

Alabama Power Company  
600 North 18th Street  
Post Office Box 2641  
Birmingham, Alabama 35291  
Telephone 205 250-1000

Travis J. Bowden  
Vice President-Finance and Treasurer



May 20, 1983

Mr. Jerome Saltzman  
Chief, Antitrust and Indemnity Group  
Nuclear Reactor Regulation  
Nuclear Regulatory Commission  
Washington, D. C. 20555

Dear Mr. Saltzman:

Enclosed is the annual submission of Alabama Power Company with respect to the retrospective premium guarantee required under the Price-Andersen Act, as amended, applicable to its Joseph M. Farley Nuclear Plant. We have elected to satisfy this guarantee requirement by submitting annual certified financial statements and cash projections, showing that a cash flow can be generated and would be available for payment of retrospective premiums up to \$20,000,000 within three months after submission of the statement. In this connection, enclosed are the following:

1. 1982 Annual Report which includes financial statements for the calendar year 1982, together with the report on such statements by Arthur Andersen & Co., independent public accountants;
2. Unaudited Financial Statements for the quarter ended March 31, 1983;
3. Cash Flow Projections for the period January 1, 1983 through December 31, 1983, showing that cash flow for \$20,000,000 can be generated and would be available for payment of retrospective premiums within three months after submission of the statement.

Please acknowledge receipt of the enclosures by signing and returning a copy of this letter.

Yours very truly,

Travis J. Bowden

TJB/no  
Enclosures

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ALABAMA POWER COMPANY

Internal Cash Flow for  
Joseph M. Farley Nuclear Power Station  
(Dollars in Thousands)

	1982 <u>Actual</u>	1983 <u>Projections</u>
Net Income After Taxes	\$198,915	\$235,957
Less Dividends Paid	<u>(167,358)</u>	<u>(184,131)</u>
Retained Earnings	<u>31,557</u>	<u>51,826</u>
Adjustments:		
Depreciation and Amortization	238,664	258,351
Deferred Income Taxes and Investment Tax Credits	184,674	169,130
Allowance for Funds Used During Construction (Gross)	<u>(72,148)</u>	<u>(77,364)</u>
Total Adjustments	<u>351,190</u>	<u>350,117</u>
Internal Cash Flow	<u>\$382,747</u>	<u>\$401,943</u>
Average Quarterly Cash Flow	<u>\$ 95,687</u>	<u>\$100,486</u>
Percentage Ownership in all Operating Nuclear Units:		
Joseph M. Farley Units 1 and 2		100%
Maximum Total Contingent Liability		\$20,000

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1983

Commission file number 1-3164

ALABAMA POWER COMPANY

(Exact name of registrant as specified in its charter)

Alabama

(State or other jurisdiction of  
incorporation or organization)

63-0004250

(I.R.S. Employer  
Identification No.)

600 North 18th Street, Birmingham, Alabama  
(Address of principal executive offices)

35291  
(Zip Code)

Registrant's telephone number, including area code

(205) 250-1000

Shares of Common Stock Outstanding at April 30, 1983

5,608,955

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No     .

ALABAMA POWER COMPANY  
INDEX TO QUARTERLY REPORT ON FORM 10-Q  
March 31, 1983

	<u>Page Number</u>
PART I - FINANCIAL INFORMATION	
Management's Opinion as to Fair Statement of Results and Review by Independent Public Accountants	1
Condensed Balance Sheets at March 31, 1983 and December 31, 1982	2
Condensed Statements of Income for the Three Months and Twelve Months Ended March 31, 1983 and 1982	4
Condensed Statements of Sources of Funds for Gross Property Additions for the Three Months Ended March 31, 1983 and 1982	5
Notes to Condensed Financial Statements	6
Management's Discussion and Analysis of Results of Operations and Financial Condition	7
PART I, Exhibit 1 - Statement of Review by Independent Public Accountants	10
PART II - OTHER INFORMATION	11
SIGNATURES	12

## ALABAMA POWER COMPANY

### MANAGEMENT'S OPINION AS TO FAIR STATEMENT OF RESULTS

The condensed financial statements included herein have been prepared by Alabama Power Company (ALABAMA), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management the information furnished herein reflects all adjustments (which included only normal recurring adjustments) necessary to present fairly the results for the periods ended March 31, 1983 and 1982. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although ALABAMA believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in ALABAMA's latest annual report to stockholders as incorporated and filed with Form 10-K.

### REVIEW BY INDEPENDENT PUBLIC ACCOUNTANTS

The condensed financial statements included herein have been reviewed by ALABAMA's independent public accountants as set forth in their report included as PART I, Exhibit 1.

ALABAMA POWER COMPANY  
CONDENSED BALANCE SHEETS  
(Stated in Thousands of Dollars)

	At March 31, 1983 (Unaudited)	At December 31, 1982
<u>ASSETS</u>		
UTILITY PLANT:		
Utility plant, at original cost	\$5,821,677	\$5,728,738
Less--Accumulated provision for depreciation	1,263,376	1,218,727
	<u>4,558,301</u>	<u>4,510,011</u>
Nuclear fuel, at amortized cost	152,209	143,767
	<u>4,710,510</u>	<u>4,653,778</u>
Less--Property-related accumulated deferred income taxes	506,432	491,264
	<u>4,204,078</u>	<u>4,162,514</u>
OTHER PROPERTY AND INVESTMENTS:		
Southern Electric Generating Company	16,400	16,400
Nonutility property, net	2,551	2,437
Miscellaneous	1,239	1,194
	<u>20,190</u>	<u>20,031</u>
CURRENT ASSETS:		
Cash	4,408	11,203
Temporary cash investments, at cost	48,076	14,009
Receivables--		
Customer accounts receivable	100,607	101,059
Other accounts and notes receivable	11,253	12,262
Intercompany accounts	20,466	36,791
Accumulated provision for uncollectible accounts	(596)	(558)
Refundable federal income tax	13,573	22,173
Fossil fuel stock, at average cost	236,447	210,349
Materials and supplies, at average cost	28,816	26,154
Prepayments	54,384	27,900
	<u>517,434</u>	<u>461,342</u>
DEFERRED CHARGES:		
Debt expense, being amortized	6,961	6,948
Miscellaneous	40,197	32,523
	<u>47,158</u>	<u>39,471</u>
	<u>\$4,788,860</u>	<u>\$4,683,358</u>

The accompanying notes are an integral part of these condensed statements.

ALABAMA POWER COMPANY  
CONDENSED BALANCE SHEETS  
(Stated in Thousands of Dollars)

CAPITALIZATION AND LIABILITIES

	At March 31, 1983 (Unaudited)	At December 31, 1982
CAPITALIZATION:		
Common stock equity--		
Common stock, par value \$40 per share - authorized 6,000,000 shares, outstanding 5,608,955 shares	\$ 224,358	\$ 224,358
Other common stock equity	1,146,569	1,116,532
	<u>1,370,927</u>	<u>1,340,890</u>
Preferred stock	374,400	374,400
Preferred stock subject to mandatory redemption	40,000	42,234
Long-term debt	2,359,081	2,370,050
	<u>4,144,408</u>	<u>4,127,574</u>
CURRENT LIABILITIES:		
Preferred stock sinking fund requirement	2,234	-
Long-term debt due within one year	94,655	59,821
Accounts payable--		
Intercompany accounts	39,138	43,405
Other	118,381	101,458
Customer deposits	24,440	23,996
Taxes accrued--		
Federal and state income	30,497	27,483
Other	18,996	8,731
Interest accrued	72,121	65,241
Miscellaneous	34,875	40,537
	<u>435,337</u>	<u>370,672</u>
DEFERRED CREDITS, ETC.:		
Accumulated deferred investment tax credits	191,018	170,709
Miscellaneous	18,097	14,403
	<u>209,115</u>	<u>185,112</u>
	<u>\$4,788,860</u>	<u>\$4,683,358</u>

The accompanying notes are an integral part of these condensed statements.



ALABAMA POWER COMPANY

CONDENSED STATEMENTS OF INCOME (UNAUDITED)  
(Stated in Thousands of Dollars)

	For the Three Months Ended March 31,		For the Twelve Months Ended March 31,	
	1983	1982	1983	1982
OPERATING REVENUES	\$441,022	\$434,578	\$1,770,589	\$1,633,471
OPERATING EXPENSES:				
Operation--				
Fuel	128,960	115,641	554,197	510,744
Purchased and interchanged power, net	(2,312)	9,743	4,988	96,765
Other	60,123	57,265	235,809	203,499
Maintenance	36,693	41,302	144,781	146,983
Depreciation and amortization	42,564	43,353	168,963	157,655
Taxes other than income taxes	27,016	26,638	97,314	94,113
Federal and state income taxes	48,171	43,640	180,770	111,109
Total operating expenses	<u>341,215</u>	<u>337,582</u>	<u>1,386,822</u>	<u>1,320,868</u>
OPERATING INCOME	99,807	96,996	383,767	312,603
OTHER INCOME:				
Allowance for equity funds used during construction	8,503	4,569	24,287	31,888
Income from subsidiary	765	585	2,593	2,469
Other, net	1,701	1,825	5,681	6,123
Income before interest charges	<u>110,776</u>	<u>103,975</u>	<u>416,328</u>	<u>353,083</u>
INTEREST CHARGES:				
Interest on long-term debt	61,017	63,365	248,456	246,232
Amortization of debt discount, premium and expense, net	248	248	937	920
Other interest charges	1,004	2,179	9,491	6,327
Allowance for debt funds used during construction	<u>(10,289)</u>	<u>(11,626)</u>	<u>(50,459)</u>	<u>(44,053)</u>
Net interest charges	<u>51,980</u>	<u>54,166</u>	<u>208,425</u>	<u>209,426</u>
NET INCOME	58,796	49,809	207,903	143,657
DIVIDENDS ON PREFERRED STOCK	9,159	9,165	36,653	36,890
NET INCOME AFTER DIVIDENDS ON PREFERRED STOCK	<u>\$ 49,637</u>	<u>\$ 40,644</u>	<u>\$ 171,250</u>	<u>\$ 106,767</u>

( ) Denotes red figure.

The accompanying notes are an integral part of these condensed statements.



ALABAMA POWER COMPANY

CONDENSED STATEMENTS OF SOURCES OF FUNDS FOR GROSS PROPERTY ADDITIONS (UNAUDITED)  
(Stated in Thousands of Dollars)

	For the Three Months Ended March 31,	
	1983	1982
Net income	\$ 58,796	\$ 49,809
Add (deduct) principal noncash items--		
Depreciation and amortization	57,502	53,794
Deferred income taxes, net	20,919	19,720
Deferred investment tax credits	21,739	16,911
Allowance for equity funds used during construction	(8,503)	(4,569)
	<u>150,453</u>	<u>135,655</u>
Less--Dividends on common stock	34,600	31,000
Dividends on preferred stock	9,159	9,165
	<u>106,694</u>	<u>95,500</u>
Decrease (increase) in net current assets, excluding notes payable, and long-term debt and preferred stock due within one year --		
Cash and temporary cash investments	(27,272)	11,238
Receivables	17,824	(59,638)
Refundable federal income taxes	8,600	10,300
Fossil fuel stock	(26,098)	(38,613)
Materials and supplies	(2,662)	(1,370)
Accounts payable	14,562	3,776
Revenues to be refunded	(1,906)	-
Interest accrued	6,880	7,846
Taxes accrued	13,279	15,064
Other, net	(31,702)	(14,055)
	<u>(28,495)</u>	<u>(65,452)</u>
Other, net (including allowance for equity funds used during construction)	(602)	10,000
Total internal sources	<u>77,597</u>	<u>40,048</u>
External Sources--		
Preferred stock reacquired	-	(1,364)
Capital contributions by parent company	15,000	10,000
Pollution control obligations, net	2,230	1,132
Obligations under capitalized leases and other long-term debt	21,398	17,733
Increase in notes payable to banks	-	42,840
Total external sources	<u>38,628</u>	<u>70,341</u>
Gross Property Additions (includes net allowance for funds used during construction)	<u>\$116,225</u>	<u>\$110,389</u>

Certain prior year amounts have been reclassified to conform with current year presentation.

The accompanying notes are an integral part of these condensed statements.

ALABAMA POWER COMPANY

NOTES TO CONDENSED FINANCIAL STATEMENTS:

- (1) In response to the reversal and remand by the Supreme Court of Alabama of a 1981 retail rate decision and as a result of negotiations, the Alabama Public Service Commission (APSC) on November 12, 1982, issued a consolidated order in ALABAMA's 1981 and 1982 retail rate cases granting an annual revenue increase of approximately \$306 million and adopting rates which provide for periodic adjustments based upon ALABAMA's earned return on common equity. The first such adjustment was a two-percent revenue increase effective on February 1, 1983. The rates also provide for adjustments to recognize the placing of new generating facilities in service. As part of the proceedings, ALABAMA agreed not to file for any general retail rate increase prior to January 1, 1985. Appeals by certain intervenors from the APSC orders are pending in the Alabama Supreme Court.
- (2) On March 7, 1983, ALABAMA filed with the Federal Energy Regulatory Commission (FERC) a wholesale rate request to increase revenues by approximately \$6,800,000 annually with a requested effective date of August 1, 1983. On May 5, 1983, the FERC suspended the effective date of the new rates, subject to refund, until October 6, 1983.

## ALABAMA POWER COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

#### Results of Operations

ALABAMA's financial performance continued to improve when comparing the first quarter of 1983 with the same period of 1982. Net income after dividends on preferred stock for the first quarter of 1983 was \$49,637,000, compared to \$40,644,000 for the first quarter of 1982.

Operating revenues for the first quarter of 1983 increased slightly (1.5%) compared to the same period in 1982. This increase in revenues is attributable to a combination of retail rate increases effective in December, 1982 and February, 1983 and a small increase in total energy sales. Total kilowatthour sales for the first quarter of 1983 increased by only one-half of one percent over the first quarter of 1982. This increase was primarily the result of increased sales to nonaffiliated utilities. Territorial sales decreased during the first quarter of 1983 compared to the same period in 1982 principally due to a milder winter, conservation efforts by customers and a sluggish economy. The additional revenues resulting from the retail rate increases and the recovery of increased fuel and energy costs increased the average revenue per kilowatthour in the first quarter of 1983 to 5.40 cents, compared to 5.36 cents in the first quarter of 1982.

The increase in operation expenses resulted principally from higher fuel expenses, partially offset by a reduction in purchased and interchanged power expenses. ALABAMA's fuel expenses in the first quarter of 1983 increased over the first quarter of 1982 due to a 16.8-percent increase in fossil and nuclear generation. As a result of this increased generation, ALABAMA became a net seller of purchased and interchanged power in the first quarter of 1983, as opposed to being a net purchaser of such energy in the first quarter of 1982. The increase in other operation expense is due to escalating costs of labor, material and services.

Maintenance expenses for the first quarter of 1983 declined compared to the same quarter of 1982 due to abnormally high costs incurred in restoring service to ALABAMA's customers after a severe ice storm in January, 1982.

The increase in income taxes for the first quarter of 1983 compared to the same period of 1982 is due to an increase in income before income taxes.

The allowance for funds used during construction represents the cost of capital charged to utility plant under construction. This allowance represents the estimated debt and equity costs of capital funds which are necessary to finance the construction of new facilities. A portion of current cash flow results from the allowance of a return on and recovery through depreciation of previously capitalized amounts. The allowance for funds used during construction, net of income taxes, as a percent of net income after dividends on preferred stock was 28.0 percent in the first quarter of 1983 and 26.3 percent in the first quarter of 1982.

## ALABAMA POWER COMPANY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

#### Results of Operations (Continued)

The decrease in net interest charges during the first quarter is due primarily to the decrease in interest on long-term debt (associated with capitalized nuclear fuel leases) and notes payable.

The results of operations discussed above are not necessarily indicative of future earnings. It is expected that higher operating costs and carrying charges on increased investment in plant, if not offset by proportionate increases in operating revenues (either by periodic rate increases or increases in energy sales), will adversely affect future earnings. Increases in future sales will be affected by the volume of energy sales to nonaffiliated utilities, the extent of energy conservation practiced by customers, the elasticity of demand, weather and the rate of economic growth in ALABAMA's service area.

#### Financial Condition

ALABAMA's continuing construction program to build an energy supply network with a sufficient margin of reserve capacity to ensure an adequate, economical power supply, required the expenditure of \$116.2 million during the first three months of 1983. As shown on the Condensed Statements of Sources of Funds for Gross Property Additions, the primary sources of funds for construction expenditures are internal sources, the issuance of long-term debt and capital contributions from SOUTHERN.

ALABAMA's capitalization ratios, composite interest rate and embedded dividend rate at March 31, 1983, remained approximately the same as at December 31, 1982.

At March 31, 1983, ALABAMA had \$52.5 million in cash and temporary cash investments and \$311.6 million of unused credit arrangements with banks to meet its short-term cash needs. However, \$200 million of credit arrangements under the Revolving Credit Agreement was terminated by ALABAMA on April 30, 1983, and is currently being renegotiated. At March 31, 1983, ALABAMA had no short-term bank loans outstanding.

ALABAMA's construction expenditures as of April, 1983, are estimated to total approximately \$1.9 billion for the three years 1983 through 1985. The construction program is subject to periodic review and revision and construction costs incurred and commercial operation dates may vary from estimates because of several factors including new estimates of increased costs, revised load estimates and the cost of capital. In addition to the funds required for the construction program, approximately \$35.9 million will be required through March 31, 1984, in connection with sinking fund requirements and maturities of first mortgage bonds, pollution-control bonds and preferred stock subject to mandatory redemption.

It is anticipated that the funds required will be derived from sources in form and quantity similar to those used in the past. However, in order to issue additional long-term debt and preferred stock, ALABAMA must comply with certain earnings coverage requirements contained in its mortgage indenture and

ALABAMA POWER COMPANY

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Financial Condition (Continued)

corporate charter. On the basis of the requirements contained in ALABAMA's mortgage indenture and corporate charter, the bond and preferred stock coverages of ALABAMA at March 31, 1983, were 2.86 and 1.62, respectively.

PART I, Exhibit 1  
ARTHUR ANDERSEN & Co.  
BIRMINGHAM, ALABAMA

TO ALABAMA POWER COMPANY:

We have made a review of the condensed balance sheet of ALABAMA POWER COMPANY as of March 31, 1983, and the related condensed statements of income for the three-month and twelve-month periods ended March 31, 1983 and 1982, and condensed statements of sources of funds for gross property additions for the three-month periods ended March 31, 1983 and 1982, in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical review procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously examined, in accordance with generally accepted auditing standards, the balance sheet and statement of capitalization as of December 31, 1982, and the related statements of income, earnings retained in the business, other paid-in capital and sources of funds for gross property additions for the year then ended. In our report dated February 11, 1983, we expressed an unqualified opinion on those statements, which are not presented herein. In our opinion, the information set forth in the accompanying condensed balance sheet as of December 31, 1982, is fairly stated in all material respects in relation to the balance sheet from which it has been derived.

May 5, 1983.



ALABAMA POWER COMPANY

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Reference is made to Note (1) to the Condensed Financial Statements herein for information regarding ALABAMA's retail rate matters.

Reference is made to Note (2) to the Condensed Financial Statements herein for information regarding a wholesale rate increase request filed with the FERC.

Item 6. Exhibits and Reports on Form 8-K.

(a) Not applicable.

(b) There were no Form 8-K's filed during the period.



# SIGNATURES

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

ALABAMA POWER COMPANY

Date: May 12, 1983

By /s/ Elmer B. Harris  
Elmer B. Harris, Executive  
Vice President (Principal  
Financial and Accounting Officer)

Date: May 12, 1983

And by /s/ E. Ray Perry  
E. Ray Perry, Assistant Secretary