

2012  
SOUTHERN COMPANY  
SUMMARY ANNUAL REPORT

# GENERATIONS

*Connected by a rich heritage of achievement. Steadfast in our dedication to the future.*

⌘ SINCE 1912 ⌘



## FINANCIAL HIGHLIGHTS

	2012	2011	Change
OPERATING REVENUES (IN MILLIONS).....	\$16,537	\$17,657	(6.3)%
EARNINGS (IN MILLIONS) .....	\$2,350	\$2,203	6.7 %
BASIC EARNINGS PER SHARE .....	\$2.70	\$2.57	5.1 %
DILUTED EARNINGS PER SHARE .....	\$2.67	\$2.55	4.7 %
DIVIDENDS PER SHARE (AMOUNT PAID) .....	\$1.9425	\$1.8725	3.7 %
DIVIDEND YIELD (YEAR-END, PERCENT) .....	4.5	4.0	12.5 %
AVERAGE SHARES OUTSTANDING (IN MILLIONS) .....	871	857	1.6 %
RETURN ON AVERAGE COMMON EQUITY (PERCENT) .....	13.10	13.04	0.5 %
BOOK VALUE PER SHARE.....	\$21.09	\$20.32	3.8 %
MARKET PRICE PER SHARE (YEAR-END, CLOSING) .....	\$42.81	\$46.29	(7.5)%
TOTAL MARKET VALUE OF COMMON STOCK (YEAR-END, IN MILLIONS) .....	\$37,149	\$40,047	(7.2)%
TOTAL ASSETS (IN MILLIONS) .....	\$63,149	\$59,267	6.6 %
TOTAL KILOWATT-HOUR SALES (IN MILLIONS) .....	183,617	190,047	(3.4)%
RETAIL .....	156,054	159,702	(2.3)%
WHOLESALE .....	27,563	30,345	(9.2)%
TOTAL TRADITIONAL OPERATING COMPANY CUSTOMERS (YEAR-END, IN THOUSANDS) .....	4,436	4,412	0.5 %

## CONTENTS

CHAIRMAN'S LETTER .....	02	SHAREHOLDER VALUE .....	24
VISION.....	06	SUMMARY FINANCIALS .....	26
VOICE.....	10	BOARD OF DIRECTORS .....	32
INNOVATION .....	14	MANAGEMENT COUNCIL .....	34
FINANCIAL INTEGRITY .....	20	GLOSSARY .....	36

### FRONT COVER (L-R):

ALBERT RUIZ—Georgia Power, 7 years of service, HAROLD NIELENS—Gulf Power, 25 years of service,  
DEBBIE BENEFIELD—Mississippi Power, 32 years of service, GUYE AKINS—Southern Nuclear, 11 years of service,  
JENNIFER HORTON—Southern Company Services, 3 years of service, CHRIS PURVIS—Mississippi Power, 7 years of service,  
GUBRAY BROOKS—Alabama Power, 29 years of service

### BACK COVER (L-R):

KENAN DE JESUS DAVILA—Georgia Power, 7 years of service, VERA ARNOLD—Georgia Power, 15 years of service,  
AL SYKORA—SouthernLINC Wireless, 7 years of service, JOHN REGAL—Alabama Power, 11 years of service,  
LENNON BROWN—Mississippi Power, 7 years of service, KHANH NGUYEN BAILEY—Alabama Power, 7 years of service,  
CHARLIE BOX—Gulf Power, 22 years of service, FRANCIS NEGRON CORREA—Southern Nuclear, 4 years of service

A LIFETIME OF KNOWLEDGE ACCUMULATES—AND WHEN THE TIME COMES,  
**THE LEGACY IS PASSED ON**  
TO THE NEXT GATHERING OF YOUNG MINDS  
**EAGER TO CARRY THE MISSION FORWARD.**

*For more than a century, the employees of Southern Company have been learning from those who came before them. The result is an enduring enterprise, equipped for the present and positioned for the future. So long as the chain remains unbroken, we will continue to build on our lasting heritage of heartfelt commitment to the customers and communities we serve.*

THOMAS A. FANNING

*Chairman, President and CEO*

*Southern Company, 33 years of service*





DEAR FELLOW SHAREHOLDERS:

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*When a company celebrates its 100-year anniversary—as Southern Company did in 2012—it means a lot of things have gone right. That kind of sustained success requires the efforts of multiple generations of employees, spanning the decades and connected by a common and consistent focus on meeting the needs of the customers we serve.*

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That same focus was very much in evidence in 2012, as demonstrated by the strong results we achieved against our five strategic priorities:

**EXCEL AT THE FUNDAMENTALS.** We continued to provide outstanding system reliability, with a fossil/hydro peak season equivalent forced outage rate that has led our industry peers for six years running and eight of the last nine. We also extended our superior performance in transmission and distribution reliability, with a trend of improvement that stretches over the past decade.

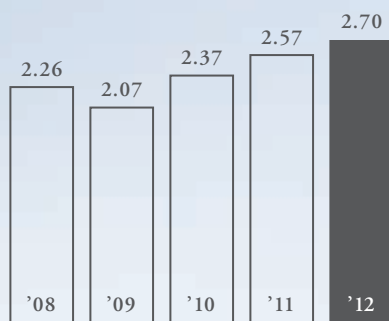
We expanded the transformation of our generation mix, tripling the percentage of natural gas in just five years and using more gas than coal for the first time in our history. As a result, our customers benefited from approximately \$1 billion in fuel savings as compared with 2011.

This strong operational performance enabled all four of our regulated utilities to place in the top quartile nationally in customer satisfaction in 2012.

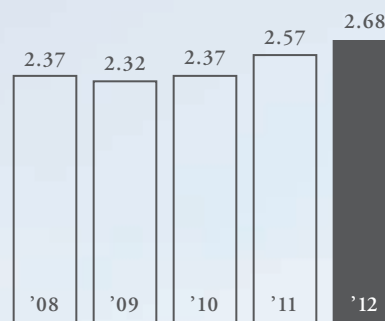
**ACHIEVE SUCCESS WITH MAJOR CONSTRUCTION.** Significant progress was made at Plant Vogtle units 3 and 4, where construction of new nuclear generation is now one-third complete. Meanwhile, construction at the Kemper project—a 21st century coal gasification plant in Mississippi—is 75 percent complete and scheduled to begin start-up activities this summer before beginning operation in 2014.

**SUPPORT THE BUILDING OF A NATIONAL ENERGY POLICY.** We continued to advocate for a common sense energy policy that utilizes all available fuel sources—new nuclear, 21st century coal, natural gas, renewables and energy efficiency—and invests in energy innovation through research and development. We also emerged as a leading voice for the restoration of America's financial integrity, and saw progress in this area with the passage of legislation preserving a rational approach for taxes on dividends and capital gains.

**PROMOTE SMART ENERGY THROUGH INNOVATION.** We achieved the completion of 4.4 million smart meter installations



BASIC EARNINGS PER SHARE  
(IN DOLLARS)



BASIC EARNINGS PER SHARE EXCLUDING  
MC ASSET RECOVERY INSURANCE SETTLEMENT,  
LITIGATION SETTLEMENT WITH MC ASSET RECOVERY,  
AND LEVERAGED LEASE CHARGES\*  
(IN DOLLARS)

\* Not a financial measure under generally accepted accounting principles.  
See Glossary on page 36 for additional information.

in Georgia, Alabama and Florida, and continue to explore the many potential beyond-the-meter uses of this important and exciting technology.

**VALUE AND DEVELOP OUR PEOPLE.** We continued to focus on improving the skill sets of our employees through a process of employee development and cross-training. Over the past two years, we have transferred some 700 employees across system lines, broadening their experience and better preparing them for the challenges that lie ahead. We also implemented a new online learning platform that further enhances our training capabilities.

Despite these achievements, we know that many challenges remain—and we will approach them with the same uncompromising dedication that has always served us so well.

The health of the global economy will continue to influence our business. The issues we see abroad are no longer associated with just a single continent; even as Europe struggles, we see challenged growth in China, South America and elsewhere. With one-quarter of our company's industrial sales tied to exports, this is an area that bears watching for some time to come.

Meanwhile, the fate of the American economy cannot be disconnected from that of the rest of the world; what happens overseas has real impact here at home. And while we

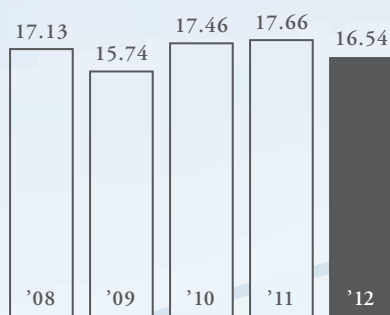
have seen encouraging signs of emerging domestic growth in recent months, it's still far too difficult to determine whether a sustained recovery is under way.

Federal regulation of air and water issues will affect the financial strength of the customers and communities we serve, and therefore will require our active participation in this ongoing debate.

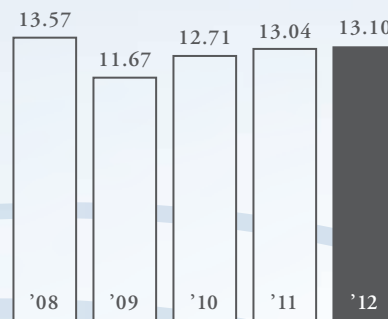
Internal challenges await us as well—challenges related to sales and revenues and financial pressures on various fronts. In response, we must become increasingly diligent in the scrutiny of our cost structure, as we seek the best possible ways to hold down costs while continuing to meet the needs of those we serve.

We will not merely react to these challenges; we will aggressively and proactively pursue solutions that enable us to leverage the very best of our talents and capabilities.

We will continue to provide exceptional service, seeking to reduce costs and increase efficiencies in our day-to-day processes. We will also increase our attention toward economic development as a means for bringing new jobs and capital investment into the region, and promote the expanded application of energy efficiency and end-use electrotechnologies that give customers more choices while improving their quality of life.



OPERATING REVENUES  
(IN BILLIONS OF DOLLARS)



RETURN ON AVERAGE COMMON EQUITY  
(PERCENT)

We will continue to be relentlessly focused on our construction activities at Vogtle, Kemper and elsewhere, as we build the country's only truly diversified energy portfolio with a total investment of more than \$20 billion.

We will continue to argue for a common sense energy policy, and to be a champion for comprehensive tax reform and the rebuilding of America's financial integrity. We will engage constructively with elected and appointed representatives at all levels of government to represent and protect the interests of the customers and communities we serve.

We will expand our use of Smart Energy, not just in terms of network devices such as smart meters, but also in terms of our generation fleet as it evolves to anticipate ever-changing conditions in the commodity markets.

We will hold ourselves accountable, both for the results we get and the way in which we get them. We will see ourselves not just as individual performers, but as members of a cohesive team and stewards of a great enterprise.

We will continue to build a diverse workforce, one that is empowered by diverse experiences and diverse skill sets. We will be innovative in our thinking and disciplined in our methods. And in the end, we will succeed as much by the strength of our common character as by the substance of our collective accomplishments.

I truly believe that Southern Company is the greatest electric utility in America. And we didn't get there by accident. Our founders established a legacy that's been passed down from generation to generation—not just by the leadership of our company, but by the employees themselves. Our long-standing traditions—of serving customers, supporting communities and displaying integrity wherever we go—make this more than a business. For those of us who work here, it's a sacred trust.

I want to thank you for your continued interest in—and support of—our company. I always believe the best days lie ahead, and I am confident that we have the talent and the resources to achieve our objective of providing consistent, predictable value to our shareholders. In the meantime, rest assured that the people of Southern Company will continue to serve—to honor the past and build for the future—for many generations to come.

*Sincerely,*

**Thomas A. Fanning**

*April 1, 2013*



# IT BEGAN WITH A VISION

*Three men brought life to an American legacy by seeing what others could not—  
and harnessed the courage of their collective will to electrify an underdeveloped region  
and inspire a growing workforce.*



1912

## JAMES MITCHELL

Known for his boundless energy and infectious enthusiasm, Mitchell fashioned an economic wellspring from an undeveloped wilderness—bringing the promise of prosperity to hundreds of communities and millions of people. His plan for a vast energy network became the genesis for a regional rebirth and laid the foundation for a thriving enterprise.





1920

THOMAS W. MARTIN

Martin embraced Mitchell's dream and helped make it real, guiding the young company through its earliest challenges and leaving his mark on a burgeoning industry. He integrated operations between subsidiaries, lowered costs and initiated the concept of maintaining a diverse fuel mix. He was also a champion of rural electrification and economic development.



1927

PRESTON S. ARKWRIGHT

Arkwright believed in serving "the rich and the poor—all alike—with the same adequacy of service and at the same rates." He wanted to do more than just provide energy; he wanted Southern Company to be a catalyst for making communities stronger and better than they had ever been before.

James Mitchell had done it before—developing hydroelectric dams and electric tramways in the wilds of South America—and now he stood before yet another untouched landscape, in the Deep South of the United States. And Mitchell saw the possibilities, and he knew where to find the money that would make them real.

Soon he was committing his ideas to paper, and his energy to an enterprise. He envisioned a vast interconnected network of dams and transmission lines bringing prosperity to a part of the country that sorely needed it, and before long, he had become personally invested in making it happen.

But much is demanded of dreamers, and Mitchell could not do it alone. He recruited the young attorney Thomas Martin, whose exhaustive work ethic—much like Mitchell's—helped bring strength and substance to the fledgling company. Martin steered the firm through a number of legal, financial and political challenges, and when Mitchell died at the untimely age of 54,

Martin assumed the helm, and spent the next five decades as one of the guiding industrial forces of the American South.

If Mitchell and Martin represented the soul of the company, then Preston Arkwright provided its heart. The Georgia Power president coined the term "A Citizen Wherever We Serve" and defined the character of the business for generations to come. He believed that a sacred trust existed between an electric provider and its customers, and employees found great meaning in that simple concept. Arkwright's values became the foundation for Southern Company's signature commitment to customers and communities, and framed a corporate identity that went far beyond turbines and wires.

The sacrifices of visionaries often go unnoticed, but their effect on posterity cannot be denied. Mitchell, Martin and Arkwright—each in his own unique fashion—pioneered a way through uncharted territory and forged a path for others to follow. And follow it they did.





## 1975

### A NEW ERA

The nuclear age for the Southern Company system begins at Plant Hatch in Georgia, followed by plants Farley in Alabama and Vogtle in Georgia. However, U.S. nuclear construction grinds to a virtual halt in the late 80s and early 90s, due to regulation-driven cost increases.

## 1960s-70s

### THE BOOM GOES ON

The ever-expanding Southeast is on a feverish pace, and the need for energy is greater than ever before. Southern Company's traditional operating subsidiaries proceed with plans to build a diverse range of new electric generation, including their first nuclear units.



DAVID MONCUS  
*Plant Vogtle, 40 years of service*

PAULO ALBUQUERQUE  
*Plant Vogtle, 5 years of service*



## 2000s

### EVOLVING POSSIBILITIES

The increasing availability of diverse fuel sources gives rise to new thinking about how to generate electricity. Advanced techniques for extracting natural gas reserves and technology improvements in renewable energy figure heavily in the debate. Meanwhile, nuclear energy begins a long-awaited comeback.



## 2012

### DIVERSITY RULES

Georgia Power sparks a nuclear renaissance as construction begins on units 3 and 4 at Plant Vogtle. Overall, the Southern Company system commits \$20 billion to the building of a truly diverse generation mix that includes new nuclear, 21st century coal, natural gas, renewables and energy efficiency.

TODAY, THE VISION CONTINUES...  
BUILDING NEW GENERATION  
FOR THE

# NEXT GENERATION

*A diverse portfolio is the key to America's energy future—and Southern Company is charting the course for an entire nation.*

It's perhaps the most basic rule of equity investing—never put all your money into just one stock. And the same principle applies in planning for electric generation.

Southern Company, through its operating subsidiaries, is the only electric utility in America that is building a truly diverse generation portfolio, one that makes use of all available fuel sources. We're building the first new U.S. nuclear units in a generation of Americans at Georgia Power's Plant Vogtle. We've developed 21st century coal technology that we will use at Mississippi Power's facility in Kemper County, Mississippi, in 2014. We're replacing several coal-fired units with cleaner-burning natural gas. We're adding renewable generation in the form of solar, wind and biomass. And we're raising the bar

on energy efficiency, with plans to spend \$1 billion through 2020 to help customers use our product more effectively.

All of this takes time, and planning, and, yes—vision. Our engineers are continuously projecting energy demand over 10- and 20-year horizons, and devising the best combination of clean, safe, reliable, affordable generation to meet that demand. In the process, we focus on maintaining the greatest possible flexibility, so that we can adjust our generation mix in the face of changing environmental and economic considerations.

It's all designed with the same end in mind—to better serve customers while continuing to foster the growth of strong, healthy communities. After all, that's what our founders taught us to do—and so far, it's worked pretty well.

*PICTURED AT LEFT: David Moncus, nuclear construction compliance manager, helped to build the first two nuclear units at Plant Vogtle—and now he's bringing the task full circle, as part of the development team for units 3 and 4. Paulo Albuquerque, performance improvement and corrective action program manager, is part of the next generation of experts helping to lead a U.S. renaissance in nuclear energy.*



# SPEAKING UP AND PROVIDING A MUCH-NEEDED VOICE IN ENERGY-RELATED PUBLIC POLICY

Wendell Willkie could be forgiven if he was not an avid fan of federally managed public power in the 1930s. As president of Southern Company predecessor Commonwealth & Southern, he fell into a very natural disagreement with President Franklin Roosevelt over the issue of electric utility ownership.

Strictly speaking, Willkie didn't win that battle—portions of the company's territory were eventually ceded to the newly formed Tennessee Valley Authority. But he did manage to protect the interests of customers by arguing vigorously about the benefits of investor-owned utilities and helping to turn the tide of public opinion in their favor. His efforts helped ensure that

public and private power entities would have the ability to compete fairly in the marketplace, and that customers would reap the rewards of that competition.

From its earliest days, Southern Company has spoken on behalf of customers at all levels of government, advocating practical concepts and common sense solutions. By debating openly and engaging constructively, we have worked to ensure that all sides are heard on the issues most important to our industry and the people and businesses it serves. It's a privilege and an honor to participate in that process—and a responsibility we take very seriously.



1933

## ROOSEVELT & TVA

President Franklin Roosevelt (seated) creates the Tennessee Valley Authority (TVA). Thus begins an intense public debate over which is better for customers—federally operated public power or investor-owned private power. Leading the argument for private ownership is Commonwealth & Southern (C&S) president Wendell Willkie.



1939

## PROTECTING THE BORDERS

Willkie brokers a deal to sell all C&S holdings in Tennessee—as well as portions of Alabama and Mississippi—to TVA. In exchange, the federal agency provides assurances that it will make no attempt to further encroach upon C&S franchised service areas.

1935

## THE BATTLE OVER PUHCA

Roosevelt proposes the Public Utility Holding Company Act (PUHCA), a potential “death sentence” for companies like C&S. Once again, Wendell Willkie is the lead voice for his industry, intent upon preserving for customers the efficiencies of holding company ownership.





## 1970s

### A TALE OF TWO TITANS

Rapid economic growth means higher costs for utilities, and thus higher electric rates for customers. Alabama governor George Wallace becomes a vocal critic of Alabama Power, and company President Joe Farley (pictured) stands strong against a very public onslaught from the legendary politician.



## 1980s

### ACID RAIN

Environmentalists engage in heated public debate over so-called "acid rain," proposing prohibitively expensive legislation to control power plant emissions. Southern Company Chairman Ed Addison (seated, second from right) argues for more scientific research and emerges as an industry leader on environmental issues.



*Wendell Willkie accepts payment from  
TVA officials for C&S properties.*



## 1990

### CLEAN AIR ACT

An update of the landmark 1970 legislation is signed into law, with provisions for reducing emissions from coal-fired power plants. Southern Company Chairman Ed Addison helps ensure that utility industry input is considered before the final bill is enacted.

## 2000s

### STANDING FIRM

Houston-based Enron is the darling of Wall Street, and pressure is exerted on the industry to adopt a similar strategic path. Southern Company resists these overtures and is vindicated when Enron collapses during one of the worst corporate scandals in U.S. history.



## 2000s

### A VOICE IN WASHINGTON

Southern Company Chairman Allen Franklin is a major presence in Washington during debates over possible industry restructuring. Franklin's primary concern is the potential for legislation that could unnecessarily increase electric rates for customers.

# WORKING DILIGENTLY TO PROMOTE COMMON SENSE ENERGY POLICIES AND A CLEAN, SAFE, RELIABLE, AFFORDABLE ENERGY FUTURE FOR CUSTOMERS

Enter the halls of government today, and you'll find a variety of groups represented—a melting pot of diverse ideas and opinions, all vying for the attention of elected and appointed representatives. As they have been for decades, Southern Company employees are a part of this mix, speaking on behalf of utility customers in their quest to ensure an abundant supply of clean, safe, reliable and affordable electricity.

On any given day, we might be interacting with city officials as they debate a local tax issue. Or we might be consulting with state utility commission members as they consider a new rate mechanism. Or we might be providing input at the federal level, where legislators and regulators make far-reaching decisions on everything from environmental rules to cyber security.

We do a lot of listening—to customers, to learn their needs and concerns, and also to advocacy groups, who often articulate alternative points of view. Along the way, we offer our knowledge and experience, and work to introduce common sense solutions that take the needs of multiple constituencies into account.

An important part of that effort is our support for building a national energy policy that consists of two components: A truly diverse generation mix that utilizes all available sources—including new nuclear, 21st century coal, natural gas, renewables and energy efficiency—and an emphasis on energy innovation through proprietary research and development. In ways large and small, we are working to ensure these outcomes, all for the benefit of the customers we serve.

**PICTURED AT RIGHT:** *External Affairs Director Stoney Burke works with members of the federal government, helping them better understand the needs and interests of customers in the service territories of the Southern Company system. Cheri Collins, nuclear development director, spends much of her time with community groups, gathering input and answering questions about the construction of new nuclear units at Georgia Power's Plant Vogtle—information that can then be shared with government decision-makers.*





## 2009

### A REGULATORY CHALLENGE

The Environmental Protection Agency proposes new rules for limiting power plant emissions, and once again Southern Company is at the table—speaking out against overreaching regulation and urging Congress to take charge of the nation's energy policy debate.

#### STONE BURKE

*External Affairs, 5 years of service*

#### CHERI COLLINS

*Nuclear Development, 30 years of service*



## 2012

### AMERICAN ENERGY POLICY

Today, Southern Company is leading the call for a national energy policy that includes a fully diverse U.S. generation portfolio—with new nuclear, 21st century coal, natural gas, renewables and energy efficiency—and an investment in energy innovation through research and development.





## 1916-30

### LEADING IN TECHNOLOGY

Southern Company engineers are behind many of the earliest innovations in power delivery systems—including the development of the lightning arrester, the transmission clamp and the unit substation.



## 1920s

### THURLOW'S INSPIRATION

Oscar Thurlow, an Alabama Power engineer, invents the Thurlow Backwater Suppressor, which sweeps hydro dam backwater away from the discharge opening and enables the plant to operate more efficiently.

# WE TRANSFORMED AN INDUSTRY THROUGH RELENTLESS DETERMINATION AND A CONTINUOUS STREAM OF INNOVATION

In 1954, a Southern Company engineer named Donald Early tackled a problem: How to calculate the most economic electric generation to dispatch to customers at a given moment in time. Early's solution was an entirely new device, known as the "Early Bird," that quickly captured the attention of utilities from around the world. The newfangled contraption saved money for customers and set a new standard of efficiency for power generation networks.

Early is part of a proud Southern Company tradition—men and women who overcome challenges by thinking in new and

different ways. Our employees helped develop the lightning arrester and the unit substation; invented transmission clamps that enable crews to work on energized power lines; and pioneered backwater suppression systems that help hydro dams operate more efficiently.

Throughout the decades, Southern Company has invented, designed and engineered its way past the obstacles it faced. And beginning in the late 1960s, we turned our attention to an issue of growing public concern—the environmental impact of power plant emissions.





1969

#### THE START OF SOMETHING BIG

Dr. William Harrison, formerly dean of research at Virginia Tech, creates Southern Company's first R&D organization. Harrison and his staff are soon tackling environmental issues, improving generator efficiency and developing a revolutionary process for purifying coal before it is burned.

1954

#### EARLY'S BIRD TAKES OFF

Donald Early develops a computerized system for calculating the economics of electric generation and factoring that information into the dispatching of capacity. His device, known as the "Early Bird," becomes world-renowned for its usefulness and ingenuity.



1973

#### FIRST SCRUBBER RESEARCH

Harrison's team conducts its first work on the use of "scrubbers" to remove sulfur dioxide from coal-fired emissions. Later in the decade, they will begin testing methods for reducing nitrogen oxides and improving the collection of fly ash.

*Donald Early (third from right) demonstrates his Early Bird invention for Southern Company executives.*





## 1970s

### TRANSFORMING COAL

At a Southern Company system research facility just outside Birmingham, Ala., the largest synthetic fuel research project in the country seeks to turn coal into a liquid form. Later, the team will successfully develop a process for converting it into a gas.



## 1996

### A VALUED PARTNER

Southern Company joins with DOE to establish the Power Systems Development Facility in Wilsonville, Ala. The new laboratory would emerge as the nation's leading research center for advancing clean coal technologies.



## 1982

### SOLAR ENERGY IN THE SOUTH

Georgia Power becomes a partner with the U.S. Department of Energy (DOE) in the Shenandoah solar project near Newnan, Ga. At the time, it is the world's largest commercial solar energy installation.

## LEADING THE WAY IN THE RESEARCH & DEVELOPMENT OF BETTER FUELS FOR

# CLEANER ENERGY

In the late 1960s, Americans became increasingly concerned about the impact of industrial processes on the environment. Included in this debate was the question of power plant emissions.

As usual, Southern Company acted quickly, establishing a comprehensive environmental research and development organization. Right away, the team started focusing on the main issue: How to derive the maximum amount of fuel from coal while reducing the level of byproducts it leaves behind.

One possible solution was to develop a method for transforming the substance into liquid form and reducing the sulfur content. That effort started researchers down a path that would one day lead to the next revolutionary step in coal technology—

the efficient conversion of coal into gas.

Today, that process—called Transport Integrated Gasification, or TRIG™—is scheduled to make its U.S. debut in 2014 at Mississippi Power's new coal-fired facility in Kemper County, Miss. The new plant is expected to operate with a carbon footprint comparable to a similarly sized natural gas plant and capture at least 65 percent of its carbon dioxide emissions.

Meanwhile, our system is increasing its use of other fuels, including natural gas and renewable energy sources such as solar, wind and biomass. And we continue to reduce traditional coal-fired emissions—more than 70 percent since 1990, with an investment of more than \$8 billion.

**PICTURED AT RIGHT:** *Randall Rush, general manager of gasification technology, has been an integral part of Southern Company's R&D effort since the 1970s. His work helped lead to the development of the revolutionary TRIG™ coal gasification process. Southern Power Senior Engineer Adrienne Newton, meanwhile, is working on renewable energy projects such as the new biomass plant in Nacogdoches, Tex., and various solar projects across the country.*

## 2008

### 21ST CENTURY COAL

The Southern Company system, in partnership with DOE, introduces Transport Integrated Gasification, or TRIG™. The process can enable a coal-fired power plant to operate with carbon emissions comparable to a similarly sized natural gas-fired plant.



## 2012

### THE ROAD FORWARD

Southern Company researchers continue to look for ways to further reduce sulfur dioxide, nitrogen oxides, mercury and particulate matter from coal-fired emissions. Meanwhile, the system is expanding its use of natural gas and renewables such as wind, solar and biomass.

### RANDALL RUSH

*Research & Environmental Affairs  
40 years of service*



### ADRIENNE NEWTON

*Southern Power, 4 years of service*



WE ARE USING  
INFORMATION AND TECHNOLOGY  
TO HELP CUSTOMERS BECOME  
**MORE EFFICIENT**

For nearly 40 years, Southern Company has been helping customers learn better and more efficient ways to use energy. Today, we're reaching out in new and different ways—through social media, for instance—with ideas and suggestions for increasing the value of our product to those it serves.

Along the way, we've reduced peak demand by more than 3,900 megawatts through formal energy-efficiency programs—and we've committed to reducing another 1,000 megawatts between 2010 and 2020, at a projected cost of \$1 billion. In 2012, we conducted more than 128,000 energy audits for homes

and businesses in our service territories—a longstanding practice that's helped us reduce overall demand by more than 1.6 billion kilowatt-hours since 2000.

We're also leveraging technology to make our transmission and distribution systems more efficient—installing “smart” devices that help speed information to system operators and reduce response times when outages occur. Systems like this improve reliability, and can even prevent outages from happening in the first place. Meanwhile, 4.4 million new smart meters are helping customers use energy more wisely.

*PICTURED AT RIGHT: Rosa Marroquin, advanced metering infrastructure data analyst, is helping to bring smart technology to Southern Company's power grid. Energy Efficiency Manager Dean Harless, a veteran of the company's demand-side initiatives, is teaming with Energy Efficiency Support Representative Maggie Grant and hundreds of other employees to educate customers on better ways to use energy.*



1977

**SOLAR-POWERED SOLUTIONS**

Georgia Power constructs test houses to study solar-assisted water and space heating and other new energy-efficient features.

1975

**EFFICIENCY MAKES GOOD CENTS**

In response to a national energy crisis, Southern Company's operating subsidiaries begin offering advice to customers on how to make better use of the electricity they consume. The new programs, offered under the GoodCents brand, are an immediate hit.



1982

**ON THE RADAR**

A new computerized radar network is developed that helps company engineers track major storms and prepare their line crews for widespread outages.



## 1990s

### INCENTIVES SWEETEN THE POT

Utilities, including Southern Company's operating subsidiaries, begin offering cash incentives to customers who choose to use energy more efficiently by buying efficient appliances and heating and cooling systems. The incentives are encouraged by state regulators as a way to help manage energy demand.

## 1992

### RATES SHIFT USAGE

With peak demand reaching all-time highs, special rates are introduced to spread usage more evenly across each 24-hour period. Included are "time of use" rates that encourage customers to shift their usage to off-peak hours, such as nights and weekends.



## 2012

### SMART GRID ARRIVES

Southern Company's operating subsidiaries complete more than 4.4 million smart meter installations. The devices will help customers better manage their energy use. Meanwhile, smart technology is installed on power lines, enabling system operators to respond more quickly to outages.



**ROSA MARROQUIN**

*Advanced Metering Infrastructure Operations and Support  
13 years of service*



**DEAN HARLESS**

*Energy Efficiency Strategy and Monitoring  
36 years of service*



**MAGGIE GRANT**

*Energy Efficiency Program Implementation  
2 years of service*





1912

#### AN ENTERPRISE IS BORN

James Mitchell wants to build an electric network across the Deep South, but U.S. investors are wary. So Mitchell heads across the pond to London, where British capital is ready and waiting. The infusion is the bedrock for Southern Company's financial future.



1929

#### BLACK THURSDAY

The U.S. stock market crashes, but Southern Company survives, thanks to its strong network of companies and firm financial footing. Soon after, company leaders B.C. Cobb and Thomas Martin consolidate their operations into a single holding company.

FROM THE TIME OF OUR FOUNDING,  
WE HAVE HELD HIGH THE IMPORTANCE  
OF MAINTAINING OUR

# FINANCIAL INTEGRITY

Alvin Vogtle had been a fighter pilot during World War II—therefore, a man not easily frightened. He had also successfully escaped from a German POW camp—therefore, a man who understood the importance of taking calculated risks.

As chairman of Southern Company, Vogtle put those attributes to the test. In 1974, the company was awash in short-term debt, and Vogtle needed to buy it down. For that, he would need cash—and his plan for getting it was to issue common stock and use the net proceeds to retire the debt.

It was a daring plan—deliberately diluting the company's value

at a time when the shares themselves were only worth about half of book value. And so, of course, it worked—brilliantly. Vogtle's bold move preserved the financial integrity of Southern Company and helped keep its operating companies afloat during a time of low revenues and considerable market uncertainty.

Vogtle remembered what his predecessors had taught him—that the financial strength of a business is one of its greatest assets. It was a guiding principle he would soon pass on to others. They—and the generations of employees who followed them—would benefit from the lesson.





1948

#### AN IMPRESSIVE STREAK BEGINS

Southern Company pays its first dividend to shareholders, starting an uninterrupted stream of more than 260 quarterly payments over the next 65 years—and persuading multiple generations of investors to hold the company's common stock for the long term.



1974

#### VOGTLE'S BIG BET

Southern Company Chairman Alvin Vogtle issues new common stock to reduce the company's short-term debt. In the process, he steadies the helm during a difficult economic period and buys time for the operating subsidiaries to solve their respective financial challenges.



1933

#### CHARGING LESS, SELLING MORE

New Commonwealth & Southern president Wendell Willkie enacts a plan to survive the Great Depression by reducing rates and encouraging increased usage. In so doing, Willkie demonstrates that his business is built for the long haul. Other utilities soon follow suit.

*Alvin Vogtle was an ace fighter pilot during World War II.*







## 2001

### MIRANT SPIN-OFF

Southern Company's unregulated subsidiary, Southern Energy, is spun off and renamed Mirant. The value of Southern Company's common stock is divided proportionally, but the dividend is kept whole, as a way of maintaining long-term shareholder value.



## 2002

### DIVIDEND INCREASES

The dividend on Southern Company's common stock begins a series of annual increases that will eventually raise it from \$1.34 per share to \$1.96 per share by 2012—a total increase of 46 percent.

**MEREDITH ODOM**  
*Debt Capital Markets, 11 years of service*

**BRAD HOBBS**  
*Financial Planning, 34 years of service*

STANDING STRONG ON A  
**FIRM FOUNDATION**  
 THAT KEEPS CUSTOMERS  
 AT THE CENTER OF ALL THAT WE DO

In 2001, Southern Company was at a crossroads. Its non-regulated subsidiary, Southern Energy, was being spun off as an independent business, soon to be renamed Mirant. The value of the company was being divided, with 60 percent remaining with the core business and 40 percent departing with the spin-off.

In such cases, conventional wisdom would seem to dictate that the dividend be reduced. But that's not what happened. Southern Company maintained its commitment to shareholders by keeping its 2001 dividend whole and reassured debt investors that the balance sheet would be further strengthened—reaping the benefits of a customer-focused business strategy.

Once again, the values of the company's founders had held sway. The importance of financial integrity was reaffirmed, and a strong company became even stronger.

Today, Southern Company has the best financial integrity of any company of size in its industry, and as a result enjoys an industry-leading credit rating, historically low borrowing costs and an outstanding reputation in credit and equity markets worldwide. Which ultimately benefits customers by keeping rates low. Which leads to healthy regulatory relationships and ready access to capital. Which lets us do even more for customers. Which is really what it's all about.

PICTURED AT LEFT: Meredith Odom, capital markets team leader, is among those responsible for ensuring Southern Company raises capital at the most affordable rates. Brad Hobbs, manager of strategic finance, monitors and evaluates the company's financial soundness relative to current market trends.



2009

INTEGRITY MEANS VALUE

Major construction projects such as Plant Vogtle 3 and 4 in Georgia and the Kemper project in Mississippi require lots of financing, and the Southern Company system is raising capital at historically low rates—thanks to its industry-leading financial integrity. Lower-cost financing means lower electric rates for customers.

2013

A SOUND FOOTING

Once again, *Fortune* magazine names Southern Company one of the world's most admired electric and gas utilities. It is also the fourth year in a row the company has been named No. 1 in the magazine's "financial soundness" category.

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2012

A PROUD RECORD

For the 11th year in a row, Southern Company increases its annual dividend. Total shareholder return has outperformed the S&P 500 over the 10-, 20- and 30-year periods ended Dec. 31, 2012, with about half its volatility.



DELIVERING LONG-TERM

# SHAREHOLDER VALUE

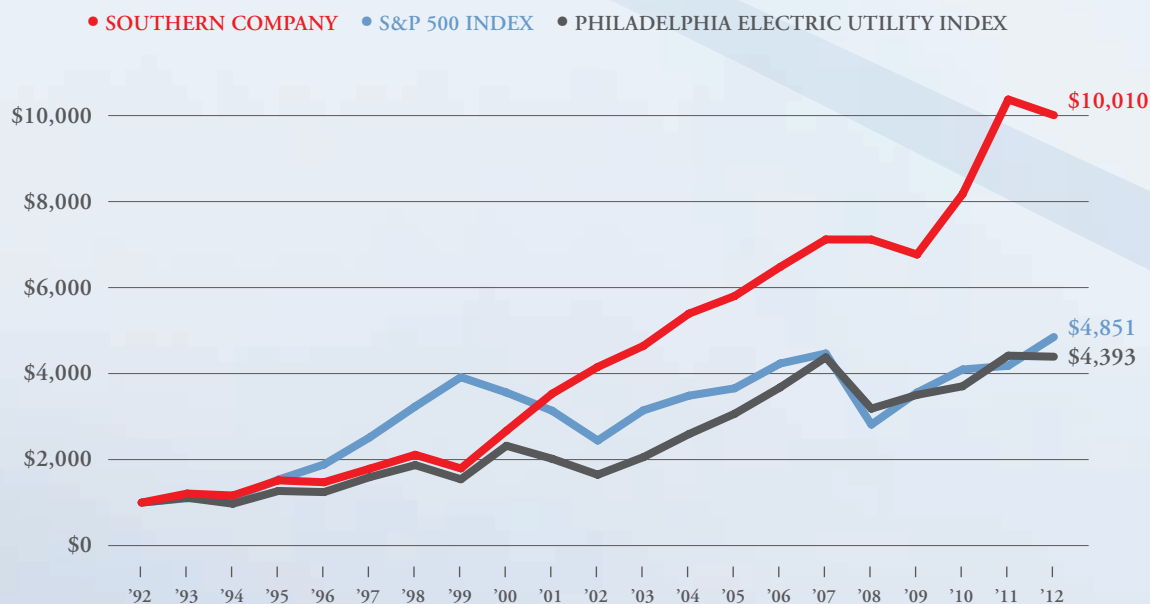
WITH A FINANCIAL OFFERING THAT COMBINES  
TOP QUARTILE RETURNS WITH LOW RELATIVE RISK

Our shareholders know the value of long-term focus, and so do we. The proof is in the numbers. Over the past 20 years, with dividends reinvested, a \$1,000 investment in Southern Company common stock has grown to more than \$10,000. Despite major economic events over the past two decades, our total returns have increased at a steady clip and have outpaced both the larger market and the utility industry.

One of the keys to producing those returns was the combination of a dependable, growing dividend and a steadily increasing

stock price. When reinvested in Southern Company stock, our dividend is a powerful source of shareholder value. In fact, over that same 20-year horizon, the dividend has created about 70 percent of the total value our shareholders have received.

Another powerful advantage for shareholders is low risk relative to the market. Southern Company was the second-best stock in the S&P 500 in 2012 in terms of volatility. Stocks with low volatility are less prone to price swings during times of stress in the market, and are therefore considered more stable.

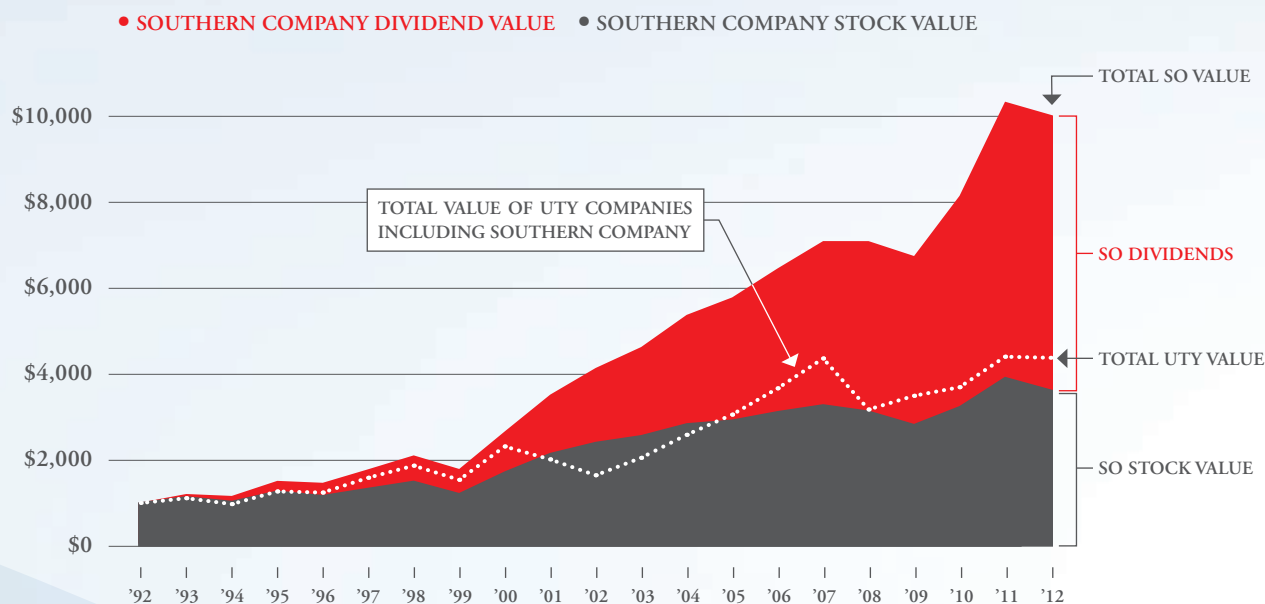


## VALUE OF \$1,000 INVESTED OVER 20 YEARS

This performance graph compares the cumulative return on Southern Company (SO) common stock with the Philadelphia Electric Utility Index (UTY) and the Standard & Poor's (S&P) 500 Index for the past 20 years. The graph assumes that \$1,000 was invested on Dec. 31, 1992, in Southern Company's common stock and each of the above indices and that all dividends were reinvested. A five-year performance graph is included in Appendix E to the Proxy Statement.

*See Glossary on page 36 for information on total shareholder return.*

Source: Bloomberg



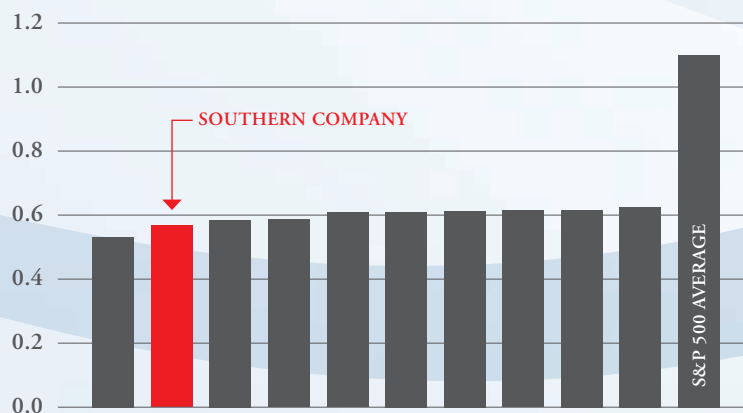
#### VALUE CREATED BY DIVIDEND & PRICE PERFORMANCE

This chart shows the power of Southern Company's dividend relative to the 20 utilities in the Philadelphia Electric Utility Index (UTY).

Over the last 20 years, a \$1,000 investment in SO grew to \$10,010, a \$9,010 increase. Our price was up \$2,652 and our dividends, with reinvestment, accounted for \$6,358, or about 70 percent, of the gain in value. The UTY companies, which include SO, made only \$3,393 on a \$1,000 investment. Southern Company's \$9,010 increase is about 2.7 times more than the average increase generated by the

UTY index. The graph assumes that \$1,000 was invested on Dec. 31, 1992, in Southern Company's common stock and the UTY index and that all dividends were reinvested.

Source: Bloomberg



#### VALUE ADDED BY LOW VOLATILITY

This chart shows the 10 least-volatile stocks in the S&P 500, in comparison to the volatility of the overall index.

Volatility refers to the tendency of a stock to react to swings in the market. Out of the 500 companies in the S&P 500 Index, Southern Company had the second-lowest level of volatility and about half the volatility of the average S&P company.

Source: Bloomberg, five-year beta as of 12/31/2012



This report contains forward-looking statements based on current expectations and plans that involve risks and uncertainties. Forward-looking statements include statements about, among other things, completion of construction projects, customer growth, retail sales, retail rates, fuel and environmental cost recovery and other rate actions, current and proposed environmental regulations and related estimated expenditures, future earnings, dividend payout ratios, financing activities, access to sources of capital and estimated construction and other expenditures. In some cases, forward-looking statements can be identified by terminology such as “may,” “will,” “could,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential” or “continue” or the negative of these terms or other similar terminology. Southern Company cautions that there are certain factors that could cause actual results to differ materially from the forward-looking information that has been provided. The reader is cautioned not to put undue reliance on this forward-looking information, which is not a guarantee of future performance and is subject to a number of uncertainties and other factors, many of which are outside the control of Southern Company; accordingly, there can be no assurance that such indicated results will be realized. The following factors, in addition to those discussed in Southern Company’s Annual Report on Form 10-K for the year ended December 31, 2012 (Form 10-K), and subsequent securities filings, could cause actual results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory changes, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, environmental laws including regulation of water, coal combustion byproducts and emissions of sulfur, nitrogen, carbon, soot, particulate matter, hazardous air pollutants, including mercury, and other substances, financial reform legislation and also changes in tax and other laws and regulations to which Southern Company and its subsidiaries are subject, as well as changes in application of existing laws and regulations; current and future litigation, regulatory investigations, proceedings or inquiries, including the pending Environmental Protection Agency civil actions against certain Southern Company subsidiaries, Federal Energy Regulatory Commission matters and Internal Revenue Service and state tax audits; the effects, extent and timing of the entry of additional competition in the markets in which Southern Company’s subsidiaries operate; variations in demand for electricity, including those relating to weather, the general economy and recovery from the recent recession, population and business growth (and declines), the effects of energy conservation measures and any potential economic impacts resulting from federal fiscal decisions; available sources and costs of fuels; effects of inflation; ability to control costs and avoid cost overruns during the development and construction of facilities, including the development and construction of facilities with designs that have not been finalized or previously constructed, to construct facilities in accordance with the requirements of permits and licenses, and to satisfy any operational and environmental performance standards, including

Southern Company expressly disclaims any obligation to update any forward-looking information.

the requirements of tax credits and other incentives; investment performance of Southern Company’s employee benefit plans and nuclear decommissioning trust funds; advances in technology; state and federal rate regulations and the impact of pending and future rate cases and negotiations, including rate actions relating to fuel and other cost recovery mechanisms; regulatory approvals and actions related to the Plant Vogtle expansion, including Georgia Public Service Commission approvals, Nuclear Regulatory Commission actions, and potential U.S. Department of Energy loan guarantees; regulatory approvals and legislative actions related to the Kemper County integrated coal gasification combined cycle facility (Kemper IGCC), including Mississippi Public Service Commission approvals and legislation relating to cost recovery for the Kemper IGCC, the South Mississippi Electric Power Association purchase decision, satisfaction of requirements to utilize investment tax credits and grants and the outcome of any proceedings regarding the Mississippi Public Service Commission’s issuance of the certificate of public convenience and necessity for the Kemper IGCC; the inherent risks involved in operating and constructing nuclear generating facilities, including environmental, health, regulatory, natural disaster, terrorism or financial risks; the performance of projects undertaken by the non-utility businesses and the success of efforts to invest in and develop new opportunities; internal restructuring or other restructuring options that may be pursued; potential business strategies, including acquisitions or dispositions of assets or businesses, which cannot be assured to be completed or beneficial to Southern Company or its subsidiaries; the ability of counterparties of Southern Company and its subsidiaries to make payments as and when due and to perform as required; the ability to obtain new short- and long-term contracts with wholesale customers; the direct or indirect effect on the Southern Company system’s business resulting from terrorist incidents and the threat of terrorist incidents, including cyber intrusion; interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company’s and its subsidiaries’ credit ratings; the impacts of any potential U.S. credit rating downgrade or other sovereign financial issues, including impacts on interest rates, access to capital markets, impacts on currency exchange rates, counterparty performance, and the economy in general, as well as potential impacts on the availability or benefits of proposed U.S. Department of Energy loan guarantees; the ability of Southern Company and its subsidiaries to obtain additional generating capacity at competitive prices; catastrophic events such as fires, earthquakes, explosions, floods, hurricanes, droughts, pandemic health events such as influenza or other similar occurrences; the direct or indirect effects on the Southern Company system’s business resulting from incidents affecting the U.S. electric grid or operation of generating resources; the effect of accounting pronouncements issued periodically by standard-setting bodies; and other factors discussed elsewhere herein and in other reports, including the Form 10-K filed by Southern Company from time to time with the Securities and Exchange Commission.

## FINANCIAL INFORMATION

The following condensed financial presentation should not be considered a substitute for the full financial statements, inclusive of footnotes and Management’s Discussion and Analysis of Financial Condition and Results of Operations, provided to all shareholders in Appendix E to the Company’s 2013 Proxy Statement and included in the Form 10-K as filed with the Securities and Exchange Commission. Appendix E to the Proxy Statement

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

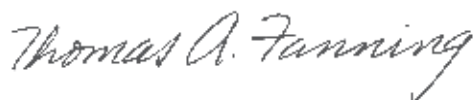
## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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

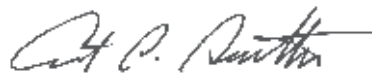
Under management's supervision, an evaluation of the design and effectiveness of Southern Company's internal control over financial reporting was conducted based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based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

Southern Company's internal control over financial reporting was effective as of December 31, 2012.

Deloitte & Touche LLP, an independent registered public accounting firm, as auditors of Southern Company's financial statements, has issued an attestation report on the effectiveness of Southern Company's internal control over financial reporting as of December 31, 2012. Deloitte & Touche LLP's report on Southern Company's internal control over financial reporting appears in Appendix E to the Proxy Statement and in the Form 10-K as filed with the Securities and Exchange Commission.



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



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

February 27, 2013

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Board of Directors and Stockholders of Southern Company

We have audited the consolidated balance sheets and consolidated statements of capitalization of Southern Company and Subsidiary Companies (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2012. We have also audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. Such consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting, and our report on the consolidated financial statements and internal control over financial reporting dated February 27, 2013, expressing an unqualified opinion (which is not included herein) are

included in Appendix E to the proxy statement for the 2013 annual meeting of stockholders. The accompanying condensed consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on such condensed consolidated financial statements in relation to the complete consolidated financial statements.

In our opinion, the information set forth in the accompanying condensed consolidated balance sheets as of December 31, 2012 and 2011, and the related condensed consolidated statements of income and of cash flows for each of the three years in the period ended December 31, 2012, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.



Atlanta, Georgia  
February 27, 2013



**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

*For the Years Ended December 31, 2012, 2011, and 2010*

(IN MILLIONS)	2012	2011	2010
<b>OPERATING REVENUES:</b>			
Retail revenues	\$14,187	\$15,071	\$14,791
Wholesale revenues	1,675	1,905	1,994
Other electric revenues	616	611	589
Other revenues	59	70	82
Total operating revenues	16,537	17,657	17,456
<b>OPERATING EXPENSES:</b>			
Fuel	5,057	6,262	6,699
Purchased power	544	608	563
Other operations and maintenance	3,791	3,938	4,010
MC Asset Recovery insurance settlement	(19)	-	-
Depreciation and amortization	1,787	1,717	1,513
Taxes other than income taxes	914	901	869
Total operating expenses	12,074	13,426	13,654
<b>OPERATING INCOME</b>	4,463	4,231	3,802
<b>OTHER INCOME AND (EXPENSE):</b>			
Allowance for equity funds used during construction	143	153	194
Interest income	40	21	24
Interest expense, net of amounts capitalized	(859)	(857)	(895)
Other income (expense), net	(38)	(61)	(59)
Total other income and (expense)	(714)	(744)	(736)
<b>EARNINGS BEFORE INCOME TAXES</b>	3,749	3,487	3,066
Income taxes	1,334	1,219	1,026
<b>CONSOLIDATED NET INCOME</b>	2,415	2,268	2,040
Dividends on Preferred and Preference Stock of Subsidiaries	65	65	65
<b>CONSOLIDATED NET INCOME AFTER DIVIDENDS ON PREFERRED AND PREFERENCE STOCK OF SUBSIDIARIES</b>	<b>\$ 2,350</b>	<b>\$ 2,203</b>	<b>\$ 1,975</b>
<b>COMMON STOCK DATA:</b>			
Earnings per share (EPS) –			
Basic EPS	\$2.70	\$2.57	\$2.37
Diluted EPS	2.67	2.55	2.36
Average number of shares of common stock outstanding – <i>(in millions)</i>			
Basic	871	857	832
Diluted	879	864	837
Cash dividends paid per share of common stock	\$1.9425	\$1.8725	\$1.8025

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

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

*For the Years Ended December 31, 2012, 2011, and 2010*

(IN MILLIONS)	2012	2011	2010
<b>OPERATING ACTIVITIES:</b>			
Consolidated net income	\$ 2,415	\$ 2,268	\$ 2,040
Adjustments to reconcile consolidated net income to net cash provided from operating activities –			
Depreciation and amortization, total	2,145	2,048	1,831
Deferred income taxes	1,096	1,155	1,038
Allowance for equity funds used during construction	(143)	(153)	(194)
Pension, postretirement, and other employee benefits	(398)	(45)	(614)
Stock based compensation expense	55	42	33
Generation construction screening costs	-	-	(51)
Retail fuel cost-recovery – long-term	123	-	-
Other, net	56	15	(33)
Changes in certain current assets and liabilities –			
Receivables	234	362	80
Fossil fuel stock	(452)	(62)	135
Materials and supplies	(97)	(60)	(30)
Other current assets	(37)	(17)	(17)
Accounts payable	(89)	(5)	4
Accrued taxes	(71)	330	(308)
Accrued compensation	(28)	10	180
Retail fuel cost over recovery – short-term	129	(3)	(178)
Other current liabilities	(40)	18	75
Net cash provided from operating activities	4,898	5,903	3,991
<b>INVESTING ACTIVITIES:</b>			
Property additions	(4,809)	(4,525)	(4,086)
Investment in restricted cash	(280)	1	(50)
Distribution of restricted cash	284	63	25
Nuclear decommissioning trust fund purchases	(1,046)	(2,195)	(2,009)
Nuclear decommissioning trust fund sales	1,043	2,190	2,004
Cost of removal, net of salvage	(149)	(93)	(125)
Change in construction payables, net	(84)	198	29
Other investing activities	(127)	178	(44)
Net cash used for investing activities	(5,168)	(4,183)	(4,256)
<b>FINANCING ACTIVITIES:</b>			
Increase (decrease) in notes payable, net	(30)	(438)	659
Proceeds –			
Long-term debt issuances	4,404	3,719	3,151
Interest-bearing refundable deposit related to asset sale	150	-	-
Common stock issuances	397	723	772
Redemptions and repurchases –			
Long-term debt	(3,169)	(3,170)	(2,966)
Common stock repurchased	(430)	-	-
Payment of common stock dividends	(1,693)	(1,601)	(1,496)
Payment of dividends on preferred and preference stock of subsidiaries	(65)	(65)	(65)
Other financing activities	19	(20)	(33)
Net cash provided from (used for) financing activities	(417)	(852)	22
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>(687)</b>	<b>868</b>	<b>(243)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>1,315</b>	<b>447</b>	<b>690</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 628</b>	<b>\$ 1,315</b>	<b>\$ 447</b>

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



**CONDENSED CONSOLIDATED BALANCE SHEETS**

*At December 31, 2012 and 2011*

<b>ASSETS (IN MILLIONS)</b>	<b>2012</b>	<b>2011</b>
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 628	\$ 1,315
Restricted cash and cash equivalents	7	8
Receivables –		
Customer accounts receivable	961	1,074
Unbilled revenues	441	376
Under recovered regulatory clause revenues	29	143
Other accounts and notes receivable	235	282
Accumulated provision for uncollectible accounts	(17)	(26)
Fossil fuel stock, at average cost	1,819	1,367
Materials and supplies, at average cost	1,000	903
Vacation pay	165	160
Prepaid expenses	657	385
Other regulatory assets, current	163	239
Other current assets	74	46
<b>Total current assets</b>	<b>6,162</b>	<b>6,272</b>
<b>PROPERTY, PLANT, AND EQUIPMENT:</b>		
In service	63,251	59,744
Less accumulated depreciation	21,964	21,154
Plant in service, net of depreciation	41,287	38,590
Other utility plant, net	263	55
Nuclear fuel, at amortized cost	851	774
Construction work in progress	5,989	5,591
<b>Total property, plant, and equipment</b>	<b>48,390</b>	<b>45,010</b>
<b>OTHER PROPERTY AND INVESTMENTS:</b>		
Nuclear decommissioning trusts, at fair value	1,303	1,207
Leveraged leases	670	649
Miscellaneous property and investments	216	262
<b>Total other property and investments</b>	<b>2,189</b>	<b>2,118</b>
<b>DEFERRED CHARGES AND OTHER ASSETS:</b>		
Deferred charges related to income taxes	1,385	1,365
Unamortized debt issuance expense	133	156
Unamortized loss on reacquired debt	309	285
Other regulatory assets, deferred	4,032	3,579
Other deferred charges and assets	549	482
<b>Total deferred charges and other assets</b>	<b>6,408</b>	<b>5,867</b>
<b>TOTAL ASSETS</b>	<b>\$63,149</b>	<b>\$59,267</b>

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**CONDENSED CONSOLIDATED BALANCE SHEETS**

*At December 31, 2012 and 2011*

<b>LIABILITIES AND STOCKHOLDERS' EQUITY (IN MILLIONS)</b>	<b>2012</b>	<b>2011</b>
<b>CURRENT LIABILITIES:</b>		
Securities due within one year	\$ 2,335	\$ 1,717
Interest-bearing refundable deposit related to asset sale	150	-
Notes payable	825	859
Accounts payable	1,387	1,553
Customer deposits	370	347
Accrued taxes –		
Accrued income taxes	7	13
Unrecognized tax benefits	2	22
Other accrued taxes	391	425
Accrued interest	237	226
Accrued vacation pay	212	205
Accrued compensation	433	450
Liabilities from risk management activities	75	209
Other regulatory liabilities, current	107	125
Other current liabilities	483	426
<b>Total current liabilities</b>	<b>7,014</b>	<b>6,577</b>
<b>LONG-TERM DEBT</b>	<b>19,274</b>	<b>18,647</b>
<b>DEFERRED CREDITS AND OTHER LIABILITIES:</b>		
Accumulated deferred income taxes	9,938	8,809
Deferred credits related to income taxes	211	224
Accumulated deferred investment tax credits	894	611
Employee benefit obligations	2,540	2,442
Asset retirement obligations	1,748	1,321
Other cost of removal obligations	1,194	1,165
Other regulatory liabilities, deferred	289	297
Other deferred credits and liabilities	668	514
<b>Total deferred credits and other liabilities</b>	<b>17,482</b>	<b>15,383</b>
<b>TOTAL LIABILITIES</b>	<b>43,770</b>	<b>40,607</b>
<b>REDEEMABLE PREFERRED STOCK OF SUBSIDIARIES</b>	<b>375</b>	<b>375</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>19,004</b>	<b>18,285</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$63,149</b>	<b>\$59,267</b>

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



## BOARD OF DIRECTORS

1. **JUANITA POWELL BARANCO**  
Executive Vice President and  
Chief Operating Officer  
Baranco Automotive Group (automobile sales)  
Atlanta, GA | Age 64 | elected 2006  
**Board committees:** Governance (*chair*),  
Nuclear/Operations  
**Other directorships:** None
2. **JON A. BOSCIA**  
Founder and President  
Boardroom Advisors, LLC  
(board governance consulting firm)  
Sarasota, FL | Age 60 | elected 2007  
**Board committees:** Audit (*chair*)  
**Other directorships:** PHH Corporation
3. **HENRY A. CLARK III**  
Senior Advisor  
Evercore Partners Inc.  
(corporate finance advisory firm)  
New York, NY | Age 63 | elected 2009  
**Board committees:** Finance (*chair*),  
Compensation and Management Succession  
**Other directorships:** None
4. **THOMAS A. FANNING**  
Chairman, President and CEO  
Southern Company  
Atlanta, GA | Age 56 | elected 2010  
**Other directorships:**  
Federal Reserve Bank of Atlanta
5. **DAVID J. GRAIN**  
Founder and Managing Partner  
Grain Management, LLC  
(private equity firm)  
Sarasota, FL | Age 50 | elected 2012  
**Board committees:** Audit  
**Other directorships:**  
Gateway Bank of Southwest Florida
6. **H. WILLIAM HABERMEYER, JR.**  
Retired President and CEO  
Progress Energy Florida Inc. (energy)  
Tampa, FL | Age 70 | elected 2007  
**Board committees:**  
Nuclear/Operations (*chair*),  
Compensation and Management Succession  
**Other directorships:** Raymond James  
Financial, Inc., USEC Inc.
7. **VERONICA M. HAGEN**  
President and CEO  
Polymer Group, Inc. (engineered materials)  
Charlotte, NC | Age 67 | elected 2008  
**Board committees:** Compensation and  
Management Succession (*chair*),  
Nuclear/Operations  
**Other directorships:** Polymer Group, Inc.,  
Newmont Mining Corporation



8. WARREN A. HOOD, JR.

*Chairman and CEO  
Hood Companies, Inc.  
(packaging and construction products)*

Hattiesburg, MS | Age 61 | elected 2007

**Board committees:** Audit

**Other directorships:** Hood Companies, Inc.,  
BancorpSouth, Inc.

9. DONALD M. JAMES

*Chairman and CEO  
Vulcan Materials Company  
(construction materials)*

Birmingham, AL | Age 64 | elected 1999

**Board committees:** Finance, Governance

**Other directorships:** Vulcan Materials  
Company, Wells Fargo & Company

10. DALE E. KLEIN

*Associate Vice Chancellor of Research  
University of Texas System  
Associate Director  
The Energy Institute at the University  
of Texas at Austin  
Retired Chairman  
U.S. Nuclear Regulatory Commission (energy)*

Austin, TX | Age 65 | elected 2010

**Board committees:** Governance,  
Nuclear/Operations

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

11. WILLIAM G. SMITH, JR.

*Presiding Director  
Southern Company Board  
Chairman, President and CEO  
Capital City Bank Group, Inc. (banking)*

Tallahassee, FL | Age 59 | elected 2006

**Board committees:** Compensation and  
Management Succession, Finance

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

12. STEVEN R. SPECKER

*Retired President and CEO  
Electric Power Research Institute (energy)*

Scottsdale, AZ | Age 67 | elected 2010

**Board committees:** Governance,  
Nuclear/Operations

**Other directorships:** Trilliant Inc.

13. E. JENNER WOOD III

*Chairman, President and CEO  
SunTrust Bank—Atlanta/Georgia Division  
(banking)*

Atlanta, GA | Age 61 | elected 2012

**Board committees:** Governance,  
Nuclear/Operations

**Other directorships:** Oxford Industries, Inc.,  
Crawford & Company





## MANAGEMENT COUNCIL

1. **ART P. BEATTIE**

*Executive Vice President  
and Chief Financial Officer*

Beattie, 58, joined the company in 1976 as a junior accountant with Alabama Power. He has held his current position since August 2010. Beattie is responsible for the company's accounting, finance, tax, investor relations, treasury and risk management functions. He also serves as chief risk officer. Previously, Beattie served in several executive accounting and finance positions at Alabama Power, including chief financial officer, treasurer and comptroller.

2. **W. PAUL BOWERS**

*Executive Vice President and  
President and CEO, Georgia Power*

Bowers, 56, joined the company as a residential sales representative with Gulf Power in 1979. He has held his current position since January 2011. Previously, Bowers served as chief financial officer for Southern Company. He also served as president of Southern Company Generation, president and CEO of Southern Power, president and CEO of Southern Company's former United Kingdom subsidiary and senior vice president and chief marketing officer for Southern Company.

3. **STAN W. CONNALLY, JR.**

*President and CEO, Gulf Power*

Connally, 43, joined the company in 1989 as a co-op student at Georgia Power. He has held his current position since July 2012. Previously, he served as senior vice president and senior production officer for Georgia Power. He has served as plant manager at plants Watson, Daniel and Barry. He has also worked in customer operations and sales and marketing.

4. **MARK A. CROSSWHITE**

*Executive Vice President  
and Chief Operating Officer*

Crosswhite, 50, joined the company in 2004 as senior vice president and general counsel for Southern Company Generation. He has held his current position since July 2012. He previously served as president and CEO of Gulf Power and executive vice president of external affairs and senior vice president and general counsel at Alabama Power. Prior to joining the company, he was a partner in the law firm of Balch & Bingham LLP in Birmingham, Ala., where he practiced for 17 years.

5. **EDWARD DAY VI**

*President and CEO, Mississippi Power*

Day, 52, joined the company as an engineer with Southern Company Services in 1983. He has held his current position since August 2010. Previously, Day served as executive vice president of engineering and construction services for Southern Company Generation. He has held positions in a number of functional areas within the company such as nuclear, wholesale power marketing, engineering, procurement and construction.

6. **THOMAS A. FANNING**

*Chairman, President and CEO*

Fanning, 56, joined the company as a financial analyst in 1980. He has held his current position since December 2010. Previously, Fanning served as executive vice president and chief operating officer for Southern Company, president and CEO of Gulf Power and chief financial officer for Southern Company, Georgia Power and Mississippi Power.



7. **KIMBERLY S. GREENE**  
*President and CEO,  
Southern Company Services*

Greene, 46, has held her current role since April 2013. Prior to that, she was employed by TVA, where she served as chief financial officer, group president of strategy and external relations and, most recently, chief generation officer. She also has served as senior vice president of finance and treasurer for Southern Company and has held various positions with Mirant, including chief commercial officer, South region.

8. **G. EDISON HOLLAND, JR.**  
*Executive Vice President, General Counsel  
and Corporate Secretary*

Holland, 60, joined the company as vice president and corporate counsel for Gulf Power in 1992. He was named to his current position, which includes serving as the chief compliance officer, in April 2001. Previously, he was president and CEO of Savannah Electric and vice president of power generation and transmission at Gulf Power.

9. **STEPHEN E. KUCZYNSKI**  
*Chairman, President and CEO,  
Southern Nuclear*

Kuczynski, 50, joined the company in July 2011 as chairman, president and CEO of Southern Nuclear. Previously, he was senior vice president of engineering and technical services for Exelon Nuclear. He also served as senior vice president of Exelon Nuclear's Midwest operations, with oversight of its 11 Illinois nuclear units. Before that, he was senior vice president of operations support. He also served as plant manager and later as site vice president for Exelon's Byron Nuclear Station.

10. **CHARLES D. MCCRARY**  
*Executive Vice President and  
President and CEO, Alabama Power*

McCrary, 61, joined the company as an assistant project planning engineer with Alabama Power in 1973. He assumed his current position in 2001. Previously, McCrary was chief production officer for Southern Company and president and CEO of Southern Power. He has held executive positions at Alabama Power and Southern Nuclear as well as various jobs in engineering, system planning, fuels and environmental affairs.

11. **CHRISTOPHER C. WOMACK**  
*Executive Vice President,  
President of External Affairs*

Womack, 55, joined the company in 1988 as a governmental affairs representative for Alabama Power. He has held his current position since January 2009. Previously, Womack was executive vice president of external affairs for Georgia Power. He has held numerous executive and management positions, including senior vice president of human resources and chief people officer for Southern Company as well as senior vice president and senior production officer of Southern Company Generation.





**BASIC EARNINGS PER SHARE EXCLUDING MC ASSET RECOVERY INSURANCE SETTLEMENT, LITIGATION SETTLEMENT WITH MC ASSET RECOVERY, AND LEVERAGED LEASE CHARGES**

Basic earnings per share of \$2.70 minus excluded MC Asset Recovery insurance settlement of 2 cents in 2012; basic earnings per share of \$2.07 plus an excluded 25-cent charge related to a litigation settlement with MC Asset Recovery in 2009; and basic earnings per share of \$2.26 plus 11 cents of excluded leveraged lease charges in 2008.

**BIOMASS**

Plant matter such as dead trees and branches, yard clippings and wood chips used to generate electricity.

**BOOK VALUE**

A company's common stock equity as it appears on a balance sheet, equal to total assets minus liabilities, preferred and preference stock, and intangible assets such as goodwill. Book value per share refers to the book value of a company divided by the number of shares outstanding.

**CAPITAL**

Money invested in a firm, typically in permanent facilities or equipment rather than non-durable items.

**COAL GASIFICATION**

A process in which the energy stored in coal is converted to a gas, making it available for use in refineries for the synthesis of chemicals or in gas-fired power plants as a fuel.

**DILUTED EARNINGS PER SHARE**

A company's earnings per share calculated using fully diluted shares outstanding, including the impact of stock option grants and convertible bonds that can be converted into shares of stock in the issuing company.

**DIVIDEND YIELD**

The annual dividend income per share received from a company divided by its current stock price.

**EARNINGS PER SHARE**

Net income divided by the average number of shares of common stock outstanding.

**END-USE ELECTROTECHNOLOGIES**

Electric-based technologies—such as heat pumps and light bulbs—used at the point of end use by the retail customer.

**ENERGY AUDIT**

An onsite inspection in which recommendations are made for improving the energy efficiency of a home or business.

**EQUIVALENT FORCED OUTAGE RATE**

The percentage of scheduled operating time that a unit is out of service due to unexpected problems or failures.

**FLY ASH**

A very fine material produced when coal is combusted in a boiler to produce electricity. Can be useful in cement and concrete applications due to its physical and chemical properties.

**GENERATING CAPACITY**

The amount of energy that can be produced using all of our power generation facilities.

**GENERATION (OR FUEL) MIX**

The proportion of energy produced from various fuel sources (natural gas, coal, nuclear, hydro, biomass, etc.).

**KILOWATT-HOUR**

A unit of electricity, equal to 1,000 watt-hours, delivered by an electric utility steadily for one hour.

**MEGAWATT**

A measurement of electricity equal to 1,000 kilowatts and typically used when describing large amounts of generating capacity.

**MERCURY**

A naturally occurring element in the Earth's crust that is present in trace amounts in coal. When power plants burn coal, trace amounts of mercury are released.

**PARTICULATE MATTER**

A mix of substances that exist as discrete solid particles or liquid droplets suspended in air. Two size classes of particles, which can be emitted directly into the atmosphere or form from reactive gases, are federally regulated.

**PEAK SEASON**

The time of year when demand for electricity is typically at its highest level. Includes two winter months (January-February) and five summer months (May-September).

**RELIABILITY**

As pertains to electric networks, the extent to which supply is available to meet demand.

**RENEWABLE ENERGY**

Energy generated directly from natural resources such as sunlight, wind, water, biomass, ocean tides and geothermal heat from the ground.

**RETURN ON EQUITY**

A measure of profitability, calculated as net income divided by average shareholders' equity.

**SCRUBBER**

A technology installed on a coal-fired power plant to remove sulfur dioxide emissions.

**SMART METERS**

Modern meter technology that provides faster access to more complete usage information, as well as other functionalities, for utilities and their customers.

**SYNTHETIC FUEL**

Gaseous liquids or solid fuels that do not occur naturally and can be made from natural substances such as coal or oil.

**TOTAL SHAREHOLDER RETURN**

Stock price appreciation plus reinvested dividends. (The distribution of shares of Mirant Corporation stock to Southern Company shareholders is treated as a special dividend for purposes of calculating Southern Company shareholder return.)

## SHAREHOLDER INFORMATION

### TRANSFER AGENT

Computershare Shareowner Services, LLC is Southern Company's transfer agent, dividend-paying agent, investment plan administrator and registrar. If you have questions concerning your registered Southern Company shareowner account, please contact:

#### BY MAIL

The Southern Company  
c/o Computershare  
Shareowner Services  
P.O. Box 43006  
Providence, RI 02940-3006

#### BY PHONE - U.S.

9 a.m. to 7 p.m. ET  
Monday through Friday  
800-554-7626  
(Automated voice response system  
24 hours/day, 7 days/week)

**Hearing Impaired:** 800-231-5469

#### BY COURIER

The Southern Company  
c/o Computershare  
Shareowner Services  
250 Royall Street  
Canton, MA 02021

#### BY PHONE - OUTSIDE U.S.

201-680-6693

### SHAREOWNER SERVICES INTERNET SITE

To take advantage of Shareowner Services' online services, you will need to activate your account. This one-time authentication process will be used to validate your identity. You can use your 12-digit Investor ID or your Computershare Holder ID. The Internet address is [www.computershare.com/investor](http://www.computershare.com/investor). Through this site, registered shareowners can securely access their account information, as well as submit numerous transactions. Also, transfer instructions and service request forms can be obtained.

### SOUTHERN INVESTMENT PLAN

The Southern Investment Plan provides a convenient way to purchase common stock and reinvest dividends. You can access the Southern Company website to review the prospectus.

### DIRECT REGISTRATION

Southern Company common stock can be issued in direct registration (uncertificated) form. The stock is Direct Registration System eligible.

### DIVIDEND PAYMENTS

The entire amount of dividends paid in 2012 is taxable. The board of directors sets the record and payment dates for quarterly dividends. A dividend of 49 cents per share was paid in March 2013. For the remainder of 2013, projected record dates are May 6, August 5 and November 4. Projected payment dates for dividends declared during the remainder of 2013 are June 6, September 6 and December 6.

### ANNUAL MEETING

The 2013 Annual Meeting of Stockholders will be held Wednesday, May 22, at 10 a.m. ET at The Lodge Conference Center at Callaway Gardens, Highway 18, Pine Mountain, Ga. 31822.

### AUDITORS

Deloitte & Touche LLP  
191 Peachtree St. NE  
Suite 2000  
Atlanta, GA 30303

### INVESTOR INFORMATION LINE

For recorded information about earnings and dividends, stock quotes and current news releases, call toll-free 866-762-6411.

### INSTITUTIONAL INVESTOR INQUIRIES

Southern Company maintains an investor relations office in Atlanta, 404-506-0571, to meet the information needs of institutional investors and securities analysts.

### ELECTRONIC DELIVERY OF PROXY MATERIALS

Any stockholder may enroll for electronic delivery of proxy materials by logging on at [www.icsdelivery.com/so](http://www.icsdelivery.com/so).

### CERTIFICATIONS

Southern Company has filed the required certifications of its chief executive officer and chief financial officer under Section 302 of the Sarbanes-Oxley Act of 2002, regarding the quality of its public disclosures as exhibits 31(a)1 and 31(a)2, respectively, to Southern Company's Annual Report on Form 10-K for the year ended December 31, 2012. The certification of Southern Company's chief executive officer regarding compliance with the New York Stock Exchange (NYSE) corporate governance listing standards, required by NYSE Rule 303A.12, will be filed with the NYSE following the 2013 Annual Meeting of Stockholders. Last year, Southern Company filed this certification with the NYSE on June 12, 2012.

### ENVIRONMENTAL INFORMATION

Southern Company publishes information on its activities to meet environmental commitments. This information is available online at [www.southerncompany.com/planetpower/#reports](http://www.southerncompany.com/planetpower/#reports).

#### To request printed materials, write to:

Chris Hobson  
Chief Environmental Officer & Senior Vice President  
Research and Environmental Affairs  
600 North 18th St.  
Bin 14N-8195  
Birmingham, AL 35203-2206

### COMMON STOCK

Southern Company common stock is listed on the NYSE under the ticker symbol SO. On December 31, 2012, Southern Company had 149,628 shareholders of record.

The 2012 summary annual report is submitted for shareholders' information. It is not intended for use in connection with any sale or purchase of, or any solicitation of, offers to buy or sell securities.

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