ALABAMA POWER CO
Form DEF 14C
March 24, 2008
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

INFORMATION REQUIRED IN INFORMATION STATEMENT

SCHEDULE 14C INFORMATION

Information Statement Pursuant To Section 14(c)

of the Securities Exchange Act of 1934

Check the appropriate box:

o Preliminary information statement
o Confidential, for use of the Commission only (as permitted by Rule 14c-5(d)(2))
x Definitive information statement

ALABAMA POWER COMPANY

(Name of Registrant as Specified in Its Charter)

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x No fee required.
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NOTICE OF 2008

ANNUAL MEETING

& INFORMATION STATEMENT

www.alabamapower.com

ALABAMA POWER COMPANY

Birmingham, Alabama

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on April 25, 2008

NOTICE IS HEREBY GIVEN that the 2008 Annual Meeting of the Shareholders of Alabama Power Company will be held at The Grand Hotel, One Grand Boulevard, Point Clear, Alabama 36564 on April 25, 2008 at 8:00 a.m., Central Time, to elect 13 members of the board of directors, to amend Alabama Power Company s Articles of Incorporation to increase the number of authorized shares of common stock with a par value of $40 a share which Alabama Power Company may issue from 25,000,000 shares to 40,000,000 shares, and to transact any other business that may properly come before said meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 10, 2008 will be entitled to notice of and to vote at said meeting or any adjournment or postponement thereof.

The Information Statement and the 2007 Annual Report are included in this mailing.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

BY ORDER OF THE BOARD OF DIRECTORS

William E. Zales, Jr.

Vice President, Corporate Secretary and Assistant Treasurer

Birmingham, Alabama

March 24, 2008

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INFORMATION STATEMENT

GENERAL INFORMATION

This Information Statement is furnished by Alabama Power Company (the Company) in connection with the 2008 Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held on April 25, 2008 at 8:00 a.m., Central Time, at The Grand Hotel, One Grand Boulevard, Point Clear, Alabama. This Information Statement is initially being provided to shareholders on or about March 24, 2008.

At the meeting, the shareholders will vote to elect 13 members to the board of directors and to amend the Company s Articles of Incorporation to increase the number of authorized shares of common stock with a par value of $40 a share which the Company may issue from 25,000,000 shares to 40,000,000 shares, and will transact any other business that may properly come before the meeting. We are not aware of any other matters to be presented at the meeting; however, the holder of the Company s common stock will be entitled to vote on any other matters properly presented.

All shareholders of record of the Company s common stock, preferred stock and Class A preferred stock on the record date of March 10, 2008 are entitled to notice of and to vote at the meeting. On that date, there were 21,725,000 common shares outstanding and entitled to vote, all of which are held by The Southern Company (Southern Company). There were also 475,115 shares of preferred stock and 12,000,000 shares of Class A preferred stock outstanding on that date. The shares of the Company s preference stock are not entitled to vote in the election of directors.

With respect to the election of directors, all of the outstanding shares of preferred stock and Class A preferred stock are entitled to vote as a single class with the Company s common stock. Each common share counts as one vote. Each share of the 4.20% Series, the 4.52% Series, the 4.60% Series, the 4.64% Series, the 4.72% Series and the 4.92% Series of outstanding preferred stock, with par value of $100 per share, counts as two-fifths vote and each share of the 5.20% Series, the 5.30% Series and the 5.83% Series of outstanding Class A preferred stock, with stated capital of $25 per share, counts as one-tenth vote. The Company s Articles of Incorporation provide for cumulative voting rights for the common shares, preferred shares and Class A preferred shares.

With respect to the proposed amendment to the Company s Articles of Incorporation to increase the authorized number of shares of common stock, all of the outstanding shares of preferred stock and Class A preferred stock are entitled to vote as a single class with the Company s common stock. Votes will be tabulated based on the value of each share as described in PROPOSED AMENDMENT TO THE ARTICLES OF INCORPORATION Vote Required herein.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

SHAREHOLDER PROPOSALS

Shareholders may present proper proposals for inclusion in the Company s information statement and for consideration at the next annual meeting of its shareholders by submitting their proposals to the Company in a timely manner. In order to be considered for inclusion for the 2009 Annual Meeting, shareholder proposals must be received by the Company no later than January 24, 2009.

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NOMINEES FOR ELECTION AS DIRECTORS

ITEM NO. 1 ELECTION OF DIRECTORS

A board of 13 directors is to be elected at the annual meeting, each director to hold office until the next annual meeting of shareholders and until the election and qualification of a successor board. If any named nominee becomes unavailable for election, the board may substitute another nominee.

Below is information concerning the nominees for director stating, among other things, their names, ages, positions, and offices held, and brief descriptions of their business experience. The ages of the directors set forth below are as of December 31, 2007.

Charles D. McCrary Director since 2001

Mr. McCrary, 56, is President, Chief Executive Officer, and Director of the Company and Executive Vice President of Southern Company. He is a Director of Regions Financial Corporation, Birmingham, Alabama, and Protective Life Corporation, Birmingham, Alabama.

Whit Armstrong Director since 1982

Mr. Armstrong, 60, is President, Chief Executive Officer, and Chairman of The Citizens Bank, Enterprise, Alabama, and President, Chief Executive Officer, and Chairman of Enterprise Capital Corporation, Inc. He is a Director of Enstar Group Inc., Hamilton, Bermuda.

David J. Cooper, Sr. Director since 1998

Mr. Cooper, 62, is President of Cooper/T. Smith Corporation (a maritime company with a core business of stevedoring and tugboats), Mobile, Alabama. He is a Director of Cooper/T. Smith Corporation and subsidiaries, American Equity Underwriters, Inc., Mobile, Alabama, and Regions Financial Corporation, Birmingham, Alabama.

John D. Johns Director since 2004

Mr. Johns, 55, has served as Chairman, President, and Chief Executive Officer of Protective Life Corporation (a holding company whose subsidiaries provide insurance and other financial services), Birmingham, Alabama, since January 2003. He previously served as President and Chief Executive Officer of Protective Life Corporation from January 2002 to January 2003 and President and Chief Operating Officer of Protective Life Corporation from August 1996 until December 2001. He is a Director of Alabama National BanCorporation, Birmingham, Alabama, Genuine Parts Company, Atlanta, Georgia, and John H. Harland Company, Decatur, Georgia.

Patricia M. King Director since 1997

Ms. King, 62, is President and Chief Executive Officer of Sunny King Automotive Group (automobile dealerships), Anniston, Alabama.

James K. Lowder Director since 1997

Mr. Lowder, 58, is Chairman of the Board of The Colonial Company (real estate development and sales), Montgomery, Alabama. He is a Director of Colonial Properties Trust, Birmingham, Alabama.

Malcolm Portera Director since 2003

Dr. Portera, 61, has served as Chancellor of The University of Alabama System, Tuscaloosa, Alabama, since January 2002. He previously served as President of Mississippi State University from January 1998 to December 2001. He is a Director of Protective Life Corporation, Birmingham, Alabama, and Regions Financial Corporation, Birmingham, Alabama.

Robert D. Powers Director since 1992

Mr. Powers, 57, is President of The Eufaula Agency, Inc. (insurance and real estate), Eufaula, Alabama.

David M. Ratcliffe Director since 2004

Mr. Ratcliffe, 59, has served as Chairman of the Board, President, and Chief Executive Officer of Southern Company since July 2004. He previously served as President of Southern Company from April 2004 until July 2004; Executive Vice President of Southern Company from May 1999 until April 2004; Chairman and Chief Executive Officer of Georgia Power Company from January 2004 to April 2004 and President and Chief Executive Officer of Georgia Power Company

from May 1999 to January 2004. He is a Director of CSX Corporation, Jacksonville, Florida, and Southern Company system companies, Georgia Power Company and Southern Power Company.

C. Dowd Ritter Director since 1997

Mr. Ritter, 60, became Chairman, President, and Chief Executive Officer of Regions Financial Corporation, Birmingham, Alabama, effective January 1, 2008. He previously served as President, Chief Executive Officer, and Director of Regions Financial Corporation from November 2006 to December 2007 and as Chairman, President, and Chief Executive Officer of AmSouth Bancorporation and AmSouth Bank, Birmingham, Alabama, from 1996 to November 2006. He is a Director of Protective Life Corporation, Birmingham, Alabama.

James H. Sanford Director since 1983

Mr. Sanford, 63, is Chairman of HOME Place Farms, Inc. (agriculture, computer services, and real estate investments), Prattville, Alabama. He also serves as President of Autauga Quality Cotton Association, Prattville, Alabama. He is a Director of Federal Reserve Bank of Atlanta, Birmingham Branch.

John C. Webb IV Director since 1977

Mr. Webb, 65, is President of Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama.

James W. Wright Director since 2000

Mr. Wright, 64, is Chairman of First Tuskegee Bank, Montgomery, Alabama. He is also Chairman and Chief Executive Officer of Birthright Incorporated (bank holding company), Tuskegee, Alabama.

Each nominee has served in his or her present position for at least the past five years, unless otherwise noted.

Vote Required

The majority of the votes cast by the shares outstanding and entitled to vote at a meeting at which a quorum is present is required for the election of directors. The shareholders entitled to vote in the election of directors have the right to cumulate their votes. Such right permits the shareholders to multiply the number of votes they are entitled to cast by the number of directors for whom they are entitled to vote and cast the product for a single nominee or distribute the product among two or more nominees. A shareholder will not be entitled to vote cumulatively at the Company s 2008 Annual Meeting unless such shareholder gives the Company notice of his interest to cumulate his vote not less than 48 hours before the time set for the meeting. If one shareholder gives such notice, all shareholders will be entitled to cumulate their votes without giving further notice.

Southern Company, as the owner of all of the Company s outstanding common stock, will vote for all of the nominees above.

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CORPORATE GOVERNANCE

DIRECTOR INDEPENDENCE

The Company is managed by a core group of officers and governed by a board of directors which has been set at a total not to exceed 25 members. The current nominees for election as directors consist of 13 members 11 non-employee directors and Mr. McCrary, the president and chief executive officer of the Company, and Mr. Ratcliffe, the president and chief executive officer of Southern Company.

GOVERNANCE POLICIES AND PROCESSES

Southern Company owns all of the Company s outstanding common stock, which represents a substantial majority of the overall voting power of the Company s equity securities, and the Company has listed only debt and preferred stock on the New York Stock Exchange (the NYSE). Accordingly, under the rules of the NYSE, the Company is exempt from most of the NYSE s listing standards relating to corporate governance. The Company has voluntarily complied with certain of the NYSE s listing standards relating to corporate governance where such compliance was deemed to be in the best interests of the Company s shareholders. In addition, under the rules of the Securities and Exchange Commission (the SEC), the Company is exempt from the audit committee requirements of Section 301 of the Sarbanes-Oxley Act of 2002 and, therefore, is not required to have an audit committee or an audit committee report on whether it has an audit committee financial expert.

DIRECTOR COMPENSATION

Only non-employee directors of the Company are compensated for service on the board of directors. The pay components are:

Annual cash retainer:

$25,000 for directors serving as chair of a board committee; $22,000 for other directors

Annual stock retainer:

520 shares of Southern Company common stock in quarterly grants of 130 shares

Meeting fees:

$1,800 for participation in a meeting of the board

$1,200 for participation in a meeting of a committee of the board and for any other board of director business-related meeting at which the director participates as a representative of the board.

DIRECTOR DEFERRED COMPENSATION PLAN

All or a portion of a director s cash retainer fee may be payable in Southern Company common stock. At the election of the director, all or a portion of the director s compensation, including the stock retainer, may be deferred in the Deferred Compensation Plan for Directors of Alabama

Power Company (the Director Deferred Compensation Plan) until membership on the board is terminated. Deferred compensation may be invested as follows, at the director s election:

in Southern Company common stock units which earn dividends as if invested in Southern Company common stock and are distributed in shares of Southern Company common stock upon leaving the board
in Southern Company common stock units which earn dividends as if invested in Southern Company common stock and are distributed in cash upon leaving the board
at prime interest which is paid in cash upon leaving the board

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All investments and earnings in the Director Deferred Compensation Plan are fully vested and, at the election of the director, may be distributed in a lump sum payment, or in up to 15 annual or 60 quarterly distributions after leaving the board. The Company has established a grantor trust that primarily holds Southern Company common stock that funds the Southern Company common stock units that are distributed in shares of Southern Company common stock. Directors have voting rights in the shares held in the trust attributable to these units.

DIRECTOR COMPENSATION TABLE

The following table reports all compensation to the Company s non-employee directors during 2007, including amounts deferred in the Director Deferred Compensation Plan. Non-employee directors do not receive Non-Equity Incentive Plan Compensation or stock option awards, and there is no pension plan for non-employee directors.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensa-tion Earnings ($)	All Other Compensa-tion ($) (3)	Total ($)
Whit Armstrong	40,000	18,771	0	1,815	60,586
David J. Cooper, Sr.	34,600	18,771	0	379	53,750
John D. Johns	31,600	18,771	0	826	51,197
Patricia M. King	32,800	18,771	0	2,921	54,492
James K. Lowder	34,000	18,771	0	322	53,093
Malcolm Portera	30,400	18,771	0	537	49,708
Robert D. Powers	44,800	18,771	0	1,795	65,366
C. Dowd Ritter	31,000	18,771	0	327	50,098
James H. Sanford	32,200	18,771	0	1,609	52,580
John Cox Webb, IV	40,000	18,771	0	1,488	60,259
James W. Wright	34,000	18,771	0	522	53,293

(1) Includes amounts voluntarily deferred in the Director Deferred Compensation Plan.
(2) Includes fair market value of equity grants on grant dates. All such stock awards are vested immediately upon grant.
(3) Consists of reimbursement for taxes on imputed income associated with gifts, activities, and travel provided to attendees at Company-sponsored events.

EXECUTIVE SESSIONS

It is the policy of the directors to hold an executive session of the non-employee directors without management participation at each scheduled board of directors meeting. The chairman of the Controls and Compliance Committee presides over such executive sessions. Information on how to communicate with the chairman of the Controls and Compliance Committee or the non-employee directors is provided under Communicating with the Board below.

COMMITTEES OF THE BOARD

Controls and Compliance Committee:

Members are Mr. Webb, Chairman; Mr. Armstrong, and Mr. Lowder
Met four times in 2007
Oversees the Company s internal controls and compliance matters

The Controls and Compliance Committee provides, on behalf of the board, oversight of the Company s system of internal control, compliance, ethics, and employee concerns programs and activities. Its responsibilities include review and assessment of such matters as the adequacy of internal controls, the internal control environment, management risk assessment, response to reported internal control weaknesses, internal auditing, and ethics and compliance program policies and practices. The Controls and Compliance Committee reports activities and findings to the board of directors and the Southern Company Audit Committee. The Controls and Compliance Committee meets periodically with management, internal auditors, and the independent registered public accounting firm to discuss auditing, internal controls, and compliance matters.

The Southern Company Audit Committee provides broad oversight of the Company s financial reporting and control processes. The Southern Company Audit Committee reviews and discusses the Company s financial statements with management, the internal auditors, and the independent registered public accounting firm. Such discussions include critical accounting policies and practices, alternative financial treatments, proposed adjustments, and control recommendations. Such discussions also include significant management judgments and estimates, reporting or operational issues, and changes in accounting principles, as well as any disagreements with management.

The charter of the Southern Company Audit Committee is available on Southern Company s website (www.southerncompany.com). The Southern Company Audit Committee has authority to appoint, compensate, and oversee the work of the independent registered public accounting firm.

Compensation Committee:

Members are Mr. Armstrong, Chairman; Mr. Sanford and Dr. Portera
Met one time in 2007
Oversees the administration of the Company s compensation arrangements

The Company s Compensation Committee reviews and provides input to Southern Company s Compensation and Management Succession Committee on the performance and compensation of the Company s chief executive officer and makes recommendations regarding the fees paid to members of the Company s board of directors.

The Southern Company Compensation and Management Succession Committee approves the corporate performance goals used to determine incentive compensation and establishes the mechanism for setting compensation levels for the Company s executive officers. It also administers executive compensation plans and reviews management succession plans. The Charter of the Southern Company Compensation and Management Succession Committee is available on Southern Company s website (www.southerncompany.com).

In 2007, the Southern Company Compensation and Management Succession Committee directly retained Hewitt Associates (Hewitt) as its outside compensation consultant. The Southern Company Compensation and Management Succession Committee informed Hewitt in writing that it expected Hewitt to advise it if and when there were elements of management proposals to the Southern Company Compensation and Management Succession Committee that Hewitt believed the Southern Company Compensation and Management Succession Committee should not support, set expectations for Hewitt to be honest and direct with the Southern Company Compensation and Management Succession Committee at all times and stated that Hewitt s ongoing engagement would be determined by the Southern Company Compensation and Management Succession Committee. During 2007, Hewitt assisted the Southern Company Compensation and Management Succession Committee with

comprehensive market data and its implications for pay at the Company and various other governance, design and compliance matters.

The Southern Company Compensation and Management Succession Committee also retained Towers Perrin in 2007 as described in the Compensation Discussion and Analysis on page 14 herein.

Executive Committee:

Members are Mr. McCrary, Chairman; Mr. Cooper, Mr. Johns, and Mr. Ritter
Met three times in 2007
Acts in place of full board on matters that require board action between scheduled meetings of the board to the extent permitted by law and within certain limits set by the board

Nuclear Committee:

Members are Mr. Powers, Chairman; Ms. King, and Mr. Wright
Met three times in 2007
Reviews nuclear activities
Chairman serves on the Southern Nuclear Operating Company, Inc. Nuclear Oversight Committee

DIRECTOR ATTENDANCE

The board of directors met four times in 2007. Average director attendance at all board and committee meetings was 94 percent. No nominee attended less than 75 percent of applicable meetings.

DIRECTOR NOMINATION PROCESS

The Company does not have a nominating committee. The full board, with input from the Company s president and chief executive officer, identifies director nominees. The board evaluates candidates based on the requirements set forth in the Company s by-laws and regulatory requirements applicable to the Company.

Southern Company owns all of the Company s common stock and, as a result, Southern Company s affirmative vote is sufficient to elect director nominees. Consequently, the board does not accept proposals from preferred shareholders regarding potential candidates for director nominees. Southern Company s president and chief executive officer is on the Company s board and may propose on behalf of Southern Company potential candidates for director nominees.

COMMUNICATING WITH THE BOARD

Shareholders and other parties interested in communicating directly with the Company s board of directors, the chairman of the Controls and Compliance Committee, or the non-employee directors may contact them by writing c/o Corporate Secretary, Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291 or by sending an email to apcocorpsec@southernco.com. The Corporate Secretary will receive the correspondence and forward it to the individual director or directors to whom the correspondence is directed or the chairman of the Controls and Compliance Committee. The Corporate Secretary will not forward any correspondence that is unduly hostile, threatening, illegal, not reasonably related to the Company or its business, or similarly inappropriate.

BOARD ATTENDANCE AT ANNUAL SHAREHOLDERS MEETING

The Company does not have a policy relating to attendance at the Company s annual meeting of shareholders by directors. The Company does not solicit proxies for the election of directors because the affirmative vote of Southern Company is sufficient to elect the nominees and, therefore, holders of the Company s preferred stock rarely attend the annual meeting. Consequently, a policy encouraging directors to attend the annual meeting of shareholders is not necessary. One of the Company s 13 directors attended the Company s 2007 Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

The Southern Company Audit Committee (the Audit Committee) oversees the Company s financial reporting process on behalf of the board of directors of Southern Company. The Company s management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements of the Company in the Annual Report with management. The Audit Committee also reviews the Company s quarterly and annual reporting on Forms 10-Q and 10-K prior to filing with the SEC. The Audit Committee s review process included discussions of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and estimates, and the clarity of disclosures in the financial statements.

The independent registered public accounting firm is responsible for expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States. The Audit Committee reviewed with the independent registered public accounting firm their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, rules and regulations of the Public Company Accounting Oversight Board (PCAOB) and the SEC and the NYSE corporate governance rules. In addition, the Audit Committee has discussed with the independent registered public accounting firm their independence from management and the Company as required under rules of the PCAOB. The Audit Committee also has considered whether the independent registered public accounting firm s provision of non-audit services to the Company is compatible with maintaining the firm s independence.

The Audit Committee discussed the overall scopes and plans with the Company s internal auditors and independent registered public accounting firm for their respective audits. The Audit Committee meets with the internal auditors and independent registered public accounting firm with and without management present, to discuss the results of their audits and the overall quality of the Company s financial reporting. The Audit Committee also meets privately with Southern Company s compliance officer. The Audit Committee held 9 meetings during 2007.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the board of directors of Southern Company (and such board approved) that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2008. At the 2008 annual meeting of the Southern Company s stockholders, the stockholders will be asked to ratify the Audit Committee s selection of the independent registered public accounting firm.

Members of the Audit Committee:

William G. Smith, Jr., Chair

Dorrit J. Bern

Francis S. Blake

Warren A. Hood, Jr.

PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The following represents the fees billed to the Company for the two most recent fiscal years by Deloitte & Touche LLP (Deloitte & Touche) the Company s principal independent registered public accounting firm for 2006 and 2007.

	2006	2007
	(in thousands)	
Audit Fees(1)	$ 2,735	$2,724
Audit-Related Fees	0	0
Tax Fees (2)	12	0
All Other Fees	0	0
Total	$ 2,747	$2,724

(1) Includes services performed in connection with financing transactions.
(2) Related to the licensing of tax software.

The Audit Committee (on behalf of Southern Company and all of its subsidiaries, including the Company) has adopted a Policy on Engagement of the Independent Auditor for Audit and Non-Audit Services that includes requirements for the Audit Committee to pre-approve services provided by Deloitte & Touche. This policy was initially adopted in July 2002 and since that time, all services included in the chart above have been pre-approved by the Audit Committee.

Under the policy, the independent registered public accounting firm delivers an annual arrangements letter which provides a description of services anticipated to be rendered to the Company by the independent registered public accounting firm for the Audit Committee to approve. The Audit Committee s approval of the independent registered public accounting firm s annual arrangements letter constitutes pre-approval of all services covered in the letter. In addition, under the policy, the Audit Committee has pre-approved the engagement of the independent registered public accounting firm to provide services related to the issuance of comfort letters and consents required for securities sales by the Company and services related to consultation on routine accounting and tax matters. The Audit Committee has delegated pre-approval authority to the Chair of the Audit Committee with respect to permissible services up to a limit of $50,000 per engagement. The Chair of the Audit Committee is required to report any pre-approval decisions at the next scheduled Audit Committee meeting.

Under the policy, prohibited non-audit services are services prohibited by the SEC to be performed by the Company s independent registered public accounting firm. These services include bookkeeping or other services related to the preparation of accounting records of the Company, financial information systems design and implementation, appraisal or valuation services, fairness opinions or contribution-in-kind reports, actuarial services, internal audit outsourcing services, management functions or human resources, broker-dealer, investment advisor or investment banking services, legal services and expert services unrelated to the audit and any other service that the PCAOB determines is impermissible. In addition, officers of the Company may not engage the independent registered public accounting firm to perform any personal services, such as personal financial planning or personal income tax services.

PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM REPRESENTATION

No representative of Deloitte & Touche is expected to be present at the 2008 Annual Meeting of Shareholders unless, no later than three business days prior to the day of the meeting the Company s Corporate Secretary has received written notice from a shareholder addressed to the Corporate Secretary at Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291, that such shareholder will attend the meeting and wishes to ask questions of a representative of Deloitte & Touche. In such a case, representatives of Deloitte & Touche will be present at the Annual Meeting to respond to questions and will have an opportunity to make a statement if they so desire.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

In this Compensation Discussion and Analysis (the CD&A), references to the Compensation Committee are to the Compensation and Management Succession Committee of the Board of Directors of Southern Company.

GUIDING PRINCIPLES AND POLICIES

Southern Company, through a single executive compensation program for all officers of its subsidiaries, drives and rewards both Southern Company financial performance and individual business unit performance.

This executive compensation program is based on a philosophy that total executive compensation must be competitive with the companies in our industry, must be tied to and motivate our executives to meet our short- and long-term performance goals, and must foster and encourage alignment of executive interests with the interests of our stockholders and our customers. The program generally is designed to motivate all employees, including executives, to achieve operational excellence and financial goals while maintaining a safe work environment.

The executive compensation program places significant focus on rewarding performance. The program is performance-based in several respects:

- Southern Company s actual earnings per share (EPS) and the Company s business unit performance, which includes return on equity (ROE), compared to target performance levels established early in the year, determine the ultimate annual incentive payouts.
- Southern Company common stock (the Common Stock) price changes result in higher or lower ultimate values of stock options.
- Southern Company s dividend payout and total shareholder return compared to those of its industry peers lead to higher or lower payouts under the Performance Dividend Program (performance dividends).

In support of the performance-based pay philosophy, we have no general employment contracts with our named executive officers or guaranteed severance, except upon a change in control, and no pay is conditioned solely upon continued employment with any of the named executive officers, other than base salary.

The pay-for-performance principles apply not only to the named executive officers, but to thousands of Company employees. The short-term incentive program covers nearly all of the Company s 6,980 employees and our change-in-control protection program covers all the Company s employees not part of a collective bargaining unit. Stock options and performance dividends cover over 1,100 of the Company s employees. These programs engage our people in our business, which ultimately is good not only for them, but for the Company s customers and Southern Company s stockholders.

OVERVIEW OF EXECUTIVE COMPENSATION COMPONENTS

The executive compensation program for the named executive officers is comprised of several components, each of which plays a different role. The table below discusses the intended role of each material pay component, what it rewards, and why we use it. Following the table is additional information that describes how we made 2007 pay decisions.

Pay Element	Intended Role and What the Element Rewards	Why We Use the Element
Base Salary	Base salary is pay for competence in the executive role, with a focus on scope of responsibilities.	Market practice. Provides a threshold level of cash compensation for job performance.
Annual Incentive	The Company s annual incentive program rewards achievement of operational, EPS, and business unit financial goals.	Market practice. Focuses attention on achievement of short-term goals that ultimately works to fulfill our mission to customers and leads to increased stockholder value in the long-term.
Long-Term Incentive: Stock Options	Stock options reward price increases in Common Stock over the market price on the date of grant, over a 10-year term.	Market practice. Performance-based compensation. Aligns executives interests with those of Southern Company s stockholders.
Long-Term Incentive: Performance Dividends	Performance dividends provide cash compensation based on the number of stock options held at year end, Southern Company s declared dividends during the year, and Southern Company s four-year total shareholder return versus industry peers.	Market practice. Performance-based compensation. Enhances the value of stock options and focuses executives on maintaining a significant dividend yield for Southern Company s stockholders. Aligns executives interests with Southern Company s stockholders interests since payouts are dependent on performance, defined as Common Stock performance vs. industry peers.
Southern Excellence Awards	An employee s supervisor may make discretionary bonus payments to an employee based on extraordinary	Provides a means of rewarding, on a current basis, extraordinary performance.

performance.

Awards are not tied to pre-established goals.

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Pay Element	Intended Role and What the Element Rewards	Why We Use the Element
Retirement Benefits	The Deferred Compensation Plan provides the opportunity to defer to future years up to 50% of base salary and all or a part of annual incentive and performance dividends in either a prime interest rate or Common Stock account.	Permitting compensation deferral is a cost-effective method of providing additional cash flow to the Company while enhancing the retirement savings of executives.
	Executives participate in employee benefit plans available to all employees of the Company, including a 401(k) savings plan and the funded Southern Company Pension Plan (Pension Plan).	The purpose of these supplemental plans is to eliminate the effect of tax limitations on the payment of retirement benefits.
	The Supplemental Benefit Plan counts pay, including deferred salary, ineligible to be counted under the Pension Plan and the 401(k) plan due to Internal Revenue Service rules.	Represents an important component of competitive market-based compensation in Southern Company s peer group and generally.
	The Supplemental Executive Retirement Plan counts short-term incentive pay above 15% of base salary for pension purposes.	
Perquisites and Other Personal Benefits	Personal financial planning maximizes the perceived value of our executive compensation program to executives and allows executives to focus on the Company s operations.	Perquisites benefit both the Company and executives, at low cost to the Company.
	Home security systems lower our risk of harm to executives.	
	Club memberships are provided primarily for business use.	
Post-Termination Pay	Change-in-control plans provide severance pay, accelerated vesting, and payment of short- and long-term incentive awards upon a change in control of the Company or Southern Company coupled with involuntary termination not for Cause or a voluntary termination for Good Reason.	Providing protections to senior executives upon a change in control minimizes disruption during a pending or anticipated change in control.
		Payment and vesting occur only upon the occurrence of both an actual change in

control and loss of the executive s position.

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MARKET DATA

For the named executive officers, we review compensation data from large, publicly-owned electric and gas utilities. The data was developed and analyzed by Hewitt Associates, one of the compensation consultants retained by the Compensation Committee. The companies included each year in the primary peer group are those whose data is available through the consultant s database. Those companies are drawn from this list of regulated utilities of $2 billion in revenues and up. Proxy data for this entire list of companies below also is used. No other companies data are used in our market-pay benchmarking.

Allegheny Energy, Inc.
Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Centerpoint Energy, Inc.
CMS Energy Corporation
Consolidated Edison, Inc.
Constellation Energy Group, Inc.
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Energy East Corporation
Entergy Corporation
Exelon Corporation
FirstEnergy Corp.
FPL Group, Inc.
Great Plains Energy Incorporated
Hawaiian Electric Industries, Inc.
KeySpan Corporation
NiSource Inc.
Northeast Utilities
NSTAR
OGE Energy Corp.
Pepco Holdings, Inc.
PG&E Corporation
Pinnacle West Capital Corporation
PNM Resources, Inc.
PPL Corporation
Progress Energy, Inc.
Public Service Enterprise Group Incorporated
Puget Energy, Inc.
SCANA Corporation
Sempra Energy
Sierra Pacific Resources
TECO Energy, Inc.
TXU Corp.
Vectren Corporation
Wisconsin Energy Corporation
WPS Resources Corporation
Xcel Energy Inc.

Southern Company is one of the largest U.S. utility companies in revenues and market capitalization, and its largest business units, including the Company, are some of the largest in the industry as well. For that reason, the consultant size-adjusts the market data in order to fit it to the scope of our business.

In using this market data, market is defined as the size-adjusted 50th percentile of the data, with a focus on pay opportunities at target performance (rather than actual plan payouts). The Company specifically looks at the market data for chief executive officer positions and other positions in terms of scope of responsibilities, that most closely resemble the positions held by the named executive officers. Based on that data, the Company establishes a total target compensation opportunity for each named executive officer. Total target compensation opportunity is the sum of base salary, annual incentive payout (at the target performance level), stock option awards at a target value, and performance dividend payout (at the target performance level). Actual compensation paid may be more or less than the total target compensation opportunity based on actual performance above or below target performance levels. As a result, the compensation program is designed to result in payouts that are market-appropriate given the Company s performance for the year or period.

We did not target a specified weight for base salary or annual or long-term incentives as a percent of total target compensation opportunities, nor did amounts realized or realizable from prior compensation serve to increase or decrease 2007 compensation amounts. Total target compensation opportunities for senior management as a group are managed to be at the median of the market for companies our size and in our industry. The total target compensation opportunities established in 2007 for each named executive officer is shown below.

Name	Salary ($)	Annual Incentive ($)	Long-Term Incentive ($)	Total Target Compensation Opportunity ($)
C. D. McCrary	634,000	475,500	871,000	1,980,500
A. P. Beattie	279,293	139,647	192,351	611,291
C. A. Martin	396,183	217,901	322,460	936,544
S. R. Spencer	364,603	182,302	251,098	798,003
J. L. Stewart	337,897	185,843	275,024	798,764

As is our long-standing practice, the salary levels shown above were not effective until March 2007. Therefore, the amounts reported in the Summary Compensation Table are lower because that table reports actual amounts paid in 2007. For purposes of comparing the value of our compensation program to the market data, stock options are valued at 15%, and performance dividend targets at 10%, of the average daily Common Stock price for the year preceding the grant, both of which represent risk-adjusted present values on the date of grant and are consistent with the methodologies used to develop the market data. For the 2007 grant of stock options and the performance dividend targets established for the 2007 2010 performance measurement period, this value was $8.515 per stock option granted. In the long-term incentive column, 60% of the value shown is attributable to stock options and 40% attributable to performance dividends. The stock option value used for market data comparisons exceeds the value reported in the Grants of Plan-Based Awards Table because the value above is calculated assuming that the options are held for their full 10-year term. The calculation of the Black-Scholes value reported in the Grants of Plan-Based Awards Table uses historical holding period averages of approximately five years.

§ As discussed above, the Compensation Committee targets total target compensation opportunities for executives as a group at market and within a range of plus or minus 10% of the established total target compensation opportunity. Therefore, some executives may be paid somewhat above and others somewhat below market. This practice allows for minor differentiation based on time in the position, scope of responsibilities, and individual performance. The differences in the total pay opportunities for each named executive officer are based almost exclusively on the differences indicated by the market data for persons holding similar positions. The average total target compensation opportunities for the named executive officers for 2007 was approximately 8% above the market data range described above. However, because of the use of market data from a large number of peer companies for positions that are not identical in terms of scope of responsibility from company to company, we do not consider this difference material and we continue to believe that our compensation program is market-appropriate.

§ In 2007, the Compensation Committee engaged an additional executive compensation consulting firm, Towers Perrin, to conduct a broad assessment of Southern Company s executive compensation program. Benchmarking data as well as actual levels of payouts made at peer companies was reviewed. The consulting firm was directed to review the level of total target pay opportunities, the weight of each primary pay component, and the annual and long-term incentive goal metrics. Based on the findings from this review, the Company and the Compensation Committee continue to believe that our executive compensation program provides the appropriate level and mix of compensation for the senior management of the Company, including the named executive officers.

§ In 2004, the Compensation Committee received from its executive compensation consulting firm a detailed comparison of our executive benefits program to the benefits of a group of other large utilities and general industry companies. The results indicated that the Company s executive benefits program was slightly below market. The Compensation Committee plans to have this study updated in 2008.

DESCRIPTION OF KEY COMPENSATION COMPONENTS

2007 Base Salary

With the exception of Mr. McCrary, the named executive officers are each within a position level with a base salary range that is established under the direction of the Compensation Committee using the market data described above. With the exception of Mr. Spencer, the actual base salary levels set for each of these named executive officers are within the pre-established salary ranges. Mr. Spencer s base salary level is set above the salary range associated with his position level based on his time in the position, individual performance, and the value of his position to the Company relative to that of the other named executive officers. Also considered in recommending the specific base salary level for each named executive officer is the need to retain an experienced team, internal equity, time in position, and individual performance. This analysis of individual performance included the degree of competence and initiative exhibited and the individual s relative contribution to the results of operations in prior years. Mr. McCrary s total target compensation opportunity, including base salary, is not within a position level band. It is set using the above-described market data for specific positions similar in scope and responsibility in the market peer companies listed above.

Base salaries for Messrs. Beattie, Martin, and Spencer for 2007 were recommended by Mr. McCrary to Mr. Ratcliffe, the Southern Company President and Chief Executive Officer. The base salary for Mr. Stewart, who serves as both an executive officer of the Company and of Southern Company s generation business unit (Southern Company Generation), was recommended by Mr. W. Paul Bowers, who at the time was the President of Southern Company Generation, with input from Mr. McCrary. Mr. McCrary also is an executive officer of Southern Company. His base salary is recommended by Mr. Ratcliffe to the Compensation Committee and was influenced by the above-described market data and his time in the position and individual performance. The base salaries recommended by Messrs. McCrary and Bowers were approved by Mr. Ratcliffe.

2007 Incentive Compensation

Achieving Operational and Financial Goals Our Guiding Principle for Incentive Compensation

Our number one priority is to provide our customers outstanding reliability and superior service at low prices while achieving a level of financial performance that benefits Southern Company s stockholders in the short and long term.

In 2007, we strove for and rewarded:

- Continued industry-leading reliability and customer satisfaction, while maintaining our low retail prices relative to the national average; and
- Meeting increased energy demand with the best economic and environmental choices.

In 2007, we also focused on and rewarded:

Southern Company EPS Growth A continuation of growing EPS an average of 5% per year from a base, excluding earnings from synthetic fuel investments, established in 2002. The target goal shown below is 5% greater than the goal established for 2006.

Company ROE in the top quartile of comparable electric utilities.

Common Stock dividend growth.

Long-term, risk-adjusted Southern Company total shareholder return.

Financial Integrity An attractive risk-adjusted return, sound financial policy, and a stable A credit rating.

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The incentive compensation program is designed to encourage the Company to achieve these goals.

The Southern Company Chief Executive Officer with the assistance of Southern Company s Human Resources staff recommends to the Compensation Committee program design and award amounts for senior executives.

2007 Annual Incentive Program

Program Design

The Performance Pay Program is Southern Company s annual incentive plan. Almost all the employees of the Company are participants, including the named executive officers.

The performance measured by the program uses goals set at the beginning of each year by the Compensation Committee.

An illustration of the annual incentive goal structure for 2007 is provided below.

Operational goals for 2007 were safety, customer service, plant availability, transmission and distribution system reliability, inclusion, and, for Southern Company Generation, also net income. Each of these operational goals is explained in more detail under Goal Details below. The result of all operational goals is averaged and multiplied by the bonus impact of the EPS and business unit financial goals. The amount for each goal can range from 0.90 to 1.10 or 0.00 if a threshold performance level is not achieved as more fully described below. The level of achievement for each operational goal is determined and the results are averaged.

Southern Company EPS is weighted at 50% of the financial goals. EPS is defined as earnings from continuing operations divided by average shares outstanding during the year, excluding earnings from synthetic fuel investments. The EPS performance measure is applicable to all participants in the Performance Pay Program, including the named executive officers.

Business unit financial performance is weighted at 50% of the financial goals. The Company s financial performance goal is ROE, which is defined as the Company s net income divided by average equity for the year. For Southern Company Generation, it is calculated using a corporate-wide weighted average of all the business unit financial performance goals, including primarily the ROE of the Company and affiliated companies, Georgia Power Company, Gulf Power Company, and Mississippi Power Company. For Mr. Stewart, the business unit financial goal was weighted 30% Company ROE and 20% Southern Company Generation financial goal.

The Compensation Committee may make adjustments, both positive and negative, to goal achievement for purposes of determining payouts. Such adjustments include the impact of items considered one time or outside of normal operations or not anticipated in the business plan when the earnings goal was established, and of sufficient

magnitude to warrant recognition. For the payouts based on 2007 performance, no adjustments materially impacted the payouts to the named executive officers.

Under the terms of the program, no payout can be made if Southern Company s current earnings are not sufficient to fund its Common Stock dividend at the same level or higher than the prior year.

Goal Details

Operational Goals:

Customer Service The Company uses customer satisfaction surveys to evaluate its performance. The survey results provide an overall ranking for the Company, as well as a ranking for each customer segment: residential, commercial, and industrial.

Reliability Transmission and distribution system reliability performance is measured by the frequency and duration of outages. Performance targets for reliability are set internally based on historical performance, expected weather conditions, and expected capital expenditures.

Availability Peak season equivalent forced outage rate is an indicator of fossil/hydro plant availability and efficient generation fleet operations during the months when generation needs are greatest. The rate is calculated by dividing the number of hours of forced outages by total generation hours.

Safety Southern Company s Target Zero program is focused on continuous improvement in having a safe work environment. The performance is measured by the Occupational Safety and Health Administration recordable incident rate.

Inclusion/Diversity The inclusion program seeks to improve our inclusive workplace. This goal includes measures for work environment (employee satisfaction survey), representation of minorities and females in leadership roles, and supplier diversity.

Company and Southern Company capital expenditures gate or threshold goal The Company and Southern Company strived to manage total capital expenditures for the participating business units at or below approximately $1.16 billion and $3.8 billion, respectively, for 2007, excluding nuclear fuel. If the capital expenditure target is exceeded, total operational goal performance is capped at 0.90. Adjustments to the goal may occur due to significant events not anticipated in the Company s or Southern Company s business plans established early in 2007, such as acquisitions or disposition of assets, new capital projects, and other events.

The Southern Company Generation goals included availability, safety, inclusion, and Southern Company Generation net income. For Mr. Stewart, the operational goals are weighted 60% based on the Company s operational goals and 40% based on Southern Company Generation s operational goals.

The range of performance levels established for the operational goals are detailed below.

Level of Performance	Customer Service	Reliability	Availability Company and Southern Company Generation	Safety - Company/ Southern Company Generation	Inclusion	Southern Company Generation Net Income
Maximum (1.10)	Top quartile for each customer segment	Improve historical performance	2.00%	1.00/0.30	Significant improvement	$170 million
Target (1.00)	Top quartile overall	Maintain historical performance	2.75%	1.50/0.60	Improve	$150 million
Threshold (0.90)	3rd quartile	Below historical performance	3.75%	2.00/0.90	Below expectations	$120 million
0 Trigger	4th quartile	Significant issues	6.00%	>2.00/>0.90	Significant issues	<$100 million

EPS and Business Unit Financial Performance:

The range of EPS and business unit financial goals for 2007 is shown below. The ROE goal varies from the allowed retail ROE range due to state regulatory accounting requirements, wholesale activities, other non-jurisdictional revenues and expenses, and other activities not subject to state regulation.

Level of Performance	Southern Company EPS, excluding earnings from synthetic fuel investments	Business unit financial performance ROE	Payout Factor	Payout Factor at Highest Level of Operational Goal Achievement	Payout Below Threshold for Operational Goal Achievement
Maximum	$2.265	14.25%	2.00	2.20	0.00
Target	$2.155	13.50%	1.00	1.10	0.00
Threshold	$2.08	10.50%	0.25	0.275	0.00
Below threshold	<$2.08	<10.50%	0.00	0.00	0.00

2007 Achievement

Each named executive officer had a target annual incentive opportunity, based on his position, set by the Compensation Committee at the beginning of 2007. Targets are set as a percentage of base salary. Mr. McCrary s target was set at 75%. For Messrs. Martin and Stewart it was set at 55% and for Messrs. Beattie and Spencer it was set at 50%. Actual payouts were determined by adding the payouts derived from EPS and business unit financial performance goal achievement for 2007 and multiplying that sum by the result of the operational goal achievement. The gate goal target was not exceeded and therefore did not affect payouts. Actual 2007 goal achievement is shown in the following table.

Business Unit	Operational Goal Multiplier (A)	EPS, excluding earnings from synthetic fuel investments	EPS Goal Performance Factor (50% Weight)	Business Unit Financial Performance	Business Unit Financial Performance Factor (50% Weight)	Total Weighted Financial Performance Factor (B)	Total Payout Factor (AxB)
The Company	1.09	$2.21	1.69	13.73% Corporate	1.31	1.50	1.63
Southern Company Generation	1.05	$2.21	1.69	Weighted Average	1.25	1.47	1.54

For Mr. Stewart, the Total Payout Factor was based 50% on EPS, 30% on Company performance, and 20% on Southern Company Generation performance. It was adjusted based on a weighted average of the Company operational goal multiplier (60%) and the Southern Company Generation operational goal multiplier (40%).

Note that the Total Payout Factor may vary from the Total Weighted Performance multiplied by the operational goal multiplier due to rounding. To calculate the annual incentive payout amount, the target opportunity (annual incentive target times base salary) is multiplied by the Total Payout Factor.

Annual incentive payouts were determined using EPS and business unit financial performance results. The EPS results used differ somewhat from the results reported in Southern Company s financial statements in Southern Company s 2007 Annual Report to Stockholders, as described below.

EPS, excluding earnings from synthetic fuel investments In 2007, Southern Company s synthetic fuel investments generated tax credits as a result of synthetic fuel production. Due to higher oil prices over the past two years, such tax credits were partially phased out and one synfuel investment was terminated in 2006. These tax credits were no longer available after December 31, 2007. Southern Company management uses EPS, excluding earnings from synthetic fuel investments, to evaluate the performance of Southern Company s ongoing business activities. We believe the presentation of earnings and EPS, excluding the results of the synthetic fuel investments, also is useful for investors because it provides additional information for purposes of comparing our performance for such periods. For 2007, reported EPS was $2.29 per share including earnings from synthetic fuel investments, and $2.21 per share excluding earnings from synthetic fuel investments. As established by the Compensation Committee in early 2007, the annual incentive goal for 2007 measured the EPS performance, excluding earnings from synthetic fuel investments.

Actual performance exceeded the target performance levels established by the Compensation Committee in early 2007; therefore, the payout levels also exceeded the target pay opportunities that were established. More information on how target pay opportunities are established is provided under the section entitled Market Data in this CD&A.

The table below shows the pay opportunity set in early 2007 for the annual incentive payout at target-level performance and the actual payout based on the actual performance shown above.

	Target Annual Incentive Opportunity ($)	Actual Annual Incentive Payout ($)
Name		
C. D. McCrary	475,500	774,728
A. P. Beattie	139,647	227,624
C. A. Martin	217,901	355,178
S. R. Spencer	182,302	297,151
J. L. Stewart	185,843	286,199

Stock Options

Options to purchase Common Stock are granted annually and were granted in 2007 to the named executive officers and about 1,100 other employees of the Company. Options have a 10-year term, vest over a three-year period, fully vest upon retirement or termination of employment following a change in control and expire at the earlier of five years from the date of retirement or the end of the 10-year term.

Stock option award sizes for 2007 were calculated using guidelines set by the Compensation Committee as a percent of base salary. These guidelines are kept stable from year to year unless the market data indicates a clear need to change them.

The number of options granted is the guideline amount divided by Southern Company s average daily Common Stock price for the 12 months preceding the grant. This is done to mitigate volatility in the number of options granted and to provide a standard grant methodology.

The calculation of the 2007 stock option grants for the named executive officers is shown below.

Name	Guideline %	Salary ($)	Guideline Amount ($)	Average Daily Stock Price ($)	Number Of Stock Options Granted (Guideline Amount/Average Daily Stock Price)
C. D. McCrary	550% of Salary	634,000	3,487,000	34.06	102,333
A. P. Beattie	275% of Salary	279,293	768,056	34.06	22,550
C. A. Martin	325% of Salary	396,183	1,287,595	34.06	37,803
S. R. Spencer	275% of Salary	364,603	1,002,658	34.06	29,437
J. L. Stewart	325% of Salary	337,897	1,098,165	34.06	32,242

More information about the stock option program is contained in the Grants of Plan Based Awards Table and the information accompanying it.

Performance Dividends

All option holders, including the named executive officers, can receive performance-based dividend equivalents on stock options held at the end of the year. Dividend equivalents can range from 0% to 100% of the Common Stock dividend paid during the year per option held at the end of the year. Actual payout will depend on Southern Company s total shareholder return over a four-year performance measurement period compared to a group of other electric and gas utility companies. The peer group is determined at the beginning of each four-year performance measurement period. The peer group varies from the Market Data peer group due to the timing and criteria of the peer selection process. The peer group for performance dividends is set by the Compensation Committee at the beginning of the four-year measurement period. However, despite these timing differences, there is substantial overlap in the companies included.

Total shareholder return is calculated by measuring the ending value of a hypothetical $100 invested in each company s common stock at the beginning of each of 16 quarters.

No performance dividends are paid if Southern Company s earnings are not sufficient to fund a Common Stock dividend at least equal to that paid in the prior year.

2007 Payout

The peer group used to determine the 2007 payout for the 2004-2007 performance measurement period was made up of utilities with revenues of $2 billion or more with regulated revenues of 70% or more. Those companies are listed below.

Allegheny Energy, Inc.
Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Avista Corporation
Consolidated Edison, Inc.
DTE Energy Company
Energy East Corporation
Entergy Corporation
Exelon Corporation
FirstEnergy Corporation
FPL Group, Inc.
NiSource Inc.
Northeast Utilities
NorthWestern Corporation
NSTAR
OGE Energy Corp.
Pepco Holdings, Inc.
Pinnacle West Capital Corporation
Progress Energy, Inc.
Public Service Enterprise Group Incorporated
Puget Energy, Inc.
SCANA Corporation
Sempra Energy
Sierra Pacific Resources
Westar Energy, Inc.
Wisconsin Energy Corporation
Xcel Energy Inc.

The scale below determined the percent of the full year s dividend paid on each option held at December 31, 2007 based on the 2004-2007 performance measurement period during 2004-2007. Payout for performance between points was interpolated on a straight-line basis.

Performance vs. Peer Group	**Payout (% of a Full Year s Dividend Paid)**
90th percentile or higher	100%
50th percentile	50%
10th percentile or lower	0%

The above payout scale, when established in 2004, paid 25% of the dividend at the 30th percentile and zero below that. The scale was extended to the 10th percentile on a straight-line basis by the Compensation Committee in October 2005, in order to avoid the earnings volatility and employee relations issues that the payout cliff created.

Total shareholder return was calculated by measuring the ending value of a hypothetical $100 invested in each company s stock at the beginning of each of 16 quarters.

Southern Company s total shareholder return performance during the four-year period ending with 2007 was the 39th percentile, resulting in a payout of 36% of the full year s Common Stock dividend, or $0.58. This figure was multiplied by each named executive officer s outstanding stock options at December 31, 2007 to calculate the payout under the program. The amount paid is included in the Non-Equity Incentive Plan Compensation Column in the Summary Compensation Table.

2010 Opportunity

The peer group for the 2007-2010 performance measurement period (which will be used to determine the 2010 payout) is made up of utility companies with revenues of $1.2 billion or more with regulated revenues of approximately 60% or more. Those companies are listed below.

The guideline used to establish the peer group for the 2004-2007 performance measurement period was somewhat different from that used in 2007 to establish the peer group for the 2007-2010 performance measurement period. The guideline for inclusion in the peer group is reevaluated annually as needed to assist in identifying 25 to 30 companies similar to Southern Company. While the guideline does vary somewhat, 25 of the 29 companies in the peer group for the 2004-2007 performance measurement period also were in the peer group established for the 2007-2010 period.

Allegheny Energy, Inc.	Edison International	Progress Energy, Inc.
Alliant Energy Corporation	Energy East Corporation	Puget Energy, Inc.
Ameren Corporation	Entergy Corporation	SCANA Corporation
American Electric Power Company, Inc.	Exelon Corporation	Sempra Energy
Aquila, Inc.	FPL Group, Inc.	Sierra Pacific Resources
Avista Corporation	Hawaiian Electric	TECO
Centerpoint Energy, Inc.	NiSource Inc.	UIL Holdings
CMS Energy Corporation	Northeast Utilities	Unisource
Consolidated Edison, Inc.	NSTAR	Vectren Corporation
DPL Inc.	Pepco Holdings, Inc.	Westar Energy, Inc.
DTE, Inc.	PG&E Corporation	Wisconsin Energy Corporation
Duke Energy	Pinnacle West Capital Corporation	Xcel Energy Inc.

The scale below will determine the percent of the full year s dividend paid on each option held at December 31, 2010, based on the 2007-2010 performance measurement period. Payout for performance between points is interpolated on a straight-line basis.

Performance vs. Peer Group	**Payout (% of a Full Year s Dividend Paid)**
90th percentile or higher	100%
50th percentile	50%
10th percentile or lower	0%

See the Grants of Plan-Based Awards Table and the accompanying information for more information about threshold, target and maximum payout opportunities for the 2007-2010 Performance Dividend Program.

Southern Excellence Awards

The President of Southern Company Generation approved discretionary awards to Mr. Stewart for the superior leadership he demonstrated at both the Company and Southern Company Generation during 2007, particularly regarding peak season operations and operational challenges resulting from drought conditions.

Timing of Incentive Compensation

As discussed above, Southern Company EPS and the Company s financial performance goals for the 2007 annual incentive program were established at the February 2007 Compensation Committee meeting. Annual stock option grants were also made at that meeting. The establishment of incentive compensation goals and the granting of stock options were not timed with the release of non-public material information. This procedure was consistent with prior practices. Stock option grants are made to new hires or newly-eligible participants on preset, regular quarterly dates that were approved by the Compensation Committee. The exercise price of options granted to employees in 2007 was the closing price of the Common Stock on the date of grant.

Post-Employment Compensation

As mentioned above, we provide certain post-employment compensation to employees, including the named executive officers:

Retirement Benefits

Generally, all full-time employees of the Company, including the named executive officers, participate in our funded Pension Plan after completing one year of service. Normal retirement benefits become payable when participants both attain age 65 and complete five years of participation. We also provide unfunded benefits that count salary and short-term incentive pay that is ineligible to be counted under the Pension Plan. (These plans are the Supplemental Benefit Plan and the Supplemental Executive Retirement Plan that are mentioned in the chart on page 12 of this CD&A.) See the Pension Benefits Table and the information accompanying it for more information about pension-related benefits.

The Company also provides the Deferred Compensation Plan which is an unfunded plan that permits participants to defer income as well as certain federal, state, and local taxes until a specified date or their retirement, disability, death, or other separation from service. Up to 50% of base salary and up to 100% of the annual incentive and performance dividends may be deferred, at the election of eligible employees. All of the named executive officers are eligible to participate in the Deferred Compensation Plan. See the Nonqualified Deferred Compensation Table and the information accompanying it for more information about the Deferred Compensation Plan.

Change-in-Control Protections

The Compensation Committee approved the change-in-control protection program in 1998. The program provides some level of severance benefits to all employees not part of a collective bargaining unit, if the conditions of the program are met, as described below. The Compensation Committee established this program and the levels of severance amount in order to provide certain compensatory protections to executives upon a change in control and thereby allow them to negotiate aggressively with a prospective purchaser. Providing such protections to our employees in general minimizes disruption during a pending or anticipated change in control. For all participants, payment and vesting occur only upon the occurrence of both an actual change in control and loss of the individual s position.

Change-in-control protections, including severance pay and, in some situations, vesting or payment of long-term incentive awards, are provided upon a change in control of Southern Company or the Company coupled with an involuntary termination not for Cause or a voluntary termination for Good Reason. This means there is a double trigger before severance benefits are paid, i.e., there must be both a change in control and a termination of employment.

If the conditions described above are met, the named executive officers are entitled to severance payments equal to two or three times their base salary plus the annual incentive amount assuming target-level performance. Most officers are entitled to severance payments equal to two times their base salary plus the annual incentive amount assuming target-level performance. Messrs. McCrary, Martin, and Stewart are entitled to the larger amount. These amounts are consistent with that provided by other companies of our size and in our industry and were established based on market-data provided to the Compensation Committee from its compensation consultant.

More information about post-employment compensation, including severance arrangements under our change in control program, is included in the section entitled Potential Payments upon Termination or Change in Control.

Executive Stock Ownership Requirements

Effective January 1, 2006, the Compensation Committee adopted Common Stock ownership requirements for officers of Southern Company and its subsidiaries that are in a position of Vice President or above. All of the named executive officers are covered by the requirements. The guidelines were implemented to further align the interest of officers and Southern Company s stockholders by promoting a long-term focus and long-term share ownership.

The types of ownership arrangements counted toward the requirements are shares owned outright, those held in Southern Company-sponsored plans, and Common Stock accounts in the Deferred Compensation Plan and the Supplemental Benefit Plan. One-third of vested Southern Company stock options may be counted, but if so, the ownership target is doubled.

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The requirements are expressed as a multiple of base salary as per the table below.

Name	Multiple Of Salary Without Counting Stock Options	Multiple Of Salary Counting 1/3 Of Vested Options
C. D. McCrary	3 Times	6 Times
A. P. Beattie	2 Times	4 Times
C. A. Martin	3 Times	6 Times
S. R. Spencer	2 Times	4 Times
J. L. Stewart	3 Times	6 Times

Current officers have until September 30, 2011 to meet the applicable ownership requirement. Newly-elected officers will have five years to meet the applicable ownership requirement.

Impact of Accounting and Tax Treatments on Compensation

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), limits the tax deductibility of Mr. McCrary s compensation that exceeds $1 million per year unless the compensation is paid under a performance-based plan as defined in the Code and that has been approved by Southern Company s stockholders. Southern Company has obtained stockholder approval of the Omnibus Incentive Compensation Plan, under which all of our incentive compensation is paid. For tax purposes, in order to ensure that the annual incentive and the performance dividend payouts are fully deductible the Compensation Committee approved in February 2007 a formula that represented a maximum annual incentive amount payable (defined as 0.6% of Southern Company s net income), and the maximum 2007-2010 performance dividend amount payable (defined as 0.6% of Southern Company s average net income over the four-year performance measurement period). For 2007 performance, the Compensation Committee used negative discretion from those amounts and determined the actual payouts pursuant to the methodologies described above.

Because our policy is to maximize long-term stockholder value, as described fully in this CD&A, tax deductibility is not the only factor considered in setting compensation.

Policy on Recovery of Awards

Southern Company s 2006 Omnibus Incentive Compensation Plan provides that, if Southern Company or the Company is required to prepare an accounting restatement due to material noncompliance as a result of misconduct, and if an executive knowingly or grossly negligently engaged in or failed to prevent the misconduct or is subject to automatic forfeiture under the Sarbanes-Oxley Act of 2002, the executive will reimburse the Company the amount of any payment in settlement of awards earned or accrued during the 12-month period following the first public issuance or filing that was restated.

Southern Company Policy Regarding Hedging the Economic Risk of Stock Ownership

Southern Company s policy is that insiders, including outside directors, will not trade in Southern Company options on the options market and will not engage in short sales.

COMPENSATION COMMITTEE REPORT

The Compensation Committee met with management to review and discuss the CD&A. Based on such review and discussion, the Compensation Committee recommended to the Southern Company Board of Directors that the CD&A be included in the Company s Annual Report on Form 10-K covering the fiscal year ended December 31, 2007 and in this Information Statement. The Southern Company Board of Directors approved that recommendation.

Members of the Compensation Committee:

J. Neal Purcell, Chair

Jon A. Boscia

H. William Habermeyer, Jr.

Donald M. James

SUMMARY COMPENSATION TABLE

The Summary Compensation Table shows the amount and type of compensation received by the Chief Executive Officer, the Chief Financial Officer, and the next three most highly-paid executive officers who served in 2007. Collectively, these officers are referred to as the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensa-tion ($)	Change in Pension Value and Nonquali-fied Deferred Compensa-tion Earnings ($)	All Other Compen-sation ($)	Total ($)
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
Charles D. McCrary	**2007**	629,961	0	0	421,612	983,174	1,156,038	58,132	3,248,917
	2006	609,407	0	0	411,589	900,736	203,672	55,606	2,181,010
President, Chief Executive Officer and Director									
Art P. Beattie	**2007**	277,368	0	0	92,906	285,463	315,054	28,335	999,126
Executive Vice President, Chief Financial Officer and Treasurer	2006	256,429	0	0	83,573	245,592	138,528	22,251	746,373
C. Alan Martin*	**2007**	393,651	0	0	155,748	444,225	683,555	34,803	1,711,982
Executive Vice President	2006	380,290	0	0	151,351	390,089	134,477	33,649	1,089,856
Steve R. Spencer	**2007**	362,089	0	0	121,280	348,490	290,134	31,778	1,153,771
Executive Vice President	2006	349,890	0	0	117,827	315,952	48,165	27,713	859,547
Jerry L. Stewart	**2007**	334,617	35,000	0	132,837	378,021	556,289	49,076	1,485,840
Senior Vice President	2006	319,035	40,000	0	127,206	387,889	145,330	65,508	1,084,968

* As of February 1, 2008, Mr. Martin was no longer an executive officer of the Company due to his transfer to an affiliate company, Southern Company Services, Inc.

Column (d)

The amount reported in this column for Mr. Stewart for 2007 reflects Southern Excellence Awards of $21,000 and $14,000. These awards are not attributable to pre-established performance goals.

Column (e)

No equity-based compensation has been awarded to the named executive officers, or any other employees of the Company, other than Stock Option Awards which are reported in column (f).

Column (f)

This column reports the dollar amounts recognized for financial statement reporting purposes with respect to 2007 in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised 2004) (FAS 123R) disregarding any estimates of forfeitures relating to service-based vesting conditions. See Note 1 to the financial statements in the Company s 2007 Annual Report.

The amounts shown equal the grant date fair value for the 2007 options granted in 2007, as reported in the Grants of Plan-Based Awards Table because these named executive officers have been retirement eligible for several years and therefore their options will vest in full upon termination. Accordingly, under FAS 123R, the full grant date fair value of their option awards is expensed in the year of grant.

Column (g)

The amounts in this column are the aggregate of the payouts under the annual incentive program and the performance dividend program attributable to performance periods ending December 31, 2007 that are discussed in detail in the CD&A. The amounts paid under each program to the named executive officers are shown below:

Name	**Annual Incentive ($)**	**Performance Dividends ($)**	**Total ($)**
C. D. McCrary	774,728	208,446	983,174
A. P. Beattie	227,624	57,839	285,463
C. A. Martin	355,178	89,047	444,225
S. R. Spencer	297,151	51,339	348,490
J. L. Stewart	286,199	91,822	378,021

§ Column (h)

This column reports the aggregate change in the actuarial present value of each named executive officer s accumulated benefit under the Pension Plan and the supplemental pension plans (collectively, Pension Benefits) during 2006 and 2007. The amount included for 2006 is the difference between the actuarial present values of the Pension Benefits measured as of September 30, 2005 and September 30, 2006; the 2007 amount is the difference in the actuarial present values of the Pension Benefits measured as of September 30, 2006 and September 30, 2007. The Pension Benefits as of each measurement date are based on the named executive officer s age, pay, and service accruals and the plan provisions applicable as of the measurement date. The actuarial present values as of each measurement date reflect the assumptions the Company selected for Statement of Financial Accounting Standards No. 87, Employers Accounting for Pensions cost purposes as of that measurement date; however, the named executive officers were assumed to remain employed at the Company until their benefits commence at the pension plans stated normal retirement date, generally age 65. As a result, the amounts in column (h) related to Pension Benefits represent the combined impact of several factors growth in the named executive officer s Pension Benefits over the measurement year; impact on the total present values of one year shorter discounting period due to the named executive officer being one year closer to normal retirement; impact on the total present values attributable to changes in assumptions from measurement date to measurement date; and impact on the total present values attributable to plan changes between measurement dates.

For more information about the Pension Benefits and the assumptions used to calculate the actuarial present value of accumulated benefits as of September 30, 2007, see the information following the Pension Benefits Table. The key differences between assumptions used for the actuarial present values of accumulated benefits calculations as of September 30, 2006 and September 30, 2007 follow:

§ Discount rate was increased to 6.3% as of September 30, 2007 from 6.0% as of September 30, 2006.
§ Unpaid incentives have been assumed to be 135% of target levels as of September 30, 2007; payments at 130% of target levels was assumed as of September 30, 2006.

The pension plans provisions were substantively the same as of September 30, 2005 and September 30, 2006. However, the present values of accumulated Pension Benefits as of September 30, 2007 reflect new provisions regarding the form and timing of payments from the supplemental pension plans. These changes bring those plans into compliance with Section 409A of the Code. The key change was to the form of payment. Instead of providing monthly payments for the lifetime of each named executive officer and his/her spouse, these plans will pay the single sum value of those benefits for an average lifetime in 10 annual installments. Calculations of the present value of accumulated benefits calculations shown prior to September 30, 2007 reflect supplemental pension benefits being paid monthly for the lifetimes of named executive officers and their spouses. The 2007 change in pension value reported in column (h) for each named executive officer is greater than what it otherwise would have been due to the new form of payment. This new form of payment is described more fully in the information following the Pension Benefits Table.

This column also reports above-market earnings on deferred compensation. Above-market earnings are defined by the SEC as any amount above 120% of the applicable federal long-term rate as prescribed under Section 1274(d) of the Code.

Under the Deferred Compensation Plan, eligible employees are permitted to defer up to 50% of their salary and 100% of payments under the annual incentive program or the performance dividend program. The deferred amounts are then treated as if invested in one of two investment options at the election of the participant. Amounts may be treated as if invested in the Common Stock (the Stock Equivalent Account) or the prime interest rate as published in the *Wall Street Journal* as the base rate on corporate loans posted as of the last business day of each month by at least 75% of the United States largest banks (the Prime Equivalent Account).

The amounts invested in the Stock Equivalent Account are treated as if dividends are paid and reinvested at the same rate as that paid to Southern Company s stockholders. That amount is not considered above-market as defined by the SEC.

In 2006 and 2007, the prime interest rate used in the Prime Equivalent Account exceeded 120% of the applicable long-term rate in effect at the measurement point under the SEC s rules. Therefore, earnings that exceed the amount calculated at that rate are reported here. The range of interest rates under the Prime Equivalent Account was 7.25% to 8.25% in 2006 and 2007 and the applicable long-term rate was 7.14%.

The table below itemizes the amounts reported in this column.

Name	Year	Change in Pension Value ($)	Above-Market Earnings on Deferred Compensation ($)	Total ($)
C. D. McCrary	2007	1,150,499	5,539	1,156,038
	2006	198,676	4,996	203,672
A. P. Beattie	2007	313,377	1,677	315,054
	2006	137,026	1,502	138,528
C. A. Martin	2007	673,946	9,609	683,555
	2006	125,808	8,669	134,477
S. R. Spencer	2007	290,134	0	290,134
	2006	48,165	0	48,165
J. L. Stewart	2007	547,374	8,915	556,289
	2006	137,400	7,930	145,330

Column (i)

This column reports the following items: perquisites; tax reimbursements by the Company on certain perquisites; the Company s contributions in 2007 to the Southern Company Employee Savings Plan (the ESP), which is a tax-qualified defined contribution plan intended to meet requirements of Section 401(k) of the Code; and contributions in 2007 under the Southern Company Supplemental Benefit Plan (Non-Pension Related) (the SBP). The

SBP is described more fully in the information following the Nonqualified Deferred Compensation Table.

The amounts reported are itemized below.

Name	Perquisites ($)	Tax Reimbursements ($)	ESP ($)	SBP ($)	Total ($)
C. D. McCrary	14,535	13,020	9,924	20,653	58,132
A. P. Beattie	9,385	6,358	9,921	2,671	28,335
C. A. Martin	8,652	7,231	10,720	8,200	34,803
S. R. Spencer	7,963	6,939	9,884	6,992	31,778
J. L. Stewart	8,173	23,988	11,325	5,590	49,076

Description of Perquisites

Personal Financial Planning is provided for most officers of the Company, including all of the named executive officers. The Company pays for the services of the financial planner on behalf of the officers, up to a maximum amount of $8,700 per year, after the initial year that the benefit is provided. The Company also provides a five-year allowance of $6,000 for estate planning and tax return preparation fees.

Personal Use of Company-Provided Club Memberships. The Company provides club memberships to certain officers, including all of the named executive officers. The memberships are provided for business use; however, personal use is permitted. The amount included reflects the pro-rata portion of the membership fees paid by the Company that are attributable to the named executive officers personal use. Direct costs associated with any personal use, such as meals, are paid for or reimbursed by the employee and therefore are not included.

Relocation Benefits. These benefits are provided to cover the costs associated with geographic relocation.

Personal Use of Corporate-Owned Aircraft. Southern Company owns aircraft that are used to facilitate business travel. All flights on these aircraft must have a business purpose. Also, if seating is available, Southern Company permits a spouse or other family member to accompany an employee on a flight. However, because in such cases the aircraft is being used for a business purpose, there is no incremental cost associated with the spousal travel and no amounts are included for such travel. Any additional expenses incurred that are related to spousal travel are included.

Home Security Systems. The Company pays for the services of third-party providers for the installation, maintenance, and monitoring of certain named executive officers home security systems.

Other Miscellaneous Perquisites. The amount included reflects the full cost to the Company of providing the following items: personal use of Company-provided tickets for sporting and other entertainment events, and gifts distributed to and activities provided to attendees at Southern Company-sponsored events.

GRANTS OF PLAN-BASED AWARDS MADE IN 2007

The Grants of Plan-Based Awards Table provides information on stock option grants made and goals established for future payouts under the Company s incentive compensation programs during 2007 by the Compensation Committee. In this table, the annual incentive and the performance dividend payouts are referred to as PPP and PDP, respectively.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			All Other Option Awards:		Grant Date Fair Value
						Number of	Exercise or Base	Of Stock and
			Threshold	Target	Maximum	Securities Underlying	Price of Option	Option
	Grant		($)	($)	($)	Options	Awards	Awards
Name	Date		(c)	(d)	(e)	(#)	($/Sh)	($)
(a)	(b)					(f)	(g)	(h)
C. D. McCrary	2/19/2007	PPP	106,941	475,293	1,045,645	102,333	36.42	421,612

		PDP	28,661	286,613	573,225			
A. P. Beattie	2/19/2007	PPP	31,420	139,647	307,222	22,550	36.42	92,906
		PDP	7,953	79,528	159,057			
C. Alan Martin	2/19/2007	PPP	49,028	217,901	479,381	37,803	36.42	155,748
		PDP	12,244	122,439	244,879			
S. R. Spencer	2/19/2007	PPP	41,018	182,302	401,063	29,437	36.42	121,280
		PDP	7,059	70,592	141,183			
J. L. Stewart	2/19/2007	PPP	41,815	185,843	408,855	32,242	36.42	132,837
		PDP	12,625	126,255	252,509			

Columns (c), (d), and (e)

The amounts reported as PPP reflect the amounts established by the Compensation Committee in early 2007 to be paid for certain levels of performance as of December 31, 2007 under the annual incentive program, the Company s short-term incentive program. The Compensation Committee assigns each named executive officer a target incentive opportunity, expressed as a percentage of base salary, that is paid for target-level performance under the annual incentive program. The target incentive opportunities established for the named executive officers for 2007 performance were 75% for Mr. McCrary, 55% for Messrs. Martin and Stewart and 50% for Messrs. Beattie and Spencer. The payout for threshold performance was set at 0.225 times the target incentive opportunity and the maximum amount payable was set at 2.20 times the target. The amount paid to each named executive officer under

the annual incentive program for actual 2007 performance is included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table and is itemized in the notes following that table. More information about the annual incentive program, including the applicable performance criteria established by the Compensation Committee, is provided in the CD&A.

The Company also has a long-term incentive program, the performance dividend program, that pays performance-based dividend equivalents based on Southern Company s total shareholder return (TSR) compared with the TSR of its peer companies over a four-year performance measurement period. The Compensation Committee establishes the level of payout for prescribed levels of performance over the measurement period.

In February 2007, the Compensation Committee established the performance dividend program goal for the four-year performance measurement period beginning on January 1, 2007 and ending on December 31, 2010. The amount earned in 2010 based on the performance measurement for 2007-2010 will be paid following the end of the period. However, no amount is earned and paid unless the Compensation Committee approves the payment at the beginning of the final year of the performance measurement period. Also, nothing is earned unless Southern Company s earnings are sufficient to fund a Common Stock dividend at the same level or higher than the prior year.

The performance dividend program pays to all option holders a percentage of the Common Stock dividend paid to Southern Company s stockholders in the last year of the performance measurement period. It can range from less than five percent for performance above the 10th percentile compared with the performance of the peer companies to 100% of the dividend if Southern Company s TSR is at or above the 90th percentile. That amount is then paid per option held at the end of the four-year period. The amount, if any, ultimately paid to the option holders, including the named executive officers, at the end of the last year of the 2007-2010 performance measurement period will be based on (1) Southern Company s TSR compared to that of its peer companies as of December 31, 2010, (2) the actual dividend paid in 2010 to Southern Company s stockholders, if any, and (3) the number of options held by the named executive officers on December 31, 2010.

The number of options held on December 31, 2010 will be affected by the number of additional options granted to the named executive officers prior to December 31, 2010, if any, and the number of options exercised by the named executive officers prior to December 31, 2010, if any. None of these components necessary to calculate the range of payout under the performance dividend program for the 2007-2010 performance measurement period is known at the time the goal is established.

The amounts reported as PDP in columns (c), (d), and (e) were calculated based on the number of options held by the named executive officers on December 31, 2007, as reported in columns (b) and (c) of the Outstanding Equity Awards at Fiscal Year-End Table and the Common Stock dividend of $1.595 per share paid to Southern Company s stockholders in 2007. These factors are itemized below.

Name	**Stock Options Held as of December 31, 2007 (#)**	**Performance Dividend Per Option Paid at Threshold Performance ($)**	**Performance Dividend Per Option Paid at Target Performance ($)**	**Performance Dividend Per Option Paid at Maximum Performance ($)**
C. D. McCrary	359,389	0.07975	0.7975	1.595
A. P. Beattie	99,722	0.07975	0.7975	1.595
C. A. Martin	153,529	0.07975	0.7975	1.595

S. R. Spencer	88,516	0.07975	0.7975	1.595
J. L. Stewart	158,313	0.07975	0.7975	1.595

More information about the performance dividend program is provided in the CD&A.

Columns (f) and (g)

The stock options vest at the rate of one-third per year, on the anniversary date of the grant. Also, grants fully vest upon termination as a result of death, total disability, or retirement and expire five years after retirement, three years after death or total disability, or their normal expiration date if earlier. Please see Potential Payments Upon Termination or Change In Control for more information about the treatment of stock options under different termination and change in control events.

The Compensation Committee granted these stock options to the named executive officers at its regularly scheduled meeting on February 19, 2007. February 19, 2007 was a holiday (Presidents Day) and the New York Stock Exchange, Inc. (the NYSE) was closed. Therefore, under the terms of the Omnibus Incentive Compensation Plan, the exercise price was set at the closing price ($36.42 per share) on the last trading day prior to the grant date which was February 16, 2007.

Column (h)

The value of stock options granted in 2007 was derived using the Black-Scholes stock option pricing model. The assumptions used in calculating these amounts are discussed in Note 1 to the financial statements in the Company s 2007 Annual Report.

OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END

This table provides information pertaining to all outstanding stock options held by the named executive officers as of December 31, 2007.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
C. D. McCrary	71,424	0	0	29.50	02/13/2014	0	0	0	0
	57,636	28,818		32.70	02/18/2015				
	33,060	66,118		33.81	02/20/2016				
	0	102,333		36.42	02/19/2017				
A. P. Beattie	12,871	0	0	25.26	02/15/2012	0	0	0	0
	11,514	0		27.975	02/14/2013				
	11,091	0		29.50	02/13/2014				

	14,372	7,186		32.70	02/18/2015				
	6,713	13,425		33.81	02/20/2016				
	0	22,550		36.42	02/19/2017				
C. A. Martin	39,838	0	0	29.50	02/13/2014	0	0	0	0
	26,279	13,139		32.70	02/18/2015				
	12,157	24,313		33.81	02/20/2016				
	0	37,803		36.42	02/19/2017				
S. R. Spencer	20,458	10,229	0	32.70	02/18/2015	0	0	0	0
	9,464	18,928		33.81	02/20/2016				
	0	29,437		36.42	02/19/2017				
J. L. Stewart	30,381	0	0	27.975	02/14/2013	0	0	0	0
	32,224	0		29.50	02/13/2014				
	21,876	10,938		32.70	02/18/2015				
	10,218	20,434		33.81	02/20/2016				
	0	32,242		36.42	02/19/2017				

Stock options vest one-third per year on the anniversary of the grant date. Options granted from 2002 through 2004 were fully vested as of December 31, 2007. The options granted in 2005, 2006, and 2007 become fully vested as shown below.

Expiration Date	**Date Fully Vested**
February 18, 2015	February 18, 2008
February 20, 2016	February 20, 2009
February 19, 2017	February 19, 2010

Options also fully vest upon death, total disability, or retirement and expire three years following death or total disability or five years following retirement, or on the original expiration date if earlier. Please see Potential Payments Upon Termination or Change In Control for more information about the treatment of stock options under different termination and change in control events.

OPTION EXERCISES AND STOCK VESTED IN 2007

None of the named executive officers were granted Stock Awards. Of the named executive officers, only Mr. Beattie did not exercise options in 2007.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)		Number of Shares Acquired on Vesting (#)	
	(b)	Value Realized on Exercise ($)	(d)	Value Realized on Vesting ($)
Name		(c)		(e)
(a)				
C. D. McCrary	151,625	1,736,758	0	0
A. P. Beattie	0	0	0	0
C. A. Martin	20,859	209,111	0	0
S. R. Spencer	30,581	598,536	0	0
J. L. Stewart	26,286	340,039	0	0

PENSION BENEFITS AT 2007 FISCAL YEAR-END

				Payments During
		Number of Years Credited Service (#)	Present Value of Accumulated Benefit ($)	Last Fiscal Year ($)
Name	Plan Name			
(a)	(b)	(c)	(d)	(e)
C. D. McCrary	Pension Plan	32.92	659,324	0
	SBP-P	32.92	3,194,145	0
	SERP	32.92	1,026,375	0
A. P. Beattie	Pension Plan	30.83	528,971	0
	SBP-P	30.83	395,291	0
	SERP	30.83	240,317	0
C. A. Martin	Pension Plan	34.58	850,839	0
	SBP-P	34.58	1,742,433	0
	SERP	34.58	638,867	0
S. R. Spencer	Pension Plan	28.75	464,441	0

	SBP-P	28.75	759,420	0
	SERP	28.75	297,953	0
J. L. Stewart	Pension Plan	33.83	771,950	0
	SBP-P	33.83	1,290,600	0
	SERP	33.83	517,136	0

The named executive officers earn employer-paid pension benefits from three integrated retirement plans. More information about pension benefits is provided in the CD&A.

The Pension Plan

The Pension Plan is a tax-qualified, funded plan. It is Southern Company s primary retirement plan. Generally, all full-time employees participate in this plan after one year of service. Normal retirement benefits become payable when participants both attain age 65 and complete five years of participation. The plan benefit equals the greater of amounts computed using a 1.7% offset formula and a 1.25% formula, as described below. Benefits are limited to a statutory maximum.

The 1.7% offset formula amount equals 1.7% of final average pay times years of participation less an offset related to Social Security benefits. The offset equals a service ratio times 50% of the anticipated Social Security benefits in excess of $4,200. The service ratio adjusts the offset for the portion of a full career that a participant has worked. The highest three rates of pay out of a participant s last 10 calendar years of service are averaged to derive final average pay. The pay considered for this formula is the base rate of pay reduced for any voluntary deferrals. A statutory limit restricts the amount considered each year; the limit for 2007 was $225,000.

The 1.25% formula amount equals 1.25% of final average pay times years of participation. For this formula, the final average pay computation is the same as above, but annual cash incentives paid during each year are added to the base rates of pay.

Early retirement benefits become payable once plan participants have during employment both attained age 50 and completed 10 years of participation. Participants who retire early from active service receive benefits equal to the amounts computed using the same formulas employed at normal retirement. However, a 0.3% reduction applies for each month (3.6% for each year) prior to normal retirement that participants elect to have their benefit payments commence. For example, 64% of the formula benefits are payable starting at age 55. As of December 31, 2007, all the named executive officers are eligible to retire immediately.

The Pension Plan s benefit formulas produce amounts payable monthly over a participant s post-retirement lifetime. At retirement, plan participants can choose to receive their benefits in one of seven alternative forms of payment. All forms pay benefits monthly over the lifetime of the retiree or the joint lifetimes of the retiree and a spouse. A reduction applies if a retiring participant chooses a payment form other than a single life annuity. The reduction makes the value of the benefits paid in the form chosen comparable to what it would have been if benefits were paid as a single life annuity over the retiree s life.

Participants vest in the Pension Plan after completing five years of service. All the named executive officers are vested in their Pension Plan benefits. Participants who terminate employment after vesting can elect to have their pension benefits commencing at age 50 if they participated in the Pension Plan for 10 years. If such an election is made, the early retirement reductions that apply are actuarially determined factors and are larger than 0.3% per month.

If a participant dies while actively employed, benefits will be paid to a surviving spouse. A survivor s benefit equals 45% of the monthly benefit that the participant had earned before his or her death. Payments to a surviving spouse of a participant who could have retired will begin immediately. Payments to a survivor of a participant who was not retirement eligible will begin when the deceased participant would have attained age 50. After commencing, survivor benefits are payable monthly for the remainder of a survivor s life. Participants who are eligible for early retirement may opt to have an 80% survivor benefit paid if they die; however, there is a charge associated with this election.

If participants become totally disabled, periods that Social Security or employer provided disability income benefits are paid will count as service for benefit calculation purposes. The crediting of this additional service ceases at the point a disabled participant elects to commence retirement payments. Outside of the extra service crediting, the normal plan provisions apply to disabled participants.

The Southern Company Supplemental Benefit Plan (Pension-Related) (the SBP-P)

The SBP-P is an unfunded retirement plan that is not tax-qualified. This plan provides to high-paid employees any benefits that the Pension Plan cannot pay due to statutory pay/benefit limits and voluntary pay deferrals. The SBP-P s vesting, early retirement, and disability provisions mirror those of the Pension Plan.

The amounts paid by the SBP-P are based on the additional monthly benefit that the Pension Plan would pay if the statutory limits and pay deferrals were ignored. When an SBP-P participant separates from service, vested monthly benefits provided by the benefit formulas are converted into a single sum value. It equals the present value of what would have been paid monthly for an actuarially determined average post-retirement lifetime. The discount rate used in the calculation is based on the 30-year Treasury yields for the September preceding the calendar year of

separation, but not more than 6%. Vested participants terminating prior to becoming eligible to retire will be paid their single sum value as of September 1 following the calendar of separation. If the terminating participant is retirement eligible, the single sum value will be paid in 10 annual installments starting shortly after separation. The unpaid balance of a retiree s single sum will be credited with interest at the prime rate published in The Wall Street Journal. If the separating participant is a key man under Section 409A of the Code, the first installment will be delayed for six months after the date of separation.

If an SBP-P participant dies after becoming vested in the Pension Plan, the spouse of the deceased participant will receive the installments the participant would have been paid upon retirement. If a vested participant s death occurs prior to age 50, the installments will be paid to a survivor as if the participant had survived to age 50.

The Southern Company Supplemental Executive Retirement Plan (SERP)

The SERP also is an unfunded retirement plan that is not tax qualified. This plan provides to high paid employees additional benefits that the Pension Plan and the SBP-P would pay if the 1.7% offset formula calculations reflected a portion of annual cash incentives. To derive the SERP benefits, a final average pay is determined reflecting participants base rates of pay and their incentives to the extent they exceed 15% of those base rates (ignoring statutory limits and pay deferrals). This final average pay is used in the 1.7% offset formula to derive a gross benefit. The Pension Plan and the SBP-P benefits are subtracted from the gross benefit to calculate the SERP benefit. The SERP s early retirement, survivor benefit and disability provisions mirror the SBP-P s provisions. However, except upon a change in control, SERP benefits do not vest until participants retire, so no benefits are paid if a participant terminates prior to becoming eligible to retire. More information about vesting and payment of SERP benefits following a change in control is included in the section entitled Potential Payments Upon Termination or Change In Control.

The following assumptions were used in the present value calculations:

Discount rate 6.3% as of September 30, 2007

Retirement date Normal retirement age (65 for all named executive officers)

Mortality after normal retirement RP2000 Combined Healthy mortality rate table

Mortality, withdrawal, disability and retirement rates prior to normal retirement None

Form of payment for Pension Benefits

- Unmarried retirees: 100% elect a single life annuity
- Married retirees: 20% elect a single life annuity; 40% elect a joint and 50% survivor annuity; and 40% elect a joint and 100% survivor annuity

Percent married at retirement 80% of males and 70% of females

Spouse ages	Wives two years younger than their husbands
Incentives earned but unpaid as of the measurement date	130% of target percentages times base rate of pay for year incentive is earned.
Installment determination	5.3% discount rate for single sum calculation and 7.3% prime rate on unpaid balances during the installment payment period

For all of the named executive officers, the number of years of credited service is one year less than the number of years of employment.

NONQUALIFIED DEFERRED COMPENSATION AS OF 2007 FISCAL YEAR-END

Name	Executive Contributions in Last FY ($) (b)	Registrant Contributions in Last FY ($) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
(a)					
C. D. McCrary	0	20,653	88,949	0	1,082,275
A. P. Beattie	24,559	2,671	20,998	0	255,337
C. A. Martin	0	8,200	100,403	0	1,273,995
S. R. Spencer	0	6,992	8,471	0	96,769
J. L. Stewart	0	5,590	84,919	0	1,090,370

Southern Company provides the Deferred Compensation Plan (the DCP) which is designed to permit participants to defer income as well as certain federal, state, and local taxes until a specified date or their retirement, or other separation from service. Up to 50% of base salary and up to 100% of the annual incentive and performance dividends may be deferred, at the election of eligible employees. All of the named executive officers are eligible to participate in the DCP.

Participants have two options for the deemed investments of the amounts deferred the Stock Equivalent Account and the Prime Equivalent Account. Under the terms of the DCP, participants are permitted to transfer between investments at any time.

The amounts deferred in the Stock Equivalent Account are treated as if invested at an equivalent rate of return to that of an actual investment in Common Stock, including the crediting of dividend equivalents as such are paid by Southern Company from time to time. It provides participants with an equivalent opportunity for the capital appreciation (or loss) and income held by a Southern Company stockholder. During 2007, the rate of return in the Stock Equivalent Account was 9.83%, which was Southern Company s TSR for 2007.

Alternatively, participants may elect to have their deferred compensation deemed invested in the Prime Equivalent Account which is treated as if invested at a prime interest rate compounded monthly, as published in the *Wall Street Journal* as the base rate on corporate loans posted as of the last business day of each month by at least 75% of the United States largest banks. The range of interest rates earned on amounts deferred during 2007 in the Prime Equivalent Account was 7.25% to 8.25%.

Column (b)

This column reports the actual amounts of compensation deferred under the DCP by each named executive officer in 2007. The amount of salary deferred by the named executive officers, if any, is included in the Salary column in the Summary Compensation Table. The amount of incentive compensation deferred in 2007 was the amount paid for performance under the annual incentive program and the performance dividend program that were earned as of December 31, 2006 but not payable until the first quarter of 2007. This amount is not reflected in the Summary Compensation Table because that table reports incentive compensation that was earned in 2007, but not payable until early 2008. These deferred amounts may be distributed in a lump sum or in up to 10 annual installments at termination of employment or in a lump sum at a specified date, at the election of the participant.

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Column (c)

This column reflects contributions under the SBP. Under the Code, employer matching contributions are prohibited under the ESP on employee contributions above stated limits in the ESP, and, if applicable, above legal limits set forth in the Code. The SBP is a nonqualified deferred compensation plan under which contributions are made that are prohibited from being made in the ESP. The contributions are treated as if invested in Common Stock and are payable in cash upon termination of employment in a lump sum or in up to 20 annual installments, at the election of the participant. The amounts reported in this column were also reported in the All Other Compensation column in the Summary Compensation Table.

Column (d)

This column reports earnings on both compensation the named executive officers elected to defer and earnings on employer contributions under the SBP. See the notes to column (h) of the Summary Compensation Table for a discussion of amounts of nonqualified deferred compensation earnings included in the Summary Compensation Table.

Column (e)

There were no aggregate withdrawals or distributions.

Column (f)

This column includes amounts that were deferred under the DCP and contributions under the SBP in prior years and reported in prior years Information Statements or Annual Reports on Form 10-K. The chart below shows the amounts reported in prior years Information Statements or Annual Reports on Form 10-K.

Name	Amounts Deferred under the DCP Prior to 2007 and Reported in Prior Years Information Statements or Annual Reports on Form 10-K ($)	Employer Contributions under the SBP Prior to 2007 and Reported in Prior Years Information Statements or Annual Reports on Form 10-K ($)	Total ($)
C. D. McCrary	456,296	111,777	568,073

A. P. Beattie	54,692	4,135	58,827
C. A. Martin	836,727	61,942	898,669
S. R. Spencer	0	38,276	38,276
J. L. Stewart	1,118,319	32,178	1,150,497

POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

This section describes and estimates payments that could be made to the named executive officers under different termination and change in control events. The estimated payments would be made under the terms of Southern Company s compensation and benefits programs or the change in control severance program. All of the named executive officers are participants in Southern Company s change in control severance plan for officers. (As described in the CD&A, all employees not part of a collective bargaining unit are participants in a change in control severance plan.) The amount of potential payments is calculated as if the triggering events occurred as of December 31, 2007 and assumes that the price of Common Stock is the closing market price as of December 31, 2007.

Description of Termination and Change in Control Events

The following charts list different types of termination and change in control events that can affect the treatment of payments under the compensation and benefit programs. These events also affect payments to the named executive officers under their change in control severance agreements. No payments are made under the severance agreements

unless, within two years of the change in control, the named executive officer is involuntarily terminated or he or she voluntarily terminates for Good Reason. (See the description of Good Reason below.)

Traditional Termination Events

Retirement or Retirement Eligible Termination of a named executive officer who is at least 50 years old and has at least 10 years of credited service.

Resignation Voluntary termination of a named executive officer who is not retirement eligible.

Lay Off Involuntary termination of a named executive officer not for cause, who is not retirement eligible.

Involuntary Termination Involuntary termination of a named executive officer for cause. Cause includes individual performance below minimum performance standards and misconduct, such as violation of the Company s Drug and Alcohol Policy.

Death or Disability Termination of a named executive officer due to death or disability.

Change in Control-Related Events

At the Southern Company or the Company level:

Southern Company Change in Control I Acquisition by another entity of 20% or more of Common Stock, or following a merger with another entity Southern Company s stockholders own 65% or less of the entity surviving the merger.

Southern Company Change in Control II Acquisition by another entity of 35% or more of Common Stock, or following a merger with another entity the Company s stockholders own less than 50% of the Company surviving the merger.

Southern Company Termination A merger or other event and Southern Company is not the surviving company or the Common Stock is no longer publicly traded.

The Company Change in Control Acquisition by another entity, other than another subsidiary of Southern Company, of 50% or more of the stock of the Company, a merger with another entity and the Company is not the surviving company, or the sale of substantially all the assets of the Company.

At the employee level:

Involuntary Change in Control Termination or Voluntary Change in Control Termination for Good Reason Employment is terminated within two years of a change in control, other than for cause, or the employee voluntarily terminates for Good Reason. Good Reason for voluntary termination within two years of a change in control is generally satisfied when there is a material reduction in salary, incentive compensation opportunity or benefits, relocation of over 50 miles, or a diminution in duties and responsibilities.

The following chart describes the treatment of different pay and benefit elements in connection with the Traditional Termination Events described above.

Program	Retirement/ Retirement Eligible	Lay Off (Involuntary Termination Not For Cause)	Resignation	Death or Disability	Involuntary Termination (For Cause)
Pension Benefits Plans	Benefits payable as described in the notes following the Pension Benefits Table.	Benefits payable as described in the notes following the Pension Benefits Table.	Same as Lay Off.	Benefits payable as described in the notes following the Pension Benefits Table.	Same as for retirement and resignation, as the case may be.
Annual Incentive Program	Pro-rated if terminate before 12/31.	Pro-rated if terminate before 12/31.	Forfeit.	Pro-rated if terminate before 12/31.	Forfeit.
Performance Dividend Program	Paid year of retirement plus two additional years.	Forfeit.	Forfeit.	Payable until options expire or exercised.	Forfeit.
Stock Options	Vest; expire earlier of original expiration date or five years.	Vested options expire in 90 days; unvested are forfeited.	Vested options expire in 90 days; unvested are forfeited.	Vest; expire earlier of original expiration or three years.	Forfeit.
Financial Planning Perquisite	Continues for one year.	Terminates.	Terminates.	Continues for one year.	Terminates.
DCP	Payable per prior elections (lump sum or up to 10 annual installments).	Same as Retirement.	Same as Retirement.	Payable to beneficiary or disabled participant per prior elections; amounts deferred prior to 2005 can be paid as a lump sum per plan administration committee s discretion.	Same as Retirement.
SBP	Payable per prior elections (lump sum or up to 20 annual installments).	Same as Retirement.	Same as Retirement.	Same as the Deferred Compensation Plan.	Same as Retirement.

The chart below describes the treatment of payments under pay and benefit programs under different change in control events, except the Pension Plan (the Change in Control Chart). The Pension Plan is not affected by change in control events.

Program	Southern Company Change in Control I	Southern Company Change in Control II	Southern Company Termination or the Company Change in Control	Involuntary Change in Control-Related Termination or Voluntary Change in Control-Related Termination for Good Reason
Nonqualified Pension Benefits	All SERP-related benefits vest if participants vested in tax-qualified pension benefits; otherwise, no impact.	Benefits vest for all participants and single sum value of benefits earned to the change in control date paid following termination or retirement.	Same as Southern Company Change in Control II.	Based on type of change in control event.
Annual Incentive Program	No plan termination is paid at greater of target or actual performance. If plan terminated within two years of change in control, pro-rated at target performance level.	Same as Southern Company Change in Control I.	Pro-rated at target performance level.	If not otherwise eligible for payment, if annual incentive still in effect, pro-rated at target performance level.
Performance Dividend Program	No plan termination is paid at greater of target or actual performance. If plan terminated within two years of change in control, pro-rated at greater of target or actual performance level.	Same as Southern Company Change in Control I.	Pro-rated at greater of actual or target performance level.	If not otherwise eligible for payment, if the performance dividend program is still in effect, greater of actual or target performance level for year of severance only.
Stock Options	Not affected by change in control events.	Not affected by change in control events.	Vest and convert to surviving company s securities; if cannot convert, pay spread in cash.	Vest.
DCP	Not affected by change in control events.	Not affected by change in control events.	Not affected by change in control events.	Not affected by change in control events.
SBP	Not affected by change in control events.	Not affected by change in control events.	Not affected by change in control events.	Not affected by change in control events.

	Southern Company Change in Control I	Southern Company Change in Control II	Southern Company Termination or the Company Change in Control	Involuntary Change in Control-Related Termination or Voluntary Change in Control-Related Termination for Good Reason
Program Severance Benefits	Not applicable.	Not applicable.	Not applicable.	Two or three times base salary plus target annual incentive plus tax gross up for certain named executive officers if severance amounts exceed Section 280G of the Code excess parachute payment by 10% or more.
Health Benefits	Not applicable.	Not applicable.	Not applicable.	Up to five years participation in group health plan plus payment of two or three years premium amounts.
Outplace-ment Services	Not applicable.	Not applicable.	Not applicable.	Six months.

Potential Payments

This section describes and estimates payments that would become payable to the named executive officers upon a termination or change in control as of December 31, 2007.

Pension Benefits

The amounts that would have become payable to the named executive officers if the Traditional Termination Events occurred as of December 31, 2007 under the Pension Plan, the SBP-P, and the SERP are itemized in the chart below. The amounts shown under the column Retirement are amounts that would have become payable to the named executive officers that were retirement eligible on December 31, 2007 and are the monthly Pension Plan benefits and the first of 10 annual installments from the SBP-P and the SERP. The amounts shown under the column Resignation or Involuntary Termination are the amounts that would have become payable to the named executive officers who were not retirement eligible on December 31, 2007 and are the monthly Pension Plan benefits that would become payable as of the earliest possible date under the Pension Plan and the single sum value of benefits earned up to the termination date under the SBP-P, paid as a single payment rather than in 10 annual installments. Benefits under the SERP would be forfeited. The amounts shown that are payable to a spouse in the event of the death of the named executive officer are the monthly amounts payable to a spouse under the Pension Plan and the first of 10 annual installments from the SBP-P and the SERP. The amounts in this chart are very different from the pension values shown in the Summary Compensation Table and the Pension Benefits Table. Those tables show the present values of all the benefits amounts anticipated to be paid over the lifetimes of the named executive officers and their spouses. Those plans are described in the notes following the Pension Benefits Table. All of the named executive officers were retirement eligible on December 31, 2007.

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			Resignation or Involuntary Termination	Death
	Retirement		($)	(payments to a spouse)
Name	($)			($)
C. D. McCrary	Pension	6,494	All plans treated as retiring	4,304
	SBP-P	458,841		458,841
	SERP	147,384		147,384
A. P. Beattie	Pension	5,266	All plans treated as retiring	4,044
	SBP-P	59,770		59,770
	SERP	44,027		44,027
C. A. Martin	Pension	8,032	All plans treated as retiring	4,507
	SBP-P	225,262		225,262
	SERP	82,516		82,516
S. R. Spencer	Pension	4,614	All plans treated as retiring	3,775
	SBP-P	116,240		116,240
	SERP	45,576		45,576
J. L. Stewart	Pension	7,425	All plans treated as retiring	4,414
	SBP-P	174,366		174,366
	SERP	69,817		69,817

As described in the Change in Control Chart, the only change in the form of payment, acceleration or enhancement of the pension benefits is that the single sum value of benefits earned up to the change in control date under the SBP-P and the SERP could be paid as a single payment rather than in 10 annual installments. Also, the SERP benefits vest for participants who are not retirement eligible upon a change in control. Estimates of the single sum payment that would have been made to the named executive officers, assuming termination as of December 31, 2007 following a change in control event, other than a Southern Company Change in Control I (which does not impact how pension benefits are paid), are itemized below. These amounts would be paid instead of the benefits shown in the Traditional Termination Events table above; they are not paid in addition to those amounts.

	SBP-P	SERP	Total
Name	($)	($)	($)
C. D. McCrary	4,588,413	1,473,839	6,062,252
A. P. Beattie	597,702	440,271	1,037,973
C. A. Martin	2,252,620	825,158	3,077,778
S. R. Spencer	1,162,399	455,759	1,618,158
J. L. Stewart	1,743,658	698,169	2,441,827

The pension benefit amounts in the tables above were calculated as of December 31, 2007 assuming payments would begin as soon as possible under the terms of the plans. Accordingly, appropriate early retirement reductions were applied. Any unpaid incentives were assumed to be paid at 1.35 times the target level. Pension Plan benefits were calculated assuming named executive officers chose a single life annuity form of payment, because that results in the greatest monthly benefit. The single sum values of the SBP-P and the SERP benefits were based on a 4.85%

discount rate as prescribed by the terms of the plan for those who separated from service in 2007.

Annual Incentive

Because this section assumes that a termination or change in control event occurred on December 31, 2007, there is no amount that would be payable other than what was reported and described in the Summary Compensation Table because actual performance in 2007 exceeded target performance.

Performance Dividends

Because the assumed termination date is December 31, 2007, there is no additional amount that would be payable other than what was reported in the Summary Compensation Table under the Traditional Termination Events. As described in the Traditional Termination Events chart, there is some continuation of benefits under the performance dividend program for retirees.

However, under the Change in Control-Related Events, performance dividends are payable at the greater of target performance or actual performance. For the 2004-2007 performance period, actual performance was less than target performance. The table below estimates the additional amount that would have been payable under the performance dividend program if a change in control occurred as of December 31, 2007.

Name	Additional Performance Dividends ($)
C. D. McCrary	78,167
A. P. Beattie	21,690
C. A. Martin	33,393
S. R. Spencer	19,252
J. L. Stewart	34,433

Stock Options

Stock Options would be treated as described in the Termination and Change in Control charts above. Under a Southern Company Termination, all stock options vest. In addition, if there is an Involuntary Change in Control Termination or Voluntary Change in Control Termination for Good Reason, stock options vest. There is no payment associated with stock options unless there is a Southern Company Termination and the participants stock options cannot be converted into surviving company stock options. In that event, the excess of the exercise price and the closing price of the Common Stock on December 31, 2007 would be paid in cash for all stock options held by the named executive officers. The chart below shows the number of stock options for which vesting would be accelerated under a Southern Company Termination and the amount that would be payable under a Southern Company Termination if there were no conversion to the surviving company s stock options.

	Total Number of Options Following Accelerated Vesting under a Southern Company Termination	Total Payable in Cash under a Southern Company Termination without Conversion of Stock Options
Number of Options with Accelerated Vesting	(#)	($)
(#)		

Name			
C. D. McCrary	197,269	359,389	1,912,094
A. P. Beattie	43,161	99,722	682,734
C. A. Martin	75,255	153,529	875,223
S. R. Spencer	58,594	88,516	394,501
J. L. Stewart	63,614	158,313	1,050,497

DCP and SBP

The aggregate balances reported in the Nonqualified Deferred Compensation Table would be payable to the named executive officers as described in the Traditional Termination and Change in Control-Related Events charts above. There is no enhancement or acceleration of payments under these plans associated with termination or change in control events, other than the lump-sum payment opportunity described in the above charts. The lump sums that would be payable are those that are reported in the Nonqualified Deferred Compensation Table.

Health Benefits

All the named executive officers are retirement eligible and health care benefits are provided to retirees, and there is no incremental payment associated with the termination or change in control events.

Financial Planning Perquisite

Since the named executive officers are retirement eligible, an additional year of the Financial Planning perquisite, which is set at a maximum of $8,700 per year, is provided after retirement or will be provided after retirement.

There are no other perquisites provided to the named executive officers under any of the traditional termination or change in control-related events.

Severance Benefits

The named executive officers are participants in a change in control severance plan. In addition to the treatment of Health Benefits, the annual incentive program, and the performance dividend program described above, the named executive officers are entitled to a severance benefit, including outplacement services, if within two years of a change in control, they an involuntarily terminated, not for Cause, or they voluntarily terminate for Good Reason. The severance benefits are not paid unless the named executive officer releases the Company from any claims he may have against the Company.

The estimated cost of providing the six months of outplacement services is $6,000 per named executive officer. The severance payment is three times the base salary and target payout under the annual incentive program for Messrs. McCrary, Martin and Stewart and two times the base salary and target payout under the annual incentive program for the other named executive officers. If any portion of the severance payment is an excess parachute payment as defined under Section 280G of the Code, the Company will pay the named executive officer an additional amount to cover the taxes that would be due on the excess parachute payment a tax gross-up. However, that additional amount will not be paid unless the severance amount plus all other amounts that are considered parachute payments under the Code exceed 110% of the severance payment.

The table below estimates the severance payments that would be made to the named executive officers if they were terminated as of December 31, 2007 in connection with a change in control. There is no estimated tax gross-up included for any of the named executive officers because their respective estimated severance amounts payable are below the amounts considered excess parachute payments under the Code.

Name	**Severance Amount ($)**
C. D. McCrary	3,327,050
A. P. Beattie	837,879
C. A. Martin	1,842,251
S. R. Spencer	1,093,809
J. L. Stewart	1,571,221

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The Compensation Committee is made up of non-employee directors of Southern Company who have never served as executive officers of Southern Company or the Company. During 2007, none of Southern Company s or the Company s executive officers served on the board of directors of any entities whose directors or officers serve on the Compensation Committee.

STOCK OWNERSHIP TABLE

Southern Company is the beneficial owner of 100 percent of the outstanding common stock of the Company. The following table shows the number of shares of Common Stock owned by directors, nominees, and executive officers as of December 31, 2007. It is based on information furnished by the directors, nominees, and executive officers. The shares owned by all directors, nominees and executive officers as a group constitute less than one percent of the total number of shares of Common Stock outstanding on December 31, 2007.

Name of Directors, Nominees and Executive Officers	Shares Beneficially Owned(1)	Deferred Stock Units (2)	Shares Individuals Have Right to Acquire Within 60 Days(3)
Whit Armstrong	32,044	4,562	
David J. Cooper, Sr.	18,702		
John D. Johns	5,797	5,797	
Patricia M. King	5,009	4,562	
James K. Lowder	29,596		
Charles D. McCrary	263,133		258,108
Malcolm Portera	7,390	7,249	
Robert D. Powers	5,622	4,562	
David M. Ratcliffe	1,539,731		1,522,922
C. Dowd Ritter	5,140		
James H. Sanford	9,671		
John C. Webb, IV	14,420	4,562	
James W. Wright	6,738	6,738	
Art P. Beattie	82,687		77,976
C. Alan Martin	121,974		116,170
Steve R. Spencer	62,537		59,428
Jerry L. Stewart	136,412		126,602
Directors, Nominees and Executive Officers as a group (17 people)	2,346,603	38,032	2,161,206

(1) Beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security, and/or investment power with respect to a security or any combination thereof.
(2) Indicates the number of Deferred Stock Units held under the Director Deferred Compensation Plan.
(3) Indicates shares of Common Stock that certain executive officers have the right to acquire within 60 days. Shares indicated are included in the Shares Beneficially Owned column.

OTHER INFORMATION

Section 16(a) Beneficial Ownership Reporting Compliance

No reporting person of the Company failed to file, on a timely basis, the reports required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

Certain Relationships and Related Transactions

Mr. Whit Armstrong is President, Chief Executive Officer, and Chairman of The Citizens Bank, Enterprise, Alabama; Mr. C. Dowd Ritter is Chairman, President, and Chief Executive Officer of Regions Financial Corporation, Birmingham, Alabama, and Mr. James W. Wright is Chairman of First Tuskegee Bank, Montgomery, Alabama. During 2007, these banks furnished a number of regular banking services in the ordinary course of business to the Company. The Company intends to maintain normal banking relations with all the aforesaid banks in the future.

The Company does not have a written policy pertaining solely to the approval or ratification of related party transactions. However, Southern Company has a Code of Ethics, a Contract Guidance Manual, and other formal written procurement policies and procedures that guide the purchase of goods and services, including requiring competitive bids for most transactions above $10,000 or approval based on documented business needs for sole sourcing arrangements.

PROPOSED AMENDMENT TO THE ARTICLES OF INCORPORATION

ITEM NO. 2 PROPOSED AMENDMENTTO THE ARTICLES OF INCORPORATION

The board has approved, and recommends to the shareholders that they adopt, an amendment to the Company s Articles of Incorporation that would increase the Company s authorized common stock from 25,000,000 shares to 40,000,000 shares. If the amendment is adopted, the first paragraph of Article IX of the Company s Articles of Incorporation will be amended to read as set forth in Appendix A hereto.

Of the 25,000,000 currently authorized shares of common stock, 21,725,000 shares are outstanding. The additional shares of common stock for which authorization is sought would be a part of the existing class of common stock, and, if and when issued, would have the same rights and privileges as the shares of common stock presently outstanding or authorized to be issued.

The Company expects to issue the common stock to Southern Company for cash in an offering exempt from registration under the Securities Act of 1933, as amended.

Purpose and Effect of Amendment

The board believes that an increase in the number of shares of authorized common stock as contemplated by the proposal would benefit the Company and its shareholders by giving the Company needed flexibility in its corporate planning and its ability to raise additional capital and respond to developments in the Company s business. The board has no present intention to authorize the issuance of any shares of common stock to any person other than Southern Company.

The additional shares of common stock will be issuable without further authorization by vote or consent of the shareholders of the Company and on such terms and for such consideration as may be determined by the board, subject to applicable law, and in such amounts as authorized by the Alabama Public Service Commission.

Vote Required

The proposed increase in the authorized number of shares of common stock requires the affirmative vote of the larger amount in total value of the common stock and all classes of preferred stock and Class A preferred stock voting as a single class.

For voting purposes, the total value of the preferred stock shall be equal to the par value of all shares of preferred stock outstanding, the total value of the Class A preferred stock shall be equal to the stated value of all shares of Class A preferred stock outstanding and the total value of the common stock shall be equal to the par value of all shares of common stock outstanding plus paid-in capital. The total value of the outstanding preferred stock is $47,511,500, the total value of the outstanding Class A preferred stock is $300,000,000, and the total value of the outstanding common stock using paid-in capital as of December 31, 2007 is $2,934,298,000. Southern Company, as owner of all of the Company s common stock, will vote for the proposed amendment.

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APPENDIX A

Proposed Amendment of Article IX of

Alabama Power Company s Articles of Incorporation

Article IX

Capital Stock

The corporation is authorized to issue four classes of shares of capital stock to be designated, respectively, common stock, preferred stock, Class A preferred stock and preference stock. The total number of shares of stock which the corporation shall have authority to issue shall be 111,350,000 shares, of which 40,000,000 shares shall be common stock with a par value of $40 per share, 3,850,000 shares shall be preferred stock with a par value of $100 per share, 27,500,000 shares shall be Class A preferred stock with a par value of $1 per share and 40,000,000 shares shall be preference stock with a par value of $1 per share. The designations, preferences, voting powers or restrictions or qualifications thereof, the rights of redemption, retirement and conversion of the shares of capital stock of the corporation, and the general provisions with respect thereto, shall be as hereinafter set forth; provided, however, that the preferred stock, Class A preferred stock and preference stock may be divided into and issued from time to time in one or more series, each such series of preferred stock or Class A preferred stock being hereinafter for convenience referred to as a class of preferred stock or Class A preferred stock, as the case may be, all such series of preferred stock or Class A preferred stock being hereinafter for convenience collectively referred to as classes of preferred stock or Class A preferred stock, as the case may be, and each such series of preference stock shall be referred to as a series, of preference stock. The board of directors shall have, and is hereby granted the power and authority to divide the unissued shares of preferred stock, Class A preferred stock and preference stock into series (including the power and authority to reclassify, in the manner provided by law, all or any number of the unissued shares of preferred stock authorized at the time of the adoption of the joint agreement between Alabama Power Company and Birmingham Electric Company prescribing the terms and conditions of the merger of Birmingham Electric Company into and with Alabama Power Company), to fix and determine the following relative rights and preferences of any such series of preferred stock and Class A preferred stock, and the number of shares constituting any such series and the designation thereof, or any of them: (1) the dividend rate, (2) the dividend payment dates, (3) the redemption price thereof, (4) the amount payable in event of liquidation, voluntary and involuntary and (5) the sinking fund provisions, if any, for the redemption or purchase of shares; to fix and determine the following relative rights and preferences of any such series of preference stock, and the number of shares constituting any such series and the designation thereof, or any of them: (1) the dividend rate, (2) the dividend payment dates, (3) the dividend rights, including the cumulative or non-cumulative nature thereof, (4) the terms and conditions for redemption of shares and the redemption price thereof, (5) the amount payable in event of liquidation, voluntary and involuntary, (6) the sinking fund provisions, if any, for the redemption or purchase of shares and (7) special voting rights, if any; and to increase or decrease the number of shares of any such series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall assume the status of authorized but unissued shares of preferred stock, Class A preferred stock or preference stock, as the case may be. The board of directors may issue and sell such shares of preferred stock, Class A preferred stock or preference stock in series and any other authorized shares provided for in this Article IX. Upon the issuance of shares of Class A preferred stock and preference stock, there shall be transferred to stated capital represented by each such share of Class A preferred stock or preference stock, as the case may be, an amount equal to the excess of the consideration received over the par value thereof (up to an amount which, when added to such par value, shall not exceed such share s preferential claim in the event of involuntary liquidation) and the stated capital represented by each share so determined shall be equal to such share s preferential claim in the event of involuntary liquidation.