

Southern Company

4th Quarter 2006 Earnings

December 31, 2006

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News



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2006 Southern Company earnings bolstered by strong economy, customer growth

ATLANTA – Citing continued economic strength and a growing customer base in the Southeast, Southern Company today reported full-year 2006 earnings of \$1.57 billion, or \$2.12 a share. Reported earnings for 2005 were \$1.59 billion, or \$2.14 per share. Lower year-end earnings compared with the prior period were primarily the result of a reduction of tax credits related to the production of synthetic fuels. Excluding the impact of synthetic fuels, Southern Company earned \$2.10 per share, up from \$2.03 per share in 2005.

Southern Company also reported solid fourth quarter earnings of \$188.4 million, or 25 cents a share. This compared with reported earnings of \$158.9 million, or 21 cents per share, in the fourth quarter of 2005.

The region continued to attract new residents and businesses throughout the year, adding more than 70,000 customers in 2006, an increase of 1.7 percent over 2005. Another key earnings driver was the growth in the competitive wholesale generation business, which acquired new capacity in Florida and North Carolina, added to its portfolio of long-term wholesale contracts, and extended some of its existing contracts. These and other positive earnings drivers for the year were offset in part by a reduction of tax credits related to the production of synthetic fuels, higher interest expenses related to increased capital expenditures, and increased non-fuel operations and maintenance expenses primarily associated with prior year storm costs at the retail operating companies.

Chairman, President and CEO David M. Ratcliffe said the 2006 results demonstrate that the continued strength of the Southeast economy and the company's dedication to serving the customer are the keys to Southern Company's long-term financial performance.

“Southern Company remains committed to excellent customer service and satisfaction. We continue to provide outstanding reliability and customer service in the face of increasing demand,” Ratcliffe said. “Our ability to effectively manage costs has enabled us to keep our prices significantly below the national average.”

Fourth quarter revenues were \$3.15 billion, compared with \$3.29 billion in the same period a year earlier, a decrease of 4.2 percent. Revenues for the full year were \$14.36 billion, compared with \$13.56 billion in 2005, a 5.9 percent increase.

Kilowatt-hour sales to retail customers in Southern Company’s four-state service area increased 1.4 percent in 2006, compared with 2005. Residential energy sales increased 2.5 percent. Commercial energy sales increased 2.2 percent. Industrial energy sales declined 0.2 percent.

Total energy sales to Southern Company’s customers in the Southeast, including wholesale sales, increased 2.2 percent in 2006 compared with 2005, primarily due to customer growth.

In conjunction with this earnings announcement, Southern Company has posted on its Web site detailed financial information on its fourth quarter and 2006 performance. These materials are available at 7:30 a.m. Eastern time Jan. 25 at www.southerncompany.com.

Southern Company’s financial analyst call will be at 1 p.m. Eastern time Jan. 25, 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 41,000 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 received the highest ranking in customer satisfaction among U.S. electric service providers for seven consecutive years by the American Customer Satisfaction Index (ACSI). Visit our Web site at www.southerncompany.com.

Forward Looking Statements Note:

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, 2005, 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 and implementation of the Energy Policy Act of 2005, and also changes in environmental, 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-related 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 and population and business growth (and declines); available sources and costs of fuels; 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; fluctuations in the level of oil prices; the level of production, if any, by the synthetic fuel operations at Carbontronic Synfuels Investors LP and Alabama Fuel Products LLC for fiscal year 2007; 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, floods, hurricanes 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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2007 Business Outlook

Financial Goals

- **Earnings Per Share Growth** – Regular, predictable, sustainable; average 5% over the long term, with annual growth within a 4-6% range
2007 Guidance, ex-synfuel: **\$2.13 to \$2.18** (**\$2.18 to \$2.25**, including synfuel)
- **Return on Equity** - Top quartile of electric utilities
- **Dividend Growth** – Since 2005, annual growth of approximately 4%. Long-term growth consistent with a targeted dividend payout ratio range of 70-75%
- **Financial Integrity** – Achieve an attractive risk-adjusted return, supported by a low-risk business model, sound financial policy, and a stable 'A' credit rating

Our Focus in 2007

Near term:

- Georgia Power retail rate case
- Capital projects, including a \$4.6 billion environmental construction program over the next 3 years

On-going and Long term:

- Continued industry-leading reliability and customer satisfaction, while maintaining our low retail prices relative to the national average
- Meeting increased energy demand with the best economic and environmental choices
- Continuing to deliver on our value proposition: superior risk-adjusted total shareholder return

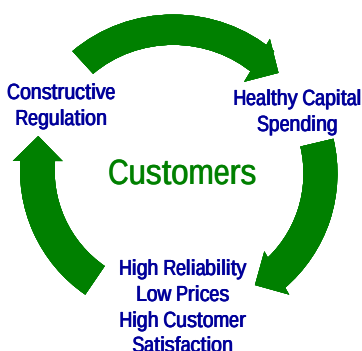
Our Major Businesses

- **Our Four Traditional Operating Companies**
 - Alabama Power, Georgia Power, Gulf Power, Mississippi Power
 - Over 4.3 million retail electric customers with expected customer growth of 1.7% and 2.0% territorial demand growth
 - Over 35,000 MW of nameplate generation capacity
 - Over 4,300 MW of capacity under long-term wholesale contracts
- **Southern Power Company**
 - Over 6,700 MW of gas-fired, generation capacity
 - Near-term construction projects include new units at plants Franklin, Oleander and Stanton

How We Do Business

SouthernStyle

**Unquestionable Trust
Superior Performance
Total Commitment**



“Electricity is both our business and our responsibility.”

2007 Business Outlook

Financial Information

Forecast Data (in billions)

	<u>'07-'09</u>	<u>Capital Expenditures</u>	<u>'07-'09</u>
<u>Sources of Cash</u>		New Generation	\$0.7
Net Operating Cash Flow	\$11.0	Fossil/Hydro Retrofits	1.0
Common Equity	1.5	Environmental	4.6
Net Debt and Preferred	4.6	Nuclear Fuel & Retrofits	0.7
Total Sources	\$17.1	Transmission	1.5
		Distribution	2.3
<u>Uses of Cash</u>		Other/General	0.6
Capital Expenditures	\$13.2	Traditional Operating Cos	\$11.4
Common Dividends	3.9	Southern Power	1.6
Total Uses	\$17.1	Other	0.2
		Total	\$13.2

Senior Unsecured Credit Ratings	Alabama Power	Georgia Power	Gulf Power	Mississippi Power	Southern Power	Southern Company
S&P	A	A	A	A	BBB+	A-
Moody's	A2	A2	A2	A1	Baa1	A3
Fitch	A+	A+	A	AA-	BBB+	A

2006 Key Metrics (unaudited, in millions)

	<u>Total Revenues</u>	<u>Net Income</u>	<u>Return on Avg Equity</u>	<u>Operating Cash Flow</u>
Traditional Operating Cos	\$13,920	\$1,462	13.5%	\$2,549
Southern Company	\$14,356	\$1,573	14.3%	\$2,825
	<u>Total Assets</u>	<u>Total Debt</u>	<u>Total Pref Stock</u>	<u>Common Equity</u>
Traditional Operating Cos	\$38,813	\$12,440	\$744	\$11,303
Southern Company	\$42,848	\$15,861	\$744	\$11,371

Forward Looking Statements Note

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The following factors, in addition to those discussed in Southern Company's Annual Report on Form 10-K for the year ended December 31, 2005, 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 change, including legislative and regulatory initiatives regarding deregulation and restructuring of the electric utility industry and implementation of the Energy Policy Act of 2005, and also changes in environmental, 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-related 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 and population and business growth (and declines); available sources and costs of fuels; 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; fluctuations in the level of oil prices; the level of production, if any, by the synthetic fuel operations at Carbontronic Synfuels Investors LP and Alabama Fuel Products LLC for fiscal year 2007; 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, floods, hurricanes 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.

Southern Company Financial Highlights

(In Millions of Dollars Except Earnings Per Share)

	<u>3 Months Ended December</u>		<u>12 Months Ended December</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(Notes)</u>	<u>(Notes)</u>	<u>(Notes)</u>	<u>(Notes)</u>
Consolidated Earnings—As Reported				
(See Notes)				
Retail Business	\$ 128	\$ 90	\$ 1,292	\$ 1,251
Competitive Generation	71	62	305	270
Total	199	152	1,597	1,521
Synthetic Fuels	6	12	12	85
Leasing Business	6	7	22	27
Parent Company and Other	(23)	(12)	(58)	(42)
Net Income - As Reported	\$ 188	\$ 159	\$ 1,573	\$ 1,591
Basic Earnings Per Share - (See Notes)	\$ 0.25	\$ 0.21	\$ 2.12	\$ 2.14
Operating Revenues	\$3,152	\$3,290	\$14,356	\$13,554
Average Shares Outstanding (in millions)	745	742	743	744
End of Period Shares Outstanding (in millions)			747	742

	<u>3 Months Ended December</u>		<u>12 Months Ended December</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
Consolidated Earnings—Excluding Synfuels				
(See Notes)				
Net Income - As Reported	\$ 188	\$ 159	\$ 1,573	\$ 1,591
Less: Synthetic Fuels	(6)	(12)	(12)	(85)
Net Income—Excluding Synthetic Fuels	\$ 182	\$ 147	\$ 1,561	\$ 1,506
Basic Earnings Per Share—Excluding Synfuels	\$ 0.25	\$ 0.20	\$ 2.10	\$ 2.03

Significant Factors Impacting EPS

	<u>3 Months Ended December</u>			<u>12 Months Ended December</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Consolidated Earnings—As Reported						
(See Notes)						
Significant Factors:						
Retail Business			0.05			0.06
Competitive Generation			0.01			0.05
Synthetic Fuels			(0.01)			(0.09)
Parent Company and Other			(0.01)			(0.04)
Total—As Reported			\$ 0.04			\$ (0.02)
	<u>3 Months Ended December</u>			<u>12 Months Ended December</u>		
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Consolidated Earnings—Excluding Synfuels						
(See Notes)						
Total—As Reported	\$ 0.25	\$ 0.20	\$ 0.05	\$ 2.10	\$ 2.03	\$ 0.07
Less: Synthetic Fuels			0.04			(0.02)
Total—Excluding Synthetic Fuels			\$ 0.05			\$ 0.07

Notes

- Southern Company GAS completed the sale of substantially all of its assets on January 4, 2006 and is included in consolidated earnings in all periods as discontinued operations.
- For the fourth quarter 2006 diluted earnings per share was less than 1 cent. For year-to-date 2006, diluted earnings per share was 2 cents. For the fourth quarter 2005 diluted earnings per share was less than 1 cent. For year-to-date 2005, diluted earnings per share was 1 cent.
- Southern Company's synthetic fuel investments did not contribute significantly to Southern Company's earnings and earnings per share for the three months and twelve months ended December 31, 2006. Due to higher oil prices in 2006, such tax credits were partially phased out and one synthetic fuel investment was terminated.
- Certain prior year data has been reclassified to conform with current year presentation.
- Information contained in this report is subject to audit and adjustments and certain classifications may be different from final results published in the Form 10-K.

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

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	3 Months Ended December			12 Months Ended December		
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Income Account-						
Retail Revenue	\$ 2,505	\$ 2,669	\$ (164)	\$ 11,801	\$ 11,165	\$ 636
Wholesale Revenue	461	429	32	1,822	1,667	155
Other Electric Revenues	119	125	(6)	465	446	19
Non-regulated Operating Revenues	67	67	-	268	276	(8)
Total Revenues	3,152	3,290	(138)	14,356	13,554	802
Fuel and Purchased Power	1,231	1,391	(160)	5,695	5,226	469
Non-fuel O & M	971	1,020	(49)	3,519	3,510	9
Depreciation and Amortization	304	300	4	1,200	1,176	24
Taxes Other Than Income Taxes	177	175	2	718	680	38
Total Operating Expenses	2,683	2,886	(203)	11,132	10,592	540
Operating Income	469	404	65	3,224	2,962	262
Other Income, net	5	(26)	31	31	1	30
Interest Charges and Dividends	240	204	36	900	777	123
Income Taxes	46	21	25	781	595	186
Discontinued Operations, net of tax	-	6	(6)	(1)	-	(1)
NET INCOME AS REPORTED (See Notes)	\$ 188	\$ 159	\$ 29	\$ 1,573	\$ 1,591	\$ (18)

Kilowatt-Hour Sales
(In Millions of KWHs)

	3 Months Ended December			12 Months Ended December		
	<u>2006</u>	<u>2005</u>	<u>Change</u>	<u>2006</u>	<u>2005</u>	<u>Change</u>
Kilowatt-Hour Sales						
(See Notes)						
Total Sales	46,954	46,492	1.0%	201,135	196,877	2.2%
Total Retail Sales-	36,874	37,518	-1.7%	161,334	159,076	1.4%
Residential	11,031	11,445	-3.6%	52,383	51,081	2.5%
Commercial	12,347	12,354	-0.1%	52,987	51,857	2.2%
Industrial	13,273	13,476	-1.5%	55,044	55,141	-0.2%
Other	223	243	-8.2%	920	997	-7.6%
Total Wholesale Sales	10,080	8,974	12.3%	39,801	37,801	5.3%

Notes

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Southern Company Financial Overview

(In Millions of Dollars)

	3 Months Ended December			12 Months Ended December		
	<u>2006</u>	<u>2005</u>	<u>% Change</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Consolidated –						
Operating Revenues	\$3,152	\$3,290	-4.2%	\$14,356	\$13,554	5.9%
Earnings Before Income Taxes	234	174	34.5%	2,355	2,186	7.7%
Net Income	188	159	18.6%	1,573	1,591	-1.1%
Alabama Power –						
Operating Revenues	\$1,120	\$1,134	-1.2%	\$5,015	\$4,648	7.9%
Earnings Before Income Taxes	136	106	28.4%	873	817	6.8%
Net Income Available to Common	80	57	39.7%	518	508	1.9%
Georgia Power –						
Operating Revenues	\$1,579	\$1,694	-6.8%	\$7,246	\$7,076	2.4%
Earnings Before Income Taxes	105	99	6.2%	1,234	1,195	3.3%
Net Income Available to Common	76	61	23.6%	787	744	5.8%
Gulf Power –						
Operating Revenues	\$275	\$264	4.4%	\$1,204	\$1,084	11.1%
Earnings Before Income Taxes	10	5	122.2%	125	121	3.0%
Net Income Available to Common	7	2	265.4%	76	75	1.0%
Mississippi Power –						
Operating Revenues	\$235	\$228	2.9%	\$1,009	\$970	4.1%
Earnings Before Income Taxes	11	5	96.8%	132	122	8.1%
Net Income Available to Common	7	3	145.4%	82	74	11.1%
Southern Power –						
Operating Revenues	\$174	\$213	-18.7%	\$777	\$781	-0.5%
Earnings Before Income Taxes	44	44	-0.9%	206	187	10.5%
Net Income Available to Common	27	27	-1.4%	124	115	8.4%

Notes

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