

## Cautionary Statement Regarding Forward-Looking Statements

This report contains forward-looking statements. Forward-looking statements include, among other things, retail sales, customer growth, economic recovery, environmental regulations and expenditures, future earnings and dividends, financing activities, start and completion of construction projects, plans and estimated costs for new generation resources and environmental control equipment, 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 changes, 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, coal combustion byproducts and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, financial reform legislation, 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 Environmental Protection Agency civil actions against certain Southern Company subsidiaries, Federal Energy Regulatory Commission matters and Internal Revenue Service audits;
- 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 trust funds;
- 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 Plant Vogtle expansion, including Georgia Public Service Commission (PSC) and U.S. Nuclear Regulatory Commission approvals and potential U.S. Department of Energy (DOE) loan guarantees;
- regulatory approvals and actions related to the Kemper integrated coal gasification combined cycle facility, including Mississippi PSC approvals and potential DOE 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 Southern Company’s annual report on Form 10-K for the fiscal year ended December 31, 2010 (Form 10-K), filed by Southern 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 B to the Company’s 2011 Proxy Statement and included in the Form 10-K as filed with the Securities and Exchange Commission.

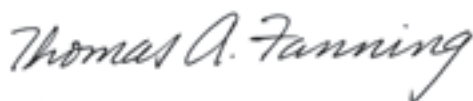
Appendix B to the Proxy Statement and the Form 10-K also contain detailed discussions of major uncertainties, contingencies, risks, and other issues the Company faces. A copy of the Form 10-K and/or the Proxy Statement, including the full financial statements, can be obtained by calling 1-800-554-7626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

## Management's Report On Internal Control Over Financial Reporting

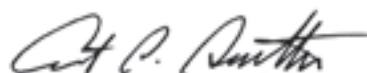
Southern Company's management is responsible for establishing and maintaining an adequate system of internal control over financial reporting as required by the Sarbanes-Oxley Act of 2002 and as defined in Exchange Act Rule 13a-15(f). A control system can provide only reasonable, not absolute, assurance 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, 2010.

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, 2010. Deloitte & Touche LLP's report on Southern Company's internal control over financial reporting appears in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission.



**Thomas A. Fanning**  
*Chairman, President, and Chief Executive Officer*



**Art P. Beattie**  
*Executive Vice President and Chief Financial Officer*


February 25, 2011

## 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, 2010 and 2009, 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, 2010. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2010. 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, 2011, expressing unqualified opinions (which are not included herein) are included in Appendix B to the Proxy Statement for the 2011 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, 2010 and 2009, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2010, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia  
February 25, 2011

**Condensed Consolidated Statements of Income**

For the Years Ended December 31, 2010, 2009 and 2008

<i>(in millions)</i>	2010	2009	2008
<b>Operating Revenues:</b>			
Retail revenues	\$14,791	\$13,307	\$14,055
Wholesale revenues	1,994	1,802	2,400
Other electric revenues	589	533	545
Other revenues	82	101	127
Total operating revenues	17,456	15,743	17,127
<b>Operating Expenses:</b>			
Fuel	6,699	5,952	6,818
Purchased power	563	474	815
Other operations and maintenance	4,010	3,526	3,748
MC Asset Recovery litigation settlement	-	202	-
Depreciation and amortization	1,513	1,503	1,443
Taxes other than income taxes	869	818	797
Total operating expenses	13,654	12,475	13,621
<b>Operating Income</b>	<b>3,802</b>	<b>3,268</b>	<b>3,506</b>
<b>Other Income and (Expense):</b>			
Allowance for equity funds used during construction	194	200	152
Interest income	24	23	33
Leveraged lease income (losses)	18	31	(85)
Gain on disposition of lease termination	-	26	-
Loss on extinguishment of debt	-	(17)	-
Interest expense, net of amounts capitalized	(895)	(905)	(866)
Other income (expense), net	(77)	(22)	(18)
Total other income and (expense)	(736)	(664)	(784)
<b>Earnings Before Income Taxes</b>	<b>3,066</b>	<b>2,604</b>	<b>2,722</b>
Income taxes	1,026	896	915
<b>Consolidated Net Income</b>	<b>2,040</b>	<b>1,708</b>	<b>1,807</b>
Dividends on Preferred and Preference Stock of Subsidiaries	65	65	65
<b>Consolidated Net Income After Dividends on Preferred and Preference Stock of Subsidiaries</b>			
	<b>\$ 1,975</b>	<b>\$ 1,643</b>	<b>\$ 1,742</b>
<b>Common Stock Data:</b>			
Earnings per share (EPS)–			
Basic EPS	\$2.37	\$2.07	\$2.26
Diluted EPS	2.36	2.06	2.25
Average number of shares of common stock outstanding – <i>(in millions)</i>			
Basic	832	795	771
Diluted	837	796	775
Cash dividends paid per share of common stock	\$1.8025	\$1.7325	\$1.6625

Full disclosure of all financial information is included in Appendix B to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission, including the accompanying footnotes, which are an integral part of the financial statements.

**Condensed Consolidated Statements of Cash Flows**

For the Years Ended December 31, 2010, 2009 and 2008

<i>(in millions)</i>	2010	2009	2008
<b>Operating Activities:</b>			
Consolidated net income	\$2,040	\$1,708	\$1,807
Adjustments to reconcile consolidated net income to net cash provided from operating activities –			
Depreciation and amortization, total	1,831	1,788	1,704
Deferred income taxes	1,038	25	215
Deferred revenues	(103)	(54)	120
Allowance for equity funds used during construction	(194)	(200)	(152)
Leveraged lease (income) losses	(18)	(31)	85
Gain on disposition of lease termination	-	(26)	-
Loss on extinguishment of debt	-	17	-
Pension, postretirement, and other employee benefits	(614)	(3)	21
Stock based compensation expense	33	23	20
Hedge settlements	2	(19)	15
Generation construction screening costs	(51)	(22)	-
Other, net	86	102	(108)
Changes in certain current assets and liabilities –			
Receivables	80	585	(176)
Fossil fuel stock	135	(432)	(303)
Materials and supplies	(30)	(39)	(23)
Other current assets	(17)	(47)	(36)
Accounts payable	4	(125)	(74)
Accrued taxes	(308)	(95)	293
Accrued compensation	180	(226)	36
Other current liabilities	(103)	334	20
Net cash provided from operating activities	3,991	3,263	3,464
<b>Investing Activities:</b>			
Property additions	(4,086)	(4,670)	(3,961)
Investment in restricted cash from revenue bonds	(50)	(55)	(96)
Distribution of restricted cash from revenue bonds	25	119	69
Nuclear decommissioning trust fund purchases	(2,009)	(1,234)	(720)
Nuclear decommissioning trust fund sales	2,004	1,228	712
Proceeds from property sales	18	340	34
Cost of removal, net of salvage	(125)	(119)	(123)
Change in construction payables	(51)	215	83
Other investing activities	18	(143)	(124)
Net cash used for investing activities	(4,256)	(4,319)	(4,126)
<b>Financing Activities:</b>			
Increase (decrease) in notes payable, net	659	(306)	(314)
Proceeds –			
Long-term debt issuances	3,151	3,042	3,687
Common stock issuances	772	1,286	474
Redemptions –			
Long-term debt	(2,966)	(1,234)	(1,469)
Redeemable preferred stock	-	-	(125)
Payment of common stock dividends	(1,496)	(1,369)	(1,280)
Payment of dividends on preferred and preference stock of subsidiaries	(65)	(65)	(66)
Other financing activities	(33)	(25)	(29)
Net cash provided from financing activities	22	1,329	878
<b>Net Change in Cash and Cash Equivalents</b>	<b>(243)</b>	<b>273</b>	<b>216</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>690</b>	<b>417</b>	<b>201</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 447</b>	<b>\$ 690</b>	<b>\$ 417</b>

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**Condensed Consolidated Balance Sheets**

At December 31, 2010 and 2009

<b>Assets (in millions)</b>	<b>2010</b>	<b>2009</b>
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 447	\$ 690
Restricted cash and cash equivalents	68	43
Receivables –		
Customer accounts receivable	1,140	953
Unbilled revenues	420	394
Under recovered regulatory clause revenues	209	333
Other accounts and notes receivable	285	375
Accumulated provision for uncollectible accounts	(25)	(25)
Fossil fuel stock, at average cost	1,308	1,447
Materials and supplies, at average cost	827	794
Vacation pay	151	145
Prepaid expenses	784	508
Other regulatory assets, current	210	167
Other current assets	59	49
<b>Total current assets</b>	<b>5,883</b>	<b>5,873</b>
<b>Property, Plant, and Equipment:</b>		
In service	56,731	53,588
Less accumulated depreciation	20,174	19,121
Plant in service, net of depreciation	36,557	34,467
Nuclear fuel, at amortized cost	670	593
Construction work in progress	4,775	4,170
<b>Total property, plant, and equipment</b>	<b>42,002</b>	<b>39,230</b>
<b>Other Property and Investments:</b>		
Nuclear decommissioning trusts, at fair value	1,370	1,070
Leveraged leases	624	610
Miscellaneous property and investments	277	283
<b>Total other property and investments</b>	<b>2,271</b>	<b>1,963</b>
<b>Deferred Charges and Other Assets:</b>		
Deferred charges related to income taxes	1,280	1,047
Prepaid pension costs	88	-
Unamortized debt issuance expense	178	208
Unamortized loss on reacquired debt	274	255
Deferred under recovered regulatory clause revenues	218	373
Other regulatory assets, deferred	2,402	2,702
Other deferred charges and assets	436	395
<b>Total deferred charges and other assets</b>	<b>4,876</b>	<b>4,980</b>
<b>Total Assets</b>	<b>\$55,032</b>	<b>\$52,046</b>

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**Condensed Consolidated Balance Sheets**

At December 31, 2010 and 2009

<b>Liabilities and Stockholders' Equity</b> (in millions)	<b>2010</b>	<b>2009</b>
<b>Current Liabilities:</b>		
Securities due within one year	\$ 1,301	\$ 1,113
Notes payable	1,297	639
Accounts payable	1,275	1,329
Customer deposits	332	331
Accrued taxes –		
Accrued income taxes	8	13
Unrecognized tax benefits	187	166
Other accrued taxes	440	398
Accrued interest	225	218
Accrued vacation pay	194	184
Accrued compensation	438	248
Liabilities from risk management activities	152	125
Other regulatory liabilities, current	88	528
Other current liabilities	535	292
<b>Total current liabilities</b>	<b>6,472</b>	<b>5,584</b>
<b>Long-Term Debt</b>	<b>18,154</b>	<b>18,131</b>
<b>Deferred Credits and Other Liabilities:</b>		
Accumulated deferred income taxes	7,554	6,455
Deferred credits related to income taxes	235	248
Accumulated deferred investment tax credits	509	448
Employee benefit obligations	1,580	2,304
Asset retirement obligations	1,257	1,201
Other cost of removal obligations	1,158	1,091
Other regulatory liabilities, deferred	312	278
Other deferred credits and liabilities	517	346
<b>Total deferred credits and other liabilities</b>	<b>13,122</b>	<b>12,371</b>
<b>Total Liabilities</b>	<b>37,748</b>	<b>36,086</b>
<b>Redeemable Preferred Stock of Subsidiaries</b>	<b>375</b>	<b>375</b>
Common Stockholders' Equity	16,202	14,878
Preferred and Preference Stock of Subsidiaries	707	707
<b>Total Stockholders' Equity</b>	<b>16,909</b>	<b>15,585</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$55,032</b>	<b>\$52,046</b>

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