

## 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, 2009 (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, customer growth, storm damage cost recovery and repairs, fuel cost recovery and other rate actions, environmental regulations and expenditures, earnings, dividend payout ratios, access to sources of capital, projections for postretirement benefit and nuclear decommissioning trust contributions, financing activities, start and completion of construction projects, plans and estimated costs for new generation resources, impacts of adoption of new accounting rules, potential exemptions from ad valorem taxation of the Kemper integrated coal gasification combined cycle project, impact of the American Recovery and Reinvestment Act of 2009, impact of healthcare legislation, if any, 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, particulate matter, or coal combustion byproducts 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 and recovery from the recent recession, 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 and avoid cost overruns during the development and construction of facilities;
- investment performance of Southern Company's employee benefit plans and nuclear decommissioning trusts;
- 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 other cost recovery mechanisms;
- regulatory approvals and actions related to the potential Plant Vogtle expansion, including Georgia Public Service Commission and Nuclear Regulatory Commission approvals and potential Department of Energy loan guarantees;
- 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 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 influenzas, or other similar occurrences;
- the direct or indirect effects on Southern Company's business resulting from incidents affecting the U.S. electric grid or operation of generating resources;
- 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 2010 Proxy Statement and included in the Form 10-K as filed with the Securities and Exchange Commis-

sion. 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, 2009.

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, 2009. 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, 2010

## 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, 2009 and 2008, 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, 2009. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. 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, 2010, expressing unqualified opinions (which are not included herein) are included in Appendix C to the Proxy Statement for the 2010 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, 2009 and 2008, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2009, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia  
February 25, 2010

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

For the Years Ended December 31, 2009, 2008, and 2007

<i>(in millions)</i>	2009	2008	2007
<b>Operating Revenues:</b>			
Retail revenues	\$13,307	\$14,055	\$12,639
Wholesale revenues	1,802	2,400	1,988
Other electric revenues	533	545	513
Other revenues	101	127	213
<b>Total operating revenues</b>	<b>15,743</b>	<b>17,127</b>	<b>15,353</b>
<b>Operating Expenses:</b>			
Fuel	5,952	6,818	5,856
Purchased power	474	815	515
Other operations and maintenance	3,526	3,748	3,670
MC Asset Recovery litigation settlement	202	-	-
Depreciation and amortization	1,503	1,443	1,245
Taxes other than income taxes	818	797	741
<b>Total operating expenses</b>	<b>12,475</b>	<b>13,621</b>	<b>12,027</b>
<b>Operating Income</b>	<b>3,268</b>	<b>3,506</b>	<b>3,326</b>
<b>Other Income and (Expense):</b>			
Allowance for equity funds used during construction	200	152	106
Interest income	23	33	45
Equity in (losses) income of unconsolidated subsidiaries	(1)	11	(24)
Leveraged lease income (losses)	31	(85)	40
Gain on disposition of lease termination	26	-	-
Loss on extinguishment of debt	(17)	-	-
Interest expense, net of amounts capitalized	(905)	(866)	(886)
Other income (expense), net	(21)	(29)	10
<b>Total other income and (expense)</b>	<b>(664)</b>	<b>(784)</b>	<b>(709)</b>
<b>Earnings Before Income Taxes</b>	<b>2,604</b>	<b>2,722</b>	<b>2,617</b>
Income taxes	896	915	835
<b>Consolidated Net Income</b>	<b>1,708</b>	<b>1,807</b>	<b>1,782</b>
Dividends on Preferred and Preference Stock of Subsidiaries	65	65	48
<b>Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries</b>	<b>\$ 1,643</b>	<b>\$ 1,742</b>	<b>\$ 1,734</b>
<b>Common Stock Data:</b>			
Earnings per share (EPS) –			
Basic EPS	\$2.07	\$2.26	\$2.29
Diluted EPS	2.06	2.25	2.28
Average number of shares of common stock outstanding – <i>(in millions)</i>			
Basic	795	771	756
Diluted	796	775	761
<b>Cash dividends paid per share of common stock</b>	<b>\$1.7325</b>	<b>\$1.6625</b>	<b>\$ 1.595</b>

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, 2009, 2008, and 2007

<i>(in millions)</i>	2009	2008	2007
<b>Operating Activities:</b>			
Consolidated net income	\$ 1,708	\$ 1,807	\$ 1,782
Adjustments to reconcile consolidated net income to net cash provided from operating activities –			
Depreciation and amortization, total	1,788	1,704	1,486
Deferred income taxes	25	215	7
Deferred revenues	(54)	120	(2)
Allowance for equity funds used during construction	(200)	(152)	(106)
Equity in (income) losses of unconsolidated subsidiaries	1	(11)	24
Leveraged lease (income) losses	(31)	85	(40)
Gain on disposition of lease termination	(26)	-	-
Loss on extinguishment of debt	17	-	-
Pension, postretirement, and other employee benefits	(3)	21	39
Stock based compensation expense	23	20	28
Hedge settlements	(19)	15	10
Other, net	79	(97)	80
Changes in certain current assets and liabilities –			
Receivables	585	(176)	165
Fossil fuel stock	(432)	(303)	(39)
Materials and supplies	(39)	(23)	(71)
Other current assets	(47)	(36)	-
Accounts payable	(125)	(74)	105
Accrued taxes	(95)	293	(19)
Accrued compensation	(226)	36	(40)
Other current liabilities	334	20	25
<b>Net cash provided from operating activities</b>	<b>3,263</b>	<b>3,464</b>	<b>3,434</b>
<b>Investing Activities:</b>			
Property additions	(4,670)	(3,961)	(3,546)
Investment in restricted cash from pollution control revenue bonds	(55)	(96)	(157)
Distribution of restricted cash from pollution control revenue bonds	119	69	78
Nuclear decommissioning trust fund purchases	(1,234)	(720)	(783)
Nuclear decommissioning trust fund sales	1,228	712	775
Proceeds from property sales	340	34	33
Cost of removal, net of salvage	(119)	(123)	(108)
Change in construction payables	215	83	38
Other investing activities	(143)	(124)	(39)
<b>Net cash used for investing activities</b>	<b>(4,319)</b>	<b>(4,126)</b>	<b>(3,709)</b>
<b>Financing Activities:</b>			
Decrease in notes payable, net	(306)	(314)	(669)
Proceeds –			
Long-term debt issuances	3,042	3,687	3,826
Preferred and preference stock	-	-	470
Common stock issuances	1,286	474	538
Redemptions –			
Long-term debt	(1,234)	(1,469)	(2,565)
Redeemable preferred stock	-	(125)	-
Payment of common stock dividends	(1,369)	(1,280)	(1,205)
Payment of dividends on preferred and preference stock of subsidiaries	(65)	(66)	(40)
Other financing activities	(25)	(29)	(46)
<b>Net cash provided from financing activities</b>	<b>1,329</b>	<b>878</b>	<b>309</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>273</b>	<b>216</b>	<b>34</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>417</b>	<b>201</b>	<b>167</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 690</b>	<b>\$ 417</b>	<b>\$ 201</b>

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

At December 31, 2009 and 2008

<b>ASSETS</b> (in millions)	2009	2008
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 690	\$ 417
Restricted cash and cash equivalents	43	103
Receivables –		
Customer accounts receivable	953	1,054
Unbilled revenues	394	320
Under recovered regulatory clause revenues	333	646
Other accounts and notes receivable	375	301
Accumulated provision for uncollectible accounts	(25)	(26)
Fossil fuel stock, at average cost	1,447	1,018
Materials and supplies, at average cost	794	757
Vacation pay	145	140
Prepaid expenses	508	302
Other regulatory assets, current	167	275
Other current assets	49	51
<b>Total current assets</b>	<b>5,873</b>	<b>5,358</b>
<b>Property, Plant, and Equipment:</b>		
In service	53,588	50,618
Less accumulated depreciation	19,121	18,286
Plant in service, net of depreciation	34,467	32,332
Nuclear fuel, at amortized cost	593	510
Construction work in progress	4,170	3,036
<b>Total property, plant, and equipment</b>	<b>39,230</b>	<b>35,878</b>
<b>Other Property and Investments:</b>		
Nuclear decommissioning trusts, at fair value	1,070	864
Leveraged leases	610	897
Miscellaneous property and investments	283	227
<b>Total other property and investments</b>	<b>1,963</b>	<b>1,988</b>
<b>Deferred Charges and Other Assets:</b>		
Deferred charges related to income taxes	1,047	973
Unamortized debt issuance expense	208	208
Unamortized loss on reacquired debt	255	271
Deferred under recovered regulatory clause revenues	373	606
Other regulatory assets, deferred	2,702	2,636
Other deferred charges and assets	395	429
<b>Total deferred charges and other assets</b>	<b>4,980</b>	<b>5,123</b>
<b>Total Assets</b>	<b>\$52,046</b>	<b>\$48,347</b>

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

At December 31, 2009 and 2008

<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b> <i>(in millions)</i>	<b>2009</b>	<b>2008</b>
<b>Current Liabilities:</b>		
Securities due within one year	\$ 1,113	\$ 617
Notes payable	639	953
Accounts payable	1,329	1,250
Customer deposits	331	302
Accrued taxes –		
Accrued income taxes	13	197
Unrecognized tax benefits	166	131
Other accrued taxes	398	396
Accrued interest	218	196
Accrued vacation pay	184	179
Accrued compensation	248	447
Liabilities from risk management activities	125	261
Other regulatory liabilities, current	528	78
Other current liabilities	292	219
<b>Total current liabilities</b>	<b>5,584</b>	<b>5,226</b>
<b>Long-Term Debt</b>	<b>18,131</b>	<b>16,816</b>
<b>Deferred Credits and Other Liabilities:</b>		
Accumulated deferred income taxes	6,455	6,080
Deferred credits related to income taxes	248	259
Accumulated deferred investment tax credits	448	455
Employee benefit obligations	2,304	2,057
Asset retirement obligations	1,201	1,183
Other cost of removal obligations	1,091	1,321
Other regulatory liabilities, deferred	278	262
Other deferred credits and liabilities	346	330
<b>Total deferred credits and other liabilities</b>	<b>12,371</b>	<b>11,947</b>
<b>Total Liabilities</b>	<b>36,086</b>	<b>33,989</b>
<b>Redeemable Preferred Stock of Subsidiaries</b>	<b>375</b>	<b>375</b>
<b>Common Stockholders' Equity</b>	<b>14,878</b>	<b>13,276</b>
<b>Preferred and Preference Stock of Subsidiaries</b>	<b>707</b>	<b>707</b>
<b>Total Stockholders' Equity</b>	<b>15,585</b>	<b>13,983</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$52,046</b>	<b>\$48,347</b>

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