

# SOUTHERN CO. CASE STUDY

### THE COMPANY

Atlanta-based Southern Co. (NYSE: SO) is the premier energy company serving more than 4.4 million customers in the Southeast through its subsidiaries. A leading U.S. producer of clean, safe, reliable and affordable electricity, Southern Co. owns electric utilities in four states—Alabama Power, Georgia Power, Gulf Power and Mississippi Power—and a growing competitive generation company, Southern Power.

### THE BUSINESS CHALLENGE

Southern Company's treasury department was manually running hedge effectiveness testing in Excel spreadsheets. Even though the spreadsheet model was capable of running regression analysis required to demonstrate that the interest rate swaps were effectively hedging the company's interest expenses on debt obligations, it was a highly manual and time-consuming process.

The company needed a more robust solution that moved away from manual processes to a systematic way to demonstrate hedge effectiveness. This was especially important when the complexity of hedge accounting is considered.

"For effectiveness testing and quarterly reporting, we rely on Bloomberg, which has saved an estimated six to eight hours in upfront modelling and two to three hours in ongoing reporting," says Southern Co. Treasury team lead Rui Thomas.

### THE BLOOMBERG TREASURY AND RISK MANAGEMENT SOLUTION

Southern Co. reviewed Bloomberg's tools for corporate treasury with their account manager from Bloomberg's Treasury and Risk Management team. As they discussed ways to improve Southern Co.'s efficiency, hedge accounting arose as one of the company's major key focus areas.

Bloomberg TRM was able to provide an efficient hedge effectiveness solution using its hedge accounting functionality. By setting up Southern Co.'s exposures and hedges in the platform, the treasury team was able to streamline their workflow by automating the process to upload their swaps, aggregate them as a portfolio and then designate them to an exposure for hedge accounting purposes. "Using Bloomberg has made our hedge accounting process more transparent and streamlined," Thomas says.



This robust hedge accounting solution makes it easier for Southern Co. to test their hedges and produce the required accounting entries to document them. The solution also resulted in a seamless integration between the needs of the finance and accounting groups. By shortening the month-end and quarter-end derivative accounting process, the accounting department can receive valuations and hedge accounting numbers faster, which in turn reduces the entire month-end and quarter-end cycle. "Using Bloomberg has improved efficiency significantly, saving an estimated six to eight hours in modelling," Thomas says.

Most importantly, the solution puts Southern Co. in a stronger starting position with their auditors. Because Bloomberg's hedge accounting solution is SOC 1 certified, the auditors can place reliance on the controls and processes in generating the hedge accounting calculations.

"Bloomberg's hedge accounting platform is intuitive and easy to use," Thomas says. "It took advantage of the large amount of the market data already embedded in Bloomberg, which minimizes potential data errors. The benefits gained are well worth the cost, especially for companies with a large number of hedge designations."

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