SOUTHERN CO
Form DEF 14A
April 13, 2012

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

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No. __________)

Filed by the Registrant S
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))
S Definitive Proxy Statement
£ Definitive Additional Materials
£ Soliciting Materials Pursuant to Rule 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):
S 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):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

£ Fee paid previously with preliminary materials.

£ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1)	Amount Previously Paid:
(2)	Form, Schedule or Registration Statement No.:
(3)	Filing Party:
(4)	Date Filed:

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Notice of

2012 Annual Meeting of

Stockholders and

Proxy Statement

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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 2012 Annual Meeting of Stockholders at 10:00 a.m. ET on Wednesday, May 23, 2012, at The Lodge Conference Center at Callaway Gardens, Pine Mountain, Georgia.

At last year s meeting, I introduced five distinct priorities for the next few years:

- Stick to the fundamentals;
- Achieve success with major construction projects;
- Support the building of a national energy policy;
- Promote smart energy; and
- Value and develop our people.

We have made excellent progress toward achieving these five priorities and are continuing the proud legacy initiated by our founders 100 years ago. In this, the year of Southern Company s centennial celebration, we continue to honor the past and build for the future, with an unyielding commitment to provide safe, clean, reliable, and affordable electricity for generations to come.

At the annual meeting, I will report on our accomplishments from 2011, as well as our plans for 2012 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 B, the 2011 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 23rd. Thank you for your continued support of Southern Company.

Thomas A. Fanning

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Notice of Annual Meeting of Stockholders of The Southern Company

DATE:	Wednesday, May 23, 2012
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 2012;
3. To approve on a non-binding advisory basis The Southern Company s named executive officers compensation;
4. To consider a stockholder proposal on a coal combustion byproducts environmental report;
5. To consider a stockholder proposal on a lobbying contributions and expenditures report; and
6. 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 26, 2012 are entitled to attend and vote at the meeting.

Annual Report to Stockholders

Appendix B to this Proxy Statement is Southern Company s 2011 Annual Report.

By Order of the Board of Directors, G. Edison Holland, Jr., Corporate Secretary, April 13, 2012

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Voting Information

Even if you plan to attend the meeting in person, please provide your voting instructions in one of the following ways as soon as possible by the internet, the phone using the toll-free number, or the 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

Company the expense and extra work of additional solicitation.

VOTE BY INTERNET
www.proxyvote.com
24 hours a day/7 days a week

Instructions:

- 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.

VOTE BY PHONE
1-800-690-6903
Toll-free 24 hours a day/7 days a week

Instructions:

- Read this Proxy Statement

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 13, 2012.

Q: Who can vote?

A: All stockholders of record at the close of business on the record date of March 26, 2012 may vote. On that date, there were 869,216,438 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 such broker, bank, or nominee to instruct such 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 important 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 2012 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 a broker fails to vote are not counted toward a quorum. Neither abstentions, broker non-votes, nor shares that brokers fail to vote are counted for or against the matters being considered.

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.

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

A: Yes. You can access the Company s website at www.southerncompany.com to view the 2012 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 2011 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 2011 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 2011 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 of Item No. 1, 2, and 3 and AGAINST each of Item No. 4 and 5.

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 5.

Q: When are stockholder proposals due for the 2013 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 2013 Annual Meeting of Stockholders is December 14, 2012. 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 27, 2013.

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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 officers or other employees of the Company or its subsidiaries may solicit proxies to have a larger representation at the meeting. The Company has retained Alliance Advisors LLC to assist with the solicitation of proxies for a fee not to exceed $8,000, plus reimbursement of out-of-pocket expenses.

Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Meeting of Stockholders to be held on May 23, 2012:

The Company s 2012 Proxy Statement, which includes the 2011 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 2011 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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Corporate Governance

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 2012 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 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
- Overview of Southern Company Policies and Practices for Political Spending
- Overview of Southern Company Policies and Practices for Lobbying-Related Activities
- By-Laws of the Company
- Executive Stock Ownership Requirements
- Board Committee Charters
- Board of Directors Background and Experience
- Management Council Background and Experience

- SEC filings
- Composition of Board Committees
- Link for on-line communication with Board of Directors

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,

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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.

- The Director was employed, or the Director s immediate family member was employed, as an executive officer of a company where any of the Company s present executive officers serves on that company s compensation committee.

- 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 on page 66 of this Proxy Statement. Mr. Donald M. James is the Chief Executive Officer of Vulcan Materials Company. Mr. E. Jenner Wood III is the Chairman, President, and Chief Executive Officer of the Atlanta/Georgia 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.

No Director or immediate family member of a Director serves in an executive capacity for a charitable organization. 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 similar contributions 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 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, 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; 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 2011, 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			1,800	219,300
Jon A. Boscia	100,000	105,000			587	205,587
Henry A. Clark III	112,500	105,000			1,666	219,166
H. William Habermeyer, Jr.	112,500	105,000			1,070	218,570
Veronica M. Hagen	100,000	105,000			1,611	206,611
Warren A. Hood, Jr.	100,000	105,000			1,517	206,517
Donald M. James	112,500	105,000			546	218,046
Dale E. Klein	100,000	105,000			1,548	206,548
J. Neal Purcell	112,500	105,000			1,633	219,133
William G. Smith, Jr.	112,500	105,000			1,977	219,477
Steven R. Specker	100,000	105,000			2,199	207,199
Larry D. Thompson	100,000	105,000			1,522	206,522

(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.

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 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 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. James was appointed to serve as the Presiding Director effective January 1, 2010 until December 31, 2011. In December 2011, the Board extended his term as the Presiding Director through May 23, 2012 in order to better align the term with the 2012 Annual Meeting of Stockholders. The Presiding Director is selected bi-annually by and from the independent Directors. Non-management Directors meet, without management, at least quarterly, and at other times as deemed appropriate by the Presiding Director or two or more other independent Directors. As the Presiding Director, Mr. James 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 contact Director for stockholders. The Presiding Director will also be 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 with no member 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:

n Current members are Mr. Smith *(Chair),* Mr. Boscia, Mr. Hood, and Mr. Thompson

n Met 10 times in 2011

n 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. Smith qualifies as an audit committee financial expert as defined by the SEC.

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Compensation and Management Succession Committee (Compensation Committee):

- n Current members are Mr. Purcell *(Chair)*, Mr. Clark, Mr. Habermeyer, and Mr. James
- n Met eight times in 2011
- n 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.

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

Governance

During 2011, 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 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

In 2011, the Compensation Committee directly retained Pay Governance LLC as its independent compensation consultant. The Compensation Committee informed Pay Governance LLC that it expected Pay Governance LLC to provide an independent assessment of the current executive compensation program and any management-recommended changes to that program and to work with Southern Company management to ensure that the executive compensation program is designed and administered consistent with the Compensation Committee s requirements. The Compensation Committee also expected Pay Governance LLC to advise on executive compensation and related corporate governance trends.

During 2011, Pay Governance LLC 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.

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Finance Committee:

- Current members are Mr. Clark (*Chair*), Mr. James, and Mr. Purcell
- Met seven times in 2011
- 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.

Governance Committee:

- Current members are Ms. Baranco (*Chair*), Ms. Hagen, Dr. Klein, and Dr. Specker
- Met five times in 2011
- 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 14, 2012 for consideration by the Governance Committee as a nominee for election at the Annual Meeting of Stockholders to be held in 2013. 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 would consider aspects of diversity, such as diversity of age, race, gender, education, industry, and public and private service 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, 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. E. Jenner Wood III was recommended by the Governance Committee for nomination for election to the Board and was selected as a nominee for election as a Director. Mr. Wood was identified jointly by management and the members of the Governance Committee.

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Nuclear/Operations Committee:

- Current members are Mr. Habermeyer (*Chair*), Ms. Baranco, Ms. Hagen, Dr. Klein, and Dr. Specker

- Met five times in 2011

- Oversees significant information, activities, and events relative to significant operations of the Company including nuclear and other generation facilities, transmission and distribution, fuel, and information technology initiatives

- Provides information to the Compensation Committee on the Company 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 broadly designate the areas of risk for which each committee is responsible for providing ongoing 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 also is responsible for reviewing the adequacy of the risk oversight process and for reviewing documentation demonstrating 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. 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 2011. Average Director attendance at all Board and committee meetings was 97%. No nominee attended less than 75% of applicable meetings.

All Director nominees are expected to attend the Annual Meeting of Stockholders. All the members of the Board of Directors serving on May 25, 2011, the date of the 2011 Annual Meeting of Stockholders, attended the meeting.

RETIRING DIRECTOR

Mr. J. Neal Purcell, who has served as a Director of the Company since 2003, is retiring from the Board effective May 23, 2012. During his time on the Board, Mr. Purcell has chaired the Audit Committee and the Compensation Committee and has been a member of the Finance Committee. Mr. Purcell also served as the Company s first audit committee financial expert. He is a retired Vice-Chairman of KPMG. From October 1998 until his retirement in 2002, Mr. Purcell was in charge of National Audit Practice Operations. Mr. Purcell is currently a Director of Kaiser Permanente Health Care and Hospitals and Synovus Financial Corp., where he is serves as the Chair of each Audit Committee. He also serves on the Board of Trustees of Emory University, where he is Chair of the Compensation Committee and on the Board of Directors of Emory Healthcare System. His financial and accounting expertise, his knowledge of the communities served by the Company s subsidiaries, and his personal involvement in those communities have been valuable to the Board.

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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 owned by Directors, nominees, and executive officers as of December 31, 2011. 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 Members (4)
Juanita Powell Baranco	36,209	35,634		
Art P. Beattie	177,279		171,397	127
Jon A. Boscia	70,819	11,819		
W. Paul Bowers	597,115		585,310	
Henry A. Clark III	6,291	6,291		
Thomas A. Fanning	950,873		939,586	
H. William Habermeyer, Jr.	13,633	13,633		
Veronica M. Hagen	17,525	17,525		
Warren A. Hood, Jr.	27,539	26,962		
Donald M. James	71,831	71,831		
Dale E. Klein	3,762	3,762		
Charles D. McCrary	609,103		602,965	
J. Neal Purcell (5)	61,607	51,383		224
William G. Smith, Jr.	40,407	35,219		372
Steven R. Specker	3,105	3,105		
Larry D. Thompson	7,060	7,060		
Anthony J. Topazi	315,391		298,643	
E. Jenner Wood III (6)	9,496	8,443		
Directors, Nominees, and Executive Officers as a Group (24 people)	4,235,541	292,667	3,791,348	723

(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.

(5) Mr. Purcell s retirement from the Board will be effective May 23, 2012.

(6) Mr. Wood is a nominee for election to the Board.

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STOCK OWNERSHIP OF CERTAIN OTHER BENEFICIAL OWNERS

According to a Schedule 13G/A and a Schedule 13G filed with the SEC on February 13, 2012 and February 9, 2012, respectively, (the Ownership Reports), 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	53,227,198	6.18%
Common Stock	State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	43,426,176	5.00%

According to the Ownership Reports, Blackrock, Inc. and State Street Corporation each held all of their respective shares as a parent holding company, or control person in accordance with Rule 13(d)-1(b)(1)(ii)(G). According to the Ownership Reports, Blackrock, Inc. has sole voting power and sole investment power over its shares, and State Street Corporation has shared voting power and shared 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 2013 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, and corporate governance 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 community involvement, as well as the number of other board memberships each holds.

Juanita Powell Baranco	
Age:	63
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 law 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. 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 benefitted from Ms. Baranco s particular expertise in business operations and her civic involvement.

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Jon A. Boscia

Age:	59
Director since:	2007
Board committee:	Audit
Other directorships:	Sun Life Financial Inc. (formerly a Director of Armstrong World Industries, Lincoln Financial Group, Georgia Pacific Corporation, and The Hershey Company)

Director qualifications: From September 2008 until his retirement in 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. Following his retirement, Mr. Boscia was asked to serve on the Board of Sun Life Financial Inc., where he is a member of the Investment Oversight Committee and the Risk Review Committee. 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. 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, and information technology are valuable to the Board.

Henry A. Hal Clark III

Age:	62
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, convertibles, 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.

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Thomas A. Fanning

Age:	55
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 (formerly a Director of The St. Joe Company)

Director qualifications: Mr. Fanning had held numerous leadership positions across the Southern Company system during his more than 30 years with the Company. More recently, 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. Prior to that, 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.

H. William Habermeyer, Jr.

Age:	69
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 Compensation 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.

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Veronica M. Ronee Hagen	
Age:	66
Director since:	2008
Board committees:	Governance, Nuclear/Operations
Principal occupation:	Chief Executive Officer of Polymer Group, Inc., engineered materials
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. 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 and Social Responsibility, Operations and Safety Committee and the Compensation Committee of the Board of Newmont Mining Corporation.

Warren A. Hood, Jr.	
Age:	60
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 Bank (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 BancorpSouth Bank, Boy Scouts of America, and The Governor s

Commission on Rebuilding, Recovery and Renewal, which was formed following Hurricane Katrina in 2005. Mr. Hood s business operations, risk management, and financial experience and civic involvement are valuable to the Board.

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Donald M. James

Age:	63
Director since:	1999, Presiding Director since January 1, 2010
Board committees:	Compensation and Management Succession, Finance
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.

Dale E. Klein

Age:	64
Director since:	2010
Board committees:	Governance, Nuclear/Operations
Principal occupation:	Associate Vice Chancellor of Research of the University of Texas System since January 2011 and Associate Director of the Energy Institute at The University of Texas at Austin since March 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. He is a valuable addition to the Board due to his expertise in nuclear energy regulation and operations, technology, and safety.

William G. Smith, Jr.	
Age:	58
Director since:	2006
Board committee:	Audit (*Chair*)
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. In addition, Mr. Smith qualifies as an audit committee financial expert.

Steven R. Specker	
Age:	66
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.

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Larry D. Thompson	
Age:	66
Director since:	2010
Board committee:	Audit
Other directorships:	Cbeyond, Inc., Franklin, Templeton and Mutual Series Funds, The Washington Post Company

Director qualifications: From 2004 until his retirement in May 2011, Mr. Thompson served as Senior Vice President of Government Affairs, General Counsel, and Secretary of PepsiCo, Inc. (PepsiCo), one of the world s largest convenient food and beverage companies. In his role at PepsiCo, Mr. Thompson was responsible for PepsiCo s worldwide legal function, as well as its government affairs organization and the company s charitable foundation. Prior to joining PepsiCo in 2004, Mr. Thompson served as a Senior Fellow with The Brookings Institution. His government career also includes serving as Deputy Attorney General in the United States Department of Justice and leading the National Security Coordination Council. In 2002, President George W. Bush named Mr. Thompson to head the Department of Justice s Corporate Fraud Task Force. Mr. Thompson is a member of the Board of Cbeyond, Inc., where he serves as Chair of the Nominating and Corporate Governance Committee. He is also a Director or Trustee of various investment companies in the Franklin, Templeton and Mutual Series Funds.
Mr. Thompson is a Director of The Washington Post Company, serving on the Compensation Committee. Mr. Thompson s government experience and corporate governance and legal expertise are valuable to the Board.

E. Jenner Wood III	
Age:	60
Director since:	Nominee
Board committee:	n/a
Principal occupation:	Chairman, President, and Chief Executive Officer of the Atlanta/Georgia Division of SunTrust Bank since April 2010; Executive Vice President of SunTrust Banks, Inc. since July 2005, banking
Other directorships:	Oxford Industries, Inc., Crawford & Company, Georgia Power

Director qualifications: Since April 2010, Mr. Wood has served as Chairman, President, and Chief Executive Officer of the Atlanta/Georgia Division of SunTrust Bank where he is responsible for managing retail, commercial, and private wealth banking for the Greater Atlanta region and throughout the State of Georgia and as 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 35 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. Since 2002, he has served as a member of the Board of Georgia Power, the largest subsidiary of the Company. During his tenure on the Georgia Power Board, he has served as a member of the Compensation, Executive, and Finance Committees. Mr. Wood is a director of Oxford Industries, Inc. 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, 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 will be 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 2012. 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 2011 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 2011 Proxy Statement for the 2011 Annual Meeting of Stockholders. At that meeting, stockholders strongly approved the proposal, with more than 93% of the votes cast voting in favor of the proposal. Stockholders also 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) beginning on page 29, the Compensation Committee has structured the Company s executive compensation program based on the belief that executive compensation should:

- Be competitive with the companies in the Company s industry;
- 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 2011 and resulted in performance-based awards that exceeded target levels.

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 LLC.

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

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the information accompanying these tables. The Executive Compensation section is found on pages 29 through 65 of this Proxy Statement.

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.

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 2012 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 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 STOCKHOLDER PROPOSAL ON A COAL COMBUSTION BYPRODUCTS ENVIRONMENTAL REPORT

The Company has been advised that Green Century Capital Management, Inc., 114 State Street, Suite 200, Boston, Massachusetts 02109, holder of 120 shares of Common Stock, and Catholic Health East, 3805 West Chester Pike, Suite 100, Newtown Square, Pennsylvania 19073, holder of 154,040 shares of Common Stock, propose to submit the following resolution at the 2012 Annual Meeting of Stockholders.

Whereas: Coal combustion waste (CCW or coal ash) is a by-product of burning coal that contains potentially high concentrations of arsenic, mercury, heavy metals and other toxins filtered out of smokestacks by pollution control equipment. CCW is often stored in landfills, impoundment ponds or abandoned mines. Over 130 million tons of CCW are generated each year in the U.S.

Coal combustion comprised a significant portion (58%) of Southern Company s generation capacity in 2010.

The toxins in CCW have been linked to cancer, organ failure, and other serious health problems. In October 2009, the U.S. Environmental Protection Agency (EPA) published a report finding that Pollutants in coal combustion wastewater are of particular concern because they can occur in large quantities (i.e., total pounds) and at high concentrations in discharges and leachate to groundwater and surface waters.

The EPA has found evidence at over 60 sites in the U.S. that CCW has polluted ground and surface waters, including at least one site belonging to Southern Company. In some of these cases, companies have paid substantial fines and have suffered reputational consequences as a result of the contamination.

Reports by the *New York Times* and others have drawn attention to CCW s impact on waterways, as a result of leaking CCW storage sites or direct discharge into surrounding rivers and streams.

The Tennessee Valley Authority s (TVA) 1.1 billion gallon CCW spill in December 2008 that covered over 300 acres in eastern Tennessee with coal ash sludge highlights the serious environmental risks associated with CCW. TVA estimates a total cleanup cost of $1.2 billion. This figure does not include the legal claims that have arisen in the spill s aftermath.

Southern Company operates 22 CCW storage facilities but does not disclose whether each of these ponds has liners, caps, groundwater monitoring, or leachate collection systems beyond compliance with current regulations. This information is critical for investors to understand the potential impact of our company s ash ponds on the environment and possible related risks.

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Our company also re-uses a significant portion of its CCW. Some forms of reusing dry CCW can pose public health and environmental risks in the dry form by leaching into water.

RESOLVED: Shareholders request that the Board prepare a report on the company s efforts, above and beyond current compliance, to reduce environmental and health hazards associated with coal combustion waste contaminating water (including the implementation of caps, liners, groundwater monitoring, and/or leachate collection systems), and how those efforts may reduce legal, reputational and other risks to the company s finances and operations. This report should be available to shareholders by August 2012, be prepared at reasonable cost, and omit confidential information such as proprietary data or legal strategy.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM NO. 4

FOR THE FOLLOWING REASONS:

The Company has already prepared a coal combustion byproducts report (CCB Report) addressing the issues raised in the proponents proposal. The CCB Report has been posted on the Company s website since March 2010 and is updated periodically. The CCB Report includes relevant information on the Company s affiliates operations related to coal combustion byproducts (CCBs), as well as the broad range of steps (including steps beyond current compliance) taken to ensure that the priorities of public safety and the security of the Company s affiliates plants are met. The efforts identified in the CCB Report include procedures for safe handling, the beneficial use market, and technology research efforts. The Company s commitment to extensive environmental compliance procedures is a key element of the Company s management of legal, reputational, and other risks.

As detailed in the CCB Report, each of the Company s affiliates has an extensive system in place to meet or exceed all regulations governing CCB management and help ensure safe operation. In addition, a significant amount of CCBs from the Company s affiliates coal-based power generation plants, including coal ash and gypsum, is recycled for safe and beneficial uses such as concrete production and road building. The beneficial use programs of the Company s affiliates have succeeded in reducing landfill obligations by more than 1.5 million tons annually and have many associated environmental benefits, including reductions in energy consumption, greenhouse gases, need for additional landfill space, and raw material consumption. The characteristics of CCBs enable beneficial uses and management of such CCBs to be undertaken safely. The concentration of metals in CCBs that occurs naturally in coal in trace amounts is much lower than the levels found in other substances that are required to be regulated as hazardous.

The CCB Report further discusses the Company s history of safe management of CCBs. While the Company s affiliates have focused recent efforts on the beneficial use of CCBs, they have safely managed the remaining CCBs at their respective plants for decades. Each of the Company s affiliates has a robust program in place to ensure the safety and integrity of dams and dikes at on-site surface impoundments. They are inspected at least every week by trained plant personnel and inspected at least every year by professional dam safety engineers.

Additionally, the CCB Report provides links to public disclosures regarding the Company s affiliates plants that manage CCBs. In particular, a link to the extensive, detailed information about the Company s affiliates management of CCBs that was provided to the U.S. Environmental Protection Agency (EPA) is included. The EPA issued information collection requests to facilities throughout the country that manage surface impoundments containing CCBs. The information provided to the EPA by the Company, along with the results of onsite inspections of the Company s affiliates facilities, is available through a link to the EPA website (http://www.epa.gov/waste/nonhaz/industrial/special/fossil/surveys/index.htm), which link is also included in the CCB Report. The CCB Report also identifies the rules proposed by the EPA to regulate CCBs and provides a link to the Company s comments to these proposed rules.

The CCB Report provides details on the Company s research and development efforts with respect to CCB management, identifying initiatives to develop new and improved beneficial use of CCBs. As noted in the CCB Report, the Company has managed nearly $500 million in research and development over the past decade, including several projects to find new and innovative ways to beneficially use CCBs.

The Company also posts on its website a comprehensive report, the *Corporate Responsibility Report*, which was created in 2006 and is updated routinely as new information becomes available, relating to various topics. The

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Corporate Responsibility Report includes a section relating to environmental matters and includes information on the management and beneficial use of CCBs.

Through the development of the reports discussed above, the Company has effectively addressed the proponents proposal.

The Company-produced reports are available either through the Company s external website at www.southerncompany.com or by contacting Melissa K. Caen, Assistant Corporate Secretary, Southern Company, 30 Ivan Allen Jr. Boulevard NW, Atlanta, Georgia 30308 and requesting a copy.

The vote needed to pass the proponents resolution is the affirmative vote of a majority of the votes cast.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM NO. 4.

ITEM NO. 5 STOCKHOLDER PROPOSAL ON A LOBBYING CONTRIBUTIONS AND EXPENDITURES REPORT

The Company has been advised that the Comptroller of the State of New York, as the sole Trustee of the New York State Common Retirement Fund, 633 Third Avenue 31st Floor, New York, New York 10017, holder of 2,838,582 shares of Common Stock, proposes to submit the following resolution at the 2012 Annual Meeting of Stockholders.

Whereas, businesses have a recognized legal right to express opinions to legislators and regulators on public policy matters, it is important that our company s lobbying positions, as well as processes to influence public policy are transparent. Public opinion is skeptical of corporate influence on Congress and public policy and questionable lobbying activity may pose risks to our company s reputation when controversial positions are embraced. Hence, we believe full disclosure of Southern s policies, procedures and oversight mechanisms is warranted.

Resolved, the stockholders of The Southern Company (Southern) request the Board authorize the preparation of a report, updated annually, disclosing:

1. Company policy and procedures governing the lobbying of legislators and regulators, including that done on our company s behalf by trade associations. The disclosure should include both direct and indirect lobbying and grassroots lobbying communications.

2. A listing of payments (both direct and indirect, including payments to trade associations) used for direct lobbying as well as grassroots lobbying communications, including the amount of the payment and the recipient.

3. Membership in and payments to any tax-exempt organization that writes and endorses model legislation.

4. Description of the decision making process and oversight by the management and Board for

    a. direct and indirect lobbying contribution or expenditure; and
    b. payment for grassroots lobbying expenditure.

For purposes of this proposal, a grassroots lobbying communication is a communication directed to the general public that (a) refers to specific legislation, (b) reflects a view on the legislation and (c) encourages the recipient of the communication to take action with respect to the legislation.

Both direct and indirect lobbying and grassroots lobbying communications include efforts at the local, state and federal levels.

The report shall be presented to the Audit Committee of the Board or other relevant oversight committees of the Board and posted on the company s website.

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Supporting Statement

As stockholders, we encourage transparency and accountability on the use of staff time and corporate funds to influence legislation and regulation both directly and indirectly as well as grassroots lobbying initiatives. We believe such disclosure is in the stockholder s best interests. Absent a system of accountability, company assets could be used for policy objectives contrary to a company s long-term interests posing risks to the company and stockholders.

Southern spent approximately $26.67 million in 2009 and 2010 on direct federal lobbying activities, according to disclosure reports (*U.S. Senate Office of Public Records*). This figure may not include grassroots lobbying to directly influence legislation by mobilizing public support or opposition. Also, not all states require disclosure of lobbying expenditures to influence legislation or regulation.

Such expenditures and contributions can potentially involve the company in controversies posing reputational risks.

We encourage our Board to require comprehensive disclosure related to direct, indirect and grassroots lobbying.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM NO. 5

FOR THE FOLLOWING REASONS:

The Board believes that the Company has a legitimate interest in participating in the legislative and regulatory process at the federal, state, and local levels of government when such participation is in the best interest of the Company and its stockholders. The Company is committed to transparency, accountability, and continuous improvement, including in the area of lobbying-related activities. The Company complies with all federal and state lobbying registration and disclosure requirements. Additionally, since the receipt of the proponent s resolution, the Company has undertaken to enhance its lobbying-related activities standards, procedures, and documents and also has enhanced its website disclosures to address concerns raised by the resolution. The Company believes that these enhancements, together with the Company s existing policies, practices, and procedures, satisfy the main purpose of the proponent s resolution.

Oversight

The Company s legislative and regulatory activities are overseen, and participation in coalitions, or the engagement of individuals and/or entities which perform any lobbying activities on behalf of the Company, are approved by the Company s Executive Vice President External Affairs and the Company s Compliance Officer, and any federal lobbying engagement is reported at the time of approval to the Company s Vice President Governmental Relations (Washington Office). For each subsidiary of the Company, these activities must be approved by the applicable subsidiary s senior External Affairs Officer and Compliance Officer if the engagement is through or also on behalf of such company. Additionally, management provides regular updates on lobbyists and lobbying activities to the Chief Executive Officer of the Company or of the applicable subsidiary of the Company involved, the Board of Directors of the Company, and the Company s management council.

Reporting

The Company provides its stockholders with useful information about its lobbying-related activities, including by posting its *Overview of Southern Company Policies and Practices for Lobbying-Related Activities*, as well as annually posting a listing of all trade associations to which it makes yearly payments of $50,000 or more, on its website at http://investor.southerncompany.com/political_contributions.cfm.

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The Company and its subsidiaries fully comply with all federal and state lobbying registration and disclosure requirements, which include filing all required reports with Congress and with the applicable state ethics agencies. These reports on federal lobbying activities are readily available for public review on the websites of the U.S. House (www.house.gov) and the U.S. Senate (www.senate.gov) and provide information on activities associated with influencing legislation through communication with any member or employee of Congress or with any covered executive branch official. The federal reports also provide disclosure on expenditures for the applicable quarter, describe the specific pieces of legislation that were the topic of communications, and identify the individuals who lobbied on behalf of the Company or any of its subsidiaries. Subsidiaries of the Company and their registered lobbyists file similar publicly-available reports at the state level that are available for review from the applicable state ethics agencies.

Memberships

The Company is a member of a number of trade associations and industry groups at the local, state, and national level. All trade associations to which the Company makes yearly payments of $50,000 or more are disclosed on the Company s website. The Company believes that it is in the best interest of the Company and its stockholders to participate in trade associations specific to the Company s industry as trade associations allow the Company to collaborate with industry peers and, as a result, have a stronger impact than the Company might otherwise have individually. From time to time, some of these trade associations and industry groups communicate the position of its membership on public policy issues to government officials and the public. Although these trade association and industry groups are not primarily lobbying entities, a portion of the dues that the Company and other participants pay to such trade associations and industry groups may be part of the funds they use, in their sole discretion, to engage in lobbying activities. Because the Company does not direct how these funds are used and the Company may not agree with all positions such dues are used to support, disclosure of the Company s dues to each of these organizations could misrepresent the Company s position on legislative issues and would not provide stockholders with any meaningful information.

The Company is also a member of a number of tax-exempt organizations that, from time to time, write or endorse legislation (model or otherwise). This legislation may be unrelated to the Company and may be written or endorsed without the input of the Company. Because the Company may not agree with all positions taken by these tax-exempt organizations, disclosure of the Company s membership in such tax-exempt organizations could misrepresent the Company s position on legislative issues and would not provide stockholders with any meaningful information.

Conclusion

Based on the above, the Board believes that publicly-available information on the Company s lobbying activities, including information made available on the Company s website in response to the proponent s resolution, is understandable and, together with the oversight of the Company s legislative and regulatory activities by the Board and management discussed above, satisfy the main purpose of the proponent s resolution. The additional information requested by the proponent would be burdensome and would not materially alter the Company s current disclosure of its legislative and regulatory activities.

The vote needed to pass the proponent s resolution is the affirmative vote of a majority of the votes cast.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM NO. 5.

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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 2011 Annual Report to Stockholders attached hereto as Appendix B 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 2011.

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, 2011 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche as the Company s independent registered public accounting firm for 2012. Stockholders will be asked to ratify that selection at the Annual Meeting of Stockholders.

Members of the Audit Committee:

William G. Smith, Jr., Chair

Jon A. Boscia

Warren A. Hood, Jr.

Larry D. Thompson

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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 2011 and 2010.

	2011	2010
	(in thousands)	
Audit Fees (1)	$ 10,799	$ 10,670
Audit-Related Fees (2)	871	269
Tax Fees	0	0
All Other Fees	0	0
Total	$ 11,670	$ 10,939

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

(2) Includes non-statutory audit services in both 2011 and 2010.

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

COMPENSATION DISCUSSION AND ANALYSIS

This section describes the compensation program for the Company s Chief Executive Officer and Chief Financial Officer in 2011, 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
Charles D. McCrary	Executive Vice President of the Company and President and Chief Executive Officer of Alabama Power Company
Anthony J. Topazi	Executive Vice President and Chief Operating Officer

Executive Summary

Performance

Performance-based pay represents a substantial portion of the total direct compensation paid or granted to the named executive officers for 2011.

	Salary ($)(1)	% of Total	Short-Term Performance Pay ($)(1)	% of Total	Long-Term Performance Pay ($)(1)	% of Total
T. A. Fanning	1,064,399	16	1,797,600	27	3,744,974	57
A. P. Beattie	552,614	24	667,680	28	1,140,613	48
W. P. Bowers	715,845	25	839,241	29	1,335,565	46
C. D. McCrary	752,219	24	933,091	30	1,403,427	46
A. J. Topazi	605,370	24	731,422	30	1,127,602	46

(1) Salary is the actual amount paid in 2011, Short-Term Performance Pay is the actual amount earned in 2011 based on performance, and Long-Term Performance Pay is the value on the grant date of stock options and performance shares granted in 2011. See the Summary Compensation Table for the amounts of all elements of reportable compensation described in this CD&A.

Business unit financial and operational and Company earnings per share (EPS) goal results for 2011 are shown below:

Financial:	138% of Target
Operational:	186% of Target
EPS:	156% of Target

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

1-Year:	26.9%
3-Year:	13.4%
5-Year:	9.9%

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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 companies in the Company s industry;
- 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 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 share units, 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 of an independent consultant, Pay Governance LLC, 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 and no income tax gross-ups, except on relocation-related benefits.
- No-hedging provision in the Company s inside trading policy that is applicable to all employees.
- Strong stock ownership requirements that are being met by all named executive officers.

ESTABLISHING EXECUTIVE COMPENSATION

The Compensation Committee establishes the executive compensation program. In doing so, the Compensation Committee uses information from others, principally its independent compensation consultant, Pay Governance LLC. 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.

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Review of Compensation and Benefits

In 2011, the Company conducted an extensive review of its compensation and benefit program. Numerous focus groups with employees at all levels were conducted and outside consultants were retained to review all aspects of the program.

The review was conducted with the support of, and input from, the Compensation Committee. The findings of the review confirmed that the Company s compensation and benefit program, including the appropriate payout levels under performance-based pay components, is competitive and consistent with industry peers. These findings were reviewed with the Compensation Committee.

Consideration of Advisory Vote on Executive Compensation

The Compensation Committee considered the stockholder vote on the Company s executive compensation at the 2011 Annual Meeting of Stockholders. In light of the significant support of the stockholders (93% of votes cast voting in favor of the proposal) and the Company s strong performance in 2011, 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 and its stockholders.

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 approximately 26,000 employees of the Southern Company system. Stock options and performance shares are granted to approximately 3,000 employees of the Southern Company system. These programs engage employees, which ultimately is good not only for them, but also for the Company s subsidiaries customers and the Company s stockholders.

OVERVIEW OF EXECUTIVE COMPENSATION COMPONENTS

The executive compensation program has several components, each of which plays a different role. The following chart discusses the intended role of each material pay component, what it rewards, and why it is used. Following the chart is additional information that describes how 2011 pay decisions were made.

Pay Element	Intended Role and What the Element Rewards	Why the Element Is Used
Base Salary	Base salary is pay for competence in the executive role, with a focus on scope of responsibilities.	Market practice.

Provides a threshold level of cash compensation for job performance.

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Pay Element	Intended Role and What the Element Rewards	Why the Element Is Used
Annual Performance-Based Compensation: Performance Pay Program	The Performance Pay Program rewards achievement of business unit operational and financial goals and EPS.	Market practice. Focuses attention on achievement of short-term goals that ultimately work to fulfill the mission to customers and lead to increased stockholder value in the long term.
Long-Term Performance-Based Compensation: Stock Options	Stock options reward price increases in Common Stock over the market price on the date of grant, over a 10-year term.	Market practice. Performance-based compensation. Aligns recipients interests with those of stockholders.
Long-Term Performance-Based Compensation: Performance Shares	Performance shares provide equity compensation dependent on the Company s three-year total shareholder return versus industry peers.	Market practice. Performance-based compensation. Aligns recipients interests with stockholders interests since payouts are dependent on the returns realized by stockholders versus those of industry peers.
Retirement Benefits	Executives participate in employee benefit plans available to all employees of the Southern Company system, including a 401(k) savings plan and the funded Southern Company Pension Plan (Pension Plan). The Southern Company Deferred Compensation Plan provides the opportunity to defer to future years up to 50% of base salary and all or part of performance-based non-equity compensation in either a prime interest rate or Common Stock account.	Represents an important component of competitive market-based compensation in both the peer group and generally. Permitting compensation deferral is a cost-effective method of providing additional cash flow to the Company while enhancing the retirement savings of executives. The purpose of these supplemental plans is to eliminate the effect of tax limitations on the payment of retirement benefits.

The Supplemental Benefit Plan counts pay, including deferred salary, that is ineligible to be counted under the Pension Plan and the 401(k) plan due to Internal Revenue Service rules.

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

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Pay Element	Intended Role and What the Element Rewards	Why the Element Is Used
Perquisites and Other Personal Benefits	Personal financial planning maximizes the perceived value of the executive compensation program to executives and allows them to focus on operations.	These limited perquisites represent an effective, low-cost means to retain key talent.
	Limited personal use of corporate-owned aircraft associated with business travel.	
	Relocation benefits cover the costs associated with geographic relocations at the request of the Company.	
	Tax gross-ups are not provided on any perquisites except relocation-related benefits.	
Severance Arrangements	Change-in-control plans provide severance pay, accelerated vesting, and payment of short- and long-term performance-based compensation upon	Market practice.
	a change in control of the Company coupled with involuntary termination	Providing protections to executives upon a change in control minimizes disruption during a pending or anticipated change in control.
	not for cause or a voluntary termination for Good Reason.	
		Payment and vesting occur only upon the occurrence of both an actual change in control and loss of the executive s position.

MARKET DATA

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

AGL Resources Inc.
Allegheny Energy, Inc.
Alliant Energy Corporation
Ameren Corporation
American Electric Power Company, Inc.
Atmos Energy Corporation
Calpine Corporation
CenterPoint Energy, Inc.
CMS Energy Corporation
Energy Future Holdings Corp.
Entergy Corporation
Exelon Corporation
FirstEnergy Corp.
Hawaiian Electric Industries, Inc.
Integrys Energy Group, Inc.
LG&E and KU Energy LLC
MDU Resources Group, Inc.
Mirant Corporation
PG&E Corporation
Pinnacle West Capital Corporation
PPL Corporation
Progress Energy, Inc.
Public Service Enterprise Group Incorporated
Puget Energy, Inc.
Salt River Project
SCANA Corporation
Sempra Energy

Consolidated Edison, Inc.
Constellation Energy Group, Inc.
CPS Energy
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Dynegy Inc.
Edison International
El Paso Corporation
New York Power Authority
NextEra Energy, Inc.
Nicor Inc.
Northeast Utilities
NRG Energy, Inc.
NSTAR
NV Energy, Inc.
OGE Energy Corp.
Pepco Holdings, Inc.
Spectra Energy Corp.
TECO Energy, Inc.
Tennessee Valley Authority
The Williams Companies, Inc.
UGI Corporation
Vectren Corporation
Wisconsin Energy Corporation
Xcel Energy Inc.

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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, the consultant size-adjusts the survey market data in order to fit it to the scope of the Company s business.

In using this market data, market is defined as the size-adjusted 50th percentile (median) of the survey data, with a focus on pay opportunities at target performance (rather than actual plan payouts). 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. 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 2011 compensation amounts. Total target compensation opportunities for senior management as a group are managed to be at the median of the market for companies of similar size in the electric utility industry. The total target compensation opportunity established in early 2011 for each named executive officer is shown in the following table.

	Salary ($)	Target Annual Performance-Based Compensation ($)	Target Long-Term Performance-Based Compensation ($)	Total Target Compensation Opportunity ($)
T. A. Fanning	1,070,000	1,123,500	3,744,974	5,938,474
A. P. Beattie	556,400	417,300	1,140,613	2,114,313
W. P. Bowers	721,928	541,446	1,335,565	2,598,939
C. D. McCrary	758,611	568,958	1,403,427	2,730,996
A. J. Topazi	609,518	457,139	1,127,602	2,194,259

The salary levels shown above were not effective until March 2011. 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 2011.

For purposes of comparing the value of the compensation program to the market data, stock options are valued at $3.25 per option and performance shares at $35.97 per unit. These values represent risk-adjusted present values on the date of grant and are consistent with the methodologies used to develop the market data. The mix of stock options and performance shares granted were 40% and 60%, respectively, of the long-term value shown above.

As discussed above, the Compensation Committee targets total compensation opportunities for senior management as a group at market. Therefore, some executives may be paid somewhat above and others somewhat below market. This practice allows for minor differentiation based on time in the position, scope of responsibilities, and individual performance. The differences in the total pay opportunities for each named executive officer are based almost exclusively on the differences indicated by the market data for persons holding similar positions. The average total target compensation opportunities for the named executive officers for 2011 were at the median of the market data described above. 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, slight differences are not considered to be material and the compensation program is believed to be market-appropriate. Generally, compensation is considered to be within an appropriate range if it is not more or less than 15% of the applicable market data.

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In 2010, Pay Governance LLC, the Compensation Committee s independent consultant, analyzed the level of actual payouts for 2009 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 2011. That analysis was updated in 2011 by Pay Governance LLC for 2010 performance, and those findings were used in establishing goals for 2012.

DESCRIPTION OF KEY COMPENSATION COMPONENTS

2011 Base Salary

Most employees, including all of the named executive officers, received base salary increases in 2011. Base salary increases for each of the named executive officers were recommended in 2011 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 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 2011.

2011 Performance-Based Compensation

This section describes performance-based compensation for 2011.

Achieving Operational and Financial 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 2011, 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 2011, 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).

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2011 Annual Performance Pay Program

Program Design

The Performance Pay Program is the Company s annual performance-based compensation program. 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.

For the traditional operating companies (Alabama Power Company (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.

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.

For Messrs. Bowers and McCrary, the annual Performance Pay Program payout is calculated using the ROE for Georgia Power and Alabama Power, respectively. For Messrs. Fanning, Beattie, and Topazi, it is calculated using the aggregate ROE goal performance results for the traditional operating companies and the net income goal for Southern Power. The aggregate ROE goal is weighted 90% and the Southern Power net income goal is weighted 10% to determine the total corporate business unit financial goal performance.

The Compensation Committee may make adjustments, both positive and negative, to goal achievement for purposes of determining payouts. For the financial 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 earnings goal was established and of sufficient magnitude to warrant recognition. No adjustments to goal achievement were made in 2011 for financial goal results.

For Messrs. Bowers and McCrary, the payout is based on the operational goal results for Georgia Power and Alabama Power, respectively. For Messrs. Beattie, Fanning, and Topazi, it is based on the traditional operating company operational goal results (weighted 90%) and Southern Nuclear operational goal results (weighted 10%), collectively referred to as corporate operational goal results.

Mr. Bowers requested a 20% reduction in the safety goal achievement level for purposes of calculating his payout under the Performance Pay Program because there were two work-related fatalities in 2011 at Georgia Power. The reduction was approved by the Compensation Committee. This reduction is reflected in the total performance factor reported on page 39 of this CD&A. This reduction also was applicable to certain other employees of Georgia Power. The aggregate amount of the reduction in payouts was donated by Georgia Power to Electric Kids, Inc., a charitable organization that helps children of deceased or disabled employees of Georgia Power and Southern Company Services, Inc. who are or were based in Georgia.

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.

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Goal Details

Operational Goals:

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.

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

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

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

Safety   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.

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.

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

Level of Performance	**Customer Satisfaction**	**Reliability**	**Availability**	**Nuclear Plant Operation**	**Safety**	**Culture**
Maximum	Top quartile for all customer segments and overall	Significantly exceed target	Industry best	Significantly exceed targets	Greater than top 20th percentile and Company best	Significant improvement
Target	Top quartile overall	Historical Southern Company system average	Top quartile	Meet targets	Top 40th percentile	Improvement
Threshold	2nd quartile overall	Significantly below target	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. Collectively, customer satisfaction, reliability, availability, and nuclear plant operation are weighted 60% and safety and culture are weighted 20% each. If goal achievement is below threshold, there is no payout associated with the applicable goal.

EPS and Business Unit Financial Performance:

The range of EPS, ROE, and Southern Power net income goals for 2011 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)
Maximum	2.65	14.0	150
Target	2.52	12.0	130
Threshold	2.39	10.0	110

For 2011, the Compensation Committee established a minimum EPS performance threshold that must be achieved. If EPS was less than $2.27 (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 committee responsibilities, see the committee descriptions beginning on page 8.

2011 Achievement

Each named executive officer had a target Performance Pay Program opportunity, based on his position, set by the Compensation Committee at the beginning of 2011. Targets are set as a percentage of base salary. Mr. Fanning s target was set at 105%. For Messrs. Beattie, Bowers, McCrary, and Topazi, the targets were set at 75% each. Actual payouts were determined by adding the payouts derived from EPS and applicable business unit operational and financial performance goal achievement for 2011 and dividing by three. EPS exceeded the minimum threshold established and therefore payouts were not affected. Actual 2011 goal achievement is shown in the following tables.

Operational Goal Results:

Corporate

Operating Company Goal	Achievement Percentage
Customer Satisfaction	200
Reliability	197
Availability	200
Safety	197
Culture	147

Southern Nuclear Goal	Achievement Percentage
Nuclear Safety	178
Nuclear Reliability	145
Vogtle Units 3 and 4 Assessment	175

Alabama Power

Goal	Achievement Percentage
Customer Satisfaction	200
Reliability	182
Availability	200
Safety	134

Culture	160

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Georgia Power

Goal	Achievement Percentage
Customer Satisfaction	167
Reliability	191
Availability	198
Safety	175
Culture	136

Overall, the levels of achievement shown above resulted in an operational goal performance factor for Corporate, Alabama Power, and Georgia Power of 186%, 177%, and 171%, respectively.

Financial Goal Results:

Goal	Result	Achievement Percentage
EPS	$2.57	156
Alabama Power ROE	13.19%	160
Georgia Power ROE	12.89%	145
Aggregate ROE	12.6%	131
Southern Power Net Income	$162 million	200

Overall, the levels of achievement shown above resulted in a business unit financial goal performance factor for Corporate, Alabama Power, and Georgia Power of 138%, 160%, and 145%, respectively.

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, as described above, 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	1,123,500	160	1,797,600
A. P. Beattie	417,300	160	667,680
W. P. Bowers	541,446	155	839,241
C. D. McCrary	568,958	164	933,091
A. J. Topazi	457,139	160	731,422

The total performance factor for Mr. Bowers reflects the reduction in the safety goal results as described above.

Long-Term Performance-Based Compensation

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 total shareholder return relative to industry peers, as well as stock price.

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The following table shows the grant date fair value of the long-term performance-based awards in total and each component awarded in 2011.

	Value of Options ($)	Value of Performance Shares ($)	Total Long-Term Value ($)
T. A. Fanning	1,498,000	2,246,974	3,744,974
A. P. Beattie	456,248	684,365	1,140,613
W. P. Bowers	534,225	801,340	1,335,565
C. D. McCrary	561,369	842,058	1,403,427
A. J. Topazi	451,042	676,560	1,127,602

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 2011, unvested options are forfeited if the named executive officer retires from the Company 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 2011 Annual Report attached as Appendix B to this Proxy Statement (Financial Statements). For 2011, the Black-Scholes value on the grant date was $3.25 per stock option.

Performance Shares

Performance shares are denominated in units, meaning no actual shares are issued at the grant date. A grant date fair value per unit was determined. For the grant made in 2011, that value per unit was $35.97. 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, 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 (as listed on page 33) 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.
Constellation Energy Group, Inc.
Dominion Resources, Inc.
DTE Energy Company
Duke Energy Corporation
Edison International
Entergy Corporation
Exelon Corporation
FirstEnergy Corp.
NextEra Energy, Inc.
Northeast Utilities
PG&E Corporation
Progress Energy, Inc.
Public Service Enterprise Group Incorporated
The AES Corporation
Xcel Energy Inc.

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The companies in the custom peer group are listed below.

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

The scale below will determine the number of units paid in Common Stock following the last year of the performance period, based on the 2011 through 2013 performance period. Payout for performance between points will be interpolated on a straight-line basis.

Performance vs. Peer Groups	**Payout (% of Each**