

**Testimony of David Ratcliffe
President and CEO, Southern Company
Senate Committee on Homeland Security and Governmental Affairs
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Thank you for the opportunity to appear before you today on behalf of Southern Company. Our company is a Fortune 500 company with 40,000 megawatts of electric generating capacity and 26,000 employees. We are among the largest energy companies in the nation, providing electricity to more than 4 million customers in Georgia, Alabama, southeastern Mississippi and the Florida panhandle.

Hurricane Katrina was the worst natural disaster in the history of our Mississippi Power Company subsidiary, and one of the biggest operational challenges Southern Company has faced in its more than 80 years of existence. The storm wreaked havoc on the lives of the 1,250 Mississippi Power employees and their communities, destroying homes and in some cases, entire neighborhoods. Many of our Mississippi employees lost their home, with half either flooded or severely damaged. Almost nothing was spared by Katrina's 140 mile-per-hour winds and 35-foot storm surge.

All 195,000 Mississippi Power customers and more than 600,000 of our Alabama Power customers were without power. Nearly two-thirds of Mississippi Power's transmission and distribution system was damaged or destroyed, the company's second-largest electric generating plant was flooded, and its headquarters building in Gulfport was damaged so severely it will not be fully operational until late next year. Yet, before the storm had passed, our employees had put aside their personal losses, and worked, with the help of many outside resources, to restore power across the devastated Gulf Coast region – in a remarkable 12 days.

I could not be more proud of this unprecedented response by our employees. At a high level, our success can be attributed to extensive pre-planning, excellent execution of a well-defined plan and significant help. And it starts with our planning process.

Southern Company's operating subsidiaries maintain detailed and dynamic disaster recovery plans. These plans for our coastal companies are graduated based on the expected damage from the five categories of hurricanes, with specific responses and actions identified for each. Each year prior to June 1, the start of hurricane season, Mississippi Power, for example, conducts a major disaster simulation. We practice annually because as peoples' jobs change, we must be certain that every aspect of the recovery plan is well understood by everyone involved. We routinely revise the plan as we gain new major storm or hurricane experience. In fact, Mississippi Power participated during the review of our Gulf Power Company's assessment of its plan following Hurricane Ivan that slammed the Florida panhandle in 2004. We were better prepared to respond to Katrina because of lessons learned from Ivan. Continuous learning in an organization is a critical component to achieving superior performance.

Our recovery plans provide for flexible and decentralized authority to make decisions as close as possible to the disaster. We start taking action two weeks before a potential disaster, and every day new decisions are made depending on the track and severity of the storm. In the case of Katrina, well before it hit, we activated our disaster plan with 20 storm directors implementing their clearly understood responsibilities. By the time Katrina struck, we had spent \$7 million in securing equipment and logistical support.

Even as Katrina was still pounding Mississippi and Alabama, repair crews and trucks were rolling in from other states to begin immediate work on damage assessment and restoration. We had pre-positioned 2,400 out-of-state workers on the fringe of the storm area in Mississippi and in Alabama ready to move in where needed, with clear authority and accountability for the jobs assigned. Through mutual assistance agreements with utilities across our nation, workers from other utilities and contracting companies joined hundreds of employees from throughout Southern Company, and within seven days after Katrina, 11,000 workers from 23 states and Canada were assisting Mississippi Power. These emergency workers were provided housing, food, tetanus shots, and whatever possible to make life more comfortable for them in six full-service tent cities erected as their temporary homes.

Our management process for disasters calls for each operating subsidiary, like Mississippi Power, to be in charge of leading its restoration effort. With Katrina, functional business units such as transmission, generation and information technology responded seamlessly to the needs and overall priorities established not only by Mississippi Power but also by Alabama Power, which was impacted as well. Response and decision making are better when made as close as possible to the disaster and our management approach is designed to accomplish this.

That's why we were able to get 140,000 gallons of fuel to 5,000 trucks every night without fail, and provide 30,000 meals per day with few disruptions, and never have a line crew without the materials needed to complete its work. Our culture, defined by our corporate values of unquestionable trust, superior performance and total commitment, enables us to act decisively.

Our approach is strongly slanted toward self sufficiency. We do as much ourselves as we can and where we rely on outside suppliers for critical items such as cots and tents and food, we have back-up plans in the event those suppliers can't perform. As an example, we brought in our own 250-person armed security force for the protection of our people and equipment and for traffic control.

Our confidence in our ability to execute all aspects of our disaster plan, especially disaster assessment, allows us to establish meaningful goals that serve to challenge our employees to greater performance and establish expectations with our customers. Within 24 hours after the storm, we had inspected -- on the ground or from the air -- more than 75% of our electric system. Pre-positioning the 2,400 workers and advanced contracting with several aircraft made that possible. By the end of day 5, we were able to communicate to the public our commitment to have service restored to every customer who could take it by September 11. This goal created inspiration for all involved, and they found a way to exceed this goal and have service restored by September 10 -- again, just 12 days after Katrina hit.

We maintained daily communications with the public, demonstrating specific progress toward this goal. Customers are very understanding when they know what you're doing and what they can expect.

Our restoration plan also defines the priority for repairing electric facilities based on the need to establish stability to the electric system and to restore service to critical customers like hospitals, emergency responders, and water systems. Life threatening situations take priority over all others. During Katrina, we worked on generation, transmission and distribution at the same time with all of our priority customers in mind. In so doing, when we energized the transmission line into the Hattiesburg area, for example, we were able to restore power to both the Forest General Hospital and Plantation Pipeline pumping station. We stayed in close contact with all hospitals and other critical customers and refueled hospital generators until service could be restored.

One point that can't be overlooked is the value of Southern Company being a vertically integrated utility to its ability to respond. As stated previously, Mississippi Power was in charge of our response. The president of Mississippi Power made the ultimate decisions of how this effort would proceed. This company had catastrophic damage to its distribution, transmission, and generation facilities. The establishment and operation of staging areas, the procurement of food, shelter, fuel and security, among other things were singly handled for all three functions. This allowed for optimum utilization of these scarce services and the seamless and efficient sharing of resources among these three functions.

Decisions were made throughout the restoration to coordinate and direct the response of distribution, transmission, and generation so as to bring back all three functions in a way that resulted in faster response to critical customers and ultimately all customers.

Coordination at this level would be much more difficult if these functions were in different companies. We had the ability to have one company set priorities and make decisions on behalf of our customers and not a particular business function.

Communication is crucial in responding to disasters -- especially the ability to communicate with thousands of additional workers. For most of the 12 days it took to restore service, the only viable communication we, or the coast of Mississippi, had was our

own internal system -- Southern Linc Wireless. This system has been built to the standards required for our electric business with considerable redundancy. While it also suffered catastrophic damage, within three days, it was functioning at near pre-Katrina levels and with added capacity to accommodate the dramatic spike in demand. Mississippi Power also installed its own microwave capability to 12 remote staging areas in order to transmit material inventory data into our automated procurement process. When communication circuits of another company were down, our information technology group would find a way to bypass those circuits and restore critical communications.

We received exceptional assistance from Mississippi Gov. Haley Barbour who had the foresight to call a joint meeting the day after the storm with the Federal Emergency Management Association, Mississippi Emergency Management Association, county EMA's and Mississippi Power to share plans and communicate actions. This meeting was instrumental in the excellent coordination and cooperation between Mississippi Power and all agencies involved. We embedded one of our employees within the FEMA and MEMA operations center, to deal continuously with issues as they arose. We had no instances in Mississippi of FEMA confiscating staging areas, fuel, or food. We requested and were given a certificate by FEMA to place in our trucks prohibiting interference by anyone.

Fuel was a critical issue for everyone in the Southeast. Important pipeline pumping stations are in Mississippi, which pump gasoline and diesel fuel to the eastern U.S. We were able to restore service to the six pumping stations we serve in Mississippi within 48 hours. While that allowed fuel to flow again through terminals in Mississippi, it was not adequate for us to fuel 5,000 trucks nightly. We worked with the Chevron Pascagoula Refinery to restore service to its pumps so that fuel from its tanks could be released. Chevron recognized the importance of our work and provided us with the fuel we needed for our 30 tanker trucks. Chevron should be recognized for their efforts.

There were, of course, many things that had to be done behind the scenes while line crews worked all day restoring power. From a human resources standpoint, through our family services plan, other Southern Company employees provided emergency services for those employees whose homes were lost or damaged. They removed trees from houses, put tarps

on roofs, salvaged personal belongings, stripped out carpet and did whatever else to enable local employees to focus on their disaster assignments.

In summary, our successful restoration following Katrina can be attributed to a few fundamentals:

- First, a strong culture of teamwork, trust, superior performance and commitment to our customers.
- Second, pre-planning and practice based on the application of lessons learned. Continuous learning is a disciplined process after every major storm. In fact, we are in the process of critiquing our Katrina response so we will be better next time.
- And last, but not least, the cooperation and hard work of our suppliers, customers and fellow utility workers throughout the nation and Canada.

The rebuilding of the Mississippi coast is ongoing, and it will be a long time before things return to some sense of normalcy. Our employees are still working in makeshift offices, living with relatives and friends, and overcoming incredible obstacles every day as they continue to live out our Southern Style credo of unquestionable trust, superior performance and total commitment.

Thank you.



**Southern Company's
Service Territory**