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11461 San Pablo Ave. Suite 400
El Cerrito, CA 94530
www.asyousow.org
BUILDING A SAFE, JUST, AND SUSTAINABLE WORLD SINCE 1992

Southern Co (SO)
Vote Yes: Item #9 – Report on Data Center Costs

Annual Meeting: May 13, 2026

CONTACT: Kelly Poole | kpoole@asyousow.org

THE RESOLUTION

Shareholders request that Southern issue a report disclosing if and how it is putting safeguards in place to avoid shifting costs of new infrastructure for data centers to residential customers and small businesses.

SUMMARY

Southern Company, one of the largest electric utility companies in the U.S., operates in Georgia, Alabama, and Mississippi. As the Southeast emerges as a key hub for AI-driven data center development, Southern is making major investments in Georgia, planning to expand its power production capacity by 70% - with approximately 95% of this capacity intended to serve data centers.[1]

While Southern is seeing a surge in requests from data center developers seeking to connect to its grid, investors are concerned that the Company is spending too much money to meet demand that may be speculative in the first instance or may not last. Currently, many companies are vying for AI dominance. As has been the case in the past with data center and crypto booms, once the competition shakes out, many companies will not remain in business at the level they expected. Southern could end up with significant unused electric generation capacity and residential customers and small businesses could be saddled with the costs of the stranded infrastructure.

Residential customers are already experiencing an affordability crisis and are increasingly concerned about the impact data centers will have on electricity bills. In Georgia, electricity bills for the average residential customer increased 43% between 2023 and 2025.[2] The state now ranks 26th in the country for "energy burden," which means a relatively large share of household income is spent on energy bills.[3] Against this backdrop, additional large-scale infrastructure spending that may not ultimately be used raises significant concerns about ratepayer impact.[4]

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[1] https://s27.q4cdn.com/273397814/files/doc_financials/2025/q4/SO-2025-Q4-Earnings-Call-Final.pdf, p.19; https://www.selc.org/wp-content/uploads/2025/12/GPC-gas-request-fact-sheet.pdf
[2] https://www.selc.org/wp-content/uploads/2025/01/GA_PSC_Graph_0125-2.jpg;
[3] https://alec.org/wp-content/uploads/2026/03/ALEC_EnergyAffordability2026.pdf, p.13
[4] https://www.selc.org/press-release/psc-unanimously-votes-to-approve-georgia-powers-data-center-plan-without-sufficient-customer-protections/

Given demand certainty and affordability concerns, investors seek assurance that Southern's residential and small-business customers will be protected if the projected electricity demand from data centers does not materialize.

RATIONALE FOR A YES VOTE

1. **Southern's demand projections for data center energy use are likely significantly inflated.**
2. **Building new fossil fuel infrastructure to serve data centers increases the risk of cost shifting to ratepayers.**
3. **Gaps in Southern's customer protections risk cost-shifting to rate payers.**

DISCUSSION

1. **Southern's demand projections for data center energy use are likely significantly inflated.**

A concerning aspect of the AI boom is the likelihood that electricity demand projections for data centers are highly speculative. One recent report found that utility and regional planning authority load forecasts could be overestimating data center load growth by 40%.[5] While Southern is experiencing real near-term load growth, the key risk for Southern is that projected demand may not materialize at the scale or persist for the duration embedded in current planning assumptions. Three main factors fuel this concern:

- **AI companies are in a competitive race for customers and market share:** Tech companies that are building large-scale data centers to support AI growth are known as "hyperscalers." These hyperscalers lack visibility into the ultimate size of the market they will serve; given the ongoing race for market dominance, it is unlikely that all current data center investments will translate into actual or sustained demand—particularly as these capital-intensive deployments must ultimately generate substantial durable revenue to justify their scale.[6] This uncertainty is already being demonstrated with technology companies pulling back from leases and reducing capital expenditures.[7]

- **Duplicative data center proposals are inflating demand projections:** There is increasing evidence that data center developers are approaching multiple utilities with the same proposals to test the market.[8] This "shopping around" is resulting in double-counting of demand, increasing the risk that utilities overestimate future load.

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[5] https://gridstrategiesllc.com/wp-content/uploads/Grid-Strategies-National-Load-Growth-Report-2025.pdf, p.18
[6] https://finance.yahoo.com/news/tech-companies-may-only-half-115338788.html
[7] https://www.bloomberg.com/news/articles/2026-03-06/oracle-and-openai-end-plans-to-expand-flagship-data-center; https://www.techradar.com/pro/openai-halts-gbp31-billion-stargate-uk-project-over-rising-energy-costs-and-regulatory-deadlock; https://www.reuters.com/technology/microsoft-pulls-back-more-data-center-leases-us-europe-analysts-say-2025-03-26/; https://www.cfodive.com/news/microsoft-capex-grow-slower-rate-cfo-ai/746947/
[8] https://www.lppc.org/news/phantom-data-centres-muddy-forecasts-for-us-power-needs

- **AI and data center technology is rapidly evolving:** Uncertainty exists around AI-related power demand given the pace of efficiency gains, evolving model designs, and shifting AI use patterns.[9]

These dynamics are already emerging in Southern's service territory. In evaluating Southern's plans to build significant new generation to serve expected load growth, driven primarily by data centers, Public Interest Advocacy Staff (independent staff of the Georgia Public Service Commission charged with representing ratepayer interests) testimony shows that the Company's projections are based in part on speculative data center projects, many of which are being cancelled. Since Southern's 2023 resource plan update, approximately 24% of data center projects have already been withdrawn, primarily due to project cancellations.[10] The testimony concludes that Southern's $16 billion capital plan does not fully account for this uncertainty, instead relying heavily on potential data centers that lack binding contracts to cover the full costs of new power infrastructure.[11]

Recent market and policy trends also raise questions about how long this growth will last. Community opposition is already slowing data center development. Last year, 25 major data center developments were cancelled due to energy, water, air quality, or cost concerns, and nearly 100 more are facing active pushback.[12]

Policymakers are also beginning to intervene. For example, lawmakers in Georgia proposed a temporary moratorium on building new data centers to evaluate grid and environmental impacts.[13] These developments signal rising regulatory and permitting scrutiny that could slow or limit the future buildout of data centers, increasing the risk that projected demand growth does not fully materialize.

This uncertainty is particularly material for Georgia Power, a subsidiary of Southern, given its high exposure to data center-driven growth. With approximately 95% of its planned system investments tied to data center customers, any downward revision in demand would have outsized implications.[14] If projected load fails to materialize—or if contracts underperform—both shareholders and customers may bear the cost of stranded or underutilized assets.

2. **Building new fossil fuel infrastructure to serve data centers increases the risk of cost shifting to ratepayers.**

Despite the uncertainty of the AI boom, Southern is building five new methane gas units and delaying the retirement of coal plants primarily to serve data centers.[15] These capital-intensive investments

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[9] https://www.iea.org/reports/energy-and-ai/energy-demand-from-ai
[10] https://cleanenergy.org/wp-content/uploads/PD-Direct-Testimony-of-Trokey-Drugan-Pol.pdf, p.26
[11] https://cleanenergy.org/wp-content/uploads/PD-Direct-Testimony-of-Trokey-Drugan-Pol.pdf, p.4-5
[12] https://heatmap.news/politics/data-center-cancellations-2025
[13] https://www.legis.ga.gov/api/legislation/document/20252026/240599
[14] https://www.selc.org/wp-content/uploads/2025/12/GPC-gas-request-fact-sheet.pdf
[15] https://www.selc.org/wp-content/uploads/2025/12/GPC-gas-request-fact-sheet.pdf; https://grist.org/energy/georgia-was-about-to-retire-coal-plants-then-came-the-data-cen/

create significant financial risk that may ultimately be borne by residential customers and small businesses. Reliance on fossil fuels poses multiple, well-documented risks for customers:

- **Fuel Cost Risk:** Natural gas prices are inherently volatile, increasing the likelihood of higher and less predictable costs that may be passed through to ratepayers over time.
- **Stranded Asset Risk:** As energy markets evolve and decarbonization accelerates, long-lived fossil assets risk becoming uneconomic before the end of their useful life - raising the possibility that remaining costs will be recovered from customers.
- **Cost Recovery Risk:** Even if these assets remain operationally viable, as noted above, customers can be held responsible for infrastructure costs to the extent that large-load customers, such as data centers, reduce or delay their demand, or simply fail to materialize.

Commentary submitted to the Georgia Public Service Commission by the Natural Resource Defense Council, Sierra Club, and Southern Alliance for Clean Energy argues that the suggested resource scenarios presented in Georgia Power's integrated resource plan "are not economically competitive as compared to alternatives that further deploy solar and storage resources and accelerate coal retirement. . . ." and "place significant risk on [Georgia Power Company] ratepayers for stranded assets."[16]

Thus, if data center demand fails to materialize, residential customers and small businesses will not only be burdened with unnecessary infrastructure, but often more costly and polluting infrastructure built to satisfy 24-7 demand from data centers. This chain of events underscores the need for greater disclosure about the safeguards Southern is putting in place to avoid overbuilding new fossil based generation capacity based on speculative demand, an activity that creates risk not only to Southern's existing customer base, but to investors since legislators and regulators are now more highly attuned to the energy affordability crisis and are reluctant to increase price burdens on smaller customers.

3. Gaps in Southern's customer protections risk cost-shifting to rate payers.

Southern's current large-load rate class does not fully protect residential and small-business customers from the cost of serving data centers. While it has created certain contractual protections, these measures will not fully insulate customers for several key reasons:

- **The majority of Southern's data center contracts may not have customer protections in place:** Georgia Power began requiring increased financial obligations for large load customers in 2025, after the majority of its new data center contracts were signed.[17] Data center contracts signed

[16] https://psc.ga.gov/search/facts-document/?documentId=222493, p.11, 12
[17] https://cleanenergy.org/wp-content/uploads/PD-Direct-Testimony-of-Trokey-Drugan-PoI.pdf, p.4-5

prior to 2025 may not be sufficient to protect the Company from lost project costs if the customer reduces its energy demand or simply walks away.

- **Southern's customer protections largely rely on project-level contract terms:** Even under Southern's new large-load rate class provisions, the Company retains discretion in applying them to particular projects.[18] In the event that Southern does not require full financial obligation from data center customers, costs may be shifted to residential and small-business customers.

- **Mismatch of contract length with asset lives:** Southern discloses a 15-year take-or-pay obligation for large-load customers, while new gas plants are expected to operate for 30+ years.[19] This mismatch creates a risk that costs could be shifted to ratepayers if demand does not persist beyond the contract term.

- **Temporary rate freezes are band-aid solutions:** Georgia Power's temporary freeze on residential rate increases, which will last from 2026-2028, does not address the underlying structural risks of building fossil assets with 30 to 40-year asset lives.[20]

- **Short-term bill relief masks long-term cost risk for ratepayers:** Southern says it will lower customer bills by approximately $100 a year in its upcoming 2028 rate case. But these short-term savings do little to protect against longer-term cost increases from building too much infrastructure or rising fuel prices, raising the question: $100 of annual savings relative to how much in future rate increases?

Southern's peers have adopted more robust frameworks to protect customers, including stronger prohibitions on cost recovery, longer-term financial commitments, and mechanisms to address system-wide overbuild risk. These customer protections are typically embedded in large-load tariffs, i.e., specialized contracts, rates, and service agreements designed to ensure large customers like data centers pay the full cost of service.[21] These tariffs are in stark contrast to Southern's large-load rate class, which permits significant flexibility in the Company's approach to contract terms, resulting in inconsistent provisions across data center customers and less predictable cost allocation compared to the uniform application of standardized tariffs.

As of late 2025, 65 large-load tariffs have been proposed or approved across 30 states, including some of the most stringent contract terms in the country.[22] For example, Indiana Michigan Power sets

[18] https://psc.ga.gov/search/facts-document/?documentId=221165
[19] https://s27.q4cdn.com/273397814/files/doc_financials/2025/q4/SO-2025-Q4-Earnings-Call-Final.pdf, p.17
[20] https://thecurrentga.org/2025/07/07/psc-freezes-georgia-power-rates-but-bills-could-still-increase/
[21] https://rmi.org/insight/large-load-tariff-principles/
[22] https://sepapower.org/large-load-tariffs-database/

minimum monthly bills for large-load customers at 80% of the capacity contracted by the customer and Dominion Energy requires $1.5 million in collateral per megawatt of contracted capacity.[23]

In the absence of an effective and mandatory large-load tariff, Southern's customers face greater exposure to bearing a disproportionate share of system costs when projected large-load demand does not fully materialize or is not fully cost-reflective.

Given the flexibility available in Southern's contract requirements for large load customers, investors would benefit from greater clarity and disclosure from the Company about the safeguards it is putting in place to prevent rate increases on residential and small business customers from non-performing data center contracts and stranded energy infrastructure.

CONCLUSION

Vote "Yes" on this Shareholder Proposal #9 requesting Southern disclose how it is protecting residential and small-business customers from the cost of serving data centers.

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For questions, please contact Kelly Poole, As You Sow, kpoole@asyousow.org

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[23] https://rmi.org/large-energy-users-want-power-heres-how-to-protect-other-ratepayers-from-the-costs