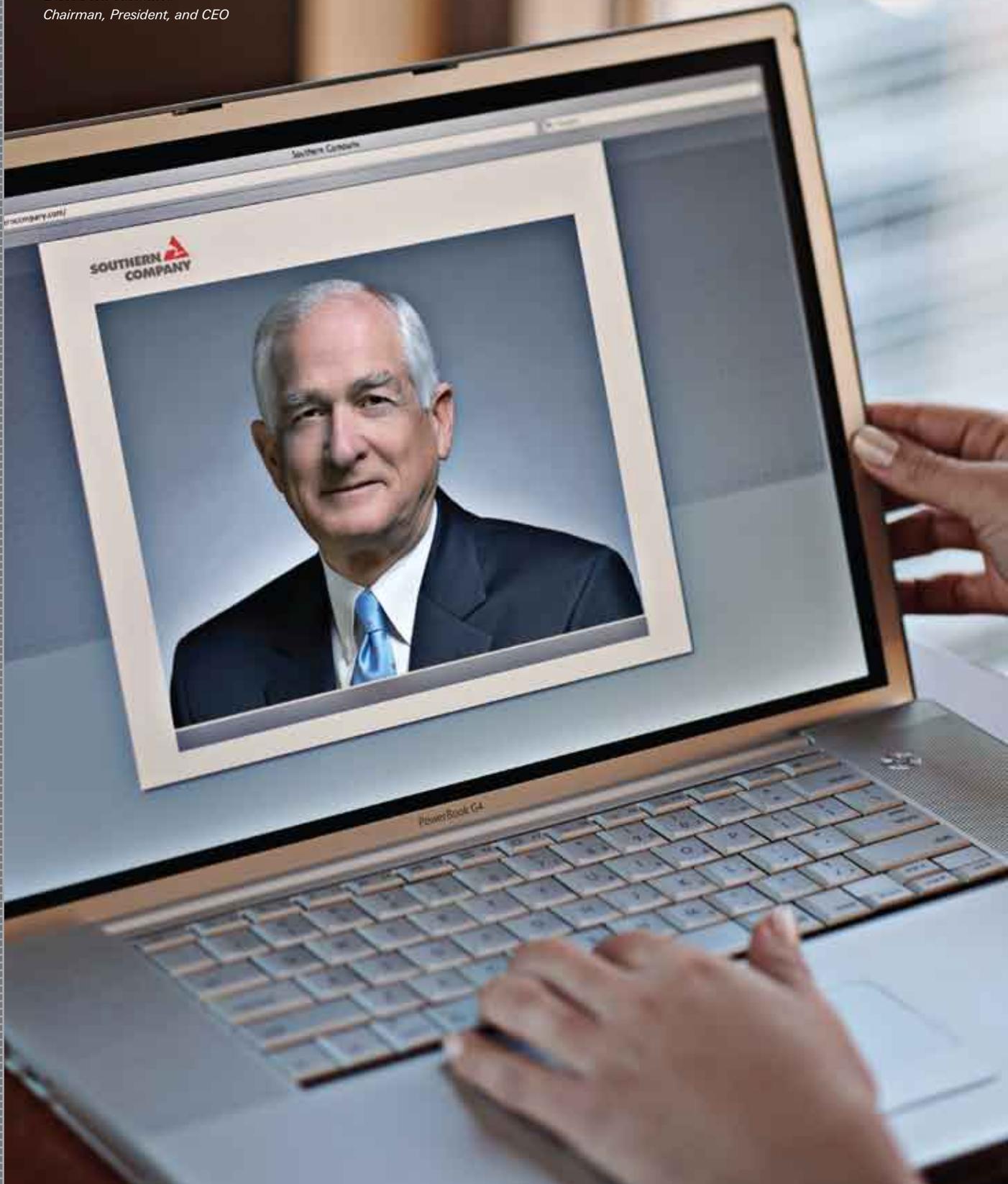


**David M. Ratcliffe**  
*Chairman, President, and CEO*





Dear Fellow Shareholders,

I am proud to report that your company produced solid business results in 2008, despite the economic and financial challenges affecting us all.

Our business units continue to run world-class operations, delivering reliable electricity to our customers at prices below the national average. Our plant performance remains in the nation's top quartile as we continue to out-perform the industry average. Transmission and distribution recorded their strongest performance ever, achieving record low unplanned outages.

Our safety record continues to improve. Since implementing our Target Zero safety campaign, our rate of recordable injuries has dropped by 62 percent. Of course, the only acceptable goal for safety is zero. We continue to strive for a perfect safety record.

Total revenues and net income were up for 2008, and for the seventh straight year we increased the dividend. Our total shareholder return for 2008 was flat, preserving your investment in Southern Company, while investors in the market overall saw their investments erode. The S&P 500 Index was down 37 percent for the year, and the S&P Electric Utility Index was down 26 percent. Southern Company was one of few electric utility stocks, or for that matter one of few stocks in the marketplace, that did not record a negative return for the year. In terms of total shareholder return, Southern Company performed better in 2008 than 94 percent of the stocks in the S&P 500.

Our smart business model and conservative decision-making process continue to serve us well. Our financial integrity, transparent business practices, and stable A credit rating have afforded us continued access to capital markets during these uncertain financial times. We've been able to issue long-term debt with maturities among the longest in the industry and interest rates among the lowest.

While all of this is good news, Southern Company is not immune to this recession. We've seen a decline in revenues and customer growth, and our short-term forecasts tell us this trend will continue through 2009. However, we are taking the necessary steps to manage through the recession.

As always, we are managing the costs in our business to ensure reliable service at competitive prices. In this current economy, we're running our business with even greater efficiency, and we're making smart decisions to mitigate costs where we can so that we are able to invest capital when and where needed.

We remain focused on our proven business strategy of making conservative, informed, and balanced decisions based on common sense.

We expect the current economic challenges to continue through 2009. However, we're optimistic that the long-term viability of the Southeast remains strong. Therefore, we must continue to prepare for the future growth of our region. Over the next three years, we plan to invest \$16.6 billion to expand and enhance our infrastructure, ensure that we maintain our high level of reliability, produce cleaner electricity, and invest in growth opportunities for our future.

The stimulus package signed into law by President Obama earlier this year, providing \$6 billion in matching funds for clean energy and electricity transmission projects, will help move our industry forward by boosting renewable energy use and stimulating Smart Grid options.

We are at the forefront of the research and development of these technologies as well as clean energy solutions to meet our customers' future energy requirements. Our renewable energy research on the use of biomass has been so successful that we are converting one of our coal plants into a 100 percent

biomass plant. At 96 megawatts, it will be one of the largest biomass plants in the country.

We've been using Smart Grid technologies to improve system performance and reliability for years. Automated metering was a vision in our strategy 10 years ago, but to be cost-effective, we had to let the technology catch up before moving forward with our plan to implement Smart Meters systemwide.

It's not just the technology that's smart. We are a smart company dedicated to staying abreast of the latest advancements in our search for economical, viable options for improving our business and our service to customers. We are finding ways to get better through innovation and opportunity.

It's an exciting time to be in this industry. 2009 is bringing both challenges and opportunities, and we are prepared for both. I believe that Southern Company is uniquely positioned to perform well in both strong and challenged markets.

I'm very optimistic about our company and our position in the industry. My optimism is driven by the quality, dedication, and performance of our workforce, which I believe is the best in our industry.

You can be proud of the integrity with which your company is being run day in and day out. I know I am.

Sincerely,



David M. Ratcliffe  
March 23, 2009