

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report and the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008 (the "Form 10-K") contain forward-looking statements. Forward-looking statements include, among other things, statements concerning the strategic goals for the wholesale business, retail sales growth, customer growth, storm damage cost recovery and repairs, fuel cost recovery and other rate actions, environmental regulations and expenditures, earnings growth, dividend payout ratios, access to sources of capital, projections for postretirement benefit and nuclear decommissioning trust contributions, financing activities, completion of construction projects, plans and estimated costs for new generation resources, impacts of adoption of new accounting rules, unrecognized tax benefits related to leveraged lease transactions, estimated sales and purchases under new power sale and purchase agreements, and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expects," "plans," "anticipates," "believes," "estimates," "projects," "predicts," "potential," or "continue" or the negative of these terms or other similar terminology. There are various factors that could cause actual results to differ materially from those suggested by the forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include:

- the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the Energy Policy Act of 2005, environmental laws including regulation of water quality and emissions of sulfur, nitrogen, mercury, carbon, soot, or particulate matter and other substances, and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations;
- current and future litigation, regulatory investigations, proceedings, or inquiries, including the pending U.S. Environmental Protection Agency civil actions against certain Southern Company subsidiaries, Federal Energy Regulatory Commission matters, Internal Revenue Service audits, and Mirant matters;
- the effects, extent, and timing of the entry of additional competition in the markets in which Southern Company's subsidiaries operate;
- variations in demand for electricity, including those relating to weather, the general economy, population and business growth (and declines), and the effects of energy conservation measures;
- available sources and costs of fuels;
- effects of inflation;
- ability to control costs;
- investment performance of Southern Company's employee benefit plans;
- advances in technology;
- state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and storm restoration cost recovery;
- regulatory approvals related to the potential Plant Vogtle expansion, including Georgia Public Service Commission and Nuclear Regulatory Commission approvals;
- the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities;
- internal restructuring or other restructuring options that may be pursued;
- potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries;
- the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required;
- the ability to obtain new short- and long-term contracts with neighboring utilities and other wholesale customers;
- the direct or indirect effect on Southern Company's business resulting from terrorist incidents and the threat of terrorist incidents;
- interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's and its subsidiaries' credit ratings;
- the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices;
- catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as an avian influenza, or other similar occurrences;
- the direct or indirect effects on Southern Company's business resulting from incidents similar to the August 2003 power outage in the Northeast;
- the effect of accounting pronouncements issued periodically by standard setting bodies; and
- other factors discussed elsewhere herein and in other reports (including the Form 10-K) filed by the Company from time to time with the Securities and Exchange Commission.

Southern Company expressly disclaims any obligation to update any forward-looking statements.

FINANCIAL INFORMATION

The following condensed financial presentation should not be considered a substitute for the full financial statements, inclusive of footnotes and Management's Discussion and Analysis of Financial Condition and Results of Operations, provided to all shareholders in Appendix C to the Company's 2009 Proxy Statement and included in the Form 10-K as filed with the Securities and

Exchange Commission. Appendix C to the Proxy Statement and the Form 10-K also contain detailed discussions of major uncertainties, contingencies, risks, and other issues the Company faces. A copy of the Form 10-K and/or the Proxy Statement, including the full financial statements, can be obtained by calling 1-800-554-7626 or accessing it online at <http://investor.southerncompany.com>.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Southern Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Under management's supervision, an evaluation of the design and effectiveness of Southern Company's internal control over financial reporting was conducted based on the framework in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Southern Company's internal control over financial reporting was effective as of December 31, 2008.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of Southern Company's financial statements, has issued an attestation report on the effectiveness of Southern Company's internal control over financial reporting as of December 31, 2008. Deloitte & Touche LLP's report on Southern Company's internal control over financial reporting appears in Appendix C to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission.



David M. Ratcliffe
Chairman, President, and Chief Executive Officer



W. Paul Bowers
Executive Vice President and Chief Financial Officer

February 25, 2009

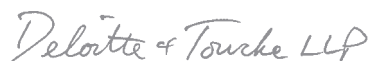


REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Southern Company

We have audited the consolidated balance sheets and consolidated statements of capitalization of Southern Company and Subsidiary Companies (the "Company") as of December 31, 2008 and 2007, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2008. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2008. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting, and our report on the consolidated financial statements and internal control over financial reporting dated February 25, 2009, expressing unqualified opinions (which are not included herein) are included in Appendix C to the Proxy Statement for the 2009 annual meeting of stockholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2008 and 2007, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2008, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia
February 25, 2009

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended December 31, 2008, 2007, and 2006

<i>(in millions)</i>	2008	2007	2006
Operating Revenues:			
Retail revenues	\$14,055	\$12,639	\$11,801
Wholesale revenues	2,400	1,988	1,822
Other electric revenues	545	513	465
Other revenues	127	213	268
Total operating revenues	17,127	15,353	14,356
Operating Expenses:			
Fuel	6,818	5,856	5,152
Purchased power	815	515	543
Other operations and maintenance	3,748	3,670	3,519
Depreciation and amortization	1,443	1,245	1,200
Taxes other than income taxes	797	741	718
Total operating expenses	13,621	12,027	11,132
Operating Income	3,506	3,326	3,224
Other Income and (Expense):			
Allowance for equity funds used during construction	152	106	50
Interest income	33	45	41
Equity in income (losses) of unconsolidated subsidiaries	11	(24)	(57)
Leveraged lease (losses) income	(85)	40	69
Impairment loss on equity method investments	-	-	(16)
Interest expense, net of amounts capitalized	(866)	(886)	(866)
Preferred and preference dividends of subsidiaries	(65)	(48)	(34)
Other income (expense), net	(29)	10	(58)
Total other income and (expense)	(849)	(757)	(871)
Earnings Before Income Taxes	2,657	2,569	2,353
Income taxes	915	835	780
Consolidated Net Income	\$ 1,742	\$ 1,734	\$ 1,573
Common Stock Data:			
Earnings per share—			
Basic	\$2.26	\$2.29	\$2.12
Diluted	2.25	2.28	2.10
Average number of shares of common stock outstanding— <i>(in millions)</i>			
Basic	771	756	743
Diluted	775	761	748
Cash dividends paid per share of common stock	\$1.6625	\$1.595	\$1.535

Full disclosure of all financial information is included in Appendix C to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2008, 2007, and 2006

<i>(in millions)</i>	2008	2007	2006
Operating Activities:			
Consolidated net income	\$ 1,742	\$ 1,734	\$ 1,573
Adjustments to reconcile consolidated net income to net cash provided from operating activities—			
Depreciation and amortization	1,704	1,486	1,421
Deferred income taxes and investment tax credits	215	7	202
Deferred revenues	120	(2)	(1)
Allowance for equity funds used during construction	(152)	(106)	(50)
Equity in (income) losses of unconsolidated subsidiaries	(11)	24	57
Leveraged lease losses (income)	85	(40)	(69)
Pension, postretirement, and other employee benefits	21	39	46
Stock based compensation expense	20	28	28
Derivative fair value adjustments	(1)	(30)	32
Hedge settlements	15	10	13
Hurricane Katrina grant proceeds-property reserve	-	60	-
Other, net	(97)	60	51
Changes in certain current assets and liabilities—			
Receivables	(176)	165	(69)
Fossil fuel stock	(303)	(39)	(246)
Materials and supplies	(23)	(71)	7
Other current assets	(36)	-	73
Accounts payable	(74)	105	(173)
Hurricane Katrina grant proceeds	-	14	120
Accrued taxes	293	(19)	(103)
Accrued compensation	36	(40)	(24)
Other current liabilities	20	10	(68)
Net cash provided from operating activities	3,398	3,395	2,820
Investing Activities:			
Property additions	(3,961)	(3,545)	(2,994)
Investment in restricted cash from pollution control bonds	(96)	(157)	-
Distribution of restricted cash from pollution control bonds	69	78	-
Nuclear decommissioning trust fund purchases	(720)	(783)	(751)
Nuclear decommissioning trust fund sales	712	775	743
Proceeds from property sales	34	33	150
Hurricane Katrina capital grant proceeds	7	35	153
Investment in unconsolidated subsidiaries	(1)	(37)	(64)
Cost of removal net of salvage	(123)	(108)	(90)
Other	(47)	-	19
Net cash used for investing activities	(4,126)	(3,709)	(2,834)
Financing Activities:			
Increase (decrease) in notes payable, net	(314)	(669)	683
Proceeds—			
Long-term debt	3,686	3,826	1,564
Preferred and preference stock	-	470	150
Common stock	474	538	137
Redemptions—			
Long-term debt	(1,469)	(2,566)	(1,366)
Preferred and preference stock	(125)	-	(15)
Payment of common stock dividends	(1,280)	(1,205)	(1,140)
Other	(28)	(46)	(34)
Net cash provided from (used for) financing activities	944	348	(21)
Net Change in Cash and Cash Equivalents	216	34	(35)
Cash and Cash Equivalents at Beginning of Year	201	167	202
Cash and Cash Equivalents at End of Year	\$ 417	\$ 201	\$ 167

Full disclosure of all financial information is included in Appendix C to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission.



CONDENSED CONSOLIDATED BALANCE SHEETS

At December 31, 2008 and 2007

ASSETS (in millions)	2008	2007
Current Assets:		
Cash and cash equivalents	\$ 417	\$ 201
Restricted cash	103	68
Receivables—		
Customer accounts receivable	1,054	1,000
Unbilled revenues	320	294
Under recovered regulatory clause revenues	646	716
Other accounts and notes receivable	301	348
Accumulated provision for uncollectible accounts	(26)	(22)
Fossil fuel stock, at average cost	1,018	710
Materials and supplies, at average cost	757	725
Vacation pay	140	135
Prepaid expenses	302	146
Other	326	411
Total current assets	5,358	4,732
Property, Plant, and Equipment:		
In service	50,618	47,176
Less accumulated depreciation	18,286	17,413
	32,332	29,763
Nuclear fuel, at amortized cost	510	336
Construction work in progress	3,036	3,228
Total property, plant, and equipment	35,878	33,327
Other Property and Investments:		
Nuclear decommissioning trusts, at fair value	864	1,132
Leveraged leases	897	984
Other	227	238
Total other property and investments	1,988	2,354
Deferred Charges and Other Assets:		
Deferred charges related to income taxes	973	910
Prepaid pension costs	-	2,369
Unamortized debt issuance expense	208	191
Unamortized loss on reacquired debt	271	289
Deferred under recovered regulatory clause revenues	606	389
Other regulatory assets	2,637	768
Other	428	460
Total deferred charges and other assets	5,123	5,376
Total Assets	\$48,347	\$45,789

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CONDENSED CONSOLIDATED BALANCE SHEETS

At December 31, 2008 and 2007

LIABILITIES AND STOCKHOLDERS' EQUITY <i>(in millions)</i>	2008	2007
Current Liabilities:		
Securities due within one year	\$ 617	\$ 1,178
Notes payable	953	1,272
Accounts payable	1,250	1,214
Customer deposits	302	274
Accrued taxes—		
Income taxes	197	52
Unrecognized tax benefits	131	165
Other	396	330
Accrued interest	196	218
Accrued vacation pay	179	171
Accrued compensation	447	408
Liabilities from risk management activities	261	63
Other	297	286
Total current liabilities	5,226	5,631
Long-term Debt	16,816	14,143
Deferred Credits and Other Liabilities:		
Accumulated deferred income taxes	6,080	5,839
Deferred credits related to income taxes	259	272
Accumulated deferred investment tax credits	455	479
Employee benefit obligations	2,057	1,492
Asset retirement obligations	1,183	1,200
Other cost of removal obligations	1,321	1,308
Other regulatory liabilities	262	1,613
Other	330	347
Total deferred credits and other liabilities	11,947	12,550
Total Liabilities	33,989	32,324
Preferred and Preference Stock of Subsidiaries	1,082	1,080
Common Stockholders' Equity	13,276	12,385
Total Liabilities and Stockholders' Equity	\$48,347	\$45,789

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