

SOUTHERN CO
Form 8-K
June 30, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) June 30, 2017

Commission Registrant, State of Incorporation, I.R.S. Employer

File Number Address and Telephone Number Identification No.

	The Southern Company (A Delaware Corporation)	
1-3526	30 Ivan Allen Jr. Boulevard, N.W. Atlanta, Georgia 30308 (404) 506-5000	58-0690070

	Mississippi Power Company (A Mississippi Corporation)	
001-11229	2992 West Beach Boulevard Gulfport, Mississippi 39501 (228) 864-1211	64-0205820

The names and addresses of the registrants have not changed since the last report.

This combined Form 8-K is filed separately by two registrants: The Southern Company and Mississippi Power Company. Information contained herein relating to each registrant is filed by each registrant solely on its own behalf. Each registrant makes no representation as to information relating to the other registrant.

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrants under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter). (Response applicable to each registrant.)

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The Southern Company (“Southern Company”) and Mississippi Power Company (“Mississippi Power”) are filing this Current Report on Form 8-K to provide information regarding the schedule and cost estimate for Mississippi Power’s integrated coal gasification combined cycle project in Kemper County, Mississippi (the “Kemper IGCC”).

The information in Item 7.01 in this Current Report on Form 8-K, including the exhibit attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities under that Section. Furthermore, such information, including the exhibit attached hereto, shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Item 7.01. Regulation FD Disclosure.

On June 30, 2017, Mississippi Power submitted its Kemper County Integrated Coal Gasification Combined Cycle Project Monthly Status Report through May 2017 (the “May PSC Report”) to the Mississippi Public Service Commission (the “Mississippi PSC”) pursuant to Docket No. 2009-UA-14. A copy of the May PSC Report is furnished as Exhibit 99.01 to this Current Report on Form 8-K.

Item 8.01. Other Matters.

See MANAGEMENT’S DISCUSSION AND ANALYSIS - FINANCIAL CONDITION AND LIQUIDITY - “Capital Requirements and Contractual Obligations” and - FUTURE EARNINGS POTENTIAL - “Construction Program - Integrated Coal Gasification Combined Cycle” of Southern Company, MANAGEMENT’S DISCUSSION AND ANALYSIS - FUTURE EARNINGS POTENTIAL - “Integrated Coal Gasification Combined Cycle” and - FINANCIAL CONDITION AND LIQUIDITY - “Capital Requirements and Contractual Obligations” of Mississippi Power, and Note 3 to the financial

statements of Southern Company and Mississippi Power under “Integrated Coal Gasification Combined Cycle” in each company’s Annual Report on Form 10-K for the year ended December 31, 2016 (the “Form 10-K”). See also MANAGEMENT’S DISCUSSION AND ANALYSIS - FINANCIAL CONDITION AND LIQUIDITY - “Capital Requirements and Contractual Obligations” and - FUTURE EARNINGS POTENTIAL - “Construction Program - Integrated Coal Gasification Combined Cycle” of Southern Company, MANAGEMENT’S DISCUSSION AND ANALYSIS - FUTURE EARNINGS POTENTIAL - “Integrated Coal Gasification Combined Cycle” and - FINANCIAL CONDITION AND LIQUIDITY - “Capital Requirements and Contractual Obligations” of Mississippi Power, and Note (B) to the Condensed Financial Statements under “Integrated Coal Gasification Combined Cycle” in each company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 for additional information regarding the Kemper IGCC, including: (1) the cost cap set by the Mississippi PSC of \$2.88 billion, net of \$245 million of grants awarded to the project by the U.S. Department of Energy under the Clean Coal Power Initiative Round 2 (the “Initial DOE Grants”) and excluding the cost of the lignite mine and equipment, the cost of the carbon dioxide (“CO₂”) pipeline facilities, allowance for funds used during construction (“AFUDC”), and certain general exceptions, including change of law, force majeure, and beneficial capital (which exists when Mississippi Power demonstrates that the purpose and effect of the construction cost increase is to produce efficiencies that will result in a neutral or favorable effect on customers relative to the original proposal for the Certificate of Public Convenience and Necessity) (the “Cost Cap Exceptions”); (2) the expected in-service date and related cost estimate; and (3) rate recovery for costs associated with the Kemper IGCC.

Kemper IGCC Schedule, Cost Estimate and Rate Recovery

Southern Company and Mississippi Power previously filed a Current Report on Form 8-K dated June 5, 2017, which disclosed they expected the remainder of the Kemper IGCC to be placed in service by the end of June following completion of certain repairs to gasifier "B." During June, gasifier "A" has achieved periods of production of electricity using 100% syngas and has produced commercial grade CO₂ and sulfuric acid. In addition, work has continued on gasifier "B;" however, further repairs were required and re-start of gasifier "B" had not commenced by the time of the suspension described below. Accordingly, Mississippi Power no longer expects the remainder of the Kemper IGCC will be placed in service by the end of June. The May PSC Report contains further increases in the cost estimate subject to the cost cap for the Kemper IGCC of approximately \$11 million primarily related to the repairs performed during May and June.

As previously disclosed, on June 28, 2017, in light of the current circumstances surrounding the Kemper IGCC, including the uncertainty as to the future of the gasifier portion, Mississippi Power notified the Mississippi PSC and began a process to suspend operations and start-up activities on the gasifier portion of the Kemper IGCC as of June 28, 2017. In the event start-up activities resume, further cost increases and/or extensions of the expected in-service date may result from factors including, but not limited to, difficulties integrating the systems required for sustained operations, sustaining nitrogen supply, continued issues with ash removal systems or syngas coolers, major equipment failure, unforeseen engineering or design problems including any repairs and/or modifications to systems, and/or operational performance (including additional costs to satisfy any operational parameters ultimately adopted by the Mississippi PSC). Furthermore, additional improvement projects to enhance plant performance, safety, and/or operations ultimately may

be completed after the remainder of the Kemper IGCC is placed in service and may be subject to the \$2.88 billion cost cap. Any further changes in the estimated costs of the Kemper IGCC subject to the \$2.88 billion cost cap, net of the Initial DOE Grants and excluding the Cost Cap Exceptions, will be reflected in Southern Company's and Mississippi Power's statements of income and these changes could be material.

If start-up activities resume, Mississippi Power currently estimates additional base costs of approximately \$25 million to \$35 million for each month that start-up activities continue, which includes maintaining necessary levels of start-up labor, materials, and fuel, as well as operational resources required to execute start-up activities. However, additional costs may be required for remediation of any further equipment and/or design issues identified. Extension of the in-service date would also increase costs for the Cost Cap Exceptions, which are not subject to the \$2.88 billion cost cap established by the Mississippi PSC. These costs include AFUDC, which is currently estimated to total approximately \$16 million per month, as well as carrying costs and operating expenses on Kemper IGCC assets placed in service and consulting and legal fees of approximately \$3 million per month.

At May 31, 2017, approximately \$3.4 billion in Kemper IGCC costs were not reflected in Mississippi Power's retail and wholesale rates. These costs primarily relate to the following:

Cost Category	Actual Costs (in billions)
Gasifiers and gas clean-up facilities, including AFUDC	\$ 2.5
Lignite mine and CO ₂ pipeline facilities, including AFUDC	0.4
Combined cycle and common facilities, including AFUDC	0.3
Other	0.2
Total	\$ 3.4

Although the ability to achieve a negotiated settlement is uncertain, Mississippi Power intends to pursue any available settlement alternatives and will also consider other possible operational and cost recovery options. If, as a result of discussions or proceedings with the Mississippi Public Utilities Staff or the Mississippi PSC, or otherwise, Mississippi Power does not ultimately obtain rate recovery of the \$3.4 billion of Kemper IGCC costs not currently in rates, Southern Company and Mississippi Power would be required to recognize a charge to income in the second quarter of 2017 for those unrecovered costs, in addition to any other costs required to be incurred.

The ultimate outcome of these matters cannot be determined at this time.

Mississippi Power Financing

From June 28 to June 30, 2017, Southern Company made equity contributions totaling \$1.0 billion to Mississippi Power. Mississippi Power used a portion of the proceeds to (i) prepay \$300 million of the outstanding principal amount under its \$1.2 billion unsecured term loan; (ii) repay \$591 million of the outstanding principal amount of promissory notes to Southern Company; and (iii) repay \$10 million of the outstanding principal amount of bank loans.

Exhibit

Kemper County Integrated Coal Gasification Combined Cycle Project Monthly Status Report through Exhibit 99.01 May 2017 to the Mississippi Public Service Commission submitted by Mississippi Power Company pursuant to Docket No. 2009-UA-14.

Cautionary Note Regarding Forward-Looking Statements

Certain information contained in this Current Report on Form 8-K and the May PSC Report is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, statements concerning the projected cost and schedule for the completion of construction and start-up of the Kemper IGCC. Southern Company and Mississippi Power caution that there are certain factors that could cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company and Mississippi Power; accordingly, there can be no assurance that such suggested results will be realized. The following factors, in addition to those discussed in the Form 10-K and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: changes in tax and other laws and regulations to which Mississippi Power is subject, including potential tax reform legislation, as well as changes in application of existing laws and regulations; the ability to control costs and avoid cost overruns during the development, construction and operation of facilities, which include the development and construction of generating facilities with designs that have not been finalized or previously constructed, including changes in labor costs and productivity, adverse weather conditions, shortages and inconsistent quality of equipment, materials, and labor, sustaining nitrogen supply, continued issues with ash removal systems or syngas coolers, contractor or supplier delay, non-performance under operating or other agreements, operational readiness, including specialized operator training and required site safety programs, unforeseen engineering or design problems, start-up activities (including major equipment failure and system integration), and/or operational performance (including additional costs to satisfy any operational parameters ultimately adopted by the Mississippi PSC); the ability to construct facilities in accordance with the requirements of permits and licenses, to satisfy any environmental performance standards and the requirements of incentives, and to integrate facilities into the Southern Company system upon completion of construction; advances in technology; actions related to cost recovery for the Kemper IGCC, including the ultimate impact of the 2015 decision of the Mississippi Supreme Court, settlement discussions, and related legal or regulatory proceedings, Mississippi PSC review of the prudence of Kemper IGCC costs and approval of further permanent rate recovery plans, actions relating to proposed securitization, satisfaction of requirements to utilize grants, and the ultimate impact of the termination of the proposed sale of an interest in the Kemper IGCC to South Mississippi Electric Power Association (now known as Cooperative Energy); and the ability of counterparties of Mississippi Power to make payments as and when due and to perform as required. Southern Company and Mississippi Power expressly disclaim any obligation to update any forward-looking information.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, each of the registrants has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 30, 2017 THE SOUTHERN
COMPANY

By/s/Melissa K. Caen
Melissa K. Caen
Assistant Secretary

MISSISSIPPI
POWER COMPANY

By/s/Melissa K. Caen
Melissa K. Caen
Assistant Secretary