

Southern Company

4th Quarter 2007 Earnings

January 30, 2008

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News



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Jan. 30, 2008

Southern Company reports strong 2007 results Year highlighted by superior operational performance

ATLANTA – Citing a resilient economy in the Southeast and a warm summer, Southern Company today reported full-year 2007 earnings of \$1.73 billion, or \$2.29 a share. Reported earnings for 2006 were \$1.57 billion, or \$2.12 a share.

Southern Company also reported solid fourth quarter earnings of \$204.1 million, or 27 cents a share. This compared with reported earnings of \$188.4 million, or 25 cents a share in the fourth quarter of 2006.

Excluding the impact of synthetic fuel investments, Southern Company earned \$2.21 a share in 2007, up from \$2.10 a share in 2006, and earnings for the fourth quarter of 2007 were 26 cents a share, compared with 25 cents a share for the same period in 2006.

Low housing costs and job growth continue to attract new residents to the Southeast. Southern Company added more than 55,000 customers in 2007, an increase of 1.3 percent over 2006. Despite a slowdown in the housing market, the Southeast's stronger growth in households and jobs, as compared to the nation's, continues to provide a solid foundation for the Southeastern economy.

During an August heat wave, which was compounded by the ongoing drought, the company set five successive peak records. Despite the prolonged stress that was placed on the system, Southern Company's customers did not experience a single major disruption to service.

"Southern Company employees did an outstanding job in 2007, operating at historically high levels of reliability, achieving industry-leading customer satisfaction levels and continuing to offer retail prices well below the national average," said Chairman, President and CEO David M. Ratcliffe. "Our commitment to deliver good results for customers and shareholders is strong and our track record speaks for itself."

In addition to weather and the resilient economy, the positive earnings drivers in 2007 include state regulatory actions. The drivers were offset in part by higher non-fuel operations and maintenance expenses, higher interest expense, and asset depreciation primarily associated with increased investment in environmental equipment and transmission and distribution related to maintaining reliability in the growing Southeast.

Revenues for the full year were \$15.35 billion, compared with \$14.36 billion in 2006, a 6.9 percent increase. Fourth quarter revenues were \$3.34 billion, compared with \$3.15 billion in the same period a year earlier, an increase of 6 percent.

Kilowatt-hour sales to retail customers in Southern Company's four-state service area increased 1.4 percent in 2007, compared with 2006. Residential energy sales increased 1.8 percent. Commercial energy sales increased 3.2 percent. Industrial energy sales declined 0.7 percent.

Total energy sales to Southern Company's customers in the Southeast, including wholesale sales, increased 2.3 percent in 2007 compared with 2006, primarily because of customer growth.

In conjunction with this earnings announcement, Southern Company has posted on its Web site detailed financial information on its fourth quarter and 2007 performance. These materials are available at www.southerncompany.com.

Southern Company's financial analyst call will be at 1 p.m. Eastern time Jan. 30, at which time Ratcliffe and Chief Financial Officer Thomas A. Fanning will discuss earnings and earnings guidance as well as a general business update. Investors, media and the public may listen to a live Webcast of the call at www.southerncompany.com. A replay of the Webcast will be available at the site for 12 months.

With 4.3 million customers and more than 42,000 megawatts of generating capacity, Atlanta-based Southern Company (NYSE: SO) is the premier energy company serving the Southeast, one of America's fastest-growing regions. A leading U.S. producer of electricity, Southern Company owns electric utilities in four states and a growing competitive generation company, as well as fiber optics and wireless communications. Southern Company brands are known for excellent customer service, high reliability and retail electric prices that are significantly below the national average. Southern Company

has been listed the top ranking U.S. electric service provider in customer satisfaction for eight consecutive years by the American Customer Satisfaction Index (ACSI). Visit our Web site at www.southerncompany.com.

Cautionary Note Regarding Forward-Looking Statements:

Certain information contained in this release is forward-looking information based on current expectations and plans that involve risks and uncertainties. Forward-looking information includes, among other things, statements concerning results of operations, customer and economic growth and Southern Company's strategies. Southern Company cautions that there are certain factors that can 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 suggested 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 Dec. 31, 2006, and subsequent securities filings, could cause results to differ materially from management expectations as suggested by such forward-looking information: the impact of recent and future federal and state regulatory change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry, implementation of the Energy Policy Act of 2005, environmental laws including regulation of emissions of sulfur, nitrogen, mercury, carbon, soot or particulate matter and other substances, 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 EPA civil actions against certain Southern Company subsidiaries, FERC matters, IRS audits and Mirant matters; 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, population and business growth (and declines), and the effects of energy conservation measures; available sources and costs of fuels; effects of inflation; ability to control costs; investment performance of Southern Company's employee benefit plans; 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 storm restoration cost recovery; 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; the ability to obtain new short- and long-term contracts with neighboring utilities; the direct or indirect effect on Southern Company's business resulting from terrorist incidents and the threat of terrorist incidents; interest rate fluctuations and financial market conditions and the results of financing efforts, including Southern Company's and its subsidiaries' credit ratings; 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 an avian influenza, or other similar occurrences; the direct or indirect effects on Southern Company's business resulting from incidents similar to the August 2003 power outage in the Northeast; and the effect of accounting pronouncements issued periodically by standard-setting bodies. Southern Company and its subsidiaries expressly disclaim any obligation to update any forward-looking information.

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Southern Company
Financial Highlights

(In Millions of Dollars Except Earnings Per Share)

	3 Months Ended December		Year-to-Date December	
	<u>2007</u> <i>(Notes)</i>	<u>2006</u> <i>(Notes)</i>	<u>2007</u> <i>(Notes)</i>	<u>2006</u> <i>(Notes)</i>
Consolidated Earnings—As Reported (See Notes)				
Traditional Operating Companies	\$ 202	\$ 170	\$ 1,584	\$ 1,463
Southern Power	8	27	132	124
Total	<u>210</u>	<u>197</u>	<u>1,716</u>	<u>1,587</u>
Synthetic Fuels	8	6	61	12
Parent Company and Other	<u>(14)</u>	<u>(15)</u>	<u>(43)</u>	<u>(26)</u>
Net Income - As Reported	<u>\$ 204</u>	<u>\$ 188</u>	<u>\$ 1,734</u>	<u>\$ 1,573</u>
Basic Earnings Per Share - (See Notes)	\$ 0.27	\$ 0.25	\$ 2.29	\$ 2.12
Average Shares Outstanding <i>(in millions)</i>	762	745	756	743
End of Period Shares Outstanding <i>(in millions)</i>			763	747

	3 Months Ended December		Year-to-Date December	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Consolidated Earnings—Excluding Synfuels (See Notes)				
Net Income - As Reported	\$ 204	\$ 188	\$ 1,734	\$ 1,573
Less: Synthetic Fuels	<u>(8)</u>	<u>(6)</u>	<u>(61)</u>	<u>(12)</u>
Net Income—Excluding Synthetic Fuels	<u>\$ 196</u>	<u>\$ 182</u>	<u>\$ 1,673</u>	<u>\$ 1,561</u>
Basic Earnings Per Share—Excluding Synfuels	\$ 0.26	\$ 0.25	\$ 2.21	\$ 2.10

Significant Factors Impacting EPS

	3 Months Ended December			Year-to-Date December		
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Consolidated Earnings—As Reported (See Notes)	\$ 0.27	\$ 0.25	\$ 0.02	\$ 2.29	\$ 2.12	\$ 0.17
<u>Significant Factors:</u>						
Traditional Operating Companies			0.05			0.16
Southern Power			(0.02)			0.01
Synthetic Fuels			-			0.06
Parent Company and Other			-			(0.02)
Additional Shares			(0.01)			(0.04)
Total—As Reported			<u>\$ 0.02</u>			<u>\$ 0.17</u>

	3 Months Ended December			Year-to-Date December		
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Consolidated Earnings—Excluding Synfuels (See Notes)	\$ 0.26	\$ 0.25	\$ 0.01	\$ 2.21	\$ 2.10	\$ 0.11
Total—As Reported			0.27			2.29
Less: Synthetic Fuels			(0.01)			(0.08)
Total—Excluding Synthetic Fuels			<u>\$ 0.26</u>			<u>\$ 2.21</u>

Notes

- For the fourth quarter and year-to-date 2007, diluted earnings per share was not more than 1 cent per share.
- Tax credits associated with Southern Company's synthetic fuel investments expired December 31, 2007 and will not contribute to Southern Company's earnings and earnings per share after 2007.
- Certain prior year data has been reclassified to conform with current year presentation.
- Information contained in this report is subject to audit and adjustments. Certain classifications may be different from final results published in the Form 10-K.

Southern Company
Analysis of Consolidated Earnings
(In Millions of Dollars)

	3 Months Ended December			Year-to-Date December		
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>
Income Account-						
Retail Revenue-						
Fuel	\$ 1,102	\$ 947	\$ 155	\$ 5,034	\$ 4,475	\$ 559
Non-Fuel	1,602	1,558	44	7,605	7,326	279
Wholesale Revenue	457	461	(4)	1,988	1,822	166
Other Electric Revenues	132	119	13	514	465	49
Non-regulated Operating Revenues	47	67	(20)	212	268	(56)
Total Revenues	3,340	3,152	188	15,353	14,356	997
Fuel and Purchased Power	1,412	1,231	181	6,371	5,695	676
Non-fuel O & M	1,036	971	65	3,670	3,519	151
Depreciation and Amortization	316	304	12	1,245	1,200	45
Taxes Other Than Income Taxes	167	177	(10)	741	718	23
Total Operating Expenses	2,931	2,683	248	12,027	11,132	895
Operating Income	409	469	(60)	3,326	3,224	102
Other Income, net	54	5	49	177	29	148
Interest Charges and Dividends	230	240	(10)	934	900	34
Income Taxes	29	46	(17)	835	780	55
NET INCOME (See Notes)	\$ 204	\$ 188	\$ 16	\$ 1,734	\$ 1,573	\$ 161

Kilowatt-Hour Sales
(In Millions of KWHs)

	3 Months Ended December				Year-to-Date December			
	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Weather Adjusted Change</u>	<u>2007</u>	<u>2006</u>	<u>Change</u>	<u>Weather Adjusted Change</u>
As Reported (See Notes)								
Kilowatt-Hour Sales-								
Total Sales	47,031	46,750	0.6%		204,360	199,795	2.3%	
Total Retail Sales-	37,230	36,874	1.0%	0.6%	163,614	161,334	1.4%	0.6%
Residential	10,914	11,031	-1.1%	-0.8%	53,326	52,383	1.8%	0.4%
Commercial	12,762	12,347	3.4%	2.2%	54,665	52,987	3.2%	2.2%
Industrial	13,313	13,273	0.3%	0.1%	54,662	55,044	-0.7%	-0.9%
Other	241	223	7.9%	7.9%	961	920	4.4%	4.2%
Total Wholesale Sales	9,801	9,876	-0.8%	N/A	40,746	38,461	5.9%	N/A

Notes

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Southern Company
Financial Overview
(In Millions of Dollars)

	3 Months Ended December			Year-to-Date December		
	2007	2006	% Change	2007	2006	% Change
Consolidated –						
Operating Revenues	\$ 3,340	\$ 3,152	6.0%	\$ 15,353	\$ 14,356	6.9%
Earnings Before Income Taxes	233	234	-0.6%	2,569	2,353	9.2%
Net Income	204	188	8.3%	1,734	1,573	10.2%
Alabama Power –						
Operating Revenues	\$ 1,192	\$ 1,120	6.4%	\$ 5,360	\$ 5,015	6.9%
Earnings Before Income Taxes	114	136	-16.2%	967	873	10.8%
Net Income Available to Common	71	80	-10.2%	580	518	11.9%
Georgia Power –						
Operating Revenues	\$ 1,627	\$ 1,579	3.0%	\$ 7,572	\$ 7,246	4.5%
Earnings Before Income Taxes	137	105	30.9%	1,260	1,234	2.0%
Net Income Available to Common	117	76	54.4%	836	787	6.2%
Gulf Power –						
Operating Revenues	\$ 289	\$ 275	4.9%	\$ 1,260	\$ 1,204	4.6%
Earnings Before Income Taxes	14	10	37.7%	135	125	8.4%
Net Income Available to Common	10	7	40.8%	84	76	10.7%
Mississippi Power –						
Operating Revenues	\$ 251	\$ 235	6.8%	\$ 1,114	\$ 1,009	10.4%
Earnings Before Income Taxes	7	11	-34.4%	138	132	4.4%
Net Income Available to Common	4	7	-50.0%	84	82	2.5%
Southern Power –						
Operating Revenues	\$ 188	\$ 174	8.2%	\$ 972	\$ 777	25.1%
Earnings Before Income Taxes	11	44	-75.9%	215	206	4.3%
Net Income Available to Common	8	27	-69.1%	132	124	5.8%

Notes

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