curve. That's the sawtooth.

Yes. We are expecting an improvement. But let me point out again, we have been ahead -- I think this chart on Slide 7 really shows it. But even with April, it's just a slight downtick from our aggressive schedule and, I think, pretty far away from November. Even during April, we completed 1.25%. Target was 2%. The November schedule calls for 1%. So we even made some margin to November even during a bad month.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

And then my last question, looking sort of at your Slide 11, with respect to potential cost reduction, where -- in relation to the $250 million to $400 million of potential revenue erosion, where would you see the

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

ability to sort of offset that with O&M, towards the lower end, the middle, the high end? How should we think about that?

Andrew William Evans
Executive VP & CFO

Well, I think we're going to have to see how this quarter goes, but we're going to put plans in place that would at least give us bookends to achieve at either end of the spectrum, is the simple way I'd describe it to you.

There are certainly costs that we will categorize that are things where you reduce the absolute on the run expense with them -- travel, entertainment -- or travel, in particular, is a perfect example. A workforce of nearly 30,000 people, very few people were traveling for a number of months. We don't expect that, that creates a backlog of travel that will then come back into our cost stream. There will be things towards the far end of the spectrum where we will be delaying expenses into future periods.

And so we're just going through an effort to identify in both of those categories and across this entire spectrum of potential revenue declines how we might function in either -- with either of these outcomes.

Thomas A. Fanning
Chairman, President & CEO

We're not -- as a principle, we're not refilling open jobs without CEO approval, which really freezes them, has the effect of a freeze.

Paul Basch Michael Fremont
Mizuho Securities USA LLC, Research Division

Yes. And then look -- I mean are there sort of examples of like past years where you've gone through cost reduction and any numbers that you can share based on past experience?

Thomas A. Fanning
Chairman, President & CEO

Yes, go ahead.

Andrew William Evans
Executive VP & CFO

Yes. So in '08 and '09, I think the number was probably a little bit towards the lower end of this range but I think a pretty good indication of what the capabilities are, understanding in '08 and '09 the company was a bit smaller. So the acquisition of AGL Resources came in hence and so our cost complex is quite a bit larger than this.

Our O&M -- total O&M is something in the $5-plus billion range, maybe addressable is a little bit smaller than that. But I think it gives us plenty of room to be responsible around this range.

Operator

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

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Glad to hear everybody in the Southern Company family is doing as well as possible. I actually want to ask you about the jurisdiction that people don't ask you about, that maybe one of the best ones people don't think about enough. Can you talk about Alabama? And can you talk about both where things stand with the approval of both the gas plants and the solar, both the PPAs and ownership that you all filed at the PSC?

And also, I thought there was a rate docket there this year as well or undergoing in the winter and into the spring. Can you just give us an update on that?

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

And then finally, how different is Alabama demand trends relative to Georgia ones?

Thomas A. Fanning
Chairman, President & CEO

Yes. I would say, in general, you're in a giant process that's on track in Georgia for all that stuff -- I'm sorry, in Alabama. Yes, I think everything is going as we thought it would there.

Andrew William Evans
Executive VP & CFO

Yes. Your question about customer mix, just like in the entirety of our jurisdictions, it tends to move toward more industrial as you move west generally.

Thomas A. Fanning
Chairman, President & CEO

That's true. But what's interesting in Mississippi, 25% of Mississippi sales are wholesale. And those wholesale sales are largely residential. So you get a bit of a different mix in Mississippi but it's small. But Drew is exactly right, Alabama and Georgia are pretty similar.

Michael Jay Lapides
Goldman Sachs Group Inc., Research Division

Okay. And can you remind us in Alabama what the rate request was and also what the time line to get approval for the gas plant, both acquisition and development?

Thomas A. Fanning
Chairman, President & CEO

I think we were looking towards June, weren't we, or summer -- early summer for that process to occur.

And I think the only other piece of news there, it's not Alabama PSC news, but the FERC did approve the gas plant acquisition that we projected early summer. So we got that out of the way.

Operator

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

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

I just wanted to follow up on the O&M front. So you guys have this range of retail revenue, right? I just wanted to be very clear about this. When you think about the cost savings effort, just to quantify this a little bit more, basically, you're saying that you can offset anything in that range or how do you think about the sort of the magnitude of cost savings that you're contemplating today? You're doing -- you're looking at this as $250 million to $400 million as that's the equivalent O&M amount that you're looking at in your planning here?

Andrew William Evans
Executive VP & CFO

Yes. No. I think the simple way to think about it is that we're going to put plans in place or work through plans that could help us in either end of this range. What we actually have to execute against is going to be determined by how quickly the economies respond in our service territories.

Thomas A. Fanning
Chairman, President & CEO

And the other thing I would just say, I mean, that's a range that's -- here, again, I hate to say with all this uncertainty, it's kind of a who knows. But I think earlier, maybe a month ago, I was saying $250 million to $350 million, we tacked on $50 million just out of conservatism and a more prolonged kind of effect.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Andrew William Evans
Executive VP & CFO

I don't want to give you the impression, Julien, that this is a limitless pool. There are certainly limitations, and we're just going to have to see how the demand response evolves over time.

Thomas A. Fanning
Chairman, President & CEO

But there, again, too, that would reflect even at highest ends, we're still within the range.

Andrew William Evans
Executive VP & CFO

Yes. And probably most folks don't know, the easiest way to turn this into earnings per share is that we generally are about $10 million per $0.01. And so you can divide this by 10 and get some sense of the range of impact in total on a gross revenue basis and then adjust it. That's for pretax.

Thomas A. Fanning
Chairman, President & CEO

You need to tax effect that. He was -- Drew just gave you an after-tax net income effect. But this is pretax.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Yes. Understood. All right. Let me come back to the start perhaps of the call. When you guys talked about the sawtooth, 20% reduction here in workforce, how are you thinking about making that up on the project? And you also talked about delaying the Unit 4 next year. Are you thinking that you're going to be -- ramp back up labor later in the schedule here at this point? Or how do you make up for that 20% workforce reduction cumulatively? Or is it just that Unit 4 adjustment...

Thomas A. Fanning
Chairman, President & CEO

Yes. I wish I could -- yes. Thanks, Julien. I wish I could draw with my finger here in the air. But if we were doing a one-on-one, I'd draw my little piece of paper, my handwritten things I'm so famous for there.

Just imagine this, if I had a curve that showed 9,000 people on-site, as we wind down Unit 3 construction heading into hot functional tests, the wind-down of people on-site for Unit 3 occurs. So the curve actually goes down.

What we're doing is and what we've said about kind of hot functional tests being kind of now August, September, all we did was push it out a little. Imagine you pushed your hand down on the peak of 9,000, and it pushes out a little bit to the right.

So all we've done is tried to maintain that level. I don't think you're going to see another big peak here. We were already at the peak. And I think now that peak starts to wind down. That's why we feel comfortable with the movement from 9,000 to 7,000 on-site, drawing some off of 4, which pushes 4 back to its original schedule and still maintaining our ability to hit the aggressive site plan for Unit 3.

All we did was shift the curve a little bit, and we funded that curve with Unit 4.

Julien Patrick Dumoulin-Smith
BofA Merrill Lynch, Research Division

Got it. Okay. Maybe just a quick follow-up here to round it out here. Under what scenarios would you consider stopping construction around COVID? So it sounds like you guys have a lot of mitigating factors already implemented, a lot of compartmentalization of labor already going on in terms of mitigating factors. But how do you think about what that scenario might look like and when you might trigger that, just to address the range of scenarios here?

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Thomas A. Fanning
Chairman, President & CEO

Yes. You know what, I suppose there is a hypothetical in there, Julien, I just don't think that's likely. I think America -- let me just speak broadly, and I'll take it down to the site. America has to learn to live with the virus.

Our experience so far, knock on wood, has been much less than what you've seen in the industry, about half. And our experience on-site, likewise, has been less severe, I think largely because of the smart actions the people on the site have taken, for example, removing the at-risk personnel and paying them, well before we saw the effects of the site -- on the site.

People are now coming back to work. One other point is it looks like the average over the past, I don't know, 4 weeks -- if you do a 4-week look and average, it looks as if we may be past the peak on the site. Now that will only be borne out in the next few weeks to come.

But if you do a 7-day rolling average, it looks as if incident levels are decreasing. So look, there's a hypothetical in there. I really think it's a practical matter that the job at hand is continue the good work we're doing on-site, make that an attractive place for people to work, which I think we're doing. And I think the labor unions at all are calling us out for that kind of unprecedented response and keep going.

I just don't think -- I don't see it right now, but we'll see.

Operator

Our next question comes from the line of Andrew Weisel with Scotia Howard Weil.

Andrew Marc Weisel
Scotiabank Global Banking and Markets, Research Division

In the interest of time, I'll literally stick to one question here on Page 11. I'm a little surprised -- maybe I missed this. I apologize if I did. But you're forecasting a bigger decline for commercial volumes in industrial. Most other utilities are talking about it the other way. And I know you mentioned your mix is roughly 1/3, 1/3, 1/3. But can you explain why you're expecting a deeper hit to commercial than industrial?

Thomas A. Fanning
Chairman, President & CEO

Yes. Look, I -- and the good news there is if that's what your big hit is, I think your ability to come back is much better. It will come back quicker. Your ability to shut down a plant and then get it back is harder than restarting a restaurant.

In fact, I was on CNBC this morning, and I know right after me was the CEO of IMAX. He says, our ability to turn theaters back on is almost instantaneous.

So look, that is an assessment of our key accounts and our marketing teams across the system. That's just what we see. Our industrial makeup, the kind of folks that we see, really have been having a great quarter. And in fact, if you look at the month-by-month sales at industrial, gosh, our momentum statistics -- and I'm fond of mentioning, we're showing really quite positive momentum through February. And just with COVID, what we saw were some companies taking outages. They said, "Well, if we're going to want to socially distance, why don't we go ahead and take an outage and do some maintenance, sending a lot of people home." We actually think industrial will recover faster, more resilient.

The other thing that we have in the Southeast here is industrial dependent upon natural gas as a feedstock, particularly in the chemicals area. I think that's our #1 industrial customer.

And with natural gas being where it is, those guys are producing product at really attractive levels. We saw this again in 2008 and 2009. And especially, I would say, Alabama has been particularly proactive in putting in place rate plans that preserve industrial load, where across the United States, they didn't have

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

those things. And industrials tended to shut down plants in other parts of the United States and move their productive capacity to the Southeast.

For all those reasons, that's why we think industrial is more resilient than commercial. Good news is commercial is going to recover pretty quickly, in my opinion.

Operator

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

Paul Patterson
Glenrock Associates LLC

So what I wanted to touch base with you on was sort of just basically your economic forecast, I guess. It sounds like you guys are quite optimistic that once this -- the sort of stay-at-home and the social distancing stuff is resolved, people will be just sort of coming back, and it will be business as usual. Is that the case? Are you guys basically thinking that -- I'm just wondering what is your economic forecast given your growth rate?

And are you still sort of expecting 1% sales growth after this year?

Thomas A. Fanning
Chairman, President & CEO

The $400 million estimate assumes that there's more of a through-the-year impact.

Andrew William Evans
Executive VP & CFO

Yes. I don't know that we want to portray too much optimism. I mean, certainly, U-shape, it feels better where we're sitting today than it did maybe on the downward slope of it a couple of weeks ago. But our projection for a 5% reduction in total retail sales is quite exaggerated relative to what we've seen in history. And so this will not be without economic pain for sure.

We do think that our economies generally in the Southeast benefit from the fact that we've got good in migration, and it's a good place to do business. And so long term, we -- relative to others, we think that we've got pretty decent economic climate.

The amount of time it takes to get back to normalcy, though is inestimable.

Thomas A. Fanning
Chairman, President & CEO

Yes. There are lots of degrees of freedom and all that. It's just our most reasonable guess at this point. And I know -- and my heart goes out to most of you guys on the phone and live in the New York area. I'm from New Jersey. We all have relatives and people that have been impacted by this. And so we're very mindful of the grave circumstance. That's not the case down here, at least we haven't seen it. It's much less severe in the Southeast than what you're experiencing up there.

Paul Patterson
Glenrock Associates LLC

Okay. But just to sort of make sure I understand this, you guys see a hit this year. But then it sounds like beginning of next year or pretty soon thereafter, you expect in terms of your earnings guidance and everything, your long-term growth rate, that essentially that the economy will -- the global pandemic will not have that meaningful an impact on economic activity in your region. Am I right...

Thomas A. Fanning
Chairman, President & CEO

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

So yes. Okay. So now that's a -- I'm sorry, that's like a different question, and it's interesting. Will there be destruction in the economy as a result of the COVID deal? That may be. My sense is the United States is in a pretty good position relative to global economies with respect to this issue, we'll see.

In other words, is there going to be less demand from Europe for American products? What about China? One of the other impacts that we've been talking about at a federal level on this return to work is kind of revitalizing the supply chain to the United States, making us a little less dependent particularly in critical infrastructure for reliance on foreign economies.

Still sitting there in Congress is an infrastructure bill. My sense is there's more energy, excuse the pun, behind future legislative initiatives that could overcome some continuing sustaining impact of destruction in the economy. Some other things could emerge. My sense is, right now, if I just sit here and think about 2021 and 2022, there may be some continuing impacts. But at this point, I don't think they're at all significant to the point where we would change our forward guidance on a 4% to 6% EPS growth rate.

Recall, the dominant issue for us is getting Vogtle built. Once we clear Unit 3 and Unit 4 to service, the rate of increase, because of the earnings rates inside the construction period recover to a full return on capital, it's hard to beat that down.

Paul Patterson
Glenrock Associates LLC

Okay. Just on Vogtle, just sort of quickly here. It looks like you guys are, if I'm correct with what I've been estimating, it looks like for the people that you've been testing, and I think it's up into the 400 range now or something, it looks to me from the reports I'm seeing that it's remarkably pretty consistent at 28% to 30% or something.

And I'm just wondering, is there any thought of maybe -- I mean, obviously, there are a lot more people than that working at the site. Is there any thought about doing antibody testing? Or are you guys thinking anything about herd immunity or anything like that? Or is it just basically sort of people who come in and say, "Hey, I don't feel well, give me a test," kind of thing?

Thomas A. Fanning
Chairman, President & CEO

Look, we're -- we got early availability on the best test we can get at the time. The antibody tests are really pretty interesting. In fact, we're talking about that at a national level. We have had Admiral Giroir from HHS. He's the Director of Health, and he kind of has the whole testing regime in place.

That's something that's attractive, but it's just not available right now. We can test all over the place. And in fact, you can test everybody, and they go home, and you'll have to retest them the next day and the next day and the next day.

Testing is really valuable, and I don't underestimate it, but it doesn't solve the problem. Until we get a vaccine in place, we're going to be having to live with this environment in the nation.

Paul Patterson
Glenrock Associates LLC

Okay. And then just really quickly on the sales numbers. They include -- they're not adjusted out for leap year, is that correct, for the quarter?

Thomas A. Fanning
Chairman, President & CEO

Think they are not adjusted.

Operator

Our next question comes from the line of Charles Fishman with Morningstar.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Charles J. Fishman
Morningstar Inc., Research Division

Just one question. You got a $40 billion 5-year CapEx program. The bulk of it is not Vogtle. You've given us great detail on Vogtle. You had a statement, no expected supply chain problems, disruptions.

What -- I get that, but what is causing you some concern within the supply chain? Is there something that's going to be more expensive in that CapEx? Is there something maybe you've pushed out a year or 2 that you'll still get done within the 5-year plan?

Any additional color on that no expected supply chain disruption comment would be appreciated.

Thomas A. Fanning
Chairman, President & CEO

Yes. So we're the size of the nation of Australia in round numbers. I get that statistic. We're a little bit smaller. But when you think about energy production, we're kind of in that league. We have long-standing relationships, and we are considered a high-priority customer with a variety of resources.

And when I say we don't see any problems in the long run, that doesn't mean people aren't working really hard to make sure that they understand what the perturbations may be and what they're going to do to resource them.

We have been seeing some challenges, but we've always been able to overcome the challenges. And I want to say, Drew, we have about at least a 6-month kind of forward window where we're absolutely confident of no problems. So that's kind of our safety margin, if you will.

When you think about the nature of our CapEx budget, however, it is really tied up in making our system more resilient from a transmission and distribution standpoint. It is tied up in future generation, whether it is renewables or some of the new generation required in Alabama and Georgia. And then it is tied up in environmental matters, particularly for us, ash ponds, which I think is $10 billion over 10 years in round numbers.

So it is stuff that I think we've got great visibility into the availability of the equipment required to support that program. It's not subject to, I guess Drew uses the word smalls, we have a lot of visibility, and we're a big customer, and people generally work very hard to meet our needs. And we have pushed on this a lot.

We've got a great guy, Jeff Franklin, that runs our supply chain for the system. We don't see a problem right now.

Andrew William Evans
Executive VP & CFO

Yes. I'd say labor is a large component of our total CapEx plan. And as you said, environmental remediation at ash ponds isn't really reliant on technology in general. And we've got enough material for a pretty decent work front for a good period of time and expect in the long term, supply chains will replenish to meet whatever need we might have...

Thomas A. Fanning
Chairman, President & CEO

And let me throw one more factor out there. I'll throw another bouquet at somebody. The Director of CISA, in Homeland Security, is a guy named Chris Krebs. He's doing a terrific job within the confines of his responsibility in calling out, in my words, they put out an advisory bulletin of essential functions in America.

And of course, Health and Human Services is right at top right now. But right behind that is the electricity function in America. That's also part of the recommendations by NIAC, National Infrastructure Advisory Council, and also the work product of the Solarium Commission that I'm on.

Look, people will put a high priority on making sure that our needs are met.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

One last point. We have a terrific relationship with our valued partners in the labor market. So the U.S. building trades have done a hell of a job making sure that the people are there. And I think we work very hard to make sure that they are valued partners and treated as well as anybody treats them in the United States. They are strategic partners for decades, and we treat them like that. And I think the labor will be there when we need it.

Operator

Our last question comes from the line of Ashar Khan with Verition.

Ashar Khan
Verition Fund Management LLC

Doing -- the progress is, I would say, exceptional and really very well you guys are doing. Can I just ask -- I didn't want to ask the question, but I thought because of regulatory -- because of disclosures and less contact. Usually, you have earned around $0.80 for the last 4 years in the second quarter except for 1 year, '17, where we had like $0.05 or $0.06 of dilution which hurt that quarter. And even then, we earned $0.73. So can you just ascribe to me why the pattern of earnings is going to go from the average $0.80 to like $0.65 in the second quarter? What is it making it an abnormal second quarter versus the prior trajectory of how the earnings have come up?

Thomas A. Fanning
Chairman, President & CEO

Yes. Ashar, let me -- actually, I went deeper in preparing for this, for the call. But like I said, I have in front of me the data, last 8 years. Our low was $0.66. But we had 3 years in the $0.60s, $0.66, $0.69, $0.68, $0.71, $0.73, $0.75. And only the last 2 years have been $0.80.

All we're doing is taking a conservative shot at what the second quarter COVID-19 thing is. It's always a fight. I always laugh. I used to be CFO, and I had to always extract an estimate from the system CFOs. And well, the inside joke inside Southern is when the CFOs kind of report what they think, they always have a conservative bias. And the joke is that the positive variances are always temporary and the permanent variances -- the negative variances are permanent. So we always have to fight through what the right answer is.

I think Drew has done a great job. I can't say that $0.65 is light. I'll just say that it's reasonable. There's a lot of degrees of freedom of conservatism around what's going to happen with COVID-19. We'll see, but that's the data. I got the data right in front of me.

Andrew William Evans
Executive VP & CFO

And Ashar, it is fair to say that this quarter will have most -- hopefully, the largest COVID impact -- COVID-19 impact of any quarter that we'll experience. That's the hope, and that's the expectation.

If we're going to reduce our expense structure, and as Tom said, that's generally through halting, adding additional head count, which was part of our plan, that is something that will reduce expenses over the course of the year and not be isolated to the second quarter.

So we have to plan for a light revenue in second and less expense mitigation than we think we can achieve over the balance of the year.

Thomas A. Fanning
Chairman, President & CEO

But we're still committed to our financial objectives for the year. I wouldn't get excited about the second quarter. We're still committed for the year. And boy, we had a good first quarter.

Ashar Khan
Verition Fund Management LLC

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

I know you did. Excellent quarter.

Thomas A. Fanning
Chairman, President & CEO

Yes. So good start.

Operator, anything else?

Operator

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

Thomas A. Fanning
Chairman, President & CEO

Drew, you want to lead us off?

Andrew William Evans
Executive VP & CFO

Again, I'll just say thank you to all the folks that are working hard on behalf of customers every day. I think we're living our core values. And I'm impressed that with 15,000 or 17,000 people working from home, we're getting the job done. So thank you very much to all the work teams that are working hard to have such a great outcome for us.

Thomas A. Fanning
Chairman, President & CEO

And from my perspective, working at a national level, whether it's thinking about Homeland Security with Chris Krebs and his team, Department of Energy Secretary Dan Brouillette, all of his team is doing a terrific job.

The industry is responding exceedingly well. And you should know that the industry, in this case, is a union of the investor-owned utilities and the cooperatives and the municipals.

We are all working together to solve the problems as they arise. And in fact, the favorite Gretzky saying of skate to where the puck will be, I think this industry is way beyond reacting to the present and really into thinking about the future.

We're very mindful that hurricane season, storm season is ahead of us and being able to demonstrate, as we have for decades, effective mutual response to the problems that will arise this year.

I think the industry is doing a terrific job. So kudos to all of my brothers and sisters out there.

And then finally, for Southern, what a great start to the year. That's given us some tailwind, I think, to address some of these things. There is a lot of uncertainty ahead. I'm very encouraged with the team at Vogtle. When you look at the data, I think they're managing these unexpected conditions in an exceedingly prudent manner. And the rest of the system is going great with their ability to respond to the storms and still serve customers well with this coronavirus protocol in place.

I'm just very encouraged about our ability to deal with whatever comes our way for the rest of the year. That's why we remain committed.

I want to thank you all. I know, especially those of you all in the Northeast, you know I'm from New Jersey. I got relatives up there, and I know you guys are dealing with some very tough times. And I know maybe your families or maybe friends of families are all being impacted. Our thoughts and prayers go out to you all. And I think, working together, we're going to get through this thing.

Thanks, everybody, for being with us today. I know it's an extra-long call, but I hope we gave enough color around not only Southern's situation, but the national situation to give everybody confidence in the next steps forward.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Thanks, everybody. Talk to you soon. Operator, that's the conclusion of the call.

Operator
Thank you, sir. Ladies and gentlemen, this concludes the Southern Company First Quarter 2020 Earnings Call. You may now disconnect.

Copyright © 2020 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

Attachment to STF-238-7

Copyright © 2020 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2020 S&P Global Market Intelligence.