SOUTHERN CO
Form DEF 14A
April 12, 2013
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934
Filed by the Registrant x
Filed by a Party other than the Registrant ¨
Check the appropriate box:

¨ Preliminary Proxy Statement
¨ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e) (2))
x Definitive Proxy Statement
¨ Definitive Additional Materials
¨ Soliciting Materials Pursuant to §240.14a-12

THE SOUTHERN COMPANY

(Name of Registrant as Specified In Its Charter)
N/A

(Name of Person(s) Filing Proxy Statement, if other than Registrant)
Payment of Filing Fee (Check the appropriate box):

x No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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4) Date Filed:

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Letter to Stockholders

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

Dear Fellow Stockholder:

You are invited to attend the 2013 Annual Meeting of Stockholders at 10 a.m. ET on Wednesday, May 22, 2013, at The Lodge Conference Center at Callaway Gardens, Pine Mountain, Georgia.

Southern Company continues to make great strides in its efforts to provide clean, safe, reliable, affordable energy to our 4.4 million customers — building the nation's only fully diversified generation portfolio that includes new nuclear, 21st century coal, natural gas, renewables, and energy efficiency. We are harnessing the power of innovation to help make that goal a reality, while promoting the importance of long-term energy security throughout all of North America.

At the annual meeting, I will report on our accomplishments from 2012, as well as our plans for 2013 and beyond. We will also elect our Board of Directors and vote on the other matters set forth in the accompanying Notice.

Whether or not you plan to attend the meeting, your vote is important. Please review the proxy material and vote by internet, phone, or mail as soon as possible.

This Proxy Statement includes Appendix E, the 2012 Annual Report with Southern Company's audited financial statements and management's discussion and analysis of results of operation and financial condition.

We look forward to seeing you on May 22nd. Thank you for your continued support of Southern Company.

/s/ Thomas A. Fanning
Thomas A. Fanning

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Notice of Annual Meeting of Stockholders of The Southern Company

DATE:	Wednesday, May 22, 2013
TIME:	10:00 a.m., ET
PLACE:	The Lodge Conference Center at Callaway Gardens Highway 18 Pine Mountain, Georgia 31822
DIRECTIONS:	From Atlanta, Georgia — Take I-85 south to I-185 (Exit 21). From I-185 south, take Exit 34, Georgia Highway 18. Take Georgia Highway 18 east to Callaway. From Birmingham, Alabama — Take U.S. Highway 280 east to Opelika. Take I-85 north to Georgia Highway 18 (Exit 2). Take Georgia Highway 18 east to Callaway.

Items of Business

1. To elect 13 directors;
2. To ratify the appointment of Deloitte & Touche LLP as The Southern Company's independent registered public accounting firm for 2013;
3. To approve on a non-binding advisory basis The Southern Company's named executive officers' compensation;
4. To ratify a by-law amendment removing the mandatory retirement age provision for non-employee directors;
5. To consider and vote on an amendment to The Southern Company's Certificate of Incorporation to reduce the two-thirds supermajority vote requirements in Article Eleventh to a majority vote;
6. To consider and vote on an amendment to The Southern Company's Certificate of Incorporation to reduce the 75% supermajority vote requirements in Article Thirteenth to a two-thirds vote; and
7. To transact any other business properly coming before the meeting or any adjournments thereof.

Record Date

Stockholders of record at the close of business on March 25, 2013 are entitled to attend and vote at the meeting.

Annual Report to Stockholders

Appendix E to this Proxy Statement is Southern Company's 2012 Annual Report.
By Order of the Board of Directors, G. Edison Holland, Jr., Corporate Secretary, April 12, 2013

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Voting Information

Even if you plan to attend the meeting in person, please provide your voting instructions as soon as possible by internet, by phone using the toll-free number, or by mail by marking, signing, dating, and returning the proxy form in the enclosed, postage-paid envelope.

Voting by the internet or by phone is fast and convenient, and your vote is immediately confirmed and tabulated.

PROXY VOTING OPTIONS

YOUR VOTE IS IMPORTANT!

Voting early will ensure the presence of a quorum at the meeting and will save The Southern Company the expense and extra work of additional solicitation.

VOTE BY INTERNET	VOTE BY PHONE
www.proxyvote.com	1-800-690-6903
24 hours a day/7 days a week	Toll-free 24 hours a day/7 days a week
Instructions:	Instructions:
Read this Proxy Statement	Read this Proxy Statement
Go to the following website: www.proxyvote.com	
Have your proxy form or voting instruction form in hand and follow the instructions.	Have your proxy form or voting instruction form in hand and follow the instructions.

Please do not return the enclosed paper ballot if you are voting over the internet or by phone.

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Proxy Statement

Frequently Asked Questions

Q: When will the Proxy Statement be mailed?

A: The Proxy Statement will be mailed on or about April 12, 2013.

Q: Who can vote?

A: All stockholders of record at the close of business on the record date of March 25, 2013 may vote. On that date, there were 870,915,018 shares of The Southern Company (Southern Company or the Company) common stock (Common Stock) outstanding and entitled to vote.

Q: How do I give voting instructions?

A: You may attend the meeting and give instructions in person or, as mentioned previously, give instructions by the internet, by phone, or by mail. Information for giving instructions is on the form of proxy and trustee voting instruction form (proxy form). For those investors whose shares are held by a broker, bank, or other nominee, you must complete and return a voting instruction form provided by your broker, bank, or nominee to instruct your broker, bank, or nominee on how to vote. The Proxies, named on the enclosed proxy form, will vote all properly executed proxies that are delivered pursuant to this solicitation and not subsequently revoked in accordance with the instructions given by you.

Q: Why is my vote important?

A: It is the right of every investor to vote on certain matters that affect the Company.

Q: Can I change my vote?

A: Yes. If you are a holder of record, you may revoke your proxy by submitting a subsequent proxy, or by written request received by the Company's corporate secretary prior to the meeting, or by attending the meeting and voting your shares. If your shares are held through a broker, bank, or other nominee, you must follow the instructions of your broker, bank, or other nominee to revoke your voting instructions.

Q: How are votes counted?

A: Each share counts as one vote. A quorum is required to transact business at the 2013 Annual Meeting. Stockholders of record holding shares of stock constituting a majority of the shares entitled to be cast shall constitute a quorum. Abstentions that are marked on the proxy form and broker non-votes are included for the purpose of determining a quorum, but shares that otherwise are not voted are not counted toward a quorum. Neither abstentions, broker non-votes, nor shares that otherwise are not voted are counted for or against the matters being considered in Item Nos. 1, 2, and 3 and thus will have no affect on the outcome of these items. However, abstentions will have the same effect as votes "against" the proposals being considered in Item Nos. 4, 5, and 6, and broker non-votes will have the same effect as votes "against" the proposals being considered in Item Nos. 5 and 6.

Q: What are broker non-votes?

A: Broker non-votes occur on a matter up for vote when a broker, bank, or other holder of shares you own in "street name" is not permitted to vote on that particular matter without instructions from you, you do not give such instructions, and the broker, bank, or other nominee indicates on its proxy form, or otherwise notifies the Company, that it does not have authority to vote its shares on that matter. Whether a broker has authority to vote its shares on uninstructed matters is determined by New York Stock Exchange (NYSE) rules.

Q: What does it mean if I get more than one proxy form?

A: You will receive a proxy form for each account that you have. Please vote proxies for all accounts to ensure that all of your shares are voted. If you wish to consolidate multiple registered accounts, please contact Shareowner Services at (800) 554-7626.

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Q: Can the Proxy Statement be accessed from the internet?

A: Yes. You can access the Company's website at http://investor.southerncompany.com/proxy.cfm to view the 2013 Proxy Statement.

Q: What should I bring if I plan to attend the Annual Meeting?

A: You will be asked to present photo identification, such as a driver's license. If you are a holder of record, the top half of your proxy card is your admission ticket. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. Examples of proof of ownership are a recent brokerage statement or a letter from your bank or broker. If you want to vote your shares held in street name, you must get a legal proxy in your name from the broker, bank, or other nominee that holds your shares.

Q: Does the Company offer electronic delivery of proxy materials?

A: Yes. Most stockholders can elect to receive an email that will provide an electronic link to the Proxy Statement, which includes the 2012 Annual Report as an appendix. Opting to receive your proxy materials on-line will save the Company the cost of producing and mailing documents and also will give you an electronic link to the proxy voting site.

You may sign up for electronic delivery when you vote your proxy via the internet or by visiting www.icsdelivery.com/so.

Once you enroll for electronic delivery, you will receive proxy materials electronically as long as your account remains active or until you cancel your enrollment. If you consent to electronic access, you will be responsible for your usual internet-related charges (e.g., on-line fees and telephone charges) in connection with electronic viewing and printing of the Proxy Statement, which includes the 2012 Annual Report as an appendix. The Company will continue to distribute printed materials to stockholders who do not consent to access these materials electronically.

Q: What is "householding?"

A: Stockholders sharing a single address may receive only one copy of the Proxy Statement, which includes the 2012 Annual Report as an appendix, unless the transfer agent, broker, bank, or other nominee has received contrary instructions from any owner at that address. This practice — known as householding — is designed to reduce printing and mailing costs. If a stockholder of record would like to either participate or cancel participation in householding, he or she may contact Shareowner Services at (800) 554-7626 or by mail at The Southern Company, c/o Computershare, P.O. Box 358035, Pittsburgh, PA 15252-8035. If you own indirectly through a broker, bank, or other nominee, please contact your financial institution.

Q: What is the Board's recommendation for the proposals?

A: The Board of Directors recommends votes "FOR" each item described in this Proxy Statement.

Q: How many votes are needed to approve each of the items of business?

A: The affirmative vote of a majority of the votes cast is required for approval of each of Item No. 1 through 3. For Item No. 4, the affirmative vote of a majority of the shares present and entitled to vote at the 2013 Annual Meeting is required for approval. For Item No. 5, the affirmative vote of at least two-thirds of the issued and outstanding shares is required for approval. For Item No. 6, the affirmative vote of at least 75% of the issued and outstanding shares is required for approval.

Q: When are stockholder proposals due for the 2014 Annual Meeting of Stockholders?

A: The deadline for the receipt of stockholder proposals to be considered for inclusion in the Company's proxy materials for the 2014 Annual Meeting of Stockholders is December 13, 2013. Proposals must be submitted in writing to Melissa K. Caen, Assistant Corporate Secretary, Southern Company, 30 Ivan Allen Jr. Boulevard NW, Atlanta, Georgia 30308. Additionally, the proxy solicited by the Board of Directors for next year's meeting will confer discretionary authority to vote on any stockholder proposal presented at that meeting that is not included in the Company's proxy materials unless the Company is provided written notice of such proposal no later than February 26, 2014.

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Q: Who is soliciting these proxies and who pays the expense of such solicitations?

A: These proxies are being solicited on behalf of the Company's Board of Directors. The Company pays the cost of soliciting proxies. The Company has retained Alliance Advisors LLC to assist with the solicitation of proxies for a fee of $8,500, plus reimbursement of out-of-pocket expenses and any agreed upon charges associated with additional solicitation. The officers or other employees of the Company or its subsidiaries may solicit proxies to have a larger representation at the meeting. None of these officers or other employees of the Company will receive any additional compensation for these services. Upon request, the Company will reimburse brokerage houses and other custodians, nominees, and fiduciaries for their reasonable out-of-pocket expenses for forwarding solicitation material to the beneficial owners of the Company's common stock.

Important Notice Regarding the Availability of Proxy Materials for the 2013 Annual Meeting of Stockholders to be held on May 22, 2013:

The Company's 2013 Proxy Statement, which includes the 2012 Annual Report as an appendix, is also available free of charge on the Company's website at http://investor.southerncompany.com/proxy.cfm.

The Company's 2012 Annual Report to the Securities and Exchange Commission (SEC) on Form 10-K will be provided without charge upon written request to Melissa K. Caen, Assistant Corporate Secretary, Southern Company, 30 Ivan Allen Jr. Boulevard NW, Atlanta, Georgia 30308.

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COMPANY ORGANIZATION

Southern Company is a holding company managed by a core group of officers and governed by a Board of Directors that is currently comprised of 13 members.

At the 2013 Annual Meeting, stockholders will elect 13 Directors. The nominees for election as Directors consist of 12 non-employees and one executive officer of the Company.

The Board of Directors has adopted and operates under a set of Corporate Governance Guidelines which are available on the Company's website at www.southerncompany.com under Investors/Corporate Governance.

CORPORATE GOVERNANCE WEBSITE

In addition to the Company's Corporate Governance Guidelines (which include Board independence criteria), other information relating to corporate governance of the Company is available on the Company's Corporate Governance webpage at www.southerncompany.com under Investors/Corporate Governance or directly at http://investor.southerncompany.com/governance.cfm, including:

- Code of Ethics
- By-Laws of the Company
- Executive Stock Ownership Requirements
- Board Committee Charters
- Board of Directors — Background and Experience
- Management Council — Background and Experience
- Composition of Board Committees
- SEC filings
- Link for on-line communication with Board of Directors
- Political Spending and Lobbying-Related Activities

The Corporate Governance documents also may be obtained by requesting a copy from Melissa K. Caen, Assistant Corporate Secretary, Southern Company, 30 Ivan Allen Jr. Boulevard NW, Atlanta, Georgia 30308.

DIRECTOR INDEPENDENCE

No Director will be deemed to be independent unless the Board of Directors affirmatively determines that the Director has no material relationship with the Company, directly, or as an officer, stockholder, or partner of an organization that has a relationship with the Company. The Board of Directors has adopted categorical guidelines which provide that a Director will not be deemed to be independent if within the preceding three years:

- The Director was employed by the Company or the Director's immediate family member was an executive officer of the Company.
- The Director received, or the Director's immediate family member received, during any 12-month period,

direct compensation from the Company of more than $120,000, other than Director and committee fees. (Compensation received by an immediate family member for service as a non-executive employee of the Company need not be considered.)

- The Director was affiliated with or employed by, or the Director's immediate family member was affiliated with or employed in a professional capacity by, a present or former external auditor of the Company and personally worked on the Company's audit.
- The Director was employed, or the Director's immediate family member was employed, as an executive officer of a company where any member of the Company's present executive officers at the same time served on that company's compensation committee.

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- The Director is a current employee, or the Director's immediate family member is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1,000,000 or two percent of that company's consolidated gross revenues.

Additionally, a Director will not be deemed to be independent if the Director or the Director's spouse serves as an executive officer of a charitable organization to which the Company made discretionary contributions exceeding the greater of $1,000,000 or two percent of the organization's total annual charitable receipts.

In determining independence, the Board reviews and considers all commercial, consulting, legal, accounting, charitable, or other business relationships that a Director or the Director's immediate family members have with the Company. This review specifically included all ordinary course transactions with entities with which the Directors are associated. In particular, the Board reviewed transactions between subsidiaries of the Company and Vulcan Materials Company or its affiliates and transactions between the Company or its subsidiaries and SunTrust Banks, Inc. or its affiliates, as described under Certain Relationships and Related Transactions in this Proxy Statement. Mr. Donald M. James is the Chairman and Chief Executive Officer of Vulcan Materials Company. Mr. E. Jenner Wood III is the Chairman, President, and Chief Executive Officer of the Georgia/North Florida Division of SunTrust Bank and Executive Vice President of SunTrust Banks, Inc. The Board determined that the Company and its subsidiaries followed the Company procurement policies and procedures, that the amounts were well under the thresholds contained in the Director independence requirements, and that Messrs. James and Wood, as applicable, did not have a direct or indirect material interest in the transactions.

The Board reviewed all contributions made by the Company and its subsidiaries to charitable organizations with which the Directors are associated. The Board determined that the contributions were consistent with other contributions by the Company and its subsidiaries to charitable organizations and none were approved outside the Company's normal procedures.

As a result of its annual review of Director independence, the Board affirmatively determined that none of the following persons who are currently serving as Directors or who served during 2012 or who are nominees for election as Directors has a material relationship with the Company and, as a result, such persons are determined to be independent: Juanita Powell Baranco, Jon A. Boscia, Henry A. Clark III, David J. Grain, H. William Habermeyer, Jr., Veronica M. Hagen, Warren A. Hood, Jr., Donald M. James, Dale E. Klein, J. Neal Purcell, William G. Smith, Jr., Steven R. Specker, Larry D. Thompson, and E. Jenner Wood III. Thomas A. Fanning, a current Director, is Chairman of the Board, President, and Chief Executive Officer of the Company and is not independent.

COMMUNICATING WITH THE BOARD

Interested parties may communicate directly with the Company's Board or specified Directors, including the Presiding Director. Communications may be sent to the Company's Board or to specified Directors, including the Presiding Director, by regular mail or electronic mail. Regular mail should be sent to the attention of Melissa K. Caen, Assistant Corporate Secretary, Southern Company, 30 Ivan Allen Jr. Boulevard NW, Atlanta, Georgia 30308. The electronic mail address is CORPGOV@southerncompany.com. The electronic mail address also can be accessed from the Corporate Governance webpage located under Investors/Corporate Governance on the Company's website at www.southerncompany.com, under the link entitled Governance Inquiries. With the exception of commercial solicitations, all communications directed to the Board or to specified Directors will be relayed to them.

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DIRECTOR COMPENSATION

Only non-employee Directors of the Company are compensated for service on the Board of Directors. The pay components for non-employee Directors are:

Annual retainers:

- $100,000 cash retainer
- Additional $12,500 cash retainer if serving as a chair of a committee of the Board
- Additional $12,500 cash retainer if serving as the Presiding Director of the Board

Annual equity grant:

- $105,000 in deferred Common Stock units until Board membership ends

Meeting fees:

- Meeting fees are not paid for participation in the initial eight meetings of the Board in a calendar year. If more than eight meetings of the Board are held in a calendar year, $2,500 will be paid for participation in each meeting of the Board beginning with the ninth meeting.
- Meeting fees are not paid for participation in a meeting of a committee of the Board.

DIRECTOR DEFERRED COMPENSATION PLAN

The annual equity grant is required to be deferred in shares of Common Stock under the Deferred Compensation Plan for Directors of The Southern Company (Director Deferred Compensation Plan) and invested in Common Stock units which earn dividends as if invested in Common Stock. Earnings are reinvested in additional stock units. Upon leaving the Board, distributions are made in Common Stock.

In addition, Directors may elect to defer up to 100% of their remaining compensation in the Director Deferred Compensation Plan until membership on the Board ends. Such deferred compensation may be invested as follows, at the Director's election:

- in Common Stock units which earn dividends as if invested in Common Stock and are distributed in shares of Common Stock upon leaving the Board;
- in Common Stock units which earn dividends as if invested in Common Stock and are distributed in cash upon leaving the Board; or
- at the prime interest rate 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 10 annual distributions after leaving the Board. The Company has established a grantor trust that primarily holds Common Stock that funds the Common Stock units that are distributed in shares of Common Stock. Directors have voting rights in the shares held in the trust attributable to these units.

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DIRECTOR COMPENSATION TABLE

The following table reports all compensation to the Company's non-employee Directors during 2012, 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)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($) (3)	Total ($)
Juanita Powell Baranco	112,500	105,000	0	0	892	218,392
Jon A. Boscia	107,291	105,000	0	0	962	213,253
Henry A. Clark III	112,500	105,000	0	0	826	218,326
David J. Grain (4)	5,914	6,210	0	0	227	12,351
H. William Habermeyer, Jr.	112,500	105,000	0	0	724	218,224
Veronica M. Hagen	107,291	105,000	0	0	959	213,250
Warren A. Hood, Jr.	100,000	105,000	0	0	896	205,896
Donald M. James	105,209	105,000	0	0	896	211,105
Dale E. Klein	100,000	105,000	0	0	724	205,724
J. Neal Purcell (5)	46,875	43,750	0	0	639	91,264
William G. Smith, Jr.	112,500	105,000	0	0	724	218,224
Steven R. Specker	100,000	105,000	0	0	879	205,879
Larry D. Thompson (6)	100,000	105,000	0	0	797	205,797
E. Jenner Wood III (7)	63,263	61,250	0	0	1,435	125,948

(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 reimbursements for taxes on imputed income associated with gifts and activities provided to attendees at Company-sponsored events.

(4) Mr. Grain was elected to the Board effective December 10, 2012.

(5) Mr. Purcell retired from the Board effective May 23, 2012.

(6) Mr. Thompson resigned from the Board effective December 10, 2012.

(7) Mr. Wood was elected to the Board effective May 23, 2012.

DIRECTOR STOCK OWNERSHIP GUIDELINES

Under the Company's Corporate Governance Guidelines, non-employee Directors are required to beneficially own, within five years of their initial election to the Board, Common Stock equal to at least four times the annual Director cash retainer fee.

BOARD LEADERSHIP STRUCTURE

The Board believes that the combined role of Chief Executive Officer and Chairman is most suitable for the Company because Mr. Fanning 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 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

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experience, oversight, and expertise from outside the Company and its industry. The Board believes that the combined role of Chief Executive Officer and Chairman promotes the development and execution of the Company's strategy and facilitates the flow of information between management and the Board, which is essential to effective corporate governance.

The Board believes the combined role of Chief Executive Officer and Chairman, together with an independent Presiding Director having the duties described below, is in the best interest of stockholders because it provides the appropriate balance between independent oversight of management and the development of strategy.

PRESIDING DIRECTOR

Mr. Smith was appointed to serve as the Presiding Director effective May 23, 2012 until May 28, 2014. The Presiding Director is selected bi-annually by and from the independent Directors. Non-management Directors meet, without management, on each regularly-scheduled Board meeting date, and at other times as deemed appropriate by the Presiding Director or two or more other independent Directors. As the Presiding Director, Mr. Smith is responsible for chairing executive sessions and acting as the principal liaison between the Chairman and the non-management Directors. However, each Director is afforded direct and complete access to the Chairman at any time as such Director deems necessary or appropriate. The Presiding Director meets regularly with the Chairman and also serves as the primary contact Director for stockholders and other interested parties. The Presiding Director is also involved in communicating any sensitive issues to the Directors and chairing Board meetings in the absence of the Chairman.

MEETINGS OF NON-MANAGEMENT DIRECTORS

Non-management Directors meet in executive session without any members of the Company's management present on each regularly-scheduled Board meeting date. These executive sessions promote an open discussion of matters in a manner that is independent of the Chairman and Chief Executive Officer. The Presiding Director chairs each of these executive sessions.

COMMITTEES OF THE BOARD

Committee Charters

Charters for each of the five standing committees can be found at the Company's website — www.southerncompany.com under Investors/Corporate Governance.

Audit Committee:

- Current members are Mr. Boscia (Chair), Mr. Grain, and Mr. Hood
- Met 10 times in 2012
- Oversees the Company's financial reporting, audit processes, internal controls, and legal, regulatory, and ethical compliance; appoints the Company's independent registered public accounting firm, approves its services and fees, and establishes and reviews the scope and timing of its audits; reviews and discusses the Company's financial statements with management and the independent registered public accounting firm, including critical accounting policies and practices, material alternative financial treatments within generally accepted accounting principles, proposed adjustments, control recommendations, significant management judgments and accounting estimates, new accounting policies, changes in accounting principles, any disagreements with management, and other material written communications between the internal auditors and/or the independent registered public accounting firm and management; and recommends the filing of the Company's annual financial statements with the SEC.

The Board has determined that the members of the Audit Committee are independent as defined by the NYSE corporate governance rules within its listing standards and rules of the SEC promulgated pursuant to the Sarbanes-Oxley Act of 2002. The Board has determined that Mr. Boscia qualifies as an "audit committee financial expert" as defined by the SEC.

Compensation and Management Succession Committee (Compensation Committee):

- Current members are Ms. Hagen (Chair), Mr. Clark, Mr. Habermeyer, and Mr. Smith
- Met seven times in 2012
- Evaluates performance of executive officers and establishes their compensation, administers executive compensation plans, and reviews management succession plans. Annually reviews a tally sheet of all components of the executive officers' compensation and takes actions required of it under the Pension Plan for employees of the Company's subsidiaries.

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The Board has determined that each member of the Compensation Committee is independent.

Governance

During 2012, the Compensation Committee's governance practices included:

- Considering compensation for the named executive officers in the context of all of the components of total compensation;
- Considering annual adjustments to pay over the course of two meetings and requiring more than one meeting to make other important decisions;
- Receiving meeting materials several days in advance of meetings;
- Having regular executive sessions of Compensation Committee members only;
- Having direct access to independent compensation consultants;
- Conducting a performance/payout analysis versus peer companies for the performance-based compensation program to provide a check on the Company's goal-setting process; and
- Reviewing a compensation risk assessment through a process developed by its independent compensation consultant.

Role of Executive Officers

The Chief Executive Officer, with input from the Company's Human Resources staff, recommends to the Compensation Committee: base salary, target performance-based compensation levels, actual performance-based compensation payouts, and long-term performance-based grants for the Company's executive officers (other than the Chief Executive Officer). The Compensation Committee considers, discusses, modifies as appropriate, and takes action on such recommendations.

Role of Compensation Consultant

The Compensation Committee which has authority to retain independent advisors, including compensation consultants, at the Company's expense, engaged Pay Governance LLC (Pay Governance) to provide an independent assessment of the current executive compensation program and any management-recommended changes to that program and to work with Company management to ensure that the executive compensation program is designed and administered consistent with the Compensation Committee's requirements. The Compensation Committee also expected Pay Governance to advise on executive compensation and related corporate governance trends.

Pay Governance is engaged solely by the Compensation Committee and does not provide any services directly to management unless authorized to do so by the Compensation Committee. In connection with its engagement of Pay Governance, the Compensation Committee reviewed Pay Governance's independence including (1) the amount of fees received by Pay Governance from the Company as a percentage of Pay Governance's total revenue; (2) its policies and procedures designed to prevent conflicts of interest; and (3) the existence of any business or personal relationships, including Common Stock ownership, that could impact independence. After reviewing these and other factors, the Compensation Committee determined that Pay Governance is independent and the engagement did not present any conflicts of interest. Pay Governance also determined that it was independent from management, which was confirmed in a written statement delivered to the Compensation Committee.

During 2012, Pay Governance assisted the Compensation Committee with analyzing comprehensive market data and its implications for pay at the Company and its affiliates and various other governance, design, and compliance matters.

Finance Committee:

- Current members are Mr. Clark (Chair), Mr. James, and Mr. Smith
- Met seven times in 2012
- Reviews the Company's financial matters, recommends actions such as dividend philosophy to the Board, and approves certain capital expenditures.
- Provides information to the Compensation Committee regarding the Company's financial plan and goals.

The Board has determined that each member of the Finance Committee is independent.

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Governance Committee:

- Current members are Ms. Baranco (Chair), Mr. James, Dr. Klein, Dr. Specker, and Mr. Wood
- Met six times in 2012
- Oversees the composition of the Board and its committees, determines non-management Directors' compensation, maintains the Company's Corporate Governance Guidelines, coordinates the performance evaluations of the Board and its committees, and reviews stock ownership of Directors annually to ensure compliance with the Company's Director stock ownership guidelines.

The Board has determined that each member of the Governance Committee is independent.

Nominees for Election to the Board

The Governance Committee, comprised entirely of independent Directors, is responsible for identifying, evaluating, and recommending nominees for election to the Board. The Governance Committee solicits recommendations for candidates for consideration from its current Directors and is authorized to engage third-party advisers to assist in the identification and evaluation of candidates for consideration. Any stockholder may make recommendations to the Governance Committee by sending a written statement setting forth the candidate's qualifications, relevant biographical information, and signed consent to serve. These materials should be submitted in writing to the Company's Assistant Corporate Secretary and received by that office by December 13, 2013 for consideration by the Governance Committee as a nominee for election at the Annual Meeting of Stockholders to be held in 2014. Any stockholder recommendation is reviewed in the same manner as candidates identified by the Governance Committee or recommended to the Governance Committee.

While the Company's Corporate Governance Guidelines do not prescribe diversity standards, such Guidelines mandate that the Board as a whole should be diverse. At least annually, the Governance Committee evaluates the expertise and needs of the Board to determine the proper membership and size. As part of this evaluation, the Governance Committee considers aspects of diversity, such as diversity of age, race, gender, education, industry, and public and private services, in the selection of candidates to serve on the Board. The Governance Committee only considers candidates with the highest degree of integrity and ethical standards. The Governance Committee evaluates a candidate's independence from management, ability to provide sound and informed judgment, history of achievement reflecting superior standards, willingness to commit sufficient time, financial literacy, genuine interest in the Company and a recognition that, as a member of the Board, one is accountable to the stockholders of the Company, not to any particular interest group, and number of other board memberships. The Board as a whole should also have collective knowledge and experience in accounting, finance, leadership, business operations, risk management, corporate governance, and the Company's industry. The Governance Committee recommends candidates to the Board for consideration as nominees. Final selection of the nominees is within the sole discretion of the Board.

Mr. David J. Grain was identified by a third-party search firm and was recommended to members of the Governance Committee. Mr. Grain was recommended by the Governance Committee for election to the Board and was elected as a Director effective December 10, 2012.

Nuclear/Operations Committee:

- Current members are Mr. Habermeyer (Chair), Ms. Baranco, Ms. Hagen, Dr. Klein, Dr. Specker, and Mr. Wood
- Met five times in 2012
- Oversees significant information, activities, and events relative to significant operations of the Southern Company system including nuclear and other generation facilities, transmission and distribution, fuel, and information technology initiatives.
- Provides information to the Compensation Committee on the Southern Company system's operational goals.

The Board has determined that each member of the Nuclear/Operations Committee is independent.

BOARD RISK OVERSIGHT

The Board and its committees have both general and specific risk oversight responsibilities. The Board has broad responsibility to provide oversight of significant risks to the Company primarily through direct engagement with Company management and through delegation of ongoing risk oversight responsibilities to the committees. The charters of the committees as approved by the Board and the committees' checklists of agenda items define the areas of risk for which each committee is responsible for providing ongoing

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oversight. In addition, ongoing oversight responsibility for each of the Company's most significant risks is designated to the applicable committees at least annually. Each committee provides oversight of the significant risks as described in its charter or otherwise assigned by the Board. The committees report to the Board on their oversight activities and elevate review of risk issues to the Board as appropriate. For each committee, the Chief Executive Officer of the Company has designated a member of management as the primary responsible officer for providing information and updates related to the significant risks. These officers ensure that all significant risks identified on the Company's risk profile are reviewed with the Board and/or the appropriate committee(s) at least annually. In addition to oversight of its designated risks, the Audit Committee is also responsible for reviewing the adequacy of the risk oversight process and for reviewing documentation that appropriate risk management and oversight are occurring. In order to fulfill this duty, a report is made to the Audit Committee at least annually. This report documents which significant risk reviews have occurred and the committee(s) reviewing such risks. In addition, an overview is provided at least annually of the risk assessment and profile process conducted by Company management. At least annually, the Board and the Audit Committee review the Company's risk profile to ensure that oversight of each risk is properly designated to an appropriate committee or the full Board. The Audit Committee receives regular updates from Internal Auditing, as needed, and quarterly updates as part of the disclosure controls process.

DIRECTOR ATTENDANCE

The Board of Directors met seven times in 2012. Average Director attendance at all applicable Board and committee meetings was 99%. No nominee attended less than 75% of applicable meetings.

All Director nominees are expected to attend the Annual Meeting of Stockholders. Except for Mr. Boscia, all the members of the Board of Directors serving on May 23, 2012, the date of the 2012 Annual Meeting of Stockholders, attended the meeting.

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Stock Ownership Table

STOCK OWNERSHIP OF DIRECTORS, NOMINEES, AND EXECUTIVE OFFICERS

The following table shows the number of shares of Common Stock beneficially owned by Directors, nominees, and executive officers as of December 31, 2012. The shares owned by all Directors, nominees, and executive officers as a group constitute less than one percent of the total number of shares of Common Stock outstanding.

		Shares Beneficially Owned Include:		
Directors, Nominees, and Executive Officers	Shares Beneficially Owned (1)	Deferred Common Stock Units (2)	Shares Individuals Have Rights to Acquire within 60 days (3)	Shares Held by Family Member(4)
Juanita Powell Baranco	42,663	42,063	0	0
Art P. Beattie	291,121	0	284,988	127
Jon A. Boscia	73,687	14,687	0	0
W. Paul Bowers	817,569	0	805,249	0
Henry A. Clark III	8,919	8,919	0	0
Thomas A. Fanning	1,129,160	0	1,116,222	0
David J. Grain	711	211	0	500
H. William Habermeyer, Jr.	16,581	16,581	0	0
Veronica M. Hagen	23,044	23,044	0	0
Warren A. Hood, Jr.	33,335	32,733	0	0
Donald M. James	79,561	79,561	0	0
Dale E. Klein	6,279	6,279	0	0
Stephen Kuczynski	155,529	0	151,253	4,276
Charles D. McCrary	492,305	0	485,898	0
William G. Smith, Jr.	47,571	41,630	0	662
Steven R. Specker	5,593	5,593	0	0
E. Jenner Wood III	12,083	10,984	0	0
Directors, Nominees, and Executive Officers as a Group (24 people)	4,728,004	282,285	4,306,741	60,565

(1) "Beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or investment power with respect to a security, or any combination thereof.

(2) Indicates the number of deferred Common Stock units held under the Director Deferred Compensation Plan. Shares indicated are included in the Shares Beneficially Owned column.

(3) Indicates shares of Common Stock that certain executive officers have the right to acquire within 60 days. Shares indicated are included in the Shares Beneficially Owned column.

(4) Each Director disclaims any interest in shares held by family members. Shares indicated are included in the Shares Beneficially Owned column.

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STOCK OWNERSHIP OF CERTAIN OTHER BENEFICIAL OWNERS

According to a Schedule 13G/A filed with the SEC on February 8, 2013, (the Ownership Report), the following reported beneficial ownership of more than 5% of the outstanding shares of Common Stock:

Title of Class	Name and Address	Shares Beneficially Owned	Percentage of Class Owned
Common Stock	Blackrock, Inc. 40 East 52nd Street New York, NY 10022	51,559,488	5.90

According to the Ownership Report, Blackrock, Inc. held all of its shares as a parent holding company, or control person in accordance with Rule 13(d)-1(b)(1)(ii)(G). According to the Ownership Report, Blackrock, Inc. has sole voting power and sole investment power over its shares.

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Matters to be Voted Upon

ITEM NO. 1 — ELECTION OF DIRECTORS

Nominees for Election as Directors

The Proxies named on the proxy form will vote, unless otherwise instructed, each properly executed proxy form for the election of the following nominees as Directors. If any named nominee becomes unavailable for election, the Board may substitute another nominee. In that event, the proxy would be voted for the substitute nominee unless instructed otherwise on the proxy form. Each nominee, if elected, will serve until the 2014 Annual Meeting of Stockholders.

The Board of Directors, acting upon the recommendation of the Governance Committee, nominates the following individuals for election to the Southern Company Board of Directors. Each nominee holds or has held senior executive positions, maintains the highest degree of integrity and ethical standards, and complements the needs of the Company. Through their positions, responsibilities, skills, and perspectives, which span various industries and organizations, these nominees represent a Board that is diverse and possessing the collective knowledge and experience in accounting, finance, leadership, business operations, risk management, corporate governance, and the Company's industry, as detailed below. The Governance Committee evaluated each nominee’s independence from management, ability to provide sound and informed judgment, history of achievement reflecting superior standards, willingness to commit sufficient time, financial literacy, and genuine interest in the Company and a recognition that, as a member of the Board, one is accountable to the stockholders of the Company, not to any particular interest group, as well as the number of other board memberships each holds.

Juanita Powell Baranco
Age: 64
Director since: 2006
Board committees: Governance (Chair), Nuclear/Operations
Principal occupation: Executive Vice President and Chief Operating Officer of Baranco Automotive Group, automobile sales
Other directorships: None (formerly a Director of Cox Radio, Inc. and Georgia Power Company)

Director qualifications: Ms. Baranco had a successful legal career, which included serving as Assistant Attorney General for the State of Georgia, before she and her husband founded the first Baranco dealership in Atlanta in 1978. She served as a Director on the Board of Georgia Power Company (Georgia Power), the largest subsidiary of the Company, from 1997 to 2006. During her tenure on the Georgia Power Board, she was a member of the Controls and Compliance, Diversity, Executive, and Nuclear Operations Overview Committees. She served on the Federal Reserve Bank of Atlanta Board for a number of years and also on the John H. Harland Company Board of Directors. An active leader in the Atlanta community, Ms. Baranco has served as a Director of Cox Radio, Inc. She serves as Chair of the Board of Trustees for Clark Atlanta University and as a Director of the Catholic Foundation of North Georgia, the DeKalb Chamber of Commerce, and the Commerce Club. She is also past Chair of the Board of Regents for the University System of Georgia and past Board Chair for the Sickle Cell Foundation of Georgia. The Board has benefited from Ms. Baranco’s particular expertise in business operations and her civic involvement.

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Jon A. Boscia

Age: 60

Director since: 2007

Board committee: Audit (Chair)
Principal occupation: Founder and President, Boardroom Advisors LLC, board governance consultancy firm, since March 2011

Other directorships: PHH Corporation (formerly a Director of Sun Life Financial Inc., Armstrong World Industries, Lincoln Financial Group, Georgia Pacific Corporation, and The Hershey Company)
Director qualifications: From September 2008 until March 2011, Mr. Boscia served as President of Sun Life Financial Inc. In this capacity, Mr. Boscia managed a portfolio of the company's operations with ultimate responsibility for the United States, United Kingdom, and Asia business groups and directed the global marketing and investment management functions. Previously, Mr. Boscia served as Chairman of the Board and Chief Executive Officer of Lincoln Financial Group, a diversified financial services organization, until his retirement in 2007. Mr. Boscia became the Chief Executive Officer of Lincoln Financial Group in 1998. During his time at Lincoln Financial Group, the company earned a reputation for its stellar performance in making major acquisitions. Mr. Boscia is a past member of the Board of The Hershey Company, where he chaired the Corporate Governance Committee and served on the Executive Committee, and past member of the Board of Sun Life Financial Inc., where he was a member of the Investment Oversight Committee and the Risk Review Committee. In addition, Mr. Boscia has served in leadership positions on other public company boards as well as not-for-profit and industry boards. His extensive background in finance, investment management, information technology, and corporate governance are valuable to the Board.

Henry A. "Hal" Clark III

Age: 63

Director since: 2009

Board committees: Finance (Chair), Compensation and Management Succession

Principal occupation: Senior Advisor of Evercore Partners Inc. (formerly Lexicon Partners, LLC), corporate finance advisory firm, since July 2009

Other directorships: None
Director qualifications: As a Senior Advisor with Evercore Partners Inc. (formerly Lexicon Partners, LLC), Mr. Clark is primarily focused on expanding advisory activities in North America with a particular focus on the power and utilities sectors. With more than 30 years of experience in the global financial and the utility industries, Mr. Clark brings a wealth of experience in finance and risk management to his role as a Director. Prior to joining Evercore Partners Inc., Mr. Clark was Group Chairman of Global Power and Utilities at Citigroup, Inc. from 2001 to 2009. His work experience includes numerous capital markets transactions of debt, equity, bank loans, convertible securities, and securitization, as well as advice in connection with mergers and acquisitions. He also has served as policy advisor

to numerous clients on capital structure, cost of capital, dividend strategies, and various financing strategies. He has served as Chair of the Wall Street Advisory Group of the Edison Electric Institute.

Thomas A. Fanning

Age: 56

Director since: 2010

Principal occupation: Chairman of the Board, President, and Chief Executive Officer of the Company since December 2010

Other directorships: Federal Reserve Bank of Atlanta, Alabama Power Company, Georgia Power, and Southern Power Company

Director qualifications: Mr. Fanning had held numerous leadership positions across the Southern Company system during his more than 30 years with the Company. He served as Executive Vice President and Chief Operating Officer of the Company from 2008 to 2010, leading the Company's generation and transmission, engineering and construction services, research and environmental affairs, system planning, and competitive generation business units. He served as the Company's Executive Vice President and Chief Financial Officer from 2007 to 2008 and Executive Vice President, Chief Financial Officer, and Treasurer from 2003 to 2007, where he was responsible for the Company's accounting, finance, tax, investor relations, treasury, and risk management functions. In those roles, he also served as the chief risk officer and had responsibility for corporate strategy. Mr. Fanning is on the Boards of a number of Southern Company's subsidiaries. He is also a Director of the Federal Reserve Bank of Atlanta, serving on the Executive Committee and the Audit Committee. Mr. Fanning served on the Board of The St. Joe Company from 2005 through September 2011. Mr. Fanning's knowledge of the day-to-day operations of an electric utility and the regulatory challenges of the industry uniquely qualify him to be a Director of the Company.

David J. Grain

Age: 50
Director since: 2012
Board committee: Audit
Principal occupation: Founder and Managing Partner, Grain Management, LLC, private equity firm
Other directorships: Gateway Bank of Southwest Florida

Director qualifications: Mr. Grain is the Founder and Managing Partner of Grain Management, LLC, a private equity firm specializing in investments in wireless communications infrastructure throughout the United States, since 2006. He is also the Chief Executive Officer of Grain Communications Group, Inc. Grain Management, LLC's flagship funds manage capital on behalf of domestic institutional investors including academic endowments, public pension funds, and foundations. Before forming the Grain entities, Mr. Grain served as President of Global Signal, Inc., where he was hired to lead Pinnacle Holdings, Inc. (Pinnacle) from bankruptcy through its successful operational turnaround. After Pinnacle was renamed Global Signal, Inc. in 2004, Mr. Grain grew the company into one of the largest independent wireless communications tower companies in North America. In 2011, Mr. Grain was appointed by President Obama

to the National Infrastructure Advisory Council. He also serves as chairman of the Florida State Board of Administration Investment Advisory Council as an appointee of former Governor Charlie Crist. Additionally, he is a Director of the Gateway Bank of Southwest Florida and Trustee of College of the Holy Cross. Mr. Grain's background in finance, investment management, wireless communications infrastructure, leadership, and civic involvement are valuable to the Board.

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H. William Habermeyer, Jr.

Age: 70

Director since: 2007

Board committees: Nuclear/Operations (Chair), Compensation and Management Succession

Other directorships: Raymond James Financial, Inc., USEC Inc.

Director qualifications: Mr. Habermeyer retired in 2006 from his position as President and Chief Executive Officer of Progress Energy Florida, Inc., a subsidiary of Progress Energy Inc., a diversified energy company. Mr. Habermeyer has a wealth of experience in utility business operations, with a focus on nuclear matters, which is valuable to the Board. He joined Progress Energy's predecessor Carolina Power & Light in 1993 and served in various leadership roles including Vice President of Nuclear Services and Environmental Support, Vice President of Nuclear Engineering, and Vice President of Progress Energy's Western Region. While overseeing the Western Region operations, Mr. Habermeyer was responsible for regional distribution management, customer support, and community relations. He serves on the Board of USEC Inc., a global energy company, where he is Chair of the Nomination and Governance Committee and a member of the Technology and Competition Committee. In addition, he is on the Audit Committee of Raymond James Financial Inc. Mr. Habermeyer is a retired Rear Admiral who served in the United States Navy for 28 years. His military medals include seven awards of the Legions of Merit, two Navy Commendation Medals, and service and campaign awards.

Veronica M. Hagen

Age: 67

Director since: 2008

Board committees: Compensation and Management Succession (Chair), Nuclear/Operations

Principal occupation: President and Chief Executive Officer of Polymer Group, Inc., engineered materials; Chief Executive Officer since April 2007; President since January 2011

Other directorships: Polymer Group, Inc., Newmont Mining Corporation

Director qualifications: Ms. Hagen's global operational management experience and commercial business leadership are valuable assets to the Board. Ms. Hagen has served as Director and Chief Executive Officer of Polymer Group, Inc. since April 2007 and as President since January 2011. Polymer Group, Inc. is a leading producer and marketer of

engineered materials. Prior to joining Polymer Group, Inc., Ms. Hagen was the President and Chief Executive Officer of Sappi Fine Paper, a division of Sappi Limited, the South African-based global leader in the pulp and paper industry, from November 2004 until her resignation in 2007. She also has served as Vice President and Chief Customer Officer at Alcoa Inc. and owned and operated Metal Sales Associates, a privately-held metal business. Ms. Hagen also serves on the Environmental, Social Responsibility, Operations and Safety Committee and the Compensation Committee of the Board of Newmont Mining Corporation.

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Warren A. Hood, Jr.

Age: 61

Director since: 2007

Board committee: Audit

Principal occupation: Chairman of the Board and Chief Executive Officer of Hood Companies, Inc., packaging and construction products

Other directorships: Hood Companies, Inc., BancorpSouth, Inc. (formerly a Director of Mississippi Power Company)

Director qualifications: Mr. Hood is the Chairman and Chief Executive Officer of Hood Companies Inc. which he established in 1978. Hood Companies Inc. consists of four separate corporations with 60 manufacturing and distribution sites throughout the United States, Canada, and Mexico. Mr. Hood previously served on the Board of the Company's subsidiary, Mississippi Power Company (Mississippi Power), where he was also a member of the Compensation Committee. Mr. Hood has long been recognized for his leadership role in the State of Mississippi. He serves on numerous corporate, community, and philanthropic boards, including Boy Scouts of America and The Governor's Commission on Rebuilding, Recovery and Renewal, which was formed following Hurricane Katrina in 2005. He serves on the Board of BancorpSouth, Inc. where he is a member of the Audit Committee. Mr. Hood's business operations, risk management, financial experience, and civic involvement are valuable to the Board.

Donald M. James

Age: 64

Director since: 1999

Board committees: Finance, Governance

Principal occupation: Chairman of the Board and Chief Executive Officer of Vulcan Materials Company, construction materials

Other directorships: Vulcan Materials Company, Wells Fargo & Company (formerly a Director of Protective Life Corporation)

Director qualifications: Mr. James joined Vulcan Materials Company in 1992 as Senior Vice President and General Counsel and then became President of the Southern Division and then Senior Vice President of the Construction Materials Group and President of the Southern Division. Prior to joining Vulcan Materials Company, Mr. James was a partner at the law firm of Bradley, Arant, Rose & White for 10 years. Mr. James is also a Director of the UAB Health System, Boy Scouts of Central Alabama, and the Economic Development Partnership of Alabama, Inc. In addition, he serves on the Finance and Human Resources Committees of Wells Fargo & Company's Board of Directors. Mr. James'

leadership of a large, public company, his legal expertise, and his civic involvement are valuable assets to the Board.

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Dale E. Klein

Age: 65

Director since: 2010

Board committees: Governance, Nuclear/Operations

Principal occupation: Associate Vice Chancellor of Research of the University of Texas System since 2011 and Associate Director of the Energy Institute at The University of Texas at Austin since 2010, university system

Other directorships: Pinnacle West Capital Corporation, Arizona Public Service Company

Director qualifications: Dr. Klein was Commissioner from 2009 to 2010 and Chairman from 2006 to 2009 of the U.S. Nuclear Regulatory Commission. Dr. Klein also served as Assistant to the Secretary of Defense for Nuclear, Chemical, and Biological Defense Programs from 2001 to 2006. Dr. Klein has more than 30 years of experience in the nuclear energy industry. Dr. Klein began his career at the University of Texas in 1977 as a professor of mechanical engineering which included a focus on the university's nuclear program. He spent nearly 25 years in various teaching and leadership positions — including Director of the nuclear engineering teaching laboratory, associate dean for research and administration in the College of Engineering, and vice-chancellor for special engineering programs. He serves on the Audit and Nuclear and Operating Committees of Pinnacle West Capital Corporation, an Arizona energy company, and is a member of the Board of Pinnacle West Capital Corporation's principal subsidiary, Arizona Public Service Company. Mr. Klein's expertise in nuclear energy regulation and operations, technology, and safety is valuable to the Board.

William G. Smith, Jr.

Age: 59

Director since: 2006, Presiding Director since May 23, 2012

Board committees: Compensation and Management Succession, Finance

Principal occupation: Chairman of the Board, President, and Chief Executive Officer of Capital City Bank Group, Inc., banking

Other directorships: Capital City Bank Group, Inc., Capital City Bank

Director qualifications: Mr. Smith began his career at Capital City Bank in 1978, where he worked in a number of capacities before being elected President and Chief Executive Officer of Capital City Bank Group, Inc. in January 1989. He was elected Chairman of the Board of the Capital City Bank Group, Inc. in 2003. He is also the Chairman and Chief Executive Officer of Capital City Bank. He has also served on the Board of Directors of the Federal Reserve Bank of Atlanta. He is the former Federal Advisory Council Representative for the Sixth District of the

Federal Reserve System and past Chair of both Tallahassee Memorial HealthCare and the Tallahassee Area Chamber of Commerce. Mr. Smith's experience in finance, business operations, and risk management is valuable to the Board.

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Steven R. Specker

Age: 67

Director since: 2010

Board committees: Governance, Nuclear/Operations

Other directorships: Trilliant Incorporated

Director qualifications: Dr. Specker served as President and Chief Executive Officer of the Electric Power Research Institute (EPRI) from 2004 until his retirement in 2010. Prior to joining EPRI, Dr. Specker founded Specker Consulting, LLC, a private consulting firm, which provided operational and strategic planning services to technology companies serving the global electric power industry. Dr. Specker also has served in a number of leadership positions during his 30-year career at General Electric Company (GE), including serving as President of GE's nuclear energy business, President of GE digital energy, and Vice President of global marketing. Dr. Specker is also a member of the Board of Trilliant Incorporated, a leading provider of Smart Grid communication solutions. Dr. Specker brings to the Board a keen understanding of the electric industry and valuable insight in innovation and technology development.

E. Jenner Wood III

Age: 61

Director since: 2012
Board committees: Governance, Nuclear/Operations

Principal occupation: Chairman, President, and Chief Executive Officer of the Georgia/North Florida Division of SunTrust Bank and Executive Vice President of SunTrust Banks, Inc., banking

Other directorships: Oxford Industries, Inc., Crawford & Company (formerly a Director of Georgia Power)

Director qualifications : Mr. Wood is currently the Chairman, President, and Chief Executive Officer of the Georgia/North Florida Division of SunTrust Bank where he is responsible for managing retail, commercial, and private wealth banking in the Greater Atlanta region and throughout the State of Georgia and North Florida. He was elected to his current position in April 2010. He also has served as an Executive Vice President of SunTrust Banks, Inc. since July 2005. From 2002 to 2010, he served as Chairman, President, and Chief Executive Officer of SunTrust Bank Central Group with responsibility over Georgia and Tennessee. Mr. Wood has more than 37 years of experience in the banking industry and has served in numerous management positions in corporate and trust and investment management with SunTrust Banks, Inc. He served as a member of the Board of Georgia Power, the largest subsidiary

of the Company from 2002 until May 2012. During his tenure on the Georgia Power Board, he served as a member of the Compensation, Executive, and Finance Committees. Mr. Wood is a director of Oxford Industries, Inc., where he serves as Presiding Director and as a member of the Executive Committee. He serves also as a Director of Crawford & Company, where he is a member of the Compensation Committee and the Audit Committee. He is active in numerous civic and community organizations serving as a Trustee of the Robert W. Woodruff Foundation, The Sartain Lanier Family Foundation, Camp-Younts Foundation, and the Jesse Parker Williams Foundation. Mr. Wood's leadership experience and extensive background in finance as well as his involvement in the community are beneficial to the Board.

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Each nominee has served in his or her present position for at least the past five years, unless otherwise noted.
The affirmative vote of a majority of the votes cast is required for the election of Directors at any meeting for the election of Directors at which a quorum is present. A majority of the votes cast means that the number of shares voted "FOR" the election of a Director must exceed the number of votes cast "AGAINST" the election of that Director.
THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED IN ITEM NO. 1.

ITEM NO. 2 — RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed Deloitte & Touche LLP (Deloitte & Touche) as the Company's independent registered public accounting firm for 2013. This appointment is being submitted to stockholders for ratification. Representatives of Deloitte & Touche will be present at the Annual Meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement if they desire to do so.
The affirmative vote of a majority of the votes cast is required for ratification of the appointment of the independent registered public accounting firm.
THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ITEM NO. 2.

ITEM NO. 3 — ADVISORY VOTE ON NAMED EXECUTIVE OFFICERS' COMPENSATION
(the Say-on-Pay vote)

At the 2012 Annual Meeting of Stockholders, the Company provided stockholders with the opportunity to cast an advisory vote regarding the compensation of the named executive officers as disclosed in the 2012 Proxy Statement for the 2012 Annual Meeting of Stockholders. At the meeting, stockholders strongly approved the proposal, with more than 95% of the votes cast voting in favor of the proposal. At the 2011 Annual Meeting, stockholders were asked how frequently the Company should hold a say-on-pay vote - whether every one, two, or three years. Consistent with the recommendation of the Board of Directors, stockholders indicated their preference to hold a say-on-pay vote annually. In light of the Board of Directors' recommendation and the strong support of the Company's stockholders, the Board of Directors determined to hold a say-on-pay vote annually.
As described in the Compensation Discussion & Analysis (CD&A), the Compensation Committee has structured the Company's executive compensation program based on the belief that executive compensation should:

- Be competitive with the Company's industry peers;
- Motivate and reward achievement of the Company's goals;
- Be aligned with the interests of the Company's stockholders and its subsidiaries' customers; and
- Not encourage excessive risk-taking.

The Company believes these objectives are accomplished through a compensation program that provides the appropriate mix of fixed and short- and long-term performance-based compensation that rewards achievement of the Company's financial success, business unit financial and operational success, and total shareholder return. The Company's financial and operational achievement was strong in 2012 and resulted in performance-based awards that were aligned with performance.
All decisions concerning the compensation of the Company's named executive officers are made by the Compensation Committee, an independent Board committee, with the advice and counsel of an independent executive compensation consultant, Pay Governance.
The Company encourages stockholders to read the Executive Compensation section of this Proxy Statement which includes the CD&A, the Summary Compensation Table, and other related compensation tables, including the information accompanying these tables.
Although it is non-binding on the Board of Directors, the Compensation Committee will review and consider the vote results when making future decisions about the Company's executive compensation program.

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The affirmative vote of a majority of the votes cast is required for approval of the following resolution:
"RESOLVED, that the Company’s stockholders approve, on an advisory basis, the compensation of the Company’s named executive officers, as disclosed in the Proxy Statement for the 2013 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2012 Summary Compensation Table, and the other related tables and accompanying narrative set forth in this Proxy Statement."
THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ITEM NO. 3.

ITEM NO. 4 - RATIFICATION OF AMENDMENT TO THE COMPANY'S BY-LAWS REMOVING THE MANDATORY RETIREMENT AGE PROVISION FOR NON-EMPLOYEE DIRECTORS

The Company's Board of Directors amended Section 15 of the Company's By-Laws, as amended (By-Laws), to remove the mandatory retirement age provision for non-employee directors effective as of February 11, 2013. This amendment is being submitted to stockholders for ratification as required by the By-Laws.

Background of This Item

Prior to this amendment, non-employee directors could not stand for election or re-election past their 70th birthday. This restriction was included in both the By-Laws and the Company's Corporate Governance Guidelines (Guidelines). Based on market trends of companies in the S&P 500, the Board determined that the Company's mandatory retirement age for non-employee directors should be increased. The Board also determined that the mandatory retirement age provision should only be set forth in the Guidelines in order to allow the Board to continue to monitor and more easily react to market trends and make timely changes to keep the Company current with best practices. Concurrently with its approval of the amendment to the By-Laws to remove the mandatory retirement age provision from the By-Laws, the Board approved an amendment to the Guidelines so that non-employee directors do not stand for re-election after reaching age 72.

Amendment

The amendment to Section 15 of the By-Laws includes the following:

- Removal of the provision relating to the eligibility of a non-employee director to stand for election or re-election after reaching his or her 70th birthday.

- Removal of the provision that references the eligibility of a non-employee director to stand for election or re-election in connection with service on the Independent Litigation Committee, which was dissolved effective March 9, 1992.

The text of the amendment, marked to show changes to prior Section 15 of the By-Laws, is included as Appendix A to this Proxy Statement.

The affirmative vote of a majority of the shares present and entitled to vote at the annual meeting is required for ratification of the amendment of the By-Laws as presented in this Item No. 4. In the event the amendment to the By-Laws is not ratified by stockholders, the amendment will cease to be effective following the 2013 Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ITEM NO. 4.

ITEM NO. 5 - AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO REDUCE THE TWO-THIRDS SUPERMAJORITY VOTE REQUIREMENTS IN ARTICLE ELEVENTH TO A MAJORITY VOTE

The Board of Directors has determined that it would be in the best interest of the Company and its stockholders to reduce the current two-thirds supermajority vote requirements in Article Eleventh of the Company's Certificate of Incorporation, as amended (Certificate of Incorporation), to a majority vote.

Background of This Item

Article Eleventh of the Certificate of Incorporation currently requires the affirmative vote of the holders of at least two-thirds of the Company's issued and outstanding Common Stock in order to:

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- authorize or create any class of stock preferred as to dividends or assets over the Common Stock or reclassify the Common Stock or change the issued shares of Common Stock into the same or a greater or less number of shares of Common Stock either with or without par value or reduce the par value of the Common Stock (collectively, Stock Changes); and

- amend, alter, change, or repeal subdivision (2) of Article Ninth (with respect to working capital determinations), Article Twelfth (with respect to preemptive rights), Article Eleventh (with respect to Stock Changes and amendments to the Certificate of Incorporation), or in any amendment to the Certificate of Incorporation which provides for the vote of the holders of at least two-thirds of the issued and outstanding Common Stock.

Supermajority vote requirements like the ones contained in Article Eleventh of the Certificate of Incorporation are intended to facilitate corporate governance stability and provide protection against self-interested action by large stockholders by requiring broad stockholder consensus to make certain fundamental changes. While the Board recognizes these protections are important and in the best interests of stockholders, the Board also notes that many stockholders and commentators now view these provisions as limiting a board's accountability to stockholders and the ability of stockholders to effectively participate in corporate governance.

The Board is committed to implementing and maintaining effective corporate governance policies and practices which ensure that the Company is governed with high standards of ethics, integrity, and accountability and in the best interest of the Company's stockholders. After considering stockholder input, including a stockholder proposal, and the arguments in favor of and against the existing supermajority vote requirements in Article Eleventh, the Board has determined that reducing each of the two-thirds supermajority vote requirements in Article Eleventh to a majority vote requirement would preserve legitimate stockholder protections while enhancing the Board's accountability to the Company's stockholders and increasing the ability of stockholders to participate effectively in the Company's corporate governance.

As a result, the Board of Directors voted to approve, and to recommend to the Company's stockholders that they approve, a proposal to amend Article Eleventh to reduce the two-thirds supermajority vote requirement to a majority vote requirement to (1) effect any Stock Changes and (2) amend, alter, change, or repeal certain provisions of the Certificate of Incorporation.

Amendment

The amendment to Article Eleventh of the Certificate of Incorporation includes the following:

- Replace the two-thirds supermajority vote requirement with a requirement that the affirmative vote of a majority of the issued and outstanding shares of the Company's Common Stock is required to approve any Stock Change; and

- Remove the two-thirds supermajority vote requirement necessary to amend, alter, change, or repeal certain provisions of the Certificate of Incorporation as more fully described above so that all amendments, alteration, changes, or repeals of the Certificate of Incorporation require the affirmative vote of a majority of the issued and outstanding shares of the capital stock of the Company, which is the default voting standard for such actions under Delaware law.

The text of the proposed amendment to Article Eleventh of the Certificate of Incorporation, marked to show changes from the current Article Eleventh, is included as Appendix B to this Proxy Statement.

The affirmative vote of at least two-thirds of the issued and outstanding shares of the Common Stock is required for approval of the amendment to Article Eleventh of the Certificate of Incorporation as presented in this Item No. 5.

If the proposed amendment is approved by the Company's stockholders, it will become effective upon filing of a Certificate of Amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware, which filing the Company would make promptly after the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ITEM NO. 5.

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ITEM NO. 6 - AMENDMENT TO THE COMPANY'S CERTIFICATE OF INCORPORATION TO REDUCE THE 75% SUPERMAJORITY VOTE REQUIREMENTS IN ARTICLE THIRTEENTH TO A TWO-THIRDS VOTE

The Board of Directors has determined that it would be in the best interest of the Company and its stockholders to reduce the current 75% supermajority vote requirements in Article Thirteenth of the Certificate of Incorporation to a two-thirds vote.

Background of This Item

Article Thirteenth, known as the "fair price" provision, requires that certain minimum price and procedural requirements, intended for the protection of the Company and its stockholders as a whole, be observed by any person or group (Interested Stockholder) which acquires more than five percent of the issued and outstanding shares of capital stock of the Company having voting power (Voting Stock) and then seeks to accomplish a merger or other business combination or transaction which would eliminate or could significantly change the interests of the remaining stockholders (Business Combination), unless approved by a majority of disinterested Directors.

Article Thirteenth provides that the affirmative vote of the holders of at least (1) 75% of the issued and outstanding Voting Stock, voting together as a single class, and (2) a majority of the issued and outstanding Voting Stock beneficially owned by persons other than the Interested Stockholder, voting together as a single class, is required in order to:

- approve a Business Combination with an Interested Stockholder if the minimum price and procedural requirements specified in Article Thirteenth are not followed; and
- amend, alter, change, repeal, or adopt any provision inconsistent with Article Thirteenth of the Certificate of Incorporation.

As is the case in the supermajority vote requirements in Article Eleventh of the Certificate of Incorporation described above in Item No. 5, the supermajority vote requirements contained in Article Thirteenth of the Certificate of Incorporation are intended to facilitate corporate governance stability and provide protection against self-interested action by large stockholders by requiring broad stockholder consensus to make certain fundamental changes. Specifically, the supermajority vote requirements contained in Article Thirteenth, which were added to the Certificate of Incorporation following stockholder approval in 1987, are designed to deter an acquiring party from using two-tier pricing and similar inequitable tactics in an attempt to take over the Company and help assure fair treatment of all stockholders in the event of a takeover attempt. While the Board believes that the protection that the supermajority vote requirements in Article Thirteenth provide is important and is in the best interest of the Company and its stockholders, the Board also notes that many stockholders and commentators now view these provisions as limiting a board's accountability to stockholders and the ability of stockholders to effectively participate in corporate governance. In addition, others have argued that supermajority vote requirements for "fair price" provisions have the effect of discouraging legitimate offers for a company by making them more expensive.

The Board is committed to implementing and maintaining effective corporate governance policies and practices which ensure that the Company is governed with high standards of ethics, integrity, and accountability and in the best interest of the Company's stockholders. After considering stockholder input, including a stockholder proposal, and the arguments in favor of and against the existing supermajority vote requirements in Article Thirteenth, the Board has determined that lowering the voting requirements from 75% to 66-2/3% is more reflective of current practice and will enhance accountability to stockholders while preserving the legitimate protections afforded by the supermajority vote requirements in Article Thirteenth.

As a result, the Board of Directors voted to approve, and to recommend to the Company's stockholders that they approve, a proposal to amend Sections 1 and 6 of Article Thirteenth to reduce the 75% supermajority vote requirement to a 66-2/3% threshold to (a) approve certain Business Combinations with Interested Stockholders or (b) amend, alter, change, repeal, or adopt any provisions inconsistent with Article Thirteenth.

Amendment

The amendment to Sections 1 and 6 of Article Thirteenth of the Certificate of Incorporation will reduce the 75% supermajority vote requirement to a 66 2-3% vote requirement in order to:

- approve a Business Combination with an Interested Stockholder if the minimum price and procedural requirements specified in Article Thirteenth are not followed; and
- amend, alter, change, repeal, or adopt any provision inconsistent with Article Thirteenth of the Certificate of Incorporation.

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The text of the proposed amendment to Sections 1 and 6 of Article Thirteenth of the Certificate of Incorporation, marked to show changes from the current Sections 1 and 6 of Article Thirteenth, is included as Appendix C to this Proxy Statement.

The affirmative vote of at least 75% of the issued and outstanding shares of the Common Stock is required for approval of the amendment to Article Thirteenth of the Certificate of Incorporation as presented in this Item No. 6.

If the proposed amendment is approved by the Company's stockholders, it will become effective upon filing of a Certificate of Amendment to the Certificate of Incorporation with the Secretary of State of the State of Delaware, which filing the Company would make promptly after the Annual Meeting.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE “FOR” ITEM NO. 6.

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Audit Committee Report

The Audit Committee oversees the Company's financial reporting process on behalf of the Board of Directors. 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 consolidated financial statements. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited consolidated financial statements of the Company and its subsidiaries and management's report on the Company's internal control over financial reporting in the 2012 Annual Report to Stockholders attached hereto as Appendix E 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 opinions on the conformity of the consolidated financial statements with accounting principles generally accepted in the United States and the effectiveness of the Company's internal control over financial reporting with the criteria established in "Internal Control — Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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, evaluations by management and the independent registered public accounting firm of the Company's internal control over financial reporting, and the overall quality of the Company's financial reporting. The Audit Committee also meets privately with the Company's compliance officer. The Audit Committee held 10 meetings during 2012.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors (and the Board approved) that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche as the Company's independent registered public accounting firm for 2013. Stockholders will be asked to ratify that selection at the Annual Meeting of Stockholders.

Members of the Audit Committee:

Jon A. Boscia, Chair
David J. Grain
Warren A. Hood, Jr.

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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 — the Company's principal independent registered public accounting firm for 2012 and 2011.

	2012	2011
	(in thousands)	
Audit Fees (1)	$11,695	$10,970
Audit-Related Fees (2)	500	871
Tax Fees	0	0
All Other Fees (3)	31	24
Total	$12,226	$11,865

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

(2) Includes non-statutory audit services in both 2012 and 2011.

(3) Represents registration fees for attendance at Deloitte & Touche-sponsored education seminars and subscription fees for Deloitte & Touche's technical accounting research tool.

The Audit Committee has adopted a Policy on Engagement of the Independent Auditor for Audit and Non-Audit Services (see Appendix D) 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.

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COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

This section describes the compensation program for the Company's Chief Executive Officer and Chief Financial Officer in 2012, as well as each of the Company's other three most highly compensated executive officers serving at the end of the year. Collectively, these officers are referred to as the named executive officers.

Thomas A. Fanning	Chairman of the Board, President, and Chief Executive Officer
Art P. Beattie	Executive Vice President and Chief Financial Officer
W. Paul Bowers	Executive Vice President of the Company and President and Chief Executive Officer of Georgia Power
Stephen E. Kuczynski	President and Chief Executive Officer of Southern Nuclear Operating Company, Inc. (Southern Nuclear)
Charles D. McCrary	Executive Vice President of the Company and President and Chief Executive Officer of Alabama Power Company (Alabama Power)

Executive Summary

Performance

Performance-based pay represents a substantial portion of the total direct compensation paid or granted to the named executive officers for 2012.

(1) Salary is the actual amount paid in 2012, Short-Term Performance Pay is the actual amount earned in 2012 based on performance, and Long-Term Performance Pay is the value on the grant date of stock options and performance shares granted in 2012. See the Summary Compensation Table for the amounts of all elements of reportable compensation described in this CD&A.

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Business unit financial and operational and Company earnings per share (EPS) goal results for 2012 are shown below:

Financial: 129% of Target Operational: 169% of Target EPS: 128% of Target

The Company's total shareholder return has been:

1-Year: -3.4% 3-Year: 13.9% 5-Year: 7.1%

These levels of achievement resulted in payouts that were aligned with performance.

Compensation and Benefit Beliefs

The Company's compensation and benefit program is based on the following beliefs:

- Employees' commitment and performance have a significant impact on achieving business results;
- Compensation and benefits offered must attract, retain, and engage employees and must be financially sustainable;
- Compensation should be consistent with performance: higher pay for higher performance and lower pay for lower performance; and
- Both business drivers and culture should influence the compensation and benefit program.

Based on these beliefs, the Compensation Committee believes that the Company's executive compensation program should:

- Be competitive with the Company's industry peers;
- Motivate and reward achievement of the Company's goals;
- Be aligned with the interests of the Company's stockholders and its subsidiaries' customers; and
- Not encourage excessive risk-taking.

Executive compensation is targeted at the market median of industry peers, but actual compensation is primarily determined by achievement of the Company's business goals. The Company believes that focusing on the customer drives achievement of financial objectives and delivery of a premium, risk-adjusted total shareholder return for the Company's stockholders. Therefore, short-term performance pay is based on achievement of the Company's operational and financial performance 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 EPS performance. Long-term performance pay is tied to stockholder value with 40% of the target value awarded in stock options, which reward stock price appreciation, and 60% awarded in performance shares, which reward total shareholder return performance relative to that of industry peers and stock price appreciation.

Key Governance and Pay Practices

- Annual pay risk assessment required by the Compensation Committee charter.
- Retention by the Compensation Committee of an independent compensation consultant, Pay Governance, that provides no other services to the 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.
- No excise tax gross-up on change-in-control severance arrangements.
- Provision of limited perquisites with no income tax gross-ups, except on certain relocation-related benefits.

- "No-hedging" provision in the Company's insider trading policy that is applicable to all employees.
- Strong stock ownership requirements that are being met by all named executive officers.

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ESTABLISHING EXECUTIVE COMPENSATION

The Compensation Committee establishes the executive compensation program. In doing so, the Compensation Committee uses information from others, principally Pay Governance. The Compensation Committee also relies on information from the Company's Human Resources staff and, for individual executive officer performance, from the Company's Chief Executive Officer. The role and information provided by each of these sources is described throughout this CD&A.

Consideration of Advisory Vote on Executive Compensation

The Compensation Committee considered the stockholder vote on the Company's executive compensation at the 2012 Annual Meeting of Stockholders. In light of the significant support of the stockholders (95% of votes cast voting in favor of the proposal) and the actual payout levels of the performance-based compensation program, the Compensation Committee continues to believe that the Company's executive compensation program is competitive and is aligned with the Company's financial and operational performance and is in the best interests of the Company, its stockholders, and its subsidiaries' customers.

Executive Compensation Focus

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

- Business unit performance, which includes return on equity (ROE) or net income, and operational performance, compared to target performance levels established early in the year, and EPS determine the actual payouts under the short-term (annual) performance-based compensation program (Performance Pay Program).
- Common Stock price changes result in higher or lower ultimate values of stock options.
- Total shareholder return compared to those of industry peers leads to higher or lower payouts under the Performance Share Program (performance shares).

In support of this performance-based pay philosophy, the Company has no general employment contracts or guaranteed severance with the 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 employees. The Performance Pay Program covers almost all of the 26,000 employees of the Southern Company system. Stock options and performance shares are granted to approximately 3,500 employees of the Southern Company system. These programs engage employees, which ultimately is good not only for them, but also for the Company and its stockholders.

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OVERVIEW OF EXECUTIVE COMPENSATION COMPONENTS

The primary components of the 2012 executive compensation program are shown below:

The Company’s executive compensation program consists of a combination of short-term and long-term components. Short-term compensation includes base salary and the Performance Pay Program. Long-term performance-based compensation includes stock options, performance shares, and, in some cases, restricted stock units. The performance-based compensation components are linked to the Company’s financial and operational performance, Common Stock performance, and total shareholder return. The executive compensation program is approved by the Compensation Committee, which consists entirely of independent directors. The Compensation Committee believes that the executive compensation program is a balanced program that provides market-based compensation and motivates and rewards performance.

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ESTABLISHING MARKET-BASED COMPENSATION LEVELS

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. 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 $6 billion in revenues and up.

Ameren Corporation
American Electric Power Company, Inc.
Bg US Services, Inc.
Calpine Corporation
CenterPoint Energy, Inc.
CMS Energy Corporation
Consolidated Edison, Inc.
Constellation Energy Group, Inc.
DCP Midstream LLC
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Enbridge Energy Partners, LP
Energy Future Holdings Corp.
Entergy Corporation
Exelon Corporation
FirstEnergy Corp.
Kinder Morgan Energy Partners, L.P.
MidAmerican Energy Company
NextEra Energy, Inc.
NRG Energy, Inc
Pepco Holdings, Inc
PG&E Corporation
PPL Corporation
Progress Energy, Inc.
Public Service Enterprise Group Inc.
Sempra Energy
Tennessee Valley Authority
The Williams Companies, Inc.
Xcel Energy Inc.

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

Market data for the chief executive officer position and other positions in terms of scope of responsibilities that most closely resemble the positions held by the named executive officers is reviewed. When appropriate, the market data is size-adjusted, up or down, to accurately reflect comparable scopes of responsibilities. 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 a 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 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 2012 compensation amounts. Total target compensation opportunities for senior management as a group, including the named executive officers, are managed to be at the median of the market for companies of similar size in the electric utility industry. Therefore, some executives may be paid above and others below market. This practice allows for 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. Because of the use of market data from a large number of industry peer companies for positions that are not identical in terms of scope of responsibility from company to company, differences are not considered to be material and the compensation program is believed to be market-appropriate, as long as senior management as a group is within an appropriate range.

Generally, compensation is considered to be within an appropriate range if it is not more or less than 15% of the applicable market data.

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The total target compensation opportunity was established in early 2012 for each named executive officer. As the chart below depicts, the fixed pay (base salary) for Mr. Fanning is 15% of his total target compensation opportunity and ranges from 25% to 31% for the other named executive officers. Variable (at risk) performance-based compensation is 85% for Mr. Fanning and 69% to 75% for the other named executive officers.
The salary levels shown above were not effective until March 2012. Therefore, the salary amounts reported in the Summary Compensation Table are different than the amounts shown above because that table reports actual amounts paid in 2012.

For purposes of comparing the value of the compensation program to the market data, stock options are valued at $3.39 per option and performance shares at $41.99 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.

In 2011, Pay Governance analyzed the level of actual payouts for 2010 performance under the annual Performance Pay Program to the named executive officers relative to performance versus peer companies to provide a check on the goal-setting process, including goal levels and associated performance-based pay opportunities. The findings from the analysis were used in establishing performance goals and the associated range of payouts for goal achievement for 2012. That analysis was updated in 2012 by Pay Governance for 2011 performance, and those findings were used in establishing goals for 2013.

DESCRIPTION OF KEY COMPENSATION COMPONENTS

2012 Base Salary

Most employees, including all of the named executive officers, received base salary increases in 2012. Base salary increases for each of the named executive officers were recommended in 2012 for the Compensation Committee's approval by Mr. Fanning, except for his own salary. Those recommendations took into account the market data provided by the Compensation Committee's independent compensation consultant, as well as 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 in prior years. The Compensation Committee approved the recommended salaries in 2012.

Base salaries were increased 3% for Messrs. Bowers, Kuczynski, and McCrary. Base salaries for Messrs. Beattie and Fanning were significantly below market and were increased 13% and 5%, respectively.

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2012 Performance-Based Compensation

This section describes performance-based compensation for 2012.

Achieving Operational and Financial Performance Goals — The Guiding Principle for Performance-Based Compensation
The Southern Company system's number one priority is to continue to provide customers outstanding reliability and superior service at reasonable prices while achieving a level of financial performance that benefits the Company's stockholders in the short- and long- term. Operational excellence and business unit and Company financial performance are integral to the achievement of business results that benefit customers and stockholders.

Therefore, in 2012, the Company strove for and rewarded:

- Continuing industry-leading reliability and customer satisfaction, while maintaining reasonable retail prices; and
- Meeting energy demand with the best economic and environmental choices.

In 2012, the Company also focused on and rewarded:

- EPS growth;
- ROE – target performance level in the top quartile of comparable electric utilities;
- Dividend growth;
- Long-term, risk-adjusted 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.

Mr. Fanning, with the assistance of the Company's Human Resources staff, recommended to the Compensation Committee the program design and award amounts for senior management, including the named executive officers (other than Mr. Fanning).

2012 Annual Performance-Based Pay Program

Annual Performance Pay Program Highlights

- Rewards achievement of annual goals:
- EPS
- Business unit financial performance (ROE or net income)
- Business unit operational performance
- Goals are weighted one-third each
- Performance results range from 0% to 200% of target, based on level of goal achievement

Overview of Program Design

Almost all employees of the Southern Company system, including the named executive officers, are participants.

The performance goals are set at the beginning of each year by the Compensation Committee.

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For the traditional operating companies (Alabama Power, Georgia Power, Gulf Power Company (Gulf Power), and Mississippi Power), operational goals are safety, customer satisfaction, plant availability, transmission and distribution system reliability, and culture. For the nuclear operating company, Southern Nuclear, operational goals are safety, plant operations, and culture. 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 result. Each business unit has its own operational goals.

- EPS is defined as the Company's 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.

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For the traditional operating companies, 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 (Southern Power), the business unit financial performance goal is net income, excluding net income from acquisitions.

The Compensation Committee may make adjustments, both positive and negative, to goal achievement for purposes of determining payouts. For the financial performance goals, such adjustments could include the impact of items considered non-recurring or outside of normal operations or not anticipated in the business plan when the EPS goal was established and of sufficient magnitude to warrant recognition. The EPS goal results were decreased two cents per share to exclude the impact of an insurance recovery related to the MC Asset Recovery, LLC (MCAR) litigation settlement. This reduction decreased average payouts approximately seven percent. The Compensation Committee believed this adjustment was necessary because EPS goal results were increased in 2009 by the amount of the MCAR litigation settlement.

Under the terms of the program, no payout can be made if the 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	Description	Why It Is Important
Customer Satisfaction	Customer satisfaction surveys evaluate performance. The survey results provide an overall ranking for each traditional operating company, as well as a ranking for each customer segment: residential, commercial, and industrial.	Customer satisfaction is key to operations. Performance of all operational goals affect customer satisfaction.
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.	Reliably delivering power to customers is essential to operations.
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.	Availability of sufficient power during peak season fulfills the obligation to serve and provide customers with the least cost generating resources.
Nuclear Plant Operations	Nuclear plant performance is evaluated by measuring nuclear safety as rated by independent industry evaluators, as well as by a quantitative score comprised of various plant performance indicators. Plant reliability and operational availability is measured as a percentage of time the nuclear plant is operating, and accommodates generation reductions associated with planned outages. In addition, a subjective assessment of progress on the construction and licensing of Georgia Power's two new nuclear units, Plant Vogtle Units 3 and 4, is also in place.	Safe and efficient operation of the nuclear fleet is important for delivering clean energy at a reasonable price.

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Operational Goals (continued)	Description	Why It Is Important
Safety	The 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 Southeastern Electric Exchange.	Essential for the protection of employees, customers, and communities.
Culture	The culture goal seeks to improve the Company's 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.	Supports workforce development efforts and helps to assure diversity of suppliers.

Financial Performance Goals	Description	Why It Is Important
EPS	The Company's earnings from continuing operations divided by average shares outstanding during the year.	Supports commitment to provide stockholders solid risk-adjusted returns.
Business Unit ROE/Net Income	For the traditional operating companies, 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, the business unit financial performance goal is net income, excluding net income from acquisitions.	Supports delivery of stockholder value and contributes to the Company's sound financial policies and stable credit ratings.

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

Level of Performance	Customer Satisfaction	Reliability	Availability	Nuclear Plant Operations	Safety	Culture
Maximum	Top quartile for all customer segments and overall	Significantly exceed targets	Industry best	Significantly exceed targets	Greater than top 10th percentile and Company best	Significant improvement
Target	Top quartile overall	Meet targets	Top quartile	Meet targets	Top 40th percentile	Improvement
Threshold	2nd quartile overall	Significantly below targets	2nd quartile	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. If goal achievement is below threshold, there is no payout associated with the applicable goal.

EPS and Business Unit Financial Performance:

The range of EPS, ROE, and Southern Power net income goals for 2012 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.

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Level of Performance	EPS ($)	ROE (%)	Southern Power Net Income ($) (millions) (1)
Maximum	2.77	14.0	195
Target	2.64	12.0	155
Threshold	2.51	10.0	115

(1) Excluding net income from acquisitions.

For 2012, the Compensation Committee established a minimum EPS performance threshold that must be achieved. If EPS was less than $2.38 (90% of Target), not only would there have been 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 Committee and the Nuclear/Operations Committee of the Company's Board of Directors, respectively. For more information on these committees' responsibilities, see the committee descriptions in this Proxy Statement.

2012 Achievement

Actual payouts were determined by adding the payouts derived from EPS and applicable business unit operational and financial performance goal achievement for 2012 and dividing by three. EPS exceeded the minimum threshold established and therefore payouts were not affected. Actual 2012 goal achievement is shown in the following tables.

Operational Goal Results:

Corporate

Aggregate Operating Company Goal	Achievement Percentage
Customer Satisfaction	167
Reliability	174
Availability	170
Safety	200
Culture	138

Alabama Power

Goal	Achievement Percentage
Customer Satisfaction	200
Reliability	174
Availability	200
Safety	164
Culture	123

Georgia Power

Goal	Achievement Percentage
Customer Satisfaction	167
Reliability	171
Availability	77
Safety	163
Culture	141

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Southern Nuclear

Southern Nuclear Goal	Achievement Percentage
Nuclear Safety	162
Nuclear Reliability	200
Vogtle Units 3 and 4 Assessment	150
Culture	139

Overall, the levels of achievement shown above resulted in an operational goal performance factor for Corporate, Alabama Power, Georgia Power, and Southern Nuclear of 169%, 175%, 143%, and 171%, respectively.

Financial Performance Goal Results:

Goal	Result	Achievement Percentage
EPS (excluding MCAR insurance recovery)	$2.67	128
Alabama Power ROE	13.10%	155
Georgia Power ROE	12.76%	138
Average Alabama Power and Georgia Power ROE	12.93%	147
Aggregate ROE	12.55%	129
Southern Power net income (excluding $4.5 million from acquisitions)	$171 million	140

Calculating Payouts:

Each named executive officer had a target Performance Pay Program opportunity, based on his position, set by the Compensation Committee at the beginning of 2012. Targets are set as a percentage of base salary. Mr. Fanning's target was set at 115%. For Messrs. Beattie, Bowers, and McCrary, the targets were set at 75% each and, for Mr. Kuczynski, it was set at 65%. All of the named executive officers are paid based on EPS performance. The business unit goals that determine payout levels vary based on the named executive officer's leadership role. For Messrs. Bowers and McCrary, payout is based on achievement of the ROE and operational goals of Georgia Power and Alabama Power, respectively. For Mr. Kuczynski, payout is based on the average ROE for Alabama Power and Georgia Power and the nuclear operations goals. For Messrs. Fanning and Beattie, payout is based on the aggregate ROE goal performance results for the traditional operating companies (90%) and Southern Power net income (10%) and the traditional operating companies' operational goal results (90%) and nuclear operations goal results (10%).

A total performance factor is determined by adding the EPS and applicable business unit financial and operational goal performance results and dividing by three. The total performance factor is multiplied by the target Performance Pay Program opportunity to determine the payout for each named executive officer.

The table below shows the pay opportunity at target-level performance and the actual payout based on the actual performance shown above.

	Target Annual Performance Pay Program Opportunity ($)	Total Performance Factor (%)	Actual Annual Performance Pay Program Payout ($)
T. A. Fanning	1,293,750	142	1,837,125
A. P. Beattie	471,549	142	669,600
W. P. Bowers	557,689	136	758,457
S. E. Kuczynski	418,438	148	619,288
C. D. McCrary	586,027	152	890,761

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Long-Term Performance-Based Compensation

2012 Long-Term Pay Program Highlights

- Stock Options:
  - Reward long-term Common Stock price appreciation
  - Represent 40% of long-term target value
  - Vest over three years
  - Ten-year term
- Performance Shares:
  - Reward total shareholder return relative to industry peers and stock price appreciation
  - Represent 60% of long-term target value
  - Three-year performance period
  - Performance results can range from 0% to 200% of target
  - Paid in Common Stock at end of performance period
- Restricted Stock Units
  - Used to promote retention of key employees or to attract key employees by replacing award values forfeited upon leaving a former employer
  - Continued employment until vesting date(s) is required
  - Paid in Common Stock upon vesting

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

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 price of the stock appreciates after the grant date, and performance shares reward employees based on Southern Company's total shareholder return relative to industry peers, as well as Common Stock price. The Compensation Committee also awards Restricted Stock Units occasionally, typically as retention awards or to attract key employees by replacing the value of awards that are forfeited upon leaving a former employer.

The following table shows the grant date fair value of the long-term performance-based awards granted in 2012, except restricted stock units.

	Value of Options ($)	Value of Performance Shares($)	Total Long-Term Value ($) (1)
T. A. Fanning	2,025,000	3,037,473	5,062,473
A. P. Beattie	515,558	773,300	1,288,858
W. P. Bowers	669,227	1,003,813	1,673,040
S. E. Kuczynski	411,997	617,967	1,029,964
C. D. McCrary	703,232	1,054,831	1,758,063

(1) Mr. Fanning's long-term value was adjusted upward by the Compensation Committee from 425% of base salary to 450% of base salary in recognition of his outstanding performance in 2011.

Stock Options

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. For the grants made in 2012, unvested options are forfeited if the named executive officer retires from the Southern Company system and accepts a position with a peer company within two years of retirement. 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 in the 2012 Annual Report attached as Appendix E to this Proxy Statement (Financial Statements). For 2012, the Black-Scholes value on the grant date was $3.39 per stock option.

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Performance Shares

2012-2014 Grant

Performance shares are denominated in units, meaning no actual shares are issued on the grant date. A grant date fair value per unit was determined. For the grant made in 2012, the value per unit was $41.99. See the Summary Compensation Table and the 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 (January 1, 2012 through December 31, 2014), the number of units will be adjusted up or down (0% to 200%) based on the 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 the 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 due to the timing and criteria of the peer selection process; however, 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 on the grant date are listed below.

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

The companies in the custom peer group on the grant date are listed below.

Alliant Energy Corporation
American Electric Power Company, Inc.
CMS Energy Corporation
Consolidated Edison, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Northeast Utilities
NSTAR
PG&E Corporation
Pinnacle West Capital Corporation
Progress Energy, Inc.
SCANA Corporation
Wisconsin Energy Corporation
Xcel Energy Inc.

The scale below will determine the number of units paid in Common Stock following the last year of the performance period, based on the 2012 through 2014 performance period. Payout for performance between points will be interpolated on a straight-line basis.

Payout (% of Each

Performance vs. Peer Groups	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.

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2010-2012 Payouts

The first performance share grants were made in 2010 with a three-year performance period that ended on December 31, 2012. Based on the Company's total shareholder return achievement relative to that of the Philadelphia Utility Index (152.5%) and the custom peer group (117.5%), the payout percentage was 135% of target. The following table shows the target and actual awards of performance shares for the named executive officers.

	Target Performance Shares (#)	Performance Shares Earned (#)
T. A. Fanning	25,956	35,041
A. P. Beattie	4,150	5,603
W. P. Bowers	25,920	34,992
S. E. Kuczynski (1)	0	0
C. D. McCrary	25,861	34,912

(1) Mr. Kuczynski was not an employee of the Southern Company system until 2011.

Performance Dividends

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 prior to 2010. 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 Compensation Committee approved a three-year transition period, beginning with the 2007 through 2010 performance-measurement period, to continue to pay performance dividends, if earned, on stock options that were granted prior to 2010. The grant of performance shares, described above, replaced performance dividend awards beginning in 2010. Therefore, the final payout of performance dividends was made on stock options granted prior to 2010 that were outstanding at the end of the four-year performance-measurement period that ended on December 31, 2012, as reported in the Summary Compensation Table. Because performance shares are earned at the end of a three-year performance period, both the last award of performance dividends and the first award of performance shares were earned at the end of 2012.

Performance dividends ranged 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 depended on the Company's total shareholder return over a four-year performance-measurement period compared to a group of other electric and gas utility companies, as selected at the beginning of the performance-measurement period. The Compensation Committee selected a custom peer group and the Philadelphia Utility Index for the 2009 through 2012 grant. Total shareholder return is calculated by measuring the ending value of a hypothetical $100 invested in each custom peer group company's common stock and in the Philadelphia Utility Index at the beginning of each of 16 quarters. In the final year of the performance-measurement period, the Company's ranking in the peer groups was determined at the end of each quarter and the percentile ranking was 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 were added together.

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

2012 Payout

The peer groups used to determine the 2012 payout for the 2009 through 2012 performance-measurement period consisted of the Philadelphia Utility Index and a custom peer group. See the discussion of performance shares in this CD&A for more information about the peer groups.

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, 2012, based on performance during the 2009 through 2012 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

The Company's relative total shareholder return performance, as measured at the end of each quarter of the final year of the four-year performance-measurement period, resulted in a total payout of 70% of the target level (35% of the full year's Common Stock dividend), or $0.68. This amount was multiplied by each named executive officer's eligible outstanding stock options as of December 31, 2012 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.

Restricted Stock Units

In limited situations, restricted stock units are granted to address specific needs, including retention. If the recipient voluntarily terminates or is involuntarily terminated for cause, restricted stock units are forfeited. If the recipient remains employed with the Southern Company system or is involuntarily terminated not for cause, the restricted stock units will vest and be paid in Common Stock. These awards serve two primary purposes. They further align the recipient's interests with those of the Company's stockholders and they provide strong retention value. The Compensation Committee granted Mr. McCrary 43,908 restricted stock units that will vest on December 31, 2014 if he remains employed with the Southern Company system through the vesting date. On the grant date, the units were valued at $2,000,009. The Compensation Committee believes that given Mr. McCrary's expertise and age there is a retention risk and therefore providing a retention award was in the best interest of the Company. The Compensation Committee also sought advice from Pay Governance in determining market practice and the appropriate value of the award. See the Summary Compensation Table and Grants of Plan-Based Awards table and accompanying information for more information on this award of restricted stock units. Restricted stock units were granted to Messrs. Bowers and Kuczynski in 2010 and 2011, respectively, which are described in the Outstanding Equity Awards table and accompanying information.

Timing of Performance-Based Compensation

As discussed above, the 2012 annual Performance Pay Program goals and the total shareholder return goals applicable to performance shares were established early in the year by the Compensation Committee. Annual stock option grants also were made by the Compensation Committee. 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 2012 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 Severance Benefits

Certain post-employment compensation is provided to employees, including the named executive officers.

Retirement Benefits

Generally, all full-time employees of the Southern Company system 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. See the Pension Benefits table and accompanying information for more pension-related benefits information.

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 accompanying information for more information about the Deferred Compensation Plan.

Change-in-Control Protections

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 the Company coupled with an involuntary termination not for cause or a voluntary

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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. Severance payment amounts are two times salary plus target Performance Pay Program opportunity for the named executive officers, except for Mr. Fanning whose severance payment amount is three times salary plus Performance Pay Program opportunity. No excise tax gross-up would be provided. More information about severance arrangements 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 2012, including amounts, are described in detail in the information accompanying the Summary Compensation Table. No tax assistance is provided on perquisites, except on certain relocation-related benefits.

EXECUTIVE STOCK OWNERSHIP REQUIREMENTS

Officers of the Company and its subsidiaries that are in a position of Vice President or above are subject to stock ownership requirements. All of the named executive officers are covered by the requirements. Ownership requirements further align the interest of officers and stockholders by promoting a long-term focus and long-term share ownership.

The types of ownership arrangements counted toward the requirements are shares owned outright, those held in Company-sponsored plans, and Common Stock accounts in the Deferred Compensation Plan and the Supplemental Benefit Plan. One-third of vested stock options may be counted, but, if so, the ownership requirement is doubled. The ownership requirement is reduced by one-half at age 60. Mr. McCrary is over age 60.

The requirements are expressed as a multiple of base salary as shown below.

	Multiple of Salary without Counting Stock Options	Multiple of Salary Counting 1/3 of Vested Options
T. A. Fanning	5 Times	10 Times
A. P. Beattie	3 Times	6 Times
W. P. Bowers	3 Times	6 Times
S. E. Kuczynski	3 Times	6 Times
C. D. McCrary	1.5 Times	3 Times

Newly-elected officers have approximately five years from the date of their election to meet the applicable ownership requirement and newly-promoted officers, including Messrs. Fanning, Beattie, and Kuczynski, have approximately five years from the date of their promotion to meet the increased ownership requirements. All of the named executive officers are meeting their respective ownership requirements.

IMPACT OF ACCOUNTING AND TAX TREATMENTS ON COMPENSATION

Section 162(m) of the Internal Revenue Code of 1986, as amended (Code), limits the tax deductibility of the compensation of the named executive officers that exceeds $1 million per year unless the compensation is paid under a performance-based plan as defined in the Code that has been approved by stockholders. The Company has obtained stockholder approval of the Omnibus Incentive Compensation Plan, under which most of the performance-based compensation is paid. For tax purposes, in order to ensure that annual performance-based compensation is fully deductible under Section 162(m) of the Code, in February 2012, the Compensation Committee approved a formula

that represented a maximum annual performance-based compensation amount payable. For 2012 performance, the Compensation Committee used (for annual performance-based compensation) negative discretion from the formula amount to determine the actual payouts pursuant to the methodologies described above. Because the Company's policy is to maximize long-term stockholder value, as described fully in this CD&A, tax deductibility is not the only factor considered in setting compensation.

POLICY ON RECOVERY OF AWARDS

The Company's Omnibus Incentive Compensation Plan provides that, if the Company is required to prepare an accounting restatement due to material noncompliance as a result of misconduct, and if an executive officer of the Company knowingly or grossly negligently

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engaged in or failed to prevent the misconduct or is subject to automatic forfeiture under the Sarbanes-Oxley Act of 2002, the executive officer must repay the Company the amount of any payment in settlement of awards earned or accrued during the 12-month period following the first public issuance or filing that was restated.

POLICY REGARDING HEDGING THE ECONOMIC RISK OF STOCK OWNERSHIP

The Company’s policy is that employees and outside Directors will not trade Company options on the options market and will not engage in short sales.

COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE REPORT

The Compensation Committee met with management to review and discuss the CD&A. Based on such review and discussion, the Compensation Committee recommended to the Board of Directors that the CD&A be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 and in this Proxy Statement. The Board of Directors approved that recommendation.

Members of the Compensation Committee:

Veronica M. Hagen, Chair
Henry A. Clark III
H. William Habermeyer, Jr.
William G. Smith, Jr.

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SUMMARY COMPENSATION TABLE

The Summary Compensation Table shows the amount and type of compensation received or earned in 2010, 2011, and 2012 by the named executive officers, except as noted below.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($) (f)	Non-Equity Incentive Plan Compensation ($) (g)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)	Total ($) (j)
Thomas A. Fanning	2012	1,114,846	—	3,037,473	2,025,000	2,078,158	4,712,413	67,458	13,035,348
	2011	1,064,399	—	2,246,974	1,498,000	2,459,181	2,423,524	62,164	9,754,242
Chairman, President, and Chief Executive Officer	2010	809,892	—	782,054	521,378	1,951,986	1,902,932	50,909	6,019,151
Art P. Beattie	2012	615,378	—	773,330	515,558	737,382	2,747,374	34,352	5,423,374
Executive Vice	2011	552,614	—	684,365	456,248	772,343	1,523,479	83,471	4,072,520
President and Chief Financial Officer	2010	385,211	53,500	125,040	83,366	635,909	1,135,073	530,681	2,948,780
W. Paul Bowers	2012	739,587	42	1,003,813	669,227	1,013,366	2,024,578	50,830	5,501,443
President and	2011	715,845	—	801,340	534,225	1,232,850	1,317,429	42,052	4,643,741
Chief Executive Officer, Georgia Power	2010	652,189	—	1,948,515	520,654	1,276,879	884,674	43,636	5,326,547
Stephen E. Kuczynski	2012	640,289	—	617,967	411,997	619,288	77,727	101,886	2,469,154
President and Chief Executive Officer, Southern Nuclear	2011	312,500	75,000	799,990	999,997	328,067	—	218,811	2,734,365
Charles D. McCrary	2012	777,167	—	3,054,840	703,232	1,028,204	2,437,448	44,722	8,045,613
	2011	752,219	—	842,058	561,369	1,424,219	1,733,395	44,676	5,357,936
President and Chief Executive Officer, Alabama Power	2010	704,520	—	779,192	519,461	1,534,615	919,066	42,285	4,499,139

Column (a)

Mr. Kuczynski was not an executive officer of the Company prior to 2011.

Column (d)

This column reports the value of a non-cash safety award. All employees of Georgia Power, including Mr. Bowers, with a perfect individual safety record in the prior year, earned a safety award.

Column (e)

This column does not reflect the value of stock awards that were actually earned or received in 2012. Rather, as required by applicable rules of the SEC, this column reports the aggregate grant date fair value of performance shares granted in 2012. The value reported is based on the probable outcome of the performance conditions as of the grant date, using a Monte Carlo simulation model. No amounts will be earned until the end of the three-year performance period on December 31, 2014. The value then can be earned based on performance ranging from 0 to 200%, as established by the Compensation Committee. The aggregate grant date fair value of the performance shares granted in 2012 to Messrs. Fanning, Beattie, Bowers, McCrary, and Kuczynski, assuming that the highest level of performance is achieved, is $6,074,946, $1,546,660, $2,007,626, $2,109,662, and $1,235,934, respectively (200% of the amount shown in the table). For Mr. McCrary, the amount in column (e) also includes the grant date fair value ($2,000,009) of restricted stock units granted in 2012 as described in the CD&A. See Note 8 to the Financial Statements for a discussion of the assumptions used in calculating these amounts.

Column (f)

This column reports the aggregate grant date fair value of stock options granted in the applicable year. See Note 8 to the Financial Statements for a discussion of the assumptions used in calculating these amounts.

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Column (g)

The amounts in this column are the aggregate of the payouts under the annual Performance Pay Program and the Performance Dividend Program. The amount reported for the Performance Pay Program is for the one-year performance period that ended on December 31, 2012. The amount reported for performance dividends is the amount earned at the end of the four-year performance-measurement period of January 1, 2009 through December 31, 2012. These awards were granted by the Compensation Committee in 2009 and were paid on stock options granted prior to 2010 that were outstanding at the end of 2012. As described in the CD&A, the Performance Dividend Program was eliminated by the Compensation Committee in 2010 and replaced with performance shares. The payout reported in column (g) is the third and final payout in the three-year transition period as described in the CD&A. The Performance Pay Program, the Performance Dividend Program, and performance shares are described in detail in the CD&A.

The amounts paid under each program to the named executive officers are shown below.

	Annual Performance-Based Compensation ($)	Performance Dividends ($)	Total ($)
T. A. Fanning	1,837,125	241,033	2,078,158
A. P. Beattie	669,600	67,782	737,382
W. P. Bowers	758,457	254,909	1,013,366
S. E. Kuczynski	619,288	—	619,288
C. D. McCrary	890,761	137,443	1,028,204

Column (h)

This column reports the aggregate change in the actuarial present value of each named executive officer's accumulated benefit under the Pension Plan and the supplemental pension plans (collectively, Pension Benefits) as of December 31, 2010, 2011, and 2012. The Pension Benefits as of each measurement date are based on the named executive officer's age, pay, and service accruals and the plan provisions applicable as of the measurement date. The actuarial present values as of each measurement date reflect the assumptions the Company selected for cost purposes as of that measurement date; however, the named executive officers were assumed to remain employed at the Company or any Company subsidiary until their benefits commence at the pension plans' stated normal retirement date, generally age 65. As a result, the amounts in column (h) related to Pension Benefits represent the combined impact of several factors: growth in the named executive officer's Pension Benefits over the measurement year; impact on the total present values of one year shorter discounting period due to the named executive officer being one year closer to normal retirement; impact on the total present values attributable to changes in assumptions from measurement date to measurement date; and impact on the total present values attributable to plan changes between measurement dates.

For more information about the Pension Benefits and the assumptions used to calculate the actuarial present value of accumulated benefits as of December 31, 2012, see the information following the Pension Benefits table. The key differences between assumptions used for the actuarial present values of accumulated benefits calculations as of December 31, 2011 and December 31, 2012 are:

- Discount rate for the Pension Plan was decreased to 4.30% as of December 31, 2012 from 5.00% as of December 31, 2011, and
- Discount rate for the supplemental pension plans was decreased to 3.70% as of December 31, 2012 from 4.65% as of December 31, 2011.

This column also reports above-market earnings on deferred compensation under the Deferred Compensation Plan (DCP). However, there were no above-market earnings on deferred compensation in the years reported.

Column (i)

This column reports the following items: perquisites; tax reimbursements on certain relocation-related benefits and the Georgia Power safety award; employer contributions in 2012 to the Southern Company Employee Savings Plan (ESP), which is a tax-qualified defined contribution plan, intended to meet requirements of Section 401(k) of the Code; and contributions in 2012 under the Southern Company Supplemental Benefit Plan (Non-Pension Related) (SBP). The SBP is described more fully in the information following the Nonqualified Deferred Compensation table.

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The amounts reported for 2012 are itemized below.

	Perquisites ($)	Tax Reimbursements ($)	ESP ($)	SBP ($)	Total ($)
T. A. Fanning	10,593	—	12,750	44,115	67,458
A. P. Beattie	4,741	—	10,977	18,634	34,352
W. P. Bowers	13,291	31	12,539	24,969	50,830
S. E. Kuczynski	62,588	10,694	8,699	19,905	101,886
C. D. McCrary	6,891	—	10,945	26,886	44,722

Description of Perquisites

Personal Financial Planning is provided for most officers of the Company, including all of the named executive officers. The Company pays for the services of the financial planner on behalf of the officers, up to a maximum amount of $8,700 per year, after the initial year that the benefit is provided. In the initial year, the allowed amount is $15,000. The Company also provides a five-year allowance of $6,000 for estate planning and tax return preparation fees.

Relocation Benefits are provided to cover the costs associated with geographic relocation. In 2012, Mr. Kuczynski received relocation-related benefits in the amount of $51,797 in connection with his 2011 relocation from St. Charles, Illinois to Birmingham, Alabama. This amount was for the shipment of household goods, incidental expenses related to his move, and home sale and home repurchase assistance. Also, as provided in the Company's relocation policy, tax assistance is provided on the taxable relocation benefits. If Mr. Kuczynski terminates within two years of his relocation, these amounts must be repaid.

Personal Use of Corporate-Owned Aircraft. The Company owns aircraft that are used to facilitate business travel. All flights on these aircraft must have a business purpose, except limited personal use that is associated with business travel is permitted. The amount reported for such personal use is the incremental cost of providing the benefit, primarily fuel costs. Also, if seating is available, the Company permits a spouse or other family member to accompany an employee on a flight. However, because in such cases the aircraft is being used for a business purpose, there is no incremental cost associated with the family travel, and no amounts are included for such travel. Any additional expenses incurred that are related to family travel are included.

Other Miscellaneous Perquisites. The amount included reflects the full cost to the Company of providing the following items: personal use of Company-provided tickets for sporting and other entertainment events and gifts distributed to and activities provided to attendees at Company-sponsored events.

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GRANTS OF PLAN-BASED AWARDS IN 2012

This table provides information on stock option grants made and goals established for future payouts under the performance-based compensation programs during 2012 by the Compensation Committee.

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (#) (j)	Exercise or Base Price of Option Awards ($/Sh) (k)	Grant Date Fair Value of Stock and Option Awards ($) (l)
		Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold(#) (f)	Target (#) (g)	Maximum (#) (h)				
T. A. Fanning		12,938	1,293,750	2,587,500							
	2/13/2012				723	72,338	144,676				3,037,473
	2/13/2012								597,345	44.42	2,025,000
A. P. Beattie		4,715	471,549	943,098							
	2/13/2012				184	18,417	36,834				773,330
	2/13/2012								152,082	44.42	515,558
W. P. Bowers		5,577	557,689	1,115,378							
	2/13/2012				239	23,906	47,812				1,003,813
	2/13/2012								197,412	44.42	669,227
S. E. Kuczynski		4,184	418,438	836,876							
	2/13/2012				147	14,717	29,434				617,967
	2/13/2012								121,533	44.42	411,997
C. D. McCrary		5,860	586,027	1,172,054							
	2/13/2012				251	25,121	50,242				1,054,831
	2/13/2012								207,443	44.42	703,232
	5/22/2012							43,908			2,000,009

Columns (c), (d), and (e)

These columns reflect the annual Performance Pay Program opportunity granted to the named executive officers in 2012 as described in the CD&A. The information shown as “Threshold,” “Target,” and “Maximum” reflects the range of potential payouts established by the Compensation Committee. The actual amounts earned are disclosed in the Summary Compensation Table.

Columns (f), (g), and (h)

These columns reflect the performance shares granted to the named executive officers in 2012, as described in the CD&A. The information shown as “Threshold,” “Target,” and “Maximum” reflects the range of potential payouts established by the Compensation Committee. Earned performance shares will be paid out in Common Stock following the end of the 2012 through 2014 performance period, based on the extent to which the performance goals are achieved. Any shares not earned are forfeited.

Column (i)

This column reflects the number of restricted stock units granted to Mr. McCrary on the grant date as described in the CD&A.

Columns (j) and (k)

Column (j) reflects the number of stock options granted to the named executive officers in 2012, as described in the CD&A, and column (k) reflects the exercise price of the stock options, which was the closing price on the grant date.

Column (l)

This column reflects the aggregate grant date fair value of the performance shares, stock options, and restricted stock units granted in 2012. For performance shares, the value is based on the probable outcome of the performance conditions as of the grant date using a Monte Carlo simulation model. For stock options, the value is derived using the Black-Scholes stock option pricing model. For restricted stock units, the value is based on the closing price of Common Stock on the grant date. The assumptions used in calculating these amounts are discussed in Note 8 to the Financial Statements.

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OUTSTANDING EQUITY AWARDS AT 2012 FISCAL YEAR-END

This table provides information pertaining to all outstanding stock options and stock awards (performance shares and restricted stock units) held by or granted to the named executive officers as of December 31, 2012.

	Option Awards				Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options Exercisable (#) (b)	Number of Securities Underlying Unexercised Options Unexercisable (#) (c)	Option Exercise Price ($) (d)	Option Expiration Date (e)	Number of Shares or Units of Stock That Have Not Vested (#) (f)	Market Value of Shares or Units of Stock That Have Not Vested ($) (g)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#) (h)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested ($) (i)
T. A. Fanning	100,158	—	35.78	2/18/2018				
	254,302	—	31.39	2/16/2019				
	155,868	77,934	31.17	2/15/2020				
	153,641	307,282	37.97	2/14/2021				
	—	597,345	44.42	2/13/2022				
							124,936	5,348,510
							144,676	6,193,580
A. P. Beattie	21,558	—	32.70	2/18/2015				
	20,138	—	33.81	2/20/2016				
	22,550	—	36.42	2/19/2017				
	21,779	—	35.78	2/18/2018				
	13,654	—	31.39	2/16/2019				
	24,923	12,461	31.17	2/15/2020				
	46,795	93,589	37.97	2/14/2021				
	—	152,082	44.42	2/13/2022				
							38,052	1,629,006
							36,834	1,576,864
W. P. Bowers	60,576	—	32.70	2/18/2015				
	67,517	—	33.81	2/20/2016				
	70,680	—	36.42	2/19/2017				
	85,151	—	35.78	2/18/2018				
	90,942	—	31.39	2/16/2019				
	155,651	77,826	31.17	2/15/2020				
	54,793	109,584	37.97	2/14/2021				
	—	197,412	44.42	2/13/2022				

		44,556	1,907,442
		47,812	2,046,832
36,257	1,552,162		

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OUTSTANDING EQUITY AWARDS AT 2012 FISCAL YEAR-END (continued)

	Option Awards				Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options Exercisable (#) (b)	Number of Securities Underlying Unexercised Options Unexercisable (#) (c)	Option Exercise Price ($) (d)	Option Expiration Date (e)	Number of Shares or Units of Stock That Have Not Vested (#) (f)	Market Value of Shares or Units of Stock That Have Not Vested ($) (g)	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested (#) (h)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested ($) (i)
S. E. Kuczynski	110,742	221,483	40.14	7/11/2021				
	—	121,533	44.42	2/13/2022				
							29,434	1,260,070
					14,880	637,013		
C. D. McCrary	102,333	—	36.42	2/19/2017				
	99,789	—	35.78	2/18/2018				
	—	77,647	31.17	2/15/2020				
	57,577	115,152	37.97	2/14/2021				
	—	207,443	44.42	2/13/2022				
							46,820	2,004,364
							50,242	2,150,860
					44,872	1,920,970		

Columns (b), (c), (d), and (e)

Stock options vest one-third per year on the anniversary of the grant date. Options granted from 2005 through 2009 with expiration dates from 2015 through 2019 were fully vested as of December 31, 2012. The options granted in 2010, 2011, and 2012 become fully vested as shown below.

Year Option Granted	Expiration Date	Date Fully Vested
2010	February 15, 2020	February 15, 2013
2011	February 14, 2021	February 14, 2014
2012	February 13, 2022	February 13, 2015

Options also fully vest upon death, total disability, or retirement and expire three years following death or total disability or five years following retirement, or on the original expiration date if earlier. Please see Potential Payments upon Termination or Change in Control for more information about the treatment of stock options under different

termination and change-in-control events.

Columns (f) and (g)

These columns reflect the number of restricted stock units, including the deemed reinvestment of dividends, held as of December 31, 2012. The value in column (g) is based on the Common Stock closing price on December 31, 2012 ($42.81). The restricted stock units for Messrs. Bowers and McCrary vest on July 27, 2013 and December 31, 2014, respectively. The restricted stock units for Mr. Kuczynski vest in part on July 11, 2013, with the remainder vesting on July 11, 2015. See further discussion of restricted stock in the CD&A.

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Columns (h) and (i)

In accordance with SEC rules, column (h) reflects the maximum number of performance shares that can be earned at the end of each three-year performance period (December 31, 2013 and 2014) that were granted in 2011 and 2012, respectively.

The performance shares granted for the 2010 through 2012 performance period vested on December 31, 2012 and are shown in the Option Exercises and Stock Vested in 2012 table below. The value in column (i) is derived by multiplying the number of shares in column (h) by the Common Stock closing price on December 31, 2012 ($42.81). The ultimate number of shares earned, if any, will be based on the actual performance results at the end of each respective performance period. See further discussion of performance shares in the CD&A.

OPTION EXERCISES AND STOCK VESTED IN 2012

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
T. A. Fanning	275,617	2,933,605	35,041	1,500,105
A. P. Beattie	—	—	5,603	239,864
W. P. Bowers	—	—	34,992	1,498,008
S. E. Kuczynski	—	—	6,240	294,466
C. D. McCrary	343,266	4,836,619	34,912	1,494,583

Columns (b) and (c)

Column (b) reflects the number of shares acquired upon the exercise of stock options during 2012 and column (c) reflects the value realized. The value realized is the difference in the market price over the exercise price on the exercise date.

Columns (d) and (e)

Column (d) includes the performance shares awarded for the 2010 through 2012 performance period that vested on December 31, 2012. The value reflected in column (e) is derived by multiplying the number of shares in column (d) by the market value of the underlying shares on the vesting date ($42.81).

Because Mr. Kuczynski was not an employee of the Southern Company system when performance shares were awarded in 2010, column (d) does not reflect any vested performance shares for Mr. Kuczynski. Certain restricted stock units vested on July 11, 2012 and are reflected in column (d) for Mr. Kuczynski. The value of the restricted stock units as shown in column (e) is derived by multiplying the number of shares in column (d) by the market value of the underlying shares on the vesting date ($47.19).

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PENSION BENEFITS AT 2012 FISCAL YEAR-END

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit ($) (d)	Payments During Last Fiscal Year ($) (e)
T. A. Fanning	Pension Plan	31.0	1,063,266	—
	Supplemental Benefit Plan (Pension-Related)	31.0	7,694,320	—
	Supplemental Executive Retirement Plan	31.0	4,312,702	—
A. P. Beattie	Pension Plan	35.92	1,371,551	—
	Supplemental Benefit Plan (Pension-Related)	35.92	3,600,142	—
	Supplemental Executive Retirement Plan	35.92	2,184,426	—
W. P. Bowers	Pension Plan	32.67	1,133,147	—
	Supplemental Benefit Plan (Pension-Related)	32.67	4,680,876	—
	Supplemental Executive Retirement Plan	32.67	1,803,155	—
S. E. Kuczynski	Pension Plan	0.58	17,155	—
	Supplemental Benefit Plan (Pension-Related)	0.58	32,201	—
	Supplemental Executive Retirement Plan	0.58	28,371	—
C. D. McCrary	Pension Plan	38.0	1,628,741	—
	Supplemental Benefit Plan (Pension-Related)	38.0	7,637,668	—
	Supplemental Executive Retirement Plan	38.0	2,538,824	—

Pension Plan

The Pension Plan is a tax-qualified, funded plan. It is the Company's primary retirement plan. Generally, all full-time Southern Company system employees participate in this plan after one year of service. Normal retirement benefits become payable when participants attain age 65 and complete five years of participation. The plan benefit equals the greater of amounts computed using a "1.7% offset formula" and a "1.25% formula," as described below. Benefits are limited to a statutory maximum.

The 1.7% offset formula amount equals 1.7% of final average pay times years of participation less an offset related to Social Security benefits. The offset equals a service ratio times 50% of the anticipated Social Security benefits in excess of $4,200. The service ratio adjusts the offset for the portion of a full career that a participant has worked. The highest three rates of pay out of a participant's last 10 calendar years of service are averaged to derive final average pay. The rates of pay considered for this formula are the base salary rates with no adjustments for voluntary deferrals after 2008. A statutory limit restricts the amount considered each year; the limit for 2012 was $250,000.

The 1.25% formula amount equals 1.25% of final average pay times years of participation. For this formula, the final average pay computation is the same as above, but annual performance-based compensation earned each year is added to the base salary rates.

Early retirement benefits become payable once plan participants have, during employment, attained age 50 and completed 10 years of participation. Participants who retire early from active service receive benefits equal to the amounts computed using the same formulas employed at normal retirement. However, a 0.3% reduction applies for each month (3.6% for each year) prior to normal retirement that participants elect to have their benefit payments commence. For example, 64% of the formula benefits are payable starting at age 55. As of December 31, 2012, all of

the named executive officers are retirement-eligible except Mr. Kuczynski.

The Pension Plan's benefit formulas produce amounts payable monthly over a participant's post-retirement lifetime. At retirement, plan participants can choose to receive their benefits in one of seven alternative forms of payment. All forms pay benefits monthly over the lifetime of the retiree or the joint lifetimes of the retiree and a spouse. A reduction applies if a retiring participant chooses a payment form other than a single life annuity. The reduction makes the value of the benefits paid in the form chosen comparable to what it would have been if benefits were paid as a single life annuity over the retiree's life.

Participants vest in the Pension Plan after completing five years of service. As of December 31, 2012, all of the named executive officers are vested in their Pension Plan benefits except Mr. Kuczynski. Participants who terminate employment after vesting can elect to have their pension benefits commence at age 50 if they participated in the Pension Plan for 10 years. If such an election is made, the early retirement reductions that apply are actuarially determined factors and are larger than 0.3% per month.

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If a participant dies while actively employed and is either age 50 or vested in the Pension Plan as of date of death, benefits will be paid to a surviving spouse. A survivor's benefit equals 45% of the monthly benefit that the participant had earned before his or her death. Payments to a surviving spouse of a participant who could have retired will begin immediately. Payments to a survivor of a participant who was not retirement-eligible will begin when the deceased participant would have attained age 50. After commencing, survivor benefits are payable monthly for the remainder of a survivor's life. Participants who are eligible for early retirement may opt to have an 80% survivor benefit paid if they die; however, there is a charge associated with this election.

If participants become totally disabled, periods that Social Security or employer-provided disability income benefits are paid will count as service for benefit calculation purposes. The crediting of this additional service ceases at the point a disabled participant elects to commence retirement payments. Outside of this extra service crediting, the normal Pension Plan provisions apply to disabled participants.

The Southern Company Supplemental Benefit Plan (Pension-Related) (SBP-P)

The SBP-P is an unfunded retirement plan that is not tax qualified. This plan provides high-paid employees any benefits that the Pension Plan cannot pay due to statutory pay/benefit limits. The SBP-P's vesting and early retirement provisions mirror those of the Pension Plan. Its disability provisions mirror those of the Pension Plan but cease upon a participant's separation from service.

The amounts paid by the SBP-P are based on the additional monthly benefit that the Pension Plan would pay if the statutory limits and pay deferrals were ignored. When a SBP-P participant separates from service, vested monthly benefits provided by the benefit formulas are converted into a single sum value. It equals the present value of what would have been paid monthly for an actuarially determined average post-retirement lifetime. The discount rate used in the calculation is based on the 30-year U.S. Treasury yields for the September preceding the calendar year of separation, but not more than six percent.

Vested participants terminating prior to becoming eligible to retire will be paid their single sum value as of September 1 following the calendar year of separation. If the terminating participant is retirement-eligible, the single sum value will be paid in 10 annual installments starting shortly after separation. The unpaid balance of a retiree's single sum will be credited with interest at the prime rate published in The Wall Street Journal. If the separating participant is a “key man” under Section 409A of the Code, the first installment will be delayed for six months after the date of separation.

If a SBP-P participant dies after becoming vested in the Pension Plan, the spouse of the deceased participant will receive the installments the participant would have been paid upon retirement. If a vested participant's death occurs prior to age 50, the installments will be paid to a spouse as if the participant had survived to age 50.

The Southern Company Supplemental Executive Retirement Plan (SERP)

The SERP is also an unfunded retirement plan that is not tax qualified. This plan provides high-paid employees additional benefits that the Pension Plan and the SBP-P would pay if the 1.7% offset formula calculations reflected a portion of annual performance-based compensation. To derive the SERP benefits, a final average pay is determined reflecting participants' base rates of pay and their annual performance-based compensation amounts, whether or not deferred, to the extent they exceed 15% of those base rates (ignoring statutory limits). This final average pay is used in the 1.7% offset formula to derive a gross benefit. The Pension Plan and the SBP-P benefits are subtracted from the gross benefit to calculate the SERP benefit. The SERP's early retirement, survivor benefit, disability, and form of payment provisions mirror the SBP-P's provisions. However, except upon a change in control, SERP benefits do not vest until participants retire, so no benefits are paid if a participant terminates prior to becoming retirement-eligible.

More information about vesting and payment of SERP benefits following a change in control is included in the section entitled "Potential Payments upon Termination or Change in Control."

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The following assumptions were used in the present value calculations:

- Discount rate - 4.30% Pension Plan and 3.70% supplemental plans as of December 31, 2012,
- Retirement date - Normal retirement age (65 for all named executive officers),
- Mortality after normal retirement - RP2000 Combined Healthy with generational projections,
- Mortality, withdrawal, disability, and retirement rates prior to normal retirement - None,
- Form of payment for Pension Benefits:
- Male retirees: 25% single life annuity; 25% level income annuity; 25% joint and 50% survivor annuity; and 25% joint and 100% survivor annuity
- Female retirees: 40% single life annuity; 40% level income annuity; 10% joint and 50% survivor annuity; and 10% joint and 100% survivor annuity
- Spouse ages - Wives two years younger than their husbands,
- Annual performance-based compensation earned but unpaid as of the measurement date - 130% of target opportunity percentages times base rate of pay for year amount is earned, and
- Installment determination - 3.75% discount rate for single sum calculation and 4.50% prime rate during installment payment period.

For all of the named executive officers, the number of years of credited service is one year less than the number of years of employment.

NONQUALIFIED DEFERRED COMPENSATION AS OF 2012 FISCAL YEAR-END

Name (a)	Executive Contributions in Last FY ($) (b)	Employer Contributions in Last FY ($) (c)	Aggregate Earnings in Last FY ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at Last FYE ($) (f)
T. A. Fanning	363,276	44,115	43,645	—	2,312,749
A. P. Beattie	—	18,634	9,526	—	449,549
W. P. Bowers	—	24,969	97,939	—	3,174,152
S. E. Kuczynski	—	19,905	(1,026)	—	18,879
C. D. McCrary	—	26,886	3,602	—	1,541,910

The Company provides the DCP which is designed to permit participants to defer income as well as certain federal, state, and local taxes until a specified date or their retirement 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 DCP.

Participants have two options for the deemed investments of the amounts deferred — the Stock Equivalent Account and the Prime Equivalent Account. Under the terms of the DCP, participants are permitted to transfer between investments at any time.

The amounts deferred in the Stock Equivalent Account are treated as if invested at an equivalent rate of return to that of an actual investment in Common Stock, including the crediting of dividend equivalents as such are paid by Southern Company from time to time. It provides participants with an equivalent opportunity for the capital

appreciation (or loss) and income of that of a Company stockholder. During 2012, the rate of return in the Stock Equivalent Account was -3.4%, which was the Company's total shareholder return for 2012.

Alternatively, participants may elect to have their deferred compensation deemed invested in the Prime Equivalent Account, which is treated as if invested at a prime interest rate compounded monthly, as published in The Wall Street Journal as the base rate on corporate loans posted as of the last business day of each month by at least 75% of the United States' largest banks. The interest rate earned on amounts deferred during 2012 in the Prime Equivalent Account was 3.25%.

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Column (b)

This column reports the actual amounts of compensation deferred under the DCP by each named executive officer in 2012. The amount of salary deferred by the named executive officers, if any, is included in the Salary column in the Summary Compensation Table. The amounts of performance-based compensation deferred in 2012 were the amounts paid for performance under the annual Performance Pay Program and the Performance Dividend Program that were earned as of December 31, 2011 but not payable until the first quarter of 2012. These amounts are not reflected in the Summary Compensation Table because that table reports performance-based compensation that was earned in 2012 but not payable until early 2013. These deferred amounts may be distributed in a lump sum or in up to 10 annual installments at termination of employment or in a lump sum at a specified date, at the election of the participant.

Column (c)

This column reflects contributions under the SBP. Under the Code, employer-matching contributions are prohibited under the ESP on employee contributions above stated limits in the ESP, and, if applicable, above legal limits set forth in the Code. The SBP is a nonqualified deferred compensation plan under which contributions are made that are prohibited from being made in the ESP. The contributions are treated as if invested in Common Stock and are payable in cash upon termination of employment in a lump sum or in up to 20 annual installments, at the election of the participant. The amounts reported in this column also were reported in the All Other Compensation column in the Summary Compensation Table.

Column (d)

This column reports earnings or losses on both compensation the named executive officers elected to defer and on employer contributions under the SBP.

Column (f)

This column includes amounts that were deferred under the DCP and contributions under the SBP in prior years. The following chart shows the amounts previously reported.

	Amounts Deferred under the DCP prior to 2012 and previously reported ($)	Employer Contributions under the SBP prior to 2012 and previously reported ($)	Total ($)
T. A. Fanning	1,249,703	279,013	1,528,716
A. P. Beattie	34,781	22,839	57,620
W. P. Bowers	1,536,730	92,543	1,629,273
S. E. Kuczynski	0	0	0
C. D. McCrary	489,924	321,584	811,508

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POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

This section describes and estimates payments that could be made to the named executive officers under different termination and change-in-control events. The estimated payments would be made under the terms of Southern Company's compensation and benefit program or the change-in-control severance program. All of the named executive officers are participants in Southern Company's change-in-control severance program for officers. The amount of potential payments is calculated as if the triggering events occurred as of December 31, 2012 and assumes that the price of Common Stock is the closing market price on December 31, 2012.

Description of Termination and Change-in-Control Events

The following charts list different types of termination and change-in-control events that can affect the treatment of payments under the compensation and benefit programs. No payments are made under the change-in-control severance program unless, within two years of the change in control, the named executive officer is involuntarily terminated or voluntarily terminates for Good Reason. (See the description of Good Reason below.)

Traditional Termination Events

- Retirement or Retirement-Eligible - Termination of a named executive officer who is at least 50 years old and has at least 10 years of credited service.
- Resignation - Voluntary termination of a named executive officer who is not retirement-eligible.
- Lay Off - Involuntary termination of a named executive officer who is not retirement-eligible not for cause.
- Involuntary Termination - Involuntary termination of a named executive officer for cause. Cause includes individual performance below minimum performance standards and misconduct, such as violation of the Company's Drug and Alcohol Policy.
- Death or Disability - Termination of a named executive officer due to death or disability.

Change-in-Control-Related Events

At the Company or the subsidiary company level:

- Company Change-in-Control I - Consummation of an acquisition by another entity of 20% or more of Common Stock or, following consummation of a merger with another entity, the Company's stockholders own 65% or less of the entity surviving the merger.
- Company Change-in-Control II - Consummation of an acquisition by another entity of 35% or more of Common Stock or, following consummation of a merger with another entity, the Company's stockholders own less than 50% of the Company surviving the merger.
- Company Termination - Consummation of a merger or other event and the Company is not the surviving company or Common Stock is no longer publicly traded.
- Subsidiary Company Change in Control - Consummation of an acquisition by another entity, other than another subsidiary of the Company, of 50% or more of the stock of any of the Company's subsidiaries, consummation of a merger with another entity and the Company's subsidiary is not the surviving company, or the sale of substantially all the assets of any of the Company's subsidiaries.

At the employee level:

- Involuntary Change-in-Control Termination or Voluntary Change-in-Control Termination for Good Reason - Employment is terminated within two years of a change in control, other than for cause, or the employee voluntarily

terminates for Good Reason. Good Reason for voluntary termination within two years of a change in control generally is satisfied when there is a material reduction in salary, performance-based compensation opportunity or benefits, relocation of over 50 miles, or a diminution in duties and responsibilities.

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The following chart describes the treatment of different pay and benefit elements in connection with the Traditional Termination Events as described above.

Program	Retirement/ Retirement-Eligible	Lay Off (Involuntary Termination Not For Cause)	Resignation	Death or Disability	Involuntary Termination (For Cause)
Pension Benefits Plans	Benefits payable as described in the notes following the Pension Benefits table.	Same as Retirement.	Same as Retirement.	Same as Retirement.	Same as Retirement.
Annual Performance Pay Program	Prorated if terminate before 12/31.	Same as Retirement.	Forfeit.	Same as Retirement.	Forfeit.
Performance Dividend Program	Paid year of retirement plus two additional years.	Forfeit.	Forfeit.	Payable until options expire or exercised.	Forfeit.
Stock Options	Vest; expire earlier of original expiration date or five years.	Vested options expire in 90 days; unvested are forfeited.	Same as Lay Off.	Vest; expire earlier of original expiration or three years.	Forfeit.
Performance Shares	Prorated if retire prior to end of performance period.	Forfeit.	Forfeit.	Same as Retirement.	Forfeit.
Restricted Stock Units	Forfeit.	Vest.	Forfeit.	Vest.	Forfeit.
Financial Planning Perquisite	Continues for one year.	Terminates.	Terminates.	Same as Retirement.	Terminates.
Deferred Compensation Plan	Payable per prior elections (lump sum or up to 10 annual installments).	Same as Retirement.	Same as Retirement.	Payable to beneficiary or participant per prior elections. Amounts deferred prior to 2005 can be paid as a lump sum per benefit administration committee's discretion.	Same as Retirement.
Supplemental Benefit Plan - non-pension related	Payable per prior elections (lump sum or up to 20 annual installments).	Same as Retirement.	Same as Retirement.	Same as the Deferred Compensation Plan.	Same as Retirement.

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The following chart describes the treatment of payments under compensation and benefit programs under different change-in-control events, except the Pension Plan. The Pension Plan is not affected by change-in-control events.

Program	Company Change-in-Control I	Company Change-in-Control II	Company Termination or Subsidiary Company Change in Control	Involuntary Change-in-Control-Related Termination or Voluntary Change-in-Control-Related Termination for Good Reason
Nonqualified Pension Benefits	All SERP-related benefits vest if participants vested in tax-qualified pension benefits; otherwise, no impact. SBP - pension-related benefits vest for all participants and single sum value of benefits earned to change-in-control date paid following termination or retirement.	Benefits vest for all participants and single sum value of benefits earned to the change-in-control date paid following termination or retirement.	Same as Company Change-in-Control II.	Based on type of change-in-control event.
Annual Performance Pay Program	If no program termination, paid at greater of target or actual performance. If program terminated within two years of change in control, prorated at target performance level.	Same as Company Change-in-Control I.	Prorated at target performance level.	If not otherwise eligible for payment, if the program is still in effect, prorated at target performance level.
Performance Dividend Program	If no program termination, paid at greater of target or actual performance. If program terminated within two years of change in control, prorated at greater of target or actual performance level.	Same as Company Change-in-Control I.	Prorated at greater of actual or target performance level.	If not otherwise eligible for payment, if the program is still in effect, greater of actual or target performance level for year of severance only.

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Program	Company Change-in-Control I	Company Change-in-Control II	Company Termination or Subsidiary Company Change in Control	Involuntary Change-in-Control-Related Termination or Voluntary Change-in-Control-Related Termination for Good Reason
Stock Options	Not affected by change-in-control events.	Not affected by change-in-control events.	Vest and convert to surviving company's securities; if cannot convert, pay spread in cash.	Vest.
Performance Shares	Not affected by change-in-control events.	Not affected by change-in-control events.	Vest and convert to surviving company's securities; if cannot convert, pay spread in cash.	Vest.
Restricted Stock Units	Not affected by change-in-control events.	Not affected by change-in-control events.	Vest and convert to surviving company's securities; if cannot convert, pay spread in cash.	Vest.
DCP	Not affected by change-in-control events.	Not affected by change-in-control events.	Not affected by change-in-control events.	Not affected by change-in-control events.
SBP	Not affected by change-in-control events.	Not affected by change-in-control events.	Not affected by change-in-control events.	Not affected by change-in-control events.
Severance Benefits	Not applicable.	Not applicable.	Not applicable.	One or two times base salary plus target annual performance-based pay.
Healthcare Benefits	Not applicable.	Not applicable.	Not applicable.	Up to five years participation in group healthcare plan plus payment of two or three years' premium amounts.
Outplacement Services	Not applicable.	Not applicable.	Not applicable.	Six months.

Potential Payments

This section describes and estimates payments that would become payable to the named executive officers upon a termination or change in control as of December 31, 2012.

Pension Benefits

The amounts that would have become payable to the named executive officers if the Traditional Termination Events occurred as of December 31, 2012 under the Pension Plan, the SBP-P, and the SERP are itemized in the following chart. The amounts shown under the Retirement column are amounts that would have become payable to the named executive officers that were retirement-eligible on December 31, 2012 and are the monthly Pension Plan benefits and the first of 10 annual installments from the SBP-P and the SERP. The amounts shown under the Resignation or Involuntary Termination column are the amounts that would have become payable to the named executive officers who were not retirement-eligible on December 31, 2012 and are the monthly Pension Plan benefits that would become payable as of the earliest possible date under the Pension Plan and the single sum value of benefits earned up to the termination date under the SBP-P, paid as a single payment rather than in 10 annual installments. Benefits under the SERP would be forfeited. The amounts shown that are payable to a spouse in the event of the death of the named executive officer are the monthly amounts payable to a spouse under the Pension Plan and the first of 10 annual installments from the SBP-P and the SERP. The amounts in this chart are very different from the pension values shown in the Summary Compensation Table and the Pension Benefits table. Those tables show the present values of all the benefit amounts anticipated to be paid over the lifetimes of the named executive officers and their spouses. Those plans are described in the notes following the Pension Benefits table. Of the named executive officers, Mr. Kuczynski was not retirement-eligible as of December 31, 2012.

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		Retirement ($)	Resignation or Involuntary Termination	Death (payments to a spouse) ($)
T. A. Fanning	Pension	6,767	treated as retiring	4,566
	SBP-P	926,023	treated as retiring	926,023
	SERP	519,040	treated as retiring	519,040
A. P. Beattie	Pension	8,986	treated as retiring	5,279
	SBP-P	423,760	treated as retiring	423,760
	SERP	257,121	treated as retiring	257,121
W. P. Bowers	Pension	7,233	treated as retiring	4,815
	SBP-P	563,558	treated as retiring	563,558
	SERP	217,092	treated as retiring	217,092
S. E. Kuczynski	Pension	—	—	—
	SBP-P	—	—	—
	SERP	—	—	—
C. D. McCrary	Pension	10,803	treated as retiring	5,659
	SBP-P	860,509	treated as retiring	860,509
	SERP	286,040	treated as retiring	286,040

As described in the Change-in-Control chart, the only change in the form of payment, acceleration, or enhancement of the pension benefits is that the single sum value of benefits earned up to the change-in-control date under the SBP-P and the SERP could be paid as a single payment rather than in 10 annual installments. Also, the SERP benefits vest for participants who are not retirement-eligible upon a change in control. Estimates of the single sum payment that would have been made to the named executive officers, assuming termination as of December 31, 2012 following a change-in-control-related event, other than a Company Change-in-Control I (which does not impact how pension benefits are paid), are itemized below. These amounts would be paid instead of the benefits shown in the Traditional Termination Events chart above; they are not paid in addition to those amounts.

	SBP-P ($)	SERP ($)	Total ($)
T. A. Fanning	9,260,230	5,190,402	14,450,632
A. P. Beattie	4,237,600	2,571,211	6,808,811
W. P. Bowers	5,635,584	2,170,924	7,806,508
S. E. Kuczynski	—	—	—
C. D. McCrary	8,605,088	2,860,402	11,465,490

The pension benefit amounts in the tables above were calculated as of December 31, 2012 assuming payments would begin as soon as possible under the terms of the plans. Accordingly, appropriate early retirement reductions were applied. Any unpaid annual performance-based compensation was assumed to be paid at 1.30 times the target level. Pension Plan benefits were calculated assuming each named executive officer chose a single life annuity form of payment, because that results in the greatest monthly benefit. The single sum values were based on a 3.18% discount rate.

Annual Performance Pay Program

The amount payable if a change in control had occurred on December 31, 2012 is the greater of target or actual performance. Because actual payouts for 2012 performance were above the target level, the amount that would have

been payable was the actual amount paid as reported in the Summary Compensation Table.

Performance Dividends

Because the assumed termination date is December 31, 2012, there is no additional amount that would be payable other than what was reported in the Summary Compensation Table. As described in the Traditional Termination Events chart, there is some continuation of benefits under the Performance Dividend Program for retirees. However, under a change-in-control-related event, performance dividends are payable at the greater of target performance or actual performance. For the 2009 through 2012 performance-

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measurement period, actual performance was less than target-level performance. The chart below shows the additional amounts that would have been paid upon a change in control.

	Additional Performance Dividends ($)
T. A. Fanning	103,236
A. P. Beattie	29,032
W. P. Bowers	109,180
S. E. Kuczynski	—
C. D. McCrary	58,868

Stock Options, Performance Shares, and Restricted Stock Units (Equity Awards)

Equity Awards would be treated as described in the Termination and Change-in-Control charts above. Under a Southern Company Termination, all Equity Awards vest. In addition, if there is an Involuntary Change-in-Control Termination or Voluntary Change-in-Control Termination for Good Reason, Equity Awards vest. There is no payment associated with Equity Awards unless there is a Southern Company Termination and the participants' Equity Awards cannot be converted into surviving company awards. In that event, the value of outstanding Equity Awards would be paid to the named executive officers. For stock options, the value is the excess of the exercise price and the closing price of Common Stock on December 31, 2012. The value of performance shares and restricted stock units is calculated using the closing price of Common Stock on December 31, 2012. The chart below shows the number of stock options for which vesting would be accelerated under a Southern Company Termination and the amount that would be payable under a Southern Company Termination if there were no conversion to the surviving company's stock options. It also shows the number and value of performance shares and restricted stock units that would be paid.

	Number of Equity Awards with Accelerated Vesting (#)			Total Number of Equity Awards Following Accelerated Vesting (#)			Total Payable in Cash without Conversion of Equity Awards ($)
	Stock Options	Performance Shares	Restricted Stock Units	Stock Options	Performance Shares	Restricted Stock Units	
T. A. Fanning	982,561	134,806	—	1,646,530	134,806	—	14,331,607
A. P. Beattie	258,132	37,443	—	429,529	37,443	—	3,569,866
W. P. Bowers	384,822	46,184	36,257	970,132	46,184	36,257	10,351,447
S. E. Kuczynski	343,016	14,717	14,880	453,758	14,717	14,880	2,154,088
C. D. McCrary	400,242	48,531	44,872	659,941	48,531	44,872	7,093,826

DCP and SBP

The aggregate balances reported in the Nonqualified Deferred Compensation table would be payable to the named executive officers as described in the Traditional Termination and Change-in-Control-Related Events charts above. There is no enhancement or acceleration of payments under these plans associated with termination or change-in-control events, other than the lump-sum payment opportunity described in the above charts. The lump sums that would be payable are those that are reported in the Nonqualified Deferred Compensation table.

Healthcare Benefits

All of the named executive officers, except Mr. Kuczynski, are retirement-eligible. Healthcare benefits are provided to retirees, and there is no incremental payment associated with the termination or change-in-control events, except in

the case of a change-in-control-related termination, as described in the Change-in-Control-Related Events chart. The estimated cost of providing Mr. Kuczyinski two years of healthcare insurance premiums is less than $20,000 per year.

Financial Planning Perquisite

An additional year of the financial planning perquisite, which is set at a maximum of $8,700 per year, will be provided after retirement for retirement-eligible named executive officers.

There are no other perquisites provided to the named executive officers under any of the traditional termination or change-in-control-related events.

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Severance Benefits

The named executive officers are participants in a change-in-control severance plan. The plan provides severance benefits, including outplacement services, if within two years of a change in control, they are involuntarily terminated, not for Cause, or they voluntarily terminate for Good Reason. The severance benefits are not paid unless the named executive officer releases the employing company from any claims he may have against the employing company.

The estimated cost of providing the six months of outplacement services is $6,000 per named executive officer. The severance payment is three times the base salary and target payout under the annual Performance Pay Program for Mr. Fanning and two times the base salary and target payout under the annual Performance Pay Program for the other named executive officers.

The table below estimates the severance payments that would be made to the named executive officers if they were terminated as of December 31, 2012 in connection with a change in control.

	Severance Amount ($)
T. A. Fanning	7,256,250
A. P. Beattie	2,200,562
W. P. Bowers	2,602,548
S. E. Kuczynski	2,124,375
C. D. McCrary	2,734,792

Compensation Risk Assessment

The Company reviewed its compensation policies and practices and concluded that excessive risk-taking is not encouraged. This conclusion was based on an assessment of the mix of pay components and performance goals, the annual pay/performance analysis by the Compensation Committee’s independent consultant, stock ownership requirements, compensation governance practices, and the claw-back provision. The assessment was reviewed with the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee is made up of independent Directors of the Company who have never served as executive officers of the Company. During 2012, none of the Company’s executive officers served on the Board of Directors of any entities whose executive officers serve on the Compensation Committee.

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Other Information

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

No reporting person of the Company failed to file, on a timely basis, the reports required by Section 16(a) of the Securities Exchange Act of 1934, as amended.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Donald M. James is the Chief Executive Officer of Vulcan Materials Company. During 2012, subsidiaries of the Company purchased approximately $10,838,355 of goods and services from Vulcan Materials Company and its affiliates, primarily related to on-going construction projects.

Mr. E. Jenner Wood III, a Director of the Company, is Chairman, President, and Chief Executive Officer of the Georgia/North Florida Division of SunTrust Bank and Executive Vice President of SunTrust Banks, Inc. During 2012, subsidiaries of the Company made payments of approximately $1,477,084 to certain subsidiaries of SunTrust Banks, Inc., substantially related to aircraft leases.

During 2012, certain subsidiaries of SunTrust Banks, Inc. also furnished a number of regular banking services in the ordinary course of business to the Company and its subsidiaries and served as an underwriter for certain securities offerings of the Company and its subsidiaries for which $1,263,177 was received by these certain subsidiaries of SunTrust Banks, Inc. The Company and its subsidiaries intend to maintain normal banking relations with SunTrust Banks, Inc. and its subsidiaries in the future.

In 2012, Ms. Mary V. Story, the sister-in-law of Ms. Susan N. Story, a former executive officer of the Company, was employed by the Southern Company system as an advertising and marketing communications manager and received compensation of $340,852.

The Company does not have a written policy pertaining solely to the approval or ratification of "related party transactions." The Company has a Code of Ethics as well as a Contract Manual and other formal written procurement policies and procedures that guide the purchase of goods and services, including requiring competitive bids for most transactions above $10,000 or approval based on documented business needs for sole sourcing arrangements. The approval and ratification of any related party transactions would be subject to these written policies and procedures which include a determination of the need for the goods and services; preparation and evaluation of requests for proposals by supply chain management; the writing of contracts; controls and guidance regarding the evaluation of the proposals; and negotiation of contract terms and conditions. As appropriate, these contracts are also reviewed by individuals in the legal, accounting, and/or risk management/services departments prior to being approved by the responsible individual. The responsible individual will vary depending on the department requiring the goods and services, the dollar amount of the contract, and the appropriate individual within that department who has the authority to approve a contract of the applicable dollar amount.

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APPENDIX A

AMENDMENT TO THE COMPANY'S BY-LAWS FOR RATIFICATION

The text of the amendment, marked to show changes to the prior Section 15 of the By-Laws, is set forth as follows:

15. A person being a full-time executive employee of the Corporation or any of its subsidiaries when first elected a director of the Corporation (an “employee-director”) shall not be eligible to serve as a director when not an executive employee, whether by reason of resignation, retirement or other cause; and a person not an employee-director shall not be eligible for election or re-election as a director of the Corporation after his 70th birthday.

Any employee-director not eligible to serve as a director by reason of the foregoing provision shall be eligible to serve as an advisory director, as hereinafter provided for in Section 24 of these By-Laws, until his 70th birthday. The foregoing provisions with respect to the eligibility of a person not an employee-director to serve as a director shall not apply to any person so long as such person shall serve as a member of the Independent Litigation Committee established and designated by the Board of Directors on September 17, 1986.

In addition to the powers and authorities expressly conferred upon it by statute, by the Certificate of Incorporation and by these By-Laws, the Board of Directors may exercise all such powers of the Corporation and do all such lawful acts and things as may be done by the Corporation as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

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APPENDIX B

PROPOSED AMENDMENT TO ARTICLE ELEVENTH OF
CERTIFICATE OF INCORPORATION

The text of the proposed amendment to Article Eleventh of the Certificate of Incorporation, marked to show changes to the current Article Eleventh, is set forth as follows:

ELEVENTH: The corporation reserves the right to increase or decrease its authorized capital stock, or any class or series thereof, or to reclassify the same, and to amend, alter, change or repeal any provision contained in the Certificate of Incorporation or in any amendment thereto, in the manner now or hereafter prescribed by law, and all rights conferred upon stockholders in said Certificate of Incorporation or any amendment thereto are granted subject to this reservation; provided, however, that the corporation shall not, unless authorized by the affirmative vote in favor thereof of the holders of at least two-thirds a majority of the issued and outstanding common stock of the corporation given at any annual meeting of stockholders or at any special meeting called for that purpose, (a) authorize or create any class of stock preferred as to dividends or assets over the common stock or reclassify the common stock or change the issued shares of common stock into the same or a greater or less number of shares of common stock either with or without par value or reduce the par value of the common stock, or (b) amend, alter, change or repeal subdivision (2) of Article Ninth, Article Twelfth, this provisio or any provision contained in the Certificate of Incorporation or in any amendment thereto which provides for the vote of the holders of at least two-thirds of the issued and outstanding common stock.

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APPENDIX C

PROPOSED AMENDMENT TO ARTICLE THIRTEENTH OF THE
CERTIFICATE OF INCORPORATION

The text of the proposed amendment to Section 1 of Article Thirteenth of the Certificate of Incorporation, marked to show changes to the current Section 1 of Article Thirteenth, is set forth as follows:

(1) A. In addition to any affirmative vote required by law or the Certificate of Incorporation (any other provision of the Certificate of Incorporation notwithstanding), and except as otherwise expressly provided in subdivision (2) of this Article Thirteenth:

(a) any merger or consolidation of the corporation or any Subsidiary (as hereinafter defined) with (i) any Interested Stockholder (as hereinafter defined) or (ii) any other corporation (whether or not itself an Interested Stockholder) which is, or after such merger or consolidation would be, an Affiliate (as hereinafter defined) of an Interested Stockholder; or

(b) any sale, lease, license, exchange, mortgage, pledge, transfer or other disposition (in one transaction or a series of transactions) to or with any Interested Stockholder or any Affiliate of any Interested Stockholder of any assets of the corporation or any Subsidiary having an aggregate Fair Market Value (as hereinafter defined) of $100,000,000 or more; or

(c) the issuance or transfer by the corporation or any Subsidiary (in one transaction or a series of transactions) of any securities of the corporation or any Subsidiary to any Interested Stockholder or any Affiliate of any Interested Stockholder having an aggregate Fair Market Value of $100,000,000 or more; or

(d) the adoption of any plan or proposal for the liquidation or dissolution of the corporation proposed by or on behalf of any Interested Stockholder or any Affiliate of any Interested Stockholder; or

(e) any reclassification of securities (including any reverse stock split), or recapitalization of the corporation, or any merger or consolidation of the corporation with any of its Subsidiaries or any other transaction (whether or not with or into or otherwise involving any Interested Stockholder) which has the effect, directly or indirectly, of increasing the proportionate share of the outstanding shares of any class of equity or convertible securities of the corporation or any Subsidiary which is directly or indirectly owned by any Interested Stockholder or any Affiliate of any Interested Stockholder;

shall require the affirmative vote of the holders of at least (i) seventy-five 66 2/3 per centum of the issued and outstanding capital stock of the corporation having voting powers (the "Voting Stock"), voting together as a single class, and (ii) a majority of the issued and outstanding Voting Stock beneficially owned by persons other than such Interested Stockholder, voting together as a single class, given at any annual meeting of stockholders or at any special meeting called for that purpose. Such affirmative vote shall be required notwithstanding the fact that no vote may be required, or that a lesser percentage may be specified, by law, by any other provision of the Certificate of Incorporation or in any agreement with any national securities exchange or otherwise.

B. The term "Business Combination" as used in this Article Thirteenth shall mean any transaction which is referred to in any one or more of clauses (a) through (e) of paragraph A of this subdivision (1).

The text of the proposed amendment to Section 6 of Article Thirteenth of the Certificate of Incorporation, marked to show changes to the current Section 6 of Article Thirteenth, is set forth as follows:

(6) Notwithstanding any other provisions of the Certificate of Incorporation or the By-Laws of the corporation (and notwithstanding the fact that a lesser percentage may be specified by law, the Certificate of Incorporation or the By-Laws of the corporation), the affirmative vote of the holders of at least (i) seventy-five 66 2/3 per centum of the issued and outstanding Voting Stock, voting together as a single class, and (ii) a majority of the issued and outstanding

Voting Stock beneficially owned by persons other than an Interested Stockholder, voting together as a single class, given at any annual meeting of stockholders or at any special meeting called for that purpose, shall be required to amend, alter, change or repeal, or adopt any provisions inconsistent with, this Article Thirteenth; provided, however, that the foregoing provisions of this subdivision (6) shall not apply to, and such vote shall not be required for, any such amendment, alteration, change, repeal or adoption approved by a majority of the Disinterested Directors, and any such amendment, alteration, change, repeal or adoption so approved shall require only such vote, if any, as is required by law, any other provision of the Certificate of Incorporation or the By-Laws of the corporation.

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APPENDIX D
POLICY ON ENGAGEMENT OF THE INDEPENDENT AUDITOR
FOR AUDIT AND NON-AUDIT SERVICES

A. Southern Company (including its subsidiaries) will not engage the independent auditor to perform any services that are prohibited by the Sarbanes-Oxley Act of 2002. It shall further be the policy of the Company not to retain the independent auditor for non-audit services unless there is a compelling reason to do so and such retention is otherwise pre-approved consistent with this policy. Non-audit services that are prohibited include:

1. Bookkeeping and other services related to the preparation of accounting records or financial statements of the Company or its subsidiaries.
2. Financial information systems design and implementation.
3. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports.
4. Actuarial services.
5. Internal audit outsourcing services.
6. Management functions or human resources.
7. Broker or dealer, investment adviser, or investment banking services.
8. Legal services or expert services unrelated to financial statement audits.
9. Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.

B. Effective January 1, 2003, officers of the Company (including its subsidiaries) may not engage the independent auditor to perform any personal services, such as personal financial planning or personal income tax services.

C. All audit services (including providing comfort letters and consents in connection with securities issuances) and permissible non-audit services provided by the independent auditor must be pre-approved by the Southern Company Audit Committee.

D. Under this Policy, the Audit Committee's approval of the independent auditor's annual arrangements letter shall constitute pre-approval for all services covered in the letter.

E. By adopting this Policy, the Audit Committee hereby pre-approves the engagement of the independent auditor to provide services related to the issuance of comfort letters and consents required for securities sales by the Company and its subsidiaries and services related to consultation on routine accounting and tax matters. The actual amounts expended for such services each calendar quarter shall be reported to the Committee at a subsequent Committee meeting.

F. The Audit Committee also delegates to its Chairman the authority to grant pre-approvals for the engagement of the independent auditor to provide any permissible service up to a limit of $50,000 per engagement. Any engagements pre-approved by the Chairman shall be presented to the full Committee at its next scheduled regular meeting.

G. The Southern Company Comptroller shall establish processes and procedures to carry out this Policy.

Approved by the Southern Company Audit Committee
December 9, 2002

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APPENDIX E

2012 ANNUAL REPORT

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SOUTHERN COMPANY COMMON STOCK AND DIVIDEND INFORMATION

The common stock of Southern Company is listed and traded on the New York Stock Exchange. The common stock is also traded on regional exchanges across the United States. The high and low stock prices as reported on the New York Stock Exchange for each quarter of the past two years were as follows:

	High	Low	Dividend
2012			
First Quarter	$46.06	$43.71	$0.4725
Second Quarter	48.45	44.22	0.4900
Third Quarter	48.59	44.64	0.4900
Fourth Quarter	47.09	41.75	0.4900
2011			
First Quarter	$38.79	$36.51	$0.4550
Second Quarter	40.87	37.43	0.4725
Third Quarter	43.09	35.73	0.4725
Fourth Quarter	46.69	41.00	0.4725

On March 25, 2013, Southern Company had 148,651 registered stockholders.

FIVE-YEAR CUMULATIVE PERFORMANCE GRAPH

This performance graph compares the cumulative total shareholder return on the Company’s common stock (SO) with the Standard & Poor’s Electric Utility Index (S5ELUT) and the Standard & Poor’s 500 index (SPX) for the past five years. The graph assumes that $100 was invested on December 31, 2007 in the Company’s Common Stock and each of the above indices and that all dividends were reinvested. The stockholder return shown below for the five-year historical period may not be indicative of future performance.

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MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Southern Company and Subsidiary Companies 2012 Annual Report

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

Under management's supervision, an evaluation of the design and effectiveness of Southern Company's internal control over financial reporting was conducted based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that Southern Company's internal control over financial reporting was effective as of December 31, 2012.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of Southern Company's financial statements, has issued an attestation report on the effectiveness of Southern Company's internal control over financial reporting as of December 31, 2012. Deloitte & Touche LLP's report on Southern Company's internal control over financial reporting is included herein.

/s/ Thomas A. Fanning
Thomas A. Fanning
Chairman, President, and Chief Executive Officer

/s/ Art P. Beattie
Art P. Beattie
Executive Vice President and Chief Financial Officer

February 27, 2013

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Stockholders of
The Southern Company

We have audited the accompanying consolidated balance sheets and consolidated statements of capitalization of The Southern Company and Subsidiary Companies (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. We also have audited the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting (page E-1). Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements (pages E-37 to E-103) referred to above present fairly, in all material respects, the financial position of Southern Company and Subsidiary Companies as of December 31, 2012

and 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Deloitte & Touche LLP
Atlanta, Georgia
February 27, 2013

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Southern Company and Subsidiary Companies 2012 Annual Report

OVERVIEW

Business Activities

The Southern Company (Southern Company or the Company) is a holding company that owns all of the common stock of the traditional operating companies – Alabama Power Company (Alabama Power), Georgia Power Company (Georgia Power), Gulf Power Company (Gulf Power), and Mississippi Power Company (Mississippi Power) – and Southern Power Company (Southern Power), and other direct and indirect subsidiaries (together, the Southern Company system). The primary business of the Southern Company system is electricity sales by the traditional operating companies and Southern Power. The four traditional operating companies are vertically integrated utilities providing electric service in four Southeastern states. Southern Power constructs, acquires, owns, and manages generation assets, including renewable energy projects, and sells electricity at market-based rates in the wholesale market.

Many factors affect the opportunities, challenges, and risks of the Southern Company system's electricity business. These factors include the traditional operating companies' ability to maintain a constructive regulatory environment, to maintain and grow energy sales given economic conditions, and to effectively manage and secure timely recovery of costs. These costs include those related to projected long-term demand growth, increasingly stringent environmental standards, fuel, capital expenditures, including new plants, and restoration following major storms. Each of the traditional operating companies has various regulatory mechanisms that operate to address cost recovery. Appropriately balancing required costs and capital expenditures with customer prices will continue to challenge the Southern Company system for the foreseeable future.

Another major factor is the profitability of the competitive market-based wholesale generating business. Southern Power continues to execute its strategy through a combination of acquiring and constructing new power plants, including renewable energy projects, and by entering into power purchase agreements (PPAs) primarily with investor-owned utilities, independent power producers, municipalities, and electric cooperatives.

Southern Company's other business activities include investments in leveraged lease projects and telecommunications. Management continues to evaluate the contribution of each of these activities to total shareholder return and may pursue acquisitions and dispositions accordingly.

Key Performance Indicators

In striving to achieve superior risk-adjusted returns while providing cost-effective energy to more than four million customers, the Southern Company system continues to focus on several key performance indicators. These indicators include customer satisfaction, plant availability, system reliability, and earnings per share (EPS). Southern Company's financial success is directly tied to customer satisfaction. Key elements of ensuring customer satisfaction include outstanding service, high reliability, and competitive prices. Management uses customer satisfaction surveys and reliability indicators to evaluate the results of the Southern Company system.

Peak season equivalent forced outage rate (Peak Season EFOR) is an indicator of fossil/hydro plant availability and efficient generation fleet operations during the months when generation needs are greatest. The rate is calculated by dividing the number of hours of forced outages by total generation hours. The fossil/hydro 2012 Peak Season EFOR was better than the target, excluding the impact of Hurricane Isaac in August 2012. Transmission and distribution system reliability performance is measured by the frequency and duration of outages. Performance targets for reliability are set internally based on historical performance. The performance for 2012 was better than the target for these reliability measures.

Southern Company's 2012 results compared with its targets for some of these key indicators are reflected in the following chart:

Key Performance Indicator	2012 Target Performance	2012 Actual Performance
System Customer Satisfaction	Top quartile in customer surveys	Top quartile
Peak Season System EFOR — fossil/hydro*	4.99% or less	2.81%
Basic EPS	$2.58 — $2.70	$2.70
EPS, excluding the MC Asset Recovery insurance settlement**		$2.68

*Excluding impact of Hurricane Isaac
**Southern Company filed an insurance claim in 2009 to recover a portion of the MC Asset Recovery settlement and received a nontaxable $25 million payment from its insurance provider on June 14, 2012. Additionally, legal fees related to this insurance settlement totaled approximately $6 million. As a result, the net reduction to expense for this insurance settlement was approximately $19 million. Southern Company management uses the non-generally accepted accounting principles (GAAP) measure of EPS, excluding the MC Asset Recovery insurance settlement, to evaluate the performance of Southern Company's ongoing business activities. Southern Company believes the presentation of this non-GAAP measure of earnings and EPS excluding the MC Asset Recovery insurance settlement is useful for investors because it provides earnings information that is consistent with the historical and ongoing business activities of the Company. The presentation of this information is not meant to be considered a substitute for financial measures prepared in accordance with GAAP. See Note 3 to the financial statements under "Insurance Recovery" for additional information.

See RESULTS OF OPERATIONS herein for additional information on the Company's financial performance. The performance achieved in 2012 reflects the continued emphasis that management places on these indicators as well as the commitment shown by employees in achieving or exceeding management's expectations.

Earnings

Southern Company's net income after dividends on preferred and preference stock of subsidiaries was $2.35 billion in 2012, an increase of $147 million, or 6.7%, from the prior year. The increase was primarily the result of lower operations and maintenance expenses resulting from cost containment efforts in 2012, increases in revenues associated with the elimination of a tax-related adjustment under Alabama Power's rate structure, an increase related to retail revenue rate effects at Georgia Power, and an increase in revenues due to increases in retail base rates at Gulf Power. Also contributing to the increase were higher capacity revenues and an increase in retail sales growth. The increases were partially offset by milder weather and an increase in depreciation on additional plant in service related to new generation, transmission, distribution, and environmental projects.

Southern Company's net income after dividends on preferred and preference stock of subsidiaries was $2.20 billion in 2011, an increase of $228 million, or 11.5%, from the prior year. The increase was primarily the result of increases in Georgia Power's retail base revenues as authorized under the 2010 Alternative Rate Plan for the years 2011 through 2013 (2010 ARP) and the recovery of financing costs through the Nuclear Construction Cost Recovery (NCCR) tariff. Also contributing to the increase were increases in energy and capacity revenues at Southern Power and a reduction in operations and maintenance expenses primarily at Alabama Power. The 2011 increase was partially offset by decreases in weather-related revenues due to closer to normal weather in 2011 compared to 2010, a decrease in the amortization of the regulatory liability related to other cost of removal obligations at Georgia Power, a decrease in wholesale revenues primarily at Alabama Power, and a reduction in allowance for funds used during construction

(AFUDC) equity. Net income after dividends on preferred and preference stock of subsidiaries was $1.98 billion in 2010.

Basic EPS was $2.70 in 2012, $2.57 in 2011, and $2.37 in 2010. Diluted EPS, which factors in additional shares related to stock-based compensation, was $2.67 in 2012, $2.55 in 2011, and $2.36 in 2010. EPS for 2012 was negatively impacted by $0.05 per share as a result of an increase in the average shares outstanding.

Dividends

Southern Company has paid dividends on its common stock since 1948. Dividends paid per share of common stock were $1.9425 in 2012, $1.8725 in 2011, and $1.8025 in 2010. In January 2013, Southern Company declared a quarterly dividend of 49.00 cents per share. This is the 261st consecutive quarter that Southern Company has paid a dividend equal to or higher than the previous quarter. The Company targets a dividend payout ratio of approximately 70% to 75% of net income. For 2012, the actual payout ratio was 71.9%, while the payout ratio of net income excluding the MC Asset Recovery insurance settlement was 72.5%.

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RESULTS OF OPERATIONS

Discussion of the results of operations is divided into two parts – the Southern Company system's primary business of electricity sales and its other business activities.

	Amount		
	2012	2011	2010
	(in millions)		
Electricity business	$2,321	$2,214	$1,991
Other business activities	29	(11)	(16)
Net income	$2,350	$2,203	$1,975

Electricity Business

Southern Company's electric utilities generate and sell electricity to retail and wholesale customers in the Southeast. A condensed statement of income for the electricity business follows:

	Amount	Increase (Decrease) from Prior Year	
	2012	2012	2011
	(in millions)		
Electric operating revenues	$16,478	$(1,109)	$213
Fuel	5,057	(1,205)	(437)
Purchased power	544	(64)	45
Other operations and maintenance	3,695	(147)	(63)
Depreciation and amortization	1,772	72	205
Taxes other than income taxes	912	13	32
Total electric operating expenses	11,980	(1,331)	(218)
Operating income	4,498	222	431
Allowance for equity funds used during construction	143	(10)	(41)
Interest income	22	3	(3)
Interest expense, net of amounts capitalized	820	17	(30)
Other income (expense), net	(57)	16	(15)
Income taxes	1,400	107	179
Net income	2,386	107	223
Dividends on preferred and preference stock of subsidiaries	65	—	—
Net income after dividends on preferred and preference stock of subsidiaries	$2,321	$107	$223

Electric Operating Revenues
Details of electric operating revenues were as follows:

	Amount 2012	2011
	(in millions)	
Retail — prior year	$15,071	$14,791
Estimated change in —		
Rates and pricing	296	793
Sales growth (decline)	39	38
Weather	(282)	(279)
Fuel and other cost recovery	(937)	(272)
Retail — current year	14,187	15,071
Wholesale revenues	1,675	1,905
Other electric operating revenues	616	611
Electric operating revenues	$16,478	$17,587
Percent change	(6.3)%	1.2%

Retail revenues decreased $884 million, or 5.9%, in 2012 as compared to the prior year. The significant factors driving this change are shown in the preceding table. The increase in rates and pricing in 2012 was primarily due to increases in retail revenues at Georgia Power due to base tariff increases effective April 1, 2012 related to placing Plant McDonough-Atkinson Units 4 and 5 in service, as well as the collection of financing costs associated with the construction of two new nuclear generating units at Plant Vogtle (Plant Vogtle Units 3 and 4) through the NCCR tariff and demand-side management programs effective January 1, 2012, as approved by the Georgia Public Service Commission (PSC), and the rate pricing effect of decreased customer usage. Also contributing to the increase were the elimination of a tax-related adjustment under Alabama Power's rate structure that was effective with October 2011 billings and higher revenues due to increases in retail base rates at Gulf Power. These increases were partially offset by lower contributions from market-driven rates from commercial and industrial customers at Georgia Power and decreased revenues under rate certificated new plant environmental (Rate CNP Environmental) at Alabama Power.
Retail revenues increased $280 million, or 1.9%, in 2011 as compared to the prior year. The significant factors driving this change are shown in the preceding table. The increase in rates and pricing in 2011 was primarily due to increases in Georgia Power's retail base revenues as authorized under the 2010 ARP, which became effective January 1, 2011. The increase in base revenues at Georgia Power also included the collection of financing costs associated with the construction of Plant Vogtle Units 3 and 4 through the NCCR tariff effective January 1, 2011. See "Allowance for Equity Funds Used During Construction" and "Interest Expense, Net of Amounts Capitalized" herein for additional information. Also contributing to the increase in rates and pricing in 2011 were revenues associated with Alabama Power's Rate CNP Environmental due to the completion of construction projects related to environmental mandates and the elimination of a tax-related adjustment under Alabama Power's rate structure.
See FUTURE EARNINGS POTENTIAL – "PSC Matters – Alabama Power – Retail Rate Adjustments" and "PSC Matters – Georgia Power – Rate Plans" herein for additional information. Also see "Energy Sales" below for a discussion of changes in the volume of energy sold, including changes related to sales growth (decline) and weather.
Electric rates for the traditional operating companies include provisions to adjust billings for fluctuations in fuel costs, including the energy component of purchased power costs. Under these provisions, fuel revenues generally equal fuel expenses, including the energy component of purchased power costs, and do not affect net income. The traditional operating companies may also have one or more regulatory mechanisms to recover other costs such as environmental, storm damage, new plants, and PPAs.
Wholesale revenues consist of PPAs with investor-owned utilities and electric cooperatives, unit power sales contracts, and short-term opportunity sales. Wholesale revenues from PPAs and unit power sales contracts have both

capacity and energy components. Capacity revenues reflect the recovery of fixed costs and a return on investment. Energy revenues will vary depending on fuel prices, the market prices of wholesale energy compared to the Southern Company system's generation, demand for energy within the Southern Company system's service territory, and the availability of the Southern Company system's generation. Increases and decreases in energy revenues that are driven by fuel prices are accompanied by an increase or decrease in fuel costs and do not have a significant impact on net income. Short-term opportunity sales are made at market-based rates that generally provide a margin above the Southern Company system's variable cost to produce the energy.

In 2012, wholesale revenues decreased $230 million, or 12.1%, as compared to the prior year due to a $292 million decrease in energy sales primarily due to a reduction in the average price of energy and lower customer demand, partially offset by a $62 million increase in capacity revenues.

In 2011, wholesale revenues decreased $89 million, or 4.5%, as compared to the prior year due to decreased energy revenues. This decrease was primarily due to a decrease in wholesale revenues at Alabama Power due to the expiration of long-term unit power sales contracts in May 2010 and the capacity subject to those contracts being made available for retail service starting in June 2010, as well as lower energy and capacity revenues associated with the expiration of PPAs at Southern Power. The decrease was partially offset by higher energy and capacity revenues under new PPAs at Southern Power.

Revenues associated with PPAs and opportunity sales were as follows:

	2012	2011	2010
	(in millions)		
Other power sales —			
Capacity and other	$827	$767	$684
Energy	776	1,035	1,034
Total	$1,603	$1,802	$1,718

Kilowatt-hour (KWH) sales under unit power sales contracts decreased 65.2% and 69.6% in 2012 and 2011, respectively, as compared to the prior years. In addition, fluctuations in natural gas prices, which is the primary fuel source for unit power sales contracts, influence changes in energy sales. However, because the energy is generally sold at variable cost, fluctuations in energy sales have a minimal effect on earnings. The capacity and energy components of the unit power sales contracts were as follows:

	2012	2011	2010
	(in millions)		
Unit power sales —			
Capacity	$55	$53	$136
Energy	17	50	140
Total	$72	$103	