

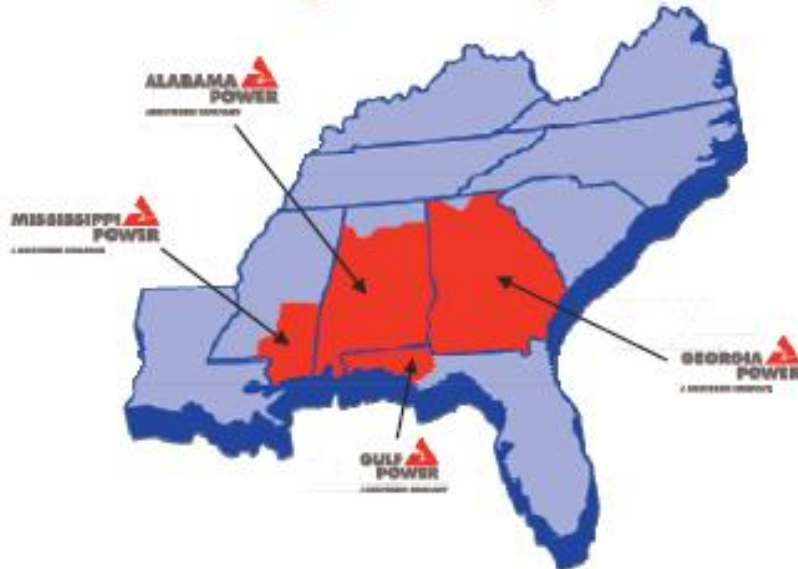
# Electricity Demand and the Great Recession

Georgia State University  
Economic Forecasting Conference  
November 17, 2010



# Southern Company – Smart Grid, Smart Energy, Smart Choices

## Premier Regulated Utility Franchises



- Diverse regional economy
- 4.4 million retail customers and growing
- World-class operations
- Financial strength to support investment growth

# Electricity and the Economy

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Electricity is a fundamental commodity of modern civilization – Edward Kahn

Electricity is an integral part of life in the United States. It is indispensable to factories, commercial establishments, homes, and certain modes of transportation. Lack of electricity causes not only inconvenience, but also economic loss due to reduced commercial and industrial production.

Energy Information Administration

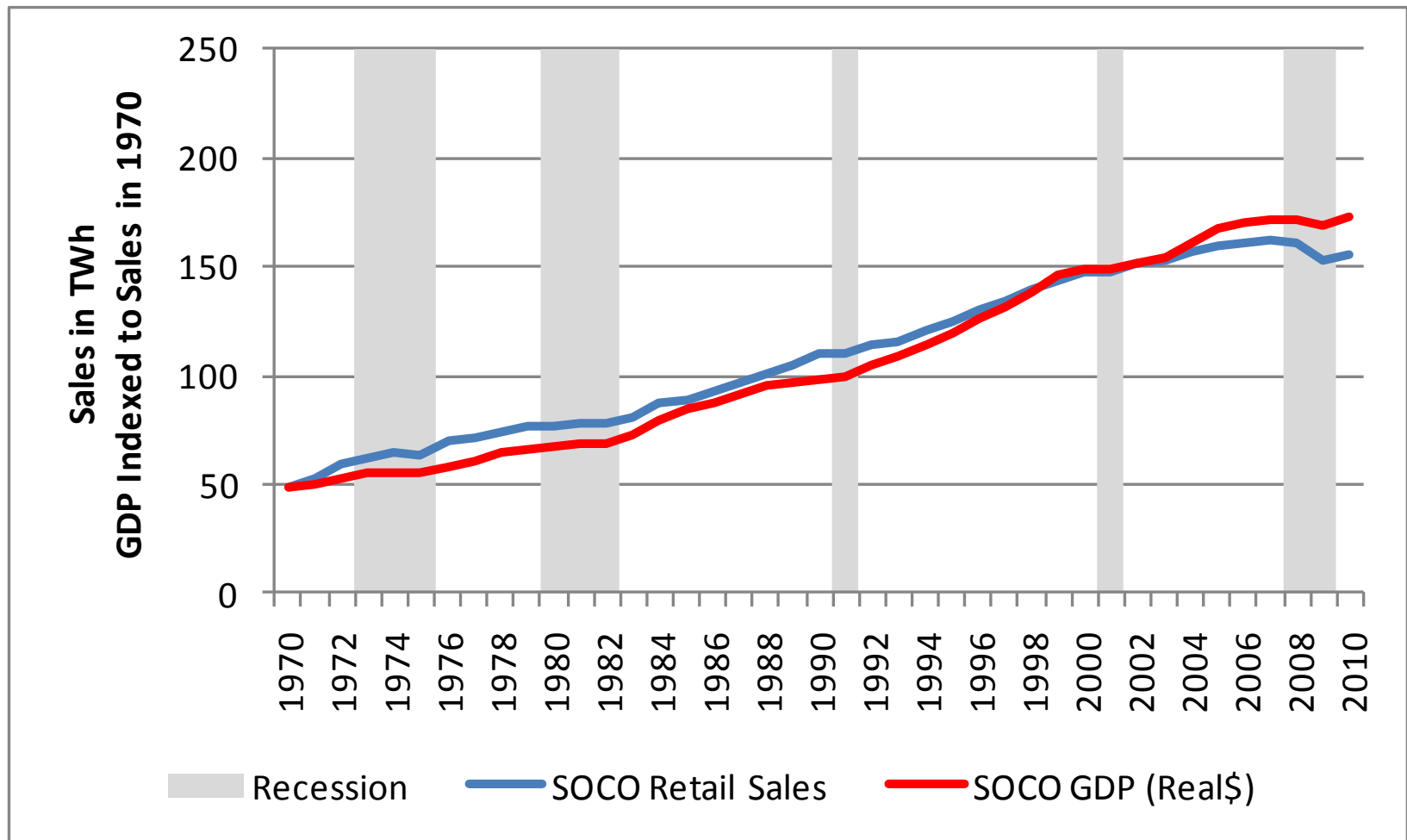
In market economies, aggregate economic activity and electric power consumption usually move in lockstep (with an electricity-GDP elasticity close to one). Unlike any other specific energy source, electric power pervades all aspects of modern economic activity.

World Bank

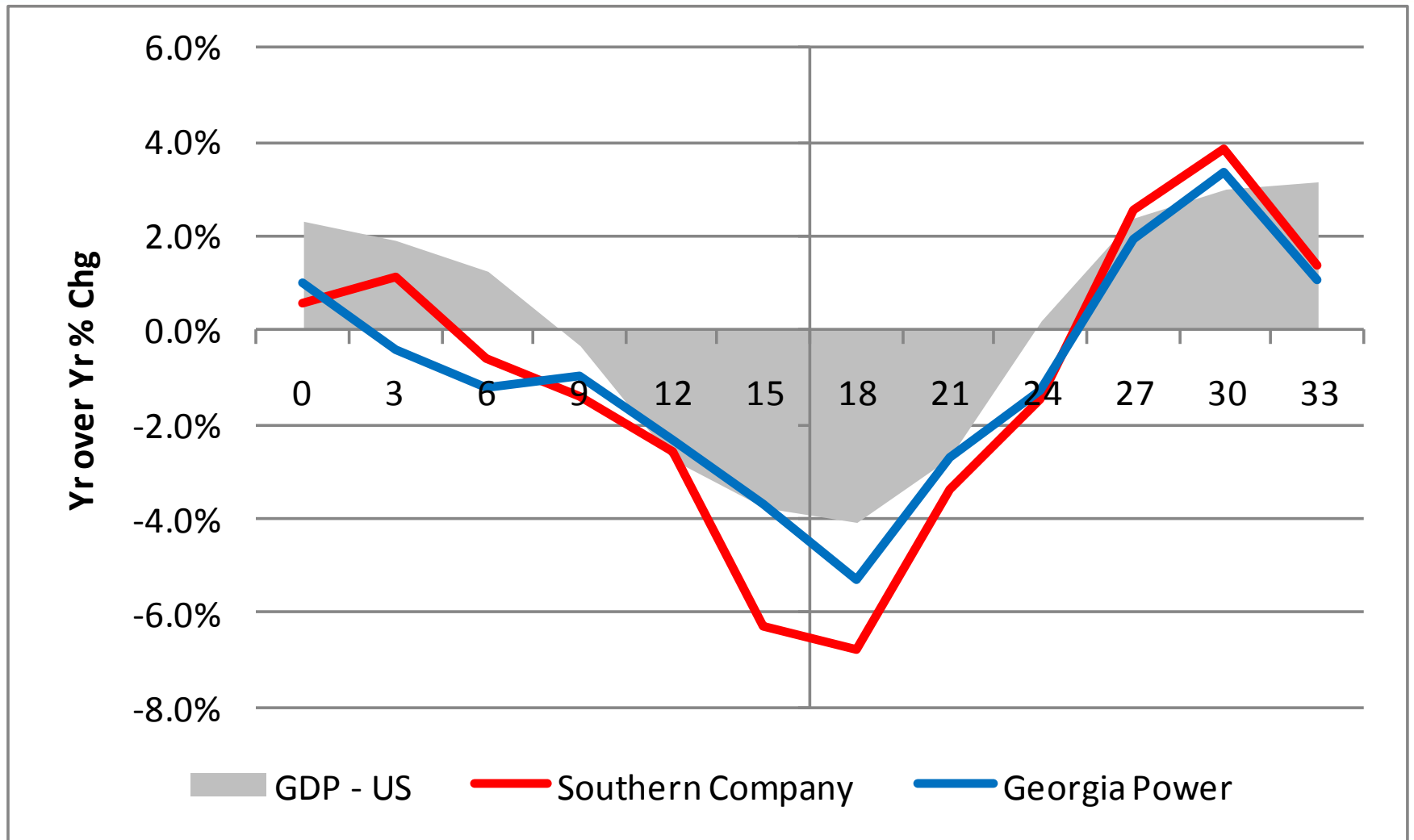
Electricity is an integral input to industrial production processes, with such diverse uses as powering industrial machinery and materials conversion processes to controlling lighting and climate.

Federal Reserve Bulletin Feb 1997

# GDP and Electricity Demand are Strongly Related

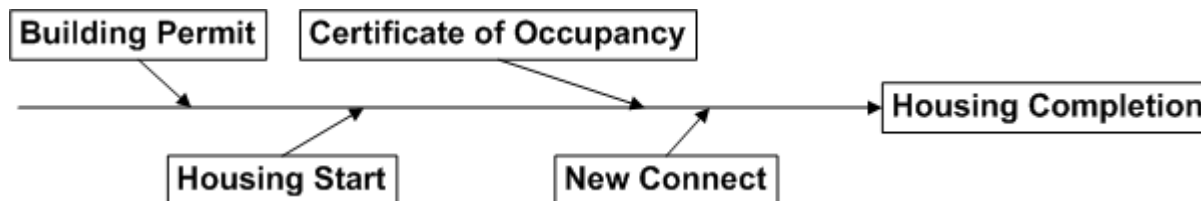
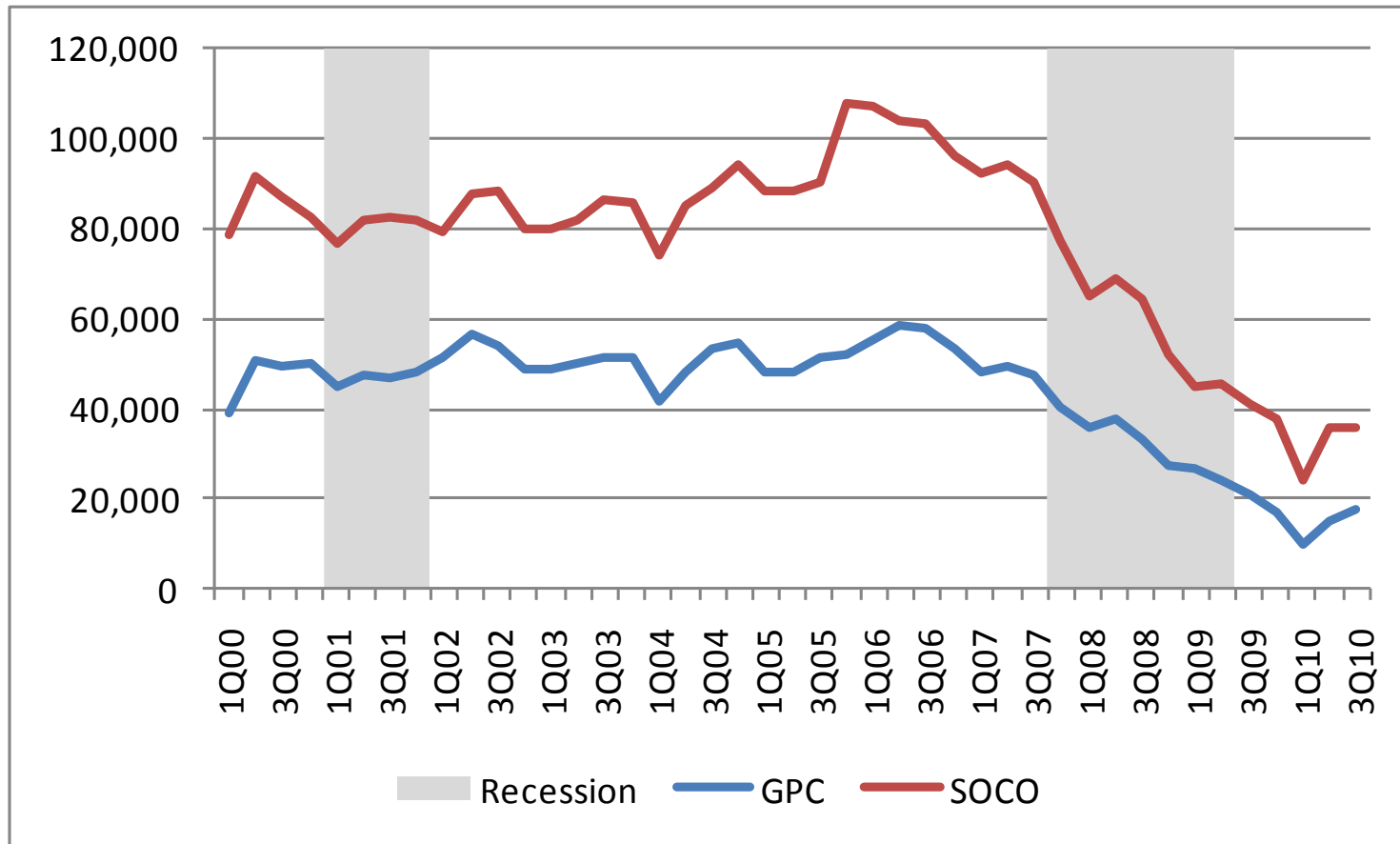


# Electricity Sales and the Great Recession



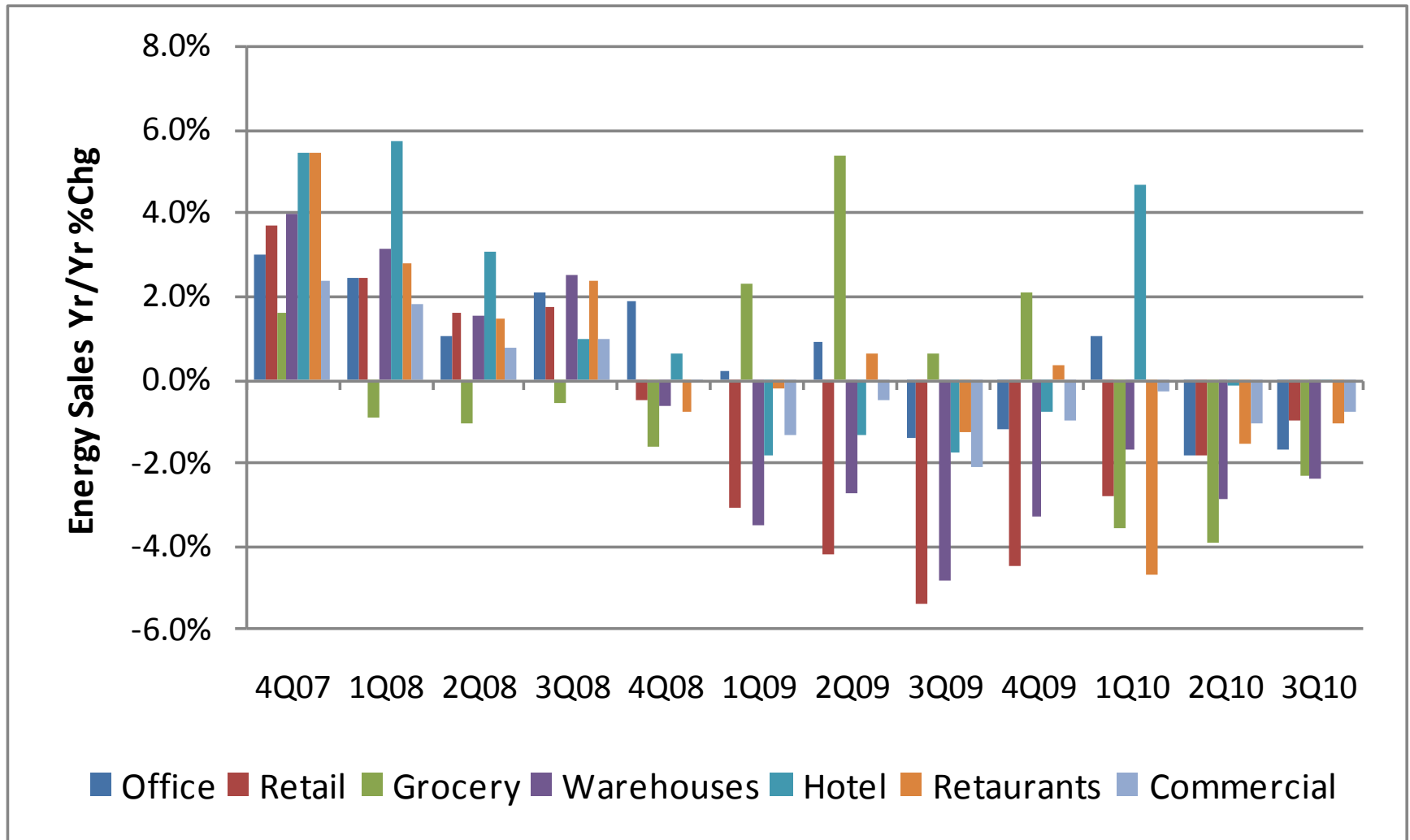
# Residential Markets

## New Connects may have crossed the bottom



# Commercial Markets

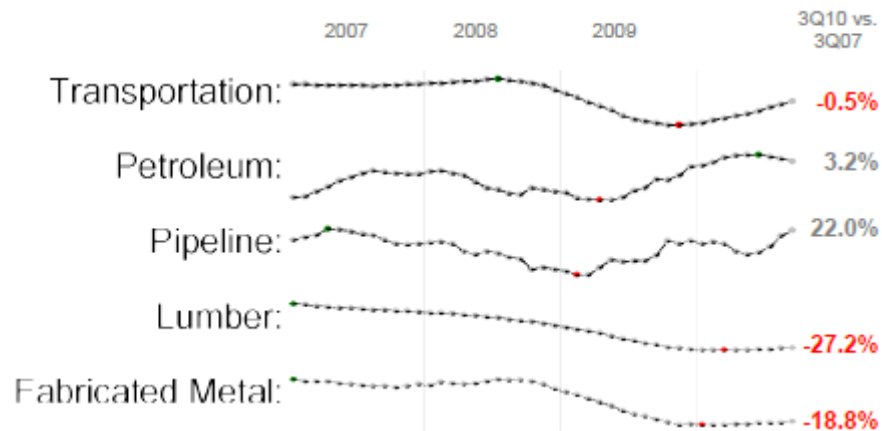
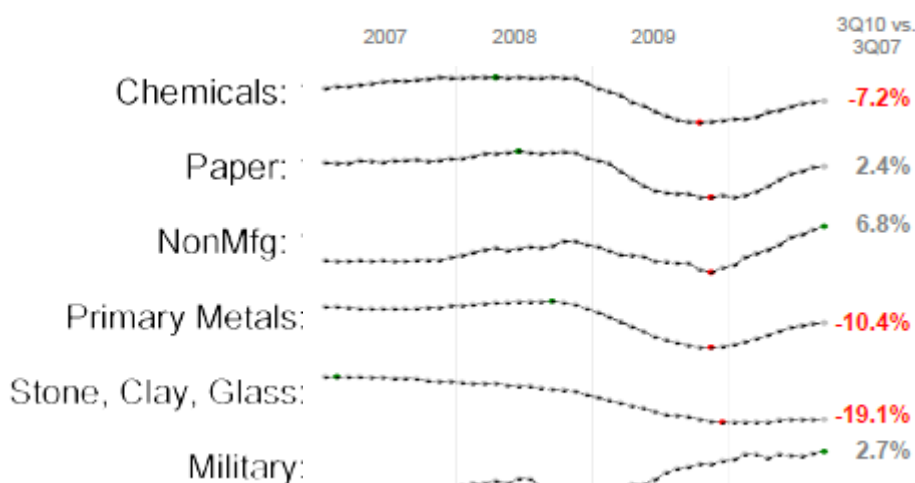
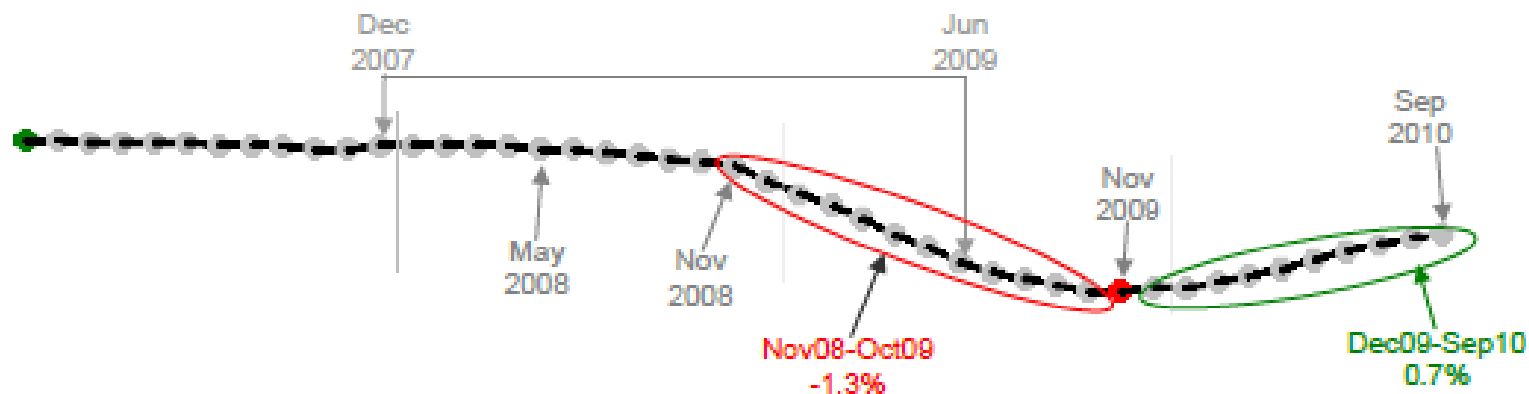
The contraction continues but the rate of decline is slowing



# Industrial Markets – 94% of Pre-recession levels

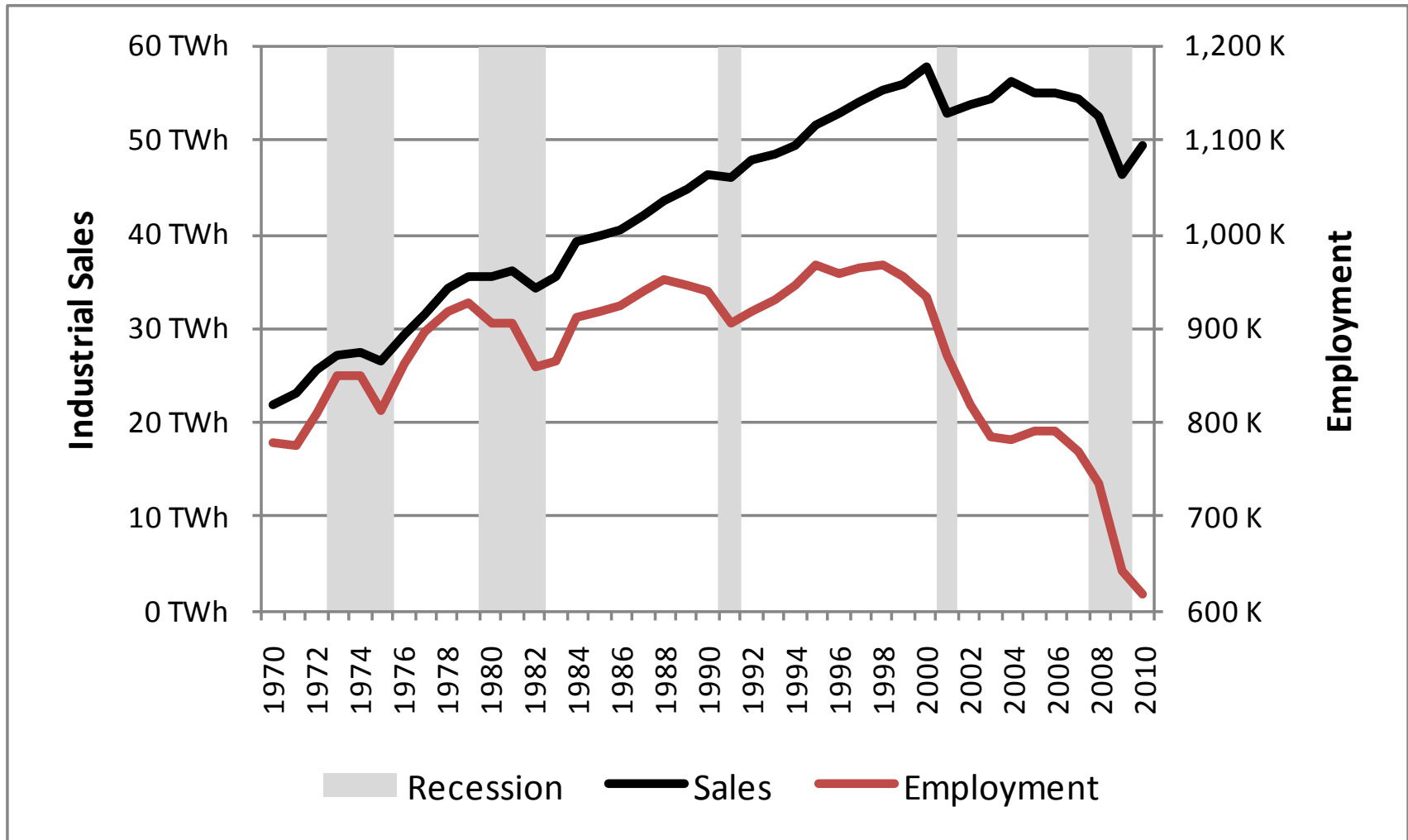
## All sectors are above their Great Recession lows

12 Month Moving Average of Industrial Sales



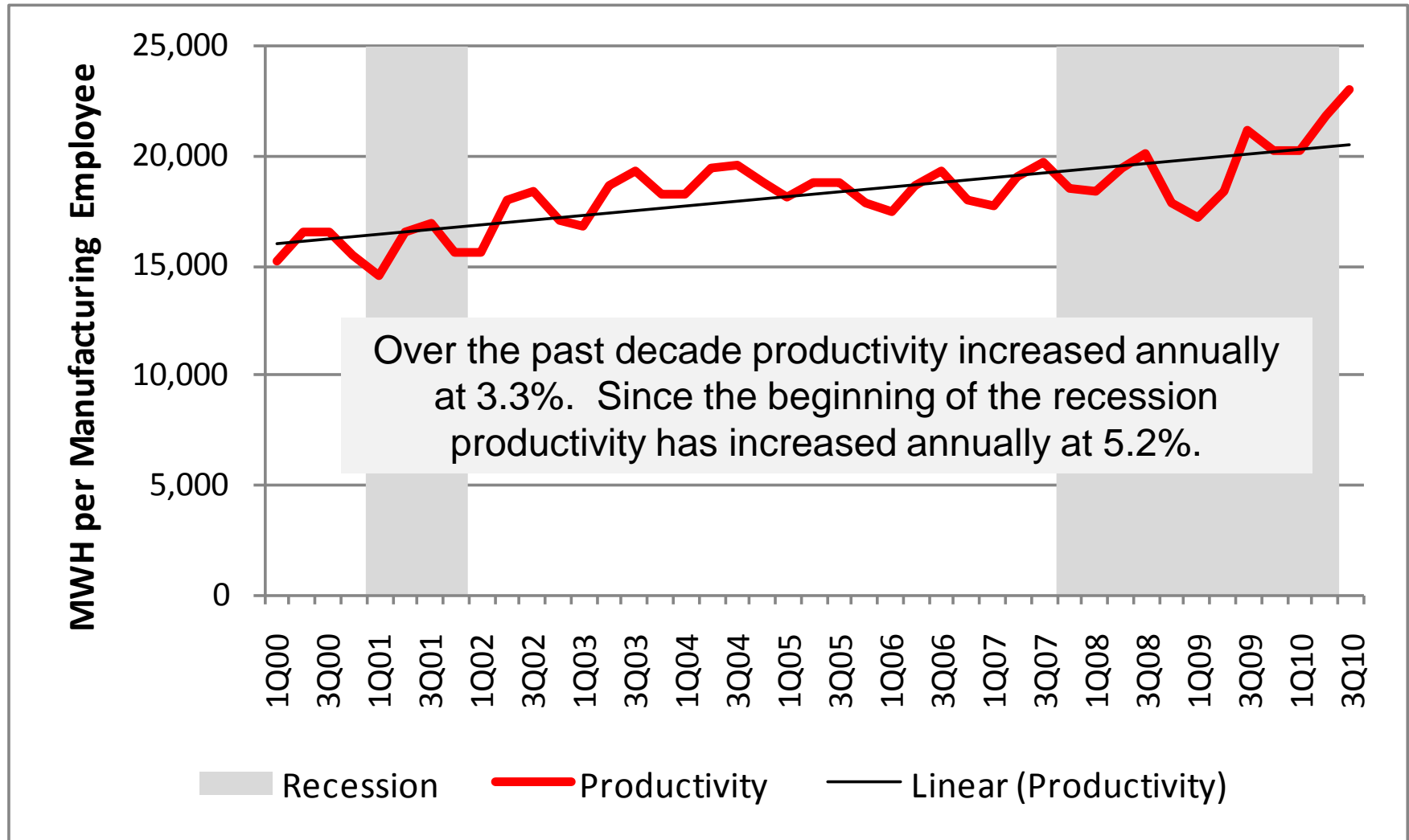


# Industrial Energy Use is Increasing, but Employment lags behind



# Productivity – Industrial Electricity Usage per Employee

Growing strongly as manufacturers strive to be competitive.



# Summary

- The Great Recession had the largest impact on energy usage of any recession
- Industrial Markets are recovering driven initially by inventory restocking.
  - Current activity appears to be increasingly driven by international demand.
  - Productivity is growing and is strongly suppressing the need for labor.
- Residential activity remains subdued, but appears to have crossed the trough of the cycle.
- Commercial markets continue to contract, but the bottom is near.

# SO – A Premium Long-Term Investment

Premier Utility Franchises with a Customer Focus

Constructive  
Regulation

Healthy Capital  
Spending



**CUSTOMERS**

High Reliability  
Low Prices  
High Customer Satisfaction