SOUTHERN COMPANY (SO)
GHG TARGETS
Annual Meeting: May 27, 2015

SUMMARY

Southern Company is one of the most significant power companies in the U.S., and would strongly benefit from adopting a greenhouse gas reduction goal. Its current environmental programs are failing to manage the company's escalating carbon risk and associated financial impacts. For example, the company has pursued high cost carbon management strategies in -nuclear and coal gasification- at the expense of shareholders who are currently absorbing losses from these troubled projects. Similarly, the company has backslid on its climate reporting and carbon transparency, making it impossible for shareholders to verify whether its net corporate carbon emissions are falling or rising. Low carbon investments offer a solution to these carbon management problems, yet Southern Company has adopted only a small amount of renewable power and energy efficiency. Shareholders request that Southern Company adopt a greenhouse gas reduction target as a means of moving the company away from its coal based orientation, and incent it to shift toward energy sources that will remain competitive in the low carbon economy.

RESOLVE CLAUSE

RESOLVED: Shareholders request that Southern Company adopt absolute, quantitative time-bound goals for reducing total greenhouse gas (GHG) emissions from operations and report to shareholders by November 1, 2015 on its plans to achieve these goals (omitting proprietary information and prepared at reasonable cost.)"

RATIONALE FOR A YES VOTE

A. CARBON REDUCTION RESULTS IN IMPROVED FINANCIAL PERFORMANCE

Research demonstrates that climate management yields financial value. When corporations track, manage, and reduce climate impacts, various financial indicators improve. Benefits can include enhanced return on equity, stronger dividends, lower earnings volatility, reduced emissions and minimized regulatory risk.[1] Other carbon management business benefits include commodity price certainty, responsiveness to customer demand for low carbon solutions, reduced overhead, and

[1] *CDP S&P500 Leaders Report, 2014; note that because utility return on equity is capped by regulation, the ROE trend does not follow in the power sector* https://www.cdp.net/CDPResults/CDP-SP500-leaders-report-2014.pdf

improved leadership and branding.[2] A third analysis confirms that "firms with stronger ESG policies also enjoy increased efficiency and higher valuations than their peers."[3]

Proponents compared data from the largest 28 U.S. investor owned utilities with those companies' recent stock prices.[4] The results suggest that utilities with the most renewable energy sales and energy efficiency savings tend to have better stock performance.[5] A thorough review of this trend is needed, but greenhouse gas targets that encourage Southern Company to make low carbon investments, such as renewable energy and energy efficiency, seem likely to improve shareholder value. This is key as Southern Company's shareholder value has dropped over 10% since January.[6] This troubling trend appears to be the market's reaction to cost overruns at Southern's coal gasification project in Kemper County, Mississippi and its nuclear expansion at Plant Vogtle. The costs of such projects are unsustainable; a greenhouse gas reduction target would encourage Southern Company to focus on making more carbon reductions, and doing so more cost-efficiently.

B. OTHER MAJOR POWER PRODUCERS HAVE ADOPTED GHG TARGETS

GHG targets are becoming increasingly common across sectors; a report ranking 613 U.S. companies found that 35% of companies surveyed have a time bound GHG emission target, up 32% in 2012.[7] GHG reduction targets are also well established in the utility sector; companies including AEP, Exelon, Duke, Con Edison, NextEra Energy, PSEG, Idaho Power, WGL Holdings (gas) previously or currently have adopted quantitative, time bound goals for emission reductions.[8] NRG, another of the largest power producers with an enormous coal fleets, took a bold step announcing a goal of cutting 90% of the company's carbon emissions by 2050.[9] Most GHG targets are independent of state-mandated resource planning, and extend beyond these processes, demonstrating that aspirational carbon reduction goals can be set separately from regulated resource planning processes.

C. SOUTHERN COMPANY GHG REPORTING LACKS TRANSPARENCY

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[2] *Ceres Power Forward 2.0.* *http://www.ceres.org/resources/reports/power-forward-2.0-how-american-companies-are-setting-clean-energy-targets-and-capturing-greater-business-value*

[3] *Gillan, Hartzell, Koch, Starks. "Firms' Environment, Social and Governance Choices, Performance, and Managerial Motivation" 2010* *http://business.pitt.edu/katz/sites/default/files/koch3.pdf*

[4] *Renewable energy & energy efficiency sales data sourced from Ceres' "Benchmarking UtIlIty Clean Energy Deployment 2014" http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014. Stock data from Yahoo Finance in Appendix B.*

[5] *Appendix B*

[6] *Appendix C, citing Google Finance stock data for Southern Company between January and April 2015.*

[7] Ceres. *Gaining Ground: Progress Report 2014*. (Page 6). http://www.ceres.org/roadmap-assessment/resources/gaining-ground

[8] WGL: http://wglholdings.com/releasedetail.cfm?ReleaseID=629266; Exelon: http://www.exeloncorp.com/environment/strategy/overview.aspx; Duke: http://sustainabilityreport.duke-energy.com/our-sustainability-plan-and-goals/our-sustainability-plan-and-goals/ ; AEP: https://www.aep.com/newsroom/newsreleases/?id=1077; Con Edison http://www.conedison.com/ehs/2013-sustainability-report/2a-environmental.html ; NextEra http://www.nexteraenergyresources.com/who/climate.shtml; PSEG https://www.pseg.com/info/media/newsreleases/2009/2009-07-23.jsp; Idaho Power https://www.idahopower.com/pdfs/AboutUs/sustainability/corporateDisclosure/Emissions/InitiativestoReduceGhGEmissions.pdf

[9] NYT. "*NRG Seeks to Cut 90% of Its Carbon Emissions*" http://www.nytimes.com/2014/11/21/business/energy-environment/nrg-sets-goals-to-cut-carbon-emissions.html?_r=0

A greenhouse gas target for Southern Company is particularly important to assure investors the company is taking action to reduce carbon, as its current carbon reporting is so deficient. CDP, or "Carbon Disclosure Project" reporting is one of the most common and effective carbon reporting methods, used by 20 of Southern company's peers.[10] CDP reports are administered and reviewed by the Carbon Disclosure Project, a third party nongovernmental organization, for corporations and municipalities around the world.[11] Southern Company, however, currently self-reports on carbon management, in addition to completing integrated resource plans it declines to post on its website. Its reporting consists of a document similar in title to the recognized brand of "Carbon Disclosure Project" report, but which lacks the data and detail of the actual CDP reports.[12] The custom Southern report omits key elements found in actual CDP reports, such as: an explanation of the physical and regulatory risks climate change poses to the company's business; detailed, raw, year over year Scope 1, 2, and 3 emissions data; business opportunities created by climate change; explanation of how climate is integrated into executive compensation packages; plant by plant emissions data; disclosure of financial risk posed by climate change; and more. The information included in Southern's carbon report is at times general, largely narrative, and contains little raw data, while covering only Scope 1 emissions- those generated by Company-owned power plants. Where it overlaps with the CDP content, the custom Southern report does not go into the depth a CDP report does. In total, the custom report does not help investors independently evaluate the Company's climate management and carbon emission reduction progress.

D. SOUTHERN COMPANY'S SIGNIFICANT COAL EMISSIONS & TRENDS

Investors need Southern Company to improve its carbon management and reporting because its existing carbon fleet represents extreme liability for the company. Southern Company is the nation's second largest power producer and creates the second largest amount of carbon dioxide emissions of U.S. electric power producers, representing over 1.8% of the U.S.' total carbon emissions.[13] Southern Company also owns six of the nation's most polluting power plants, including the first and fifth most polluting plants.[14] Southern Company's Scherer Plant is the largest, most polluting power plant in the U.S., and is the largest power plant in the Western hemisphere.[15]

Southern Company's website and carbon report includes a chart showing a modest drop in emissions

[10] CDP. *CDP S&P 500 Climate Change Report 2014* p.50 https://www.cdp.net/CDPResults/CDP-SP500-leaders-report-2014.pdf

[11] CDP. "*What We Do*" https://www.cdp.net/en-US/WhatWeDo/Pages/investors.aspx

[12] Southern Company. *Carbon Disclosure Report* 2014 http://www.southerncompany.com/what-doing/pdf/Carbon_Disclosure_Report.pdf

[13] Size and emissions rankings: NRDC. *Benchmarking Air Emissions: Of the 100 Largest Electric Power producers in the United States*. (May 2014). http://www.nrdc.org/air/pollution/benchmarking/files/benchmarking-2014.pdf ; Emissions data compared to U.S. emissions: EPA. *Inventory of US GHG Emission Sources and Sinks*.(2015) http://www.epa.gov/climatechange/pdfs/usinventoryreport/US-GHG-Inventory-2015-Main-Text.pdf 5400 million metric tons 2012 US carbon emissions/ Southern Company 100 million metric tons = 1.84% of total U.S. emissions http://www.southerncompany.com/what-doing/pdf/Carbon_Disclosure_Report.pdf

[14] Environment America. *America's Dirtiest Power Plants*. (2014) http://environmentamericacenter.org/sites/environment/files/reports/Dirty%20Power%20Plants.pdf

[15] *Id* for most polluting plant data. See book *Uncommon Carriers,* John McPhee, 2007 p. 231 for Western Hemisphere reference.

from 2012 and 2013 compared to its 2011 emissions.[16] However, this drop only reflects one emission category, those emissions from Southern Company owned plants.[17] Significantly different from peers, Southern does not report –or even track-- Scope 2 and Scope 3 emissions.[18] Scope 2 and 3 emissions can be significant for utilities. For some of Southern Company's utility peers, Scope 2 and 3 emissions can represent 15-30% of a company's net total emissions.[19] Emissions might have increased in the categories that Southern Company does not report. Because Southern Company's carbon reporting is incomplete, and because it does not report comprehensive raw carbon data, it is impossible to tell whether the company has actually made net corporate carbon reductions.

Southern Company's carbon emissions could rise in coming years if the company continues to invest in coal infrastructure, which it is doing with the current coal gasification plant it is building in Kemper County, Mississippi. Southern Company admits as much, stating that "It is uncertain how the Southern Company system's GHG emissions will change in the future."[20] Yet future emissions can be estimated, and are estimated by Southern Company's utility peers commonly.[21] A GHG reduction target would benefit Southern Company by taking the guesswork out of the company's carbon management for internal and external stakeholders alike.

E. SOUTHERN COMPANY'S EMISSIONS RESULT IN REGULATORY & STRANDED ASSET RISK

Southern Company's carbon emissions expose the company and its investors to substantial business risks, including regulatory risk and potential losses from stranded assets. Southern Company estimates its compliance costs for the new, weak coal ash rules at up to $22 billion, and compliance with the mercury rule at $1.8 billion.[22] The EPA's forthcoming "Clean Power Plan", slated to be finalized by 2016, will also most likely result in mandatory GHG cuts imposed on Southern Company's portfolio. Unlike peers Southern Company claims it is unable to estimate the cost impacts of the proposed rule, but did estimate that the Clean Power Plain could cause customer rates to increase $35 billion dollars by 2030.[23] Climate related compliance is only expected to increase as climate change worsens, creating significant

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[16] Southern Company. *Carbon Disclosure Report*. (2014) p.3 http://www.southerncompany.com/what-doing/pdf/Carbon_Disclosure_Report.pdf

[17] *See* note 12, footnote 3.

[18] *Id*. See note 12 footnote 3 of p.3.

[19] Entergy. *2013 Entergy Corporate GHG Emissions breakdown by category*. Page 1 shows 15.8% of controllable purchased power (Scope 2) and 17.3% of "uncontrollable" purchased power (Scope 2 or 3- debatable), totaling 33% of Entergy's net corporate emissions falling into Scope 2 and 3 emissions.
http://entergy.com/content/our_community/pdfs/Entergy_GHG_Inventory_2013.pdf

[20] *Id*. Note 14 p.4

[21] For example, FirstEnergy. *Sustainability Report* (2015). P. 24
https://www.firstenergycorp.com/content/dam/environmental/files/sustainabilityreport.pdf

[22] EPA Regulations Comment: Disposal of Coal Combustion Residuals from Electric Utilities. *Comment submitted by Chris M. Hobson, Senior Vice President, Research and Environmental Affairs, Southern Company* (Nov, 2010).
http://www.regulations.gov/#!documentDetail;D=EPA-HQ-RCRA-2009-0640-6300. *See also* Southern Company. *2012 Q2 Earnings Call* (Art Beattie, CFO). (July, 2012)
http://seekingalpha.com/article/749651-southern-management-discusses-q2-2012-resultsearnings-call-transcript

[23] EPA Regulations Comment: Carbon Pollution Emission Guidelines for Existing Stationary Sources. *Southern Company - Comment* (Dec, 2014), (pg 210). http://www.regulations.gov/#!documentDetail;D=EPA-HQ-OAR-2013-0602-22907

and foreseeable liability for Southern Company going forward unless it rapidly decarbonizes. Thus, the company's focus on carbon reduction should be emphasized through a GHG reduction target, which would likely help reduce future coal-related regulatory costs.

In addition to regulatory risk, Southern Company is at risk of stranded physical assets. The company has invested enormous resources into expensive carbon management "solutions". For example its Mississippi coal gasification plant, "Kemper", was originally estimated to cost $2.01 billion. However the project is now at $6.1B, ---$4 billion over budget and rising.[24] The reasons for cost overruns have not been clearly explained, though Southern Company has pointed to technical flaws in the experimental coal-to-gas infrastructure, contractors, and more.[25] Adding to the cost mystery, Southern sued one of its former managers to enforce a gag order keeping him from speaking about the project publicly.[26] The Company's effort to limit project finance information from reaching the public should concern investors, as it suggests business risk the Company wishes not to communicate externally.

It is unclear whether the costs of the Kemper project will land on ratepayers or shareholders. Power rates in the area are likely to rise by 45% as a result of the plant.[27] But recently, a court refunded $281 million in Kemper costs back to Southern Company's customers, and the Mississippi utility commission delayed a vote deciding which party will assume the plant's costs until the plant can prove successful operations.[28] Currently, the project's costs are charges to the company that stress Southern Company's balance sheet. The company has internalized over a billion dollars of project cost so far, and its Mississippi subsidiary was penalized by a debt downgrade.[29] Southern Company's overall financial performance has been volatile; analysts including Zacks downgraded Southern, purchases of call options have increased over 300%, stock price is down, and insider trading up with the CEO selling $47 million

[24]IEEFA. *Estimated Costs of Kemper Have Skyrocketed Since 2009*. (2014) http://www.ieefa.org/wp-content/uploads/2014/11/Kemper-costs.jpg. See also Forbes. "*Southern Company's Discomfort: What Kemper And Vogtle Plants Say About Competitive Power Markets*" (Feb. 9, 2015). http://www.forbes.com/sites/williampentland/2015/02/09/southern-companys-discomfort-what-kemper-and-vogtle-plants-say-about-competitive-power-markets/2/

[25] Utilitydive. "*Coal gasification: American coal power's last, best chance*?" (December 17, 2014). http://www.utilitydive.com/news/coal-gasification-american-coal-powers-last-best-chance/344911/

[26] Mississippi Business Journal. "*Kemper plant employee gag order continued*" (February 27, 2015) http://msbusiness.com/blog/2015/02/27/kemper-plant-employee-gag-order-continued/

[27] Mississippi Business Journal. "*'About a third' is really closer to about a half*" (August 22, 2010). http://msbusiness.com/blog/2010/08/22/%E2%80%98about-a-third%E2%80%99-is-really-closer-to-about-a-half/

[28] Wall Street Journal. "*Mississippi High Court Orders Refunds to Southern Co. Subsidiary Customers*" (Feb 12, 2015). http://www.wsj.com/articles/mississippi-high-court-orders-refunds-to-southern-co-subsidiary-customers-1423786320; see also Clarion Ledger. "*Hearing again delayed on Miss. Power Kemper costs*" (August 7, 2014) http://www.clarionledger.com/story/money/business/2014/08/07/hearing-delayed-miss-power-kemper-costs/13758651/

[29] See note 28, WSJ article. Also, Utilitydive. "*Southern Co. earnings take a hit on Kemper costs*" (February 5, 2015) http://www.utilitydive.com/news/southern-co-earnings-take-a-hit-on-kemper-costs/360841/; *see also* Southern Company. *Press Release Details Southern Company reports fourth-quarter and full-year 2014 earnings.* (Feb 4, 2015). http://investor.southerncompany.com/information-for-investors/latest-news/latest-news-releases/press-release-details/2015/Southern-Company-reports-fourth-quarter-and-full-year-2014-earnings/'. Debt downgrade: Moody's. "*Moody's changes Mississippi Power outlook to negative; affirms Southern's ratings*". (Feb 19, 2015). https://www.moodys.com/research/Moodys-changes-Mississippi-Power-outlook-to-negative-affirms-Southerns-ratings--PR_318759.

shares[30]. Had the company been focused on energy efficiency and renewables to decrease GHG emissions, rather than looking for new ways to use coal power, the company would likely have avoided this massive liability before it was even built.

Kemper is a significant financial risk for Southern Company, and illustrates the company's baffling devotion to the flagging coal industry. Southern's plans for Kemper were questioned by third parties and analysts from the outset.[31] Concerns included uncertainty as to whether coal gasification offers any benefits over a natural gas plant the same size.[32] The technology at Kemper will only capture 65% of the plant's carbon emissions, and the plant will require a higher volume of coal than a normal coal plant, thereby possibly neutralizing any potential carbon savings.[33] Most critically, Kemper is an example of Southern Company making a major new coal related investment in the face of climate change, while most other utilities are moving away from coal. Even Florida –a state that has banned the words "climate change"-- declined $300M from the Department of Energy for a coal to gas plant.[34] Setting a greenhouse gas target would encourage Southern Company to move faster toward cost effective carbon reduction projects such as distributed renewable power and energy efficiency in order to meet targets. In avoiding projects like Kemper, the company would also improve its financial performance and reduce the risk of stranded assets.

F. SOUTHERN COMPANY DEMONSTRATES A NEED TO CHANGE ITS FOCUS TO FACILITATE RATHER THAN BLOCK THE MOVEMENT TOWARD A SUSTAINABLE POWER SECTOR

1. Southern Company's Political Spending Undermines Renewable Energy & Climate Policy

In the last decade, Southern Company spent $149 million dollars on political lobbying.[35] These funds were used at least in part to finance organizations that lobby against climate change and clean energy policy, such as the controversial American Legislative Exchange Council. Between 2010 and 2012 Southern Company lobbied to undermine the EPA's Cross

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[30] SleekMoney. "*Investors Purchase Large Volume of Call Options on Southern (SO)*".(February 2015) http://sleekmoney.com/investors-purchase-large-volume-of-call-options-on-southern-so/133716/; insider trading- Barron's. "*Southern Co. Chief Executive Sells $47 Million in Stock*" (September 12, 2014); Zack's downgrade- TickerReport "Southern Lowered to Neutral at Zacks (SO)" (February 5th, 2015). http://tickerreport.com/banking-finance/407273/southern-lowered-to-neutral-at-zacks-so/

[31] IEEFA. *The Kemper IGCC Project: Cost and Schedule Risks*. Schlissel (November 19, 2012) http://ieefa.org/the-kemper-igcc-project-cost-and-schedule-risks/; see also Reuters. "Southern, Duke push US coal gasification; others quit". (June 12, 2012). http://www.reuters.com/article/2012/06/12/utilities-coal-gasification-idUSL1E8H78P420120612

[32] Utilitydive. "*Coal gasification: American coal power's last, best chance*?" (December 17, 2014). http://www.utilitydive.com/news/coal-gasification-american-coal-powers-last-best-chance/344911/; see also Mississippi Business. "*Lignite looking more like the wrong horse to have bet on*" (June 19, 2011) http://msbusiness.com/blog/2011/06/19/lignite-looking-more-like-the-wrong-horse-to-have-bet-on/

[33] See note 32, item 1.

[34] Mississippi Business Journal. "*BGR website has changed since MBJ Barbour/Kemper story was published*". (May 4, 2010). http://msbusiness.com/blog/2010/05/04/bgr-website-has-changed-since-mbj-barbourkemper-story/ ; see also: Bloomberg. "*Florida Officials Say They Were Banned From Saying 'Climate Change' and 'Global Warming*" (March 2015) http://www.bloomberg.com/politics/articles/2015-03-08/florida-officials-say-they-were-banned-from-saying-climate-change-and-global-warming-

[35] OpenSecrets.Org. *Southern Company.* https://www.opensecrets.org/lobby/clientsum.php?id=D000000168&year=2014

State Air Pollution Rule, to delay the Mercury and Air Toxins Standards compliance, and to discourage funding for the EPA to implement carbon pollution standards.[36] Historically, Southern Company also actively campaigned against renewable portfolio standards in states where it operates.[37] All of Southern Company's lobbying efforts are approved by executive management and thus seem to reflect company priorities.[38] A greenhouse gas target would discourage spending to obstruct climate policy that benefits the long term best interests of the company and its shareholders.

2. Southern Company Funded Experts to Misinform the Public Regarding Climate Change for 17 Years

Southern Company has spent shareholder funds on the creation and distribution of information undermining public perception and understanding of climate change for nearly two decades.[39] Southern Company's funding of climate denial was again the subject of public scrutiny when its payments to Willie Soon were exposed. Soon, an academic, was recently found to have accepted payments from the fossil fuel industry in exchange for research.[40] Under pressure from the public, Southern Company finally cut ties with Soon.[41] Due to lack of disclosure, the scale and beneficiaries of Southern Company spending on climate denial is not known; what has been uncovered indicated it has spent millions on climate change denial spanning 17 years. A greenhouse gas reduction goal would also discourage this unconstructive use of shareholder funds, and would help accelerate the company's transition to a business plan that manages carbon risk rather than denying it exists.

3. Southern Company Minimizes Climate-Related Public Health Harms, Business Risk

Southern company fails to meaningfully address public health risks that are a liability to its business. For example, Southern Company's "Putting Risk into Perspective" webpage quotes

[36] NRDC. Southern Company. *Efforts by Utility Companies to Block or Delay EPA Standards.* *http://www.nrdc.org/air/files/Price-of-Pollution-Politics-SC.pdf*

[37] The Hill. "*Southern Co. takes aim at renewable-energy bill".* (May, 2007). http://thehill.com/business-a-lobbying/3092-southern-co-takes-aim-at-renewable-energy-bill

[38] Southern Company. *Overview of Southern Company Policies and Practices For Lobbying-Related Activities*.(April 2012) http://investor.southerncompany.com/files/doc_downloads/list/Overview_of_Policies_and_Practices_for_Lobbying-Related_Activities.pdf

[39] TheGuardian. "*What happened to the lobbyists who tried to reshape the US view of climate change?"* (February 27, 2015). http://www.theguardian.com/environment/2015/feb/27/what-happened-to-lobbyists-who-tried-reshape-us-view-climate-change?CMP=share_btn_tw; referencing *Global Climate Science Communications Plan* (April 1998). https://www.documentcloud.org/documents/1676446-global-climate-science-communications-plan-1998.html

[40] NYT. "*Deeper Ties to Corporate Cash for Doubtful Climate Researcher*". (February 21, 2015) http://www.nytimes.com/2015/02/22/us/ties-to-corporate-cash-for-climate-change-researcher-Wei-Hock-Soon.html; see also Washington Post. "*Things just got very hot for climate deniers' favorite scientist*" (February 23, 2015). http://www.washingtonpost.com/news/morning-mix/wp/2015/02/23/the-favorite-scientist-of-climate-change-deniers-is-under-fire-for-taking-oil-money/

[41] Inside Climate News. "*Utility Giant Cuts Ties With Willie Soon*" (April 7, 2015) http://insideclimatenews.org/news/07042015/utility-giant-cuts-ties-willie-soon-southern-company-coal-climate-change-skeptic-contrarian

experts stating that "Although this industry [electric utilities] will report large quantities of emissions, the resulting risk to public health is minimal", that "…while the volumes of some of the utility industry's emissions are high, the risk they pose to public health is quite low…".[42]

These statements fail to communicate the public health harms associate with Southern's coal operations and with climate change, which result from the company's "low risk" carbon emissions. Both coal operations and climate change pose serious, near term, widespread public health harms and risk, for which Southern Company may be held accountable.[43] Coal operations negatively impact surface and groundwater, which are frequently contaminated by coal related chemicals.[44] For example, coal ash is a toxic mix of carcinogens; Southern Company neglects to note that the EPA has classified most of its coal ash disposal sites as posing "high" or "significant" risk to the public.[45] The Company does not disclose that particulate matter and other chemicals emitted by Southern Company's plants are carcinogens, or that the World Health Organization ruled air pollution to be a carcinogen, saying "We know that it is causing cancer in humans."[46] Further, while Southern Company does not recognize the impacts of climate change on health, the scientific community does, and are preparing a new report called "The Impacts of Climate Change on Human Health in the United States: A Scientific Assessment".[47]

Southern Company's shirking responsibility for its public health harms keeps the Company from taking action to remedy them, leaving shareholders vulnerable to increasing regulation requiring Southern Company to internalize the harms, the potential for environmental violations, and health related liability. A greenhouse gas target would encourage the company to transition toward low carbon solutions --such as energy efficiency, solar and wind-- which are not saddled with costly, risky exposure public health liabilities.

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[42] Southern Company. "*Putting Risk Into Perspective*" http://www.southerncompany.com/what-doing/corporate-responsibility/energy-innovation/tri-risk.cshtml

[43] PSR. "*Climate Change Is a Threat to Health*" http://www.psr.org/environment-and-health/climate-change/

[44] Environmental Integrity Project, et al.*"Closing the Floodgates: How the Coal Industry is Poisoning Our Water, and How We Can Stop It"* http://earthjustice.org/sites/default/files/ClosingTheFloodgates-Final.pdf

[45] Coal ash carcinogenic: PSR et al. *EPA's Blind Spot: Hexavalent Chromium in Coal Ash* (2011) http://earthjustice.org/sites/default/files/CoalAshChromeReport.pdf. Company coal pond data: Southern Company. *Coal Combustion Byproducts Report*. (2014) http://www.southerncompany.com/what-doing/pdf/coal_Combustion_Byproducts_2014_final.pdf

[46] Health impacts of coal plant emissions: Environmental Health and Engineering. *Emissions of Hazardous Air Pollutants from Coal-Fired Power Plants*. (2011) http://www.lung.org/assets/documents/healthy-air/coal-fired-plant-hazards.pdf ; Air pollution is carcinogenic: World Health Organization."*IARC: Outdoor air pollution a leading environmental cause of cancer deaths*" (October 2013) http://www.iarc.fr/en/media-centre/iarcnews/pdf/pr221_E.pdf . Quote: CNN. "*Air pollution causes cancer, world health authority says*" (October 17, 2013). http://www.cnn.com/2013/10/17/health/geneva-air-pollution-carcinogenic-who/

[47] Triplepundit."*Report: Climate Change is Dangerous to Your Health*". (April 15, 2015) http://www.triplepundit.com/2015/04/climate-change-dangerous-health/

CONCLUSION

Southern Company's mismanagement of its greenhouse gas emissions include its lack of transparency on carbon performance, its non-standard carbon reporting, the absence of clarity on whether it plans to lower carbon emissions in the future, and its decision to build a new coal plant as a solution to carbon reduction. These non-optimal choices suggest the need for Southern Company to adopt a different approach to climate management. Shareholders request that this approach include a greenhouse gas target as a means of increasing transparency on its carbon management, and as an assurance to investors that the company will focus on efficiently and successfully reducing greenhouse gas emissions and related business risk.

AS YOU SOW

Appendices

Appendix A

RESOLVED:
Shareholders request that Southern Company adopt absolute, quantitative time-bound goals for reducing total greenhouse gas (GHG) emissions from operations and report to shareholders by November 1, 2015 on its plans to achieve these goals (omitting proprietary information and prepared at reasonable cost.)

WHEREAS:
The 2014 Synthesis Report of the Intergovernmental Panel on Climate Change (IPCC) warns that continued greenhouse gas (GHG) emissions and subsequent global warming will have "severe, pervasive and irreversible impacts for people and ecosystems." The Risky Business report forecasts significant economic costs to agriculture, labor productivity, and property.

To mitigate the worst impacts of climate change and limit warming to below 2˚C, as agreed in the Copenhagen Accord, the IPCC estimates that a fifty percent reduction in GHG emissions globally is needed by 2050, relative to 1990 levels.

Our country's fleet of fossil fueled power plants is the single largest source of carbon pollution in the U.S., accounting for over one-third of total carbon emissions, according to the Environmental Protection Agency (EPA.) Plans for increased regulation of GHG emissions are already underway, posing regulatory risk to the company. President Obama committed to reduce emissions by 26-28 percent by 2025. The EPA's Clean Power Plan would strengthen emissions standards for power plants, seeking an overall 30 percent reduction of CO_2 emissions by 2030. With the fourth highest power generation from burning coal in the country and the third highest level of carbon emissions of U.S. power producers, compliance with this rule will likely require substantial adjustments to Southern facilities, entailing emissions reductions, increased use of renewable energy and deployment of energy efficiency. Meanwhile, Southern has publicly stated that it does not support this regulation.

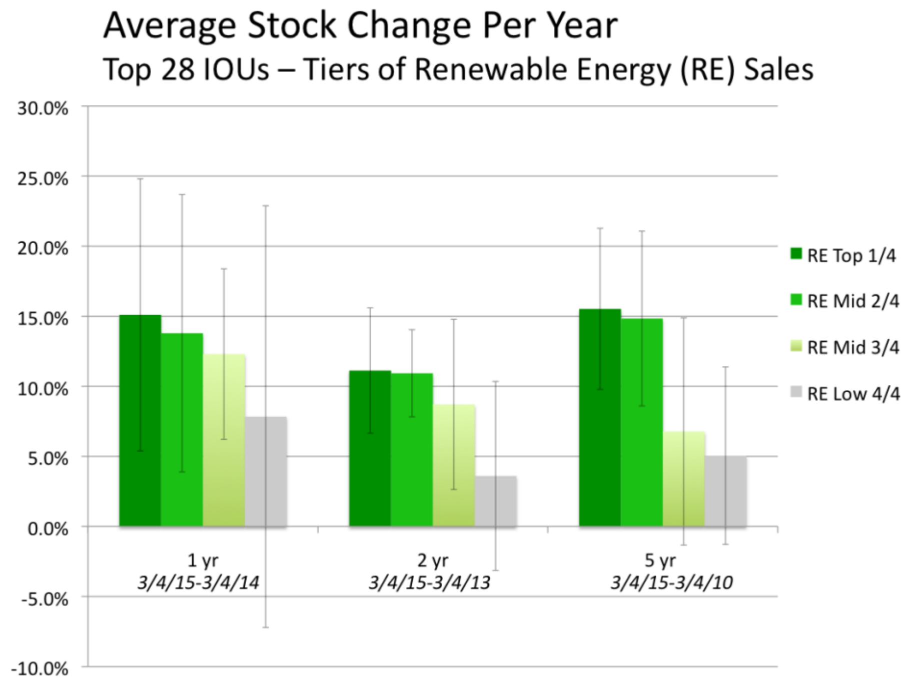
Southern Company has made significant investments in renewable energy, efficiencies, and a more diversified energy mix. Setting clear proactive goals to manage greenhouse gas emissions at Southern Company and its operating companies would enable the Company to manage climate risk and align with a growing global commitment to contain emissions. Sixty percent of Fortune 100 companies have set GHG reduction goals or renewable energy targets. Southern lags behind peers including American Electric Power, CMS Energy, Exelon and Duke Energy which have set absolute and/or intensity carbon reduction goals. NRG Energy announced its aim to reduce its carbon emissions 50 percent by 2030 and 90 percent by 2050.

AS YOU SOW

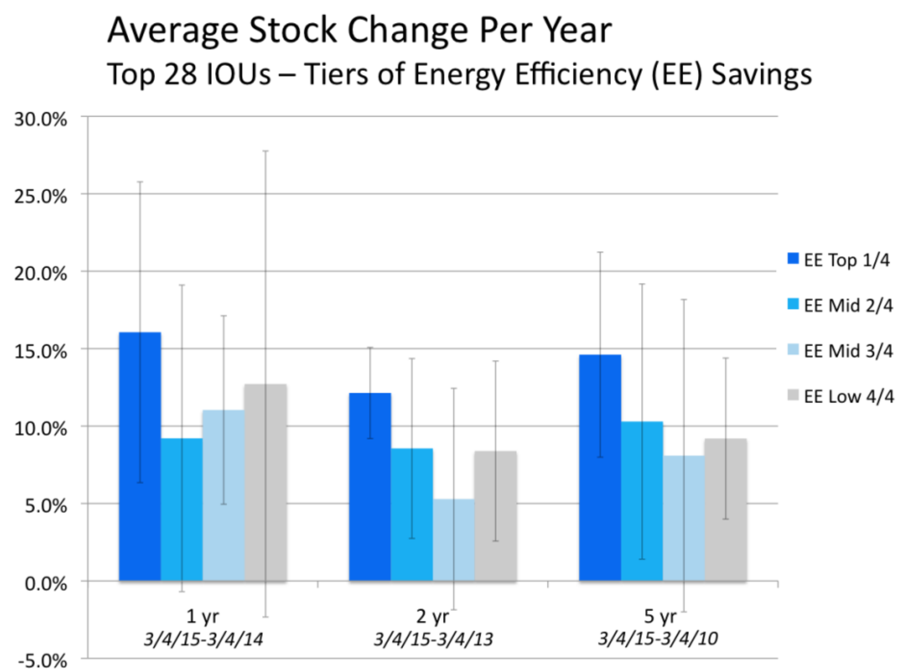
SUPPORTING STATEMENT:

A disciplined business strategy to cut emissions includes setting goals, striving to meet them and reporting on progress. Leading practices for electric utilities to manage carbon across the enterprise include pursuing all cost-effective energy efficiency opportunities, deploying large-scale and distributed renewable energy, utilizing smart grid technologies for consumer and system benefit, and serving as a systems integrator providing services to meet varying customer needs; and conducting robust and transparent resource planning. Two commonly used options for setting GHG targets are GHG “intensity” or "absolute" targets. Absolute GHG reduction goals compare total GHG emissions in the goal year to those in a base year.

Appendix B



Average Stock Change Per Year
Top 28 IOUs – Tiers of Renewable Energy (RE) Sales
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
1 yr
3/4/15-3/4/14
2 yr
3/4/15-3/4/13
5 yr
3/4/15-3/4/10
RE Top 1/4
RE Mid 2/4
RE Mid 3/4
RE Low 4/4



Average Stock Change Per Year
Top 28 IOUs – Tiers of Energy Efficiency (EE) Savings
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
1 yr
3/4/15-3/4/14
2 yr
3/4/15-3/4/13
5 yr
3/4/15-3/4/10
EE Top 1/4
EE Mid 2/4
EE Mid 3/4
EE Low 4/4

AS YOU SOW

Utility	Energy Efficiency Savings (%)	Renewable Energy Sales (%)	Market Cap ($ Billions)	Stock % Change: (3/4/15-3/4/14)	Stock % Change: (3/4/15-3/4/13)	Stock % Change: (3/4/15-3/4/10)
AES Corporation	2.83	0.53	8.97	-8.90%	2.99%	9.18%
Alliant Energy	8.39	5.41	6.88	16.20%	28.55%	83.71%
Ameren	1.10	4.03	10.14	3.70%	22.70%	63.74%
American Electric Power	2.13	2.65	27.63	0.1458	18.42%	65.48%
CMS Energy	2.79	5.21	9.43	22.29%	27.33%	117.95%
Consolidated Edison	5.10	3.19	18.13	11.97%	4.47%	41.66%
Dominion	0.41	0.52	41.45	3.70%	24.81%	77.54%
DTE Energy	3.60	4.15	14.28	14.53%	20.60%	79.56%
Duke Energy	2.68	3.29	54.45	9.97%	10.20%	57.20%
Edison International	16.87	16.67	20.65	23.86%	26.28%	87.48%
Entergy	0.13	0.64	13.74	22.59%	20.13%	-2.27%
Exelon	2.69	2.97	28.05	9.46%	2.56%	-26.12%
FirstEnergy	2.05	2.26	14.45	11.28%	-15.26%	-13.03%
Iberdola	4.15	3.17	42.69	-0.41%	32.86%	-22.61%
National Grid	10.44	5.70	50.24	-3.95%	20.80%	34.15%
Northeast Utilities	16.46	6.60	16.66	20.06%	23.39%	95.97%
OGE Energy	0.96	6.59	6.33	-10.67%	6.60%	66.03%
Pepco Holdings	0.73	3.40	6.86	36.83%	30.70%	57.82%
PG&E	17.18	16.87	25.55	25.45%	24.58%	25.53%
Pinnacle West	7.98	5.35	6.97	16.69%	10.05%	68.95%
Portland General Electric	10.25	7.52	2.84	15.95%	19.85%	89.22%
PPL Corp	2.77	1.69	22.18	5.99%	8.06%	17.91%
PSEG	0.90	4.93	20.92	16.39%	25.43%	35.20%
SCANA	0.84	0.00	7.89	13.54%	11.16%	49.42%
Sempra Energy	12.54	16.86	26.59	15.28%	36.20%	114.66%
Southern Company	1.01	0.05	40.75	6.64%	-1.43%	38.02%
We Energies	10.14	5.67	11.26	14.38%	20.25%	99.80%
XCEL	10.62	18.11	17.50	15.77%	18.83%	64.43%

- Ceres & CleanEdge. *Benchmarking Utility Clean Energy: Ranking 32 of the largest U.S. Investor-owned Electric Utilities on Renewable Energy & Energy Efficiency* (July, 2014). http://www.ceres.org/resources/reports/benchmarking-utility-clean-energy-deployment-2014/view
- Yahoo Finance. (Accessed 3/4/15). http://finance.yahoo.com/

Appendix C


Southern Co
NYSE: SO - Apr 15 2:57 PM EDT
44.26 0.09 (0.20%)
1 day
5 day
1 month
3 month
1 year
5 year
max
55
50
45
40
Jan 21
Feb 4
Feb 18
Mar 4
Mar 18
Apr 1
Apr 15
Open 44.34
High 44.75
Low 44.24
Market cap 40.21B
P/E ratio (ttm) 20.31
Dividend yield 4.74%
Google Finance - Yahoo Finance - MSN Money
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