

ALABAMA POWER CO  
Form DEF 14C  
April 26, 2007  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

INFORMATION REQUIRED IN INFORMATION STATEMENT

SCHEDULE 14C INFORMATION

Information Statement Pursuant To Section 14(c)

of the Securities Exchange Act of 1934

Check the appropriate box:

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

ALABAMA POWER COMPANY

(Name of Registrant as Specified in Its Charter)

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- No fee required.
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**NOTICE OF 2007  
ANNUAL MEETING  
& INFORMATION STATEMENT**

**[www.alabamapower.com](http://www.alabamapower.com)**

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**ALABAMA POWER COMPANY  
Birmingham, Alabama**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
To be held on May 24, 2007**

NOTICE IS HEREBY GIVEN that the 2007 Annual Meeting of the Shareholders of Alabama Power Company will be held at Alabama Power Company's corporate headquarters, 600 North 18th Street, Birmingham, Alabama 35291 on May 24, 2007 at 8:00 a.m., Central Time, to elect 13 members of the board of directors and to transact any other business that may properly come before said meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on April 10, 2007 will be entitled to notice of and to vote at said meeting or any adjournment or postponement thereof.

The Information Statement and the 2006 Annual Report are included in this mailing.

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

BY ORDER OF THE BOARD OF DIRECTORS

/s/ William E. Zales, Jr.  
*Vice President and Corporate Secretary*

Birmingham, Alabama  
April 26, 2007

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**INFORMATION STATEMENT**

**GENERAL INFORMATION**

This Information Statement is furnished by Alabama Power Company (the Company) in connection with the 2007 Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held on May 24, 2007 at 8:00 a.m., Central Time, at the Company's corporate headquarters, 600 North 18th Street, Birmingham, Alabama 35291. This Information Statement is initially being provided to shareholders on or about April 26, 2007.

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

All shareholders of record of the Company's common stock, preferred stock and Class A preferred stock on the record date of April 10, 2007 are entitled to notice of and to vote at the meeting. On that date, there were 14,000,000 common shares outstanding and entitled to vote, all of which are held by The Southern Company (Southern Company). There were also 475,115 shares of preferred stock and 12,001,250 shares of Class A preferred stock outstanding on that date. The shares of the Company's preference stock are not entitled to vote in the election of directors.

With respect to the election of directors, all of the outstanding shares of preferred stock and Class A preferred stock are entitled to vote as a single class with the Company's common stock. Each common share counts as one vote. Each share of the 4.20% Series, the 4.52% Series, the 4.60% Series, the 4.64% Series, the 4.72% Series and the 4.92% Series of outstanding preferred stock, with par value of \$100 per share, counts as two-fifths vote, each share of the 5.20% Series, the 5.30% Series and the 5.83% Series of outstanding Class A preferred stock, with stated capital of \$25 per share, counts as one-tenth vote and each share of the Flexible Money Market Class A preferred stock, with stated capital of \$100,000 per share, counts as 400 votes. The Company's Articles of Incorporation provide for cumulative voting rights for the common shares, preferred shares and Class A preferred shares.

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

**SHAREHOLDER PROPOSALS**

Shareholders may present proper proposals for inclusion in the Company's information statement and for consideration at the next annual meeting of its shareholders by submitting their proposals to the Company in a timely manner. In order to be considered for inclusion for the 2008 Annual Meeting, shareholder proposals must be received by the Company no later than February 26, 2008.

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**NOMINEES FOR ELECTION AS DIRECTORS**

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

Below is information concerning the nominees for director stating, among other things, their names, ages, positions and offices held, and brief descriptions of their business experience. The ages of the directors set forth below are as of December 31, 2006.

**Charles D. McCrary** Director since 2001

Mr. McCrary, 55, is President and Chief Executive Officer of the Company and Executive Vice President of Southern Company. He is a Director of Regions Financial Corporation, Birmingham, Alabama, and Protective Life Corporation, Birmingham, Alabama.

**Whit Armstrong** Director since 1982

Mr. Armstrong, 59, is President, Chief Executive Officer and Chairman of The Citizens Bank, Enterprise, Alabama, and President, Chief Executive Officer and Chairman of Enterprise Capital Corporation, Inc. He is a Director of Enstar Group Ltd., Montgomery, Alabama.

**David J. Cooper, Sr.** Director since 1998

Mr. Cooper, 61, is President of Cooper/T. Smith Corporation (a maritime company with a core business of stevedoring and tugboats), Mobile, Alabama. He is a Director of Cooper/T. Smith Corporation and subsidiaries, American Equity Underwriters, Inc., Mobile, Alabama, and Regions Financial Corporation, Birmingham, Alabama.

**John D. Johns** Director since 2004

Mr. Johns, 54, has served as Chairman, President and Chief Executive Officer of Protective Life Corporation (a holding company whose subsidiaries provide insurance and other financial services), Birmingham, Alabama, since January 2003. He previously served as President and Chief Executive Officer of Protective Life Corporation from January 2002 to January 2003 and President and Chief Operating Officer of Protective Life Corporation from August 1996 until December 2001. He is a Director of Alabama National Bancorporation, Birmingham, Alabama, Genuine Parts Company, Atlanta, Georgia, and John H. Harland Company, Decatur, Georgia.

**Patricia M. King** Director since 1997

Ms. King, 61, is President and Chief Executive Officer of Sunny King Automotive Group (automobile dealerships), Anniston, Alabama.

**James K. Lowder** Director since 1997

Mr. Lowder, 57, is Chairman of the Board of The Colonial Company (real estate development and sales), Montgomery, Alabama. He is a Director of Colonial Properties Trust, Birmingham, Alabama.

**Malcolm Portera** Director since 2003

Dr. Portera, 60, has served as Chancellor of The University of Alabama System, Tuscaloosa, Alabama, since January 2002. He previously served as President of Mississippi State University from January 1998 to December 2001. He is a Director of Protective Life Corporation, Birmingham, Alabama, and Regions Financial Corporation, Birmingham, Alabama.

**Robert D. Powers** Director since 1992

Mr. Powers, 56, is President of The Eufaula Agency, Inc. (insurance and real estate), Eufaula, Alabama.

**David M. Ratcliffe** Director since 2004

Mr. Ratcliffe, 58, has served as Chairman of the Board, President and Chief Executive Officer of Southern Company since July 2004. He previously served as President of Southern Company from April 2004 until July 2004; Executive Vice President of Southern Company from May 1999 until April 2004; Chairman and Chief Executive Officer of Georgia Power Company from January 2004 to April 2004 and President and Chief Executive Officer of Georgia Power Company from May 1999 to January 2004. He is a Director of CSX Corporation, Jacksonville, Florida, and Southern Company system companies, Georgia Power Company and Southern Power Company.

**C. Dowd Ritter** Director since 1997

Mr. Ritter, 59, has served as President, Chief Executive Officer and Director of Regions Financial Corporation, Birmingham, Alabama, since November 2006. He previously served as Chairman, President and Chief Executive

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Officer of AmSouth Bancorporation and AmSouth Bank, Birmingham, Alabama, from 1996 to November 2006. He is a Director of Protective Life Corporation, Birmingham, Alabama.

**James H. Sanford** Director since 1983

Mr. Sanford, 62, is Chairman of HOME Place Farms, Inc. (agriculture, computer services and real estate investments), Prattville, Alabama. He also serves as President of Autauga Quality Cotton Association, Prattville, Alabama. He is a Director of Federal Reserve Bank of Atlanta, Birmingham Branch.

**John C. Webb IV** Director since 1977

Mr. Webb, 64, is President of Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama.

**James W. Wright** Director since 2000

Mr. Wright, 63, is Chairman of First Tuskegee Bank, Montgomery, Alabama. He previously served as Chairman, President and Chief Executive Officer of First Tuskegee Bank. He is also Chairman, President and Chief Executive Officer of Birthright Incorporated (bank holding company), Tuskegee, Alabama.

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

**Vote Required**

The majority of the votes cast by the shares outstanding and entitled to vote at a meeting at which a quorum is present is required for the election of directors. The shareholders entitled to vote in the election of directors have the right to cumulate their votes. Such right permits the shareholders to multiply the number of votes they are entitled to cast by the number of directors for whom they are entitled to vote and cast the product for a single nominee or distribute the product among two or more nominees. A shareholder will not be entitled to vote cumulatively at the Company's 2007 Annual Meeting unless such shareholder gives the Company notice of his interest to cumulate his vote not less than 48 hours before the time set for the meeting. If one shareholder gives such notice, all shareholders will be entitled to cumulate their votes without giving further notice.

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

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**CORPORATE GOVERNANCE**

**DIRECTOR INDEPENDENCE**

The Company is managed by a core group of officers and governed by a board of directors which has been set at a total not to exceed 25 members. The current nominees for election as directors consist of 13 members 11 non-employee directors and Mr. McCrary, the president and chief executive officer of the Company, and Mr. Ratcliffe, the president and chief executive officer of Southern Company.

**GOVERNANCE POLICIES AND PROCESSES**

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

**DIRECTOR COMPENSATION**

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

**Annual cash retainer:**

\$25,000 for directors serving as chair of a board committee; \$22,000 for other directors

**Annual stock retainer:**

520 shares of Southern Company common stock in quarterly grants of 130 shares

**Meeting fees:**

\$1,800 for participation in a meeting of the board

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

**DIRECTOR DEFERRED COMPENSATION PLAN**

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

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

in Southern Company common stock units which earn dividends as if invested in Southern Company common stock and are distributed in cash upon leaving the board

at prime interest which is paid in cash upon leaving the board

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

**Table of Contents****DIRECTOR COMPENSATION TABLE**

The following table reports all compensation to the Company's non-employee directors during 2006, including amounts deferred in the Director Deferred Compensation Plan. Non-employee directors do not receive Non-Equity Incentive Plan Compensation or stock option awards, and there is no pension plan for non-employee directors.

Name	Fees Earned or Paid in Cash (\$)(1)	Stock Awards (\$)(2)	Change in Pension Value and Nonqualified Deferred	All Other Compensation (\$)(3)	Total (\$)
			Compensation Earnings (\$)		
Whit Armstrong	35,500	17,464	0	350	53,314
David J. Cooper, Sr.	32,800	17,464	0	0	50,264
R. Kent Henslee(4)	12,134	5,982	0	0	18,116
John D. Johns	31,600	17,464	0	0	49,064
Carl E. Jones, Jr.(4)	12,134	5,982	0	0	18,116
Patricia M. King	31,600	17,464	0	350	49,414
James K. Lowder	32,200	17,464	0	0	49,664
Wallace D. Malone, Jr.(4)	13,134	5,982	0	0	19,116
Malcolm Portera	30,400	17,464	0	0	47,864
Robert D. Powers	41,800	17,464	0	350	59,614
C. Dowd Ritter	34,300	17,464	0	0	51,764
James H. Sanford	30,400	17,464	0	350	48,214
John Cox Webb, IV	38,200	17,464	0	350	56,014
James W. Wright	32,800	17,464	0	433	50,697

(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 gross-ups for the reimbursement for taxes on gifts/activities provided to attendees at Company-sponsored events.

(4) Messrs. Henslee, Jones and Malone retired as directors effective as of April 28, 2006.

**EXECUTIVE SESSIONS**

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

## **COMMITTEES OF THE BOARD**

### **Controls and Compliance Committee:**

Members are Mr. Webb, Chairman; Mr. Armstrong and Mr. Lowder

Met four times in 2006

Oversees the Company's internal controls and compliance matters

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

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

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

**Compensation Committee:**

- Members are Mr. Armstrong, Chairman; Mr. Sanford and Dr. Portera
- Met one time in 2006
- Oversees the administration of the Company's compensation arrangements

The Company's Compensation Committee reviews and provides input to Southern Company's Compensation and Management Succession Committee on the performance and compensation of the Company's chief executive officer and makes recommendations regarding the fees paid to members of the Company's board of directors.

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

In 2006, the Southern Company Compensation and Management Succession Committee directly retained Hewitt Associates (Hewitt) as its outside compensation consultant. The Committee informed Hewitt in writing that it expected Hewitt to advise it if and when there were elements of management proposals to the Committee that Hewitt believed the Committee should not support, set expectations for Hewitt to be honest and direct with the Committee at all times and stated that Hewitt's ongoing engagement would be determined by the Committee. During 2006, Hewitt assisted the Committee with comprehensive market data and its implications for pay at the Company and various other governance, design and compliance matters.

**Executive Committee:**

- Members are Mr. McCrary, Chairman; Mr. Cooper, Mr. Johns and Mr. Ritter
- Met three times in 2006
- Acts in place of full board on matters that require board action between scheduled meetings of the board to the extent permitted by law and within certain limits set by the board

**Nuclear Committee:**

- Members are Mr. Powers, Chairman; Ms. King and Mr. Wright
- Met two times in 2006
- Reviews nuclear activities

**DIRECTOR ATTENDANCE**

The board of directors met four times in 2006. Average director attendance at all board and committee meetings was 97 percent. No nominee attended less than 75 percent of applicable meetings.

#### **DIRECTOR NOMINATION PROCESS**

The Company does not have a nominating committee. The full board, with input from the Company's president and chief executive officer, identifies director nominees. The board evaluates candidates based on the requirements set forth in the Company's by-laws and regulatory requirements applicable to the Company.

Southern Company owns all of the Company's common stock and, as a result, Southern Company's affirmative vote is sufficient to elect director nominees. Consequently, the board does not accept proposals from preferred shareholders regarding potential candidates for director nominees. Southern Company's president and chief executive officer is on the Company's board and may propose on behalf of Southern Company potential candidates for director nominees.

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**COMMUNICATING WITH THE BOARD**

Shareholders and other parties interested in communicating directly with the Company's board of directors, the chairman of the Controls and Compliance Committee or the non-employee directors may contact them by writing c/o Corporate Secretary, Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291 or by sending an email to apcocorpsec@southernco.com. The Corporate Secretary will receive the correspondence and forward it to the individual director or directors to whom the correspondence is directed or the chairman of the Controls and Compliance Committee. The Corporate Secretary will not forward any correspondence that is unduly hostile, threatening, illegal, not reasonably related to the Company or its business or similarly inappropriate.

**BOARD ATTENDANCE AT ANNUAL SHAREHOLDERS MEETING**

The Company does not have a policy relating to attendance at the Company's annual meeting of shareholders by directors. The Company does not solicit proxies for the election of directors because the affirmative vote of Southern Company is sufficient to elect the nominees and, therefore, holders of the Company's preferred stock rarely attend the annual meeting. Consequently, a policy encouraging directors to attend the annual meeting of shareholders is not necessary. One of the Company's 13 directors attended the Company's 2006 Annual Meeting of Shareholders.

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**AUDIT COMMITTEE REPORT**

The Southern Company Audit Committee (the Audit Committee ) oversees the Company s financial reporting process on behalf of the board of directors of Southern Company. The Company s management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements of the Company in the Annual Report with management. The Audit Committee also reviews the Company s quarterly and annual reporting on Forms 10-Q and 10-K prior to filing with the SEC. The Audit Committee s review process included discussions of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and estimates and the clarity of disclosures in the financial statements.

The independent registered public accounting firm is responsible for expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States. The Audit Committee reviewed with the independent registered public accounting firm their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards, rules and regulations of the Public Company Accounting Oversight Board ( PCAOB ) and the SEC and the NYSE corporate governance rules. In addition, the Audit Committee has discussed with the independent registered public accounting firm their independence from management and the Company including the matters in the written disclosures made under Rule 3600T of the PCAOB, which, on an interim basis, has adopted Independence Standards Board No. 1, Independence Discussions with Audit Committees. 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 scopes 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 independent registered public accounting firm with and without management present, to discuss the results of their audits, their evaluations of the Company s internal control and the overall quality of the Company s financial reporting. The Audit Committee also meets privately with Southern Company s compliance officer. The Audit Committee held 10 meetings during 2006.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the board of directors of Southern Company (and the board approved) that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche LLP as the Company s independent registered public accounting firm for 2007. At the 2007 annual meeting of the Southern Company s stockholders, the stockholders will be asked to ratify the Audit Committee s selection of the independent registered public accounting firm.

Members of the Audit Committee:

J. Neal Purcell, Chair  
Juanita Powell Baranco  
Francis S. Blake  
Zack T. Pate

**Table of Contents****PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES**

The following represents the fees billed to the Company for the two most recent fiscal years by Deloitte & Touche LLP ( Deloitte & Touche ) the Company s principal independent registered public accounting firm for 2005 and 2006.

	2005	2006
	(in thousands)	
Audit Fees(1)	\$ 2,619	\$ 2,735
Audit-Related Fees	0	0
Tax Fees(2)	0	12
All Other Fees	0	0
Total	\$ 2,619	\$ 2,747

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

(2) Related to the licensing of tax software.

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

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

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

**PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM REPRESENTATION**

No representative of Deloitte & Touche is expected to be present at the 2007 Annual Meeting of Shareholders unless, no later than three business days prior to the day of the meeting the Company's Corporate Secretary has received written notice from a shareholder addressed to the Corporate Secretary at Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291, that such shareholder will attend the meeting and wishes to ask questions of a representative of Deloitte & Touche. In such a case, representatives of Deloitte & Touche will be present at the Annual Meeting to respond to questions and will have an opportunity to make a statement if they so desire.

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**EXECUTIVE COMPENSATION INFORMATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

In this Compensation Discussion and Analysis (the CD&A ) and elsewhere in this Information Statement, references to the Compensation Committee are to the Compensation and Management Succession Committee of Southern Company's Board of Directors.

**GUIDING PRINCIPLES AND POLICIES**

Southern Company, through a single executive compensation program for all officers of its subsidiaries, drives and rewards both Southern Company performance and individual business unit performance.

This executive compensation program is based on a philosophy that total executive compensation must be competitive with the companies in our industry, must be tied to and motivate our executives to meet our short- and long-term performance goals and must foster and encourage alignment of executive interests with the interests of our stockholders and our customers. The program generally is designed to motivate all employees, including executives, to achieve operational excellence while maintaining a safe work environment.

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

Southern Company's actual earnings per share ( EPS ) and the Company's business unit performance, which includes return on equity ( ROE ), compared to target performance levels established early in the year, determine the ultimate short-term (annual) incentive payouts.

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

Southern Company's dividend payout and total shareholder return ( TSR ) compared to those of our industry peers lead to higher or lower payouts under the Performance Dividend Program ( PDP ).

In support of the performance-based pay philosophy, we have no employment contracts. Also, we only enter into severance agreements on a case-by-case basis, except upon a change in control ( CIC ), and no pay is conditioned solely upon continued employment with any of the named executive officers, other than base salary.

The pay-for-performance principles apply not only to the named executive officers, but to thousands of Company employees. The short-term incentive program covers approximately 6,700 Company employees which is almost all of the Company's employees and our CIC protection program covers all of the Company's employees not part of a collective bargaining unit. Stock options and PDP cover approximately 1,100 Company employees. These programs engage the Company's people in our business, which ultimately is good not only for them, but for the Company's customers and the Company's stockholders.

**OVERVIEW OF EXECUTIVE COMPENSATION COMPONENTS**

The executive compensation program for the named executive officers is composed of several elements, each of which plays a different role. The table below discusses the intended role of each material pay element, what it rewards and why we use it. Following the table is additional information that describes how we made 2006 pay decisions.

<b>Pay Element</b>	<b>Intended Role and What the Element Rewards</b>	<b>Why We Use the Element</b>
<b>Base Salary</b>	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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<b>Pay Element</b>	<b>Intended Role and What the Element Rewards</b>	<b>Why We Use the Element</b>
<b>Short-Term Incentive</b>	The Company's Performance Pay Program (the PPP) rewards achievement of operational, EPS and business unit financial goals.	Market practice.  Focuses attention on achievement of short-term goals that ultimately works to fulfill our mission to customers and lead to increased stockholder value in the long-term.
<b>Long-Term Incentive: Stock Options</b>	Stock options reward price increases in Common Stock over the market price on date of grant, over a 10-year term.	Represents performance-based compensation.  Aligns executives' interests with those of Southern Company's stockholders. Performance-based compensation.
<b>Long-Term Incentive: PDP</b>	The PDP provides cash compensation dependent on the number of Southern Company stock options held at year end, Southern Company's declared dividends during the year, and Southern Company's four-year TSR versus industry peers.	Enhances the value of stock options and focuses executives on maintaining a significant dividend yield for Southern Company stockholders.  Aligns executives' interests with Southern Company's stockholder interests since payouts are dependent on performance, defined as Southern Company's stock performance vs. industry peers.
<b>Discretionary Bonus</b>	An employee's supervisor may make discretionary bonus payments to an individual based on extraordinary performance.  Awards are not tied to pre-established performance goals.	Competitive market practice. Provides a means of rewarding, on a current basis, extraordinary performance of individuals.
<b>Retirement Benefits</b>	The Deferred Compensation Plan (the DCP) provides the opportunity to defer to future years all or part of base salary and bonus in either a prime interest rate or Common Stock account.  Executives participate in employee benefit plans available to all employees of the Company, including a 401(k) savings plan and the funded Southern Company Pension Plan (the Pension Plan).	The DCP is a cost-effective method of providing additional cash flow to the Company while enhancing the retirement savings of executives.  The effect of the SBP and the SERP is to eliminate the effect of tax limitations on the payment of retirement benefits.  Represents market practice for companies in Southern Company's peer group and generally.

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

The Supplemental Executive Retirement Plan (the SERP ) counts short-term incentive pay above 15% of base salary for pension purposes.

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<b>Pay Element</b>	<b>Intended Role and What the Element Rewards</b>	<b>Why We Use the Element</b>
<b>Perquisites and Other Personal Benefits</b>	Personal financial planning maximizes the perceived value of our executive compensation program to executives and allows executives to focus on Company operations.	Perquisites benefit both the Company and executives, at low cost to the Company.
<b>Post-Termination Pay</b>	Club memberships are provided primarily for business use. CIC plans and agreements provide severance pay, accelerated vesting and payment of short- and long-term incentive awards upon a CIC of the Company or Southern Company coupled with involuntary termination not for Cause or a voluntary termination for Good Reason.	Providing protections to senior executives upon a CIC minimizes disruption during a pending or anticipated CIC.  Payment and vesting occur only upon the occurrence of both an actual CIC and loss of the executive's position.

**MARKET DATA**

For the named executive officers, we review compensation data from electric and gas utilities. The data is developed and analyzed by Hewitt Associates, the compensation consultant retained by the Compensation Committee. The companies included each year in the primary peer group are those whose data is available through the consultant's database. Those companies are drawn from this list of regulated utilities of \$2 billion in revenues and up. Proxy data for the entire list of companies below also is used for Mr. McCrary's compensation. This market data is used to establish total compensation opportunities for all elements of pay based on each named executive officer's position with the Company.

Allegheny Energy, Inc.	Entergy Corporation	PNM Resources, Inc.
Alliant Energy Corporation	Exelon Corporation	PPL Corporation
Ameren Corporation	FirstEnergy Corp.	Progress Energy, Inc.
American Electric Power Company, Inc.	FPL Group, Inc.	Public Service Enterprise Group Incorporated
Centerpoint Energy, Inc.	Great Plains Energy Incorporated	Puget Energy, Inc.
Cinergy Corp.	Hawaiian Electric Industries, Inc.	SCANA Corporation
CMS Energy Corporation	KeySpan Corporation	Sempra Energy
Consolidated Edison, Inc.	NiSource Inc.	Sierra Pacific Resources
Constellation Energy Group, Inc.	Northeast Utilities	TECO Energy, Inc.
Dominion Resources, Inc.	NSTAR	TXU Corp.
DTE Energy Company	OGE Energy Corp.	Wisconsin Energy Corporation
Duke Energy Corporation	Pepco Holdings, Inc.	WPS Resources Corporation
Edison International	PG&E Corporation	Xcel Energy Inc.
Energy East Corporation	Pinnacle West Capital Corporation	

Southern Company is one of the largest U.S. utility companies in revenues and market capitalization, and its largest business units, including the Company, are some of the largest in the industry as well. For that reason, the consultant

size-adjusts the market data in order to fit it to the scope of our business.

In using market data, market is defined as the size-adjusted 50<sup>th</sup> percentile of the data, with a focus on pay opportunities at target performance (rather than actual plan payouts). We provide pay opportunities (base salary, target PPP payouts, stock option awards and target PDP payouts) at market and design our incentive plans to pay significantly more or less than the target amount when actual performance is above or below target performance levels. As a result, our plans are designed to result in payouts that are market-appropriate given our performance for that year or period.

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The Company does not target a specified weight for base salary or short-term or long-term incentives as a percent of total compensation, nor did amounts realizable from prior compensation serve to increase or decrease 2006 compensation amounts. The competitive posture of one element of pay affects the targeted competitive posture of other elements such that total compensation opportunities for senior management as a group are managed to be at the median of the market for companies our size and in our industry. The market data influenced executive officer base salary and incentive opportunities as follows for 2006:

Base salaries for senior executives were targeted at market, though individual salaries may be above or below that level for reasons of time in position, criticality to the business, individual performance or internal equity.

Target PPP opportunities were somewhat higher than market because in 2000, a long-term incentive plan (the Productivity Improvement Plan) was terminated and its award opportunities folded in with PPP. Target opportunities are set at a percentage of base salary.

To counterbalance the above-market PPP opportunities, stock option award sizes were set to be somewhat below market after taking into account the related PDP opportunity.

For purposes of comparing the value of our program to the market data, stock options are valued at 15%, and PDP targets at 10%, of the average daily Common Stock price for the year preceding the grant, both of which represent risk-adjusted present values on the date of grant and are consistent with the methodologies used to develop the market data. For the 2006 grant of stock options and the PDP targets established for the 2006-2009 performance period, this value was \$8.53 per stock option granted. The stock option value used for market data comparisons exceeds the value reported in the Grants of Plan-Based Awards Table because it assumes that the options are held for their full 10-year term. The Black-Scholes value reported in the table uses historical holding period averages of approximately five years.

As discussed above, we target total compensation opportunities for senior executives as a group at market. Therefore, some senior executives may be paid somewhat above and others somewhat below market. This practice allows for minor differentiation based on time in the position, individual performance and internal equity. The average total target compensation opportunities for the named executive officers for 2006 were approximately 12% above the market data described above.

In 2004, the Compensation Committee received a detailed comparison of our executive benefits program to the benefits of a group of other large utilities and general industry companies. The results indicated that Southern Company's executive benefits program was slightly below market.

In addition to the components described above, an employee's supervisor may make discretionary bonuses. These discretionary bonuses are not tied to the achievement of pre-established performance goals. They are used to reward extraordinary performance on a current basis.

**DESCRIPTION OF KEY COMPENSATION COMPONENTS**

**2006 Base Salary**

Base salaries for Messrs. Beattie, Martin and Spencer for 2006 were recommended by Mr. McCrary to Mr. David M. Ratcliffe, the Southern Company President and Chief Executive Officer. The base salary for Mr. Stewart, who serves as both an executive officer of the Company and of Southern Company's generation business unit (Southern Company Generation), was recommended to Mr. Ratcliffe by Mr. W. Paul Bowers, President of Southern Company Generation, with input from Mr. McCrary. Mr. McCrary also is an executive officer of Southern Company. His base salary was

recommended by Mr. Ratcliffe to the Compensation Committee and was influenced by the above-described market data and his time in the position and individual performance.

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The other named executive officers are each within a position level with a base salary range that is established under the direction of the Compensation Committee using the market data described above. Also considered in recommending the specific base salary level for each named executive officer is the need to retain an experienced team, internal equity, time in position and individual performance. This analysis of individual performance included the degree of competence and initiative exhibited and the individual's relative contribution to the results of operations in prior years. The base salaries recommended by Messrs. McCrary and Bowers were approved by Mr. Ratcliffe. With the exception of Mr. Spencer, the actual base salary levels set for each of the named executive officers are within those pre-established salary ranges. Mr. Spencer's base salary level is set above the salary range associated with his position level based on internal equity.

**2006 INCENTIVE COMPENSATION**

*Achieving Operational and Financial Goals – Our Guiding Principle for Incentive Compensation*

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

In 2006, we strove for and rewarded:

Continued industry-leading reliability and customer satisfaction, while maintaining our low retail prices relative to the national average; and

Meeting increased energy demand with the best economic and environmental choices.

In 2006, we also focused on and rewarded:

Southern Company EPS Growth – A continuation of growing EPS an average of five percent per year from a base, excluding synfuel earnings, established in 2002. The target goal shown below is five percent greater than the goal established for 2005.

Company ROE in the top quartile of comparable electric utilities.

Common Stock Dividend Growth.

Long-term, risk-adjusted Southern Company TSR.

Financial Integrity – An attractive risk-adjusted return, sound financial policy and a stable A credit rating.

The incentive compensation program is designed to encourage the Company to achieve these goals.

The Southern Company Chief Executive Officer with the assistance of Southern Company's Human Resources staff recommends to the Compensation Committee program design and award amounts for senior executives.

**2006 PPP**

*Program Design*

PPP is Southern Company's annual cash incentive plan. Almost all employees of the Company are participants, including the named executive officers, a total of approximately 6,700 Company participants.

The performance measured by the program uses goals set at the beginning of each year by the Compensation Committee.

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An illustration of the PPP goal structure for 2006 is provided below.

Operational goals for 2006 were safety, customer service, plant availability, transmission and distribution system reliability, inclusion, capital expenditures, and for Southern Company Generation, net income. Each of these operational goals is explained in more detail under *Goal Details* below. The result of all operational goals is averaged and multiplied by the bonus impact of the EPS and Business Unit financial goals. The amount for each goal can range from 0.90 to 1.10, or 0 if a threshold performance level is not achieved as more fully described below. The level of achievement for each operational goal is determined and the results are averaged.

Southern Company EPS is weighted at 50% of the financial goals. EPS is defined as earnings from continuing operations divided by average shares outstanding during the year, excluding synthetic fuel earnings ( *synfuel earnings* ). The EPS performance measure is applicable to all participants in the PPP, including the named executive officers.

Business Unit Financial Performance is weighted at 50% of the financial goals. The Company financial performance goal is ROE, which is defined as the Company's net income divided by average equity for the year. For Southern Company Generation, the financial performance goal is the weighted average ROE performance of the Company and affiliated companies, Georgia Power Company, Gulf Power Company and Mississippi Power Company.

The Compensation Committee may make adjustments, both positive and negative, to goal achievement for purposes of determining payouts. Such adjustments include the impact of items considered one time or outside of normal operations or not anticipated in the business plan when the goal was established, and of sufficient magnitude to warrant recognition. For the payout based on 2006 performance, an adjustment was made as described below under the heading *2006 Achievement*. The effect of the adjustment was to increase payouts under the program to all Company participants by approximately four percent.

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

*Goal Details*

**Operational Goals:**

**Customer Service** The Company uses customer satisfaction surveys to evaluate the Company's performance. The survey results provide an overall ranking for the 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 historical performance, expected weather conditions, and expected capital expenditures.

**Availability** Peak season equivalent forced outage rate is an indicator of fossil/hydro plant availability and efficient generation fleet operations during the months when generation needs are greatest. The rate is calculated by dividing the number of hours of forced outages by total generation hours.

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**Safety** The Company's Target Zero program is focused on continuous improvement in having a safe work environment. The performance is measured by the Occupational Safety and Health Administration recordable incident rate.

**Inclusion/Diversity** The inclusion program seeks to improve our inclusive workplace. This goal includes measures for work environment (employee satisfaction survey), representation of minorities and females in leadership roles and supplier diversity.

**Capital expenditures** The Company aims to manage capital expenditures to meet customer commitments without sacrificing financial integrity.

**Southern Company capital expenditures gate or threshold goal** Southern Company strives to manage total capital expenditures for the participating business units at or below \$2.7 billion for 2006, excluding nuclear fuel. If the capital expenditure target is exceeded, total operational goal performance is capped at 0.90 regardless of the actual operational goal results. Adjustments to the goal may occur due to significant events not anticipated in Southern Company's business plan established early in 2006, such as acquisitions or disposition of assets, new capital projects and other events.

Southern Company Generation Operational Goals do not include Reliability or Customer Service. Additional Operational Goals for Southern Company Generation are detailed below:

**Capital Expenditures** We aim to maintain capital expenditures at or below target levels, excluding expenditures in connection with acquisitions.

**Southern Company Generation net income** We seek to achieve net income from competitive generation at or above target levels.

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

<b>Customer Service</b>	<b>Reliability (T&amp;D)</b>	<b>Availability</b>	<b>Safety Company/Southern Company Generation</b>	<b>Inclusion/Diversity</b>	<b>Competitive Generation Net Income</b>	<b>Competitive Generation Capital Expenditures</b>
Top quartile	Improve historical performance	2.00%	1.25/0.66	Significant improvement	\$310 million	\$161 million
2 <sup>nd</sup> quartile	Maintain historical performance	2.75%	1.75/0.88	Improve	\$285 million	\$165 million
3 <sup>rd</sup> quartile	Below historical performance	3.75%	2.50/1.10	Below expectations	\$226 million	\$169 million
4 <sup>th</sup> quartile	Significant issues	6.00%	>2.50/>1.10	Significant issues	< \$226 million	> \$169 million

**EPS and Business Unit Financial Performance:**

The range of EPS and Business Unit financial performance goals for 2006 is shown below. The ROE goal varies 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.

<b>Level of Performance</b>	<b>Southern Company</b>	<b>Business Unit Financial</b>	<b>Payout Factor</b>	<b>Payout Factor at</b>	<b>Payout Below Threshold for Operational Goal</b>
	<b>EPS Excluding Synfuel Earnings</b>	<b>Performance ROE</b>		<b>Highest Level of Operational Goal</b>	
Maximum	\$ 2.11	14.25%	2.00	2.20	0
Target	\$ 2.055	13.25%	1.00	1.10	0
Threshold	\$ 1.97	10.50%	0.25	0.275	0
Below threshold	< \$ 1.97	< 10.50%	0	0	0

**Table of Contents***2006 Achievement*

Each named executive officer had a target PPP opportunity, based on his position, set by the Compensation Committee at the beginning of 2006. Targets are set as a percentage of base salary. Mr. McCrary's target was set at 75%. For Messrs. Martin and Stewart it was set at 55% and for Messrs. Beattie and Spencer it was set at 50%, based on their respective position levels. Actual PPP payouts were developed by adding the payouts derived from EPS and Business Unit financial performance goal achievement for 2006 and multiplying that sum by the result of the operational goal achievement. The gate goal target was not exceeded and therefore had no impact on payouts. Actual 2006 goal achievement is shown in the table below.

Business Unit	Operational	EPS,	EPS Goal	Business Unit Financial Performance	Business Unit	Total	Total
	Goal Multiplier	Excluding Synfuel Earnings	Performance Factor (50% Weight)		Performance	Performance	
	(A)				(50% Weight)	(B)	(A x B)
Company	1.09	\$2.10	1.84	13.31%	1.06	1.45	1.58
Southern Company Generation	1.09	\$2.10	1.84	13.7%	1.53	1.68	1.83

Note that the Total PPP Factor may vary from the Total Weighted Performance multiplied by the operational goal multiplier due to rounding. To calculate a PPP payout, the target opportunity (PPP target times base salary) is multiplied by the Total PPP Factor.

PPP payouts were determined using EPS and the Company's ROE performance results that differ somewhat from the results reported in the financial statements in Southern Company's 2006 Annual Report to Stockholders and in the Company's 2006 Annual Report, respectively. These differences are described below.

EPS excluding synfuel earnings Southern Company's synthetic fuel investments generate tax credits as a result of synthetic fuel production. Due to higher oil prices in 2006, such tax credits were partially phased out and one synfuel investment was terminated. As a result, Southern Company's synthetic fuel investments did not contribute significantly to earnings and EPS during 2006. These tax credits will no longer be available after December 31, 2007. Southern Company management uses EPS, excluding synfuel earnings, to evaluate the performance of Southern Company's ongoing business activities. We believe the presentation of earnings and EPS, excluding the results of the synthetic fuel investments, also is useful for investors because it provides additional information for purposes of comparing our performance for such periods. For 2006, reported EPS was \$2.12 per share including synfuel earnings, and \$2.10 per share excluding synfuel earnings. As established by the Compensation Committee in early 2006, the PPP goal for 2006 measured the EPS performance, excluding synfuel earnings.

The 2006 ROE reported for the Company was 13.23%. The Company's ROE performance for PPP was 13.31%, due to a one-time adjustment approved by the Compensation Committee to exclude the impact of New Source Review litigation that was settled during 2006. Please see the Notes to the financial statements in the Company's 2006 Annual Report for more information about the New Source Review settlement.

Stock Options

Options to purchase Common Stock are granted annually and were granted in 2006 to the named executive officers and approximately 1,100 other employees of the Company. Options have a 10-year term, vest over a three-year period, fully vest upon retirement or termination of employment following a CIC and expire at the earlier of five years from the date of retirement or the end of the 10-year term.

Stock option award sizes for 2006 were calculated using guidelines set by the Compensation Committee as a percent of base salary. These guidelines are kept stable from year to year unless the market data indicates a clear need to change them.

The number of options granted is the guideline figure divided by Southern Company's average daily Common Stock price for the year preceding the grant. This is done to mitigate volatility in the number of options granted and to provide a standard formula to determine the size of quarterly new-hire grants.

PDP

All option holders (about 1,100 Company employees), including the named executive officers, can receive performance-based dividend equivalents on stock options held at the end of the year. Dividend equivalents can range from 0% to 100% of the Common Stock dividend paid during the year per option held at the end of the

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year. Actual payout will depend on Southern Company's TSR over a four-year performance measurement period compared to a group of other electric and gas utility companies listed below.

TSR is calculated by measuring the ending value of a hypothetical \$100 invested in each company's common stock at the beginning of each of 16 quarters.

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

*2003-2006 Payout*

The peer group used to determine the payout for the 2003-2006 performance measurement period was made up of utilities with revenues of \$2 billion or more with regulated revenues of 70% or more. Those companies are listed below.

Allegheny Energy, Inc.	Exelon Corporation	Progress Energy, Inc.
Alliant Energy Corporation	FirstEnergy Corporation	Public Service Enterprise Group Incorporated
Ameren Corporation	FPL Group, Inc.	Puget Energy, Inc.
American Electric Power Company, Inc.	NiSource Inc.	SCANA Corporation
Avista Corporation	Northeast Utilities	Sempra Energy
Cinergy Corp.	NorthWestern Corporation	Sierra Pacific Resources
Consolidated Edison, Inc.	NSTAR	Westar Energy, Inc.
DTE Energy Company	OGE Energy Corp.	Wisconsin Energy Corporation
Energy East Corporation	Pepco Holdings, Inc.	Xcel Energy Inc.
Entergy Corporation	Pinnacle West Capital Corporation	

The scale below determined the percent of the full year's dividend paid on each option held at December 31, 2006 based on performance during 2003-2006. Payout for performance between points was interpolated on a straight-line basis.

<b>Performance vs. Peer Group</b>	<b>Payout (% of A Full Year's Dividend Paid)</b>
90 <sup>th</sup> percentile or higher	100%
50 <sup>th</sup> percentile	50%
10 <sup>th</sup> percentile or lower	0%

The above payout scale, when established in 2003, paid 25% of the dividend at the 30<sup>th</sup> percentile and zero below that. The scale was extended to the 10<sup>th</sup> percentile on a straight-line basis by the Compensation Committee in October 2005, in order to avoid the earnings volatility and employee relations issues that the payout cliff created. (About 1,100 Company employees receive PDP awards.)

TSR was calculated by measuring the ending value of a hypothetical \$100 invested in each company's stock at the beginning of each of 16 quarters.

For tax purposes, the Compensation Committee approved a scale for Mr. McCrary of two times the scale shown above (as originally established) and used negative discretion to arrive at a payout commensurate with the scale shown.

Southern Company's TSR performance during the four-year period ending with 2006 was the 32nd percentile, resulting in a payout of 27.5% of the full year's Common Stock dividend, or \$0.42. This figure was multiplied by each named executive officer's outstanding stock options at December 31, 2006 to calculate the payout under the program. The amount paid is included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table.

*2006-2009 Opportunity*

The peer group for the period 2006-2009 is made up of utility companies with revenues of \$1.2 billion or more with regulated revenues of approximately 60% or more. Those companies are listed below.

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The guideline used to establish the peer group for the 2003-2006 performance measurement period was somewhat different from that used in 2006 to establish the peer group for the 2006-2009 performance measurement period. The guideline for inclusion in the peer group is reevaluated annually as needed to assist in identifying 25 to 30 companies similar to Southern Company. While the guideline does vary somewhat, 22 of the 29 companies in the peer group for the 2003-2006 performance measurement period also were in the peer group established for the 2006-2009 period.

Allegheny Energy, Inc.	Edison International	PG&E Corporation
Alliant Energy Corporation	Energy East Corporation	Pinnacle West Capital Corporation
Ameren Corporation	Entergy Corporation	Progress Energy, Inc.
American Electric Power Company, Inc.	Exelon Corporation	Puget Energy, Inc.
Aquila, Inc.	FPL Group, Inc.	SCANA Corporation
Centerpoint Energy, Inc.	KeySpan Corporation	Sempra Energy
Cinergy Corp.	NiSource Inc.	Sierra Pacific Resources
CMS Energy Corporation	Northeast Utilities	Westar Energy, Inc.
Consolidated Edison, Inc.	NSTAR	Wisconsin Energy Corporation
DPL Inc.	Pepco Holdings, Inc.	Xcel Energy Inc.

The scale below will determine the percent of the full year's dividend paid on each option held at December 31, 2009, based on performance during 2006-2009. Payout for performance between points is interpolated on a straight-line basis.

<b>Performance vs. Peer Group</b>	<b>Payout (% of a Full Year's Dividend Paid)</b>
90 <sup>th</sup> percentile or higher	100%
50 <sup>th</sup> percentile	50%
10 <sup>th</sup> percentile or lower	0%

See the Grants of Plan-Based Awards Table and the accompanying information following it for more information about threshold, target and maximum payout opportunities for the 2006-2009 PDP.

**Discretionary Bonuses**

Under the discretion mentioned above, Messrs. McCrary and Bowers approved discretionary bonuses to Mr. Stewart for the superior leadership he demonstrated at both the Company and Southern Company Generation during 2006, particularly regarding his support of internal Company initiatives and achieving superior generation fleet availability resulting in a peak season equivalent forced outage rate significantly below industry averages.

**Timing of Incentive Compensation**

As discussed above, Southern Company EPS and Business Unit financial performance goals for the 2006 PPP were established at the February 2006 Compensation Committee meeting. Annual stock option grants also were made at that meeting. The establishment of incentive compensation goals and the granting of stock options were not timed with the release of non-public material information. This procedure was consistent with prior practices. Stock option grants are made to new hires or newly-eligible participants on preset, regular quarterly dates that were approved by the

Compensation Committee. The exercise price of options granted to employees in 2006, and in all prior years, was the average of the high and low market price of the Common Stock on the date of grant. Beginning with the grant made in February 2007, the exercise price is or will be no lower than the closing market price on the date of grant. The date of grant is the date the Compensation Committee approved the stock option awards or the last trading day prior to the approval date if the NYSE is closed on the approval date.

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**Post-Employment Compensation**

As mentioned above, we provide certain post-employment compensation to employees, including the named executive officers:

**Retirement Benefits**

Generally, all full-time employees of the Company, including the named executive officers, participate in the Pension Plan after completing one year of service. Normal retirement benefits become payable when participants both attain age 65 and complete five years of participation. We also provide unfunded benefits that count salary and short-term incentive pay that is ineligible to be counted under the funded pension plan. (These plans are the SBP and the SERP that are mentioned in the chart above.) See the Pension Benefits Table and the information accompanying it for more information about pension-related benefits.

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

**CIC Protections**

Providing certain protections to senior executives upon a CIC allows them to negotiate aggressively with a prospective purchaser. Providing such protections to our employees in general minimizes disruption during a pending or anticipated CIC. For all participants, payment and vesting occur only upon the occurrence of both a true CIC and loss of the individual's position.

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

More information about post-employment compensation, including severance arrangements under Southern Company's CIC program, is included below under the heading Potential Payments upon Termination or Change In Control below.

**Executive Stock Ownership Requirements**

Effective January 1, 2006, the Compensation Committee adopted Common Stock ownership requirements for officers of Southern Company and its subsidiaries, which included the Company, that are in a position of Vice President or above. All of the named executive officers are covered by the requirements. The guidelines were implemented to further align the interest of officers and Southern Company stockholders by promoting a long-term focus and long-term share ownership.

The types of ownership arrangements counted toward the requirements are shares owned outright, those held in Southern Company-sponsored plans and Common Stock accounts in the DCP and the SBP. One-third of vested Southern Company stock options may be counted, but if so, the ownership target is doubled.

The requirements are expressed as a multiple of base salary as per the table below.

<b>Name</b>	<b>Multiple of Salary Without Counting Stock Options</b>	<b>Multiple of Salary Counting 1/3 of Vested Options</b>
C. D. McCrary	3 Times	6 Times
A. P. Beattie	2 Times	4 Times
C. A. Martin	3 Times	6 Times
S. R. Spencer	2 Times	4 Times
J. L. Stewart	3 Times	6 Times

The ownership requirement is reduced by one-half for officers that are over 60 years of age. This reduction allows the officer to diversify his or her holdings in anticipation of retirement in five years or less. None of the named executive officers is over 60.

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Current officers have until September 30, 2011 to meet the applicable ownership requirement. Newly-elected officers will have five years to meet the applicable ownership requirement.

**Impact of Accounting and Tax Treatments on Compensation**

Section 162(m) of the Internal Revenue Code of 1986, as amended (the Code), limits the tax deductibility of Mr. McCrary's compensation that exceeds \$1 million per year unless the compensation is paid under a performance-based plan as defined in the Code and that has been approved by Southern Company's stockholders. Southern Company has obtained stockholder approval of the Omnibus Incentive Compensation Plan, under which all of our incentive compensation is paid. For tax purposes, in order to ensure that PPP and PDP payouts are fully deductible under Section 162(m) of the Code, the Compensation Committee approved in February 2006 a formula that represented a maximum PPP amount payable (defined as 0.6% of Southern Company's net income), and the maximum 2006-2009 PDP amount payable (also defined as 0.6% of the Southern Company's net income). In 2006, the Compensation Committee used (for PPP), or will use (for PDP), negative discretion from those amounts to determine the actual payouts pursuant to the methodologies described above.

Because our policy is to maximize long-term stockholder value, as described fully in this CD&A, tax deductibility is not the only factor considered in setting compensation.

**Policy on Recovery of Awards**

The Company's 2006 Omnibus Incentive Compensation Plan provides that, if Southern Company or the Company is required to prepare an accounting restatement due to material noncompliance as a result of misconduct, and if an executive knowingly or grossly negligently engaged in or failed to prevent the misconduct or is subject to automatic forfeiture under the Sarbanes-Oxley Act of 2002, the executive will reimburse the Company the amount of any payment in settlement of awards earned or accrued during the 12-month period following the first public issuance or filing that was restated.

**Southern Company Policy Regarding Hedging the Economic Risk of Stock Ownership**

Southern Company's policy is that insiders, including non-employee directors, will not trade in Southern Company options on the options market and will not engage in short sales.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee met with management to review and discuss the CD&A. Based on such review and discussion, the Compensation Committee recommended to the Southern Company Board of Directors that the CD&A be included in the Company's Annual Report on Form 10-K covering the 2006 fiscal year and in this Information Statement. The Southern Company Board of Directors approved that recommendation.

Members of the Compensation Committee:

Gerald J. St. Pé, Chair  
Thomas F. Chapman  
Donald M. James  
William G. Smith, Jr.



**Table of Contents****SUMMARY COMPENSATION TABLE FOR 2006**

The Summary Compensation Table shows the amount and type of compensation received or earned in 2006 for the Chief Executive Officer, the Chief Financial Officer and the next three most highly-paid executive officers of the Company. Collectively, these five officers are referred to as the named executive officers.

Name and Principal Position(a)	Year (b)	Salary (\$)(c)	Bonus (\$)(d)	Stock Awards (\$)(e)	Option Awards (\$)(f)	Non-Equity Plan Compensation (\$)(g)	Change in Pension Value and Nonqualified Deferred	All Other Compensation (\$)(i)	Total (\$)(j)
							Earnings Compensation (\$)(h)		
<b>Charles D. McCrary</b> President, Chief Executive Officer and Director	2006	609,407	0	0	411,589	900,736	203,672	55,606	2,181,010
<b>Arthur P. Beattie</b> Executive Vice President, Chief Financial Officer and Treasurer	2006	256,429	0	0	83,573	245,592	138,528	22,251	746,373
<b>C. Alan Martin</b> Executive Vice President	2006	380,290	0	0	151,351	390,089	134,477	33,649	1,089,856
<b>Steven R. Spencer</b> Executive Vice President	2006	349,890	0	0	117,827	315,952	48,165	27,713	859,547
<b>Jerry L. Stewart</b> Senior Vice President	2006	319,035	40,000	0	127,206	387,889	145,330	65,508	1,084,968

Column (d)

The amount reported in this column was for two discretionary individual performance bonuses during 2006 to Mr. Stewart of \$15,000 and \$25,000. Please see the CD&A for more information about the Company's discretion to pay discretionary bonuses and these bonuses to Mr. Stewart, specifically. Amounts reported in this column are not attributable to pre-established performance goals. Payouts under the Company's short- and long-term incentive compensation programs (PPP and PDP) are reported in Column (g).

Column (e)

No equity-based compensation has been awarded to the named executive officers, or any other employees of the Company, other than Stock Option Awards which are reported in Column (f).

Column (f)

This column reports the dollar amounts recognized for financial statement reporting purposes with respect to 2006 in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123, (revised 2004) ( FAS 123R ) disregarding any estimates of forfeitures relating to service-based vesting conditions. The assumptions used in calculating these amounts are discussed in Note 1 to the financial statements in the Company's 2006 Annual Report.

The amounts shown equal the grant date fair value for the 2006 options granted in 2006, as reported in the Grants of Plan-Based Awards Table because these named executive officers have been retirement eligible for several years and therefore their options will vest in full upon termination. Accordingly, under FAS 123R, the full grant date fair value of their option awards is expensed in the year of grant.

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## Column (g)

The amounts in this column are the aggregate of the payouts under the PPP and the PDP that are discussed in detail in the CD&A. The amounts paid under each program to the named executive officers are shown below:

<b>Name</b>	<b>PPP (\$)</b>	<b>PDP (\$)</b>	<b>Total (\$)</b>
C. D. McCrary	729,090	171,646	900,736
A. P. Beattie	213,180	32,412	245,592
C. A. Martin	332,723	57,366	390,089
S. R. Spencer	278,295	37,657	315,952
J. L. Stewart	323,899	63,990	387,889

## Column (h)

This column reports the aggregate change in the actuarial present value of each named executive officer's accumulated benefit under the Pension Plan and the supplemental pension plans (collectively, the Pension Benefits) that are described more fully following the Pension Benefits Table.

The amounts reported are earned through September 30, 2006 over the comparable amounts computed as of September 30, 2005. September 30 was the measurement date used for the Company's financial statement reporting purposes for fiscal years 2005 and 2006. For information on the assumptions used to calculate the actuarial present value of accumulated benefits as of September 30, 2006, see the information following the Pension Benefits Table. The amounts computed as of September 30, 2005 used the same assumptions except that the discount rate used was 5.5% per year, the rate used in the Company's 2005 financial statements, rather than 6.0% per year. The discount rate change was prompted by the pension accounting standards which require this assumption to be reselected each year based on fixed income investments' market yields. The assumptions used to calculate the September 30, 2005 values differ from those used to derive pension obligations reported in the 2005 financial statements in one respect: the obligations were calculated assuming that a portion of the pension benefits would be paid out through the purchase of a third-party annuity. That program has been eliminated and annuities were never purchased so that assumption was not used when computing the benefit values above.

This column also reports the above-market earnings on deferred compensation. Above-market earnings are defined by the SEC as any amount above 120% of the applicable federal long-term rate as prescribed under Section 1274(d) of the Code.

Under the DCP, eligible employees are permitted to defer up to 50% of their salary and 100% of payments under the PPP or the PDP. The deferred amounts are then treated as if invested in one of two investment options at the election of the participant. Amounts may be treated as if invested in Common Stock ( Stock Equivalent Account ) or at the prime interest rate as published in the Wall Street Journal as the base rate on corporate loans posted as of the last business day of each month by at least 75% of the United States largest banks ( Prime Equivalent Account ).

The amounts invested in the Stock Equivalent Account are treated as if dividends are paid and reinvested at the same rate as that paid to Southern Company s stockholders. That amount is not considered above-market as defined by the SEC.

In 2006, the prime interest rate used in the Prime Equivalent Account exceeded 120% of the applicable long-term rate in effect at the measurement point required under the SEC s rules. Therefore, earnings that exceed the amount calculated at that rate are reported here. The range of interest rates under the Prime Equivalent Account was 7.25% to 8.25% in 2006 and the applicable long-term rate was 7.14%.

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The table below itemizes the amounts reported in this column.

<b>Name</b>	<b>Change in Pension Value (\$)</b>	<b>Above-Market Earnings on Deferred Compensation (\$)</b>	<b>Total (\$)</b>
C. D. McCrary	198,676	4,996	203,672
A. P. Beattie	137,026	1,502	138,528
C. A. Martin	125,808	8,669	134,477
S. R. Spencer	48,165	0	48,165
J. L. Stewart	137,400	7,930	145,330

## Column (i)

This column reports the following items: perquisites; tax reimbursements by the Company and Company contributions in 2006 to the Southern Company Employee Savings Plan (the ESP), which is a tax-qualified defined contribution plan intended to meet requirements of Section 401(k) of the Code and contributions in 2006 under the Southern Company Supplemental Benefit Plan (Non-Pension Related) (the SBP-N). The SBP-N is described more fully in the information following the Nonqualified Deferred Compensation Table.

The amounts reported are itemized below.

<b>Name</b>	<b>Perquisites (\$)</b>	<b>Tax Reimbursements (\$)</b>	<b>ESP (\$)</b>	<b>SBP-N (\$)</b>	<b>Total (\$)</b>
C. D. McCrary	14,673	12,942	8,498	19,493	55,606
A. P. Beattie	7,283	4,359	8,492	2,117	22,251

C. A. Martin	9,355	7,490	9,199	7,605	33,649
S. R. Spencer	7,174	5,676	8,441	6,422	27,713
J. L. Stewart	18,424	32,431	9,900	4,753	65,508

### **Description of Perquisites**

*Personal Financial Planning* is provided for most officers of the Company, including all of the named executive officers. The Company pays for the services of a financial planner on behalf of the officers, up to a maximum amount of \$7,000 per year, after the initial year that the benefit is first provided. In the initial year, the allowed amount is \$15,000. The Company also provides a five-year allowance of \$6,000 for estate planning and tax return preparation fees. The full cost paid by the Company in 2006 is reported here. For Mr. Stewart, the amount provided in 2006 was \$15,000 for the initial year of his receipt of this benefit.

*Personal Use of Company-Provided Club Memberships.* The Company provides club memberships to certain officers, including all of the named executive officers. The memberships are provided for business use; however, personal use is permitted. The amount included reflects the pro-rata portion of the membership fees paid by the Company that are attributable to the named executive officers' personal use. Direct costs associated with any personal use, such as meals, are paid for or reimbursed by the employee and therefore are not included.

*Personal Use of Corporate-Owned Aircraft.* Southern Company owns aircraft that are used to facilitate business travel. All flights on these aircraft must have a business purpose. Also, if seating is available, Southern Company permits a spouse or other family member to accompany a Company employee on a flight. However, because in such cases the aircraft is being used for a business purpose, there is no incremental cost associated with the spousal travel and no amounts are included for such travel. Any additional expenses incurred that are related to spousal travel are included.

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

**Table of Contents****GRANTS OF PLAN-BASED AWARDS MADE IN 2006**

The Grants of Plan-Based Awards Table provides information on stock option grants made and goals established for future payouts under the Company's incentive compensation programs during 2006 by the Compensation Committee.

Name	Grant Date		Estimated Possible Payouts Under			All Other	Exercise	Closing	Grant Date	Fair Value of Stock and Option Awards
			Non-Equity Incentive Plan Awards Threshold	Target	Maximum	Awards: Number of Securities	or Base Price of	Price on Last Trading Date Prior to Grant Date		
(a)	(b)		(\$)	(\$)	(\$)	(#)	(\$/Sh)	(\$/Sh)	(h)	(i)
C. D. McCrary	2/20/2006	PPP	103,826	461,450	1,015,190	99,178	33.81	33.86	411,589	
		PDP	31,366	313,663	627,325					
A. P. Beattie	2/20/2006	PPP	30,358	134,924	296,833	20,138	33.81	33.86	83,573	
		PDP	5,923	59,230	118,459					
C. A. Martin	2/20/2006	PPP	47,381	210,584	463,284	36,470	33.81	33.86	151,351	
		PDP	10,483	104,829	209,658					
S. R. Spencer	2/20/2006	PPP	39,631	176,136	387,500	28,392	33.81	33.86	117,827	
		PDP	6,881	68,814	137,628					
J. L. Stewart	2/20/2006	PPP	39,824	176,994	389,386	30,652	33.81	33.86	127,206	
		PDP	11,693	116,934	233,868					

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

The amounts reported as PPP reflect the amounts established by the Compensation Committee in early 2006 to be paid for certain levels of performance as of December 31, 2006 under the PPP, the Company's short-term incentive program. The Compensation Committee assigns each named executive officer a target incentive opportunity, expressed as a percentage of base salary, that is paid for target-level performance under the PPP. The target incentive opportunities established for the named executive officers for 2006 performance was 75% for Mr. McCrary, 55% for Messrs. Martin and Stewart and 50% for Messrs. Beattie and Spencer. The payout factor for threshold performance was set at 0.225 times the target incentive opportunity and the maximum amount payable was set at 2.20 times the target. The amount paid to each named executive officer under the PPP for actual 2006 performance is included in the Non-Equity Incentive Plan Compensation column in the Summary Compensation Table and is itemized in the notes following that table. More information about the PPP, including the applicable performance criteria established by the Compensation Committee, is provided in the CD&A.

The Company also has a long-term incentive program, the PDP, that pays performance-based dividend equivalents based on Southern Company's TSR compared with the TSR of its peer companies over a four-year performance measurement period. The Compensation Committee establishes the level of payout for prescribed levels of performance over the measurement period.

In February 2006, the Compensation Committee established the PDP goal for the four-year performance measurement period beginning on January 1, 2006 and ending on December 31, 2009. The amount earned based on performance over that period will be paid following the end of the period. However, no amount is earned and paid unless the Compensation Committee approves the payment at the beginning of the final year of the performance measurement period. Also, nothing is earned unless Southern Company's earnings are sufficient to fund a Common Stock dividend at the same level as the prior year.

The PDP pays to all option holders a percentage of the Common Stock dividend paid to Southern Company's stockholders in the last year of the performance measurement period. It can range from approximately five percent for performance above the 10th percentile compared with the performance of the peer companies to 100% of the dividend if Southern Company's TSR is at or above the 90th percentile. That amount is then paid per option held at the end of the four-year period. The amount, if any, ultimately paid to the option holders, including the named executive officers, at the end of the 2006-2009 performance measurement period will be based on (1) Southern Company's TSR compared to that of its peer companies as of December 31, 2009, (2) the actual dividend paid in 2009 to Southern Company's stockholders, if any, and (3) the number of options held by the named executive officers on December 31, 2009.

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The number of options held on December 31, 2009 will be affected by the number of additional options granted to the named executive officers prior to December 31, 2009, if any, and the number of options exercised by the named executive officers prior to December 31, 2009, if any. None of these components necessary to calculate the range of payout under the PDP for the 2006-2009 performance measurement period is known at the time the goal is established.

The amounts reported as PDP in columns (c), (d) and (e) were calculated based on the number of options held by the named executive officers on December 31, 2006, as reported in columns (b) and (c) of the Outstanding Equity Awards at 2006 Fiscal Year-End table and the Common Stock dividend of \$1.535 per share paid to Southern Company stockholders in 2006. These factors are itemized below.

<b>Name</b>	<b>Stock Options Held as of December 31, 2006 (#)</b>	<b>Performance Dividend Equivalent Per Option Paid at Threshold  Performance (\$)</b>	<b>Performance Dividend Equivalent Per Option Paid at Target  Performance (\$)</b>	<b>Performance Dividend Per Option Paid at Maximum  Performance (\$)</b>
C. D. McCrary	408,681	0.07675	0.7675	1.535
A. P. Beattie	77,172	0.07675	0.7675	1.535
C. A. Martin	136,585	0.07675	0.7675	1.535
S. R. Spencer	89,660	0.07675	0.7675	1.535
J. L. Stewart	152,357	0.07675	0.7675	1.535

More information about the PDP is provided in the CD&A.

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

The stock options vest at the rate of one-third per year on the anniversary date of the grant. Also, grants fully vest upon termination as a result of death, total disability or retirement and expire five years after retirement, three years after death or total disability, or their normal expiration date if earlier. Please see Potential Payments upon Termination or Change in Control for more information about the treatment of stock options under different termination and CIC events.

The Compensation Committee granted these stock options to the named executive officers at its regularly scheduled meeting on February 20, 2006. February 20, 2006 was a holiday (Presidents Day) and the NYSE was closed. Therefore, under the terms of the Omnibus Incentive Compensation Plan, the exercise price was determined as of the last trading day prior to the grant date. As has been the long-standing practice of the Compensation Committee, the exercise price was set at the average of the high and the low price on that date (\$33.81 per share), which was five cents lower than the closing price on that date (\$33.86 per share).

Column (i)

The value of stock options granted in 2006 were derived using the Black-Scholes stock option pricing model. The assumptions used in calculating these amounts are discussed in Note 1 to the financial statements in the Company's 2006 Annual Report.

Table of Contents**OUTSTANDING EQUITY AWARDS AT 2006 FISCAL YEAR-END**

This table provides information pertaining to all outstanding stock options held by the named executive officers as of December 31, 2006.

Name	Option Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options	Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Number of Shares or Units of Stock That Have Not Vested (\$)	Shares or Units of Other Rights That Have Not Vested (#)	Shares or Units of Other Rights That Have Not Vested (\$)
C. D. McCrary	79,571	0	0	25.26	02/15/2012	0	0	0	0
	72,054	0		27.975	02/14/2013				
	47,616	23,808		29.50	02/13/2014				
	28,818	57,636		32.70	02/18/2015				
	0	99,178		33.81	02/20/2016				
A. P. Beattie	12,871	0	0	25.26	02/15/2012	0	0	0	0
	11,514	0		27.975	02/14/2013				
	7,394	3,697		29.50	02/13/2014				
	7,186	14,372		32.70	02/18/2015				
	0	20,138		33.81	02/20/2016				
C. A. Martin	20,859	0	0	27.975	02/14/2013	0	0	0	0
	26,559	13,279		29.50	02/13/2014				

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	13,140	26,278		32.70	02/18/2015				
	0	36,470		33.81	02/20/2016				
S. R. Spencer	9,805	0	0	27.975	02/14/2013	0	0	0	0
	10,388	10,388		29.5	02/13/2014				
	10,229	20,458		32.7	02/18/2015				
	0	28,392		33.81	02/20/2016				
J. L. Stewart	26,286	0	0	25.26	02/15/2012	0	0	0	0
	30,381	0		27.975	02/14/2013				
	21,483	10,741		29.50	02/13/2014				
	10,938	21,876		32.70	02/18/2015				
	0	30,652		33.81	02/20/2016				

Stock options vest one-third per year on the anniversary of the grant date. Options granted in 2002 and 2003, with an expiration date in 2012 and 2013, respectively, were fully vested as of December 31, 2006. The options granted in 2004, 2005 and 2006 become fully vested as shown below.

Expiration Date	Date Fully Vested
February 13, 2014	February 13, 2007
February 18, 2015	February 18, 2008
February 20, 2016	February 20, 2009

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

**Table of Contents****OPTION EXERCISES AND STOCK VESTED IN 2006**

None of the named executive officers were granted stock awards. Of the named executive officers, only Messrs. Beattie, Martin and Stewart exercised options in 2006.

Name (a)	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (\$) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting (\$) (e)
C. D. McCrary	0	0	0	0
A. P. Beattie	11,491	159,667	0	0
C. A. Martin	20,500	164,513	0	0
S. R. Spencer	0	0	0	0
J. L. Stewart	22,448	302,487	0	0

**PENSION BENEFITS AT 2006 FISCAL YEAR-END**

Name (a)	Plan Name (b)	Number of Years Credited Service (#) (c)	Present Value of Accumulated Benefit (\$) (d)	Payments During Last Fiscal Year (\$) (e)
C. D. McCrary	Pension Plan	31.92	616,547	0
	SBP-P	31.92	2,355,184	0
	SERP	31.92	757,614	0
A. P. Beattie	Pension Plan	29.83	481,309	0

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	SBP-P	29.83	223,224	0
	SERP	29.83	146,669	0
C. A. Martin	Pension Plan	33.58	788,307	0
	SBP-P	33.58	1,292,125	0
	SERP	33.58	477,761	0
S. R. Spencer	Pension Plan	27.75	436,900	0
	SBP-P	27.75	570,302	0
	SERP	27.75	224,478	0
J. L. Stewart	Pension Plan	32.83	718,295	0
	SBP-P	32.83	933,366	0
	SERP	32.83	380,651	0

The named executive officers earn Company-paid pension benefits from three integrated retirement plans. More information about pension benefits is provided in the CD&A.

### The Pension Plan

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

The 1.7% offset formula amount equals 1.7% of final average base rate of pay times years of credited service less an offset related to Social Security benefits. The offset equals a service ratio times 50% of the anticipated Social Security benefits in excess of \$4,200. The service ratio adjusts the offset for the portion of a full career that a participant has worked. To determine final average base rate of pay for this formula, an amount is associated with each of the last 10 calendar years of a participant's service, and the three largest amounts are averaged. The amount associated with each calendar year is the participant's highest base salary rate during the calendar year reduced for any voluntary deferrals under the DCP. A statutory limit restricts the amount considered each year; the limit for 2006 was \$220,000.

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The 1.25% formula amount equals 1.25% of final average pay level times years of credited service. For this formula, the final average pay computation is the same as described above for the 1.7% offset formula, but PPP amounts paid during each calendar year are added to the base rates of pay.

Early retirement benefits become payable once plan participants have during employment both attained age 50 and completed 10 years of credited service. Participants who retire early from active service receive benefits equal to the amounts computed using the same formulas employed at normal retirement. However, a 0.3% reduction applies for each month (3.6% for each year) prior to normal retirement that benefit payments commence. For example, 64% of the formula benefits are payable starting at age 55. As of December 31, 2006, all the named executive officers were eligible to retire immediately.

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

Participants vest in the Pension Plan benefits after completing five years of service. All the named executive officers are vested in their Pension Plan benefits. Participants who terminate employment after vesting are entitled to a pension benefit commencing at age 65. Vested participants who earn 10 or more years of credited service can elect to have their Pension Plan benefits commence as early as age 50. If such an election is made, the early retirement reductions that apply are actuarially determined factors and are larger than 0.3% per month.

If a vested participant dies while actively employed, benefits will be paid to a surviving spouse. A survivor's benefit equals 45% of the monthly benefit that the participant had earned before his or her death. Payments to a surviving spouse of a participant who attained age 50 prior to death will begin receiving benefits immediately; otherwise, survivor payments begin when the deceased participant would have attained age 50. After commencing, survivor benefits are payable monthly for the remainder of a survivor's life. Participants who are age 50 or older may opt to have an 80%, instead of 45%, survivor benefit paid if they die; however, there is a charge associated with this election. Surviving spouses of vested participants who have terminated employment and not yet elected to start receiving benefits receive smaller benefits.

If vested participants become totally disabled, periods that Social Security Disability Income or Company disability income benefits are paid will count as service for benefit calculation purposes. The crediting of this additional service ceases at the point a disabled participant dies, stops receiving disability income benefits or elects to commence retirement payments. Outside of the extra service crediting, the normal plan provisions apply to disabled participants.

**SBP Pension Related (the SBP-P )**

The same SBP that provides for deferred compensation related to contributions the Company cannot make to the ESP due to various limits under the Code also provides for a supplemental defined benefit pension. Please see the description of the non-pension component of the SBP following the Nonqualified Deferred Compensation Table. The SBP-P is an unfunded retirement plan that is not tax qualified. This plan pays more highly compensated employees, including each of the named executive officers, benefits that equal the excess of what their Pension Plan benefits would be if statutory compensation/benefit limits and voluntary pay deferrals under the DCP were ignored over what their Pension Plan benefits actually are. In 2006, the form of payment election made for Pension Plan benefits also applies to SBP-P benefits. The SBP-P's vesting, early retirement, survivor benefit and disability provisions mirror those of the Pension Plan.

## **SERP**

The SERP also is an unfunded retirement plan that is not tax qualified. This plan provides more highly compensated employees, including each of the named executive officers, additional benefits that the Pension Plan would pay if the 1.7% offset formula calculations reflected a portion of annual cash incentives under the PPP. To derive the SERP benefits, a final average pay is determined reflecting participants' base salary level and their payouts under the PPP to the extent such PPP payouts exceed 15% of those base salary levels (ignoring statutory limits and voluntary pay deferrals under the DCP). This final average pay is used in the 1.7% offset formula to derive a gross benefit. The Pension Plan and the SBP-P benefits are subtracted from the gross benefit to calculate the SERP benefit payable. In 2006, the form of payment election made for Pension Plan benefits also applies to SERP benefits. The SERP's early retirement, survivor benefit and disability provisions match the Pension Plan's provisions. SERP benefits do not vest until participants retire.

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**Changes Effective in 2007 to the SBP-P and the SERP**

In early 2007, changes were made to the SBP-P and the SERP to comply with Section 409A of the Code. One of the changes made affects the form of payment for the SBP-P and the SERP. Participants will elect to receive a lifetime of monthly benefits, as is currently provided for, or the single-sum value of those monthly payments for an average lifetime paid out in 10 annual installments.

**Description of Assumptions in Calculating Present Value of Accumulated Pension Benefits**

The amounts in column (d) of this Pension Benefit Table show the present values of accumulated benefits each named executive officer has earned as of September 30, 2006. September 30, 2006 is the measurement date used in the Company's audited financial statements.

Each present value of pension benefits is a weighted sum of the present values of the full benefit paid monthly over the named executive officer's post-retirement lifetime and reduced amounts payable over the joint lifetimes of the named executive officer and a spouse. The weights are the form of payment assumptions described below.

The present values of pension benefits in each form of payment equals the sum of all the expected monthly payments after being discounted to reflect the time value of money between the measurement date and the expected payment dates. The expected monthly payments are based on the benefits payable to the named executive officer, and to a spouse for forms paid over joint lifetimes, times the probability that the named executive officer or spouse will survive from the named executive officer's normal retirement age to the payment date. The probabilities of survival were derived from a table of actuarial mortality rates.

The following assumptions were used in the present value calculations:

Discount rate Six percent as of September 30, 2006

Retirement date Normal retirement age (65 for all named executive officers)

Mortality after normal retirement RP2000 Combined Healthy mortality rate table

Mortality, withdrawal, disability and retirement rates prior to normal retirement None

Form of payment

Unmarried retirees: 100% elect a single life annuity

Married retirees: 20% elect a single life annuity; 40% elect a joint and 50% survivor annuity; and 40% elect a joint and 100% survivor annuity

Percent married at retirement 80% of males and 70% of females

Spouse ages Wives two years younger than their husbands

Incentives earned but unpaid as of the measurement date 130% of target percentages times base rate of pay for year incentive is earned.

**NONQUALIFIED DEFERRED COMPENSATION AS OF 2006 FISCAL YEAR-END**

<b>Name</b>	<b>Executive Contributions in Last FY (\$)</b>	<b>Registrant Contributions in Last FY (\$)</b>	<b>Aggregate Earnings in Last FY (\$)</b>	<b>Aggregate Withdrawals/ Distributions (\$)</b>	<b>Aggregate Balance at Last FYE (\$)</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>	<b>(f)</b>
C. D. McCrary	0	19,493	85,330	0	972,672
A. P. Beattie	27,346	2,117	16,315	0	207,109
C. A. Martin	0	7,605	93,566	0	1,165,392
S. R. Spencer	0	6,422	8,067	0	81,306
J. L. Stewart	286,479	4,753	74,964	0	999,860

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The Company provides the DCP which is designed to permit participants to defer income as well as certain federal, state and local taxes until a specified date or their retirement, disability, death or other separation from service. Up to 50% of base salary and up to 100% of PPP and PDP may be deferred, at the election of eligible employees. All of the named executive officers are eligible to participate in the DCP.

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

The amounts deferred in the Stock Equivalent Account are treated as if invested at an equivalent rate of return to that of an actual investment in Common Stock, including the crediting of dividend equivalents as such are paid by Southern Company from time to time. It provides participants with an equivalent opportunity for the capital appreciation (or loss) and income held by a Southern Company stockholder. During 2006, the rate of return in the Stock Equivalent Account was 11.7%, which was Southern Company's TSR for 2006.

Alternatively, participants may elect to have their deferred compensation deemed invested in the Prime Equivalent Account which is treated as if invested at a prime interest rate compounded monthly, as published in the *Wall Street Journal* as the base rate on corporate loans posted as of the last business day of each month by at least 75% of the United States' largest banks. The range of interest rates earned on amounts deferred during 2006 in the Prime Equivalent Account was 7.25% to 8.25%.

Column (b)

This column reports the actual amounts of compensation deferred under the DCP by each named executive officer in 2006. The amount of salary deferred by the named executive officers, if any, is included in the Salary column in the Summary Compensation Table. The amount of incentive compensation deferred in 2006 was the amount paid for performance under the PPP and the PDP that were earned as of December 31, 2005 but not payable until the first quarter of 2006. This amount is not reflected in the Summary Compensation Table because that table reports incentive compensation that was earned in 2006, but not payable until early 2007. These deferred amounts may be distributed in a lump sum or in up to 10 annual installments at termination of employment or in a lump sum at a specified date, at the election of the participant.

Column (c)

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

Column (d)

This column reports earnings on both compensation the named executive officers elected to defer and earnings on Company contributions under the SBP-N. See the notes to column (h) of the Summary Compensation Table for a discussion of amounts of nonqualified deferred compensation earnings included in the Summary Compensation Table.



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Column (f)

This column includes amounts that were deferred under the DCP and contributions under the SBP-N in prior years and reported in prior years Information Statements or Annual Reports on Form 10-K for the Company. The chart below shows the amounts reported in prior years Information Statements or Annual Reports on Form 10-K for the Company.

<b>Name</b>	<b>Amounts Deferred Under the DCP Prior to 2006 and Reported in Prior Years Information Statements or Annual Reports on Form 10-K (\$)</b>	<b>Amounts Contributed by the Company Under the SBP-N Prior to 2006 and Reported in Prior Years Information Statements or Annual Reports on Form 10-K (\$)</b>	<b>Total (\$)</b>
C. D. McCrary	456,296	92,284	548,580
A. P. Beattie	27,346	2,018	29,364
C. A. Martin	836,727	54,337	891,064
S. R. Spencer	0	31,854	31,854
J. L. Stewart	831,840	27,425	859,265

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

This section describes and estimates payments that could be made to the named executive officers under different termination and CIC events. The estimated payments would be made under the terms of the Company compensation and benefits programs or the CIC severance program. Mr. McCrary has an individual severance agreement with the Company and Southern Company. The other named executive officers are participants in Southern Company's CIC severance plan for officers. (As described in the CD&A, all Company employees not part of a collective bargaining unit are participants in a CIC severance plan.) The amount of potential payments is calculated as if the triggering events occurred as of December 31, 2006 and assumes that the price of the Common Stock is the closing market price as of December 29, 2006.

**Description of Termination and CIC events**

The following charts list different types of termination and CIC events that can affect the treatment of payments under the Company's compensation and benefit programs. These events also affect payments to the named executive officers under their CIC severance arrangements. No payments are made under the severance arrangements unless, within two years of the CIC, the named executive officer is involuntarily terminated or he voluntarily terminates for good reason. (See the description of Good Reason below.)

**Traditional Termination Events**

Retirement or Retirement Eligible Termination of a named executive officer who is at least 50 years old and has at least 10 years of credited service.

Resignation Voluntary termination of a named executive officer who is not retirement eligible.

Lay Off Involuntary termination of a named executive officer not for cause, who is not retirement eligible.

Involuntary Termination Involuntary termination of a named executive officer for cause. Cause includes individual performance below minimum performance standards and misconduct, such as violation of the Company's Drug and Alcohol Policy.

Death or Disability Termination of a named executive officer due to death or disability.

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**CIC-Related Events**

*At the Southern Company or the Company level:*

Southern Company CIC I Acquisition by another entity of 20% or more of Common Stock, or following a merger with another entity Southern Company's stockholders own 65% or less of the company surviving the merger.

Southern Company CIC II Acquisition by another entity of 35% or more of Common Stock, or following a merger with another entity Southern Company's stockholders own less than 50% of the company surviving the merger.

Southern Company Termination A merger or other event and the Southern Company is not the surviving company or the Common Stock is no longer publicly traded.

Company CIC Acquisition by another entity, other than another subsidiary of the Southern Company, of 50% or more of the stock of the Company, a merger with another entity and the Company is not the surviving company or the sale of substantially all the assets of the Company.

*At the employee level:*

Involuntary CIC Termination or Voluntary CIC Termination for Good Reason Employment is terminated within two years of a CIC, other than for cause, or the employee voluntarily terminates for Good Reason. Good Reason for voluntarily termination within two years of a CIC is generally satisfied when there is a reduction in salary, incentive compensation opportunity or benefits, relocation of over 50 miles or a diminution in duties and responsibilities.

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

<b>Program</b>	<b>Retirement/ Retirement Eligible</b>	<b>Lay Off (Involuntary Termination Not For Cause)</b>	<b>Resignation</b>	<b>Death or Disability</b>	<b>Involuntary Termination (For Cause)</b>
<b>Pension Benefits:</b>	Lifetime of monthly benefits paid.	SERP-related benefits forfeited. Other vested benefits paid monthly for lifetime after executive reaches retirement eligibility. Reductions apply if payments start prior to age 65.	Same as Lay Off.	At death, surviving spouse receives a lifetime of monthly payments equal to 45% (or 80% if participant has made that election) of benefits earned. If vested under the Pension Plan, all pension type benefits continue to accumulate while disabled. Lifetime of monthly payments after executive becomes retirement eligible and elects commencement.	Same as for retirement and resignation, as the case may be.
<b>Pension Plan SBP-P SERP</b>	Reductions apply if payments start prior to age 65.				
<b>PPP</b>	Pro-rated if terminate before 12/31.	Pro-rated if terminate before 12/31.	Forfeit.	Pro-rated if terminate before 12/31.	Forfeit.
<b>PDP</b>	Paid year of retirement plus two additional years.	Forfeit.	Forfeit.	Payable until options expire or exercised.	Forfeit.
<b>Stock Options</b>	Vest; expire earlier of original expiration date or five years.	Vested options expire in 90 days; unvested are forfeited.	Vested options expire in 90 days; unvested are forfeited.	Vest; expire earlier of original expiration or three years.	Forfeit.
<b>Financial Planning Perquisite DCP</b>	Continues for one year.	Terminates.	Terminates.	Continues for one year.	Terminates.
	Payable per prior elections (lump sum or up to 10 annual installments).	Same as Retirement.	Same as Retirement.	Payable to beneficiary or disabled participant per prior elections; amounts deferred prior to 2005 can be paid as a lump sum at the DCP	Same as Retirement.

<b>SBP-N</b>	Payable per prior elections (lump sum or up to 20 annual installments).	Same as Retirement.	Same as Retirement.	administrative committee s discretion. Same as the DCP, above.	Same as Retirement.
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The chart below describes the treatment of payments under pay and benefit programs under different CIC events, except the Pension Plan (the CIC Chart ). The Pension Plan is not affected by CIC events.

<b>Program</b>	<b>Southern Company CIC I</b>	<b>Southern Company CIC II</b>	<b>Southern Company Termination or Company CIC</b>	<b>Involuntary CIC-Related Termination or Voluntary CIC-Related Termination for Good Reason</b>
<b>Nonqualified Pension Benefits: SBP-P SERP SPBA</b>	All SERP-related benefits vest if participant vested in Pension Plan benefits; otherwise, no impact.	Vesting called for upon a Southern Company CIC I, and benefits paid as a lump sum following termination or retirement.	Same as Southern Company CIC II.	Based on type of CIC Event.
<b>PPP</b>	No plan termination is paid at greater of target or actual performance. If plan terminated within two years of CIC, pro-rated at target performance level.	Same as Southern Company CIC I.	Pro-rated at target performance level.	If not otherwise eligible for payment, if PPP still in effect, pro-rated at target performance level.
<b>PDP</b>	No plan termination is paid at greater of target or actual performance. If plan terminated within two years of CIC, pro-rated at greater of target or actual performance level.	Same as Southern Company CIC I.	Pro-rated at greater of actual or target performance level.	If not otherwise eligible for payment, if the PDP still in effect, greater of actual or target performance level for year of severance only.
<b>Stock Options</b>	Not affected by CIC events.	Not affected by CIC events.	Vest and convert to surviving company's securities if there is a Southern Company Termination; if cannot convert, pay spread in cash; not affected by a Company Termination.	Vest.
<b>DCP</b>	Not affected by CIC events.	Payable in lump sum following termination.	Same as Southern Company CIC II.	Based on type of CIC event.
<b>SBP-N</b>				

	Not affected by CIC events.	Participant provided opportunity to elect lump sum payment.	Participant provided opportunity to elect lump sum payment.	Based on type of CIC event.
<b>Severance Benefits</b>	Not applicable.	Not applicable.	Not applicable.	Two or three times base salary plus target PPP plus tax gross up for certain named executive officers if severance amounts exceed Code Section 280G excess parachute payment by 10% or more.
<b>Health Benefits</b>	Not applicable.	Not applicable.	Not applicable.	Up to five years participation in group health plan plus payment of two or three years premium amounts.
<b>Outplacement Services</b>	Not applicable.	Not applicable.	Not applicable.	Six months.

**Potential Payments**

This section describes and estimates payments that would become payable to the named executive officers upon a termination or CIC as of December 31, 2006.

**Table of Contents***Pension Benefits*

The monthly amounts that would have become payable to the named executive officers if the Traditional Termination Events occurred as of December 31, 2006 under the Pension Plan, the SBP-P and the SERP are itemized in the chart below. The amounts shown in the chart are monthly benefit amounts whereas the pension values shown in the Summary Compensation and Pension Benefit Tables are present values of all the monthly values anticipated to be paid over the lifetimes of the named executive officers and their spouses. These plans are described in the notes following the Pension Benefits Table. All the named executive officers were retirement eligible on December 31, 2006. The benefits were determined using the same assumptions used to compute benefit values in the Pension Benefit Table with three exceptions: the amounts have been determined as of December 31, 2006 instead of as of September 30, 2006; the benefit payments were assumed to commence as soon as possible instead of at normal retirement and, as such, appropriate early retirement reductions were applied; and the benefits were not adjusted to reflect optional forms of payment such that all benefits are the amounts that would have been paid monthly over the named executive officer's life.

Name		Retirement (monthly payments) (\$)	Resignation or Involuntary Retirement (monthly payments) (\$)	Death (monthly payments to a spouse) (\$)
C. D. McCrary	Pension Plan	5,798	All plans treated as retiring	4,058
	SBP-P	22,148		15,501
	SERP	7,125		4,986
A. P. Beattie	Pension Plan	4,501	All plans treated as retiring	3,683
	SBP-P	2,088		1,708
	SERP	1,712		1,401
C. A. Martin	Pension Plan	7,236	All plans treated as retiring	4,251
	SBP-P	11,861		6,968
	SERP	4,386		2,576
S. R. Spencer	Pension Plan	4,048	All plans treated as retiring	3,544
	SBP-P	5,285		4,627
	SERP	2,080		1,821
J. L. Stewart	Pension Plan	6,675		4,167
	SBP-P	8,675		5,414

		All plans treated as retiring	
SERP	3,538		2,208

As described in the CIC Chart, the only change in the form of payment, acceleration or enhancement of the pension benefits is the lump-sum payment of nonqualified pensions that normally would have been paid monthly over the lifetimes of the named executive officers and their spouses at termination following certain CIC events and the vesting of SERP-related benefits. Estimates of the lump-sum payments that would have been made to the named executive officers, assuming termination as of December 31, 2006 following a CIC event, other than a Southern Company CIC I (which does not impact pension benefits), are itemized below. These lump-sum amounts are not in addition to the amounts shown in the Pension Benefits Table. These amounts would have been in lieu of the monthly payments whose values are represented in the Pension Benefits Table under the circumstances described above.

<b>Name</b>	<b>SBP-P (\$)</b>	<b>SERP (\$)</b>	<b>Total (\$)</b>
C. D. McCrary	3,578,526	1,151,210	4,729,736
A. P. Beattie	350,220	287,154	637,374
C. A. Martin	1,808,857	668,885	2,477,742
S. R. Spencer	898,203	353,503	1,251,706
J. L. Stewart	1,352,705	551,686	1,904,391

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The lump-sum amounts in the table above are calculated using the same basic methodology used to compute the values in the Pension Benefits Table. However, amounts were computed as of December 31, 2006 instead of September 30, 2006. In addition, certain assumptions were changed to those that have been selected by the Company for lump-sum calculations following a CIC. Benefit payments were assumed to commence at the earliest date monthly payments would have been available instead of deferred to the named executive officers' normal retirement dates; therefore, appropriate early retirement reductions apply. Also, only the form of payment providing monthly benefits over the named executive officer's lifetime is considered. A 5.75% discount rate is assumed instead of 6.00%, and mortality rates specified by the Internal Revenue Service in Revenue Ruling 2001-62 were assumed instead of those disclosed in the information following the Pension Benefits Table.

*PPP*

Because this section assumes that a termination or CIC event occurred on December 31, 2006, there is no amount that would be payable other than the amount reported and described in the Summary Compensation Table because actual performance in 2006 exceeded target performance.

*PDP*

Because the assumed termination date is December 31, 2006, there is no additional amount that would be payable other than what was reported in the Summary Compensation Table under the Traditional Termination Events. As described in the Traditional Termination Events chart, there is some continuation of benefits under the PDP for retirees.

However, under the CIC-Related Events, PDP is payable at the greater of target performance or actual performance. For the 2003-2006 performance period, actual performance was less than target performance. The table below estimates the additional amount that would have been payable under the PDP if a CIC occurred as of December 31, 2006.

<b>Name</b>	<b>Additional PDP ( \$ )</b>
C. D. McCrary	142,017
A. P. Beattie	26,818
C. A. Martin	47,463
S. R. Spencer	31,157
J. L. Stewart	52,944

*Stock Options*

Stock options would be treated as described in the Termination and CIC Charts above. Under a Southern Company Termination, all stock options vest. In addition, if there is an Involuntary CIC Termination or Voluntary CIC Termination for Good Reason, stock options vest. There is no payment associated with stock options unless there is a Southern Company Termination and the participants' stock options cannot be converted into surviving company stock options. In that event, the excess of the exercise price and the closing price of the Common Stock on December 29, 2006 would have been paid in cash for all stock options held by the named executive officers. The chart below shows the number of stock options for which vesting would be accelerated under a Southern Company Termination and the amount that would be payable under a Southern Company Termination if there were no conversion to surviving company stock options.

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<b>Name</b>	<b>Number of Options With Accelerated Vesting (#)</b>	<b>Total Number of Options Following Accelerated Vesting Under a Southern Company Termination (#)</b>	<b>Total Payable in Cash under a Southern Company Termination Without Conversion of Stock Options (\$)</b>
C. D. McCrary	180,622	408,681	2,751,046
A. P. Beattie	38,207	77,172	484,337
C. A. Martin	76,027	136,585	753,752
S. R. Spencer	59,238	89,660	454,282
J. L. Stewart	63,269	152,357	1,042,016

*DCP and SBP-N*

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

*Health Benefits*

Because all the named executive officers are retirement eligible and health care benefits are provided to retirees, there is no incremental payment associated with the termination or CIC events.

*Financial Planning Perquisite*

Since the named executive officers are retirement eligible, an additional year of the Financial Planning prerequisite which is set at a maximum of \$7,000 per year is provided after retirement or will be provided after retirement.

There are no other prerequisites provided to the named executive officers under any of the traditional termination or CIC-related events.

*Severance Benefits*

The Company has entered into an individual CIC severance agreements with Messrs. McCrary and Martin. The other named executive officers are participants in a CIC severance plan. In addition to the treatment of Health Benefits, PPP and PDP described above, the named executive officers are entitled to a severance benefit, including outplacement services, if within two years of a CIC they are involuntarily terminated, not for Cause, or they voluntarily terminate for Good Reason. The severance benefits are not paid unless the named executive officer releases the Company from any claims he may have against the Company.

The estimated cost of providing the six months of outplacement services is \$6,000 per named executive officer. The severance payment is two times the named executive officer's base salary and target payout under the PPP except for Messrs. McCrary, Martin and Stewart whose severance is three times his base salary plus target payout under the PPP. If any portion of the severance payment is an excess parachute payment as defined under Code Section 280G, the Company will pay the named executive officer an additional amount to cover the taxes that would be due on the excess parachute payment a tax gross-up. However, that additional amount will not be paid unless the severance amount plus all other amounts that are considered parachute payments under the Code exceed 110% of the severance payment.

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The table below estimates the severance payments that would be made to the named executive officers if they were terminated as of December 31, 2006 in connection with a CIC. There is no estimated tax gross-up included for any of the named executive officers because their respective estimated severance amounts payable are below the amounts considered excess parachute payments under the Code.

<b>Name</b>	<b>Severance Amount (\$ )</b>
C. D. McCrary	3,228,750
A. P. Beattie	809,545
C. A. Martin	1,780,388
S. R. Spencer	1,056,819
J. L. Stewart	1,496,401

**Table of Contents****COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

The Compensation Committee is made up of non-employee directors of Southern Company who have never served as executive officers of Southern Company or the Company. During 2006, none of Southern Company's or the Company's executive officers served on the board of directors of any entities whose directors or officers serve on the Compensation Committee.

**STOCK OWNERSHIP TABLE**

Southern Company is the beneficial owner of 100 percent of the outstanding common stock of the Company. The following table shows the number of shares of Common Stock owned by directors, nominees and executive officers as of December 31, 2006. It is based on information furnished by the directors, nominees and executive officers. 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 on December 31, 2006.

Name of Directors, Nominees and Executive Officers	Shares Beneficially Owned(1)	Shares Beneficially Owned Include:	
		Deferred Stock Units(2)	Shares Individuals Have Rights to Acquire Within 60 Days(3)
Whit Armstrong	31,529	3,980	
David J. Cooper, Sr.	17,043		
John D. Johns	4,448	4,448	
Patricia M. King	4,408	3,980	
James K. Lowder	28,464		
Charles D. McCrary	318,554		313,745
Malcolm Portera	6,001	5,866	
Robert D. Powers	4,995	3,980	
David M Ratcliffe	996,256		980,167

C. Dowd Ritter	4,408		
James H. Sanford	8,917		
John C. Webb, IV	13,793	3,980	
James W. Wright	6,063	6,063	
Art P. Beattie	61,069		56,561
C. Alan Martin	104,688		99,133
Steve R. Spencer	63,478		60,503
Jerry L. Stewart	129,506		120,985
Directors, Nominees and Executive Officers as a group (17 people)	1,803,620	32,297	1,631,094

- (1) Beneficial ownership means the sole or shared power to vote, or to direct the voting of, a security, and/or investment power with respect to a security or any combination thereof.
- (2) Indicates the number of Deferred Stock Units held under the Director Deferred Compensation Plan.
- (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.

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**OTHER INFORMATION**

**Section 16(a) Beneficial Ownership Reporting Compliance**

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

**Certain Relationships and Related Transactions**

Mr. Whit Armstrong is President, Chief Executive Officer and Chairman of The Citizens Bank, Enterprise, Alabama; Mr. C. Dowd Ritter is President and Chief Executive Officer of Regions Financial Corporation and he previously served as President, Chairman and Chief Executive Officer of AmSouth Bancorporation and AmSouth Bank, Birmingham, Alabama, and Mr. James W. Wright is Chairman of First Tuskegee Bank, Montgomery, Alabama. During 2006, these banks furnished a number of regular banking services in the ordinary course of business to the Company. The Company intends to maintain normal banking relations with all the aforesaid banks in the future.

During the period, January 1, 2006 to April 28, 2006, Mr. Carl E. Jones, Jr. was Chairman of Regions Financial Corporation and served as a Director of the Company. Morgan Keegan & Company, Inc., a subsidiary of Regions Financial Corporation, participated as an underwriter in connection with the Company's issuance of five series of senior notes. The Company paid Morgan Keegan & Company, Inc. \$355,000 for these services during the time period stated above. Mr. Jones retired from the board on April 28, 2006.

The Company does not have a written policy pertaining solely to the approval or ratification of related party transactions. However, Southern Company has a Code of Ethics as well as employment and compensation policies that govern the hiring and compensating of all employees including those named above. Southern Company also has a Contract Guidance Manual and other formal written procurement policies and procedures that guide the purchase of goods and services, including requiring competitive bids for most transactions above \$10,000 or approval based on documented business needs for sole sourcing arrangements.

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