Facing...
SOUTHERN COMPANY

We serve 4.3 million customers in one of the nation’s fastest-growing regions. With more than 42,000 megawatts of generating capacity and a competitive generation business, Southern Company is a major source of electricity in the southeastern U.S.

ON THE COVER

Bess Thompson – Georgia Power customer; Frank Shanritt – Line Technician; Gulf Power; Aquila Logan – Engineer; Georgia Power; Bart Blevins – Engineer; Alabama Power; John Dane III – Trinity Yachts president and Mississippi Power customer; Marcia Thompson – Southern Company investor; Deke Copenhaver – Mayor of Augusta, Georgia, and Georgia Power customer; Sakinah Reid – Engineer; Alabama Power; Richard Esposito – Geologist, Southern Company.

GLOSSARY

Alternative Fuels – any non-conventional substance that can be used as fuel, such as ethanol and methane.

Book Value – a company’s common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred and preference stock, and intangible assets such as goodwill. Book value per share refers to the book value of a company divided by the number of shares outstanding.

Co-Opting – a process of converting biomass to electricity by adding biomass as a supplemental fuel to coal, thus reducing the amount of coal used to generate electricity.

Combined Construction and Operating License (COL) – a license granted by the Nuclear Regulatory Commission that gives the licensee approval to both construct and operate a nuclear unit.

Competitive Generation Business – market-based wholesale electricity supply business that, primarily through long-term contracts, serves customers who can choose their suppliers based on price, reliability, capacity, and other market needs.

Demand-Reduction Programs – programs that influence the reduction or patterns of electricity use by customers. Also known as demand-side management.

Dividend Yield – the annual dividend income per share received from a company divided by its current stock price.

Earnings Per Share – net income divided by the average number of shares of common stock outstanding.

Federal Energy Regulatory Commission (FERC) – an independent agency within the U.S. Department of Energy that, among other things, regulates wholesale sales of electricity and transmission in interstate commerce.

Generating Capacity – the amount of energy that can be produced using all of our power generation facilities.

Market Value – what investors believe a company is worth, calculated by multiplying the number of shares outstanding by the current market price of the company’s shares.

Megawatt – one thousand kilowatts. A measurement of electricity usually used when discussing large amounts of generating capacity.

Nuclear Regulatory Commission (NRC) – an independent federal agency that formulates policies and develops regulations governing nuclear reactor and nuclear material safety, issues orders to licensees, and adjudicates legal matters.

Payout Ratio – the percentage of earnings that is paid to shareholders in the form of dividends.

Public Service Commission (PSC) – the authority that regulates utilities at the state level.

Renewable Portfolio Standards – legislative or regulatory policies that require the increased production of renewable energy sources such as wind, solar, biomass, and geothermal energies.

Retail Markets – markets in which energy is sold and delivered directly to the ultimate end users of that energy.

Return on Equity – earnings divided by shareholders’ equity.

Risk-Adjusted Return – a measure of return that factors in the risk (expected variability in returns) of the investment relative to other stocks.

Total Shareholder Return – stock price appreciation plus reinvested dividends. (The distribution of shares of Mirant Corporation stock to Southern Company shareholders is treated as a special dividend for purposes of calculating Southern Company shareholder return.)

Traditional Operating Companies – the part of our business that generates, transmits, and distributes electricity to commercial, industrial, and residential customers in most of Alabama and Georgia, the Florida panhandle, and southeast Mississippi.

Wholesale Customers – energy marketers, electric and gas utilities, municipal utilities, rural electric cooperatives, and other entities that buy power for resale to retail customers.

MAJOR SUBSIDIARIES & BUSINESS UNITS


SOUTHERN COMPANY

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The energy industry today faces many challenges. Energy demand continues to rise, the skilled work force needed to ensure a reliable energy supply continues to dwindle, the infrastructure requires continued maintenance and expansion, and the issue around climate change requires us to find cleaner, more efficient ways of generating the electricity necessary to live our lives.

Although these challenges may seem daunting, the reality is that Southern Company has a long history of meeting challenges with great success. We are prepared to meet today’s challenges with a common sense approach and the same practical methods we built our reputation on.

We’re facing our challenges and looking realistically to the future.
# Financial Highlights

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2006</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating revenues (in millions)</td>
<td>$15,353</td>
<td>$14,356</td>
<td>6.9%</td>
</tr>
<tr>
<td>Earnings (in millions)</td>
<td>$1,734</td>
<td>$1,573</td>
<td>10.2%</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>$2.29</td>
<td>$2.12</td>
<td>8.0%</td>
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<tr>
<td>Diluted earnings per share</td>
<td>$2.28</td>
<td>$2.10</td>
<td>8.6%</td>
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<tr>
<td>Dividends per share (amount paid)</td>
<td>$1.591/2</td>
<td>$1.531/2</td>
<td>3.9%</td>
</tr>
<tr>
<td>Dividend yield (percent)</td>
<td>4.1</td>
<td>4.2</td>
<td>(2.4)%</td>
</tr>
<tr>
<td>Average shares outstanding (in millions)</td>
<td>756</td>
<td>743</td>
<td>1.7%</td>
</tr>
<tr>
<td>Return on average common equity (percent)</td>
<td>14.60</td>
<td>14.26</td>
<td>2.4%</td>
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<tr>
<td>Book value per share</td>
<td>$16.23</td>
<td>$15.24</td>
<td>6.5%</td>
</tr>
<tr>
<td>Market price (year-end, closing)</td>
<td>$38.75</td>
<td>$36.86</td>
<td>5.1%</td>
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<tr>
<td>Total market value of common stock (year-end, in millions)</td>
<td>$29,570</td>
<td>$27,508</td>
<td>7.5%</td>
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<tr>
<td>Total assets (in millions)</td>
<td>$45,789</td>
<td>$42,858</td>
<td>6.8%</td>
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<tr>
<td>Total kilowatt-hour sales (in millions)</td>
<td>$204,360</td>
<td>$199,794</td>
<td>2.3%</td>
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<tr>
<td></td>
<td><strong>Retail</strong></td>
<td><strong>Sales for resale</strong></td>
<td><strong>Total number of customers—electric (year-end, in thousands)</strong></td>
</tr>
<tr>
<td></td>
<td>$163,615</td>
<td>$38,460</td>
<td>4,377</td>
</tr>
<tr>
<td></td>
<td>$4,322</td>
<td>1.3%</td>
<td>5.9%</td>
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</tbody>
</table>

* Not a financial measure under generally accepted accounting principles.
OUR REALITY

“Keeping the lights on for 4.3 million customers. Delivering value to more than 600,000 investors. Making sure our 26,000 employees are equipped with the skills and knowledge they need to get the job done safely.”

David Ratcliffe – Southern Company Chairman, President, and CEO
Atlanta, Georgia
DEAR FELLOW SHAREHOLDERS:

These are indeed challenging times. Throughout the history of our company we have been defined more than anything by our ability to respond to challenges. It takes a lot to provide electricity to more than 4.3 million customers over 120,000 square miles.

Those challenges take many forms – ice storms, hurricanes, record heat waves, droughts, financial market uncertainty, political and regulatory uncertainty, and many others. We continue to demonstrate tangibly that we are up to the task. We are guided by our use of common sense to find the right balance.

During challenges and periods of uncertainty, it is important that we keep our focus and that we distinguish perception from reality, for we must face reality. So what does that mean for Southern Company?

It means the future remains a bright one. When we look back on 2007, total revenues and net income were up and earnings per share rose, and for the sixth consecutive year, we increased the dividend.

The Southeast has seen less of an economic slowdown than the rest of the nation, but even at a slower pace, growth continues. We added 55,000 customers in 2007 as job growth, personal income growth, and lower housing costs continued to attract new residents and business to our region.

During an August heat wave, which was compounded by the ongoing drought, the company set peak records on five successive days. And despite the prolonged stress placed on the system, our customers did not experience a single major disruption to service.

It also means we can’t rest on past performance. The challenges we face today and in the future will test our ability to make the right decisions. We must be certain we are positioned to best take on those challenges. I am confident we are.

Rising costs, increasing demand, an aging work force, environmental obligations, and a growing global energy crisis are all issues to be managed as we strive to remain among the leaders in our industry, a reliable energy provider for our customers, and a solid investment for our shareholders.

Consistent with our business plan to provide regular, predictable, and sustainable earnings over the long term, we are executing our strategy and our businesses are performing well.

We’re in the first year of a three-year, $13.6 billion capital expansion, the largest in our company’s history. The majority of this investment will be used to upgrade and expand our transmission and distribution infrastructure to meet growing demand, and to add new environmental equipment at our coal plants to help ensure that we generate the cleanest electricity possible, at the lowest price possible.

While such investments require us to increase our prices, the reality is that our customers still pay electricity prices that are well below the national average.

Attracting and retaining a highly skilled, knowledgeable, and diverse work force continues to be a business imperative for us. We know that diverse opinions help us see things from different perspectives and are critical to making sound business decisions. And as greater numbers of our employees become eligible for retirement over the next few years, replacing those skills and knowledge becomes even more of a priority.
One of the world’s greatest challenges continues to be developing sound policy to deal with global climate change. It’s a worldwide issue and is certainly not unique to our company or our industry. It is a priority for us.

At Southern Company, we know that the answer must take many factors into consideration – the environment, economic impact to our customers and our shareholders, fuel diversity, and the energy security of our country.

The responsible solution to this global issue is developing and deploying cost-effective technologies that will allow us to economically produce cleaner electricity. New nuclear generation must also play a role, along with electricity produced with renewable resources and everyone's efforts to use electricity more efficiently.

In time, new technologies should allow us to address the issue of climate change. But make no mistake. It will take time, and the dollar cost of developing and deploying these technologies will be high. However, it can be done.

The bottom line is that we are committed to leading the industry in finding balanced, common sense solutions to climate change that make technological, environmental, and economic sense.

Before the year is out, our nation will have elected a new president, and in no time at all the first decade of the new millennium will come to a close. The world, our country, and our company are on the brink of a new era. What the years ahead hold for us will depend on the decisions we make today.

Southern Company will continue to become a company with an even more diverse and inclusive work force, one with a safety record that rivals any in the industry, and one that continues to focus on the needs of our customers.

We will continue to meet the growing demand for electricity in the Southeast. It will take new ideas and approaches, which we will help champion, so that we can keep our costs to customers reasonable and continue to reduce our environmental impact.

The United States soon will need more energy than we currently produce or buy from others. The U.S. energy industry cannot work in isolation in meeting this challenge. We all must work together. That includes the federal government and the states, business leaders, and environmentalists. A collaborative approach is the only way we can find the answers that will assure our children and grandchildren of a secure and sustainable energy future.

For our part, we will remain focused on the task at hand with the values that we hold close – unquestionable trust, superior performance, and total commitment.

Sincerely,

David M. Ratcliffe
March 17, 2008
PERCEPTION
Keeping the lights on as demand increases is pretty simple. All we really need to do to keep up with growth is to become more energy efficient.

REALITY
We make it seem simple for our customers, but in reality there’s nothing simple about ensuring the power is there behind every flip of a switch or press of a button. And as the demand for electricity increases, it becomes even more of a challenge.

At Southern Company, we forecast growth and demand well in advance, and we plan appropriately. We know how many employees it will take to get the job done, and we know what skills they need. We know where and when we need to add new generation, and new transmission and distribution equipment. And we plan for those costs.

Helping our customers become more energy efficient will offset some of the growth. But keeping the lights on takes hard work by thousands of dedicated, highly skilled, and knowledgeable employees. It takes billions of dollars. And it takes many different resources.
**OUR REALITY**

Each year, the lights on the horizon extend a little farther. The Southeast continues to grow even in the face of an economic slowdown. Low housing prices and job opportunity continue to attract new residents to the region, providing a solid foundation for the Southeastern economy.

Southern Company added more than 55,000 customers in 2007, an increase of 1.3 percent over 2006.
**MY REALITY**

“A plant that has to run 24/7 in order to serve the needs of more than 800,000 homes in central Alabama. There is little time for downtime. It’s not easy, especially during the hottest days of summer. But our customers depend on us.”

*Sakinah Reid – Alabama Power Electrical Engineer, Plant Miller
Quinton, Alabama*

In August 2007 the Southeast endured a heat wave that was compounded by severe drought conditions. As temperatures soared, previous demand records tumbled. We set a new all-time, system peak record of 40,870 megawatts, more than 7 percent higher than the previous record set in August 2006. The reality is, our customers depend on us to keep the electricity flowing and our commitment is to never let them down, no matter how much stress is placed on our system.
NEW GENERATION

To keep up with the growing demand in the Southeast and maintain the high level of reliability our customers expect, we plan to add more than 1,900 megawatts of capacity over the next three years. That’s enough to power more than a half-million homes.

INFRASTRUCTURE

Since 2000, we have invested $8 billion to upgrade and expand our transmission and distribution infrastructure to ensure that we have the means to deliver electricity on demand. And we’re investing even more.

Over the next three years, we plan to invest $4.1 billion in our transmission and distribution infrastructure to help ensure that we maintain our high level of reliability and keep electricity flowing to the increasing number of customers in our region.

ENERGY EFFICIENCY

Each year, we invest about $70 million to promote our energy efficiency and demand-reduction programs to help customers understand how to use electricity more efficiently. So far, these efforts have helped our customers reduce their electricity use by about 3,000 megawatts, which is equal to the output of one large power plant.

From home and business energy audits to energy-saving light bulbs that help customers save on their energy bills, our portfolio of energy efficiency programs grows each year. In 2007, 14 new programs were added, giving us 49 programs to offer our customers. New offerings include programmable thermostats, electric water-heater blankets, and a commercial tax-incentive program designed to educate business customers on tax-incentive opportunities as well as advise them on the financial benefits of increasing their energy efficiency.

As we increase our energy efficiency efforts, we must have the hardware in place to communicate in real time with our customers. So this year we began rolling out our automated metering program, with a goal of installing more than 4 million “smart” meters throughout our system over the next few years. These high-tech meters will improve the accuracy and efficiency of reading our customers’ electricity usage. And they will enable us to obtain valuable information that we can share with our customers about their usage patterns. The real long-term value of automated metering is that our customers will have more control over how and when they use our service.

While we continue to do more, the reality is that energy efficiency can only offset a portion of the increased demand for electricity we are experiencing here in the Southeast. It is an important component of our overall strategy, and we will continue to find additional cost-effective energy efficiency options to provide our customers.
What floats *your* boat?

**Perception**
When companies don’t have to compete for business, they don’t care about customer service.

**Reality**
At Southern Company, we know that the key to our success is providing excellent service that keeps customers satisfied. So we’ve made it our goal to be the best in the industry. To us, that’s just common sense. We work hard to provide the outstanding service, high reliability, and competitive prices that have become the hallmarks of our company. We continue to be recognized both regionally and nationally for our excellent customer satisfaction results. For the past eight consecutive years, Southern Company has been listed as the top-ranking U.S. electric service provider in customer satisfaction by the American Customer Satisfaction Index. We’re proud of this recognition because it means that we’re focusing on all the right things. And because it shows that we really do make customer service a priority.
MY REALITY

“500 tons of vessel with handcrafted wood, marble, and sparkling metal that my customer wants in the water and ready to sail to the Mediterranean in 16 months.”

John Dane III – President of Trinity Yachts, Gulfport, Mississippi

Business is booming for Trinity Yachts, one of the world’s elite builders of luxury, custom super-yachts and one of Mississippi Power’s newest customers. Southern Company’s 600,000-plus business customers depend on us for the power they need to keep their customers satisfied.
At Southern Company, we like to be taken for granted. Our goal is to quietly do our job to ensure that the power is there when our 3.7 million residential customers need it. So that dinner can be on the table on time, homework can get done, and the nightlights can come on when it’s time to say “sweet dreams.”

MY REALITY

“Dinner at six. Homework at seven. Tucked in at ten.”

Bess Thompson – Fashion consultant, Sailer’s mom, Georgia Power customer
St. Simons Island, Georgia

At Southern Company, we like to be taken for granted. Our goal is to quietly do our job to ensure that the power is there when our 3.7 million residential customers need it. So that dinner can be on the table on time, homework can get done, and the nightlights can come on when it’s time to say “sweet dreams.”
The city of Augusta, a Georgia Power customer, depends on us for service excellence, high reliability, and the best rates possible. But our customers can also depend on us for much more. We are Citizens Wherever We Serve. We live, work, and enjoy life in this region of the country, just like our customers. And we enjoy getting to know our customers, working side by side with them, helping to improve the Southeast’s quality of life. We play a key role in creating jobs and bringing quality economic development to our region. We are committed to stewardship and to ensuring the future is bright for generations to come.

MY REALITY

“200,000 residents and more than 9,000 businesses that expect reliable electricity at the lowest prices possible.”
Deke Copenhaver – Mayor of Augusta, Georgia

EXCELLENT SERVICE

We embrace each customer inquiry and request for assistance as an opportunity to demonstrate our value by listening, responding, and ensuring questions are answered and requests are fulfilled.

HIGH RELIABILITY

What’s the key? Investments in equipment, resources, and people. We must ensure that our generating capacity is available and that our plants are well-maintained and efficiently run. We must ensure that our transmission and distribution infrastructure is ready to deliver. This takes resource analysis and planning well in advance to strike just the right balance. We must also make certain that our employees have the knowledge and the skills needed to get the job done safely.

REASONABLE PRICES

Even with the price increases necessary to support the kind of capital that Southern Company invests to maintain service and reliability, Southern Company customers pay electricity prices that are well below the national average for electricity.

SOUTHERN STYLE

We know that the actions of our people are a reflection of our company. We embrace our Southern Style values of unquestionable trust, superior performance, and total commitment. These aren’t just words. It’s the way we do business.
Getting at the core of the solution.

**Perception**
Greenhouse gas emissions can be reduced in a short period of time and without major cost increases by using existing technology and replacing fossil-fuel generation with wind and solar power.

**Reality**
Even though alternative fuel sources will play an important role in meeting the nation’s future energy needs, the reality is there are not enough of these sources currently available. And although we’re working hard to develop the technologies to capture and store carbon emissions, these technologies don’t currently exist at the scale required.

The common sense solution to addressing climate change is primarily an issue of technology, and new technologies will take time to develop and initially will be costly.

At Southern Company, our strategy is to continue to research, develop, and deploy technologies that will enable us to maintain and grow a reliable and affordable supply of energy and meet our long-term climate change objectives. And we’re well on our way.
MY REALITY

“Researching the viability of injecting and permanently storing carbon dioxide in underground geologic formations.”

Richard Esposito – Principal Research Geologist, Southern Company
Tuscaloosa, Alabama

As part of the U.S. Department of Energy’s carbon sequestration partnership, Southern Company is studying the injection of carbon dioxide (CO₂) in deep geologic formations, such as saline reservoirs, depleted oil fields, and coal seams that are not mineable. Test sites are being drilled to collect core samples for analysis at laboratory facilities, such as the one at the Geological Survey of Alabama, where thousands of these core samples are stored. These studies will play a key role in understanding how CO₂ can be stored underground.
Because biomass has the highest potential for providing renewable electricity in the Southeast, we continue to evaluate this option. Our research and development program has studied co-firing coal with several types of biomass, including switchgrass, sawdust, and wood chips. And now we’re testing the feasibility of generating electricity from 100 percent biomass. We want to develop a process that can cost-effectively generate electricity.

MY REALITY

“Finding the most efficient mix of wood chips and coal that will produce electricity with lower CO2 emissions.”

Bart Blevins – Alabama Power Engineer II, Plant Gadsden
Gadsden, Alabama
RENEWABLES THAT FIT

Supplying electricity with little or no CO₂ emissions through renewable sources is beginning to make a substantial contribution in certain areas of the country. At Southern Company, we’re selling green energy produced from water, biomass, and landfill gas.

But harnessing the power of the sun and wind has proven to be a challenge in the Southeast. Substantial cloud cover in the Southeast limits the availability of the sun, and finding sufficient wind speeds to effectively produce wind generation is a challenge as well. Our research concludes that based on today’s prices, the cost of wind and solar power generated in the Southeast would be significantly higher than what our customers currently pay.

Part of our job is to consider all of these factors, including the impact on reliability and electric rates, and decide if wind and solar are logical choices for our region.

At Southern Company, we fully support the development and use of renewable energy. And we’re focused on developing technologies that work for our region. However, we’re opposed to any federal, one-size-fits-all mandates for renewable energy. It just makes sense to leave renewable portfolio standards up to individual states or allow the flexibility at the federal level to take into account the availability and deployment feasibility of renewable sources in a given region.

FUEL DIVERSITY IS KEY

Southern Company’s diverse mix of coal, nuclear, natural gas, and renewable hydroelectric power has enabled us to maintain prices that are among the lowest in the nation.

We’re considering adding new nuclear power to our portfolio to help meet our customers’ electricity needs. It’s efficient, reliable, and emissions-free. And because coal is the nation’s most abundant resource for electricity, with 200 years of supply right here in the U.S., Southern Company believes coal is essential to a secure, affordable energy supply for our country. We’ve demonstrated with advanced clean-coal technologies that coal can be used more cleanly to generate electricity, reducing CO₂ emissions by 20 percent to 25 percent. We’re working to further our country’s technological strength to develop clean, affordable, reliable supplies of electricity.

As we go forward, we’ll be making decisions about future generation and which sources will best serve our customers.

USING LESS ENERGY

Conserving electricity has a positive impact on CO₂ emissions. By using less electricity, we can slow the growth in demand and reduce the need to build new generation. So far, our efforts and energy-saving programs are eliminating the need for about 3,000 megawatts of electricity. Each year we offer our customers more options to help them become more energy efficient.
PERCEPTION
As baby boomers retire, utilities will lose the skilled-craft labor, the critical knowledge, and the bench strength needed to maintain today’s utility standards.

REALITY
Our nation’s electric and natural gas utilities employ more than 500,000 people, half of whom are skilled-craft laborers. Because of the ages of these employees, projections show that 40 percent or more could retire over the next five years. We’ve seen this coming for quite some time in our own company, and we’ve been preparing.

We partner with colleges to recruit and train new employees, and we’ve developed knowledge-transfer programs in anticipation of retirements and skilled-labor shortages. Southern Company’s efforts are designed to help ensure that the necessary skilled labor is in place to meet existing and future energy demand in the growing Southeast.
MY REALITY
“Engineering lab assignment due tomorrow. Calculus exam Thursday. No food in the fridge. Why X is equal to the square root of 215.41.”

Aquia Logan – Auburn University student, Georgia Power cooperative-education employee
Auburn, Alabama

MAINTAINING A STRONG WORK FORCE
Each year, Southern Company employs several hundred cooperative-education students whose studies are in fields that are essential to our operations. Many of these students work for the company permanently after they complete their degrees. To increase awareness of the potential future shortfall of skilled-craft labor, we offer education and leadership forums for students and educators in our region. We also partner with high schools and technical schools to generate a pool of entry-level power generation and power delivery workers and to develop higher standards of education in an effort to increase the passing rate of individuals taking industry pre-employment tests.

AND BENCH STRENGTH
Sustaining business excellence requires that we identify and develop employees to move into leadership roles as leaders retire. Succession planning, both short-term and long-term, is part of our annual business planning process.
SAFETY

Zero is big.

PERCEPTION
The safety and well-being of employees is not a high priority for most large corporations.

REALITY
At Southern Company, nothing is given more priority than the safety and well-being of our employees. Making sure they return home safely every day has always been the most important thing we do. A few years ago we adopted our Target Zero safety campaign. We’re still not where we want to be—zero accidents and injuries every year—but we’re getting closer.

In 2007, the 334 employees at Plant Miller in Alabama had no vehicle accidents and no personal injuries. They weren’t the only ones, of course, but they’re a good example of a large employee group achieving Target Zero. In total, more than 25,700 of nearly 26,800 employees across our system achieved Target Zero. Every success story just proves that it can be done.

Zero is a big goal, but we know we can do it.
MY REALITY

“Making sure our transmission lines and equipment are well maintained. Making sure any service interruptions are few and far between. Making sure my co-workers and I go home safely each and every day.”

Frank Sharritt – Gulf Power Line Technician II
Pensacola, Florida

TARGET ZERO – EVERY DAY, EVERY JOB, SAFELY

We know that if a program, an attitude, or a plan is to be successful, it must be supported by leadership and communicated often to employees. Not a day goes by that safety isn’t the topic of discussion at Southern Company. Safety briefings are the first order of business at large employee meetings. And for many employees, whose jobs carry a higher risk of injury, that’s how they start each shift. It’s a simple reminder to these employees of how important they are to the company and to their families and co-workers. No matter the job function or the level of risk a job carries, every Southern Company employee is reminded often that working safely is a requirement.
PERCEPTION
Electric utility stocks are boring and not good investments for the serious investor.

REALITY
Southern Company is an investment that has provided attractive, risk-adjusted returns, even when there’s uncertainty in the marketplace. Our financial strength is attributable to several things – our simple, transparent business model, our conservative management team’s focus on shareholder value, a superior credit rating that is among the best in the industry, and our history of providing regular, predictable total shareholder return.
MY REALITY

“Making sure there’s good, hot food on the table everyday at Mrs. Wilkes Boarding House, our family’s restaurant. Spoiling my beautiful grandchildren. Banking my dividends for retirement. And finding time to tend to the garden.”

Marcia Thompson – Restaurateur, grandmother of Peter and Julianna, Southern Company stockholder

Savannah, Georgia

RESULTS THAT MATTER

Even when the market takes a downward turn, our conservative business model, sound financial policy, and financial strength provide a beacon for investors. Over the past 10 years, and even over the past 30 years, Southern Company stock has outperformed the S&P 500 Index for total shareholder return.

Maintaining our financial integrity – including a strong balance sheet and a disciplined approach to financial and investment policies – is a constant focus of our management team. We know that our financial integrity should allow us to achieve risk-adjusted returns and financial security so that we can continue to deliver a sustainable and growing dividend to our shareholders.

It’s just common sense.
FINANCIAL STRENGTH

FIVE-YEAR CUMULATIVE SHAREHOLDER RETURN
This performance graph compares the cumulative total shareholder return on Southern Company (SO) common stock with the Standard & Poor’s Electric Utility Index and the Standard & Poor’s 500 Index for the past five years. The graph assumes that $100 was invested on December 31, 2002 in Southern Company’s common stock and each of the above indices and that all dividends were reinvested.

<table>
<thead>
<tr>
<th>Year</th>
<th>SOUTHERN COMPANY</th>
<th>S&amp;P ELECTRIC UTILITY INDEX</th>
<th>S&amp;P 500 INDEX</th>
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<td>$171</td>
<td>183</td>
<td>280</td>
</tr>
</tbody>
</table>

TEN-YEAR CUMULATIVE SHAREHOLDER RETURN
This performance graph compares the cumulative total shareholder return on Southern Company (SO) common stock with the Standard & Poor’s Electric Utility Index and the Standard & Poor’s 500 Index for the past ten years. The graph assumes that $100 was invested on December 31, 1997 in Southern Company’s common stock and each of the above indices and that all dividends were reinvested.

<table>
<thead>
<tr>
<th>Year</th>
<th>SOUTHERN COMPANY</th>
<th>S&amp;P ELECTRIC UTILITY INDEX</th>
<th>S&amp;P 500 INDEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997</td>
<td>$100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>1998</td>
<td>$112</td>
<td>129</td>
<td>124</td>
</tr>
<tr>
<td>1999</td>
<td>$130</td>
<td>143</td>
<td>157</td>
</tr>
<tr>
<td>2000</td>
<td>$140</td>
<td>150</td>
<td>185</td>
</tr>
<tr>
<td>2001</td>
<td>$156</td>
<td>173</td>
<td>228</td>
</tr>
<tr>
<td>2002</td>
<td>$171</td>
<td>183</td>
<td>280</td>
</tr>
</tbody>
</table>

EARNINGS PREDICTABILITY
This performance graph measures reliability of earnings estimates of all electric utilities with a market capitalization of $5 billion or more covered by Value Line. Scores ranging from 5 to 100 are based on the stability of quarterly earnings comparisons over a consecutive 10-year period. Higher scores indicate more stable and predictable earnings.

Source: Earnings Predictability Scores from Value Line, an independent investment research company, as of January 2, 2008.
1. David M. Ratcliffe  
Chairman, President, and CEO  
Southern Company  
Atlanta, Georgia  
Age 59; elected 2003  
Other corporate directorships:  
CSX Corporation

2. Juanita Powell Baranco  
Executive Vice President and Chief Operating Officer  
Baranco Automotive Group (automobile sales)  
Morrow, Georgia  
Age 59; elected 2006  
Board committees: Governance (chair), Nuclear/Operations  
Other corporate directorships:  
Cox Radio Incorporated

3. Dorrit J. Bern  
Chairman, President, and CEO  
Charming Shoppes Incorporated (retail)  
Bensalem, Pennsylvania  
Age 57; elected 1999  
Board committees: Audit  
Other corporate directorships:  
Charming Shoppes Incorporated, OfficeMax Incorporated

4. Francis S. Blake  
Chairman and CEO  
The Home Depot Incorporated (home improvement)  
Atlanta, Georgia  
Age 58; elected 2004  
Board committees: Audit  
Other corporate directorships:  
The Home Depot Incorporated

5. Jon A. Boscia  
President and CEO  
Boardroom Advisors LLC (management consulting)  
Gladwyne, Pennsylvania  
Age 55; elected 2007  
Board committees: Compensation and Management Succession, Finance  
Other corporate directorships: None

6. Thomas F. Chapman  
Retired Chairman and CEO  
Equifax Incorporated (information services, data analytics, consumer financial products, and transaction processing)  
Atlanta, Georgia  
Age 64; elected 1999  
Board committees: Governance  
Other corporate directorships: None

Retired President and CEO  
Progress Energy Florida (energy)  
St. Petersburg, Florida  
Age 65; elected 2007  
Board committees: Nuclear/Operations (chair), Compensation and Management Succession  
Other corporate directorships:  
Raymond James Financial Incorporated, USEC Incorporated

Chairman and CEO  
Hood Companies (packaging and construction products)  
Hattiesburg, Mississippi  
Age 56; elected 2007  
Board committees: Audit  
Other corporate directorships: BancorpSouth Bank

9. Donald M. James  
Chairman and CEO  
Vulcan Materials Company (construction materials)  
Birmingham, Alabama  
Age 59; elected 1999  
Board committees: Finance (chair), Compensation and Management Succession  
Other corporate directorships:  
Vulcan Materials Company, Wachovia Corporation

10. J. Neal Purcell  
Retired Vice Chairman-Audit Operations  
KPMG (audit and accounting)  
Duluth, Georgia  
Age 66; elected 2003  
Board committees: Compensation and Management Succession (chair), Finance  
Other corporate directorships:  
Synovus Financial Corporation, Kaiser Permanente Health Care and Hospitals

Chairman, President, and CEO  
Capital City Bank Group Incorporated (banking)  
Tallahassee, Florida  
Age 54; elected 2006  
Board committees: Audit (chair)  
Other corporate directorships:  
Capital City Bank Group Incorporated

12. Gerald J. St. Pé  
Former President  
Ingalls Shipbuilding  
Retired Executive Vice President  
Litton Industries (shipbuilding)  
Pascagoula, Mississippi  
Age 65; elected 1995  
Board committees: Governance, Nuclear/Operations  
Other corporate directorships: None
1. **David M. Ratcliffe**  
Chairman, President, and CEO  
Ratcliffe, 59, joined the company as a biologist with Georgia Power in 1971 and has been in his current position since 2004. From 1999 to 2004 he was president and CEO of Georgia Power, Southern Company’s largest subsidiary, and from 1991 to 1995 he served as president and CEO of Mississippi Power. Ratcliffe has held executive and management positions in the areas of finance, external affairs, fuel services, operations and planning, and research and environmental affairs.

2. **J. Barnie Beasley Jr.**  
Chairman, President, and CEO, Southern Nuclear  
Beasley, 56, joined the company as a cooperative-education student with Georgia Power in 1969. He has been in his current job since 2004 and became chairman in 2005. Beasley served in various electrical distribution roles before transferring to Plant Vogtle in 1980 and has held several executive and management positions since then in the company’s nuclear power system, which includes six nuclear reactors.

3. **W. Paul Bowers**  
Executive Vice President and Chief Financial Officer  
Bowers, 51, joined the company as a residential sales representative with Gulf Power in 1979. He has held his current position since February 1, 2008. Previously, he served as president of Southern Company Generation, with overall responsibility for fossil and hydro generation and operations, Southern Power, wholesale energy, engineering and construction services, fuel procurement, energy trading, and research and environmental affairs. Bowers has also served as president and CEO of Southern Power and president and CEO of Southern Company’s former United Kingdom subsidiary.

4. **Thomas A. Fanning**  
Executive Vice President and Chief Operating Officer  
Fanning, 51, joined the company as a financial analyst in 1980. In his current position since February 1, 2008, Fanning is responsible for Southern Company Generation – which includes non-nuclear generating facilities and environmental affairs – Southern Power, and Southern Company transmission. He remains responsible for corporate strategy. Previously, Fanning served as chief financial officer. He also served as president and CEO of Gulf Power and chief financial officer at Georgia Power and Mississippi Power. Fanning has held several officer positions in the areas of finance, strategy, international business development, and information technology.

5. **Michael D. Garrett**  
Executive Vice President, President and CEO, Georgia Power  
Garrett, 58, joined the company as a cooperative-education student with Georgia Power in 1969. He began his current job in 2004. Previously, Garrett was president and CEO of Mississippi Power. He has held executive positions at Alabama Power in the areas of customer operations, regulatory affairs, finance, and external affairs, as well as serving as Birmingham Division vice president.

6. **G. Edison Holland Jr.**  
Executive Vice President, General Counsel, and Corporate Secretary  
Holland, 55, joined the company as vice president and corporate counsel for Gulf Power in 1992. He was named to his current position, which includes serving as the chief compliance officer, in 2001, and in 2008 external affairs was added to his list of responsibilities. Previously, he was president and CEO of Savannah Electric and has also served as vice president of power generation and transmission at Gulf Power.

7. **C. Alan Martin**  
Executive Vice President  
President and CEO, Southern Company Services  
Martin, 59, joined Southern Company in 1972 as a right-of-way agent at Alabama Power. He has held his current position since February 1, 2008. Martin has previously served as executive vice president and chief marketing officer for Southern Company, as well as vice president of human resources. Most recently, he was executive vice president of Alabama Power, with responsibility for the customer service organization. Martin has also served as executive vice president of external affairs at Alabama Power and has held a number of other executive and management positions at that company.

8. **Charles D. McCrary**  
Executive Vice President  
President and CEO, Alabama Power  
McCrary, 56, joined the company as an assistant project planning engineer with Alabama Power in 1973. He began his current job in 2001. Previously, McCrary was chief production officer for Southern Company and president and CEO of Southern Power. He has held executive positions at Alabama Power and Southern Nuclear as well as various jobs in engineering, system planning, fuels, and environmental affairs.

9. **Susan N. Story**  
President and CEO, Gulf Power  
Story, 48, joined the company as a nuclear power plant engineer in 1982. She has held her current position since 2003. Previously, Story was executive vice president of engineering and construction services for Southern Company Generation and Energy Marketing. She has held executive and management positions in the areas of supply chain management, real estate, corporate services, and human resources.

10. **Anthony J. Topazi**  
President and CEO, Mississippi Power  
Topazi, 57, joined the company as a cooperative-education student with Alabama Power in 1969. He began his current job in 2004. Topazi previously was executive vice president for Southern Company Generation and Energy Marketing and also served as senior vice president of Southern Power. He has held various positions at Alabama Power, including Western Division vice president and Birmingham Division vice president.
TRANSFER AGENT
SCS Stockholder Services is Southern Company’s transfer agent, dividend-paying agent, investment plan administrator, and registrar. If you have questions concerning your Southern Company stockholder account, please contact:
By mail
SCS Stockholder Services
P.O. Box 54250
Atlanta, GA 30308-0250
By phone
9 to 5 ET
Monday through Friday
800-554-7626
By courier
SCS Stockholder Services
30 Ivan Allen Jr. Blvd. NW
11th Floor-Bin SC1100
Atlanta, GA 30308
By e-mail
stockholders@southernco.com

STOCKHOLDER SERVICES INTERNET SITE
Located within Southern Company’s Investor Relations Web site at http://investor.southerncompany.com, the Stockholder Services site provides transfer instructions, service request forms, and answers to frequently asked questions. Through this site, registered stockholders may also securely access their account information, including share balance, market value, and dividend payment details, as well as change their account mailing addresses.

SOUTHERN INVESTMENT PLAN
The Southern Investment Plan (SIP) provides a convenient way to purchase common stock and reinvest dividends. You can access the Stockholder Services Internet site to review the Prospectus and download an enrollment form.

DIRECT REGISTRATION
Southern Company common stock can be issued in direct registration (uncertificated) form. The stock is Direct Registration System (DRS) eligible.

DIVIDEND PAYMENTS
The entire amount of dividends paid in 2007 is taxable. The board of directors sets the record and payment dates for quarterly dividends. A dividend of 40½ cents per share was paid in March 2008. For the remainder of 2008, projected record dates are May 5, August 4, and November 3. Projected payment dates for dividends declared during the remainder of 2008 are June 6, September 6, and December 6.

ANNUAL MEETING
The 2008 Annual Meeting of Stockholders will be held Wednesday, May 28, at 10 a.m. ET at The Lodge Conference Center at Callaway Gardens, Highway 18, Pine Mountain, GA 31822.

AUDITORS
Deloitte & Touche LLP
191 Peachtree St. NE
Suite 1500
Atlanta, GA 30303

INVESTOR INFORMATION LINE
For recorded information about earnings and dividends, stock quotes, and current news releases, call toll-free 866-762-6411.

INSTITUTIONAL INVESTOR INQUIRIES
Southern Company maintains an investor relations office in Atlanta, 404-506-5195, to meet the information needs of institutional investors and securities analysts.

ELECTRONIC DELIVERY OF PROXY MATERIALS
Any stockholder may enroll for electronic delivery of proxy materials by logging on at www.icsdelivery.com/so.

CERTIFICATIONS
Southern Company has filed the required certifications of its chief executive officer and chief financial officer – under Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of its public disclosures as exhibits 31(a)1 and 31(a)2, respectively – to Southern Company’s Annual Report on Form 10-K for the year ended December 31, 2007. The certification of Southern Company’s chief executive officer regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards, required by NYSE Rule 303A.12, will be filed with the NYSE following the 2008 Annual Meeting of Stockholders. Last year, Southern Company filed this certification with the NYSE on June 6, 2007.

ENVIRONMENTAL INFORMATION
Southern Company publishes a variety of information on its activities to meet the company’s environmental commitments. It is available online at www.southerncompany.com/planetpower/ and in print. To request printed materials, write to:
Chris Hobson
Senior Vice President, Research and Environmental Affairs
600 North 18th St.
Bin 14N-8195
Birmingham, AL 35203-2206

COMMON STOCK
Southern Company common stock is listed on the NYSE under the ticker symbol SO. On December 31, 2007, Southern Company had 102,903 stockholders of record.
**SOUTHERN COMPANY**

We serve 4.3 million customers in one of the nation’s fastest-growing regions. With more than 42,000 megawatts of generating capacity and a competitive generation business, Southern Company is a major source of electricity in the southeastern U.S.

**ON THE COVER**

Bess Thompson – Georgia Power customer; Frank Shearitt – Line Technician, Gulf Power; Aquila Logan – Engineer, Georgia Power; Bart Blevins – Engineer, Alabama Power; John Dane III – Trinity Yachts president and Mississippi Power customer; Marcia Thompson – Southern Company investor; Deke Copenhagen – Mayor of Augusta, Georgia, and Georgia Power customer; Sakina Reid – Engineer, Alabama Power; Richard Espinoza – Geologist, Southern Company.

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**GLOSSARY**

Alternative Fuels – any non-conventional substance that can be used as fuel, such as ethanol and methane.

Book Value – a company’s common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred and preference stock, and intangible assets such as goodwill. Book value per share refers to the book value of a company divided by the number of shares outstanding.

Co-Firing – a process of converting biomass to electricity by adding biomass as a supplemental fuel to coal, thus reducing the amount of coal used to generate electricity.

Competitive Generation Business – market-based wholesale electricity supply business that, primarily through long-term contracts, serves customers who can choose their suppliers based on price, reliability, capacity, and other market needs.

Combined Construction and Operating License (COL) – a license granted by the Nuclear Regulatory Commission that gives the licensee approval to both construct and operate a nuclear unit.

Demand-Reduction Programs – programs that influence the reduction or patterns of electricity use by customers. Also known as demand-side management.

Dividend Yield – the annual dividend income per share received from a company divided by its current stock price.

Earnings Per Share – net income divided by the average number of shares of common stock outstanding.

Federal Energy Regulatory Commission (FERC) – an independent agency within the U.S. Department of Energy that, among other things, regulates wholesale sales of electricity and transmission in interstate commerce.

Generating Capacity – the amount of energy that can be produced using all of our power generation facilities.

Market Value – what investors believe a company is worth, calculated by multiplying the number of shares outstanding by the current market price of the company’s shares.

Megawatt – one thousand kilowatts. A measurement of electricity usually used when discussing large amounts of generating capacity.

Nuclear Regulatory Commission (NRC) – an independent federal agency that formulates policies and develops regulations governing nuclear reactor and nuclear material safety, issues orders to licensees, and adjudicates legal matters.

Payout Ratio – the percentage of earnings that is paid to shareholders in the form of dividends.

Public Service Commission (PSC) – the authority that regulates utilities at the state level.

Renewable Portfolio Standards – legislative or regulatory policies that require the increased production of renewable energy sources such as wind, solar, biomass, and geothermal energies.

Retail Markets – markets in which energy is sold and delivered directly to the ultimate end-users of that energy.

Return on Equity – a measure of profitability, calculated as net income divided by shareholders’ equity.

Risk-Adjusted Return – a measure of return that factors in the risk (expected variability in returns) of the investment relative to other stocks.

Total Shareholder Return – stock price appreciation plus reinvested dividends. (The distribution of shares of Mirant Corporation stock to Southern Company shareholders is treated as a special dividend for purposes of calculating Southern Company shareholder return.)

Traditional Operating Companies – the part of our business that generates, transmits, and distributes electricity to commercial, industrial, and residential customers in most of Alabama and Georgia, the Florida panhandle, and southeast Mississippi.

Wholesale Customers – energy marketers, electric and gas utilities, municipal utilities, rural electric cooperatives, and other entities that buy power for resale to retail customers.

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**MAJOR SUBSIDIARIES & BUSINESS UNITS**


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**SOUTHERN COMPANY**

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404-506-5000
www.southerncompany.com
611 Pennsylvania Ave. NW
Suite 800 South
Washington, DC 20004

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**Photography:** James Schauf
**Printing:** American Lithograph
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