

ALABAMA POWER CO
Form DEF 14C
March 26, 2013

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

SCHEDULE 14C INFORMATION

Information Statement Pursuant To Section 14(c)
of the Securities Exchange Act of 1934

Check the appropriate box:

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

ALABAMA POWER COMPANY

(Name of Registrant as Specified in Its Charter)

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- No fee required.
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NOTICE OF 2013
ANNUAL MEETING
& INFORMATION STATEMENT

www.alabamapower.com

ALABAMA POWER COMPANY
Birmingham, Alabama

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on April 26, 2013

NOTICE IS HEREBY GIVEN that the 2013 Annual Meeting of the Shareholders of Alabama Power Company will be held at Alabama Power Company's corporate headquarters, 600 North 18th Street, Birmingham, Alabama 35203 on April 26, 2013 at 8:00 a.m., Central Time, to elect 13 members of the Board of Directors and to transact any other business that may properly come before the meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 13, 2013 will be entitled to notice of and to vote at the meeting or any adjournment or postponement thereof.

For directions to the meeting, please contact the Alabama Power Company Corporate Secretary at (205) 257-1000 or by e-mail to apcorpsec@southernco.com.

The Information Statement and the 2012 Annual Report are included in this mailing.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF THE INFORMATION STATEMENT AND THE 2012 ANNUAL REPORT FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 26, 2013.

This Information Statement and the 2012 Annual Report also are available to you at <http://www.alabamapower.com/financial/>.

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

BY ORDER OF THE BOARD OF DIRECTORS

William E. Zales, Jr.
Vice President, Corporate Secretary, and Assistant Treasurer

Birmingham, Alabama
March 26, 2013

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INFORMATION STATEMENT

GENERAL INFORMATION

This Information Statement is furnished by Alabama Power Company (Company) in connection with the 2013 Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held on April 26, 2013 at 8:00 a.m., Central Time, at the Company's corporate headquarters, 600 North 18th Street, Birmingham, Alabama 35203. This Information Statement is initially being provided to shareholders on or about March 26, 2013. The Information Statement and the 2012 Annual Report also are available on the internet at <http://www.alabamapower.com/financial/>.

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

All shareholders of record of the Company's common stock, preferred stock, and Class A preferred stock on the record date of March 13, 2013 are entitled to notice of and to vote at the meeting. On that date, there were 30,537,500 shares of common stock outstanding and entitled to vote, all of which are held by The Southern Company (Southern Company). There were also 475,115 shares of preferred stock and 12,000,000 shares of Class A preferred stock outstanding on that date. Holders of shares of the Company's preference stock are not entitled to vote in the election of Directors.

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

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SHAREHOLDER PROPOSALS

Shareholders may present proper proposals for inclusion in the Company's Information Statement and for consideration at the next annual meeting of its shareholders by submitting their proposals to the Company in a timely manner. In order to be considered for inclusion in the Information Statement for the 2014 Annual Meeting, shareholder proposals must be received by the Company no later than January 27, 2014.

NOMINEES FOR ELECTION AS DIRECTORS

A Board of 13 Directors is to be elected at the annual meeting, with each Director to hold office until the next annual meeting of shareholders. Each of the named nominees is currently a Director. If any named nominee becomes unavailable for election, the Board may substitute another nominee.

Below is information concerning the nominees for Director stating, among other things, their names, ages, positions, and offices held, and descriptions of their business experience. The background, experiences, and strengths of each nominee contribute to the diversity of the Company's Board. The ages of the Directors shown below are as of December 31, 2012.

Charles D. McCrary – Director since 2001

Mr. McCrary, 61, is President, Chief Executive Officer, and Director of the Company and Executive Vice President of Southern Company. He is a Director of Regions Financial Corporation where he serves as a member of the Nominating and Corporate Governance Committee and the Audit Committee, and has been determined to be an audit committee financial expert. Mr. McCrary is also a Director of Protective Life Corporation, where he serves on the Corporate Governance Committee and the Finance and Investment Committee. He is the Chairman of the Economic Development Partnership of Alabama. Mr. McCrary serves on the Boards of privately-held Mercedes-Benz U.S. International, Inc., as well as the Alabama Power Foundation, the National Fish and Wildlife Foundation, and Southern Research Institute. He is a Trustee on the Board of Auburn University in addition to numerous other civic, community, and industry-related organizations. Given the depth of his knowledge and experience leading a regulated company, and his other experience, Mr. McCrary is well qualified to be a member the Board.

Whit Armstrong – Director since 1982

Mr. Armstrong, 65, is the Managing Member of Creeke Capital Investments, LLC (a private personal investment company) since August 2011. He previously served as President, Chief Executive Officer, and Chairman of The Citizens Bank, Enterprise, Alabama, from 1975 to 2011, and President, Chief Executive Officer, and Chairman of The Citizens Bank's holding company, Enterprise Capital Corporation, Inc., from 1979 to 2011. He is a Director and a member of the Audit and Compensation Committees of Enstar Group Inc. Mr. Armstrong is Chairman of the Industrial Development Board of the City of Enterprise, former Chairman of the Ethics Commission of the State of Alabama, and a former member of the Alabama State Banking Board. He also has served or currently serves as a member of the Boards of Troy State University Foundation, Enterprise State Community College Foundation, E.L. Gibson Foundation, and other civic and community organizations. Mr. Armstrong's background and extensive experience as a senior executive of a financial institution, including extensive focus on complex financial issues, and as a leader in other business, economic development, civic, educational, and other not-for-profit organizations, along with his long-standing knowledge of the Company and his seasoned business judgment, are valuable to the Company's Board.

Ralph D. Cook – Director since 2008

Justice Cook, 68, is an attorney with Hare, Wynn, Newell and Newton, LLP in Birmingham, Alabama. He has been with the firm since February 2001. Previously, Justice Cook served for 24 years as a District Judge, a Circuit Judge, and an Associate Justice on the Alabama Supreme Court. He is a member of the National Bar Association, Alabama State Bar, California State Bar, Birmingham and Bessemer Bar Associations, a fellow in the American College of Trial Lawyers, and an elected member of the American Law Institute. He has served as President of both the Alabama Lawyers Association and the Alabama Association for Justice. Justice Cook served as Dean and Professor of Miles

Law School, Birmingham, Alabama, and also taught at San Jose State University and Cabrillo College in California. He also has served or currently serves on the Boards of Directors of the Birmingham Civil Rights Institute, the Community Foundation of Greater Birmingham, the Salvation Army, the Alabama Civil Justice Foundation, St. Vincent's Foundation, and other civic and community organizations. Justice Cook's background and extensive experience as an attorney, judge, and leader in civic, educational, and other not-for-profit organizations, along with his seasoned legal judgment, are valuable to the Company's Board.

David J. Cooper, Sr. – Director since 1998

Mr. Cooper, 67, is the Vice Chairman of Cooper/T. Smith Corporation, Mobile, Alabama, a privately held corporation that is one of the largest stevedoring and maritime-related firms in the United States. Mr. Cooper served on the Board of Directors of SouthTrust Bank (now Wells Fargo & Company) and serves on the Board of Regions Financial Corporation and is a current member of its Compensation Committee and its Nominating and Corporate Governance Committee. Mr. Cooper also serves on the Boards of International Transportation Service, Crescent Towing and Salvage Company, and CSC Assurance. Mr. Cooper has served or currently serves on the Boards of the Economic Development Partnership of Alabama and the Alabama State Port Authority and is a Director of the American Automobile Association. Mr. Cooper is past Chairman of the Mobile Infirmity Medical Center, the International Business Advisory Board, and the UMS-Wright Preparatory School Board of Trustees. He also serves on the Japan America Society of Alabama Board of Directors and the Board of Advisors for the Mobile Area Chamber of Commerce. Mr. Cooper's background and long experience as a senior executive of a large corporation, his extensive exposure to complex financial issues at large companies, and his leadership in other business, economic development, civic, educational, and other not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

Thomas A. Fanning – Director since 2010

Mr. Fanning, 55, has been Chairman of the Board and Chief Executive Officer of Southern Company since December 2010 and also President since August 2010. He served as Executive Vice President and Chief Operating Officer of Southern Company from February 2008 through July 2010; Executive Vice President and Chief Financial Officer of Southern Company from May 2007 through January 2008. He has been an employee of the Southern Company system for over 30 years. Mr. Fanning is a Director of the Federal Reserve Bank of Atlanta, serving on the Executive Committee and the Audit Committee. He is also a Director of Georgia Power Company, Southern Power Company (Southern Power), and a number of other Southern Company system Boards. Mr. Fanning served on the Board of The St. Joe Company from 2005 through September 2011. The numerous positions Mr. Fanning has held within the Southern Company system uniquely qualify him to be a Director of the Company. He understands the electric utility business, the regulatory environment, and other industry-specific matters that affect the Company.

John D. Johns – Director since 2004

Mr. Johns, 60, is Chairman, President, and Chief Executive Officer of Protective Life Corporation (a holding company whose subsidiaries provide insurance and other financial services), Birmingham, Alabama. He is a Director of Protective Life Corporation, Regions Financial Corporation, and Genuine Parts Company. He serves as a member of the Risk Committee of the Board of Regions Financial Corporation, and as a member of the Compensation, Nominating and Governance Committee of the Board of Genuine Parts Company. He is also a member of the Finance and Investment Committee of Protective Life Corporation. He previously served on the Boards of John H. Harland Company and Alabama National Bancorporation. Mr. Johns is also on the Boards of the Economic Development Partnership of Alabama and the Business Council of Alabama. He is a member of The University of Alabama President's Cabinet and serves on the Board of Advisors of the Center for Ethics and Social Responsibility at the University of Alabama. He is a member and former Chairman of Birmingham Business Alliance, and is former Chairman of the Board of McWane Science Center and Central Alabama Council Boy Scouts of America. He has also served on the Boards of the Birmingham Civil Rights Institute, Leadership Alabama, and other civic and community organizations. Mr. John's background and long experience as a senior executive of a large insurance corporation, his extensive exposure to complex financial issues at large public companies, his leadership in other business, economic development, civic, educational, and not-for-profit organizations, and his seasoned business judgment are valuable to the Company's Board.

Patricia M. King – Director since 1997

Ms. King, 67, is President of Sunny King Automotive Group (automobile dealerships), Anniston, Alabama. Ms. King is a founding member and Director of Noble Bank and Trust and serves on the Boards of Stringfellow Memorial Hospital and the Business Council of Alabama. Ms. King also serves as a Director on the Boards of the Knox Concert Series and the Public Education Foundation of Anniston and is a member of the Jacksonville State University College of Commerce and Business Administration Business Advisory Board and other community and civic-related organizations. Ms. King's background and extensive experience as a business owner and as a leader in other business, civic, educational, and other not-for-profit organizations, along with her long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

James K. Lowder – Director since 1997

Mr. Lowder, 63, is Chairman of the Board of The Colonial Company and its subsidiaries (real estate development and sales), Montgomery, Alabama. He serves on the Board of Trustees of Colonial Properties Trust, a real estate investment trust, in Birmingham, Alabama. He is a current member of the Home Builders Association of Alabama and the Greater Montgomery Home Builders Association. Mr. Lowder is the Chairman of the Alabama Shakespeare Festival, a past Board member of Leadership Montgomery, past President of the Board of the Montgomery YMCA, and past Chairman of the Montgomery Area United Way Campaign. Mr. Lowder's background and many years as a senior executive and a leader in other business, civic, educational, and other not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

Malcolm Portera – Director since 2003

Dr. Portera, 66, is the retired Chancellor of The University of Alabama System, which is the State of Alabama's largest higher education enterprise, where he served from 2002 until his retirement in March 2012. Dr. Portera serves on the Board of Directors of Protective Life Corporation, Birmingham, Alabama, where he has served on the Corporate Governance and Nominating Committee and the Finance and Investment Committee. He previously served as a Director of Regions Financial Corporation, Birmingham, Alabama. Dr. Portera was formerly the President of Mississippi State University. Prior to that, Dr. Portera held a number of increasingly important positions with the University of Alabama System and launched a successful business development and strategic planning company. He also serves in leadership roles for the Birmingham Business Alliance, the Riley Foundation, Southern Research Institute, the University of Alabama at Birmingham Health System, the West Alabama Chamber of Commerce, the Bryant-Jordan Scholarship Foundation, Operation New Birmingham, the University of Alabama at Birmingham Research Foundation, the University of Alabama at Huntsville Foundation, the Alabama Technology Network, and the Public Affairs Research Council of Alabama. He is the former Chair of the Council of Presidents of the Southeastern Universities Research Association and Vice Chair of the Alabama Research Alliance. Dr. Portera's background and extensive experience in academia and as a leader in other business, civic, educational, and other not-for-profit organizations and seasoned business judgment are valuable to the Company's Board.

Robert D. Powers – Director since 1992

Mr. Powers, 62, is President of The Eufaula Agency, Inc. (insurance brokerage and real estate). He maintains professional designations in insurance and finance. He is a principal and active in a number of business ventures in Eufaula, Alabama. Currently, Mr. Powers serves as a member of the Eufaula City Council and has served on numerous city commissions and Boards. Mr. Powers is on the Boards of Directors of the Business Council of Alabama, the Economic Development Partnership of Alabama Foundation, and the Alabama Industrial Competitiveness Foundation. He also serves on the Boards of the United Way of Greater Barbour County, the Eufaula/Barbour County Chamber of Commerce, and the Clearing House/Family Service Center of Barbour County. Mr. Powers is the President and Director of the Character Council of Alabama and also a Director of the Alabama School Readiness Alliance. He has served in leadership roles in numerous civic, government, business, and charitable organizations, including service in the U.S. Army (active and reserve). Mr. Powers' background and long experience as a business owner and as a leader in other business, civic, educational, and other not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

C. Dowd Ritter – Director since 1997

Mr. Ritter, 65, is the retired Chairman and Chief Executive Officer of Regions Financial Corporation and Regions Bank, which positions he held from 2008 to 2010. He also served as Chairman of the Board, President, and Chief Executive Officer of AmSouth Bancorporation from 1996 until its merger with Regions Financial Corporation in 2008. Mr. Ritter serves on the Board of Directors of Protective Life Corporation, serving on its Finance and Investment Committee and previously serving as Chair of its Compensation and Management Succession Committee,

and has retired from the Board of Directors of McWane, Inc., Birmingham, Alabama. He is the former Chairman of the Board of Trustees of Birmingham-Southern College and Chairman Emeritus of the Birmingham Business Alliance. His additional past service to the community includes 2009 Co-Chair of the 50th Anniversary Campaign for The Community Foundation of Greater Birmingham, 2007 Honorary Chairman of the Multiple Sclerosis Society's Legacy of Leadership Campaign, the Birmingham Civil Rights Institute Campaign Steering Committee, the Sixteenth Street Baptist Church Stabilization Steering Committee, Chairman of the Board of Directors and 1993 Campaign Chair for the United Way of Central Alabama, campaign Co-Chairman for the American Cancer Society's Five Points South Center and Hope Lodge, member of the Board of Trustees of the Birmingham Museum of Art and Leadership Birmingham, and Director of the Economic Development Partnership

of Alabama. Mr. Ritter's experience as a senior executive of large financial institutions, extensive exposure to complex financial issues at large public companies, and experience leading other business, economic development, civic, other not-for-profit, and educational organizations are valuable to the Company's Board.

James H. Sanford – Director since 1983

Mr. Sanford, 68, is Chairperson of HOME Place Farms, Inc. (agriculture, computer services, and real estate investments) and Choice Cotton, Inc. (cotton merchant enterprise), a General Partner for HOME Place Capital, Owensboro Towne Center, LLC, and Warm Springs, LLC. He also serves as President of Autauga Quality Cotton Association (ten state cotton marketing cooperative) and Chairperson of the Legends Park Improvement District, both of Prattville, Alabama. He serves on the Boards of Auburn University and Judson College. He has served as a Director and Chairman of the Board of the Federal Reserve Bank of Atlanta, Birmingham Branch and a member of the Commodity Futures Trading Commission Agricultural Advisory Committee. Mr. Sanford also serves as Chairperson of the Alabama Cotton Commission and the Auburn Research and Technology Foundation (ARTF), Director of the Autauga County Farmers Federation and the Economic Development Partnership of Alabama (EDPA), and Chairman of the EDPA Foundation, Inc. Mr. Sanford is Co-Chairman of the Prattville Area Chamber of Commerce Economic Development Committee and Director of Autauga County United Way. He serves on the Board for Autauga Foundation, Coosa-Alabama River Improvement Association, Montgomery Chamber of Commerce, and Montgomery Area Committee of 100. He is a member of the Auburn University Research Advisory Board, Auburn University College of Agriculture Dean's Council, Auburn University Montgomery Trustee Advisory Board, and Marion Military Institute Presidential Advisory Council. Mr. Sanford has served in leadership roles on numerous civic, community, educational boards, foundations, committees, and councils. Mr. Sanford's background and long experience as a business owner and as a leader in other business, economic development, civic, educational, and other not-for-profit organizations, along with his long-standing knowledge of the Company and seasoned business judgment, are valuable to the Company's Board.

John C. Webb, IV – Director since 1977

Mr. Webb, 70, is President of Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama. He was elected to the Demopolis City Council, was a member of the Demopolis Utilities Board, and served as Chairman of the Demopolis Industrial Development Board and member for nearly three decades. Mr. Webb served as Chairman and member of the Bryan W. Whitfield Memorial Hospital Board of Trustees. He has served as President, Vice President, Treasurer, and Secretary of the Demopolis Rotary Club and as Demopolis Chamber of Commerce Board Chairman. Mr. Webb is also active in his community, having served on various committees and groups such as Demopolis Civilian Task Force (an urban renewal group), Demopolis Arts Council, and St. Leo's Parish Council President. Mr. Webb's background and extensive experience as a business owner and as a leader in other business, economic development, civic, educational, and other not-for-profit organizations, along with his long-standing knowledge of the Company and his seasoned business judgment, are valuable to the Company's Board.

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

Vote Required

The majority of the votes cast by the shares outstanding and entitled to vote at a meeting at which a quorum is present is required for the election of Directors. The shareholders entitled to vote in the election of Directors have the right to cumulate their votes. Such right permits the shareholders to multiply the number of votes they are entitled to cast by the number of Directors for whom they are entitled to vote and cast the product for a single nominee or distribute the product among two or more nominees. A shareholder will not be entitled to vote cumulatively at the Company's 2013 Annual Meeting unless such shareholder gives the Company notice of his intent to cumulate his vote at least 48 hours

before the time set for the meeting. If one shareholder gives such notice, all shareholders will be entitled to cumulate their votes without giving further notice.

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

CORPORATE GOVERNANCE

DIRECTOR INDEPENDENCE

The Company is managed by a core group of officers and governed by a Board of Directors which has been set at a total not to exceed 25 members. The current nominees for election as Directors consist of 13 members — 11 non-employee Directors, Mr. McCrary, the President and Chief Executive Officer of the Company, and Mr. Fanning, the Chairman of the Board, President, and Chief Executive Officer of Southern Company.

GOVERNANCE POLICIES AND PROCESSES

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

DIRECTOR COMPENSATION

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

Annual cash retainer:

- ¾ \$45,000 for Directors serving as chair of a Board committee; \$40,000 for other Directors (paid quarterly)

Annual stock retainer:

- ¾ \$30,000 per year payable in shares of Southern Company common stock (Common Stock) (paid quarterly)

Meeting fees:

- ¾ \$1,800 for each Board meeting attended, beginning with the 6th meeting in a calendar year
- ¾ \$1,200 for participation in a meeting of a committee of the Board and for any other Board of Director business-related meeting at which the Director participates as a representative of the Board.

All or a portion of a Director's cash retainer fee and meeting fees may be paid in Common Stock.

DIRECTOR DEFERRED COMPENSATION PLAN

At the election of the Director, all or a portion of the Director's compensation, including the stock retainer, may be deferred in the Deferred Compensation Plan for Outside Directors of Alabama Power Company, as amended and restated effective January 1, 2008 (Director Deferred Compensation Plan), until membership on the Board is terminated. Deferred compensation may be invested as follows, at the Director's election:

- in Common Stock units which earn dividends as if invested in Common Stock and are distributed in shares of Common Stock upon leaving the Board,
- in Common Stock units which earn dividends as if invested in Common Stock and are distributed in cash upon leaving the Board, or
- at the prime interest rate which is paid in cash upon leaving the Board.

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

DIRECTOR COMPENSATION TABLE

The following table reports all compensation to the Company's non-employee Directors during 2012, including amounts deferred in the Director Deferred Compensation Plan. Non-employee Directors do not receive Non-Equity Incentive Plan Compensation or stock option awards, and there is no pension plan for non-employee Directors.

Name	Fees Earned or Paid in Cash (\$) (1)	Stock Awards (\$) (2)	Change in Pension Value and Nonqualified Deferred Compensation		Total (\$)
			Earnings (\$) (3)	All Other Compensation (\$) (3)	
Whit Armstrong	52,200	30,000		345	82,545
Ralph D. Cook	47,200	30,000		1,523	78,723
David J. Cooper, Sr.	43,600	30,000		737	74,337
John D. Johns	43,600	30,000		–	73,600
Patricia M. King	42,400	30,000		501	72,901
James K. Lowder	44,800	30,000		–	74,800
Malcolm Portera	42,400	30,000		–	72,400
Robert D. Powers	52,200	30,000		706	82,906
C. Dowd Ritter	43,600	30,000		653	74,253
James H. Sanford	42,400	30,000		226	72,626
John C. Webb, IV	51,000	30,000		243	81,243

(1) Includes amounts voluntarily deferred in the Director Deferred Compensation Plan.

(2) Includes fair market value of equity grants on grant dates. All such stock awards are vested immediately upon grant.

(3) Consists of reimbursement for taxes on imputed income associated with gifts and activities provided to attendees at Company-sponsored events.

BOARD LEADERSHIP STRUCTURE

The Board believes that the combined role of Chief Executive Officer and Chairman is beneficial to the Company because Mr. McCrary is the Director most familiar with the Company's business and industry, including the regulatory structure and other industry-specific matters, as well as being most capable of effectively identifying strategic priorities and leading discussion and execution of strategy. Non-employee Directors and management have different perspectives and roles in strategy development. The Chief Executive Officer brings Company-specific experience and expertise, while the Company's non-employee Directors bring experience, oversight, and expertise from outside the Company and its industry.

EXECUTIVE SESSIONS

It is the policy of the Directors to hold an executive session of the non-employee Directors without management participation at each regularly scheduled Board of Directors meeting. The Chairman of the Controls and Compliance Committee presides over these executive sessions. Information on how to communicate with the Chairman of the

Controls and Compliance Committee or the non-employee Directors is provided under “Communicating with the Board” below.

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COMMITTEES OF THE BOARD

Controls and Compliance Committee:

- Members are Mr. Webb, Chairman; Mr. Armstrong, Justice Cook, and Mr. Lowder
 - Met four times in 2012
- Oversees the Company's internal controls and compliance matters

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

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

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

Compensation Committee:

- Members are Mr. Armstrong, Chairman; Mr. Sanford, and Dr. Portera
 - Met two times in 2012
- Oversees the administration of the Directors' compensation arrangements and reviews employee compensation

The Company's Compensation Committee reviews and provides input to the Southern Company Compensation and Management Succession Committee on the performance and compensation of the Company's Chief Executive Officer and makes recommendations regarding the fees paid to members of the Company's Board of Directors.

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

The Southern Company Compensation and Management Succession Committee, which has authority to retain independent advisors, including compensation consultants, at Southern Company's expense, engaged Pay Governance LLC (Pay Governance) to provide an independent assessment of the current executive compensation program and any management-recommended changes to that program and to work with Southern Company management to ensure that the executive compensation program is designed and administered consistent with the Southern Company

Compensation and Management Succession Committee's requirements. The Southern Company Compensation and Management Succession Committee also expected Pay Governance to advise on executive compensation and related corporate governance trends.

Pay Governance is engaged solely by the Southern Company Compensation and Management Succession Committee and does not provide any services directly to management unless authorized to do so by the Southern Company Compensation and Management Succession Committee. In connection with its engagement of Pay Governance, the Southern Company Compensation and Management Succession Committee reviewed Pay

Governance's independence, including (1) the amount of fees received by Pay Governance from the Company as a percentage of Pay Governance's total revenue; (2) its policies and procedures designed to prevent conflicts of interest; and (3) the existence of any business or personal relationships, including Common Stock ownership that could impact independence. After reviewing these and other factors, the Southern Company Compensation and Management Succession Committee determined that Pay Governance is independent and the engagement did not present any conflicts of interest. Pay Governance also determined that it was independent from management which was confirmed in a written statement delivered to the Southern Company Compensation and Management Succession Committee.

During 2012, Pay Governance assisted the Southern Company Compensation and Management Succession Committee with analyzing comprehensive market data and its implications for pay at the Company and its affiliates and various other governance, design, and compliance matters.

Executive Committee:

- Members are Mr. McCrary, Chairman; Mr. Cooper, Mr. Johns, and Mr. Ritter
 - Met three times in 2012

• Acts in place of full Board on matters that require Board action between scheduled meetings of the Board to the extent permitted by law and within certain limits set by the Board.

Nuclear Committee:

- Members are Mr. Powers, Chairman; Justice Cook, and Ms. King.
 - Met two times in 2012
 - Reviews nuclear activities

• Chairman serves on the Southern Nuclear Operating Company, Inc. Nuclear Oversight Committee as a representative of the Board for which he receives meeting fees from the Company.

BOARD RISK OVERSIGHT

The Chief Executive Officer of the Company has designated a member of management as the primary responsible officer for identifying and providing information and updates related to the significant risks facing the Company. All significant risks identified on the Company's risk profile are reviewed with the full Board at least annually. In addition, the Board provides ongoing oversight of risks through regular management reports related to significant strategic and operational issues. As part of its review of management's risk assessment, the Controls and Compliance Committee receives a risk report at least twice each year on the Company's risk profile. This Committee elevates any significant risk issues and changes to the risk profiles to the full Board as appropriate.

DIRECTOR ATTENDANCE

The Board of Directors met four times in 2012. Average Director attendance at all Board and Committee meetings was 99%. No nominee attended less than 75% of applicable meetings.

DIRECTOR NOMINATION PROCESS

The Company does not have a nominating committee. The full Board, with input from the Company's President and Chief Executive Officer, identifies Director nominees. The Board evaluates candidates based on the requirements set forth in the Company's by-laws and regulatory requirements applicable to the Company.

Southern Company owns all of the Company's common stock and, as a result, Southern Company's affirmative vote is sufficient to elect Director nominees. Consequently, the Board does not accept proposals from preferred shareholders regarding potential candidates for Director nominees. Southern Company's President and Chief Executive Officer is on the Company's Board and may propose on behalf of Southern Company potential candidates for Director nominees.

COMMUNICATING WITH THE BOARD

Shareholders and other parties interested in communicating directly with the Company's Board of Directors, the Chairman of the Controls and Compliance Committee, or the non-employee Directors may contact them by writing c/o Corporate Secretary, Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35203 or by sending an email to apcocorpsec@southernco.com. The Corporate Secretary will receive the correspondence and forward it to the individual Director or Directors to whom the correspondence is directed or the Chairman of the Controls and Compliance Committee. The Corporate Secretary will not forward any correspondence that is unduly hostile, threatening, illegal, not reasonably related to the Company or its business, or similarly inappropriate.

BOARD ATTENDANCE AT ANNUAL MEETING OF SHAREHOLDERS

The Company does not have a policy relating to attendance at the Company's annual meeting of shareholders by Directors. The Company does not solicit proxies for the election of Directors because the affirmative vote of Southern Company is sufficient to elect the nominees and, therefore, holders of the Company's preferred stock rarely attend the annual meeting. Consequently, a policy encouraging Directors to attend the annual meeting of shareholders is not necessary. One of the Company's Directors attended the Company's 2012 Annual Meeting of Shareholders.

AUDIT COMMITTEE REPORT

The Southern Company Audit Committee (Audit Committee) oversees the Company's financial reporting process on behalf of the Board of Directors of Southern Company. The Company's management has the primary responsibility for establishing and maintaining adequate internal controls over financial reporting, including disclosure controls and procedures, and for preparing the Company's financial statements. In fulfilling its oversight responsibilities, the Audit Committee reviewed the audited financial statements of the Company and management's report on the Company's internal control over financial reporting in the 2012 Annual Report with management. The Audit Committee also reviews the Company's quarterly and annual reporting on Forms 10-Q and 10-K prior to filing with the SEC. The Audit Committee's review process includes discussions of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and estimates, and the clarity of disclosures in the financial statements.

The independent registered public accounting firm is responsible for expressing an opinion on the conformity of the audited financial statements with accounting principles generally accepted in the United States. The Audit Committee has discussed with the independent registered public accounting firm the matters that are required to be discussed by Statement on Auditing Standards No. 61, as amended (American Institute of Certified Public Accountants, Professional Standards, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board (PCAOB) in Rule 3200T. In addition, the Audit Committee has discussed with the independent registered public accounting firm its independence from management and the Company as required under rules of the PCAOB and has received the written disclosures and letter from the independent registered public accounting firm required by the rules of the PCAOB. The Audit Committee also has considered whether the independent registered public accounting firm's provision of non-audit services to the Company is compatible with maintaining the firm's independence.

The Audit Committee discussed the overall scope and plans with the Company's internal auditors and independent registered public accounting firm for their respective audits. The Audit Committee meets with the internal auditors and the independent registered public accounting firm, with and without management present, to discuss the results of their audits and the overall quality of the Company's financial reporting. The Audit Committee also meets privately with Southern Company's compliance officer. The Audit Committee held 10 meetings during 2012.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors of Southern Company (and such Board approved) that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 and filed with the SEC. The Audit Committee also reappointed Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2013. At the 2013 annual meeting of Southern Company's stockholders, the stockholders will be asked to ratify the Audit Committee's selection of the independent registered public accounting firm.

Members of the Audit Committee:

Jon A. Boscia, Chair
David J. Grain
Warren A. Hood, Jr.

PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The following represents the fees billed to the Company for the two most recent fiscal years by Deloitte & Touche LLP (Deloitte & Touche) — the Company's principal independent registered public accounting firm for 2012 and 2011:

	2012	2011
	(in thousands)	
Audit Fees(1)	\$2,374	\$2,111
Audit-Related Fees (2)	41	179
Tax Fees	0	0
All Other Fees (3)	11	0
Total	\$2,426	\$2,290

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

(2)Includes non-statutory audit services in both 2012 and 2011.

(3)Represents registration fees for attendance at Deloitte & Touche-sponsored education seminars.

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

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

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

PRINCIPAL INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM REPRESENTATION

No representative of Deloitte & Touche is expected to be present at the 2013 Annual Meeting of Shareholders unless, at least three business days prior to the day of the meeting, the Company's Corporate Secretary has received written notice from a shareholder addressed to the Corporate Secretary at Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35203, that the shareholder will attend the meeting and wishes to ask questions of a representative of Deloitte & Touche. In such a case, representatives of Deloitte & Touche will be present at the Annual Meeting to respond to questions and will have an opportunity to make a statement if desired.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS (CD&A)

Throughout this executive compensation section, references to the Compensation Committee mean the Compensation and Management Succession Committee of the Board of Directors of Southern Company.

This section describes the compensation program for the Company's Chief Executive Officer and Chief Financial Officer in 2012, as well as each of the Company's other three most highly compensated executive officers serving at the end of the year. Collectively, these officers are referred to as the named executive officers.

Charles D. McCrary	President and Chief Executive Officer
Philip C. Raymond	Executive Vice President, Chief Financial Officer, and Treasurer
Theodore J. McCullough	Senior Vice President
Zeke W. Smith	Executive Vice President
Steve R. Spencer	Executive Vice President

Executive Summary

Performance

Performance-based pay represents a substantial portion of the total direct compensation paid or granted to the Company's named executive officers for 2012.

	Salary (\$)(1)	% of Total	Short-Term Performance Pay (\$)(1)	% of Total	Long-Term Performance Pay (\$)(1)	% of Total
C. D. McCrary	777,167	23	890,761	26	1,758,063	51
P. C. Raymond	282,089	40	216,288	31	199,186	29
T. J. McCullough	231,793	44	156,456	30	135,502	26
Z. W. Smith	281,048	40	215,490	31	198,474	29
S. R. Spencer	426,191	36	358,463	30	407,319	34

(1) Salary is the actual amount paid in 2012, Short-Term Performance Pay is the actual amount earned in 2012 based on performance, and Long-Term Performance Pay is the value on the grant date of stock options and performance shares granted in 2012. See the Summary Compensation Table for the amounts of all elements of reportable compensation described in this CD&A.

The Company's financial and operational and Southern Company's earnings per share (EPS) goal results for 2012 are shown below:

Financial: 155% of Target	Operational: 175% of Target	EPS: 1.28 % of Target
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Southern Company's total shareholder return has been:

1-Year: -3.4%

3-Year: 13.9%

5-Year: 7.1%

These levels of achievement resulted in payouts that were aligned with the Company's and Southern Company's performance.

Compensation and Benefit Beliefs

The Company's compensation and benefit program is based on the following beliefs:

- Employees' commitment and performance have a significant impact on achieving business results;
- Compensation and benefits offered must attract, retain, and engage employees and must be financially sustainable;
- Compensation should be consistent with performance: higher pay for higher performance and lower pay for lower performance; and
 - Both business drivers and culture should influence the compensation and benefit program.

Based on these beliefs, the Compensation Committee believes that the Company's executive compensation program should:

- Be competitive with the Company's industry peers;
- Motivate and reward achievement of the Company's goals;
- Be aligned with the interests of Southern Company's stockholders and the Company's customers; and
 - Not encourage excessive risk-taking.

Executive compensation is targeted at the market median of industry peers, but actual compensation is primarily determined by achievement of the Company's and Southern Company's business goals. The Company believes that focusing on the customer drives achievement of financial objectives and delivery of a premium, risk-adjusted total shareholder return for Southern Company's stockholders. Therefore, short-term performance pay is based on achievement of the Company's operational and financial performance goals, with one-third determined by operational performance, such as safety, reliability, and customer satisfaction; one-third determined by financial performance; and one-third determined by Southern Company EPS performance. Long-term performance pay is tied to Southern Company's stockholder value with 40% of the target value awarded in Southern Company stock options, which reward stock price appreciation, and 60% awarded in performance shares, which reward Southern Company's total shareholder return performance relative to that of industry peers and stock price appreciation.

Key Governance and Pay Practices

- Annual pay risk assessment required by the Compensation Committee charter.
- Retention by the Compensation Committee of an independent compensation consultant, Pay Governance, that provides no other services to the Company or Southern Company.
- Inclusion of a claw-back provision that permits the Compensation Committee to recoup performance pay from any employee if determined to have been based on erroneous results, and requires recoupment from an executive officer in the event of a material financial restatement due to fraud or misconduct of the executive officer.
- No excise tax gross-up on change-in-control severance arrangements.
- Provision of limited perquisites and no income tax gross-ups for the President and Chief Executive Officer, except on certain relocation-related benefits.
- "No-hedging" provision in the Company's insider trading policy that is applicable to all employees.
- Strong stock ownership requirements that are being met by all named executive officers.

ESTABLISHING EXECUTIVE COMPENSATION

The Compensation Committee establishes the Southern Company system executive compensation program. In doing so, the Compensation Committee uses information from others, principally Pay Governance. The Compensation

Committee also relies on information from Southern Company's Human Resources staff and, for individual executive officer performance, from Southern Company's and the Company's respective Chief Executive Officer. The role and information provided by each of these sources is described throughout this CD&A.

Consideration of Southern Company Stockholder Advisory Vote on Executive Compensation

The Compensation Committee considered the stockholder vote on Southern Company's executive compensation at the Southern Company 2012 Annual Meeting of Stockholders. In light of the significant support of Southern Company's stockholders (95% of votes cast voting in favor of the proposal) and the actual payout levels of the performance-based compensation program, the Compensation Committee continues to believe that the executive compensation program is competitive and is aligned with financial and operational performance and is in the best interests of the Company's customers and Southern Company's stockholders.

Executive Compensation Focus

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

- Business unit performance, which includes return on equity (ROE) or net income, and operational performance, compared to target performance levels established early in the year, and EPS determine the actual payouts under the short-term (annual) performance-based compensation program (Performance Pay Program).
- Common Stock price changes result in higher or lower ultimate values of stock options.
- Southern Company's total shareholder return compared to those of industry peers leads to higher or lower payouts under the Performance Share Program (performance shares).

In support of this performance-based pay philosophy, the Company has no general employment contracts or guaranteed severance with the named executive officers, except upon a change in control.

The pay-for-performance principles apply not only to the named executive officers but to thousands of the Company's employees. The Performance Pay Program covers almost all of the approximately 6,750 employees of the Company. Stock options and performance shares are granted to approximately 560 employees of the Company. These programs engage employees, which ultimately is good not only for them, but also for the Company's customers and Southern Company's stockholders.

OVERVIEW OF EXECUTIVE COMPENSATION COMPONENTS

The primary components of the 2012 executive compensation program are shown below:

The Company's executive compensation program consists of a combination of short-term and long-term components. Short-term compensation includes base salary and the Performance Pay Program. Long-term performance-based compensation includes stock options, performance shares, and, in some cases, restricted stock units. The performance-based compensation components are linked to financial and operational performance, Common Stock performance, and Southern Company's total shareholder return. The executive compensation program is approved by the Compensation Committee, which consists entirely of independent directors. The Compensation Committee believes that the executive compensation program is a balanced program that provides market-based compensation and motivates and rewards performance.

ESTABLISHING MARKET-BASED COMPENSATION LEVELS

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

Alliant Energy Corporation	First Solar Inc.	Pinnacle West Capital Corporation
Ameren Corporation	GenOn Energy, Inc.	PPL Corporation
American Electric Power Company, Inc.	GDF SUEZ Energy North America, Inc.	Progress Energy, Inc.
Atmos Energy Corporation	Iberdrola, S.A.	Public Service Enterprise Group Inc.
Bg US Services, Inc.	Integrus Energy Group, Inc.	Puget Energy, Inc.
Calpine Corporation	Invensys plc	Salt River Project
CenterPoint Energy, Inc.	Kinder Morgan Energy Partners, L.P.	SCANA Corporation
CMS Energy Corporation	LG&E and KU Energy LLC	Sempra Energy
Consolidated Edison, Inc.	McDermott International, Inc.	Southern Union Company
Constellation Energy Group, Inc.	MDU Resources Group, Inc.	Spectra Energy Corp.
CPS Energy	Mid American Energy Company	Targa Resources Partners LP
Crosstex Energy, Inc.	National Grid USA	TECO Energy, Inc.
Dominion Resources, Inc.	New York Power Authority	Tennessee Valley Authority
DTE Energy Company	NextEra Energy, Inc.	The AES Corporation
Duke Energy Corporation	Nicor Inc.	The Babcock & Wilcox Company
Edison International	Northeast Utilities	The Williams Companies, Inc.
El Paso Corporation	NRG Energy, Inc.	TransCanada Corporation
Enbridge Energy Partners, LP	NSTAR	UGI Corporation
Energy Future Holdings Corp.	NV Energy, Inc.	Vectren Corporation
Energys Corporation	OGE Energy Corp.	Westar Energy, Inc.
Enterprise Products Partners L.P.	Oncor Electric Delivery Company LLC	Wisconsin Energy Corporation

Exelon Corporation
FirstEnergy Corp.

Pepco Holdings, Inc.

Xcel Energy Inc.

Market data for the Chief Executive Officer position and other positions in terms of scope of responsibilities that most closely resemble the positions held by the named executive officers is reviewed. When appropriate, the market data is size-adjusted, up or down, to accurately reflect comparable scopes of responsibilities. Based on that data, a total target compensation opportunity is established for each named executive officer. Total target compensation opportunity is the sum of base salary, annual performance-based compensation at a target performance level, and long-term performance-based compensation (stock options and performance shares) at a target value. Actual compensation paid may be more or less than the total target compensation opportunity based on actual performance above or below target performance levels. As a result, the compensation program is designed to result in payouts that are market-appropriate given the Company's and Southern Company's performance for the year or period.

A specified weight was not targeted for base salary or annual or long-term performance-based compensation as a percentage of total target compensation opportunities, nor did amounts realized or realizable from prior compensation serve to increase or decrease 2012 compensation amounts. Total target compensation opportunities

for senior management as a group, including the named executive officers, are managed to be at the median of the market for companies of similar size in the electric utility industry. Therefore, some executives may be paid above and others below market. This practice allows for differentiation based on time in the position, scope of responsibilities, and individual performance. The differences in the total pay opportunities for each named executive officer are based almost exclusively on the differences indicated by the market data for persons holding similar positions. Because of the use of market data from a large number of industry peer companies for positions that are not identical in terms of scope of responsibility from company to company, differences are not considered to be material and the compensation program is believed to be market-appropriate, as long as senior management as a group is within an appropriate range. Generally, compensation is considered to be within an appropriate range if it is not more or less than 15% of the applicable market data.

The total target compensation opportunity was established in early 2012 for each named executive officer as shown below:

	Salary	Target Annual Performance-Based Compensation	Target Long-Term Performance-Based Compensation	Total Target Compensation Opportunity
	(\$)	(\$)	(\$)	(\$)
C. D. McCrary	781,369	586,027	1,758,063	3,125,459
P. C. Raymond	284,590	142,295	199,186	626,071
T. J. McCullough	234,919	105,714	135,502	476,135
Z. W. Smith	283,540	141,770	198,474	623,784
S. R. Spencer	428,784	235,831	407,319	1,071,934

The salary levels shown above were not effective until March 2012. Therefore, the salary amounts reported in the Summary Compensation Table are different than the amounts shown above because that table reports actual amounts paid in 2012.

For purposes of comparing the value of the compensation program to the market data, stock options are valued at \$3.39 per option and performance shares at \$41.99 per unit. These values represent risk-adjusted present values on the date of grant and are consistent with the methodologies used to develop the market data. The mix of stock options and performance shares granted were 40% and 60%, respectively, of the long-term value shown above.

In 2011, Pay Governance analyzed the level of actual payouts for 2010 performance under the annual Performance Pay Program to the named executive officers relative to performance versus peer companies to provide a check on the goal-setting process, including goal levels and associated performance-based pay opportunities. The findings from the analysis were used in establishing performance goals and the associated range of payouts for goal achievement for 2012. That analysis was updated in 2012 by Pay Governance for 2011 performance, and those findings were used in establishing goals for 2013.

DESCRIPTION OF KEY COMPENSATION COMPONENTS

2012 Base Salary

Most employees, including all of the named executive officers, received base salary increases in 2012.

With the exception of Southern Company executive officers, including Mr. McCrary, base salaries for Southern Company system officers are within a position level with a base salary range that is established by Southern Company's Human Resources staff using the market data described above. Each officer is within one of these established position levels based on the scope of responsibilities that most closely resemble the positions included in the market data described above. The base salary level for individual officers is set within the applicable pre-established range. Factors that influence the specific base salary level within the range include the need to retain an experienced team, internal equity, time in position, and individual performance. Individual performance includes the degree of competence and initiative exhibited and the individual's relative contribution to the results of operations in prior years.

Base salaries are reviewed annually in February and changes are made effective March 1. The base salary levels established early in the year for the named executive officers were set within the applicable position level salary range and were recommended by the individual named executive officer's superior and approved by Southern Company's Chief Executive Officer. Mr. McCrary's increase was approved by the Compensation Committee.

2012 Performance-Based Compensation

This section describes performance-based compensation for 2012.

Achieving Operational and Financial Performance Goals — The Guiding Principle for Performance-Based Compensation

The Southern Company system's number one priority is to continue to provide customers outstanding reliability and superior service at reasonable prices while achieving a level of financial performance that benefits Southern Company's stockholders in the short and long term. Operational excellence and business unit and Southern Company financial performance are integral to the achievement of business results that benefit customers and stockholders.

Therefore, in 2012, the Company strove for and rewarded:

- Continuing industry-leading reliability and customer satisfaction, while maintaining reasonable retail prices; and
- Meeting energy demand with the best economic and environmental choices.

In 2012, the Company also focused on and rewarded:

- EPS growth;
- ROE – target performance level in the top quartile of comparable electric utilities;
- Southern Company dividend growth;
- Long-term, risk-adjusted Southern Company total shareholder return; and
- Financial integrity — an attractive risk-adjusted return, sound financial policy, and a stable “A” credit rating.

The performance-based compensation program is designed to encourage achievement of these goals. The Southern Company Chief Executive Officer, with the assistance of Southern Company's Human Resources staff, recommended to the Compensation Committee the program design and award amounts for senior management, including the named executive officers.

2012 Annual Performance-Based Pay Program

Annual Performance Pay Program Highlights

- Rewards achievement of annual goals:
 - § EPS
 - § Business unit financial performance (ROE or net income)
 - § Business unit operational performance
- Goals are weighted one-third each
- Performance results range from 0% to 200% of target, based on level of goal achievement

Overview of Program Design

Almost all employees of the Company, including the named executive officers, are participants.

The performance goals are set at the beginning of each year by the Compensation Committee.

For Southern Company's traditional operating companies, including the Company, operational goals are safety, customer satisfaction, plant availability, transmission and distribution system reliability, and culture. For the nuclear operating company, Southern Nuclear Operating Company, Inc. (Southern Nuclear), operational goals are safety, plant operations, and culture. Each of these operational goals is explained in more detail under Goal Details below. The level of achievement for each operational goal is determined according to the respective performance schedule, and the total operational goal performance is determined by the weighted average result. Each business unit has its own operational goals.

EPS is defined as Southern Company’s earnings from continuing operations divided by average shares outstanding during the year. The EPS performance measure is applicable to all participants in the Performance Pay Program. For Southern Company’s traditional operating companies, including the Company, the business unit financial performance goal is ROE, which is defined as the traditional operating company’s net income divided by average equity for the year.

For Southern Company Generation, with the exception of the culture goal, the operational goals are aggregated for all of the traditional operating companies and Southern Nuclear. The business unit financial goal is based 90% on the aggregate ROE goal performance and 10% on Southern Power’s net income, excluding net income from acquisitions.

The Compensation Committee may make adjustments, both positive and negative, to goal achievement for purposes of determining payouts. For the financial performance goals, such adjustments could include the impact of items considered non-recurring or outside of normal operations or not anticipated in the business plan when the EPS goal was established and of sufficient magnitude to warrant recognition. The EPS goal results were decreased two cents per share to exclude the impact of an insurance recovery related to the MC Asset Recovery, LLC (MCAR) litigation settlement. This reduction decreased average payouts approximately seven percent. The Compensation Committee believed this adjustment was necessary because EPS goal results were increased in 2009 by the amount of the MCAR litigation settlement.

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

Goal Details

Operational Goals	Description	Why It Is Important
Customer Satisfaction	Customer satisfaction surveys evaluate performance. The survey results provide an overall ranking for each traditional operating company, including the Company, as well as a ranking for each customer segment: residential, commercial, and industrial.	Customer satisfaction is key to operations. Performance of all operational goals affect customer satisfaction.
Reliability	Transmission and distribution system reliability performance is measured by the frequency and duration of outages. Performance targets for reliability are set internally based on recent historical performance.	Reliably delivering power to customers is essential to the Company’s operations.
Availability	Peak season equivalent forced outage rate is an indicator of availability and efficient generation fleet operations during the months when generation needs are greatest. Availability is measured as a percentage of the hours of forced outages out of the total generation hours.	Availability of sufficient power during peak season fulfills the obligation to serve and provide customers with the least cost generating resources.
Nuclear Plant Operations	Nuclear plant performance is evaluated by measuring nuclear safety as rated by independent industry evaluators, as well as by a quantitative score comprised of various plant performance indicators. Plant reliability and operational availability is measured as a percentage of time the nuclear plant is operating, and accommodates generation reductions associated with planned outages. In addition, a subjective assessment of progress on the construction and licensing of Georgia Power Company’s two new	Safe and efficient operation of the nuclear fleet is important for delivering clean energy at a reasonable price.

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nuclear units, Plant Vogtle Units 3 and 4, is also in place.

Operational Goals (continued)	Description	Why It Is Important
Safety	Southern Company's Target Zero program is focused on continuous improvement in having a safe work environment. The performance is measured by the applicable company's ranking, as compared to peer utilities in the Southeastern Electric Exchange.	Essential for the protection of employees, customers, and communities.
Culture	The culture goal seeks to improve the Company's inclusive workplace. This goal includes measures for work environment (employee satisfaction survey), representation of minorities and females in leadership roles (subjectively assessed), and supplier diversity.	Supports workforce development efforts and helps to assure diversity of suppliers.
Financial Performance Goals	Description	Why It Is Important
EPS	Southern Company's earnings from continuing operations divided by average shares outstanding during the year.	Supports commitment to provide Southern Company's stockholders solid risk-adjusted returns.
Business Unit ROE/Net Income	For the traditional operating companies, including the Company, the business unit financial performance goal is ROE, which is defined as the applicable company's net income divided by average equity for the year. For Southern Power, the business unit financial performance goal is net income, excluding net income from acquisitions.	Supports delivery of Southern Company stockholder value and contributes to the Company's and Southern Company's sound financial policies and stable credit ratings.

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

Level of Performance	Customer Satisfaction	Reliability	Availability	Nuclear Plant Operations	Safety	Culture
Maximum	Top quartile for all customer segments and overall	Significantly exceed targets	Industry best	Significantly exceed targets	Greater than top 10th percentile and Company best	Significant improvement
Target	Top quartile overall	Meet targets	Top quartile	Meet targets	Top 40th percentile	Improvement
Threshold	2nd quartile overall	Significantly below targets	2nd quartile	Significantly below targets	Top 60th percentile	Significantly below expectations

The Compensation Committee approves specific objective performance schedules to calculate performance between the threshold, target, and maximum levels for each of the operational goals. If goal achievement is below threshold, there is no payout associated with the applicable goal.

Southern Company EPS and Business Unit Financial Performance:

The range of Southern Company EPS, business unit ROE, and Southern Power net income goals for 2012 is shown below. ROE goals vary from the allowed retail ROE range due to state regulatory accounting requirements, wholesale activities, other non-jurisdictional revenues and expenses, and other activities not subject to state regulation.

Level of Performance	EPS (\$)	ROE (%)	Southern Power Net Income (\$) (millions) (1)
Maximum	2.77	14.0	195
Target	2.64	12.0	155
Threshold	2.51	10.0	115

(1) Excluding net income from acquisitions.

For 2012, the Compensation Committee established a minimum EPS performance threshold that must be achieved. If EPS was less than \$2.38 (90% of Target), not only would there have been no payout associated with EPS performance, but overall payouts under the Performance Pay Program would have been reduced by 10% of target.

In setting the goals for pay purposes, the Compensation Committee relies on information on financial and operational goals from the Finance Committee and the Nuclear/Operations Committee of Southern Company's Board of Directors, respectively.

2012 Achievement

Each named executive officer had a target Performance Pay Program opportunity, based on his position, set by the Compensation Committee at the beginning of 2012. Targets are set as a percentage of base salary. The targets for Messrs. McCrary, Raymond, McCullough, Smith, and Spencer were 75%, 50%, 45%, 50%, and 55%, respectively. Actual payouts were determined by adding the payouts derived from EPS and applicable business unit operational and financial performance goal achievement for 2012 and dividing by three. EPS exceeded the minimum threshold established and therefore payouts were not affected. Actual 2012 goal achievement is shown in the following tables.

Operational Goal Results:

Company	Achievement Percentage
Customer Satisfaction	200
Reliability	174
Availability	200
Safety	164
Culture	123

Southern Company Generation	Achievement Percentage
Customer Satisfaction	167
Reliability	174
Availability	170
Safety	200
Culture	146

Southern Nuclear	Achievement Percentage
Nuclear Safety	162
Nuclear Reliability	200
Vogtle Units 3 and 4 Assessment	150
Culture	139

Overall, the levels of achievement shown above resulted in an operational goal performance factor for the Company, Southern Company Generation, and Southern Nuclear of 175%, 171%, and 171%, respectively.

Financial Performance Goal Results:

Goal	Result	Achievement Percentage
EPS (excluding MCAR insurance recovery)	\$2.67	128
Company ROE	13.10%	155
Aggregate ROE	12.55%	129
Southern Power net income (excluding \$4.5 million from acquisitions)	\$171 million	140

Calculating Payouts:

All of the named executive officers are paid based on Southern Company EPS performance. With the exception of Mr. McCullough, all of the named executive officers are paid based on Company ROE and operational performance. Southern Company Generation officers, including Mr. McCullough, are paid based on the goal achievement of the traditional operating company supported (60%) and Southern Company Generation (40%).

A total performance factor is determined by adding the EPS and applicable business unit financial and operational goal performance results and dividing by three. The total performance factor is multiplied by the target Performance Pay Program opportunity, as described above, to determine the payout for each named executive officer.

The table below shows the pay opportunity at target-level performance and the actual payout based on the actual performance shown above.

	Target Annual Performance Pay Program Opportunity (\$)	Total Performance Factor (%)	Actual Annual Performance Pay Program Payout (\$)
C. D. McCrary	586,027	152	890,761
P. C. Raymond	142,295	152	216,288
T. J. McCullough	105,714	148	156,456
Z. W. Smith	141,770	152	215,490
S. R. Spencer	235,831	152	358,463

Long-Term Performance-Based Compensation

2012 Long-Term Pay Program Highlights

· Stock Options:

§ Reward long-term Common Stock price appreciation

§ Represent 40% of long-term target value

§ Vest over three years

§ Ten-year term

· Performance Shares:

§ Reward Southern Company total shareholder return relative to industry peers and stock price appreciation

§ Represent 60% of long-term target value

§ Three-year performance period

§ Performance results can range from 0% to 200% of target

§ Paid in Common Stock at end of performance period

· Restricted Stock Units

§ Used to promote retention of key employees or to attract key employees by replacing award values forfeited upon leaving a former employer

§ Continued employment until vesting date(s) is required

§ Paid in Common Stock upon vesting

Long-term performance-based awards are intended to promote long-term success and increase Southern Company's stockholder value by directly tying a substantial portion of the named executive officers' total compensation to the

interests of Southern Company's stockholders. The long-term awards provide an incentive to grow Southern Company's stockholder value.

Southern Company stock options represent 40% of the long-term performance target value and performance shares represent the remaining 60%. The Compensation Committee elected this mix because it concluded that doing so represented an appropriate balance between incentives. Stock options only generate value if the price of the stock appreciates after the grant date, and performance shares reward employees based on Southern Company's total shareholder return relative to industry peers, as well as Common Stock price.

The following table shows the grant date fair value of the long-term performance-based awards in total and each component awarded in 2012.

	Value of Options (\$)	Value of Performance Shares (\$)	Total Long-Term Value (\$)
C. D. McCrary	703,232	1,054,831	1,758,063
P. C. Raymond	79,682	119,504	199,186
T. J. McCullough	54,209	81,293	135,502
Z. W. Smith			