ALABAMA POWER CO
Form DEF 14C
March 25, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14C INFORMATION

Information Statement Pursuant To Section 14(c)
of the Securities Exchange Act of 1934

Check the appropriate box:

o Preliminary information statement
o Confidential, for use of the Commission only (as permitted by Rule 14c-5(d)(2))
x Definitive information statement

ALABAMA POWER COMPANY
(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.
o Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

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NOTICE OF 2011
ANNUAL MEETING
& INFORMATION STATEMENT

www.alabamapower.com

ALABAMA POWER COMPANY
Birmingham, Alabama

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on April 22, 2011

NOTICE IS HEREBY GIVEN that the 2011 Annual Meeting of the Shareholders of Alabama Power Company will be held at Alabama Power Company's corporate headquarters, 600 North 18th Street, Birmingham, Alabama 35203 on April 22, 2011 at 8:00 a.m., Central Time, to elect 13 members of the Board of Directors and to transact any other business that may properly come before said meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 9, 2011 will be entitled to notice of and to vote at said meeting or any adjournment or postponement thereof.

For directions to the meeting, please contact the Alabama Power Company Corporate Secretary at (205) 257-1000 or send an e-mail to apcocorpsec@southernco.com.

The Information Statement and the 2010 Annual Report are included in this mailing.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF THE INFORMATION STATEMENT AND THE 2010 ANNUAL REPORT FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 22, 2011.

This Information Statement and the 2010 Annual Report are also available to you at http://www.alabamapower.com/financial/.

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

BY ORDER OF THE BOARD OF DIRECTORS

William E. Zales, Jr.
Vice President, Corporate Secretary, and Assistant Treasurer

Birmingham, Alabama
March 25, 2011

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INFORMATION STATEMENT

GENERAL INFORMATION

This Information Statement is furnished by Alabama Power Company (Company) in connection with the 2011 Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held on April 22, 2011 at 8:00 a.m., Central Time, at the Company's corporate headquarters, 600 North 18th Street, Birmingham, Alabama 35203. This Information Statement is initially being provided to shareholders on or about March 25, 2011. The Information Statement and the 2010 Annual Report are also available to you at http://www.alabamapower.com/financial/.

At the meeting, the shareholders will vote to elect 13 members to the Board of Directors and will transact any other business that may properly come before the meeting. We are not aware of any other matters to be presented at the meeting; however, the holder of the Company's common stock will be entitled to vote on any other matters properly presented.

All shareholders of record of the Company's common stock, preferred stock, and Class A preferred stock on the record date of March 9, 2011 are entitled to notice of and to vote at the meeting. On that date, there were 30,537,500 common shares outstanding and entitled to vote, all of which are held by The Southern Company (Southern Company). There were also 475,115 shares of preferred stock and 12,000,000 shares of Class A preferred stock outstanding on that date. The shares of the Company's preference stock are not entitled to vote in the election of Directors.

With respect to the election of Directors, all of the outstanding shares of preferred stock and Class A preferred stock are entitled to vote as a single class with the Company's common stock. Each common share counts as one vote. Each share of the 4.20% Series, the 4.52% Series, the 4.60% Series, the 4.64% Series, the 4.72% Series, and the 4.92% Series of outstanding preferred stock, with par value of $100 per share, counts as two-fifths vote and each share of the 5.20% Series, the 5.30% Series, and the 5.83% Series of outstanding Class A preferred stock, with stated capital of $25 per share, counts as one-tenth vote. The Company's Articles of Incorporation provide for cumulative voting rights for the common shares, preferred shares, and Class A preferred shares.

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SHAREHOLDER PROPOSALS

Shareholders may present proper proposals for inclusion in the Company's information statement and for consideration at the next annual meeting of its shareholders by submitting their proposals to the Company in a timely manner. In order to be considered for inclusion for the 2012 Annual Meeting, shareholder proposals must be received by the Company no later than January 25, 2012.

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NOMINEES FOR ELECTION AS DIRECTORS

ITEM NO. 1 – ELECTION OF DIRECTORS

A Board of 13 Directors is to be elected at the annual meeting, each Director to hold office until the next annual meeting of shareholders and until the election and qualification of a successor Board. If any named nominee becomes unavailable for election, the Board may substitute another nominee.

Below is information concerning the nominees for Director stating, among other things, their names, ages, positions, and offices held, and descriptions of their business experience. The background, experiences, and strengths of each nominee contributes to the diversity of the Company's Board. The ages of the Directors shown below are as of December 31, 2010.

Charles D. McCrary – Director since 2001
Mr. McCrary, 59, is President, Chief Executive Officer, and Director of the Company and Executive Vice President of Southern Company. He is a Director of Regions Financial Corporation where he serves as a member of the Audit Committee and has been determined to be an audit committee financial expert. Mr. McCrary is also a Director of Protective Life Corporation, where he serves on the Corporate Governance and Nominating Committee and the Finance and Investment Committee. He also serves on the Board of privately-held Mercedes-Benz U.S. International, Inc. Mr. McCrary is the Chairman of the Economic Development Partnership of Alabama and serves on the Boards of the Business Council of Alabama and the Alabama Power Foundation and as a Trustee on the Boards of Children's Hospital of Alabama and Auburn University in addition to numerous other civic, community, and industry-related organizations. Given the depth of his knowledge and experience running a regulated company and his other experience, Mr. McCrary is well qualified to be a member the Board.

Whit Armstrong – Director since 1982
Mr. Armstrong, 63, is Chairman of The Citizens Bank, Enterprise, Alabama, and President, Chief Executive Officer, and Chairman of Enterprise Capital Corporation, Inc. He is a Director and a member of the Audit and Compensation Committees of Enstar Group Inc. and a member of the Board of Directors of the Applied Research Center of Alabama. Mr. Armstrong is Chairman of the Industrial Development Board of the City of Enterprise, former Chairman of the Ethics Commission of the State of Alabama, and a former member of the Alabama State Banking Board. He also has served or serves as a member of the Boards of Troy State University Foundation, Enterprise State Community College Foundation, E.L. Gibson Foundation, and other civic and community organizations. Mr. Armstrong's background and long experience as a senior executive of a financial institution, including extensive exposure to complex financial issues, and as a leader in other business, economic development, civic, educational, and not-for-profit organizations, along with his long-standing knowledge of the Company and his seasoned business judgment, are valuable to the Company's Board.

Ralph D. Cook – Director since 2008
Justice Cook, 66, is an attorney with the Hare, Wynn, Newell and Newton, LLP law firm in Birmingham, Alabama. He has been with the firm since February 2001. Previously, Justice Cook served for 24 years as a District Judge, a Circuit Judge, and an Associate Justice on the Alabama Supreme Court. He is a member of the National Bar Association, Alabama State Bar, California State Bar, Birmingham and Bessemer Bar Associations, a fellow in the American College of Trial Lawyers, and an elected member of the American Law Institute. He has served as President of both the Alabama Lawyers Association and the Alabama Association for Justice. Justice Cook served as

Dean and Professor of Miles Law School, Birmingham, Alabama, and also taught at San Jose State University and Cabrillo College in California. He also has served or serves on the Board of Directors of the Birmingham Civil Rights Institute, the Community Foundation of Greater Birmingham, the Greater Birmingham Salvation Army, the Alabama Civil Justice Foundation, St. Vincent's Foundation, and other civic and community organizations. Justice Cook's background and long experience as a lawyer, judge, and leader in civic, educational, and not-for-profit organizations, along with his seasoned legal judgment, are valuable to the Company's Board.

David J. Cooper, Sr. – Director since 1998
Mr. Cooper, 65, is the Vice Chairman of Cooper/T. Smith Corporation, Mobile, Alabama, a privately held corporation that is one of the largest stevedoring and maritime-related firms in the United States. Mr. Cooper served on the Board of Directors of SouthTrust Bank (now Wells Fargo) and serves on the Board of Regions Financial Corporation and is a current member of the Compensation Committee and Nominating and Corporate Governance Committee of the Regions Board. Mr. Cooper also serves on the Boards of Transbay Container Terminal, Husky Terminal and Stevedoring Company, Inc., Crescent Towing and Salvage Company, and CSC Assurance. Mr. Cooper is also on the Boards of the Economic Development Partnership of Alabama and the Alabama State Port Authority and is a Director of the American Automobile Association. Mr. Cooper is past Chairman of the Mobile Infirmary Medical Center, the International Business Advisory Board, and the UMS-Wright Preparatory School Board of Trustees. He also is a member of the Japan America Society of Alabama Board of Directors and the Board of Advisors for the Mobile Area Chamber of Commerce. Mr. Cooper's background and long experience as a senior executive of a large corporation, his extensive exposure to complex financial issues at large companies, and his leadership in other business, economic development, civic, educational, and not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

Thomas A. Fanning – Director since 2010
Mr. Fanning, 53, has been Chairman of the Board and Chief Executive Officer of Southern Company since December 2010 and also President since August 2010. He previously served as Chief Operating Officer of Southern Company from February 2008 through July 2010; Executive Vice President and Chief Financial Officer of Southern Company from May 2007 through January 2008; and Executive Vice President, Chief Financial Officer, and Treasurer of Southern Company from April 2003 to May 2007. He has been an employee of the Southern Company system for 30 years. The numerous positions Mr. Fanning has held within the Southern Company system uniquely qualify him to be a Director of the Company. He understands the electric utility business, the regulatory environment, and other industry-specific matters that affect the Company. Mr. Fanning is also a Director of The St. Joe Company, serving as Chair of the Audit and Finance Committee. He is also a Director of Georgia Power Company, Southern Power Company, and a number of other Southern Company system companies.

John D. Johns – Director since 2004
Mr. Johns, 58, is Chairman, President, and Chief Executive Officer of Protective Life Corporation (a holding company whose subsidiaries provide insurance and other financial services), Birmingham, Alabama. He is a Director of Protective Life Corporation and Genuine Parts Company. He serves as a member of the Compensation, Nominating and Governance Committee of the Board of Genuine Parts Company. He previously served on the Boards of John H. Harland Company and Alabama National BanCorporation. Mr. Johns is also on the Boards of the Economic Development Partnership of Alabama and the Business Council of Alabama. He a member of The University of Alabama President's Cabinet, serves on the Board of Advisors of the Center for Ethics and Social responsibility at the University of Alabama, and is a Trustee of Birmingham-Southern College and Altamont School. He is also on the Boards of the Birmingham Civil Rights Institute, Leadership Alabama, and other civic and community organizations. Mr. John's background and long experience as a senior executive of a large insurance corporation, his extensive exposure to complex financial issues at large public companies, his leadership in other business, economic development, civic, educational, and not-for-profit organizations, and his seasoned business judgment are valuable to the Company's Board.

Patricia M. King – Director since 1997
Ms. King, 65, is President and Chief Executive Officer of Sunny King Automotive Group (automobile dealerships), Anniston, Alabama. Ms. King is a founding member and Director of Noble Bank and Trust and serves on the Boards of Directors of Stringfellow Memorial Hospital and the Business Council of Alabama. Ms. King also serves as a Director on the Boards of the Knox Concert Series and the Public Education Foundation of Anniston and is a member

of the Jacksonville State University College of Commerce and Business Administration Business Advisory Board and other community and civic-related organizations. Ms. King's background and long experience as a business owner and as a leader in other business, civic, educational, and not-for-profit organizations, along with her long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

James K. Lowder – Director since 1997
Mr. Lowder, 61, is Chairman of the Board of The Colonial Company and its subsidiaries (real estate development and sales), Montgomery, Alabama. He serves on the Board of Trustees of Colonial Properties Trust, a real estate investment trust, in Birmingham, Alabama. He is a current member of the Home Builders Association of Alabama and the Greater Montgomery Home Builders Association. Mr. Lowder is the Chairman of the Alabama Shakespeare Festival, a past Board member of Leadership Montgomery, past President of the Board of the Montgomery YMCA, and past Chairman of the Montgomery Area United Way Campaign. Mr. Lowder's background and long experience as a senior executive and as a leader in other business, civic, educational, and not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

Malcolm Portera – Director since 2003
Dr. Portera, 64, is Chancellor of The University of Alabama System, which is the State of Alabama's largest higher education enterprise. Dr. Portera currently serves on the Board of Directors of Protective Life Corporation, Birmingham, Alabama, where he has served on the Corporate Governance and Nominating Committee and the Finance and Investment Committee. He previously served as a Director of Regions Financial Corporation, Birmingham, Alabama. Dr. Portera was formerly the President of Mississippi State University. Prior to that, Dr. Portera held a number of increasingly important positions with the University of Alabama System and launched a successful business development and strategic planning company. He also serves in leadership roles for the Birmingham Business Alliance, the Riley Foundation, Southern Research Institute, the University of Alabama at Birmingham Health System, the West Alabama Chamber of Commerce, the Bryant-Jordan Scholarship Foundation, Operation New Birmingham, the University of Alabama at Birmingham Research Foundation, and the University of Alabama at Huntsville Foundation. He is the former Chair of the Council of Presidents of the Southeastern Universities Research Association and Vice Chair of the Alabama Research Alliance. Dr. Portera's background and long experience in academia and as a leader in other business, civic, educational, and not-for-profit organizations and seasoned business judgment, are valuable to the Company's Board.

Robert D. Powers – Director since 1992
Mr. Powers, 60, is President of The Eufaula Agency, Inc. (insurance brokerage and real estate). He maintains professional designations in insurance and finance. He is a principal and active in a number of business ventures in Eufaula, Alabama. Currently, Mr. Powers serves as a member of the Eufaula City Council and has served on numerous city commissions and Boards. Mr. Powers is on the Board of Directors of the Business Council of Alabama, the Economic Development Partnership of Alabama Foundation, and the Alabama Industry Competitiveness Foundation. He also serves on the Boards of the United Way of Greater Barbour County, the Eufaula/Barbour County Chamber of Commerce, and the Clearing House/Family Service Center of Barbour County. Mr. Powers is the President and Director of the Character Council of Alabama and also a Director of the Alabama School Readiness Alliance. He has served in leadership roles in numerous civic, government, business, and charitable organizations, including service in the U.S. Army (active and reserve). Mr. Powers' background and long experience as a business owner and as a leader in other business, civic, educational, and not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

C. Dowd Ritter – Director since 1997
Mr. Ritter, 63, is retired Chairman and Chief Executive Officer of Regions Financial Corporation and Regions Bank. He also served as Chairman of the Board, President, and Chief Executive Officer of AmSouth Bancorporation from 1996 until its merger with Regions Financial Corporation in 2008. Mr. Ritter serves on the Board of Directors of Protective Life Corporation and is Chair of its Compensation and Management Succession Committee and on the Board of Directors of McWane, Inc. in Birmingham Alabama. He is Chairman of the Board of Trustees of Birmingham-Southern College and Chairman Emeritus of the Birmingham Business Alliance. He has also provided

past community service to The Community Foundation of Greater Birmingham, the United Way of Central Alabama, the Multiple Sclerosis Society, the Birmingham Civil Rights Institute, and numerous other civic and community organizations. Mr. Ritter's experience as a senior executive of large financial institutions, extensive exposure to complex financial issues at large public companies, and experience leading other business, economic development, civic, not-for-profit, and educational organizations are valuable to the Company's Board.

James H. Sanford – Director since 1983
Mr. Sanford, 66, is Chairperson of HOME Place Farms, Inc. (agriculture, computer services, and real estate investments), a General Partner for HOME Place Capital, Home Place Partners, Owensboro Towne Center, LLC, and Warm Springs, LLC, and a Director of Quickfarm.Com. He also serves as President of Autauga County Quality Cotton Association and Chairperson of The Legends Park Improvement District both of Prattville, Alabama. He has served as a Director and Chairman of the Board of the Federal Reserve Bank of Atlanta, Birmingham Branch and a member of the Commodity Futures Trading Commission Agricultural Advisory Committee. Mr. Sanford also serves as Chairperson of the Autauga Cotton Commission, Director of the Autauga County Farmers Federation, the Business Council of Alabama, and the Economic Development Partnership of Alabama (EDPA), and Chairman of the EDPA Foundation, Inc. Mr. Sanford has also served as Chairperson of the Prattville Area Chamber of Commerce Economic Development Committee. Currently, Mr. Sanford is Chairperson of the Auburn Research and Technology Foundation and Executive Committee Co-Chairperson of the Auburn University Research Advisory Board. He served as a member of the Auburn University College of Veterinary Medicine Large Animal Advisory Council and the Auburn University Montgomery School of Business Advisory Committee. Mr. Sanford has served in leadership roles on numerous civic, community, educational Boards, foundations, committees, and councils. Mr. Sanford's background and long experience as a business owner and as a leader in other business, economic development, civic, educational, and not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board of Directors.

John C. Webb, IV – Director since 1977
Mr. Webb, 68, is President of Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama. He was elected to the Demopolis City Council, was a member of the Demopolis Utilities Board, and served as Chairman of the Demopolis Industrial Development Board and member for nearly three decades. Mr. Webb served as Chairman and member of the Bryan W. Whitfield Memorial Hospital Board of Trustees. He has served as President, Vice President, Treasurer, and Secretary of the Demopolis Rotary Club and as Demopolis Chamber of Commerce Board Chairman. Mr. Webb is also active in his community, having served on various committees and groups such as Demopolis Civilian Task Force (an urban renewal group), Demopolis Arts Council, and St. Leo's Parish Council President. Mr. Webb's background and long experience as a business owner and as a leader in other business, economic development, civic, educational, and not-for-profit organizations, along with his long-standing knowledge of the Company and his seasoned business judgment, are valuable to the Company's Board.

Each nominee has served in his or her present position for at least the past five years, unless otherwise noted.

Vote Required

The majority of the votes cast by the shares outstanding and entitled to vote at a meeting at which a quorum is present is required for the election of Directors. The shareholders entitled to vote in the election of Directors have the right to cumulate their votes. Such right permits the shareholders to multiply the number of votes they are entitled to cast by the number of Directors for whom they are entitled to vote and cast the product for a single nominee or distribute the product among two or more nominees. A shareholder will not be entitled to vote cumulatively at the Company's 2011 Annual Meeting unless such shareholder gives the Company notice of his interest to cumulate his vote not less than 48 hours before the time set for the meeting. If one shareholder gives such notice, all shareholders will be entitled to cumulate their votes without giving further notice.

Southern Company, as the owner of all of the Company's outstanding common stock, will vote for all of the nominees above.

CORPORATE GOVERNANCE

DIRECTOR INDEPENDENCE

The Company is managed by a core group of officers and governed by a Board of Directors which has been set at a total not to exceed 25 members. The current nominees for election as Directors consist of 13 members — 11 non-employee Directors and Mr. McCrary, the President and Chief Executive Officer of the Company, and Mr. Fanning, the Chairman of the Board, President, and Chief Executive Officer of Southern Company.

GOVERNANCE POLICIES AND PROCESSES

Southern Company owns all of the Company's outstanding common stock, which represents a substantial majority of the overall voting power of the Company's equity securities, and the Company has listed only debt and preferred stock on the New York Stock Exchange (NYSE). Accordingly, under the rules of the NYSE, the Company is exempt from most of the NYSE's listing standards relating to corporate governance. The Company has voluntarily complied with certain of the NYSE's listing standards relating to corporate governance where such compliance was deemed to be in the best interests of the Company's shareholders. In addition, under the rules of the Securities and Exchange Commission (SEC), the Company is exempt from the audit committee requirements of Section 301 of the Sarbanes-Oxley Act of 2002 and, therefore, is not required to have an audit committee or an audit committee report on whether it has an audit committee financial expert.

DIRECTOR COMPENSATION

Only non-employee Directors of the Company are compensated for service on the Board of Directors. Prior to April 1, 2010, the pay components for non-employee directors were as reported in the Notice of 2010 Annual Meeting & Information Statement. Effective April 1, 2010, the pay components for non-employee directors are:

Annual cash retainer:

¾ $45,000 for Directors serving as chair of a Board committee; $40,000 for other Directors (paid quarterly)

Annual stock retainer:

¾ $30,000 per year payable in shares of Southern Company common stock (paid quarterly)

Meeting fees:

¾ $1,800 for each Board meeting attended, beginning with the 6th meeting in a calendar year

¾ $1,200 for participation in a meeting of a committee of the Board and for any other Board of Director business-related meeting at which the Director participates as a representative of the Board.

All or a portion of a Director's cash retainer fee and meeting fees may be payable in Southern Company common stock.

DIRECTOR DEFERRED COMPENSATION PLAN

At the election of the Director, all or a portion of the Director's compensation, including the stock retainer, may be deferred in the Deferred Compensation Plan for Directors of Alabama Power Company (Director Deferred Compensation Plan) until membership on the Board is terminated. Deferred compensation may be invested as follows, at the Director's election:

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in Southern Company common stock units which earn dividends as if invested in Southern Company common stock and are distributed in shares of Southern Company common stock upon leaving the Board

- in Southern Company common stock units which earn dividends as if invested in Southern Company common stock and are distributed in cash upon leaving the Board
- at prime interest which is paid in cash upon leaving the Board.

All investments and earnings in the Director Deferred Compensation Plan are fully vested and, at the election of the Director, may be distributed in a lump sum payment, or in up to 15 annual or 60 quarterly distributions after leaving the Board. The Company has established a grantor trust that primarily holds Southern Company common stock that funds the Southern Company common stock units that are distributed in shares of Southern Company common stock. Directors have voting rights in the shares held in the trust attributable to these units.

DIRECTOR COMPENSATION TABLE

The following table reports all compensation to the Company's non-employee Directors during 2010, including amounts deferred in the Director Deferred Compensation Plan. Non-employee Directors do not receive Non-Equity Incentive Plan Compensation or stock option awards, and there is no pension plan for non-employee Directors.

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensa-tion Earnings ($)	All Other Compensa-tion ($) (3)	Total ($)
Whit Armstrong	47,800	24,216	0	4,182	76,198
Ralph D. Cook	37,600	24,216	0	4,133	65,949
David J. Cooper, Sr.	37,600	24,216	0	555	62,371
John D. Johns	36,400	24,216	0	3,682	64,298
Patricia M. King	34,000	24,216	0	3,303	61,519
James K. Lowder	36,400	24,216	0	2,600	63,216
Malcolm Portera	34,000	24,216	0	927	59,143
Robert D. Powers	44,500	24,216	0	5,282	73,998
C. Dowd Ritter	43,300	24,216	0	3,938	71,454
James H. Sanford	38,500	24,216	0	3,631	66,347
John C. Webb, IV	44,100	24,216	0	876	69,192
James W. Wright (4)	38,500	24,216	0	533	63,249

(1) Includes amounts voluntarily deferred in the Director Deferred Compensation Plan.

(2) Includes fair market value of equity grants on grant dates. All such stock awards are vested immediately upon grant.

(3) Consists of reimbursement for taxes on imputed income associated with gifts, activities, and travel provided to attendees at Company-sponsored events.

(4) Mr. Wright passed away on December 18, 2010.

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BOARD LEADERSHIP STRUCTURE

The Board believes that the combined role of Chief Executive Officer and Chairman is beneficial to the Company because Mr. McCrary is the Director most familiar with the Company's business and industry, including the regulatory structure and other industry-specific matters, as well as being most capable of effectively identifying strategic priorities and leading the discussion and execution of strategy. Independent Directors and management have different perspectives and roles in strategy development. The Chief Executive Officer brings company-specific experience and expertise, while the Company's independent Directors bring experience, oversight, and expertise from outside the Company and its industry.

EXECUTIVE SESSIONS

It is the policy of the Directors to hold an executive session of the non-employee Directors without management participation at each scheduled Board of Directors meeting. The Chairman of the Controls and Compliance Committee presides over such executive sessions. Information on how to communicate with the Chairman of the Controls and Compliance Committee or the non-employee Directors is provided under "Communicating with the Board" below.

COMMITTEES OF THE BOARD

Controls and Compliance Committee:

- Members are Mr. Webb, Chairman; Mr. Armstrong, Justice Cook, and Mr. Lowder
- Met four times in 2010
- Oversees the Company's internal controls and compliance matters

The Controls and Compliance Committee provides, on behalf of the Board, oversight of the Company's system of internal control, compliance, ethics, and employee concerns programs and activities. Its responsibilities include review and assessment of such matters as the adequacy of internal controls, the internal control environment, management risk assessment, response to reported internal control weaknesses, internal auditing, and ethics and compliance program policies and practices. The Controls and Compliance Committee reports activities and findings to the Board of Directors and the Southern Company Audit Committee. The Controls and Compliance Committee meets periodically with management, the internal auditors, and the independent registered public accounting firm to discuss auditing, internal controls, and compliance matters.

The Southern Company Audit Committee provides broad oversight of the Company's financial reporting and control processes. The Southern Company Audit Committee reviews and discusses the Company's financial statements with management, the internal auditors, and the independent registered public accounting firm. Such discussions include critical accounting policies and practices, alternative financial treatments, proposed adjustments, and control recommendations. Such discussions also include significant management judgments and estimates, reporting or operational issues, and changes in accounting principles, as well as any disagreements with management.

The charter of the Southern Company Audit Committee is available on Southern Company's website (www.southerncompany.com). The Southern Company Audit Committee has authority to appoint, compensate, and oversee the work of the independent registered public accounting firm.

Compensation Committee:

- Members are Mr. Armstrong, Chairman; Mr. Sanford, and Dr. Portera
- Met one time in 2010
- Oversees the administration of the Directors' compensation arrangements and reviews employee compensation

The Company's Compensation Committee reviews and provides input to the Southern Company Compensation and Management Succession Committee on the performance and compensation of the Company's Chief Executive Officer and makes recommendations regarding the fees paid to members of the Company's Board of Directors.

The Southern Company Compensation and Management Succession Committee approves the corporate performance goals used to determine incentive compensation and establishes the mechanism for setting compensation levels for the Company's executive officers. It also administers executive compensation plans and reviews management succession plans. The Charter of the Southern Company Compensation and Management Succession Committee is available on Southern Company's website (www.southerncompany.com).

In 2010, the Southern Company Compensation and Management Succession Committee directly retained Towers Watson as its outside compensation consultant. Towers Watson served as that committee's independent consultant until Towers Watson spun-off Pay Governance LLC effective July 1, 2010, at which time Pay Governance LLC was retained. Prior to July 1, 2010, Towers Watson was not otherwise engaged by Southern Company or any of its affiliates.

The Southern Company Compensation and Management Succession Committee informed Towers Watson and later Pay Governance LLC (collectively, Consultant) in writing that it expected the Consultant to provide an independent assessment of the current executive compensation program and any management-recommended changes to that program and to work with Southern Company management to ensure that the executive compensation program is designed and administered consistent with the Southern Company Compensation and Management Succession Committee's requirements. The Southern Company Compensation and Management Succession Committee also expected the Consultant to recommend changes to executive compensation and related corporate governance trends.

During 2010, the Consultant assisted the Southern Company Compensation and Management Succession Committee with comprehensive market data and its implications for pay at the Company and its affiliates and various other governance, design, and compliance matters.

Executive Committee:

- Members are Mr. McCrary, Chairman; Mr. Cooper, Mr. Johns, and Mr. Ritter
- Met five times in 2010
- Acts in place of full Board on matters that require Board action between scheduled meetings of the Board to the extent permitted by law and within certain limits set by the Board.

Nuclear Committee:

- Members are Mr. Powers, Chairman and Ms. King; Mr. Wright was also a member until his death
- Met one time in 2010
- Reviews nuclear activities
- Chairman serves on the Southern Nuclear Operating Company, Inc. Nuclear Oversight Committee as a representative of the Board for which he receives meeting fees from the Company.

BOARD RISK OVERSIGHT

The Chief Executive Officer of the Company has designated a member of management as the primary responsible officer for identifying and providing information and updates related to the significant risks facing the Company. All significant risks identified on the Company's risk profile are reviewed with the full Board at least annually. In addition, the Board provides ongoing oversight of risks through regular management reports related to significant strategic and operational issues. The Controls and Compliance Committee of the Board as part of its review of management's risk assessment receives a risk report at least twice each year on the Company's risk profile. This Committee elevates any significant risk issues and changes to the risk profiles to the full Board as appropriate.

DIRECTOR ATTENDANCE

The Board of Directors met four times in 2010. Average Director attendance at all Board and committee meetings was 86 percent. No nominee attended less than 75 percent of applicable meetings. Mr. Wright, a director who passed away in December 2010, attended 20% of the applicable meetings.

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DIRECTOR NOMINATION PROCESS

The Company does not have a nominating committee. The full Board, with input from the Company’s President and Chief Executive Officer, identifies Director nominees. The Board evaluates candidates based on the requirements set forth in the Company’s by-laws and regulatory requirements applicable to the Company.

Southern Company owns all of the Company’s common stock and, as a result, Southern Company’s affirmative vote is sufficient to elect Director nominees. Consequently, the Board does not accept proposals from preferred shareholders regarding potential candidates for Director nominees. Southern Company’s President and Chief Executive Officer is on the Company’s Board and may propose on behalf of Southern Company potential candidates for Director nominees.

COMMUNICATING WITH THE BOARD

Shareholders and other parties interested in communicating directly with the Company’s Board of Directors, the Chairman of the Controls and Compliance Committee, or the non-employee Directors may contact them by writing c/o Corporate Secretary, Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35203 or by sending an email to apcocorpsec@southernco.com. The Corporate Secretary will receive the correspondence and forward it to the individual Director or Directors to whom the correspondence is directed or the Chairman of the Controls and Compliance Committee. The Corporate Secretary will not forward any correspondence that is unduly hostile, threatening, illegal, not reasonably related to the Company or its business, or similarly inappropriate.

BOARD ATTENDANCE AT ANNUAL SHAREHOLDERS MEETING

The Company does not have a policy relating to attendance at the Company’s annual meeting of shareholders by Directors. The Company does not solicit proxies for the election of Directors because the affirmative vote of Southern Company is sufficient to elect the nominees and, therefore, holders of the Company’s preferred stock rarely attend the annual meeting. Consequently, a policy encouraging Directors to attend the annual meeting of shareholders is not necessary. One of the Company’s Directors attended the Company’s 2010 Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

The Southern Company Audit Committee (Audit Committee) oversees the Company's financial reporting process on behalf of the Board of Directors of Southern Company. The Company's management has the primary responsibility for establishing and maintaining adequate internal controls over financial reporting, including disclosure controls and procedures, and for preparing the Company's financial statements. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements of the Company and management's report on the Company's internal control over financial reporting in the 2010 Annual Report with management. The Audit Committee also reviews the Company's quarterly and annual reporting on Forms 10-Q and 10-K prior to filing with the SEC. The Audit Committee's review process includes discussions of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and estimates, and the clarity of disclosures in the financial statements.

The independent registered public accounting firm is responsible for expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States. The Audit Committee has discussed with the independent registered public accounting firm the matters that are required to be discussed by Statement on Auditing Standards No. 61, as amended (American Institute of Certified Public Accountants, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. In addition, the Audit Committee has discussed with the independent registered public accounting firm its independence from management and the Company as required under rules of the PCAOB and has received the written disclosures and letter from the independent registered public accounting firm required by the rules of the PCAOB. The Audit Committee also has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with maintaining the firm's independence.

The Audit Committee discussed the overall scope and plans with the Company's internal auditors and independent registered public accounting firm for their respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their audits and the overall quality of the Company's financial reporting. The Audit Committee also meets privately with Southern Company's compliance officer. The Audit Committee held 10 meetings during 2010.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors of Southern Company (and such Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2011. At the 2011 annual meeting of the Southern Company's stockholders, the stockholders will be asked to ratify the Audit Committee's selection of the independent registered public accounting firm.

Members of the Audit Committee:

William G. Smith, Jr., Chair
Jon A. Boscia
Warren A. Hood, Jr.
Larry D. Thompson

PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The following represents the fees billed to the Company for the two most recent fiscal years by Deloitte & Touche LLP (Deloitte & Touche) — the Company's principal independent registered public accounting firm for 2009 and 2010.

	2009	2010
	(in thousands)	
Audit Fees(1)	$2,183	$1,921
Audit-Related Fees	0	182
Tax Fees	0	0
All Other Fees	0	0
Total	$2,183	$2,103

(1) Includes services performed in connection with financing transactions.

The Audit Committee (on behalf of Southern Company and all of its subsidiaries, including the Company) has adopted a Policy on Engagement of the Independent Auditor for Audit and Non-Audit Services that includes requirements for the Audit Committee to pre-approve services provided by Deloitte & Touche. This policy was initially adopted in July 2002 and, since that time, all services included in the chart above have been pre-approved by the Audit Committee.

Under the policy, the independent registered public accounting firm delivers an annual arrangements letter which provides a description of services anticipated to be rendered to the Company by the independent registered public accounting firm for the Audit Committee to approve. The Audit Committee's approval of the independent registered public accounting firm's annual arrangements letter constitutes pre-approval of all services covered in the letter. In addition, under the policy, the Audit Committee has pre-approved the engagement of the independent registered public accounting firm to provide services related to the issuance of comfort letters and consents required for securities sales by the Company and services related to consultation on routine accounting and tax matters. The Audit Committee has delegated pre-approval authority to the Chair of the Audit Committee with respect to permissible services up to a limit of $50,000 per engagement. The Chair of the Audit Committee is required to report any pre-approval decisions at the next scheduled Audit Committee meeting.

Under the policy, prohibited non-audit services are services prohibited by the SEC to be performed by the Company's independent registered public accounting firm. These services include bookkeeping or other services related to the preparation of accounting records of the Company, financial information systems design and implementation, appraisal or valuation services, fairness opinions or contribution-in-kind reports, actuarial services, internal audit outsourcing services, management functions or human resources, broker-dealer, investment advisor or investment banking services, legal services and expert services unrelated to the audit, and any other service that the PCAOB determines is impermissible. In addition, officers of the Company may not engage the independent registered public accounting firm to perform any personal services, such as personal financial planning or personal income tax services.

PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM REPRESENTATION

No representative of Deloitte & Touche is expected to be present at the 2011 Annual Meeting of Shareholders unless, no later than three business days prior to the day of the meeting, the Company's Corporate Secretary has received written notice from a shareholder addressed to the Corporate Secretary at Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35203, that such shareholder will attend the meeting and wishes to ask questions of a representative of Deloitte & Touche. In such a case, representatives of Deloitte & Touche will be present at the Annual Meeting to respond to questions and will have an opportunity to make a statement if they so desire.

EXECUTIVE COMPENSATION

Throughout this executive compensation section, references to the Compensation Committee mean the Compensation and Management Succession Committee of the Board of Directors of Southern Company.

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

This section describes the compensation program for the Company's Chief Executive Officer and Chief Financial Officer in 2010, as well as each of the Company's other three most highly compensated named executive officers employed at the end of the year.

Charles D. McCrary	President and Chief Executive Officer
Philip C. Raymond	Executive Vice President, Chief Financial Officer, and Treasurer
Mark A. Crosswhite	Executive Vice President
Theodore J. McCullough	Senior Vice President
Stephen R. Spencer	Executive Vice President

Additionally described is the compensation of the Company's former Executive Vice President, Chief Financial Officer, and Treasurer, Art P. Beattie, who transferred to Southern Company Services, Inc. on August 13, 2010, and Jerry L. Stewart, the Company's former Senior Vice President who retired on October 1, 2010. Collectively, the officers listed above and these officers are referred to as the Company's named executive officers.

Executive Summary

Performance

Performance-based pay represents a substantial portion of the total direct compensation paid or granted to the Company's named executive officers for 2010.

	Salary ($)(1)	% of Total	Short-Term Performance Pay ($)(1)	% of Total	Long-Term Performance Pay ($)(1)	% of Total
C. D. McCrary	704,520	24	932,008	32	1,298,653	44
A. P. Beattie	385,211	35	514,002	46	208,406	19
P. C. Raymond	245,106	44	169,905	31	141,829	25
M. A. Crosswhite	306,976	39	264,383	34	214,931	27
T. J. McCullough	201,212	49	132,567	33	75,377	18
S. R. Spencer	391,068	36	373,658	34	331,949	30
Jerry L. Stewart	275,860	34	218,433	27	309,494	39

(1) Salary is the actual amount paid in 2010; Short-Term Performance Pay is the actual amount earned in 2010 based on performance; and Long-Term Performance Pay is the value on the grant date of stock options and performance shares granted in 2010. See the Summary Compensation Table for the amounts of all elements of reportable compensation described in this CD&A.

Business unit financial goals, Southern Company earnings per share, and operational goals results for 2010 and relative total shareholder return of Southern Company for the four-year performance-measurement period that ended in 2010 are shown below.

Business unit financial goals:	178% of Target
Southern Company earnings per share:	155% of Target
Operational goals:	183% of Target
Relative total shareholder return:	106% of Target

These levels of achievement resulted in actual payouts that exceeded targets. Southern Company's total shareholder return has been:

1-year:	20.8%
3-year:	4.8%
5-year:	7.1%

Pay Philosophy

The Company's compensation program (salary and short- and long-term performance pay) is based on the philosophy that total compensation should be:

- competitive with the companies in this industry;
- tied to and structured to motivate achievement of short- and long-term business goals; and
- aligned with the interests of the Company's customers and Southern Company's stockholders.

Competitive with the companies in this industry

Executive compensation is targeted at the market median of industry peers. Actual compensation is primarily determined by short- and long-term financial and operational performance.

Motivates and rewards achievement of short- and long-term business goals

The Company's business goals are simple. Financial success is tied to the satisfaction of customers. Key elements of ensuring customer satisfaction include outstanding service, high reliability, and competitive prices. The Company believes that its focus on the customer helps it achieve its financial objectives and deliver a premium, risk-adjusted total shareholder return to Southern Company's stockholders.

Aligned with the interests of stockholders and customers

Short-term performance pay is based on achievement of the Company's business goals, with one-third determined by operational performance, such as safety, reliability, and customer satisfaction; one-third determined by business unit financial performance; and one-third determined by Southern Company earnings per share performance.

Long-term performance pay is tied directly to stockholder value with 40% of the target value awarded in Southern Company stock options, which reward stock price appreciation, and 60% awarded in performance share units, which reward total shareholder return performance relative to that of peers.

Key Governance and Pay Practices

- Annual pay risk assessment required by the Compensation Committee charter.
- Retention of an independent consultant, Pay Governance LLC, that provides no other services to Southern Company.
- Inclusion of a claw-back provision that permits the Compensation Committee to recoup performance pay from any employee if determined to have been based on erroneous results, and requires recoupment from an executive officer in the event of a material financial restatement due to fraud or misconduct of the executive officer.
- Elimination of excise tax gross-up on change-in-control severance arrangements.

- Provision of limited perquisites.
- Strong stock ownership requirements that are being met by all named executive officers.

GUIDING PRINCIPLES AND POLICIES

Southern Company, through a single compensation program for all officers of its subsidiaries, drives and rewards both Southern Company financial performance and individual business unit performance. This executive compensation program is based on a philosophy that total executive compensation must be competitive with the companies in the electric utility industry, must be tied to and motivate the Company's executives to meet short- and long-term performance goals, must foster and encourage alignment of executive interests with the interests of Southern Company's stockholders and the Company's customers, and must not encourage excessive risk-taking. The program generally is designed to motivate all employees, including executives, to achieve operational excellence and financial goals while maintaining a safe work environment.

The executive compensation program places significant focus on rewarding performance. The program is performance-based in several respects:

- Southern Company's actual earnings per share (EPS) and the Company's business unit performance, which includes return on equity (ROE), and operational performance compared to target performance levels established early in the year, determine the actual payouts under the short-term (annual) performance-based compensation program (Performance Pay Program).

- Southern Company common stock (Common Stock) price changes result in higher or lower ultimate values of stock options.

- Southern Company's total shareholder return compared to those of industry peers lead to higher or lower payouts under the Performance Share Program (performance shares).

In support of the Company's performance-based pay philosophy, there are no general employment contracts or guaranteed severance with the Company's named executive officers, except upon a change in control.

The pay-for-performance principles apply not only to the named executive officers, but to thousands of the Company's employees. The Performance Pay Program covers almost all of the approximately 6,500 Company employees. Stock options and performance shares cover over 500 of the Company's employees. These programs engage employees in the Company's business, which ultimately is good not only for them, but for the Company's customers and Southern Company's stockholders.

OVERVIEW OF EXECUTIVE COMPENSATION COMPONENTS

The executive compensation program has several components, each of which plays a different role. The chart below discusses the intended role of each material pay component, what it rewards, and why it is used. Following the chart is additional information that describes how 2010 pay decisions were made.

Pay Element	Intended Role and What the Element Rewards	Why the Element Is Used
Base Salary	Base salary is pay for competence in the executive role, with a focus on scope of responsibilities.	Market practice. Provides a threshold level of cash compensation for job performance.
Annual Performance-Based		Market practice.

Compensation: Performance Pay Program	The Performance Pay Program rewards achievement of operational, EPS, and business unit financial goals.	Focuses attention on achievement of short-term goals that ultimately work to fulfill the Company's mission to customers and lead to increased stockholder value in the long term.

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Pay Element	Intended Role and What the Element Rewards	Why the Element Is Used
Long-Term Performance-Based Compensation: Stock Options	Stock options reward price increases in Common Stock over the market price on the date of grant, over a 10-year term.	Market practice. Performance-based compensation. Aligns executives' interests with those of Southern Company's stockholders.
Long-Term Performance-Based Compensation: Performance Shares	Performance shares provide equity compensation dependent on Southern Company's three-year total shareholder return versus industry peers.	Market practice. Performance-based compensation. Aligns executives' interests with Southern Company's stockholders' interests since payouts are dependent on the returns realized by Southern Company's stockholders versus those of industry peers.
Retirement Benefits	Executives participate in employee benefit plans available to all employees of the Company, including a 401(k) savings plan and the funded Southern Company Pension Plan (Pension Plan). The Southern Company Deferred Compensation Plan provides the opportunity to defer to future years up to 50% of base salary and all or part of performance-based non-equity compensation in either a prime interest rate or Common Stock account. The Supplemental Benefit Plan counts pay, including deferred salary, that is ineligible to be counted under the Pension Plan and the 401(k) plan due to Internal Revenue Service rules.	Represents an important component of competitive market-based compensation in both the peer group and generally. Permitting compensation deferral is a cost-effective method of providing additional cash flow to the Company while enhancing the retirement savings of executives. The purpose of these supplemental plans is to eliminate the effect of tax limitations on the payment of retirement benefits.

The Supplemental Executive Retirement Plan counts annual performance-based pay above 15% of base salary for pension purposes.

To retain mid-career hires, supplemental retirement agreements give pension credit for years of relevant experience prior to employment with the Company or its affiliates.

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Pay Element	Intended Role and What the Element Rewards	Why the Element Is Used
Perquisites and Other Personal Benefits	Personal financial planning maximizes the perceived value of the executive compensation program to executives and allows them to focus on the Company’s operations. Home security systems lower the risk of harm to executives. (Eliminated effective 2011.) Club memberships are provided primarily for business use. (Payment of dues eliminated effective 2011.) Relocation benefits cover the costs associated with geographic relocations at the request of the employer. For certain officers, tax gross-ups are not provided on any perquisites except relocation benefits.	These remaining limited perquisites represent an effective, low-cost means to retain key talent.
Other Post-Employment Benefits	Change-in-control plans provide severance pay, accelerated vesting, and payment of short- and long-term performance-based compensation upon a change in control of the Company or Southern Company coupled with involuntary termination not for cause or a voluntary termination for “Good Reason.” Consulting agreements provide compensation to retired executives that perform services following retirement.	Market practice. Providing protections to officers upon a change in control minimizes disruption during a pending or anticipated change in control. Payment and vesting occur only upon the occurrence of both an actual change in control and loss of the executive’s position. Consulting agreements with retired executives facilitate leadership transition and the provision of specialized consulting services.

MARKET DATA

For the named executive officers, the Compensation Committee reviews compensation data from large, publicly-owned electric and gas utilities. The data was developed and analyzed by Pay Governance LLC, the compensation consultant retained by the Compensation Committee. The companies included each year in the primary peer group are those whose data is available through the consultant's database. Those companies are drawn from this list of primarily regulated utilities of $2 billion in revenues and up.

AGL Resources Inc.	El Paso Corporation	PG&E Corporation
Allegheny Energy, Inc.	Entergy Corporation	Pinnacle West Capital Corporation
Alliant Energy Corporation	EPCO	PPL Corporation
Ameren Corporation	Exelon Corporation	Progress Energy, Inc.
American Electric Power Company, Inc.	FirstEnergy Corp.	Public Service Enterprise Group Inc.
Atmos Energy Corporation	Integrys Energy Company, Inc.	Puget Energy, Inc.
Calpine Corporation	MDU Resources, Inc.	Reliant Energy, Inc.
CenterPoint Energy, Inc.	Mirant Corporation	Salt River Project
CMS Energy Corporation	New York Power Authority	SCANA Corporation
Consolidated Edison, Inc.	NextEra Energy, Inc.	Sempra Energy
Constellation Energy Group, Inc.	Nicor, Inc.	Southern Union Company
CPS Energy	Northeast Utilities	Spectra Energy
DCP Midstream	NRG Energy, Inc.	TECO Energy
Dominion Resources Inc.	NSTAR	Tennessee Valley Authority
Duke Energy Corporation	NV Energy, Inc.	The Williams Companies, Inc.
Dynegy Inc.	OGE Energy Corp.	Wisconsin Energy Corporation
Edison International	Pepco Holdings, Inc.	Xcel Energy Inc.

Southern Company is one of the largest utility companies in the United States based on revenues and market capitalization, and its largest business units, including the Company, are some of the largest in the industry as well. For that reason, the consultant size-adjusts the survey market data in order to fit it to the scope of Southern Company's business.

In using this market data, market is defined as the size-adjusted 50th percentile of the survey data, with a focus on pay opportunities at target performance (rather than actual plan payouts). Market data for chief executive officer positions and other positions in terms of scope of responsibilities that most closely resemble the positions held by the named executive officers are reviewed. Based on that data, a total target compensation opportunity is established for each named executive officer. Total target compensation opportunity is the sum of base salary, annual performance-based compensation at the target performance level, and long-term performance-based compensation (stock options and performance shares) at a target value. Actual compensation paid may be more or less than the total target compensation opportunity based on actual performance above or below target performance levels. As a result, the compensation program is designed to result in payouts that are market-appropriate given the Company's and Southern Company's performance for the year or period.

A specified weight was not targeted for base salary or annual or long-term performance-based compensation as a percentage of total target compensation opportunities, nor did amounts realized or realizable from prior compensation serve to increase or decrease 2010 compensation amounts. Total target compensation opportunities for senior management as a group are managed to be at the median of the market for companies of similar size and in the electric utility industry. The total target compensation opportunity established in early 2010 for each named executive officer is shown below.

	Salary ($)	Target Annual Performance-Based Compensation ($)	Target Long-Term Performance-Based Compensation ($)	Total Target Direct Compensation Opportunity ($)
C. D. McCrary	701,977	526,482	1,298,653	2,527,112
A. P. Beattie	297,740	148,870	208,406	655,016
P. C. Raymond	236,428	106,393	141,829	484,650
M. A. Crosswhite	307,422	153,711	214,931	676,064
T. J. McCullough	194,116	77,646	75,377	347,139
S. R. Spencer	394,987	217,423	331,949	944,359
J. L. Stewart	361,132	146,599	309,494	817,225

Several organizational changes were made during 2010 including changes affecting some of the Company's named executive officers. Mr. Beattie transferred to Southern Company Services, Inc. in mid-August and now serves as Southern Company's Executive Vice President and Chief Financial Officer. Mr. Beattie was replaced by Mr. Raymond who transferred from Gulf Power Company, an affiliate of the Company. Mr. McCullough is employed by Southern Company's generation business unit (Southern Company Generation), but prior to July 2010 he was an officer of Gulf Power Company. As a result of these promotions, Messrs. Beattie, McCullough, and Raymond received annual salary increases to $535,000, $210,870, and $258,132, respectively.

The 2010 salary reported in the Summary Compensation Table is the actual amount paid in 2010 and therefore will differ from the salary rates shown above due to rounding, pay dates and, for Mr. Stewart, retirement date.

For purposes of comparing the value of Southern Company's compensation program to the market data, stock options are valued at $2.23 per option and performance shares at $30.13 per unit. These values represent risk-adjusted present values on the date of grant and are consistent with the methodologies used to develop the market data. The mix of stock options and performance shares granted were 40% and 60%, respectively, of the long-term value shown above.

As discussed above, the Compensation Committee targets total target compensation opportunities for senior executives as a group at market. Therefore, some executives may be paid somewhat above and others somewhat below market. This practice allows for minor differentiation based on time in the position, scope of responsibilities, and individual performance. The differences in the total pay opportunities for each named executive officer are based almost exclusively on the differences indicated by the market data for persons holding similar positions. The average total target compensation opportunities for the named executive officers for 2010 were at the median of the market data described above. Because of the use of market data from a large number of peer companies for positions that are not identical in terms of scope of responsibility from company to company, slight differences are not considered to be material and the compensation program is believed to be market-appropriate. Generally, compensation is considered to be within an appropriate range if it is not more or less than 15% of the applicable market data.

In 2009, Towers Perrin, the Compensation Committee's former consultant, analyzed the level of actual payouts, for 2008 performance, under the annual Performance Pay Program to the named executive officers of Southern Company relative to performance versus peer companies to provide a check on the goal-setting process. The findings from the analyses were used in establishing performance goals and the associated range of payouts for goal achievement for 2010. That analysis was updated by Pay Governance LLC, the Compensation Committee's current consultant in 2010 for 2009 performance, and those findings were used in establishing goals for 2011.

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DESCRIPTION OF KEY COMPENSATION COMPONENTS

2010 Base Salary

Most employees, including most of the named executive officers, did not receive base salary increases in 2009. Southern Company's standard base salary program resumed in 2010 and most employees, including all of the named executive officers, received base salary increases effective January 1, 2010.

With the exception of Mr. McCrary and Mr. Beattie (after his promotion to Executive Vice President and Chief Financial Officer of Southern Company), the named executive officers are each within a position level with a base salary range that is established under the direction of the Compensation Committee using the market data described above. The actual base salary levels set for each of these named executive officers are within the pre-established salary ranges. Also considered in recommending the specific base salary level for each named executive officer is the need to retain an experienced team, internal equity, time in position, and individual performance. Individual performance includes the degree of competence and initiative exhibited and the individual's relative contribution to the results of operations.

As described above, base salaries for officers who also serve as executive officers of Southern Company were set by the Compensation Committee. Base salaries for other officers are recommended by the respective officer's superior to the Southern Company President and Chief Executive Officer, who approved the recommended salary levels.

2010 Performance-Based Compensation

This section describes the performance-based compensation program in 2010. The Compensation Committee approved changes to the program that were implemented in 2010. The changes made to the program, and the rationale for the changes, are described below.

Achieving Operational and Financial Goals — The Guiding Principle for Performance-Based Compensation

The number one priority is to provide the Company's customers outstanding reliability and superior service at low prices while achieving a level of financial performance that benefits Southern Company's stockholders in the short and long term.

In 2010, Southern Company and the Company strove for and rewarded:

- Continued industry-leading reliability and customer satisfaction, while maintaining low retail prices relative to the national average; and
- Meeting energy demand with the best economic and environmental choices.

In 2010, Southern Company and the Company also focused on and rewarded:

- Southern Company earnings per share (EPS) growth;
- Company ROE in the top quartile of comparable electric utilities;
- Southern Company dividend growth;

- Long-term, risk-adjusted Southern Company total shareholder return; and
- Financial integrity — an attractive risk-adjusted return, sound financial policy, and a stable “A” credit rating.

The performance-based compensation program is designed to encourage achievement of these goals.

The Southern Company Chief Executive Officer, with the assistance of Southern Company's Human Resources staff, recommended to the Compensation Committee program design and award amounts for senior executives, including the named executive officers.

2010 Annual Performance Pay Program

Program Design

The Performance Pay Program is Southern Company's annual performance-based compensation program. Almost all employees of the Company are participants, including the named executive officers, for a total of over 6,500 participants.

The performance measured by the program uses goals set at the beginning of each year by the Compensation Committee. Prior to 2010, the Performance Pay Program goals were weighted 50% Southern Company EPS and 50% business unit financial goals, primarily ROE. Operational goal achievement could adjust the total payout plus or minus 10%. The maximum payout that could be earned was 220% of target.

In 2009, the Compensation Committee approved changes to the program that were implemented in 2010. The primary changes to the program were to decrease the maximum opportunity from 220% of target to 200% of target and to increase the focus on operational performance. Excellent operational performance always has been a key focus of the Company. The Company believes that financial success is tied to the satisfaction of customers and that operational excellence drives high customer satisfaction. The vast majority of employees do not have direct influence on financial performance, but they impact the Company's operational performance daily. The Company believes that it is important to match the importance of operational goal performance with the pay delivered for that performance. Therefore, in 2010, the Compensation Committee increased the weight of the operational goals to one-third in determining payouts under the Performance Pay Program. Southern Company EPS and business unit financial performance also are weighted one-third each. The results of each are added together to determine the total payout.

- Southern Company EPS is defined as earnings from continuing operations divided by average shares outstanding during the year. The EPS performance measure is applicable to all participants in the Performance Pay Program.

- For Southern Company's traditional operating companies (the Company, Georgia Power Company, Gulf Power Company, and Mississippi Power Company), the business unit financial performance goal is ROE, which is defined as the traditional operating company's net income divided by average equity for the year. For Southern Power Company, the business unit financial performance goal is net income.

- For Southern Company's traditional operating companies, operational goals are safety, customer satisfaction, plant availability, transmission and distribution system reliability, and culture. For Southern Company's nuclear operating company (Southern Nuclear), operational goals are safety, plant operations, and culture.

- For Southern Company Corporate, the operational goals are based on the aggregate operational goal results of the traditional operating companies (90%) and Southern Nuclear's operational goals (10%). Each of these operational goals is explained in more detail under Goal Details below. The level of achievement for each operational goal is determined according to the respective performance schedule, and the total operational goal performance is determined by the weighted average results. All of Southern Company's business units have operational goals. Business unit financial goals are based on the aggregate ROE of the traditional operating companies (90%) and Southern Power Company's net income (10%).

- For Southern Company Generation, the operational goals are aggregated for all of the traditional operating companies except culture which measures results in this organization only. The business unit financial goal is Southern Company Corporate, as described above.

As described above, some of the named executive officers served more than one business unit during 2010. The table below shows the business units that the named executive officers served during 2010. Payments under the Performance Pay Program are prorated based on the period of service with the applicable business units.

	Company	Southern Company Corporate	Southern Company Generation	Gulf Power Company
C. D. McCrary	X			
A. P. Beattie	X	X		
P. C. Raymond	X			X
M. A. Crosswhite	X			
T. J. McCullough	X		X	X
S. R. Spencer	X			
J. L. Stewart	X		X	

Southern Company Generation officers are paid based on results at the business unit they serve (60%) and Southern Company Generation overall (40%).

The Compensation Committee may make adjustments, both positive and negative, to goal achievement for purposes of determining payouts. Such adjustments include the impact of items considered non-recurring or outside of normal operations or not anticipated in the business plan when the earnings goal was established and of sufficient magnitude to warrant recognition. The Compensation Committee made an adjustment in 2010 to eliminate the positive effect of additional Southern Company net income in 2010 due to the tax deductibility of a portion of the settlement in 2009 related to the MC Asset Recovery, LLC (MCAR) litigation. As a result of this exclusion, the average Performance Pay Program payout was decreased one percent of target. For 2009 payouts, the Compensation Committee had eliminated the negative effect of the settlement payment and therefore believed it was appropriate to eliminate the positive effect in 2010.

Under the terms of the program, no payout can be made if Southern Company's current earnings are not sufficient to fund the Common Stock dividend at the same level or higher than the prior year.

Goal Details

Operational Goals:

Customer Satisfaction —Customer satisfaction surveys evaluate performance. The survey results provide an overall ranking, as well as a ranking for each customer segment: residential, commercial, and industrial.

Reliability — Transmission and distribution system reliability performance is measured by the frequency and duration of outages. Performance targets for reliability are set internally based on recent historical performance.

Availability — Peak season equivalent forced outage rate is an indicator of availability and efficient generation fleet operations during the months when generation needs are greatest. Availability is measured as a percentage of the hours of forced outages out of the total generation hours.

Nuclear Plant Operation — includes a measure for nuclear safety as rated by independent industry evaluators. This also includes nuclear plant reliability and a subjective assessment of progress on the construction and licensing of Georgia Power Company's two new nuclear units, Plant Vogtle Units 3 and 4. Nuclear reliability is a measurement of the percentage of time a nuclear plant is operating, except during planned outages.

Safety — Southern Company's Target Zero program is focused on continuous improvement in having a safe work environment. The performance is measured by the applicable company's ranking, as compared to peer utilities in the Southeast Electric Exchange.

Culture — The culture goal seeks to improve our inclusive workplace. This goal includes measures for work environment (employee satisfaction survey), representation of minorities and females in leadership roles (subjectively assessed), and supplier diversity.

The Company and Southern Company capital expenditures "gate" or threshold goal — For 2010, Southern Company strived to manage total capital expenditures, excluding nuclear fuel, for the participating business units at or below $5.061 billion, and the Company strived to manage such expenditures at or below $795 million. If the capital expenditure target is exceeded, this will result in a 10% of target reduction in the payouts under the Performance Pay Program for the affected employees. Adjustments to the goal may occur due to significant events not anticipated in the business plan established early in 2010, such as acquisitions or disposition of assets, new capital projects, and other events.

The ranges of performance levels established for the operational goals are detailed below.

Level of Performance	Customer Satisfaction	Reliability	Availability	Nuclear Plant Operation	Safety	Culture
Maximum	Top quartile for each customer segment and overall	Highest performance	Industry best	Significantly exceed targets	Top 20th percentile	Significant improvement
Target	Top quartile overall	Average performance	Top quartile	Meet targets	Top 40th percentile	Improvement
Threshold	2nd quartile overall	Lowest performance	Median	Significantly below targets	Top 60th percentile	Significantly below expectations

The Compensation Committee approves specific objective performance schedules to calculate performance between the threshold, target, and maximum levels for each of the operational goals. Collectively, customer satisfaction, reliability, and availability are weighted 60% and safety and culture are weighted 20% each. If goal achievement is below threshold, there is no payout associated with the applicable goal.

Southern Company EPS and Business Unit Financial Performance:

The range of Southern Company EPS, ROE, and Southern Power Company net income goals for 2010 is shown below. ROE goals vary from the allowed retail ROE range due to state regulatory accounting requirements, wholesale activities, other non-jurisdictional revenues and expenses, and other activities not subject to state regulation.

Level of Performance	EPS ($)	ROE (%)	Southern Power Company Net Income ($) (millions)
Maximum	2.45	13.7	155
Target	2.33	11.9	135
Threshold	2.21	10.1	115

For 2010, the Compensation Committee established a minimum EPS performance that must be achieved. If Southern Company EPS was less than $2.10 (90% of Target), not only would there be no payout associated with EPS performance, but overall payouts under the Performance Pay Program would have been reduced by 10% of target.

In setting the goals for pay purposes, the Compensation Committee relies on information on financial and operational goals from the Finance and Nuclear/Operations Committees of the Southern Company Board of Directors.

2010 Achievement

Each named executive officer had a target Performance Pay Program opportunity, based on his position, set by the Compensation Committee at the beginning of 2010. As described above, some of the named executive officers were promoted during 2010 and as a result their targets were increased and their payouts prorated accordingly. Targets are set as a percentage of base salary as shown below.

	Target (%)
C. D. McCrary	75
A. P. Beattie	50/75
P. C. Raymond	45/50
M. A. Crosswhite	50
T. J. McCullough	40/45
S. R. Spencer	55
J. L. Stewart	55

Actual payouts were determined by adding the payouts derived from the operational, EPS, and applicable operational and business unit financial performance goal achievement for 2010. The gate goal target was not exceeded and EPS exceeded the minimum established and therefore payouts were not affected. Actual 2010 goal achievement is shown in the following tables. The EPS result shown in the applicable table is adjusted for the impact of the tax deductibility of the MCAR settlement in 2010, as described above. Therefore, payouts were determined using EPS performance results that differed from the results reported in Southern Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010. EPS, as determined in accordance with generally accepted accounting principles in the United States and as reported by Southern Company, was $2.37 per share.

Operational Goal Results:

Company

Goal	Achievement Percentage
Customer Satisfaction	200
Reliability	170
Availability	200
Safety	200
Culture	132

Southern Company Corporate

Aggregate Traditional Operating Company Goal	Achievement Percentage
Customer Satisfaction	200
Reliability	179
Availability	197
Safety	200
Culture	142

Southern Nuclear Goal	Achievement Percentage
Nuclear Safety	144
Nuclear Reliability	171
Vogtle Units 3 and 4 Assessment	175

Southern Company Generation

Goal	Achievement Percentage
Customer Satisfaction	200
Reliability	179
Availability	197
Safety	200
Culture	145

Gulf Power Company

Goal	Achievement Percentage
Customer Satisfaction	133
Reliability	117
Availability	139
Safety	0
Culture	121

Overall, the levels of achievement shown above resulted in an operational goal performance factor for the Company, Southern Company Corporate, Southern Company Generation, and Gulf Power Company of 183%, 183%, 184%, and 104%, respectively.

Goal	Result	Achievement Percentage
Southern Company EPS, excluding impact of MCAR settlement tax deduction	$2.369	155
Company ROE	13.31%	178
Gulf Power Company ROE	11.69%	88
Aggregate ROE	12.09%	111
Southern Power Company net income	$130 million	75

The aggregate ROE and Southern Power Company net income achievement resulted in a business unit financial achievement percentage for Southern Company Corporate and Southern Company Generation of 107%.

A total performance factor is determined by adding the results of Southern Company EPS, applicable business unit financial performance, and applicable operational goal performance and dividing by three. The total performance factor is multiplied by the target Performance Pay Program opportunity, described above, to determine the payout for each named executive officer. The table below shows the pay opportunity at target-level performance (as prorated per the description above for those that served in more than one position during the year) and the actual payout based on the actual performance shown above.

	Target Annual Performance Pay Program Opportunity ($)	Total Performance Factor (%)	Actual Annual Performance Pay Program Payout ($)

C. D. McCrary	541,865	172	932,008
A. P. Beattie	321,401	160	514,002
P. C. Raymond	121,361	140	169,905
M. A. Crosswhite	153,711	172	264,383
T. J. McCullough	89,810	148	132,567
S. R. Spencer	217,243	172	373,658
J. L. Stewart	146,599	149	218,433

Long-Term Performance-Based Compensation

Long-term performance-based awards are intended to promote long-term success and increase Southern Company's stockholder value by directly tying a substantial portion of the named executive officers' total compensation to the interests of Southern Company's stockholders. The long-term awards provide an incentive to grow Southern Company's stockholder value.

For 2010, the Compensation Committee also made changes to the long-term performance-based compensation program. As described in the Market Data section above, the Compensation Committee establishes a target long-term performance-based compensation value for each named executive officer. Prior to 2010, the long-term program consisted of two components: stock options and performance dividends. In 2009, the value of stock options granted represented approximately 35% of the total long-term target value and performance dividends represented approximately 65%. For 2010, the Compensation Committee terminated the Performance Dividend Program. The transition out of the outstanding performance dividend awards is described below in the Performance Dividends section.

In 2010, the Compensation Committee granted stock options and performance shares. The Compensation Committee made the changes to the long-term performance-based compensation program because the prior practice of granting stock options with associated performance dividends was not a prevalent practice. Also, because the two components worked in tandem (performance dividends are only paid on options outstanding at the end of the performance-measurement period), it was difficult for the Compensation Committee to manage or adjust the mix of stock-price-based compensation (stock options) and relative peer-based compensation (performance dividends). Because stock options and performance shares are valued separately and the value of performance shares is not affected by the exercise of stock options, the Compensation Committee has more flexibility in adjusting the weight of the long-term components granted, including the ability to introduce additional long-term performance metrics. Finally, because performance dividends were more difficult for employees to value, the Compensation Committee believes that performance shares will provide more incentive value.

Performance dividends are based on a four-year performance-measurement period and performance shares on a three-year period. The Compensation Committee made this change in the performance period due to market prevalence. Four-year performance periods are much less prevalent than three-year periods. The Compensation Committee believes that three-year performance awards in combination with 10-year stock option terms provide an appropriate balance for motivating and incenting long-term performance. Because long-term awards are granted annually, changing the long-term performance period from four to three years does not result in additional target compensation.

Additionally, the Compensation Committee scaled back the number of participants in the long-term program from approximately 1,200 Company employees in 2009 to approximately 500 in 2010. The annual performance-based compensation target was increased appropriately for the affected employees to maintain the market competitiveness of these positions.

Southern Company stock options represent 40% of the long-term performance target value and performance shares represent the remaining 60%. The Compensation Committee elected this mix because it concluded that doing so represented an appropriate balance between incentives. Stock options only generate value if the value of the stock appreciates after the grant date and performance shares reward employees based on total shareholder return relative to peers, as well as stock price.

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The following table shows the grant date fair value of the long-term performance-based awards in total and each component awarded in 2010.

	Value of Options ($)	Value of Performance Shares ($)	Total Long-Term Value ($)
C. D. McCrary	519,461	779,192	1,298,653
A. P. Beattie	83,366	125,040	208,406
P. C. Raymond	56,742	85,087	141,829
M. A. Crosswhite	85,975	128,956	214,931
T. J. McCullough	30,152	45,225	75,377
S. R. Spencer	132,790	199,159	331,949
J. L. Stewart	123,803	185,691	309,494

Stock Options

The stock options granted have a 10-year term, vest over a three-year period, fully vest upon retirement or termination of employment following a change in control, and expire at the earlier of five years from the date of retirement or the end of the 10-year term. The Compensation Committee changed the stock option vesting provisions in 2009 associated with retirement for stock options granted to the executive officers of Southern Company, including Mr. McCrary. For the grant to Mr. McCrary made in 2010, unvested options are forfeited if he retires and accepts a position with a peer company within two years of retirement. The Compensation Committee made this change to provide more retention value to the stock option awards, to provide an inducement to not seek a position with a peer company, and to limit the post-termination compensation of any Southern Company executive officer who accepts a position with a peer company. The other named executive officers of the Company were not affected by these changes. The value of each stock option was derived using the Black-Scholes stock option pricing model. The assumptions used in calculating that amount are discussed in Note 8 to the financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (2010 Annual Report). For 2010, the Black-Scholes value on the grant date was $2.23 per stock option.

Performance Shares

Performance shares are denominated in units, meaning no actual shares are issued at the grant date. A grant date fair value per unit was determined. For the grant made in 2010, that value per unit was $30.13. See the Summary Compensation Table and information accompanying it for more information on the grant date fair value. The total target value for performance share units is divided by the value per unit to determine the number of performance share units granted to each participant, including the named executive officers. Each performance share unit represents one share of Common Stock. At the end of the three-year performance period, the number of units will be adjusted up or down (zero to 200%) based on Southern Company's total shareholder return relative to that of its peers in the Philadelphia Utility Index and the custom peer group. The companies in the custom peer group are those that are believed to be most similar to Southern Company in both business model and investors. The Philadelphia Utility Index was chosen because it is a published index and, because it includes a larger number of peer companies, it can mitigate volatility in results over time, providing an appropriate level of balance. The peer groups vary from the Market Data peer group (as listed on page 18) due to the timing and criteria of the peer selection process. But, there is significant overlap. The results of the two peer groups will be averaged. The number of performance share units earned will be paid in Common Stock at the end of the three-year performance period. No dividends or dividend equivalents will be paid or earned on the performance share units.

The companies in the Philadelphia Utility Index are listed below.

Ameren Corporation	Exelon Corporation
American Electric Power Company, Inc.	FirstEnergy Corp.
CenterPoint Energy, Inc.	NextEra Energy, Inc.
Consolidated Edison, Inc.	Northeast Utilities
Constellation Energy Group, Inc.	PG&E Corporation
Dominion Resources Inc.	Progress Energy, Inc.
DTE Energy Company	Public Service Enterprise Group Inc.
Duke Energy Corporation	The AES Corporation
Edison International	Xcel Energy Inc.
Entergy Corporation	

The companies in the custom peer group are listed below.

American Electric Power Company, Inc.	PG&E Corporation
Consolidated Edison, Inc.	Progress Energy, Inc.
Duke Energy Corporation	Wisconsin Energy Corporation
Northeast Utilities	Xcel Energy Inc.
NSTAR	

The scale below will determine the number of units paid in Common Stock following the last year of the performance period, based on the 2010-2012 performance period. Payout for performance between points will be interpolated on a straight-line basis.

Performance vs. Peer Groups	Payout (% of Each Performance Share Unit Paid)
90th percentile or higher (Maximum)	200
50th percentile (Target)	100
10th percentile (Threshold)	0

Performance shares are not earned until the end of the three-year performance period. A participant who terminates other than due to retirement or death forfeits all unearned performance shares. Participants who retire or die during the performance period only earn a prorated number of units, based on the number of months they were employed during the performance period.

More information about stock options and performance shares is contained in the Grants of Plan-Based Awards table and the information accompanying it.

Performance Dividends

As referenced above, the Compensation Committee terminated the Performance Dividend Program in 2010. The value of performance dividends represented a significant portion of long-term performance-based compensation that was awarded in 2007, 2008, and 2009. At target performance levels, performance dividends represented up to 65% of the total long-term value granted over the 10-year term of stock options. Therefore, because performance dividends were awarded for years prior to 2010, in fairness to participants, the outstanding performance dividend awards were not cancelled. The grant of performance shares, described above, replaced performance dividend awards beginning in 2010. Therefore, performance dividends will continue to be paid on stock options granted prior to 2010 that are outstanding at the end of the three remaining uncompleted four-year performance-measurement periods: 2007 - 2010, 2008 - 2011, and 2009 - 2012. Performance dividends granted prior to 2007 were paid on all stock options held at the end of each applicable performance-measurement period. Therefore, absent the exercise of stock options, the number of stock options upon which performance dividends were paid increased over the four-year performance-measurement period due to annual stock option grants. During the transition period, the outstanding performance dividends will be paid only on stock options granted prior to 2010, when the first performance shares were granted. Because performance shares are earned at the end of a three-year performance period, the last award of performance dividends and the first award of performance shares will be earned at the end of 2012.

Performance dividends can range from 0% to 100% of the Common Stock dividend paid during the year per eligible stock option held at the end of the performance-measurement period. Actual payout will depend on Southern Company's total shareholder return over a four-year performance-measurement period compared to a group of other electric and gas utility companies. The peer group was determined at the beginning of each four-year performance-measurement period. The peer group for performance dividends was set by the Compensation Committee at the beginning of the four-year performance-measurement period.

Total shareholder return is calculated by measuring the ending value of a hypothetical $100 invested in each company's common stock at the beginning of each of 16 quarters. In the final year of the performance-measurement period, Southern Company's ranking in the peer group is determined at the end of each quarter and the percentile ranking is multiplied by the actual Common Stock dividend paid in that quarter. To determine the total payout per stock option held at the end of the performance-measurement period, the four quarterly amounts earned are added together.

No performance dividends are paid if Southern Company's earnings are not sufficient to fund a Common Stock dividend at least equal to that paid in the prior year.

2010 Payout

The peer group used to determine the 2010 payout for the 2007-2010 performance-measurement period consisted of utilities with revenues of $1.2 billion or more with regulated revenues of 60% or more. Those companies are listed below.

Allegheny Energy, Inc.	Edison International	Progress Energy, Inc.
Alliant Energy Corporation	Entergy Corporation	SCANA Corporation
Ameren Corporation	Exelon Corporation	Sempra Energy
American Electric Power Company, Inc.	Hawaiian Electric	Sierra Pacific Resources
Avista	NextEra Energy, Inc.	TECO Energy
CenterPoint Energy, Inc.	NiSource, Inc.	UIL Holdings
CMS Energy Corporation	Northeast Utilities	Unisource
Consolidated Edison, Inc.	NSTAR	Vectren Corp.
DPL, Inc.	Pepco Holdings, Inc.	Westar Energy Corporation
DTE, Inc.	PG&E Corporation	Wisconsin Energy Corporation
Duke Energy Corporation	Pinnacle West Capital Corp.	Xcel Energy, Inc.

The scale below determined the percentage of each quarter's dividend paid in the last year of the performance-measurement period to be paid on each eligible stock option held at December 31, 2010, based on performance during the 2007-2010 performance-measurement period. Payout for performance between points was interpolated on a straight-line basis.

Performance vs. Peer Group	Payout (% of Each Quarterly Dividend Paid)
90th percentile or higher	100
50th percentile (Target)	50
10th percentile or lower	0

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Southern Company's total shareholder return performance, as measured at the end of each quarter of the final year of the four-year performance-measurement period ending with 2010, was the 36th, 64th, 56th, and 56th percentile, respectively, resulting in a total payout of 106% of the target level (53% of the full year's Common Stock dividend), or $0.96. This amount was multiplied by each named executive officer's eligible outstanding stock options as of December 31, 2010 to calculate the payout under the program. The amount paid is included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

Timing of Performance-Based Compensation

As discussed above, the 2010 annual Performance Pay Program goals and the Southern Company total shareholder return goals applicable to performance shares were established at the February 2010 Compensation Committee meeting. Annual stock option grants also were made at that meeting. The establishment of performance-based compensation goals and the granting of stock options were not timed with the release of material, non-public information. This procedure is consistent with prior practices. Stock option grants are made to new hires or newly-eligible participants on preset, regular quarterly dates that were approved by the Compensation Committee. The exercise price of options granted to employees in 2010 was the closing price of the Common Stock on the grant date or the last trading day before the grant date, if the grant date was not a trading day.

Retirement and Other Post-Employment Benefits

As mentioned above, the Company provides certain post-employment compensation to employees, including the named executive officers.

Retirement Benefits

Generally, all full-time employees of the Company participate in the funded Pension Plan after completing one year of service. Normal retirement benefits become payable when participants attain age 65 and complete five years of participation. The Company also provides unfunded benefits that count salary and annual Performance Pay Program payouts that are ineligible to be counted under the Pension Plan. (These plans are the Supplemental Benefit Plan and the Supplemental Executive Retirement Plan that are described in the chart on page 16 of this CD&A.) See the Pension Benefits table and the information accompanying it for more information about pension-related benefits.

The Company or its affiliates also provide supplemental retirement benefits to certain employees that were first employed by the Company or an affiliate of the Company in the middle of their careers. The Company has a supplemental retirement agreement (SRA) with both Messrs. Crosswhite and Raymond. Prior to his employment with the Company, Mr. Crosswhite provided legal services to the Company and its affiliates. Prior to his employment, Mr. Raymond provided valuable services to the Company and its affiliates through his work on energy industry regulatory matters. Mr. Crosswhite's agreement provides retirement benefits as if he was employed an additional 15 years and Mr. Raymond's provides an additional eight years of benefits. Mr. Raymond must remain employed at the Company or an affiliate of the Company for five years from the effective date of the agreement before vesting in the benefits. These agreements provide a benefit which recognizes the expertise both brought to the Company and they provide a strong retention incentive to remain with the Company or its affiliates.

The Company also provides the Deferred Compensation Plan which is an unfunded plan that permits participants to defer income as well as certain federal, state, and local taxes until a specified date or their retirement, disability, death, or other separation from service. Up to 50% of base salary and up to 100% of performance-based non-equity compensation may be deferred at the election of eligible employees. All of the named executive officers are eligible to participate in the Deferred Compensation Plan. See the Nonqualified Deferred Compensation table and the information accompanying it for more information about the Deferred Compensation Plan.

Change-in-Control Protections

The Compensation Committee initially approved the change-in-control protection program in 1998 to provide certain compensatory protections to employees, including the named executive officers, upon a change in control and thereby allow them to negotiate aggressively with a prospective purchaser. For all participants, payment and vesting would occur only upon the occurrence of both an actual change in control and loss of the individual's position. For the executive officers of the Company, including the named executive officers, the level of severance benefits provided was two or three times salary plus target-level Performance Pay Program opportunity. These levels of benefits were consistent with that provided by other companies of similar size and industry.

Change-in-control protections, including severance pay and, in some situations, vesting or payment of long-term performance-based awards, are provided upon a change in control of Southern Company or the Company coupled with an involuntary termination not for cause or a voluntary termination for "Good Reason." This means there is a "double trigger" before severance benefits are paid; i.e., there must be both a change in control and a termination of employment.

In early 2011, the Compensation Committee made changes to the program that were effective immediately. Notably, the following changes were made:

- Reduction of severance payment level from three times base salary plus target Performance Pay Program opportunity to two times that amount for all executive officers of Southern Company, including Messrs. McCrary and Beattie, except for the Chief Executive Officer of Southern Company. (In 2009, the Compensation Committee lowered the severance payment level for all other officers from two times base salary plus target Performance Pay Program opportunity to one times that amount.)

- Elimination of excise tax gross-up for all participants.

After the changes made in 2009 and 2011, Messrs. McCrary's and Beattie's severance level is two times salary plus target Performance Pay Program opportunity and it is one times that amount for all other named executive officers of the Company.

Consulting Agreement

Southern Company Services, Inc. entered into an agreement with Mr. Stewart for consulting services following his retirement. The agreement provides for two years of consulting services for a fixed retainer fee of $464,140.

More information about post-employment benefits is included in the section entitled Potential Payments upon Termination or Change in Control.

Perquisites

The Company provides limited perquisites to its executive officers, including the named executive officers. The perquisites provided in 2010, including amounts, are described in detail in the information accompanying the Summary Compensation Table. In 2009, the Compensation Committee eliminated tax assistance (tax gross-up) on all perquisites for executive officers of Southern Company, including Mr. McCrary and, following his promotion in August 2010, Mr. Beattie, except on relocation-related benefits. Effective in 2011, the Compensation Committee eliminated the Company-provided home security monitoring and reimbursement of country club dues. A one-time salary increase equal to the annual dues amount was provided. This change was applicable to all employees of the Company with company-paid memberships. Reimbursement of country club initiation fees will continue if it is determined that there is an established business need for the membership.

Southern Company is recognized externally for its depth of management succession bench strength. This is consistently validated by the continued strong performance of Southern Company during times of leadership transition. A significant contributor is Southern Company's long-standing practice of developing its leaders, as well as its technical, professional, and management talent, internally. Southern Company's and the Company's internal talent development efforts allow promotion from within rather than relying on external executive hiring. An important component of this program is to provide multiple company experience. In 2010, over 400 employees relocated at the request of Southern Company, including three named executive officers of the Company. Mr. Beattie was named Executive Vice President and Chief Financial Officer of Southern Company and relocated to Atlanta, Georgia from Birmingham, Alabama. Mr. Raymond became Executive Vice President, Chief Financial Officer, and Treasurer of the Company and relocated to Birmingham, Alabama from Pensacola, Florida. Mr. McCullough was named Senior

Vice President of the Company and relocated to Birmingham, Alabama from Pensacola, Florida.

Southern Company believes that it is important, to the extent possible, to keep employees whole, financially, when they relocate at Southern Company's request. Southern Company regularly reviews market practices on the level of

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relocation benefits provided to employees. The review conducted in 2010 showed that reimbursing employees for loss on home sale, and providing tax assistance on all relocation benefits, are still majority practices. Under Southern Company's relocation policy, employees were reimbursed for up to 10% of their home's original purchase price if it sold or appraised for less than the original purchase price. However, due to the unprecedented downturn in the housing market, many employees were experiencing greater losses. To address this concern, and based on a review of the level of relocation benefits provided by other companies, Southern Company modified the home loss benefit in 2010, retroactive to January 1, 2009, to reimburse employees for their full loss on sale and for capital improvements made within the last five years. Southern Company also committed to review these policy changes at least annually and will reconsider the level of benefits provided as the housing market recovers. As with other relocation-related benefits, tax assistance is provided on the home loss and capital improvements reimbursement.

The Compensation Committee approved application of the modifications to Southern Company's executive officers, including Mr. Beattie, who relocated in 2010. However, the Compensation Committee also stipulated that any amount paid to a Southern Company executive officer for home sale loss, including tax assistance, must be reimbursed if he or she voluntarily terminates, or is involuntarily terminated for cause, less than two years following relocation. Future executive relocations will be reviewed by the Compensation Committee on a case-by-case basis to determine if reimbursements for home sale loss and tax assistance are warranted based on market practices and economic conditions. Messrs. Beattie, McCullough, and Raymond were reimbursed for their home sale loss and certain capital improvements and tax assistance was provided. All relocation benefits provided to the Company's named executive officers, including amounts, are described in the information accompanying the Summary Compensation Table.

Executive Stock Ownership Requirements

Effective January 1, 2006, the Compensation Committee adopted Common Stock ownership requirements for officers of Southern Company and its subsidiaries that are in a position of vice president or above. All of the Company's named executive officers are covered by the requirements. The guidelines were implemented to further align the interest of officers and Southern Company's stockholde