

Thomas A. Fanning
Chairman, President and CEO



Dear Fellow Shareholders,

It's an exciting time to be at Southern Company. It's a time of challenges and opportunities, a time when the innovative spirit of our workforce will be called upon to solve complex issues and open the door to new ways of thinking. It's the beginning of a highly emergent period in the development of our nation's energy policy, and our company is already helping to lead that transformation. Against that backdrop, I am pleased to report to you on our accomplishments from 2010 and our plans for 2011 and beyond.

I could not, however, continue this message without first acknowledging the incalculable contributions of my predecessor, David Ratcliffe. David retired in December 2010 after 39 years of service to Southern Company, including the last six years as CEO. Through his strong sense of character, dedication and integrity, David crafted a legacy that will endure for many years to come. He did more than manage a Fortune 200 company; he helped lead an entire industry, always with a focus on the present and an eye toward the future.

As a friend and mentor, David Ratcliffe has few equals, and the lessons he imparted during his tenure here – lessons about commitment, discipline and perseverance – will be gratefully carried forward by the next generation of leadership. On behalf of everyone here at Southern Company, David, we thank you.

Our company's financial performance in 2010 was largely influenced by two factors: an emerging economic recovery and an unusual pattern of consistently unseasonable weather. On the economic front, an upward trend in exports and an increasingly efficient manufacturing base helped fuel a rebound in the industrial sector, a trend that has continued into the early part of this year. While job creation so far has not kept pace with this industrial recovery, signs increasingly point to the potential for new jobs in 2011, with anticipated positive impact on residential and commercial sales.

Overall, revenues increased 10.9 percent compared with 2009, to \$17.46 billion. Earnings rose to \$1.98 billion, or \$2.37 a share, compared with \$1.64 billion, or \$2.07 a share, in 2009. In April 2010, we increased our dividend, marking nine consecutive years of increases.

It was a year of developmental milestones in the generation and delivery of our product. Construction at the site of Plant Vogtle near Waynesboro, Ga., is now well under way, in preparation for the building of two new nuclear units. We broke ground on a new coal-fired generating facility in Kemper County, Miss., that will feature a carbon footprint similar to that of natural gas. We're building a facility near Austin, Texas, that represents one of the largest biomass efforts in the entire country. And we began commercial operation on a new 30-megawatt solar energy plant in New Mexico that is one of the largest of its kind.

In terms of workforce culture, we continue to distinguish ourselves on multiple fronts. Earlier this year, we were named the World's Most Admired Electric and Gas Utility by Fortune magazine. We were ranked among the top 50 companies in the 2010 Corporate Social Responsibility Index by the Boston College Center for Corporate Citizenship, the only utility to make that list. Diversity Inc. magazine named us to its list of Top 10 Companies for Blacks. We received the Freedom Award from the U.S. Department of Defense for our support of employees serving in the National Guard or Reserve and were ranked 21st nationally among military-friendly employers by GI Jobs magazine.

The stage is set for further achievement in the years to come. In many important ways, Southern Company is best positioned to address the myriad challenges facing our industry today. And that's exactly what we're doing. Beginning with research and development and applying our time-tested approach to due diligence and risk management, we're enacting fresh solutions to new-age problems. With the right mix of "arrows" in our "quiver" – including nuclear, coal, natural gas, renewables and energy efficiency – we intend to become a model for the successful utility of the future.

In the process, we will remain anchored in our heritage, and take care never to stray too far from that essential foundation. The real strength of Southern Company is in the surety of its identity, the guiding principles of which were established by our founders more than a century ago. Those early visionaries knew that bold thinking – informed by sound, considered judgment – would be the key to success in a burgeoning industry. That same formula remains a cornerstone of our business today, and will ultimately lead us to the right answers for tomorrow.

With that in mind, we have established five distinct priorities for the next few years. In sum, we will:

- **Stick to the fundamentals.** We must continue to keep customers at the center of everything we do by providing the best combination of service, reliability and price competitiveness in the industry. Maintaining constructive relationships with regulators will preserve accessibility to capital, which we will use to better serve customers and communities.
- **Achieve success with major construction projects.** The expansion of Plant Vogtle represents more than just new generating capacity; it is the forward edge of a potential national renaissance for nuclear energy. While recent events in Japan have underscored the importance of sound, safe nuclear design, we remain committed to leading that movement. Meanwhile, the new generating facility in Kemper County, Miss., will pioneer technologies for using coal in a more economic, reliable and environmentally friendly way.
- **Support the building of a national energy policy.** A variety of fuel sources will be needed to maintain the flow of electricity, which we believe is the lifeblood of the national economy. To help achieve that outcome, we will engage in constructive dialogue with government agencies while undertaking serious, cutting-edge research into ways to make electricity cleaner and more affordable.
- **Promote smart energy.** We will continue our long history of leadership in the development of emerging technologies that benefit customers. This includes new forms of generation, more reliable distribution methods and innovations that give customers more influence over their electricity use.
- **Value and develop our people.** We must continue to build a diverse workforce of innovative thinkers and encourage their personal and professional growth. New ideas will push us to new heights, and we must be prepared to cultivate and harvest that intellectual energy.

It's a tall order. But it's the kind of thing we do, and have always done, at Southern Company. Our track record – with its focus on customer satisfaction, industry-leading reliability and prices below the national average – speaks for itself. Far from being intimidated by the challenges we face, we are energized by them. And we will use that energy to fuel our ambition of providing exceptional shareholder value with the best risk-adjusted return in the industry. I thank you for your continued confidence in Southern Company, and look forward to serving you.

Sincerely,



Thomas A. Fanning
March 28, 2011