ALABAMA POWER CO
Form DEF 14C
March 25, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

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o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:
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NOTICE OF 2009

ANNUAL MEETING

& INFORMATION STATEMENT

www.alabamapower.com

ALABAMA POWER COMPANY

Birmingham, Alabama

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held on April 24, 2009

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of the Shareholders of Alabama Power Company will be held at the corporate headquarters of Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291 on April 24, 2009 at 8:00 a.m., Central Time, to elect 14 members of the board of directors 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 9, 2009 will be entitled to notice of and to vote at said meeting or any adjournment or postponement thereof.

For directions to the meeting, please contact the Alabama Power Company Corporate Secretary at (205) 257-1000 or send an e-mail to apcocorpsec@southernco.com.

The Information Statement and the 2008 Annual Report are included in this mailing.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF INFORMATION STATEMENT AND 2008 ANNUAL REPORT FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 24, 2009.

This Information Statement and the 2008 Annual Report are also available to you at http://www.alabamapower.com/financial/.

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 25, 2009

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INFORMATION STATEMENT

GENERAL INFORMATION

This Information Statement is furnished by Alabama Power Company (Company) in connection with the 2009 Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held on April 24, 2009 at 8:00 a.m., Central Time, at the corporate headquarters of Alabama Power Company, 600 North 18th Street, Birmingham, Alabama. This Information Statement is initially being provided to shareholders on or about March 25, 2009. The Information Statement and the 2008 Annual Report are also available to you at http://www.alabamapower.com/financial/.

At the meeting, the shareholders will vote to elect 14 members to the board of directors 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 9, 2009 are entitled to notice of and to vote at the meeting. On that date, there were 25,475,000 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.

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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 2010 Annual Meeting, shareholder proposals must be received by the Company no later than January 21, 2010.

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NOMINEES FOR ELECTION AS DIRECTORS

ITEM NO. 1 ELECTION OF DIRECTORS

A board of 14 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, 2008.

Charles D. McCrary Director since 2001

Mr. McCrary, 57, 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, 61, 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.

Ralph D. Cook Director since 2008

Mr. Cook, 64, is an attorney with the Hare, Wynn, Newell, and Newton law firm in Birmingham, Alabama. He has been with the firm since February 2001.

David J. Cooper, Sr. Director since 1998

Mr. Cooper, 63, is Vice Chairman 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, and Regions Financial Corporation, Birmingham, Alabama.

John D. Johns Director since 2004

Mr. Johns, 56, is Chairman, President, and Chief Executive Officer of Protective Life Corporation (a holding company whose subsidiaries provide insurance and other financial services), Birmingham, Alabama. He is a Director of Protective Life Corporation, Genuine Parts Company, Atlanta, Georgia, and John H. Harland Company, Decatur, Georgia.

Patricia M. King Director since 1997

Ms. King, 63, is President and Chief Executive Officer of Sunny King Automotive Group (automobile dealerships), Anniston, Alabama.

James K. Lowder Director since 1997

Mr. Lowder, 59, 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, 62, is Chancellor of The University of Alabama System, Tuscaloosa, Alabama. He is a Director of Protective Life Corporation, Birmingham, Alabama, and Regions Financial Corporation, Birmingham, Alabama.

Robert D. Powers Director since 1992

Mr. Powers, 58, is President of The Eufaula Agency, Inc. (insurance and real estate), Eufaula, Alabama.

David M. Ratcliffe Director since 2004

Mr. Ratcliffe, 60, 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, 61, 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 Regions Financial Corporation and Protective Life Corporation, Birmingham, Alabama.

James H. Sanford Director since 1983

Mr. Sanford, 64, 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 and Chairman of the Board of the Federal Reserve Bank of Atlanta, Birmingham Branch.

John C. Webb, IV Director since 1977

Mr. Webb, 66, is President of Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama.

James W. Wright Director since 2000

Mr. Wright, 65, 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 2009 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 14 members 12 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 (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 (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 (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 2008, 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	40,600	19,109	0	1,327	61,035
Ralph D. Cook	13,667	8,020	0	0	21,687
David J. Cooper, Sr.	30,400	19,109	0	1,059	50,567
John D. Johns	28,600	19,109	0	875	48,583
Patricia M. King	30,400	19,109	0	2,239	51,747
James K. Lowder	35,200	19,109	0	875	55,183
Malcolm Portera	31,600	19,109	0	875	51,583
Robert D. Powers	43,000	19,109	0	1,686	63,794
C. Dowd Ritter	30,400	19,109	0	922	50,430
James H. Sanford	31,600	19,109	0	1,244	51,952
John C. Webb, IV	38,200	19,109	0	954	58,262
James W. Wright	30,400	19,109	0	1,065	50,573

(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.

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COMMITTEES OF THE BOARD

Controls and Compliance Committee:

- Members are Mr. Webb, Chairman; Mr. Armstrong, and Mr. Lowder
- Met four times in 2008
- 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 two times in 2008
- Oversees the administration of the Company s compensation arrangements

The Company s Compensation Committee reviews and provides input to the Southern Company 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 2008, the Southern Company Compensation and Management Succession Committee directly retained Towers Perrin as its outside compensation consultant. The Southern Company Compensation and Management Succession Committee informed Towers Perrin in writing that the Southern Company Compensation and Management Succession Committee expected Towers Perrin to provide an independent assessment of the current executive compensation program and any management-recommended changes to that program and to work with Southern Company management to ensure that the executive compensation program is designed and administered consistent with the Southern Company Compensation and Management Succession Committee s requirements. The Southern Company Compensation and Management Succession Committee also expected Towers Perrin to recommend changes to the executive and related corporate governance trends.

During 2008, Towers Perrin 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.

Executive Committee:

Members are Mr. McCrary, Chairman; Mr. Cooper, Mr. Johns, and Mr. Ritter
Met one time in 2008
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 one time in 2008
Reviews nuclear activities
Chairman serves on the Southern Nuclear Operating Company, Inc. Nuclear Oversight Committee as a representative of the Board for which he receives meeting fees from the Company.

DIRECTOR ATTENDANCE

The board of directors met four times in 2008. Average director attendance at all board and committee meetings was 97 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 directors attended the Company s 2008 Annual Meeting of Shareholders.

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AUDIT COMMITTEE REPORT

The Southern Company Audit Committee (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 establishing and maintaining adequate internal controls over financial reporting, including disclosure controls and procedures, and for preparing the Company s financial statements. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements of the Company and management s report on the Company s internal control over financial reporting in the 2008 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 includes 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 has discussed with the independent registered public accounting firm the matters that are required to be discussed by Statement on Auditing Standards No. 61, as amended (American Institute of Certified Public Accountants, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. In addition, the Audit Committee has discussed with the independent registered public accounting firm its independence from management and the Company as required under rules of the PCAOB and has received the written disclosures and letter from the independent registered public accounting firm required by the 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 the 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 nine meetings during 2008.

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, 2008 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche as the Company s independent registered public accounting firm for 2009. At the 2009 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

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 2007 and 2008.

	2007	2008
	(in thousands)	
Audit Fees(1)	$2,724	$2,442
Audit-Related Fees	0	0
Tax Fees	0	0
All Other Fees	0	0
Total	$2,724	$2,442

(1) Includes services performed in connection with financing transactions.

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 2009 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 (CD&A)

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 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 (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).

The pay-for-performance principles apply not only to the named executive officers, but to thousands of Company employees. The annual incentive program covers nearly all of the Company s approximately 7,000 employees and the change-in-control protection program covers all of 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 is composed 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 2008 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. One-time lump sum payments are made in lieu of promotional salary increases in certain circumstances.	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 may receive discretionary cash or non-cash awards based on extraordinary performance.	Provides a means of rewarding, on a current basis, extraordinary performance.

	Awards are not tied to pre-established goals.	
Relocation Incentive	Lump sum payment of 10% of base salary provides incentive to geographically relocate.	Enhances the value of the relocation program.
Retention and Special Incentive Awards	Provides incentive for retention and individual performance goals.	Provides a means of establishing goals and rewarding individual performance.

Pay Element	Intended Role and What the Element Rewards	Why We Use the Element
Retirement Benefits	The Southern Company 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 or performance dividends in either a prime interest rate account 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.	
	Additional years of service agreements provide enhanced retirement benefits as if a participant had worked additional years at the Company.	
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 the risk of harm to executives.	
	Club memberships are provided primarily for business use.	

	Relocation benefits cover the costs associated with geographic relocation at the request of the employer.	
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 in the event 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 Towers Perrin, the compensation consultant 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 the entire list of companies below also is used. No other companies data are used in our market-pay comparisons.

AGL Resources Inc.	Energy East Corporation	Pinnacle West Capital Corporation
Allegheny Energy Corporation	Entergy Corporation	PPL Corporation
Alliant Energy Corporation	Exelon Corporation	Progress Energy, Inc.
Ameren Corporation	FirstEnegy Corp.	Public Service Enterprise Group Inc.
American Electric Power Company, Inc.	FPL Group, Inc.	Puget Energy, Inc.
Atmos Energy Corporation	Integrys Energy Company, Inc.	Reliant Energy, Inc.
Calpine Corporation	MDU Resources, Inc.	Salt River Project
CenterPoint Energy, Inc	Mirant Corporation	SCANA Corporation
CMS Energy Corporation	New York Power Authority	Sempra Energy
Consolidated Edison, Inc.	Nicor, Inc.	Sierra Pacific Resources
Constellation Energy Group, Inc.	Northeast Utilities	Southern Union Company
Dominion Resources Inc.	NRG Energy, Inc.	Tennessee Valley Authority
Duke Energy Corporation	NSTAR	The Williams Companies, Inc.
Dynegy Inc.	OGE Energy Corp.	Wisconsin Energy Corporation
Edison International	Pepco Holdings, Inc.	Xcel Energy Inc.
El Paso Corporation	PG&E Corporation	

Southern Company is one of the largest U.S. utility companies based on 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), and stock option awards with associated performance dividends at a target value. 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 percentage of total target compensation opportunities, nor did amounts realized or realizable from prior compensation serve to increase or decrease 2008 compensation amounts. Total target compensation opportunities for senior management as a group are managed to be at the median of the market for companies of our size and in our industry. The total target compensation opportunity established in 2008 for each named executive officer is shown below.

Name	Salary ($)	Annual Incentive ($)	Long-Term Incentive ($)	Total Target Compensation Opportunity ($)
C. D. McCrary	662,242	496,681	801,306	1,960,229
A. P. Beattie	289,068	144,534	174,885	608,487
M. A. Crosswhite	298,114	149,057	180,354	627,525
C. A. Martin	441,348	263,308	388,379	1,093,035
S. R. Spencer	379,187	207,263	271,117	857,567
J. L. Stewart	354,792	195,135	253,676	803,603

As is our long-standing practice, the salary levels shown above were not effective before March 2008. Therefore, the amounts reported in the Summary Compensation Table are lower because that table reports actual amounts paid in 2008. For purposes of comparing the value of our compensation program to the market data, stock options were valued at 12%, and performance dividend targets at 10%, of the average daily Common Stock price for the year preceding the grant, both of which represented risk-adjusted present values on the date of grant and were consistent with the methodologies used to develop the market data. For the 2008 grant of stock options and the performance dividend targets established for the 2008 - 2011 performance period, this value was $8.03 per stock option granted. In the long-term incentive column, approximately 55% of the value shown is attributable to stock options and approximately 45% is 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 terms. 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. The value of stock options, with the associated performance dividends, declined from 2007. In 2007, the value of the dividend equivalents was 10% of the value of the average daily Common Stock price for the year preceding the grant as in 2008, but the value of the stock options was 15% rather than 12%. In 2007, the performance dividends represented 40% of the long-term incentive value and stock options represented 60% of that value.

As discussed above, the Compensation Committee targets total target compensation opportunities for executives as a group at market. 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 opportunity for each named executive officer are based almost exclusively on the differences indicated by the market data for persons holding similar positions. 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 consider the total target opportunity to be at market if it is within a range of 90% to 110% of the median of the market data. The average total target compensation opportunities for the named executive officers for 2008 were within this range and therefore we continue to believe that our compensation program is market-appropriate.

In 2008, the Compensation Committee received 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 our overall executive benefits program was at market.

DESCRIPTION OF KEY COMPENSATION COMPONENTS

2008 Base Salary

With the exception of Messrs. McCrary and Martin, 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. The actual base salary levels set for each of these named executive officers are within the pre-established salary ranges. 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. Individual performance includes the degree of competence and initiative exhibited and the individual s relative contribution to the results of operations in prior years. Messrs. McCrary s and Martin s total target compensation opportunities, including base salaries, are not within a position level band. They are set directly by the Compensation Committee 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, Crosswhite, and Spencer for 2008 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. Thomas A. Fanning who, as Southern Company s Chief Operating Officer, is the senior executive of Southern Company Generation; with input from Mr. McCrary. Mr. McCrary also is an executive officer of Southern Company. Mr. Martin became President of Southern Company Services, Inc. (SCS) effective February 1, 2008 and also is an executive officer of Southern Company. Their base salaries are recommended by Mr. Ratcliffe to the Compensation Committee and were influenced by the above-described market data. The base salaries recommended by Messrs. McCrary and Fanning were approved by Mr. Ratcliffe.

In early 2008, Mr. Spencer assumed additional responsibilities and was promoted. He received a one-time lump sum in lieu of a base salary increase. Mr. McCrary approved the lump sum payment. As reported in prior years, Mr. Spencer s compensation was above-market as described above. Therefore, a lump sum payment in lieu of a base salary increase was appropriate. His compensation is now at market for his new position.

2008 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 2008, 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 energy demand with the best economic and environmental choices.

In 2008, we also focused on and rewarded:

- Southern Company EPS growth;
- Company ROE in the top quartile of comparable electric utilities;
- Common Stock dividend growth;
- Long-term, risk-adjusted Southern Company total shareholder return; and

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

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

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

<u>2008 Annual Incentive Program</u>

Program Design

The Performance Pay Program is Southern Company s annual incentive program. 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 2008 is provided below.

Operational goals for 2008 were safety, customer service, plant availability, transmission and distribution system reliability, and inclusion. 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 can be 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. 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 and SCS, 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.

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, outside of normal operations, or not anticipated in the business plan when the earnings goal was established and of sufficient magnitude to warrant recognition. The Compensation Committee made an adjustment in 2008 to eliminate the effect of $83 million in after-tax charges to Southern Company earnings taken in 2008. The charges related to a position Southern Company took concerning the timing of tax deductions associated with sale-in-lease-out (SILO) transactions that were challenged by the Internal Revenue Service. In making this decision, the Compensation Committee considered that the charges only affected the timing of deductions taken by Southern Company related to the SILO transactions, that the future tax benefits due to the timing change likely will be minimal in future years and will likely have no impact on future Performance Pay Program award sizes, and that the impact of the tax benefits in earlier years was minimal an average of just over two percent in 2002 through 2007. This adjustment increased the average payout for 2008 performance by approximately 30%.

Under the terms of the program, no payout can be made if Southern Company s current earnings are not sufficient to fund the 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 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 $1.398 billion and $4.135 billion, respectively, for 2008, 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 2008, such as acquisitions or disposition of assets, new capital projects, and other events.

The Southern Company Generation operational goals included availability, safety, and inclusion. For SCS, the payout is based on the corporate-wide weighted average of all business units operational goals except for inclusion which is based on the performance of SCS.

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

Level of Performance	Customer Service	Reliability	Availability and Southern Company Generation	Company Safety - Company/ Southern Company Generation	Inclusion
Maximum (1.10)	Top quartile for each customer segment	Improve historical performance	2.00%	0.95/0.30	Significant improvement
Target (1.00)	Top quartile overall	Maintain historical performance	2.75%	1.25/0.60	Improve
Threshold (0.90)	3rd quartile	Below historical performance	3.75%	1.50/0.90	Below expectations
0 Trigger	4th quartile	Significant issues	6.00%	>1.50/>0.90	Significant issues

EPS and Business Unit Financial Performance:

The range of EPS and business unit financial performance/ROE goals for 2008 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 SILO tax impacts	Business unit financial performance/ ROE	Payout Factor	Payout Factor at Associated Level of Operational Goal Achievement	Payout Below Threshold for Operational Goal Achievement
Maximum	$2.45	14.25%	2.00	2.20	0.00
Target	$2.32	13.25%	1.00	1.00	0.00
Threshold	$2.24	11.00%	0.50	0.45	0.00
Below threshold	<$2.24	<11.00%	0.00	0.00	0.00

2008 Achievement

Each named executive officer had a target annual incentive opportunity, based on his position, set by the Compensation Committee at the beginning of 2008. Targets are set as a percentage of base salary. Mr. McCrary s target was set at 75%. For Messrs. Beattie and Crosswhite, it was set at 50%, for Mr. Stewart, it was set at 55%, for Mr. Spencer, it was initially set at 50% and was increased to 55% due a promotion, and for Mr. Martin, it was initially set at 55% and was increased to 60% due to his promotion. The gate goal target was not exceeded and therefore did not affect payouts. Actual 2008 goal achievement is shown in the following table. The EPS result shown in the table is adjusted for the SILO after-tax charges taken in 2008 as described above. Therefore, payouts were determined using EPS performance results that differed from the results reported in the financial statements of Southern Company. EPS, as determined in accordance with generally accepted accounting principles and as reported in Southern Company s Annual Report on Form 10-K for the year ended December 31, 2008, was $2.26 per share.

Business Unit	Operational Goal Multiplier (A)	EPS, excluding SILO tax impacts	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	1.07	$2.37	1.54	13.30%	1.05	1.29	1.39
Southern Company Generation	1.09	$2.37	1.54	Corporate Weighted Average	1.24	1.39	1.51
Southern Company Services. Inc.	1.07	$2.37	1.54	Corporate Weighted Average	1.24	1.39	1.49

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

Actual performance, as adjusted, exceeded the target performance levels established by the Compensation Committee in early 2008; therefore, the payout levels also exceeded the target pay opportunities that were established. More information on how the target pay opportunities are established is provided under the Market Data section in this CD&A.

The table below shows the pay opportunity set in early 2008 for the annual incentive payout at target-level performance and the actual payout based on the actual performance shown above.

Name	Target Annual Incentive Opportunity ($)	Actual Annual Incentive Payout ($)
C. D. McCrary	496,681	690,387
A. P. Beattie	144,534	200,903
M. A. Crosswhite	149,057	207,189
C. A. Martin	263,308	390,678
S. R. Spencer	207,263	288,096

J. L. Stewart	195,135	294,655

Stock Options

Options to purchase Common Stock are granted annually and were granted in 2008 to the named executive officers and approximately 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 2008 were calculated using guidelines set by the Compensation Committee as a percentage of base salary as shown in the table below. 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. The guideline percentage was set by the Compensation Committee to deliver target long-term incentive compensation assuming a stock option value, with associated performance dividends, of approximately 25% of that average Common Stock price. As discussed in the Market Data section in this CD&A, in 2008 the target value of the stock options, with the associated performance dividends, was only 22% of that average. Therefore, while the guideline as a percentage of salary was not increased for 2008 stock option awards, the target value of long-term incentive compensation was less in 2008 than in 2007 - $8.03 per share in 2008 and $8.515 per share in 2007.

The calculation of the 2008 stock option grants for the named executive officers is shown below.

Name	Guideline % of Salary	Salary ($)	Guideline Amount ($)	Average Daily Stock Price ($)	Number Of Stock Options Granted (Guideline Amount/Average Daily Stock Price)
C. D. McCrary	550%	662,242	3,642,331	36.50	99,789
A. P. Beattie	275%	289,068	794,937	36.50	21,779
M.A. Crosswhite	275%	298,114	819,813	36.50	22,460
C. A. Martin	400%	441,348	1,765,392	36.50	48,366
S. R. Spencer	325%	379,187	1,232,358	36.50	33,763
J. L. Stewart	325%	354,792	1,153,074	36.50	31,591

The guideline percentage is based on the position held on the date the grants are made. Also, grants were made based on salaries in effect on March 1, 2008.

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. Performance dividends 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 performance-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. In the final year of the performance-measurement period, Southern Company s ranking in the peer group is determined at the end of each quarter and the percentile ranking is multiplied by the actual Common Stock dividend paid in that quarter. To determine the total payout per stock option held at the end of the performance-measurement period, the four quarterly amounts earned are added together.

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.

2008 Payout

The peer group used to determine the 2008 payout for the 2005-2008 performance-measurement period consisted of utilities with revenues of $2 billion or more with regulated revenues of 70% or more. Those companies are listed below.

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

The scale below determined the percentage of the full year s dividend paid on each option held at December 31, 2008 based on performance during the 2005-2008 performance-measurement period. Payout for performance between points was interpolated on a straight-line basis.

Performance vs. Peer Group	**Payout (% of Each Quarterly Dividend Paid)**
90th percentile or higher	100%
50th percentile	50%
10th percentile or lower	0%

The above payout scale, when established in 2005, 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.

Southern Company s total shareholder return performance, as measured at the end of each quarter of the final year of the four-year performance-measurement period ending with 2008 was the 61st, 48th, 91st, and 91st percentile, respectively, resulting in a total payout of 78% of the full year s Common Stock dividend, or $1.30. This amount was multiplied by each named executive officer s outstanding stock options at December 31, 2008 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.

2011 Opportunity

The peer group for the 2008-2011 performance-measurement period (which will be used to determine the 2011 payout amount) consists 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 2005-2008 performance-measurement period was somewhat different from that used in 2008 to establish the peer group for the 2008-2011 performance-measurement period. The guideline for inclusion in the peer group is reevaluated annually as needed to assist in identifying an appropriate number of companies similar to Southern Company. While the guideline does vary somewhat, 20 of the 24 companies in the peer group for the 2005-2008 performance-measurement period also are in the peer group established for the 2008-2011 performance-measurement period.

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

The scale below will determine the percentage of each quarter s dividend paid in the last year of the performance-measurement period to be paid on each option held at December 31, 2011, based on the 2008-2011 performance-measurement period. Payout for performance between points will be interpolated on a straight-line basis.

Performance vs. Peer Group	**Payout (% of Each Quarterly 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 2008-2011 Performance Dividend Program.

Southern Excellence Awards

The Southern Company Chief Operating Officer approved a discretionary award to Mr. Stewart for the superior leadership on a newly-implemented initiative.

Retention and Individual Performance Agreement

The Compensation Committee, on recommendation of Mr. Ratcliffe, approved a Retention and Individual Performance Agreement for Mr. Martin. The agreement provides a retention payment of $100,000 per year that vest at the end of 2008, 2009, and 2010, provided that Mr. Martin is employed as President of SCS on those dates. The agreement also provides for the vesting of restricted stock units valued at up to $200,000 at the end of 2008, 2009, and 2010 based on the degree of achievement of individual performance goals established at the beginning of each year. The restricted stock units will be treated as if invested in Common Stock with dividends reinvested and are payable in Common Stock at the end of 2010. Mr. Martin s goal for 2008 was to provide leadership in Southern Company s cost containment initiatives. For performance in 2008, Mr. Martin was awarded restricted stock units valued at $200,000. Under the terms of the agreement, payment of all vested amounts and any earnings thereon is deferred until 2011.

Timing of Incentive Compensation

As discussed above, Southern Company EPS and the Company s financial performance goals for the 2008 annual incentive program were established at the February 2008 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 material non-public 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 2008 was the closing price of the Common Stock on the last trading day before the grant date. The grant date was not a trading day.

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 described 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.

Mr. Crosswhite also has an agreement that increases his retirement benefits to a level as if he has 15 additional years of service. Mr. Crosswhite was hired by an affiliate of the Company after providing many years of service to the Company and its affiliates while associated with a law firm. The agreement was provided as a hiring incentive and continues to provide a retention incentive. More information about this agreement is included in the Pension Benefits Table and the Potential Payment upon Termination or Change in Control section.

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 who are 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.

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 requirement is doubled.

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
M. A. Crosswhite	2 Times	4 Times
C. A. Martin	3 Times	6 Times
S. R. Spencer	3 Times	6 Times
J. L. Stewart	3 Times	6 Times

Current officers have until September 30, 2011 to meet the applicable ownership requirement. Newly-elected officers have five years from the date of their election 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 (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 that has been approved by Southern Company s stockholders. Southern Company has obtained stockholder approval of the Omnibus Incentive Compensation Plan, under which most 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 under Section 162(m) of the Code, in February 2008, the Compensation Committee approved a formula that represented a maximum annual incentive amount payable (defined as 0.6% of Southern Company s net income), and the maximum performance dividend amount payable for the 2008-2011 performance-measurement period (0.6% of Southern Company s average net income during 2008-2011). For 2008 performance, the Compensation Committee used (for annual incentive), or will use (for performance dividends), negative discretion from those amounts to determine 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 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 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 or earned in 2006, 2007, and 2008 by the Chief Executive Officer, the Chief Financial Officer, and the next four most highly-paid executive officers who served in 2008. Collectively, these officers are referred to as the named executive officers.

Name and Principal Position	Year