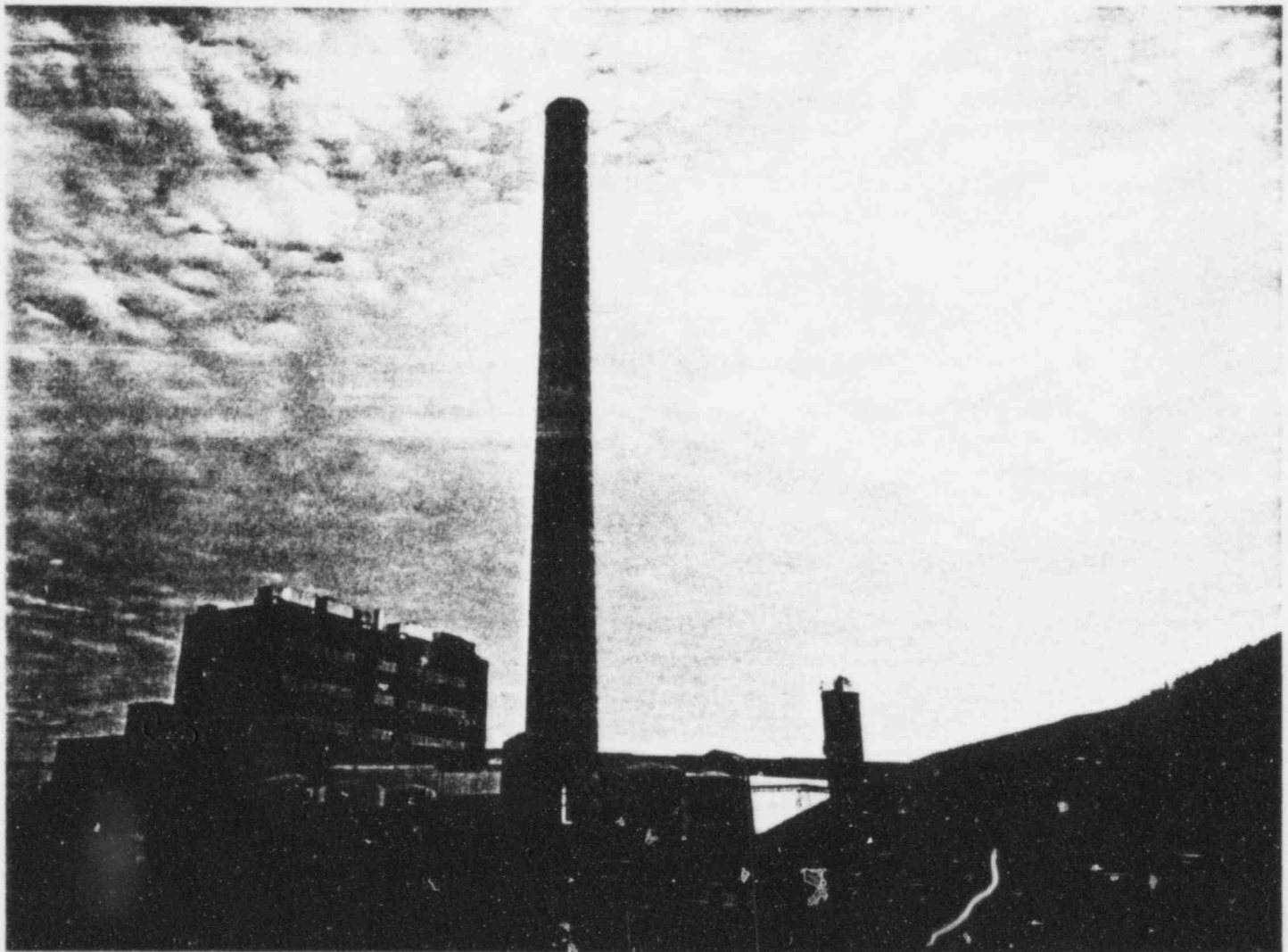




GEORGIA POWER COMPANY ANNUAL REPORT 1977

POOR ORIGINAL



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This annual report is submitted as information for stockholders and is not intended for use in connection with any sale or purchase of, or any offer or solicitation of, offers to buy or sell any securities.

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GEORGIA POWER COMPANY
Projected Sources of Funds Statement
 January 1, 1979 through December 31, 1979
 (Thousands of Dollars)

INTERNAL SOURCES OF FUNDS:

Retained Earnings	(23,167)
Deferred Income Taxes	64,197
Investment Tax Credits-Deferred	26,561
Depreciation and Amortization	155,476
Less: Allowance for Funds Used	
During Construction	(46,814)
Changes in Balance Sheet Accounts	176,983
Other	1,533
Total Internal Sources	<u>354,769</u>

EXTERNAL SOURCES OF FUNDS:

The ratios and amounts of first mortgage bonds, preferred stock, and the amount of capital contributions and short term debt will be determined by market conditions.

Total External Sources	<u>211,572</u>
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Total Sources of Funds for Construction	<u>566,341</u>
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Georgia Power Company projects \$5.01 million in cash would be available throughout the period, for payment of retrospective premiums. Therefore, the need would not exist to curtail capital expenditures. Other participants include Oglethorpe Electric Membership Corporation (30%), Municipal Electric Authority of Georgia (17.7%), and the City of Dalton (2.2%).

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GEORGIA POWER COMPANY
Assumptions Used In Sources of Funds Statements

1. Retail and Wholesale Revenues are based on rates currently authorized, with all co-owners (the Oglethorpe Electric Membership Corporation, the Municipal Electric Authority of Georgia, and the City of Dalton) reflected at a partial requirements rate.
2. Georgia Power Company is a co-owner in the Edwin I. Hatch Nuclear Plant (50.1% Ownership) and the Alvin W. Vogtle Nuclear Plant (50.7% Ownership) which is presently under construction. The remaining co-owners in the Edwin I. Hatch Nuclear plant are OEMC (30% Ownership), MEAG (17.7% Ownership), and the City of Dalton (2.2% Ownership). The remaining co-owners in the Alvin W. Vogtle Nuclear Plant are OEMC (30% Ownership), MEAG (17.7% Ownership), and the City of Dalton (1.6% Ownership).
3. Plant Hatch Unit I is presently in Commercial Operation. Plant Hatch Unit II is schedule for Commercial Operation in December 1978. Plant Vogtle Units I and II are tentatively scheduled in these estimates for Commercial Operation in November 1984 and November 1985 respectively.

GEORGIA POWER COMPANY
Income Statement
June 1978
(In Thousands of Dollars)

	Current Month		Year-To-Date		Twelve Months Ended Current Month	
	This Year	Last Year	This Year	Last Year	This Year	Last Year
OPERATING REVENUES - ELECTRIC:						
Sales of Electricity:						
Territorial Sales	125,845	107,699	701,523	598,124	1,397,154	1,235,190
Other - Revenue Refund	-	-	-	(7,655)	-	(21,848)
Total Sales of Electricity	125,845	107,699	701,523	590,469	1,397,154	1,213,342
Other Operating Revenues	1,214	1,386	7,161	7,840	14,458	12,861
TOTAL OPERATING REVENUES - ELECTRIC	127,059	109,085	708,684	598,309	1,411,612	1,226,203
						15.12
OPERATING EXPENSES - ELECTRIC:						
Fuel	53,638	55,731	274,178	261,431	544,130	497,915
Purchased Power	3,692	(8,205)	37,980	(19,335)	68,783	(6,585)
Other Operation Expenses	12,566	11,565	84,809	71,414	165,075	145,440
Maintenance Expense	10,327	9,641	64,612	55,744	128,324	102,443
Total Operation and Maintenance Expenses	80,223	108,732	461,579	369,254	906,312	739,213
Depreciation Expense	10,382	10,528	61,421	63,227	111,472	114,781
Amortization	(332)	(323)	(2,183)	(1,937)	(3,580)	(3,417)
Taxes:						
Taxes Other Than Income Taxes	4,268	5,041	34,505	29,973	63,472	53,799
Income Taxes	11,897	12,735	49,053	57,652	109,915	112,609
TOTAL OPERATING EXPENSES - ELECTRIC	107,138	96,713	606,335	518,169	1,187,591	1,016,985
						16.78
OPERATING INCOME - ELECTRIC	19,921	12,372	104,399	80,140	224,021	209,218
						7.08
INCOME - PROPERTY SALES	-	-	-	-	-	21
OTHER UTILITY OPERATING INCOME - HEATING	(90)	(68)	100	13	(132)	(205)
OTHER INCOME AND DEDUCTIONS:						
Allowance for Funds Used During Construction - Equity	2,918	2,364	17,855	13,402	36,245	37,514
Other Income and Deductions - Net	2,494	12,157	7,751	31,565	16,014	36,726
INCOME BEFORE INTEREST CHARGES	25,243	26,825	130,015	125,120	272,148	283,274
						(3.93)
INTEREST CHARGES:						
Interest on Long-Term Debt	13,118	12,260	74,459	73,077	148,015	144,937
Amortization of Debt Discount and Expense	84	81	529	504	1,005	957
Amortization of Premium on Debt - Credit	(6)	(6)	(33)	(33)	(66)	(66)
Other Interest Expense	391	427	2,396	1,656	3,576	2,803
Allowance for Funds Used During Construction - Debt	(2,478)	(2,072)	(15,160)	(11,740)	(28,716)	(11,740)
NET INCOME	14,134	16,135	67,824	61,656	143,334	146,383
						1.33
DIVIDENDS ON PREFERRED STOCK	2,540	2,540	15,240	15,240	30,480	30,382
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	11,594	13,595	52,584	46,416	112,854	116,001
						1.60

GEORGIA POWER COMPANY
Supplement to Income Statement
June 1978
(In Thousands of Dollars)

	Current Month			Year-To-Date			Twelve Months Ended Current Month		
	This Year	Last Year	% Incr.	This Year	Last Year	% Incr.	This Year	Last Year	% Incr.
<u>AMORTIZATION</u>									
ELECTRIC:									
Amort. of Plant Acquisition									
Amort. of Investment Tax Credit	(332)	(323)		(2,183)	(1,938)		(3,580)	(3,417)	
Total - Electric	(332)	(323)		(2,183)	(1,938)		(3,580)	(3,417)	
HEATING:									
Amort. of Investment Tax Credit	(2)	(2)		(14)	(14)		(28)	(28)	
TOTAL AMORTIZATION	(334)	(325)	(2.77)	(2,197)	(1,952)	(12.55)	(3,608)	(3,445)	(4.73)
<u>INCOME TAXES</u>									
OPERATING EXPENSES - ELECTRIC:									
Income Taxes - Federal	329	7,065		322	16,428		(2,506)	15,465	
- State	640	1,642		1,604	4,944		3,694	7,977	
Provision for Def. Inc. Taxes - Federal	7,671	5,142		38,610	33,569		83,594	66,366	
- State	1,020	683		5,134	4,460		11,121	8,822	
Inc. Taxes Def. in Prior Yrs. - Federal	(1,973)	(4,452)		(7,457)	(18,745)		(13,313)	(26,477)	
- State	(256)	(581)		(955)	(2,425)		(1,742)	(3,389)	
Investment Tax Credit	4,466	3,236		11,795	19,421		29,067	43,845	
Income Taxes - Electric	11,897	12,735	(6.58)	49,053	57,652	(14.92)	109,915	112,609	(2.39)
OTHER UTIL. OPER. INCOME - HEATING									
Income Taxes - Federal	(97)	(78)		12	(75)		(341)	(370)	
- State	(12)	(10)		1	(10)		(39)	(48)	
Provision for Def. Inc. Taxes - Federal	14	16		86	96		181	214	
- State	2	2		11	12		24	28	
Inc. Taxes Def. in Prior Yrs. - Federal									
- State									
Investment Tax Credit							43	6	
Income Taxes - Other Util. Oper. Income - Heating	(93)	(70)	(32.86)	110	21	378.26	(132)	(170)	22.35
OTHER INCOME & DEDUCTIONS									
Income Taxes - Federal	884	9,734		2,615	24,734		133	24,600	
- State	146	1,602		468	4,387		15	4,496	
Provision for Def. Inc. Taxes - Federal	2,093			2,093			8,833		
- State	278			278			1,175		
Inc. Taxes Def. in Prior Yrs. - Federal							(77)	(307)	
- State							(10)	(40)	
Investment Tax Credit									
Income Taxes - Other Income & Deducti	3,401	11,336	(70.00)	5,454	29,121	(81.27)	10,069	28,749	(64.98)
EXTRAORDINARY ITEMS									
Income Taxes - Federal									
- State									
Income Taxes - Extraordinary Items									
INCOME TAXES CHARGED TO INCOME ACCOUNT									
Income Taxes - Federal	1,116	16,721		2,949	41,087		(2,714)	39,695	
- State	774	3,234		2,074	9,321		3,670	12,425	
Prov. for Def. Inc. Taxes - Federal	9,778	5,158		40,787	33,665		92,609	66,580	
- State	1,300	685		5,424	4,472		12,319	8,850	
Inc. Taxes Def. in Prior Yr. - Federal	(1,973)	(4,452)		(7,457)	(18,745)		(13,390)	(26,784)	
- State	(256)	(581)		(955)	(2,425)		(1,752)	(3,429)	
Investment Tax Credit	4,466	3,236		11,795	19,421		29,110	43,851	
TOTAL INCOME TAXES	15,205	24,001	(36.65)	54,617	86,796	(37.07)	112,852	141,188	(15.11)

GEORGIA POWER COMPANY
Balance Sheet
June 1978
(In Thousands of Dollars)

ASSETS	Current Month	
	This Year	Last Year
<u>UTILITY PLANT</u>		
Plant In Service (Classified and Unclassified)	3,726,398	3,352,832
Electric Plant Held for Future Use	2,088	2,466
Construction Work In Progress	800,487	667,652
Total Gross Plant	4,528,973	4,022,950
Accumulated Provision for Depreciation and Amortization	(850,724)	(725,304)
NET PLANT AT END OF MONTH	<u>3,678,249</u>	<u>3,297,646</u>
<u>OTHER PROPERTY AND INVESTMENTS</u>		
Nonutility Property	2,993	3,137
Accumulated Provision for Depreciation	-	-
Net Nonutility Property and End of Month	2,993	3,137
Investment in Associated Companies	25,893	16,400
Other Investments	40	42
Sinking Funds	129	128
TOTAL OTHER PROPERTY AND INVESTMENTS	<u>29,055</u>	<u>19,707</u>
<u>CURRENT ASSETS</u>		
Cash	5,478	13,772
Special Deposits	51	51
Working Funds	390	364
Temporary Cash Investments	214,249	342,007
Notes and Accounts Receivable:		
Notes Receivable	86	140
Customer Accounts Receivable:		
Service	114,661	91,097
Merchandise	1,376	2,485
Other Accounts Receivable	23,512	27,233
Accumulated Provision for Uncollectible Accounts - Credit	(1,243)	(1,348)
Receivables from Associated Companies	8,814	18,060
Materials and Supplies - Fuel	187,630	185,135
Materials and Supplies - Other	21,800	17,346
Prepayments	1,779	869
Other Current and Accrued Assets:		
Interest and Dividends Receivable	1,431	-
Rents Receivable	1,077	894
TOTAL CURRENT ASSETS	<u>581,091</u>	<u>698,105</u>
<u>DEFERRED DEBITS</u>		
Unamortized Debt Expense	5,863	5,825
Preliminary Survey and Investigation Charges	2	3
Clearing Accounts	1,551	3,375
Miscellaneous Deferred Debits	1,404	871
Research and Development	6,081	4,819
Accumulated Deferred Income Taxes	3,425	3,227
TOTAL DEFERRED DEBITS	<u>18,326</u>	<u>18,120</u>
TOTAL ASSETS	<u>4,306,722</u>	<u>4,033,578</u>

CAPITALIZATION AND LIABILITIES	Current Month	
	This Year	Last Year
<u>CAPITALIZATION</u>		
Common Equity:		
Common Stock 7,761,500 SHARES	344,250	344,250
Capital Contributions	557,800	512,800
Premium on Preferred Stock	889	889
Unappropriated Retained Earnings (\$51,534,611.50 restricted against payment of dividends)	177,667	172,738
Appropriated Retained Earnings	849	-
Total Common Equity	1,081,455	1,030,677
Preferred Capital Stock 7,578,439 SHARES	382,844	382,844
Long-term Debt:		
Bonds	1,828,631	1,742,186
Unamortized Premium on Long-Term Debt	675	742
Unamortized Discount on Long-Term Debt	(11,799)	(10,630)
Other Long-Term Debt	206,528	122,338
Total Long-Term Debt	2,024,036	1,854,636
TOTAL CAPITALIZATION	<u>3,488,335</u>	<u>3,268,157</u>
<u>CURRENT LIABILITIES</u>		
Notes Payable	-	-
Accounts Payable	122,896	133,687
Payables to Associated Companies	8,703	7,177
Customer Deposits	22,999	20,426
Income Taxes Accrued:		
Federal	16,660	45,781
State	376	6,818
Other Taxes Accrued	32,098	29,062
Interest Accrued	46,421	31,650
Other Current and Accrued Liabilities:		
Dividends Declared	7,750	7,747
Tax Collections Payable	7,442	4,665
Miscellaneous Current and Accrued Liabilities	3,300	979
TOTAL CURRENT LIABILITIES	<u>268,645</u>	<u>287,992</u>
<u>DEFERRED CREDITS</u>		
Customer Advances for Construction	311	299
Other Deferred Credits	6,892	12,086
Unamortized Investment Credit	137,286	128,086
Injuries and Damages Reserve	1,175	825
Amortization Reserve - Federal	-	679
Miscellaneous Operating Reserves	-	(16)
Accumulated Deferred Income Taxes	404,078	335,470
TOTAL DEFERRED CREDITS	<u>549,742</u>	<u>477,429</u>
TOTAL CAPITALIZATION AND LIABILITIES	<u>4,306,722</u>	<u>4,033,578</u>

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GEORGIA POWER COMPANY

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Schedule 6

SOURCES OF FUNDS FOR GROSS PROPERTY ADDITIONS

June 1978
(In Thousands of Dollars)

	CURRENT MONTH		YEAR TO DATE	
	This Year	Last Year	This Year	Last Year
Sources of Funds for Gross Property Additions:				
Net income	14,133	16,135	67,824	61,656
Less - Dividends on common stock	-	-	58,225	54,700
Dividends on preferred stock	2,540	2,540	15,240	15,240
Reinvested earnings	11,593	13,595	73,465	69,940
Principal noncash items -			(5,641)	(8,284)
Depreciation and amortization	11,125	10,962	65,797	63,387
Deferred income taxes, net	8,850	811	37,799	16,967
Investment tax credits	4,465	3,236	11,795	19,421
Allowance for funds used during construction, debt and equity	(5,396)	(4,436)	(33,015)	(25,142)
	30,637	24,168	76,735	66,349
Decrease (increase) in net current assets, excluding long-term debt due within one year -				
Cash and short-term investments	44,137	(77,232)	6,428	(228,634)
Receivables	(12,828)	(18,523)	(30,309)	(6,858)
Fuel stock	(21,678)	(10,030)	23,866	(46,706)
Materials and supplies	(954)	(1,031)	(2,954)	(597)
Revenues to be refunded	-	(7,079)	(13,433)	(5,230)
Accounts payable	7,415	29,302	21,620	33,098
Accrued taxes	(7,149)	21,333	(29,962)	53,707
Accrued interest	(8,346)	(8,665)	1,073	681
Other, net	(26,055)	(24,424)	1,464	1,847
	(25,458)	(96,349)	(22,207)	(198,692)
Other, net, including allowance for funds used during construction, debt and equity	1,102	(117)	15,352	25,993
Total funds from internal sources	6,281	(72,298)	69,880	(106,350)
Sales of securities-				
First mortgage bonds	-	-	100,000	-
Less - Bonds retired	-	-	3,927	3,480
	-	-	96,073	(3,480)
Preferred stock	-	-	-	-
	-	-	96,073	(3,480)
Capital contribution by parent company	-	-	-	-
Increase in other long-term debt	827	16,231	27,453	20,754
Sale of facilities, net book value	32,548	108,365	32,623	314,941
Total funds from external sources	33,375	124,596	156,149	332,215
Gross Property Additions	39,656	52,298	226,029	225,865

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Do the Work of the People of Georgia

By generating and delivering electric energy.

By doing so reliably.

By doing so at minimum practical cost.

By providing for the advancement and well being of its employees.

By conducting its construction and operations to have the minimum practical adverse impact on the environment.

By maintaining financial vitality.

By exerting a positive influence on legislative and regulatory affairs.

By maintaining the confidence of our consumers.

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Corporate Objectives

Georgia Power 

Financial Highlights

Georgia Power Company
Years ended
December 31, 1977 and 1976

	1977	1976	% Change
Operating Revenues <i>thousands</i>			
Residential	\$ 358,933	\$ 315,226	13.9
Commercial	385,889	355,405	8.6
Industrial	328,407	290,983	12.9
Other Sales	212,871	199,652	6.6
Total Sales of Electricity	1,286,100	1,161,266	10.7
Other Operating Revenues	15,137	8,780	72.4
Total Operating Revenues	<u>1,301,237</u>	<u>1,170,046</u>	<u>11.2</u>
Operating Expenses <i>thousands</i>			
Fuel	531,384	435,551	22.0
Purchased Power	11,466	33,542	(65.8)
Wages*	109,877	90,613	21.3
Other Operation and Maintenance	161,260	131,247	22.9
Depreciation and Amortization	109,944	100,347	9.6
Taxes	177,453	148,275	19.7
Total Operating Expenses	<u>1,101,384</u>	<u>939,575</u>	<u>17.2</u>
Operating Income <i>thousands</i>	<u>199,853</u>	<u>230,471</u>	<u>(13.3)</u>
Other Income <i>thousands</i>			
Allowance for Funds Used During Construction**			
Debt and Equity	—	49,871	—
Equity	29,792	—	—
Other Income Less Income Deductions	37,608	12,986	189.6
Income Before Interest Charges <i>thousands</i>	<u>267,253</u>	<u>293,328</u>	<u>(8.9)</u>
Interest Charges	150,383	144,348	4.2
Allowance for Funds Used During Construction**			
Debt	(25,296)	—	—
Net Income	<u>142,166</u>	<u>148,980</u>	<u>(4.6)</u>
Dividends on Preferred Stock	30,480	27,862	9.4
Net Income After Dividends on Preferred Stock	<u>\$ 111,686</u>	<u>\$ 121,118</u>	<u>(7.8)</u>
Electric Sales <i>millions of kwh</i>			
Residential	10,471	9,513	10.1
Commercial	10,278	9,713	5.8
Industrial	13,236	12,629	4.8
Other	9,834	9,475	3.8
Total Electric Sales	<u>43,819</u>	<u>41,330</u>	<u>6.0</u>
Customers Served <i>year-end</i>	<u>1,138,470</u>	<u>1,112,063</u>	<u>2.4</u>
Average Residential Use <i>kwh</i>	<u>10,654</u>	<u>9,892</u>	<u>7.7</u>
Average Residential Price <i>cents per kwh</i>	<u>3.43</u>	<u>3.31</u>	<u>3.6</u>

*Does not include wages amounting to \$68,090,000 in 1977 and \$58,650,000 in 1976 charged to construction and other accounts.


**Effective January 1, 1977, the FPC specified a procedure for determination of the rate for computing the allowance for funds used during construction and directed that the portion of the allowance allocable to borrowed funds be reported as a reduction of interest charges and the equity portion be credited to other income. Prior to 1977, the entire allowance was credited to other income.

() Denotes decrease.

Significant Events

- A \$97.6 million retail rate increase was granted by the Georgia Public Service Commission on September 6, 1977.
- Wholesale rate cases filed in 1974 and 1975 were finally settled with a Federal Power Commission order in February 1977.
- A \$28.2 million wholesale rate request was filed in December 1977.
- Purchases of existing and proposed generation plants, fuel and transmission lines by Oglethorpe Electric Membership Corporation, Municipal Electric Authority of Georgia and the City of Dalton totaled more than \$360 million.
- A new peak demand of 9,631,400 kilowatts was set on July 21.
- While revenues rose by 11.2 percent to \$1.3 billion, operating expenses climbed to \$1.1 billion, and earnings declined by 7.8 percent.
- Growth in electricity usage showed a 6.02 percent increase over 1976.
- For the first time since 1973, the average annual residential kilowatt-hour usage climbed above 10,000 kilowatt hours.
- The average price per kwh rose 3.6 percent, from 3.31 cents per kwh in 1976 to 3.43 cents per kwh in 1977.
- The cost of purchasing power from other utilities decreased by 65.8 percent.
- The first commercial application of solar generation in Georgia was initiated by the Company in conjunction with a federal agency and the Shenandoah community.
- Results from the Company's Energy Research and Demonstration Houses show that a 55 percent reduction in annual electric energy usage can be obtained.
- A standing audit committee was established by the Board of Directors.
- Due to a reduction in the Company's growth rate forecast, construction was slowed on Plants Scherer and Vogtle.
- The Company provided free energy surveys to thousands of customers in support of bill control and conservation goals.

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To Our Shareholders

Earnings declined in 1977 for the second year in a row.

The erosive effects of inflation and heavy expenditures for maintenance contributed to the earnings drop and pushed operating expenses above the \$1 billion mark for the first time.

Increased expenditure of funds to ensure improved availability and reliability of generation facilities was deemed advisable after the protracted cold weather of late 1976 and early 1977. In January, for the first time in the history of the Company, it was necessary to institute rotating blackouts of pre-designated circuits for a period of slightly more than one hour. More than 100,000 customers were affected, but none were without service for more than 40 minutes. By shedding load at that critical time the system's synchronization was maintained; while some customers suffered minor inconveniences, damage to the system was prevented and severe

Hatch, Scherer



economic loss to the service area was averted.

Still recovering from the nearly disastrous economic conditions of the 1974-75 period, the Company continued its emphasis on reduction of costs wherever possible without jeopardizing the quality of service its customers have come to expect and which they deserve.

Wholesale rate cases filed in October 1974 and July 1975 were settled with a Federal Power Commission order in February. In July the FPC agreed to a settlement of the case filed in March 1976. Funds collected under bond pending settlement and in excess of the amounts allowed by the decrees were refunded with 9 percent interest to the wholesale customers.

On December 30 Georgia Power filed with the Federal Energy Regulatory Commission (formerly FPC) a request for an annual increase of \$28.2 million for wholesale customers.

The retail request filed in March was decided in September when the Georgia Public Service Commission granted an annual increase of \$97.6 million, less than one-half of the requested \$197.6 million.

We shall continue to monitor carefully our financial condition. Improvements which have been made in that monitoring process will permit us to file for rate relief on a timely basis.

The Company enlarged its relationship with joint owners in 1977. Interests in generating plants were first sold in 1975 when an initial agreement was made with Oglethorpe Electric Membership Corporation (OEMC). During 1977 arrangements were completed for the purchase of interest in, and the participation in the construction of, several generating units and purchases of fuel and transmission lines and substations by OEMC, the Municipal Electric Authority of Georgia (MEAG) and the City of Dalton. The arrangements yielded more than \$360 million to the Company in purchase payments.

Reduced projections of peak demand permitted the postponing of two coal-fired units by one year, one coal-fired unit by two years and two nuclear units by one year.

Improved long-range planning and the design of a corporate model were initiated in 1977, and the Company adopted the corporate objective "Do the Work of the People of Georgia." Maintaining financial vitality is a major step toward achieving that objective. Planning and modeling are expected to improve the decision-making process, and reduce the risk to shareholders, customers and employees.

Efforts to build customer understanding of energy problems intensified in 1977. More than 150,000 persons viewed the Georgia Power film "Power and People" which portrayed the dilemma facing consumers and suppliers of electric power. Marketing representatives made more than 57,000 contacts with customers and provided many of them with energy audits to assist customers in bill control and energy conservation. We conducted

POOR ORIGINAL

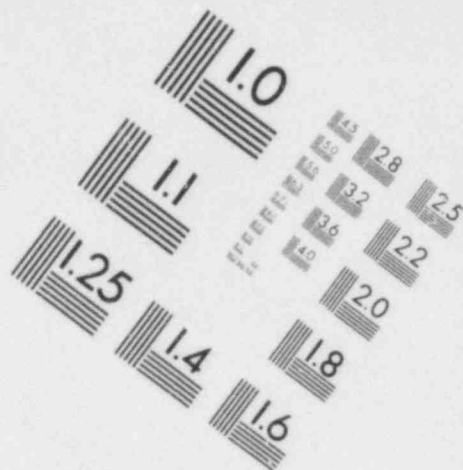
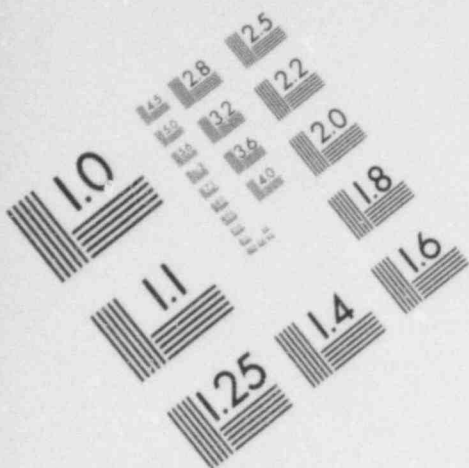
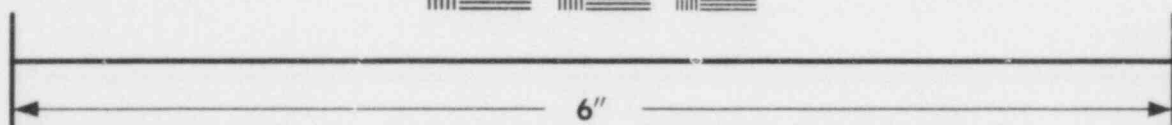
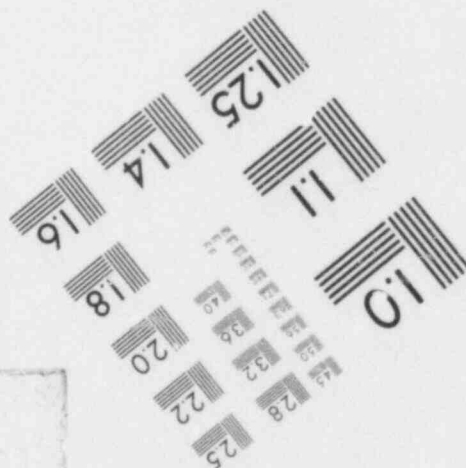
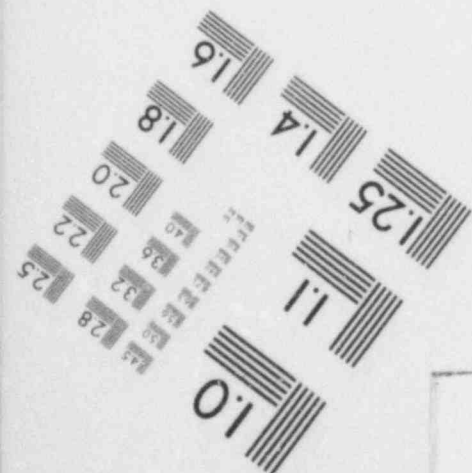


IMAGE EVALUATION TEST TARGET (MT-3)



MICROCOPY RESOLUTION TEST CHART



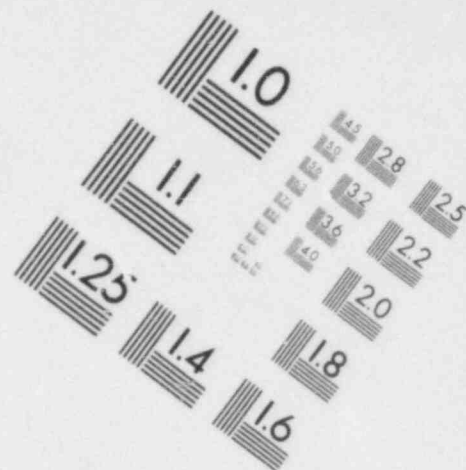
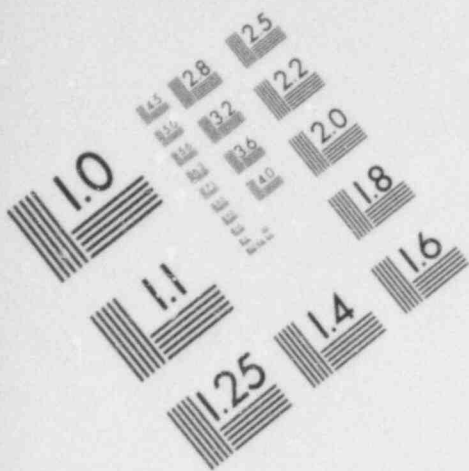
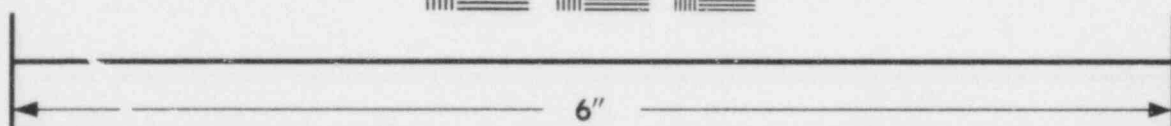
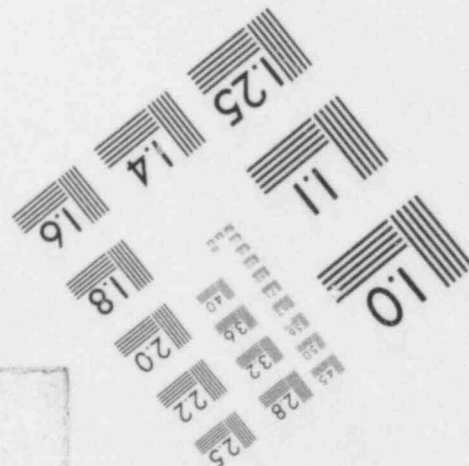
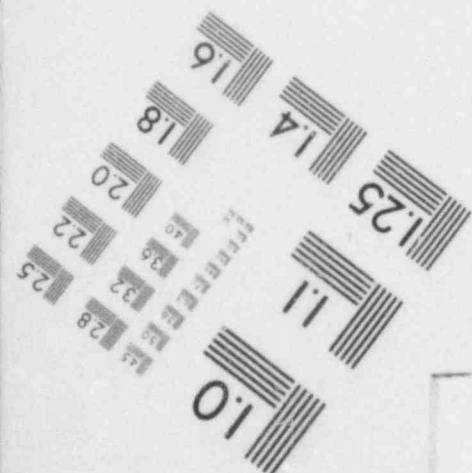
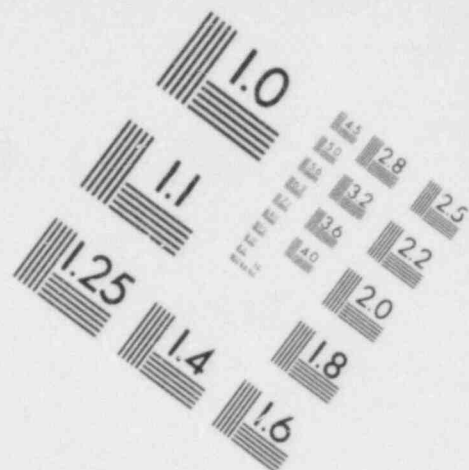
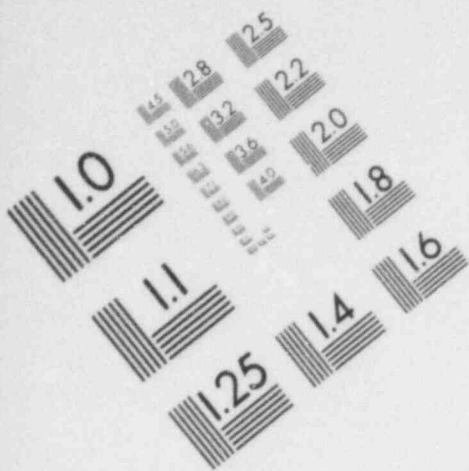


IMAGE EVALUATION TEST TARGET (MT-3)

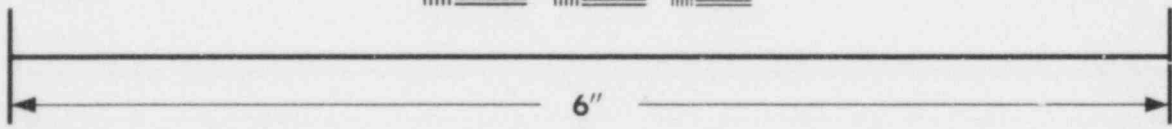


MICROCOPY RESOLUTION TEST CHART

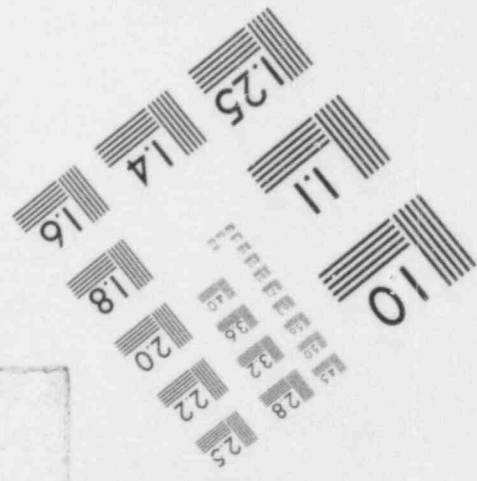
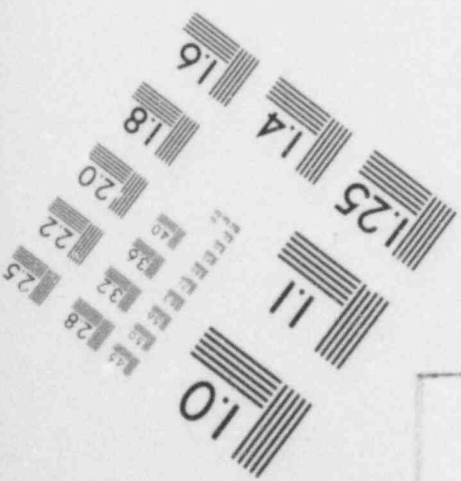




**IMAGE EVALUATION
TEST TARGET (MT-3)**



MICROCOPY RESOLUTION TEST CHART



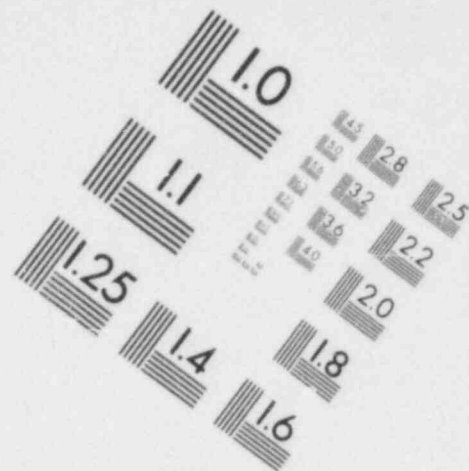
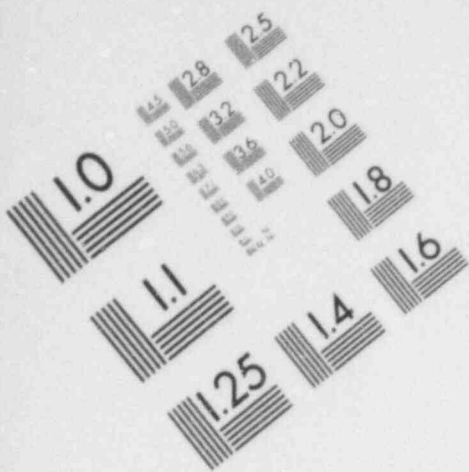
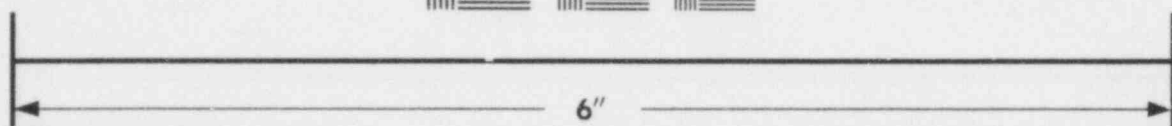
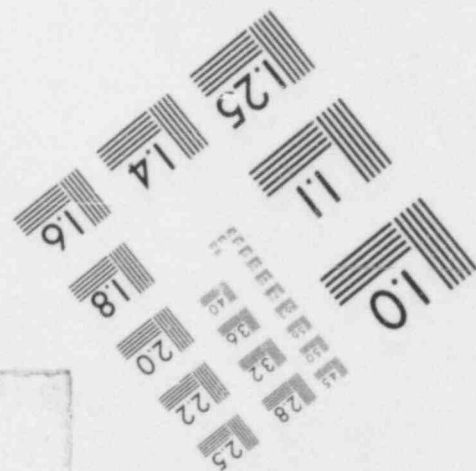
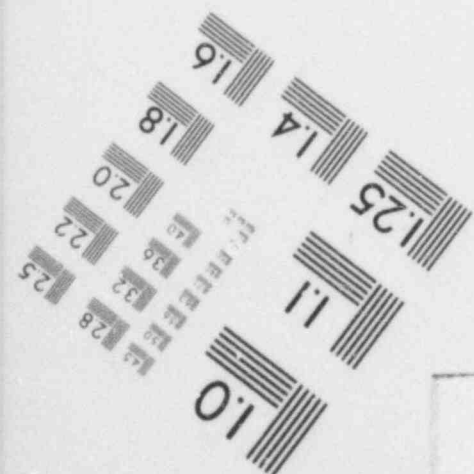


IMAGE EVALUATION TEST TARGET (MT-3)



MICROCOPY RESOLUTION TEST CHART



experiments in improving communications with foreign-language, minority and low income customers in their neighborhoods to find methods of making it easier for those persons to do business with the Company.

In order to improve the quality of all customer contacts, follow-up interviews were conducted by objective outsiders. The results of those interviews were used in developing training programs for employees involved in customer assistance.

Both to help the customers hold down electric bills and to reduce the growth in peak demand which creates the need for costly new generation facilities, customers received conservation information in bill inserts, special publications, paid advertising and through person-to-person contacts.

We kept a close watch on state and federal legislation which would have increased the cost of manufacturing and delivering our product and would have resulted in increased prices for our customers without any compensating benefits. The Georgia legislature passed no legislation harmful to utilities, and at the close of 1977 many of the costly provisions of the House version of the National Energy Plan had been resolved favorably in conference. The Company's position—clearly stated—favored a national energy policy that recognizes the need for conservation but which at the same time provides the necessary incentives for production from existing energy sources and development of new sources. Washington representatives actively opposed provisions which would have caused customers' bills to increase.

Plant tours, begun in 1976 with members of the Georgia General Assembly, were expanded in 1977 to include civic leaders and media representatives from communities throughout the state. The magnitude of the facilities, the tremendous cost of construction, the complexities of operation and the absolute inseparability of energy and jobs for Georgians were all dramatically demonstrated to the attending groups.

In addition to participation in national research and development projects, the Company—in conjunction with the Energy Research and Development Administration—undertook the construction of a small solar-powered steam generation plant at Shenandoah near Atlanta.

Load management continued to develop with the testing of equipment for time-of-day metering, demand metering in residences and customer notification of peak demand and emergency conditions.

Initial results became available on the use of solar heating for residences, improved construction techniques, improved insulation and other home modifications to reduce residential energy requirements. A portion of the peak demand reduction—from earlier projections—expected in the coming years can be traced to the confidence we place in the cooperation of our customers in

implementing conservation and load management.

Still, the 1977 peak demand which came on July 21, was a record 9,631,400 kilowatts, an increase of 5.3 percent. A record winter demand was set with the January 19 peak of 8,504,000 kilowatts. Residential kilowatt-hours sales increased by 10 percent to 10.5 billion kilowatt-hours. Average residential usage grew by 8 percent, and for the first time since 1973 climbed above 10,000 kilowatt-hours for the average residential customer. Increases in peak demand and in total residential usage indicate that while customers are becoming conscious of the need to conserve, they still expect reasonable levels of comfort.

Expenditures for new plants and related facilities amounted to \$534 million in 1977, with planned expenditures for the five-year period ending in 1982 expected to amount to \$5.1 billion. Of that amount, \$3.6 billion will be provided by Georgia Power with the remainder coming from OEMC, MEAG and the City of Dalton as those entities participate in construction of the jointly-owned facilities.


The challenge of maintaining an existing system and planning and providing for a system that must meet a doubling of demand in 11 years is taken seriously at all levels of management. Energy problems—especially those of our industry—are not expected to yield to instant solutions or political rhetoric. We have continued to apply the most sound and innovative management principles to our daily operations and to seek answers to questions of both today and tomorrow.

We have had remarkable support during the year from our shareholders, and we are grateful indeed for that support. The more than 11,000 employees have rendered good and faithful service during times of adversity. The officers and staff of The Southern Company have guided our efforts and Southern Company Services, Inc., has provided valuable assistance.

We promise continued dedication to merit your trust and confidence in our stewardship, and we look forward to 1978 and its challenges with enthusiasm and the earnest desire to fulfill our obligations to our customers and our shareholders.



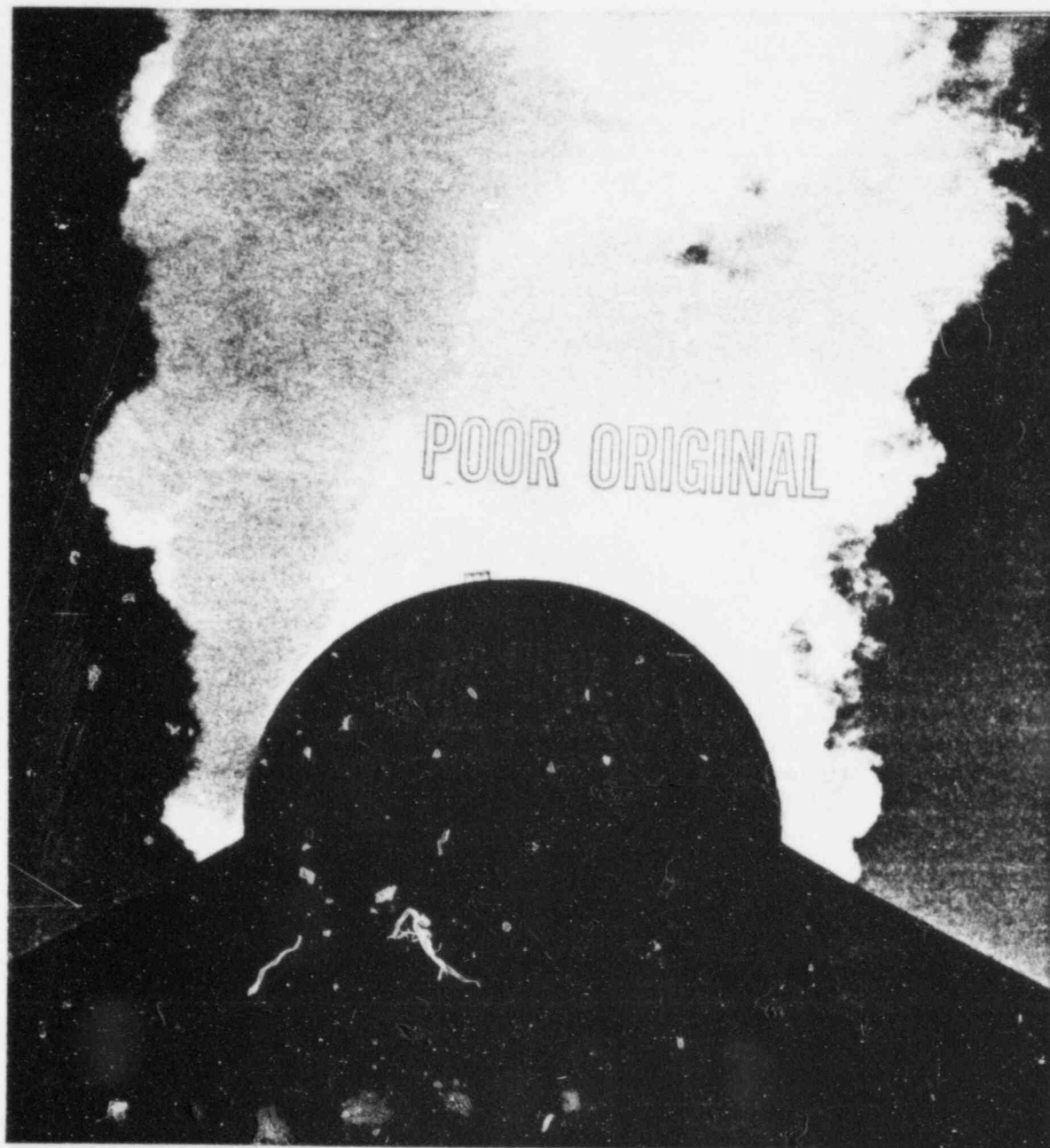
Edwin I. Hatch*
Chairman and Chief Executive Officer



Robert W. Scherer**
President and Chief Operating Officer

*Retires April 1, 1978

**Named Chief Executive Officer January 18, 1978



Rate Activities

Retail

Faced with declining earnings and increasing inflationary pressures, the Company submitted a request to the Georgia Public Service Commission (GPSC) on March 18, 1977, for a retail rate increase of \$197.6 million.

This amount represented the second largest retail case in the Company's history, and while the GPSC granted slightly less than half of the amount requested—\$97.6 million—there were several significant aspects of the order issued on September 6, 1977.

First, the GPSC reaffirmed its use of the projected test year as a partial offset to attrition instead of using a historical test year, thus allowing a more realistic and accurate measure in setting future rates. The Commission provided improvement in cash flow related to Construction Work In Progress

(CWIP) by allowing CWIP in the rate base, but it included full Allowance For Funds Used During Construction (AFUDC) in earnings. The Commission saw fit not to allow adjustments to AFUDC, as proposed by the Company.

The Company was allowed an overall return on the rate base of 9.36 percent and 12.25 percent on common equity.

The Commission also approved the Company's proposal for an increase for fuel costs in the base rate. The Company had been operating with a fuel cost of 2.8 mills per generated kilowatt-hour in the base rate since 1953. The Commission granted an increase to 10 mills per kilowatt-hour resulting in the inclusion of most fuel costs in the base rate and reducing the amount recovered through fuel adjustment charges on customers' bills.

Wholesale

In February 1977 the Federal Power Commission finally issued an order approving settlement of wholesale rate cases filed in October 1974 and July 1975 which affected the rural cooperatives represented by Oglethorpe Electric Membership Corporation (OEMC) and municipalities.

Under the terms of these settlements, Georgia Power was allowed to retain:

- \$30.4 million in annual revenues requested from municipal customers.
- \$8.4 million collected from cooperative customers.
- \$1 million of a requested \$4 million unrecovered fuel cost surcharge put into effect in March 1976.

In July 1977 the FPC issued an order accepting Georgia Power's requested increase to municipal customers filed in March of the previous year.

Under the terms of this settlement, Georgia Power retained \$15 million of the requested \$25.9 million annual increase and refunded with 9 percent interest \$8.2 million in revenues collected.

A settlement agreement was reached in August 1977 in the partial requirements wholesale rate increase filed in March 1976. (Partial requirements customers own interests in generating facilities but still purchase from Georgia Power electricity for part of their needs.) Under the terms of this settlement Georgia Power would retain 56 percent of the \$14.2 million increase to cooperative wholesale customers of OEMC.

After the request was filed, the City of Dalton and the Municipal Electric Authority of Georgia

(MEAG) purchased generating facilities and thus are provided service under the rate.

The Federal Energy Regulatory Commission (FERC), which replaced the Federal Power Commission, approved this settlement February 6, 1978.

While the wholesale settlements in 1977 were beneficial in bolstering earnings, Company projections indicated that earnings would not be sufficient without additional rate relief. Therefore, on December 30, the Company filed an application with FERC to increase wholesale customers' rates by \$28.2 million, requesting that rates go into effect on March 1, 1978, subject to review by the regulatory commission. As in other requests, the rates are subject to refund with interest based upon FERC's final decision in the rate case.

Sales of Property

In 1977 the Company completed sales to the Oglethorpe Electric Membership Corporation (OEMC) and the Municipal Electric Authority of Georgia (MEAG) of certain generating plant units — some of which are under construction — and of fuel and transmission lines for an aggregate sales price of approximately \$328 million.

OEMC purchased 30 percent of Plant Vogtle for approximately \$34.1 million. MEAG's purchases of interest in generating units, fuel and transmission lines totaled almost \$294 million.

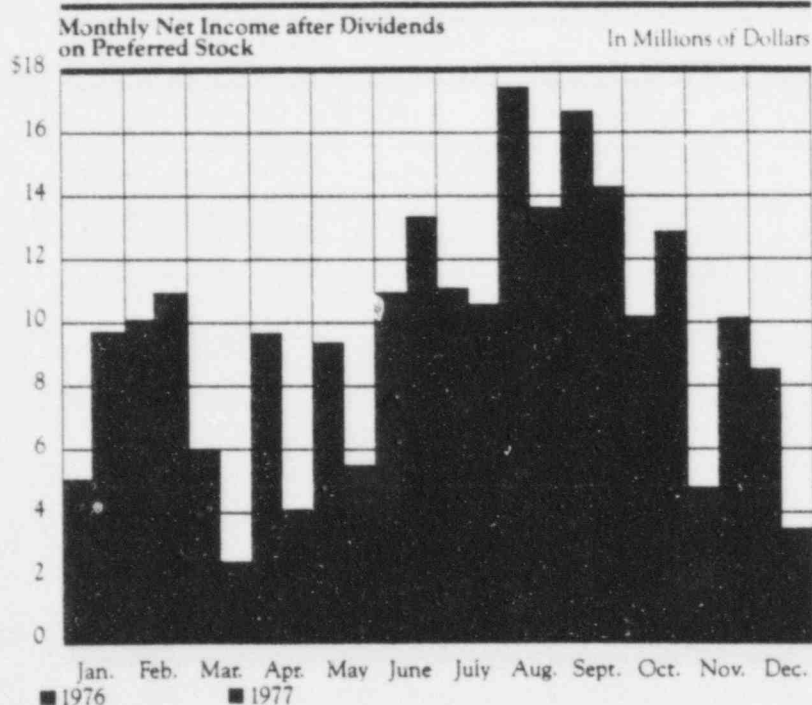
MEAG purchased undivided interests in four generating plants: 17.7 percent in Plant Vogtle for \$20.1 million; 17.7 percent in Plant Hatch, plus fuel, for \$154.5 million; 10 percent in Plant Wansley, plus coal, for \$51.2 million and 10 percent in Plant Scherer for \$6.7 million. MEAG has indicated its intent to purchase an additional 5.1 percent interest in Plants Wansley and Scherer. The group also purchased transmission lines for \$61.4 million. OEMC has expressed a desire to purchase a 30 percent interest in Plant Scherer.

The Company reached agreements with the City of Dalton resulting in total purchases of generating units, fuel and transmission lines of \$39.1 million. The purchase included undivided interests of 2.2 percent in Plant Hatch, plus fuel, for \$20 million; 1.6 percent in Plant Vogtle, plus fuel, for \$2.1 million; 1.4 percent of Plant Wansley, plus coal, for \$7 million and 1.4 percent of Plant Scherer for \$9 million. The city also purchased transmission lines for \$9 million in June 1977.

Under the sales and operating agreements with the three entities, Georgia Power builds, manages and operates all facilities covered and is compensated for these services, while each of the wholesale customers receives the pro-rata share of the output of the plants.

Net Income

Earnings after dividends on preferred stock were \$111,686,000 for 1977 compared with \$112,118,000 for 1976.



Net income was \$111.7 million in 1977 compared to \$121.1 million earned in 1976.

The 7.8 percent drop was attributed to the effects of inflation and increased operational and maintenance expenses, which exceeded additional revenues for the year.

Revenues

Total operating revenues rose 11.2 percent to \$1.3 billion, due to wholesale and retail rate increases, higher fuel charges recovered through the fuel adjustment clause and additional kilowatt-hour sales.

Residential sales revenues increased to \$358.9 million, a gain of 13.9 percent, while industrial sales moved to \$328.4 million, an increase of 12.9 percent. Commercial sales revenues totaled \$385.9 million, up 8.6 percent from 1976. Revenue from wholesale customers was \$203.9 million, an increase of 6.7 percent over last year. Street lighting revenue was \$8.9 million, up 4.9 percent, while revenue from other sources totaled \$15.1 million, almost doubling the \$8.8 million from 1976.

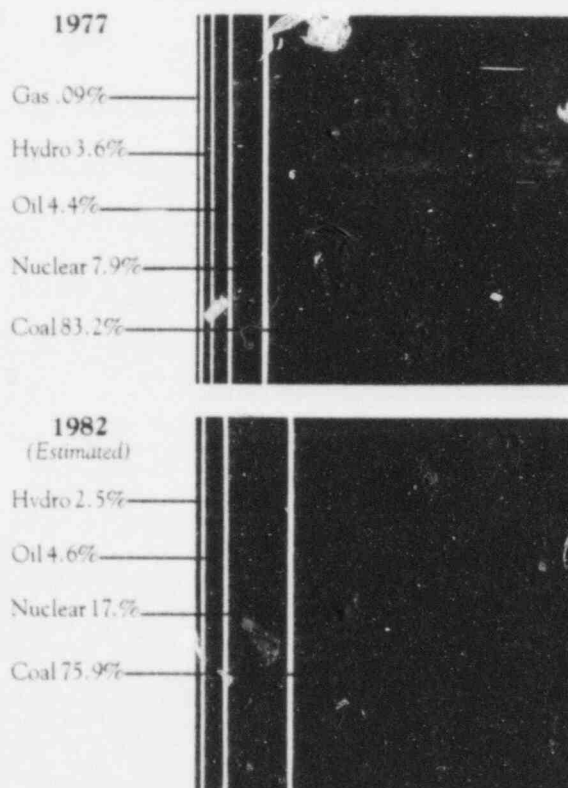
Operating Costs

Operating expenses continued to outpace the increase in revenues, reflecting an unyielding inflationary trend and contributing in large part to the year's decline in earnings. Expenses in 1977 were \$1.1 billion, up 17.2 percent over 1976's figure of \$939.6 million and surpassing for the first time the \$1 billion mark.

Fuel

Fuel remained Georgia Power's largest expense item, accounting for nearly half of all operating expenses.

Sources of Generation



Fuel costs reached \$531.4 million, representing a 22 percent increase over 1976.

The bulk of this expense was for coal, which supplied about 86 percent of the power generated by boiler fuels. The average price per ton increased 13 percent, from \$24.51 per ton to \$27.74 per ton. This figure is significantly higher than the 4 percent increase in 1976 and was caused primarily by the expanded use of higher priced, low-sulfur coal in order to meet environmental regulations and, to a lesser extent, by the Mine Reclamation Act of 1977, which added 15 to 35 cents to every ton of coal purchased by Georgia Power.

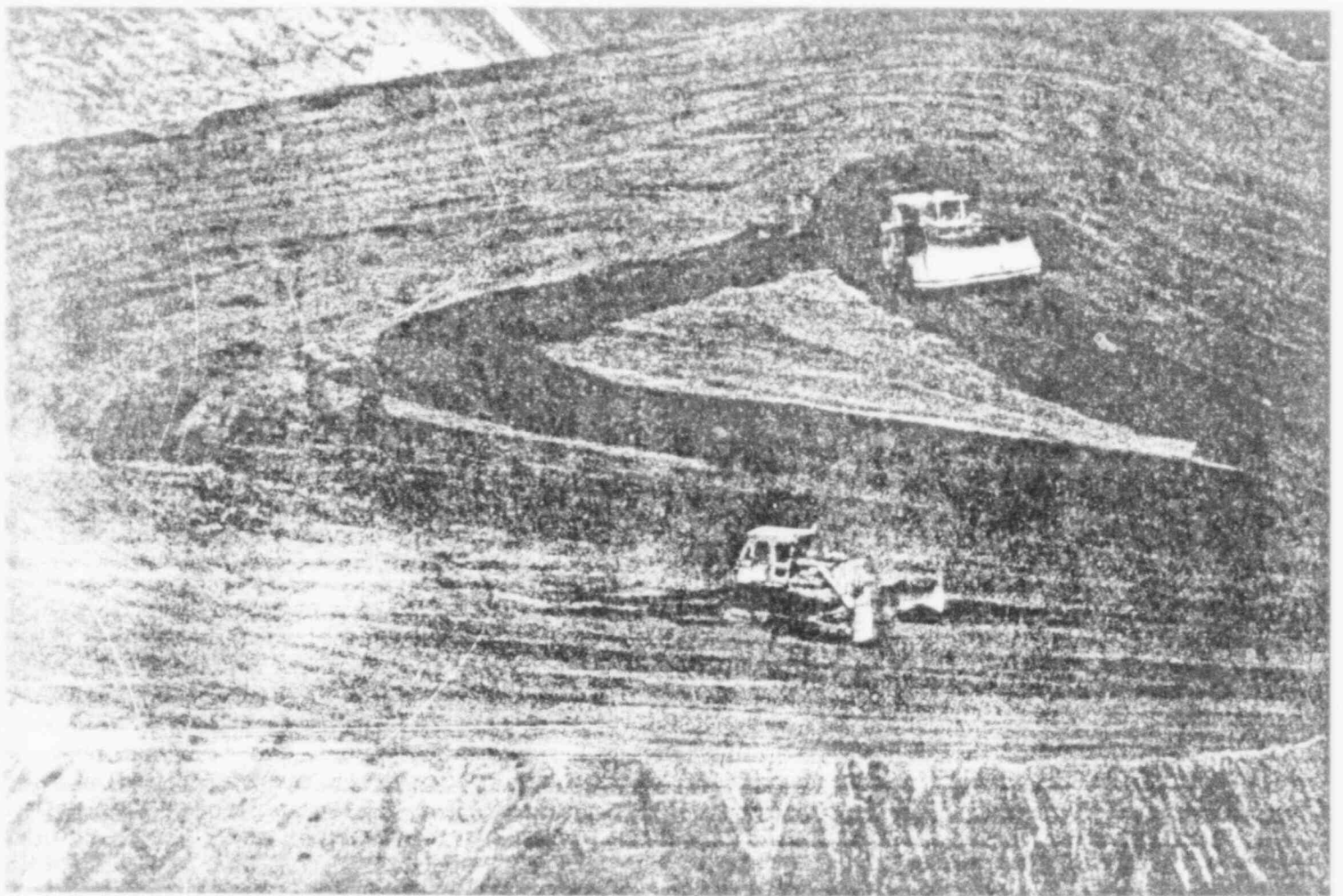
In addition to higher prices, a greater demand for electricity boosted the total cost of coal to \$444.8 million. Coal requirements increased from 14 million tons in 1976 to 16.1 million tons.

In expectation of a December 1977 strike by the United Mine Workers of America, Georgia Power began increasing its stockpiles of coal at its eight coal-fired power plants in early spring. By December 6, when the strike became a reality, the Company had on the ground about six million tons of coal, or enough to last four months. Although officials expected some interference with shipments from non-UMW mines, which account for about half the Company's coal purchases, Georgia Power planned to have enough coal on hand to serve customers during a strike lasting as long as six months. By year's end, 37 of the 47 sources which usually supply the Company with coal were continuing to deliver.

In September 1977 the Pride, Alabama, transloader became operational, blending high- and low-sulfur coal before being routed in unit trains to various coal-fired plants. The \$20 million facility, which took two years to complete, handled 750,000 tons of coal in 1977. This figure is expected to increase to a total of 9,250,000 tons by 1981. It can unload coal at an average rate of 3,200 tons per hour and can load 3,400-3,775 tons per hour. This unique operation is expected to save money for Georgia Power and its customers by blunting the financial impact of complying with increasingly stringent Georgia air quality standards yet allowing the Company to meet clean air goals.

Continued fuel savings were realized through the reliable operation of the Company's 810,000-kw nuclear unit near Baxley. About 7.9 percent, or 3,683,690 megawatt-hours, of total electricity supplied during 1977 was generated from the unit, including percentages owned by OEMC, MEAG and Dalton. It would have required 1.5 million tons of coal at modern, four-unit Plant Bowen, costing \$38.5 million, to produce the same amount of electricity. The nuclear fuel cost was \$5.8 million.

These savings become even more dramatic when compared with the increased cost of conventional fuels the Company had to use to generate electricity while the nuclear unit was out of service for maintenance and its first refueling. During the



Construction of the new highway bridge over the river is well advanced. The new bridge will be a concrete structure, and the old bridge will be replaced. The new bridge will be a concrete structure, and the old bridge will be replaced. The new bridge will be a concrete structure, and the old bridge will be replaced.

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Bridge

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Wages

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electric operating employees, a 21.3 percent increase over 1976's \$90.6 million, and \$68.1 million paid to workers engaged in construction of new facilities and other activities, a 16 percent increase over the previous year's \$58.7 million.

In April 1977 Georgia Power and Local 84 of the International Brotherhood of Electrical Workers began negotiating new wage rates and working conditions. In late December the Company was notified that voting members of Local 84 had failed to ratify Georgia Power's package proposal, which included a 7.25 percent general pay raise effective July 1, 1977. Primarily at issue was the per diem amount to be allowed for construction department and roving maintenance crews. When negotiations were resumed in early January 1978, the Company agreed to increase its per diem offer, and the contract was accepted.

Interest Charges

Total interest charges, primarily on money borrowed to finance construction, showed a 13.3 percent decrease to \$125.1 million in 1977, compared to \$144.3 million in 1976. The major cause of this decrease was a new Federal Energy Regulatory Commission accounting procedure, which requires the portion of AFUDC allocable to borrowed funds to be reported as a reduction of interest charges, and

the equity portion to be credited to other income. Prior to 1977 the entire allowance was credited to other income.

Interest charges were held at a minimum due to the participation of wholesale customers in constructing new facilities.

Purchased Power

For the second year in a row, the expense for power purchased from other utilities dropped significantly. In 1977 purchased power expense was \$11.5 million, a 65.8 percent decrease from the 1976 figure of \$33.5 million. Power is purchased from other utilities when the Company cannot meet the energy needs of its customers, or when it is the most economical power available.

Financing

Bonds

With an eye on reducing interest costs and recognizing mounting pollution control costs and requirements, the Company financed \$24,100,000 for pollution control equipment in 1977.

The development authorities of Putnam (Plant Branch) and Coweta (Plant Yates) counties issued tax exempt revenue bonds with a coupon interest rate of 6.4 percent and at a cost of 6.52 percent to the Company in June. The Company also redeemed \$3.3 million of high-cost coupon, first mortgage bonds through its sinking fund.

Auditing

To establish and maintain continuing communications among the Board and the Company's independent auditors, internal auditors and members of financial management, a standing audit committee was authorized by the Board in June. The committee — composed of three outside Board members — reports directly to the Board.

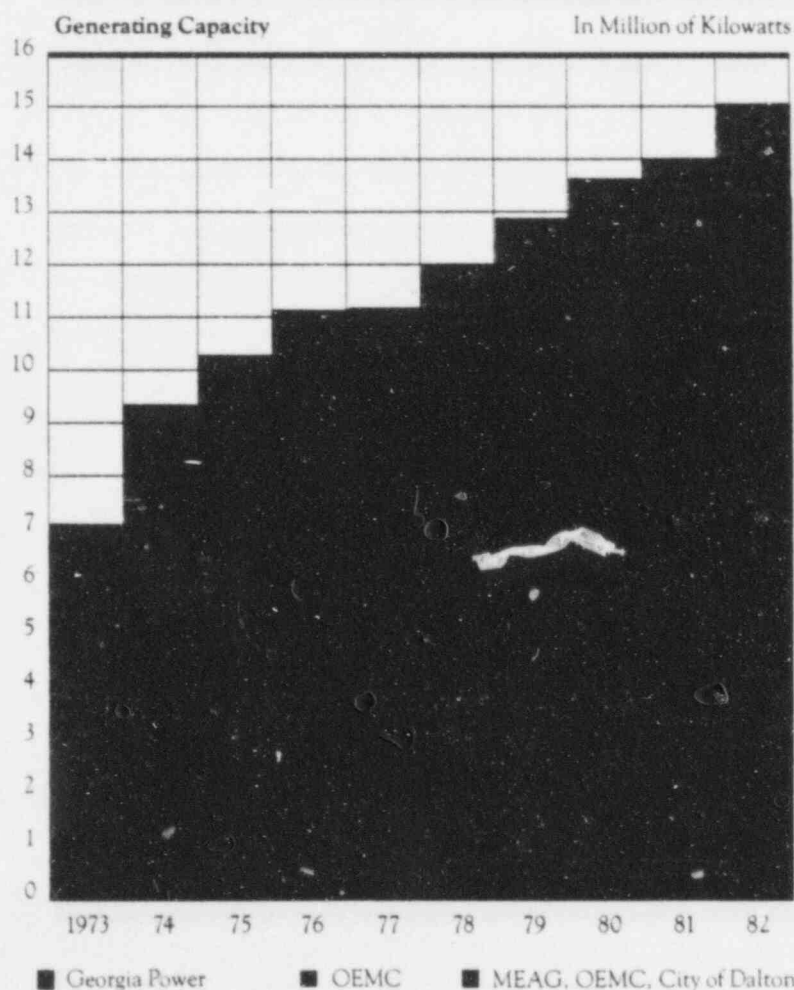
During the latter part of 1977 increased attention to internal auditing from regulatory agencies and the financial and accounting communities led the Company to form a centralized auditing department.

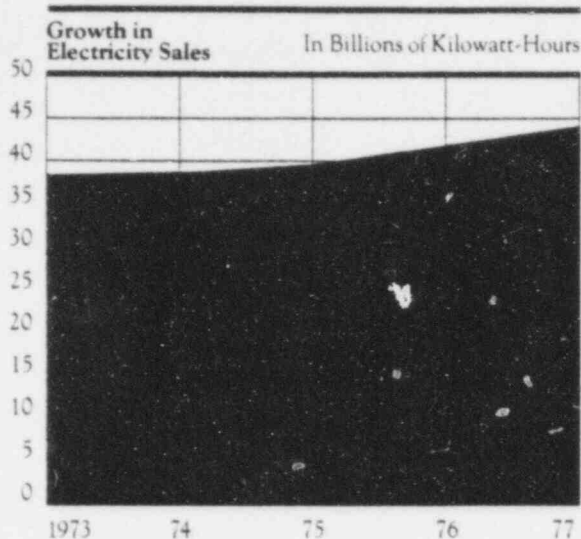
For many years the Company has had decentralized internal auditing located in its seven divisions across the state. The primary function had been audits of customer accounting activities. The new department focuses its efforts on establishing a centralized system in conjunction with the Southern system's internal auditing organization, continuing and expanding financial auditing and emphasizing operational auditing.

Electricity Demand, Cost

Growth in electricity usage continued in 1977 with a 6.02 percent increase over the previous year. Georgia Power customers used a record 43.8 billion kilowatt-hours (kwh) in 1977, compared to 41.3 billion kwh in 1976.

While kwh sales to all classes of customers





increased, residential sales rose by 10.1 percent, or nearly 1 billion kwh, over 1976 figures. One reason for the upsurge was the reclassification of some commercial customers to residential due to master meter apartment complexes switching to individual meters.

Customer Classes	kwh sales 1977	kwh sales 1976
Residential	10.5 billion	9.5 billion
Commercial	10.3 billion	9.7 billion
Industrial	13.2 billion	12.6 billion
Other	9.8 billion	9.5 billion

The average annual kwh use per residential customer jumped almost 8 percent, from 9,892 kwh in 1976 to 10,654 kwh in 1977. This was the first time since 1973 that annual usage had climbed above 10,000 kwh.

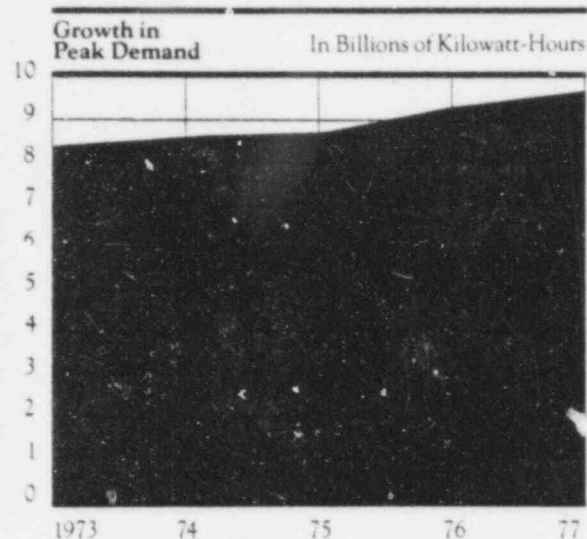
The average price per kwh rose 3.6 percent from 3.31 cents per kwh in 1976 to 3.43 cents per kwh in 1977. The increase can be traced to continually escalating fuel costs and the retail rate increase which went into effect during the last quarter of the year. Even so, the average price per residential kwh was well below the national average 3.75 cents per kwh.

Extremely hot temperatures during the summer created a new peak demand — 9,631,400 kw — set on July 21. The previous week, July 11 through 15, Georgia Power experienced more demand for electricity than any other five-day period in the Company's history. The average daily usage — 9,387,000 kw — was more than the one day record of the previous year — 9,149,800 kw — set on July 26.

The figure in the Company's 1976 annual report — 8,719,200 kw — did not include the portion of Plant Hatch retained by OEMC and Southeastern Power Administration energy delivered to preference customers.

In 1977 the Company also experienced a record winter peak demand of 8,504,000 kw on January 19.

The record cold weather, inability to purchase



power from surrounding southeast utilities and maintenance on generating units created the need for the Company's first selective blackouts on January 17 when some 100,000 customers experienced rotating outages lasting 30 to 40 minutes.

Development of new industrial facilities in the Company's service area declined by 21 percent, resulting in a 39 percent reduction in kwh usage for new industry during the year. The decrease was offset, however, by industrial customers expanding existing facilities.

Growth Rate Forecast

The Company's projections for future electrical demand have been reduced due to a combination of factors, including the cooperation of customers in energy conservation and load management, higher prices for electricity, government restrictions in energy use and improved efficiency of electrical appliances.

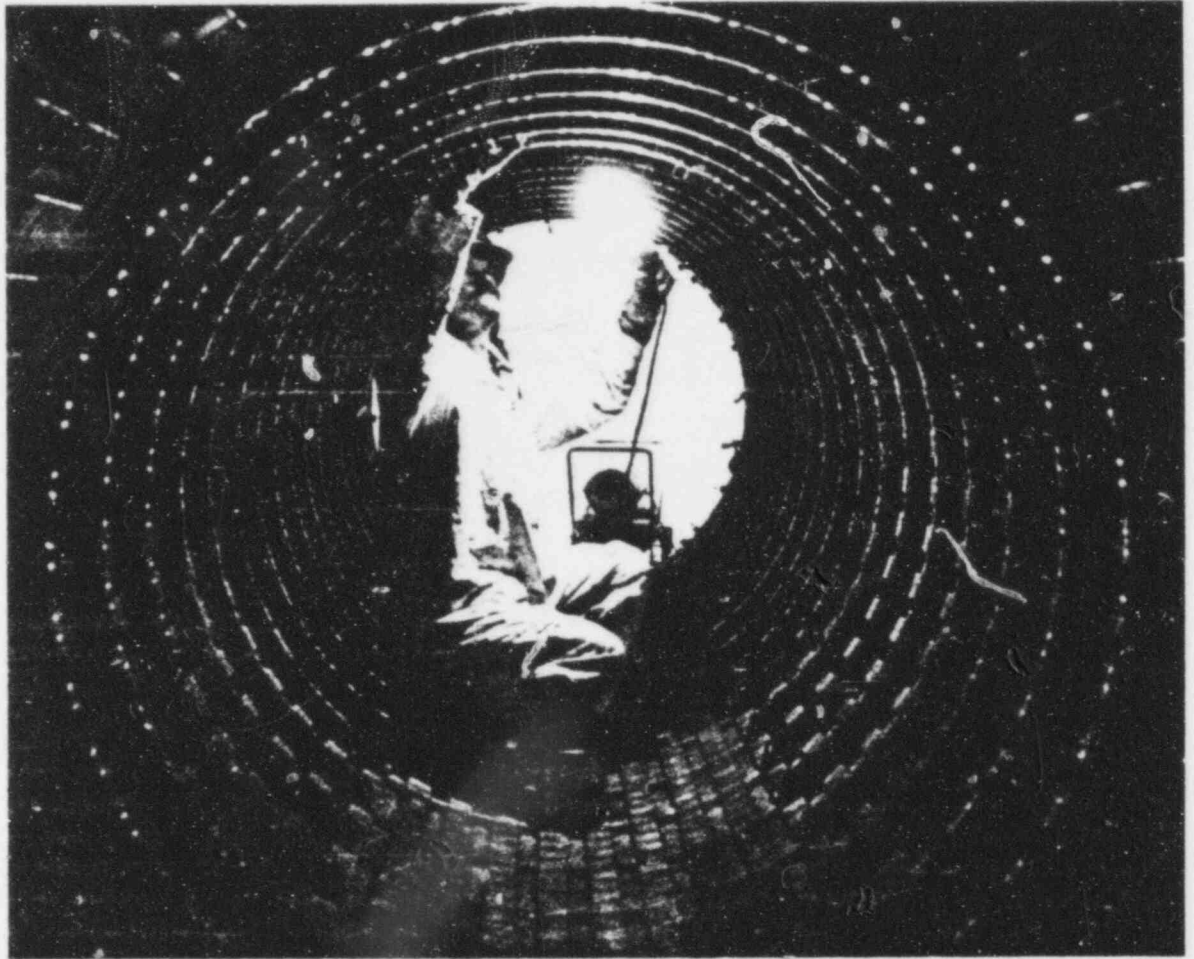
A growth rate in peak demand averaging 6.5 percent annually through 1991 is predicted. This forecast is determined by Georgia Power planning personnel, working with outside consultants in the fields of economics, engineering and finance. Even with the lowered revision of growth rate, the Company must double generating capacity by 1988.

Construction

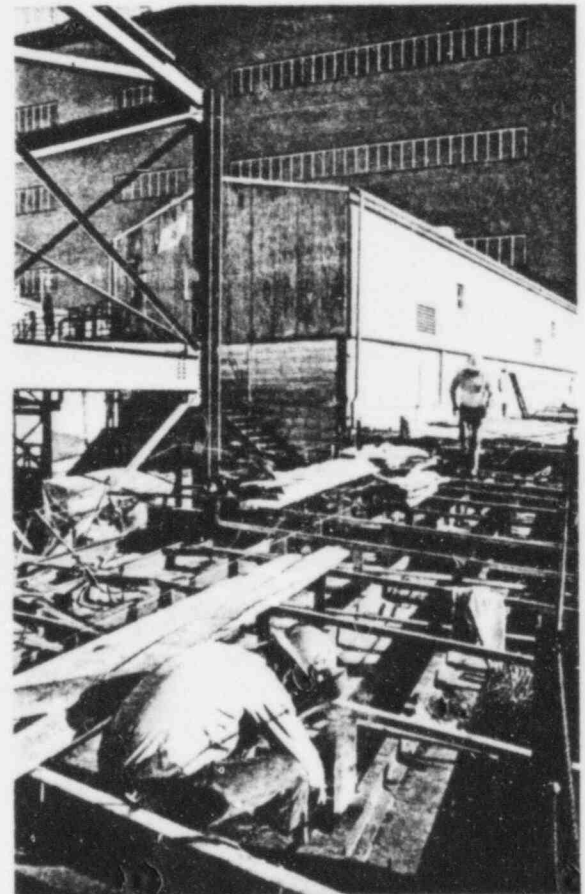
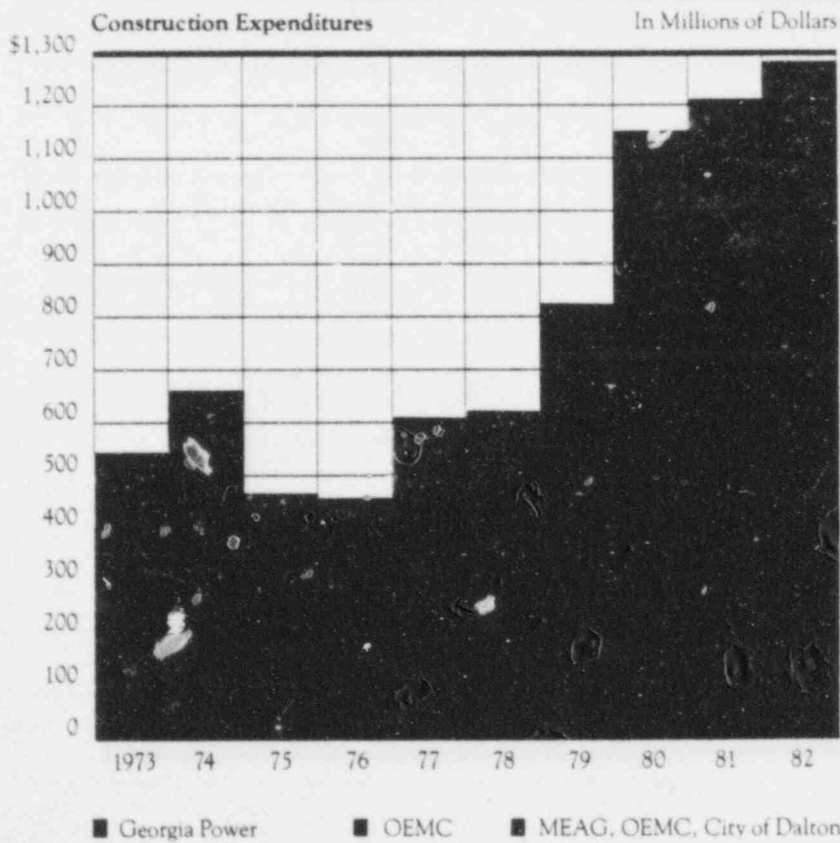
Construction expenditures were up substantially in 1977, with Georgia Power spending \$534 million for new plants and other facilities. For new plants alone, the Company invested \$265 million, and OEMC, MEAG and the City of Dalton, through joint ownership agreements with Georgia Power, contributed \$124 million, bringing the total investment for new plants to \$389 million for the year.

A downward revision in projected growth of electrical demand from 7.3 percent to 6.5 percent, resulted in the slowdown of construction at Plants Vogtle and Scherer.

Plant Vogtle, a nuclear facility near Augusta,



Construction of new facilities and maintenance of existing plants play vital role in providing reliable electric service.



had completion dates of 1983 for Unit I and 1984 for Unit II. New target dates for commercial operation of two 1,160,000 kw units are November 1984 for Unit I and November 1985 for Unit II. At Plant Scherer, a coal-fired facility near Forsyth, three of the four units were slowed with new target dates for commercial operation scheduled for 1982-Unit I; 1983-Unit II; and 1986-Unit IV. Unit III is still scheduled for completion in 1984. Each of the four units will provide 818,000 kw.

In terms of construction expenditures, the slowdown will mean a net decrease of \$90 million during the next five years. Under the new schedule, the Company expects reserve generating capacity to dip slightly below 15 percent in 1984, but remain above that level in all other years.

Plant Vogtle, the \$2.7 billion project on the Savannah River, is the most costly construction project ever undertaken within the Southern electric system. At the end of 1977, there were 500 persons employed at the plant. It is estimated that some 4,000 workers will be employed during peak construction in 1981. Under the joint ownership agreement signed in January 1977, Georgia Power retains majority ownership (50.7 percent) in the plant and serves as the construction and operating agent. OEMC owns 30 percent, MEAG owns 17.7 percent and the City of Dalton, 1.6 percent.

At Plant Hatch, Georgia Power's other nuclear facility, construction on Unit II was 96 percent complete at the end of 1977. Fuel loading for the 820,000 kw unit, near Baxley, is scheduled for April 1978 with a projected commercial operation slated for November 1978.

The second 865,000 kw unit at Plant Wansley, near Carrollton, is nearing completion with start-up

activities well underway. The unit was initially placed in service for a short period on January 14, 1978. Commercial operation is scheduled for mid-1978.

In February 1977 the Federal Power Commission issued a construction permit for the Rocky Mountain Project, a hydro pumped-storage facility near Rome that will provide 675,000 kw. A project management team was named early in 1978, and construction is expected to begin within the year. The Rocky Mountain Project is scheduled for initial operation in 1982.

Increased emphasis was given to maintenance of existing facilities. Following the generation problems which occurred during last year's extremely cold temperatures and contributed to rotating blackouts, a comprehensive winterization program was initiated to ensure that vital equipment would not freeze, forcing generating units to reduce power output or shut down completely. The weatherization program was completed in December 1977.

During the year the Company also constructed 265 miles of transmission lines and 721 miles of distribution lines. New substations totaled 24: 18 rated 115 kilovolts, three rated 230 kilovolts and three rated 500 kilovolts.

Research and Development

Efforts toward load management and reduction in peak demand begun in 1976 were continued and expanded. Emphasis on energy research and development increased as new programs were implemented and projects initiated earlier began to show positive results.

Georgia Power is participating in a multi-million dollar experimental project which will utilize solar energy to generate electricity for a knit-



The Company's Answer houses demonstrate energy efficiency and conservation techniques.

wear firm in Shenandoah, a planned community near Atlanta.

In April 1977 the U.S. Energy Research and Development Administration (now the Department of Energy) accepted a research proposal from Georgia Power and Shenandoah officials which would experiment with a virtually untapped field: using the sun to produce electric power. The solar-produced electricity will provide lighting and other base electric loads for the knitwear firm which will eventually employ 300 people.

DOE will build the solar-powered electrical generating station, and Georgia Power will provide distribution facilities, engineering services and will operate the system, which is scheduled for completion in 1981.

Research continued on the Company's "Answer House" project, which expanded to nine

homes throughout Georgia featuring energy efficient equipment.

Although studies are far from complete, preliminary results indicate that a 55 percent reduction in total annual electric energy usage can be obtained. Research also confirmed, however, that lifestyles of families living in the Answer Houses and those in the control houses (which do not feature energy saving features) can have a significant influence on total energy usage.

The Answer House in Columbus, for example, used a total of 9,937 kwh during the year compared to more than double that amount—22,204 kwh—used by the control house during the same time period.

Electric bills for the Answer House in Macon were substantially lower than for the control counterpart, and in several instances one-half to almost

Georgia Power spends in excess of \$50 million for environmental protection.

POOR ORIGINAL



two-thirds less. For instance, in July 1977 the electric bill for the control house was \$91.65 while the Answer House bill totaled only \$36.23.

Answer House studies are now focusing on comparing solar water heating systems to heat recovery systems as well as obtaining information on temperature and humidity conditions associated with concrete slab flooring.

Preliminary results in the Company's peak load pricing experiment, which tests three different rate concepts, indicate that a time-of-day rate may be the most effective way to curb electric usage during peak demand times on the system.

In the time-of-day tests in Reynolds, Georgia, customers were charged a higher rate for on-peak usage between 10 a.m. and 10 p.m. Monday-Friday and a lower, off-peak rate all other times. Results show a reduction of .95 kw per customer during peak demand times and an approximate reduction of 8 percent in customers' monthly bills.

Surveys conducted in conjunction with the experiment indicate that 88 percent of the respondents in Reynolds and 90 percent in the control town of Butler would choose time-of-day rates if available to them.

Research continues on the load control and notification system in Wrens, Georgia, in which customers are notified electronically when a high or low peak demand situation is in effect. Expanding the test to 3,000 customers statewide, originally

planned for mid-1977, was delayed to early summer 1978 due to metering problems.

During 1977 Georgia Power spent a total of \$6,248,506 on research and development projects. Of that amount, \$4,516,125 was contributed to the Electric Power Research Institute, the nationwide research facility for electric utilities.

Environment

Protection of environmental quality remains a prime concern with an excess of \$50 million being invested during 1977 for environmental considerations. Of this total, \$24 million came from pollution control and industrial development bonds issued in association with the development authorities of Putnam (Plant Branch) and Coweta (Plant Yates) counties.

During 1977 the Company was in major compliance with all applicable state and federal environmental regulations and expects to remain so, even though the costs will be high.

Passage of new amendments to the Federal Clean Air Act during 1977 will require additional efforts by the Company. Major concerns in new construction will be to meet the "prevention of significant deterioration" provisions of the act.

In conjunction with both the Energy Research and Development Administration and the Environmental Protection Agency, Southern Company Services, Inc., conducted the first commercial test burn of solvent-refined coal at Plant Mitchell near Albany. This burn was an unqualified success in demonstrating that solvent-refined coal as fuel would meet or exceed all current new-source performance standards for air quality. Only minor boiler modifications were required to effectively burn this fuel.

New permit regulations by the Corps of Engineers, beyond those of the Federal Energy Regulatory Commission, required additional activity at the two pumped-storage plants, Wallace Dam and Rocky Mountain.

Customer Service

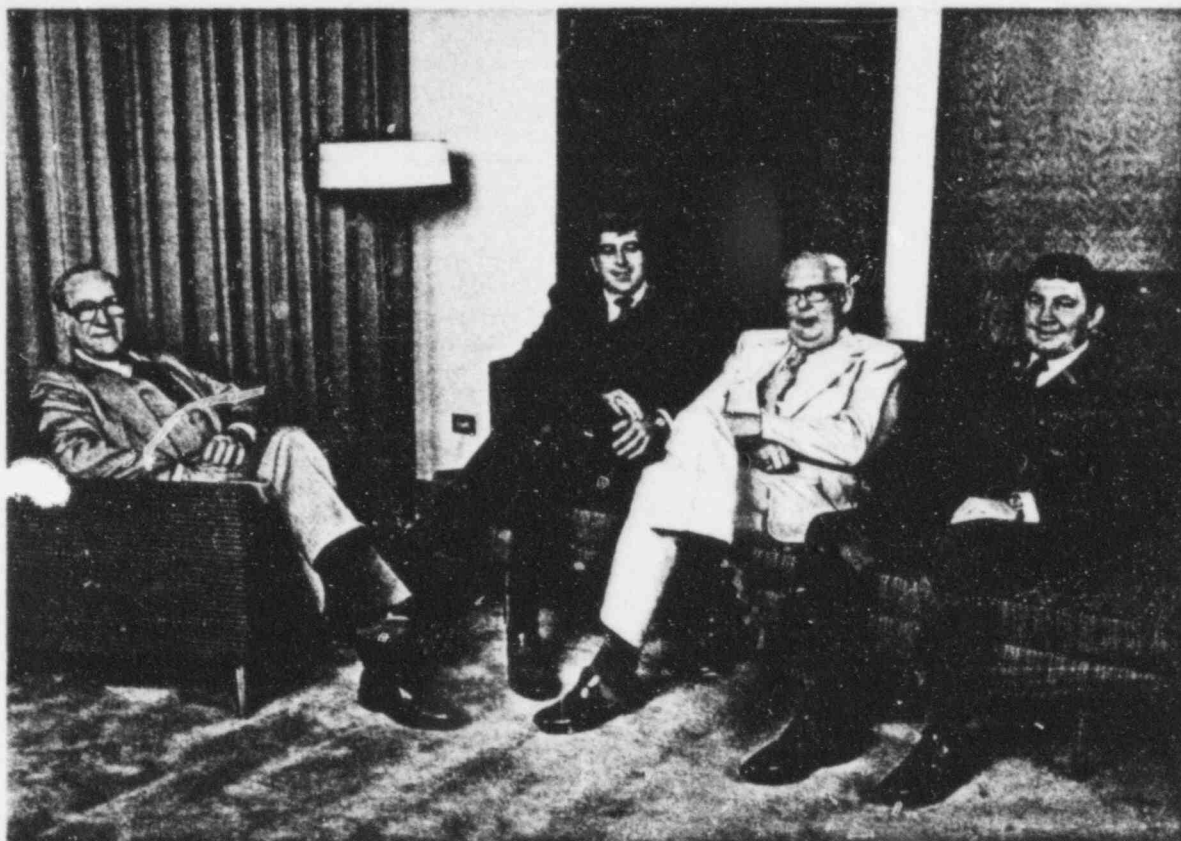
All Georgia Power departments in contact with customers offered special programs, materials and services designed to help customers save energy and money. Public information and advertising programs also were directed at energy conservation.

Georgia Power residential marketing specialists reached more than 100,000 customers through group meetings. More than 57,000 customers were contacted individually and many received free home energy surveys offered by the residential marketing department.

As a result of customer interest in the Company's energy research and demonstration houses — Answer Houses — which opened in 1976, Georgia Power coordinated the construction and display of Answer Houses in five additional Georgia communities: Atlanta, Brunswick, Athens, Rome and



Free energy surveys provide homeowners with helpful solutions to energy problems.



Newly elected officers are Bob Symonette, John Roberts, Richard Kelly and Jack Widener.

Valdosta. These homes were especially intended to illustrate high energy-efficiency methods and equipment at moderate cost.

A new residential program entitled "The Good Cents Home" was aimed at home builders, Realtors and new home buyers and emphasized energy saving techniques in new construction. To encourage residents of existing homes to make these units as comfortable and energy efficient as possible, "Centsable Home Improvements" were explained through personal contacts, literature and advertising.

Commercial and industrial customers also received attention and energy saving information. Seminars were conducted to alert industrial customers to energy recovery equipment, load controllers, methods of shifting demands from on-peak time, and new lighting sources. Commercial marketing offered workshops and seminars to school principals, maintenance and lunchroom personnel, nursing home administrators, and restaurant and hotel-motel managers. Small and large commercial customers took advantage of individualized energy management services consisting of a preliminary survey, recommendations and, in some instances, demonstration of energy saving equipment.

Home service representatives continued presenting energy conservation programs throughout Georgia, with special attention to elderly and low income customers and school-age youngsters. Students, teachers and state youth groups also were the concern of programs and materials offered by youth and educational services.

The consumer affairs department provides customer service literature and coordinates its distribution throughout the Company. More than 150,000 pamphlets and other consumer information materials were distributed in 1977. A new neighborhood communications program established more direct contact between the Company and its customers in test communities, areas where such factors as race, income, language and transportation have hampered customer communications.

National Energy Legislation

Georgia Power is committed to a national energy policy that encourages conservation, development of new and known resources and protects the consumer from unnecessarily high costs.

While the President's original proposal for national energy legislation included sections potentially harmful to the electric utility industry, the amended version which came out of the House of Representatives would have been disastrous to investor-owned utilities and their customers. Some observers believe that in an attempt to get the legislation out of the House before summer recess, it was passed without carefully considering the long-range consequences to the consumer.

Georgia Power, working closely with other top utilities, the National Association of Electric Companies and the Edison Electric Institute, took action to ensure that the Senate Committee on Energy and Natural Resources understood fully the long-range consequence of such legislation. Georgia Power of-

officials spearheaded the ad-hoc information effort.

The Senate passed a much wiser energy proposal, and at the time of this publication, the conference committee of both houses was attempting to iron out the differences in the legislation.

Employee Relations

With employment reaching an all-time high of 11,485, a 12.7 percent increase over 1976, the employee relations department saw increased activity during the year.

The implementation of an Employee Stock Ownership Plan (ESOP) provided a major new benefit for employees in 1977. It serves the two-fold purpose of giving eligible employees an opportunity to become shareholders in The Southern Company at no cost to them, while at the same time providing the Southern electric system with a reduction in federal income taxes. Federal tax laws permit the system companies to claim an additional investment tax credit through 1980 if the companies contribute an amount equal to the credit to a stock ownership plan. Contributions must be used to purchase Southern Company stock, and employees are not required, or allowed, to make any contributions to the plan. Eligible employees are 100 percent vested and have a non-forfeitable interest in all shares of common stock allocated to their accounts.

Another benefit for employees, the Employee Savings Plan, had 4,732 employees enrolled at the end of 1977, an increase of 15 percent over the previous year. Under this plan eligible employees may invest up to 12 percent of their income each month in three funds: fixed income, equity and Southern Company common stock. Georgia Power invests 50 percent matching funds in Southern Company stock when an employee invests up to 6 percent of his salary in the plan. Total basic contributions for the year were \$3,460,188. Total supplemental contributions were \$191,964, and the Company's matching funds totaled \$1,730,094.

In past years pension administration was performed in several areas of the Company. In April 1977 the responsibilities were consolidated in the pension administration section of employee relations. At the end of 1977, there were 1,524 people participating in the Company's pension fund. Company contributions to the fund, which had a book value of \$113,270,747 as of January 1, 1977, were \$12,130,906.

The department was also involved in a number of employee communications functions which are outlined in the communications section of this report.

Communications

Communicating the complex problems and issues facing Georgia Power and the entire electric utility industry provided a challenging opportunity in a year when the Company faced its first rotating

blackouts, a retail rate case and media attacks on our security practices.

External communication to the general public and internal communication to our own employees were integral parts of the information effort throughout the year. The Company's consumer advertising campaign provided information on practical ways to conserve energy and thus save money.

To provide customers with a better understanding of the financing and construction needs of Georgia Power, a film "Power and People" was shown to some 150,000 persons during 1977. It provided honest, direct answers to the "why's" of rising utility costs.

Continuing communication with the media by the Company's public information staff and top management personnel showed positive results. An independent survey indicated that newspapers, radio and television stations had a much greater understanding of Company operations and needs than they did several years ago. The Company news staff, on call 24 hours a day, provided the media with accurate, timely information on all aspects of our operations. Through television and radio call-in shows throughout the state, customers had a chance to ask questions of Georgia Power personnel.

More than 650 Georgia leaders—members of the General Assembly, municipal and county government officials, industrial and community leaders and media representatives—learned first hand how electricity is produced by participating in specially conducted tours of Company generating plants. Overall reaction was quite favorable, resulting in several positive editorials and news stories about the Company.

Recognizing the Company's best spokesperson can be the Georgia Power employee, internal communication was given increased emphasis. Employee Update Dinners, conducted by the employee relations department, continued in 1977, giving employees an opportunity to ask questions of senior management officials. The department initiated an employee bulletin board program providing Company information twice monthly at 216 points throughout the state.

Employee Answerphone replaced Management Answerphone, providing Company and industry news to workers at all levels on a twice daily basis.

New Officers Elected

The Board of Directors named four vice presidents during the year.

Richard J. Kelly, formerly general manager, production, was elected vice president-power generation. John Roberts, formerly general marketing manager, was elected vice president-marketing.

Bob Symonette, formerly assistant vice president, was elected vice president-legislative affairs, state. Jack K. Widener Jr., formerly general marketing manager, was elected vice president-regulatory affairs.

The Southern Connection

The relationship of The Southern Company to Georgia Power and the three other operating companies in the system has produced one of the most efficient and reliable investor-owned electric utility groups in the nation.

At the end of 1977 the Southern electric system had approximately 2.4 million customers who were served directly by its operating companies and millions more who were served indirectly through wholesale groups such as municipalities and cooperatives. The service area covers 120,000 square miles and includes most of the states of Alabama and Georgia and areas of northwest Florida and southeast Mississippi. Assets of the system total over \$9 billion.

In addition to Georgia Power, the other operating subsidiaries are Alabama, Gulf, and Mississippi power companies. The system also includes Southern Company Services, Inc., which was formed in 1949 to provide engineering, financial and other specialized services, at cost to the other system companies. The Southern Electric Generating Company is a jointly-owned entity of Alabama and Georgia power companies.

While pooling power among the four operating companies dates back to the 1920s, The Southern Company as we know it today was formed in 1949 and, as the parent firm, acquired each company's common stock.

Organizationally, The Southern Company makes it possible for all of the companies to combine their efforts to the benefit of investors, customers, and employees. It provides the equity capital to help the four operating companies finance construction of the facilities needed to serve the public. This capital comes from the more than 328,000 investors

in the common stock of The Southern Company.

As an interconnected electric network, the Southern electric system is able to achieve significant economies. At the Southern Electric System Coordinating Center, engineers, with the help of highly sophisticated central computers, are able to monitor constantly the status of the entire generating and delivery functions of the system, making possible orderly switching to the most economical units at any given moment.

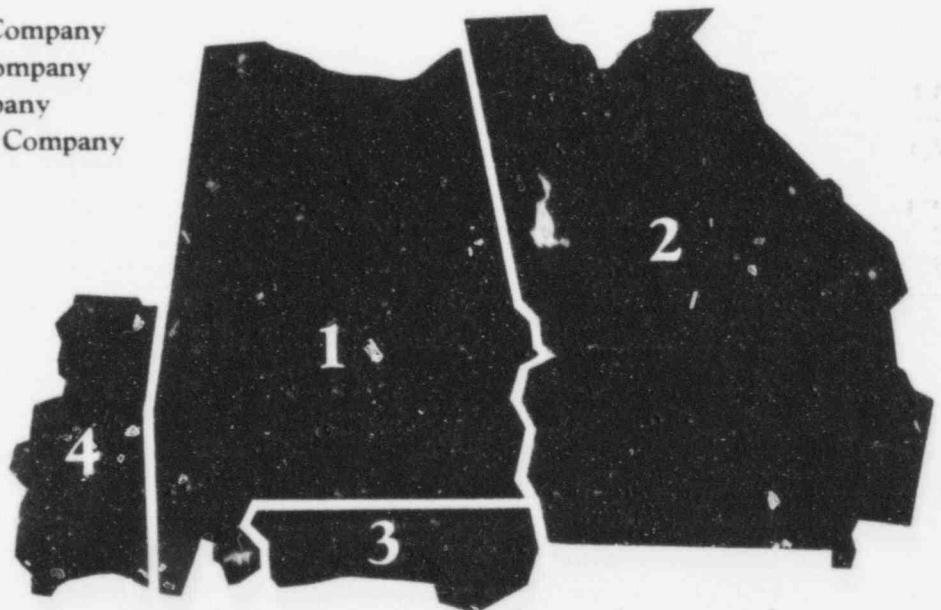
A centrally located Data Center also gives each operating company immediate access to the latest status reports on construction projects, fuel supplies, and other vital functions of the system's operation. A centralized computer system also is available to handle the entire system's customer bill preparation and mailing in an expedient and economical manner. Again, by pooling these resources, through Southern Company Services, the operating companies are able to utilize expensive equipment in a more cost-efficient manner.

A major projects management system is another cost-saving program that is being developed by Georgia Power and Southern Company Services to provide a uniform method of better controlling costs of generation plant construction. The other operating companies also are participating in the development of this system and will be able to get maximum benefit from it in their continuing efforts to hold down costs.

These and other joint ventures within the Southern electric system and its operating companies continue to bear out the cost-saving and efficiency of coordinating efforts to provide the most reliable and economical electricity possible for the system's customers.

The Southern Electric System

- 1 Alabama Power Company
- 2 Georgia Power Company
- 3 Gulf Power Company
- 4 Mississippi Power Company



Financial Statements

1830015

Summary of Operations

Georgia Power Company

Operating Revenues	<u>\$1,301,237</u>
Operating Expenses	
Operation and Maintenance	813,907
Depreciation and Amortization	109,944
Taxes Other than Income Taxes	58,939
Federal and State Income Taxes	<u>118,514</u>
Total Operating Expenses	<u>1,101,304</u>
Operating Income	<u>199,853</u>
Other Income	
Allowance for Funds Used in Construction	—
Other Income	29,792
Other Income Less Other Expenses	<u>37,608</u>
Income Before Income Taxes	<u>267,253</u>
Interest Charges	<u>150,383</u>
Allowance for Funds Used in Construction	(25,296)
Income Before Income Taxes	<u>142,166</u>
Income Taxes	—
Net Income	<u>142,166</u>
Preferred Dividends	<u>30,480</u>
Net Income After Dividends and Preferred Stock	<u>\$ 111,686</u>

Management's Discussion of Summary of Operations

Net income after dividends and preferred stock for 1977 was \$111,686, compared with \$100,147 for 1976. This increase was primarily due to the increase in operating income of \$100,147, which was the result of the increase in operating revenues of \$100,147, offset by the increase in operating expenses of \$100,147.

Operating Revenues

Operating revenues for 1977 were \$1,301,237, compared with \$1,201,090 for 1976. This increase was primarily due to the increase in operating revenues of \$100,147, which was the result of the increase in operating revenues of \$100,147, offset by the increase in operating expenses of \$100,147.

The increase in operating revenues was primarily due to the increase in operating revenues of \$100,147, which was the result of the increase in operating revenues of \$100,147, offset by the increase in operating expenses of \$100,147.

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1930 017



1977

Electric Operating Statistics

997,864
128,297
10,860
1,449
1,138,470

10,470,674
10,278,012
13,236,290
216,621
9,617,229
43,818,826

43,818,826

\$ 358,933
385,889
328,407
8,957
203,914
1,286,100

1,286,100
15,137
\$ 1,301,237

10,654
3.43
2.94

41,761,207
1,696,374
2,842,631
46,300,212

\$ 531,384
125,840
3,556
11,466
5,204
\$ 677,450

\$ 13,600
7,035
78,554
10,446
(24,602)
(3,211)
36,692
\$ 118,514
\$ 55,088

1030 018

810 0581

Balance Sheets

General Electric Company
December 31, 1977 and 1976

Assets

Utility Plant

Plant in service, original cost
Less accumulated depreciation

\$3,535,461

778,114

2,757,347

Accumulated depreciation

41,162

Construction work in progress

754,624

3,553,133

Other Property and Investments

Share in Electric Power Service Company (Note 4)

16,400

Net book value of property and investments

3,302

19,702

Current Assets

Cash and cash equivalents

8,409

Marketable cash investments, at cost

218,136

Investments in subsidiaries and other companies

119,456

Accounts receivable, net

211,496

Inventory

18,846

Materials, supplies, and other assets

1,568

Prepayments

577,918

Deferred Charges

Deferred charges on plant

5,983

Deferred charges on investments

10,059

Deferred charges on other assets

16,042

\$4,166,788

Capital Stock and Reserves

Common stock, \$100 par value

\$1,000,247

Preferred stock, \$100 par value

382,814

Retained earnings

1,880,798

Accumulated other comprehensive income

3,349,889

Current Liabilities

Accounts payable and accrued liabilities

21,232

Long-term debt, net of discount

117,421

Deferred income taxes

13,433

Other long-term liabilities

21,672

56,196

22,900

45,348

10,702

308,904

Deferred Credits

Deferred credits on plant

370,604

Deferred credits on investments

130,844

Deferred credits on other assets

6,547

507,995

\$4,166,788

Statements of Capitalization

December 31, 1977 and 1976

COMMON STOCK

Authorized 15,000,000 shares
Outstanding 161,500 shares
Other paid-in capital

1977
Amount % of
Total

\$ 344,250
557,800
889

\$ 344,250
512,800
889

Preferred stock

\$3.00 per share

Total common stock equity

Convertible Preferred Stock

1,000,000 shares

in 1977

\$4.50 per share

\$7.72 per share

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

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10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

10,000 shares

183,308
1,086,247

32.4%

183,308
1,086,247

117,844
105,000
35,000

117,844
105,000
35,000

75,000
50,000

75,000
50,000

382,844

11.4

382,844

10,122
128,700
15,000
20,894
20,000
54,217
69,000
189,869
810,757
414,000
1,732,558
179,075
(9,603)

1,902,030
21,232

1,880,798
\$3,349,889

56.2
100.0%

1,880,798
\$3,349,889

1977

Statements of Income

\$1,301,237

531,386

11,466

151,680

119,457

109,944

58,939

118,514

1,101,384

199,853

29,792

52,817

16,463

1,846

(33,518)

267,253

146,633

(25,296)

3,750

125,087

142,166

30,480

\$111,686\$111,686

1977

Statements of Earnings Retained in the Business

\$181,022

111,686

(109,400)

—\$183,308

1977

Statements of Other Paid-In Capital

\$512,800

45,000

\$557,800

1977

Statements of
Sources of
Funds for Gross
Property
Additions

	\$142,166
	109,400
	30,480
	139,880
	2,286
	116,341
	68,955
	36,735
	(55,088)
	169,229
	(99,036)
	12,298
	(73,067)
	(2,099)
	(760)
	18,382
	51,142
	987
	4,370
	(87,783)
	30,206
	111,652
	—
	(13,108)
	—
	(13,108)
	45,000
	77,492
	313,117
	501
	450,153

30 023

Auditors' Report

To the Board of Directors of Georgia Power Company:

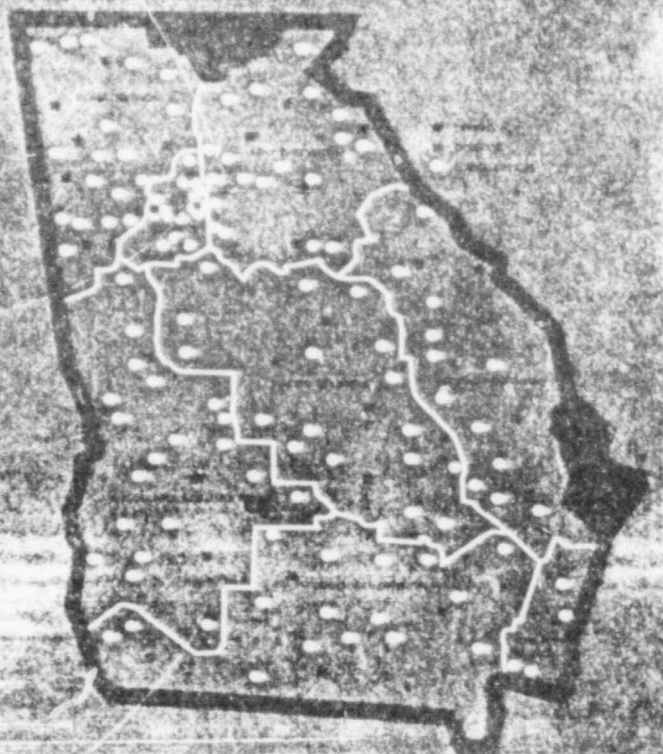
We have examined the balance sheets and statements of operations of Georgia Power Company, a Georgia corporation and a wholly owned subsidiary of The Southern Company, as of December 31, 1977 and 1976, and the related statements of income, cash flows, and changes in equity, other financial data, and notes to the financial statements. The statements were prepared by management and are the responsibility of management. We conducted our examination in accordance with the standards of the American Institute of Certified Public Accountants and the standards of the Georgia Board of Accountancy.

In our opinion, the financial statements of Georgia Power Company for the years ended December 31, 1977 and 1976, and the related statements of income, cash flows, and changes in equity, other financial data, and notes to the financial statements, present fairly the financial position and results of operations of Georgia Power Company for the years ended December 31, 1977 and 1976, and the results of operations, cash flows, and changes in equity, other financial data, and notes to the financial statements for the years ended December 31, 1977 and 1976, in accordance with the principles of generally accepted accounting principles.

Author: Arthur Andersen & Co.

Audited by:

February 1978



Georgia Power is the largest electric utility in the Southeast, serving a 17,000 square mile area. It is a member of the Southern Company, one of the nation's largest electric utility companies.

Responsibility for Financial Statements

The management of Georgia Power Company is responsible for the preparation and fair presentation of the financial statements in accordance with the principles of generally accepted accounting principles. Management also has the responsibility for the design, implementation, and maintenance of an effective system of internal control over financial reporting.

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Directors

WALTER G. AUTREY
President
Hamilton Turpentine Co., Inc.
(naval stores), Valdosta, 1972

N.N. BURNES, JR.
Vice Chairman
Rome Manufacturing Co.
(textiles), Rome, 1965

GEORGE S. CRAFT
Director
Trust Company of Georgia
(banking), Atlanta, 1965

WILLIAM E. EHRENSPERGER
Senior Vice President
Georgia Power Company, Atlanta, 1975

WILLIAM A. FICKLING, JR.
Chairman of the Board
Charter Medical Corp.
(medical facilities), Macon, 1973

J.A. GANTT
Senior Vice President
Georgia Power Company, Atlanta, 1976

L.C. HARDMAN, JR.
Chairman and Treasurer
Harmony Grove Mills, Inc.
(textiles), Commerce, 1957

EDWIN I. HATCH
Chairman of the Board
Georgia Power Company, Atlanta, 1962

RICHARD L. KATTEL
Chairman and President
The Citizens and Southern National Bank
(banking), Atlanta, 1973

HAROLD C. MCKENZIE, JR.
Executive Vice President
Georgia Power Company, Atlanta, 1972

JAMES H. MILLER, JR.
Executive Vice President
Georgia Power Company, Atlanta, 1975

WILLIAM S. MORRIS, III
President
Morris Communications Corp.
(publishing), Augusta, 1967

*WILLIAM A. PARKER, JR.
Chairman of the Board
Cherokee Investment Company
(real estate & investments), Atlanta, 1965

*H.G. PATTILLO
Chairman
Pattillo Construction Co., Inc.
(construction), Decatur, 1972

*ROBERT W. SCHERER
President
Georgia Power Company, Atlanta, 1970

*EDWARD D. SMITH
Hansell, Post, Brandon & Dorsey
(attorneys), Atlanta, 1960

WILLIAM B. TURNER
President
W.C. Bradley Company
(industrialist), Columbus, 1965

ALVIN W. VOGTLE, JR.
President
The Southern Company, Atlanta, 1968

ALLEN B. WILSON
Senior Vice President-Finance
Georgia Power Company, 1974

Honorary Director

JOE B. BROWDER, Atlanta, 1976

General Officers

*EDWIN I. HATCH
Chairman of the Board

ROBERT W. SCHERER
President

HAROLD C. MCKENZIE, JR.
Executive Vice President

JAMES H. MILLER, JR.
Executive Vice President

H.G. BAKER, JR.
Senior Vice President
Power Delivery

WILLIAM E. EHRENSPERGER
Senior Vice President
Power Supply

J.A. GANTT
Senior Vice President
Division Operations

ALLEN B. WILSON
Senior Vice President
Finance

WARREN Y. JOBE
Vice President and Comptroller

I.S. MITCHELL, III
Vice President and Secretary

W.L. WESTBROOK
Vice President and Treasurer

A.W. DAHLBERG
Vice President
Financial Services

GEORGE W. EDWARDS, JR.
Vice President
Public Affairs

J. P. HEAD, JR.
Vice President
Employee Relations
Labor Relations and Information Services

WALTER R. HENSLEY
Vice President
Economic Services

J. C. JONES
Vice President
Procurement and Materials

RICHARD J. KELLY
Vice President
Power Generation
Elected 12/21/77)

WILLIAM LAMB
Vice President
Risk Management

D. L. McCARY
Vice President
Elected 6/15/77)

B. McMANUS, JR.
Vice President
Electric Operations

DADE S. MANNING
Vice President
Industrial

G. MITCHELL, JR.
Vice President
Generating Plant Construction

L. PITTS
Vice President
Power Generation, Engineering

JOHN A. ROBERTS
Vice President
Marketing
Elected 12/21/77)

ROBERT B. SYMONETTE
Vice President
Legislative Affairs, State
Elected 10/17/77)

J. W. TALLEY, JR.
Vice President

ALVIN W. VOGTLE, JR.
Vice President

CHARLES F. WHITMER
Vice President
Engineering

JACK K. WIDENER, JR.
Vice President
Regulatory Affairs
Elected 10/17/77)

H. HEARN LUMPKIN
Assistant Vice President

CHARLES R. MINORS
Assistant Vice President

J. A. PARRAMORE, JR.
Assistant Comptroller

ROMNEY E. SCOTT
Assistant Comptroller

H. M. HUGHES
Assistant Secretary

C. L. RATTERREE
Assistant Secretary

C. C. FREEMAN, JR.
Assistant Treasurer

WILLIAM A. DUNLAP
Assistant Secretary and
Assistant Treasurer
Elected 3/1/77)

E. RAY PERRY
Assistant Secretary and
Assistant Treasurer

JON M. JETMORE
Assistant Secretary
Elected 3/1/77)

Division Officers

BEN H. WILLIAMS
Vice President (Athens Division)

E. A. YATES, JR.
Vice President (Atlanta Division)

B. W. RAINWATER
Vice President (Augusta Division)

ANDREW B. SPEED
Vice President (Columbus Division)

B. S. MOSS
Vice President (Macon Division)

T. J. ALLEN, JR.
Vice President (Rome Division)

L. T. WANSLEY
Vice President (Valdosta Division)

*Executive Committee-Board of Directors

**D. L. McCary was elected Vice President to
serve as project executive for Plant Scherer.

General Offices

270 Peachtree Street
P.O. Box 4545
Atlanta, Georgia 30302

REGISTRARS -
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Trust Company Bank, Atlanta

TRANSFER AGENTS -
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