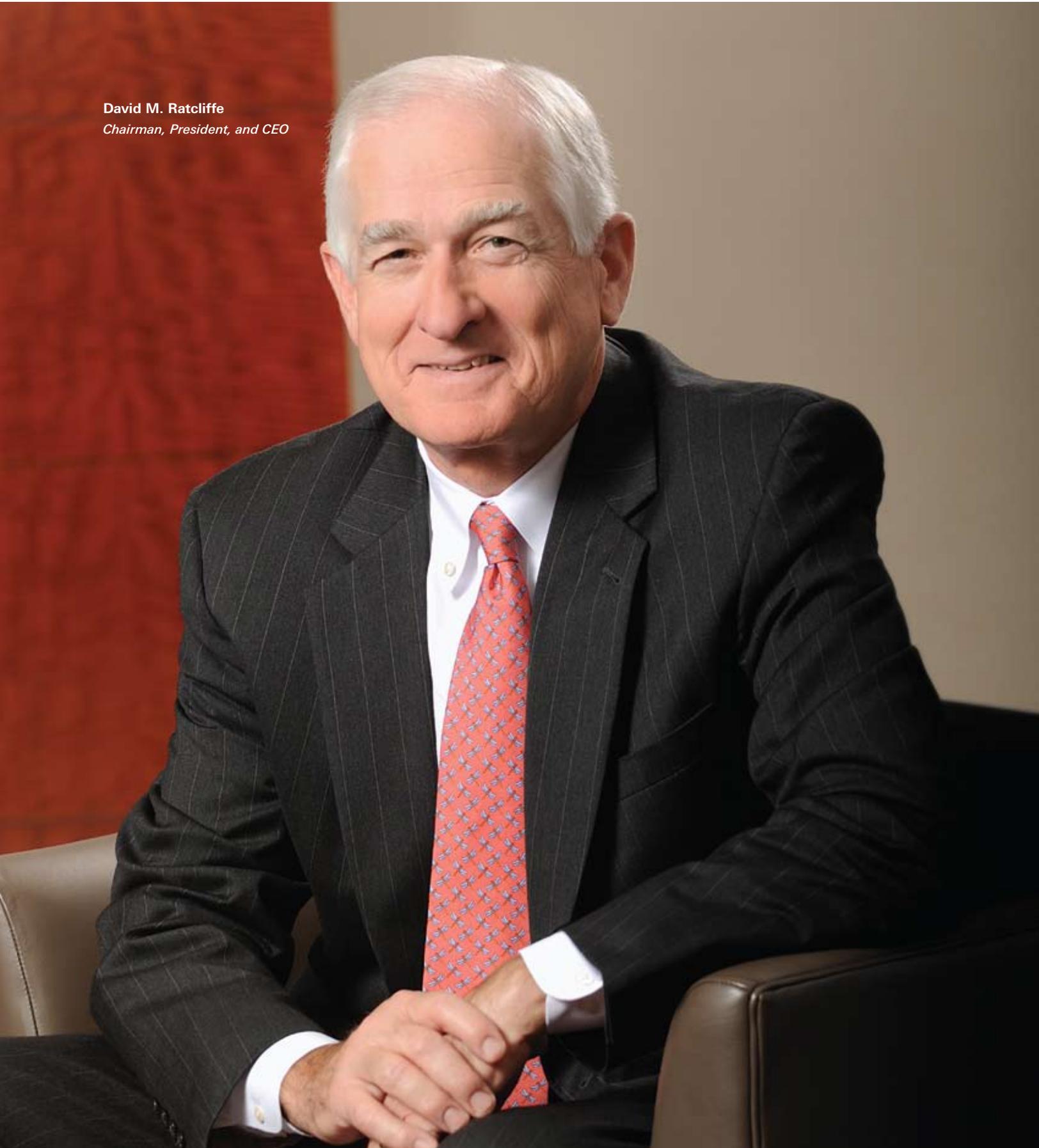


David M. Ratcliffe
Chairman, President, and CEO



Dear Fellow Shareholders,

I am always proud of what our company accomplishes when faced with challenges, and 2009 was no exception.

We knew the year would be tough financially, so we took aggressive measures to mitigate the impact of the recession. We began the year with major initiatives to reduce costs and offset expected revenue declines by freezing base salaries, decreasing head count, limiting hiring, and reducing business expenses. Like many companies, we lowered our spending and found ways to operate even more efficiently.

It paid off. We finished the year with strong operational and financial accomplishments. Here are just a few:

We recorded our best year ever with regard to safety, which is always our primary objective. Our generating plants maintained an industry-leading reliability rating, and our transmission and distribution organization recorded its all-time best reliability performance.

We completed seven major environmental construction projects. We installed 1 million smart meters, bringing our total to 1.9 million. And we began the early site work for two new nuclear units after receiving approval from the Nuclear Regulatory Commission.

Both the legislature and our regulators in Georgia authorized recovery of financing costs during the construction of our new nuclear units. Our regulators in Alabama and Florida authorized recovery of funding for five major scrubber projects, and in Mississippi we received approval to add new generation resources, which we plan to do by building a clean-coal plant using new technology that we developed in partnership with the U.S. Department of Energy and others.

Southern Power, our competitive wholesale business, completed construction of a 300-megawatt combined-cycle plant for the Orlando Utilities Commission, began construction on a 720-megawatt combustion turbine plant in North Carolina to serve two North Carolina power companies, and broke ground

on a 100-megawatt biomass plant in Texas that will serve the city of Austin.

In September, we celebrated 60 years on the New York Stock Exchange. We're proud of our stock performance and that we've paid our stockholders a dividend every single quarter for more than 62 years. We also increased our dividend last spring, marking eight consecutive years of increases.

These accomplishments would be impressive in a year with no major challenges. To accomplish these things during a recession that brought about the greatest negative impact on energy demand in our company's history speaks volumes about the outstanding people who make up this company.

The Southeastern economy traditionally has been driven by a vibrant, growing industrial base with strong migration to the region, which has stimulated residential and commercial activity. Because of this, we're fortunate to have a good balance of residential, commercial, and industrial customers. While the economy had a negative impact on all of our retail energy sales in 2009, which were down 4.8 percent, our industrial sales saw the most significant reduction, 11.8 percent.

Our earnings per share for 2009 were down 8.4 percent. Excluding the impact of a litigation settlement and leveraged lease charges incurred in 2009 and 2008, respectively, our earnings per share were down just 2.1 percent. That's a significant financial accomplishment given the economic impact on our region.

While the recession has interrupted traditional growth trends, we don't believe it has permanently altered the competitive advantages of the region. The Southeast is still an excellent place to live and do business, and, as the economy recovers, we are prepared to respond to increasing demands for electricity.

We are aggressively pursuing implementation of smarter, cleaner, more efficient technologies. Over the next three years, we plan to invest \$14.5 billion in our traditional business to

achieve cleaner generation at our existing plants, add more than 4,000 megawatts of new generation with a lower carbon footprint, and make our electric grid smarter and more efficient.

Last year, we rolled out our SO Smart initiative, which set in place a strategic framework for making decisions about the use of technology as we move forward. There is a great deal of conversation these days about smart grids, smart meters, and smart technology. I said in our report last year that Southern Company is made up of a lot of smart people who are aggressively applying smart technologies across our business. We're using our SO Smart framework to make sure we are integrating and coordinating our efforts to achieve maximum benefits for our customers and shareholders. While many continue to talk, we are actually implementing these technologies.

You may have seen the news of our partnership with Turner Renewable Energy, owned by well-known business leader and environmentalist Ted Turner. We have formed an alliance for the development of renewable energy projects in the United States, focusing initially on large-scale solar projects. We're excited about this alliance, which brings together the project development, financial, and operational strengths of Southern Company with the land resources and constructive environmental leadership of Ted Turner and unites two parties committed to developing new generation technologies.

We are moving in the direction that our current administration supports. Earlier this year, President Obama endorsed nuclear and clean coal as essential to America's future clean energy portfolio, and we are leading the industry in the development of both. We are the first utility in the nation to begin early site work for new nuclear generation, and our project is the first to be selected by the U.S. Department of Energy for a conditional federal loan guarantee commitment.

We continue to support comprehensive energy legislation that encourages an affordable, reliable, and environmentally

responsible supply of energy. To meet this objective, we will continue to develop a broad portfolio of energy resources, including renewable technologies where they make sense.

With our SO Smart framework as a guide, we are well down the road to a future of smarter energy, a smarter grid, and smarter choices for our customers. I encourage you to read the rest of this report to find out more about these and other ongoing projects and our plans for the future.

We know that our business model is sound, and, as always, we are focused on the fundamentals that drive our long-term success. We also remain focused on operating our business to maintain our industry-leading position, while continuing to deliver high levels of customer satisfaction and value to you, our shareholders.

The financial challenges brought about by the economy have made us a much leaner and more efficient company and even better prepared to weather future storms.

I am excited about what we're doing today and what we will do in the future. I am confident that our decisions, based on balance and common sense, are the right ones. My confidence is rooted in the one thing that distinguishes us from the rest – our workforce. Southern Company continues to attract and retain some of the best and brightest. Our team has demonstrated its ability to lead the industry, and I am proud to represent some of the smartest people in our business.

Thank you for your confidence in Southern Company.

Sincerely,



David M. Ratcliffe

March 24, 2010