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RATINGSDIRECT®

May 8, 2009

Summary:

Southern Co.

Primary Credit Analyst:
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110138-OPC-POD-55-1

Summary:

Southern Co.

Credit Rating: A/Stable/A-1

Rationale

The ratings on Southern Co. reflect the consolidated credit profiles of its operating subsidiaries, Alabama Power Co. (APC), Georgia Power Co.(GPC), Gulf Power Co., and Mississippi Power Co. (MPC). Southern Power Company, Southern Co.'s other major subsidiary, is viewed as an equity investment and is not incorporated in the assessment of the credit quality of Southern Co.

Southern Co. has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks; strong operating performance and high availability and capacity utilization factors for owned generation assets; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

These strengths are offset by significant capital spending needs during the next three years of about $14.4 billion (excluding Southern Power capital expenditures) to address environmental-compliance requirements, and system maintenance and growth needs, including new generation. Timely recovery of these expenditures will provide support to the consolidated credit profile. The planned capital spending program includes preliminary costs for building two new nuclear facilities at existing sites with major construction starting in mid-2011 once the combined construction and operating license is approved by the Nuclear Regulatory Commission. Georgia Power will own 45.7% of each of the two 1,117 MW units. The in-service cost for Georgia Power's share of the project (including escalation and financing costs) is expected to be about $6.4 billion with the first unit entering commercial operation in April 2016 and the second in 2017. The regulatory framework in Georgia supports construction of new generation assets through the combination of the Integrated Resource Plan approach and a plant certification process that ensures recovery of prudently incurred investment in base rates upon completion. The Georgia PSC certified construction of the proposed nuclear units in April 2009.In addition, legislation was passed in Georgia that allows for recovery of a cash return on construction work in process during the construction period, providing incremental credit support for large capital spending projects and moderating the rate impact of including the new plant in rate base upon commercial operation. Nevertheless, construction of the new units will increase business risk until the plants are successfully completed, placing pressure on the consolidated business risk profile. Southern Co. had about $1.2 billion in deferred fuel costs as of Dec. 31, 2008, an increase of about $100 million from 2007, reflecting the challenge of recovering fuel costs in a timely manner under a rapidly rising commodity price environment. Recent increases in the operating companies' fuel factors combined with a moderation in fuel prices should permit recovery of these costs in the near to intermediate term. Although the regulatory environment has historically been generally constructive, the large capital spending program combined with the deferred fuel-cost recovery, may pressure the company's competitive rates and regulatory relationships.

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Southern Co.'s cash flow generation has been consistent and strong, benefiting from the preponderance of regulated utility operations and a growing customer base. For 2008, adjusted funds from operations (FFO) was about $3.5 billion, while total adjusted debt was $20.1 billion, leading to adjusted FFO interest coverage of 4.2x, adjusted FFO to debt of 17.2%, and adjusted total debt to total capital of 59%. These credit protection measures should benefit in the next 12 to 18 months from incremental recovery of fuel costs, which could moderate the need for debt financings. The ratios account for about $412 million of trust preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content and also pension funding shortfall that adds $1.2 billion as an off-balance sheet debt obligation. Of Southern Co.'s credit protection measures, FFO interest coverage is adequate for the rating, while FFO to debt and total debt to total capital are aggressive, placing some pressure on the ratings despite the company's excellent business risk profile.

Short-term credit factors

The 'A-1' short-term rating on Southern Co. reflects the company's corporate credit rating and accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital spending needs.

As of Dec. 31, 2008, consolidated liquidity was ample, with $417 million of cash on hand, and $3.8 billion in total credit facilities (excluding credit facility availability of Southern Power) of which $794 million supported outstanding commercial paper, and $1.3 billion supported tax-exempt floating rate securities, leaving $1.74 billion available for other needs. Of the total available credit facilities, Southern Co. has $950 million available for short-term needs and commercial paper backup; Alabama Power has $1.256 billion in available facilities; Georgia Power $1.345 billion; Gulf Power $120 million; and Mississippi Power $99 million. About $970 million of the available credit facilities mature in 2009, $25 million mature in 2011 and the balance in 2012. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern Co. and its subsidiaries are well in compliance.

Southern Co.'s liquidity could come under some pressure if the company continues to accumulate deferred fuel costs, which totaled about $1.2 billion as of Dec. 31, 2008. The company estimates that the combination of revised fuel cost adjustments and the recent moderation in fuel prices, should allow for recovery by 2010, providing support to cash flow and liquidity.

Outlook

The stable outlook reflects Southern Co.'s consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. An outlook revision to positive is currently not contemplated, but would largely depend on a consistently stronger financial profile. The outlook would be revised to negative if the company's financial profile weakens as a result of the substantial capital spending budget and the inability to recover such expenses in rates in a timely manner, or the inability to recover the current deferred fuel cost balance.

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October 6, 2009

Southern Co.

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Southern Co.

Major Rating Factors

Corporate Credit Rating

A/Stable/A-1

Strengths:

- Stable cash flows;
- Operations under generally constructive regulatory environments;
- Large and diverse customer base;
- Geographic diversity; and
- Strong operating performance.

Weaknesses:

- Higher business risk due to planned construction of new nuclear plants;
- Significant capital spending;
- Large deferred fuel costs; and
- Aggressive consolidated debt leverage.

Rationale

The ratings on Southern Co. reflect the consolidated credit profiles of its operating subsidiaries, Alabama Power Co. (APC), Georgia Power Co. (GPC), Gulf Power Co., and Mississippi Power Co. (MPC). Southern Power Company, Southern Co.'s other major subsidiary, is viewed as an equity investment and is not incorporated in the assessment of the credit quality of Southern Co.

Southern Co. has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks combined with effective management of regulatory relations; strong operating performance and high availability and capacity utilization factors for owned generation; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

These strengths are offset primarily by significant capital spending needs of about $14.4 billion (excluding Southern Power capital expenditures) during the next three years. The expenditures address significant environmental-compliance requirements, transmission and distribution growth needs, new generation projects, system maintenance, and nuclear fuel expenditures. Timely recovery of these expenditures is necessary to provide ongoing support to the consolidated credit profile, although this may be challenging given the overall slowdown in the regional economy.

The planned capital spending program includes preliminary costs for building two new nuclear facilities at existing sites with major plant specific construction starting in mid-2011 once the combined operating and construction license is approved by the Nuclear Regulatory Commission. Georgia Power will own 45.7% of each of the two 1,117MW units. The in-service cost for Georgia Power's share of the project (including escalation and financing costs) is expected to be about $6.4 billion with the first unit entering commercial operation in April 2016 and the second in 2017. The regulatory framework in Georgia supports construction of new generation assets through the combination of the Integrated Resource Plan approach and a plant certification process, which ensures recovery of prudently incurred investment in base rates upon completion. The Georgia PSC certified construction of the proposed nuclear units in April 2009. In addition, legislation was passed in Georgia that allows for recovery of a cash return on construction work in process during the construction period, providing incremental credit support for large capital spending projects and moderating the rate impact of including the new plant in rate base upon commercial operation. The ability to collect CWIP reduces the inservice cost to about $4.5 billion. Given the new technology and long construction period, the planned construction of the new nuclear units contributes to an increase business risk, placing pressure on the consolidated business risk profile, and necessitating completion of the construction on budget and on schedule in order to mitigate adverse effects on credit quality.

Southern Co. had about $822.0 million in deferred fuel costs as of June 30, 2009, a reduction of about $300 million from year-end 2008. During the first half of 2009, all the operating companies made significant progress in recovering their respective deferred fuel balances, with the exception of GPC. GPC's deferred fuel balance of $711 million forms about 80% of the consolidated fuel cost deferrals. GPC will file an updated fuel cost recovery mechanism by mid-December 2009, with new rates expected to go into effect by April 2010. Therefore, unless fuel prices continue at current moderate levels, it is unlikely that the deferred fuel cost balance will decline materially in the interim. Although the regulatory environment has historically been generally constructive, the large capital spending program combined with the deferred fuel-cost recovery, may pressure the company's competitive rates and regulatory relationships, especially given the slowdown in the regional economy.

Southern Co.'s cash flow generation has been consistent and strong, contributing to an intermediate financial risk profile, and benefiting from the preponderance of regulated utility operations and a growing customer base. For the 12 months ended June 30, 2009, adjusted funds from operations (FFO) was about $3.49 billion, while total adjusted debt was $21.9 billion, leading to adjusted FFO interest coverage of 4.2x, adjusted FFO to debt of 15.9%, and adjusted total debt to total capital of 60.1%. Both adjusted FFO to total debt and total debt to total capital are aggressive for the rating category, and both measures should benefit in the next 12 to 18 months from incremental recovery of fuel costs as well as the completion of various projects currently under construction which will be included in rate base, primarily through the use of riders. The most recent credit metrics reflect the inclusion of about $1.22 billion in off-balance sheet debt stemming from the short-fall in the current funding level of pension and other post-retirement obligations and also include about $412 million of trust preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content.

Short-term credit factors

The 'A-1' short-term rating on Southern Co. reflects the company's corporate credit rating but also accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital spending needs.

As of June 30, 2009, consolidated liquidity was adequate, with $752 million of cash on hand, and $4.3 billion in total credit facilities (excluding credit facility availability of Southern Power) of which $1.1 billion supported outstanding commercial paper, and $1.5 billion supported tax-exempt floating rate securities, leaving about $1.7 billion available under the revolving credit facilities for other needs. Of the total available credit facilities, Southern Co. has $950 million available for short-term needs and commercial paper backup; Alabama Power has $1.26 billion in available facilities; Georgia Power $1.675 billion; Gulf Power $220.0 million; and Mississippi Power $149.0 million. About $484 million of the credit facilities mature in 2009, $965 million of the credit facilities will mature in 2010 and the balance mature in 2012. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern Co. and its subsidiaries are well in compliance.

As of June 30, 2009, the deferred fuel balance was $822.0 million compared to $1.22 billion at the beginning of 2009. GPC forms about 80% of the consolidated fuel deferral balance and is expected to file an updated fuel cost recovery mechanism by mid December 2009, with new rates going into effect April 2010. Therefore, we do not expect a significant reduction in Southern Co's consolidated deferred fuel balance in the near to intermediate term. However, the liquidity position could come under pressure if the fuel deferral balances increase from current levels.

Outlook

The stable outlook reflects Southern Co.'s consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. An outlook revision to positive is currently not contemplated, but such a change would largely depend on a consistently stronger financial profile. The outlook will be revised to negative and ratings may be lowered if the company's financial profile weakens over the next few years such that debt leverage remains aggressive, adjusted FFO/TD is consistently below 17% and adjusted FFO/Interest coverage declines to below 4.0x, as a result of the substantial capital spending budget, the inability to recover such expenses in rates or the inability to recover the current deferred fuel cost balance in a timely manner. In addition, the pursuit of the nuclear plant construction, which is expected to be funded in a balanced manner, places additional pressure on the consolidated ratings, such that any delays in the construction schedule, cost over-runs on the budget or indications of weakening regulatory support would also lead to a negative outlook revision.

Accounting

Southern Co.'s financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2008.

In assessing the financial risk profile of Southern Standard & Poor's views Southern Power as an equity investment and its dividend distributions to Southern as part of FFO for coverage ratio computation. Southern Power's equity is viewed as minority interest for capitalization ratios.

Southern reports changes in under recovered fuel balances as part of changes in working capital. However, Standard & Poor's, while analyzing company's cash flows, re-classifies these changes as part of changes in funds from operations (FFO). This adjustment reflects the long term nature of recovery of fuel costs which is more a standard measure of FFO rather than working capital.

Asset-retirement obligations (ARO) totaled about $1.2 billion at Dec. 31, 2008, while the corresponding nuclear decommissioning trust fund balance totaled $864 million, leading to the imputation of $208.7 million as off-balance sheet debt. The current funding level of pension and other post-retirement obligations leads to the imputation of $1.23 billion as an off-balance sheet obligation.

Standard & Poor's views Southern Co.'s $412 million of trust-preferred securities and $1.1 billion of preferred and preference shares as of Dec. 31, 2008, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends. Trust preferred and preferred securities accounted for about 4.8% of total capital as of Dec. 31, 2008, which is not an unduly large amount.

Capitalization of non-rail car operating leases adds about $281.5 million of off-balance-sheet obligations as of Dec. 31, 2008, while debt imputed for purchased power agreements (PPAs) adds about $850.9 million. These figures represent about 5.6% of adjusted total debt. PPAs with Southern Power are included in imputed debt because Standard & Poor's rates Southern Power on a stand-alone basis.

Table 1.

Southern Co. -- Peer Comparison*

Industry Sector: Electric

	Southern Co.	Duke Energy Corp.	Entergy Corp.	American Electric Power Co. Inc.	FPL Group Inc.
Rating as of Oct. 1, 2009	A/Stable/A-1	A-/Positive/A-2	BBB/Stable/--	BBB/Stable/A-2	A/Stable/--
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	14,591.1	14,217.3	11,821.0	13,319.9	15,356.7
Net income from cont. oper.	1,549.8	1,630.0	1,162.8	1,168.0	1,293.7
Funds from operations (FFO)	3,352.8	4,149.1	3,093.7	2,769.0	3,490.9
Capital expenditures	3,233.1	3,878.1	2,062.9	3,794.8	1,932.2
Cash and short-term investments	239.1	1,518.9	1,403.2	669.0	481.7
Debt	17,438.6	17,312.7	12,481.8	17,208.4	12,068.6
Preferred stock	881.8	0.0	162.9	93.2	838.0
Equity	13,225.8	23,111.8	8,172.0	10,154.5	11,620.0
Debt and equity	30,664.5	40,424.5	20,653.8	27,362.9	23,688.6
Adjusted ratios					
EBIT interest coverage (x)	3.4	3.1	3.3	2.4	3.2
FFO int. cov. (X)	4.5	4.9	4.9	3.3	6.0
FFO/debt (%)	19.2	24.0	24.8	16.1	28.9
Discretionary cash flow/debt (%)	(7.1)	(9.0)	4.2	(10.2)	3.8
Net cash flow / capex (%)	66.2	73.9	124.6	56.3	145.0
Total debt/debt plus equity (%)	56.9	42.8	60.4	62.9	50.9
Return on common equity (%)	12.4	6.7	13.4	10.7	11.7
Common dividend payout ratio (un-adj.) (%)	78.8	78.7	44.8	53.7	50.8

*Fully adjusted (including postretirement obligations).

Table 2.

Southern Co. -- Financial Summary*

Industry Sector: Electric

	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating history	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1
(Mil. $)					
Revenues	15,813.5	14,381.0	13,579.0	12,773.0	11,027.7
Net income from continuing operations	1,597.6	1,602.4	1,449.5	1,476.2	1,417.5
Funds from operations (FFO)	3,473.6	3,210.4	3,374.6	3,669.5	3,352.8

Table 2.

Southern Co. -- Financial Summary* (cont.)					
Capital expenditures	3,888.8	3,324.1	2,486.3	2,168.4	1,955.7
Cash and short-term investments	379.1	201.0	137.1	174.4	342.8
Debt	20,158.0	16,754.9	15,403.1	15,681.6	14,210.5
Preferred stock	747.0	746.0	1,152.5	1,242.0	561.0
Equity	14,023.0	13,131.0	12,523.5	11,366.8	10,187.7
Debt and equity	34,181.0	29,885.9	27,926.6	27,048.4	24,398.2
Adjusted ratios					
EBIT interest coverage (x)	3.3	3.4	3.6	3.8	3.8
FFO int. cov. (x)	4.2	4.3	5.0	6.0	5.9
FFO/debt (%)	17.2	19.2	21.9	23.4	23.6
Discretionary cash flow/debt (%)	(8.8)	(7.2)	(5.0)	(4.1)	(1.6)
Net Cash Flow / Capex (%)	56.9	60.6	88.1	116.3	118.0
Debt/debt and equity (%)	59.0	56.1	55.2	58.0	58.2
Return on common equity (%)	11.2	12.9	13.3	14.2	14.6
Common dividend payout ratio (un-adj.) (%)	83.5	77.5	75.0	70.9	60.4

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Southern Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2008--									
Southern Co. reported amounts										
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	17,088.6	13,219.6	4,553.6	4,553.6	3,199.1	782.8	3,228.2	3,228.2	1,280.0	3,911.0
Standard & Poor's adjustments										
Operating leases	281.5	--	76.3	15.2	15.2	15.2	61.0	61.0	--	41.7
Intermediate hybrids reported as debt	(206.0)	206.0	--	--	--	(11.7)	11.7	11.7	11.7	--
Intermediate hybrids reported as equity	541.0	(541.0)	--	--	--	32.5	(32.5)	(32.5)	(32.5)	--
Postretirement benefit obligations	1,227.2	--	(48.0)	(48.0)	(48.0)	--	83.9	83.9	--	--
Accrued interest not included in reported debt	166.1	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	63.9	(63.9)	(63.9)	--	(63.9)
Share-based compensation expense	--	--	--	20.0	--	--	--	--	--	--
Power purchase agreements	850.9	--	196.4	196.4	44.6	44.6	151.9	151.9	--	--

Table 3.

Reconciliation Of Southern Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)										
Asset retirement obligations	208.7	--	75.0	75.0	75.0	75.0	(48.8)	(48.8)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	9.4	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	90.1	--	--
Minority interests	--	1,138.4	--	--	--	--	--	--	--	--
US decommissioning fund contributions	--	--	--	--	--	--	(8.0)	(8.0)	--	--
Total adjustments	3,069.3	803.4	299.7	258.7	96.2	219.5	155.3	245.3	(20.8)	(22.2)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	20,158.0	14,023.0	4,853.3	4,812.3	3,295.4	1,002.3	3,383.5	3,473.6	1,259.2	3,888.8

*Southern Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of October 6, 2009)*	
Southern Co.	
Corporate Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock (2 Issues)	BBB+
Senior Unsecured (3 Issues)	A-
Corporate Credit Ratings History	
21-Dec-2000	A/Stable/A-1
30-Nov-1998	A/Watch Neg/A-1
24-Jan-1997	A/Stable/A-1
Business Risk Profile	Excellent
Financial Risk Profile	Intermediate
Related Entities	
Alabama Power Capital Trust V	
Preferred Stock (1 Issue)	BBB+
Alabama Power Co.	
Issuer Credit Rating	A/Stable/A-1

Ratings Detail (As Of October 6, 2009)*(cont.)	
Commercial Paper	
Local Currency	A-1
Preference Stock (2 Issues)	BBB+
Preferred Stock (4 Issues)	BBB+
Senior Secured (6 Issues)	A/A-1
Senior Unsecured (28 Issues)	A
Senior Unsecured (18 Issues)	A/A-1
Georgia Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preference Stock (1 Issue)	BBB+
Preferred Stock (2 Issues)	BBB+
Senior Unsecured (45 Issues)	A
Senior Unsecured (1 Issue)	A-
Senior Unsecured (31 Issues)	A/A-1
Senior Unsecured (8 Issues)	A/NR
Gulf Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preference Stock (2 Issues)	BBB+
Preferred Stock (3 Issues)	BBB+
Senior Unsecured (12 Issues)	A
Senior Unsecured (3 Issues)	A/A-1
Senior Unsecured (1 Issue)	A/NR
Mississippi Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preferred Stock (4 Issues)	BBB+
Senior Secured (1 Issue)	A+/A-1
Senior Unsecured (4 Issues)	A
Senior Unsecured (3 Issues)	A/A-1
Southern Company Capital Funding, Inc.	
Senior Unsecured (1 Issue)	A-
Southern Company Funding Corp.	
Issuer Credit Rating	--/--/A-1
Commercial Paper	
Local Currency	A-1
Southern Co. Services Inc.	
Issuer Credit Rating	A/Stable/--
Southern Electric Generating Co.	
Issuer Credit Rating	A/Stable/NR
Senior Unsecured (1 Issue)	A
Southern Power Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (3 Issues)	BBB+

Ratings Detail (As Of October 6, 2009)***(cont.)**

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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RatingsDirect®

October 14, 2010

Southern Co.

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Southern Co.

Major Rating Factors

Strengths:

- Stable cash flows;
- Operations under generally constructive regulatory environments;
- Large and diverse customer base;
- Regulatory and geographic diversity; and
- Strong operating performance.

Corporate Credit Rating

A/Stable/A-1

Weaknesses:

- Higher business risk due to planned construction of new nuclear plants;
- Significant capital spending program;
- Large deferred fuel costs; and
- Aggressive consolidated debt leverage.

Rationale

The ratings on Southern reflect the consolidated credit profiles of its operating subsidiaries, Alabama Power Co. (APC), Georgia Power Co. (GPC), Gulf Power Co., and Mississippi Power Co. (MPC). Southern Power Company, Southern Co.'s other major subsidiary, is viewed as an equity investment and is not incorporated in the assessment of the credit quality of Southern.

Southern has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks combined with effective management of regulatory relations; strong operating performance and high availability and capacity utilization factors for owned generation; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

These strengths are offset primarily by significant capital spending needs of about $14.5 billion (excluding Southern Power capital expenditures) during the next three years. The expenditures address significant environmental-compliance requirements, transmission and distribution system growth needs, new generation projects including nuclear, system maintenance, and nuclear fuel expenditures. Timely recovery of these expenditures is necessary to provide ongoing support to the consolidated credit profile, although this may be challenging given the still modest economic recovery in the regional and national economies.

The planned capital spending program includes preliminary costs for building two new nuclear plants at existing sites with major plant specific construction starting in mid to late-2011 once the combined operating and construction license is approved by the Nuclear Regulatory Commission. Georgia Power will own 45.7% of each of the two 1,117MW units. The in-service certificated cost for Georgia Power's share of the project (including

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escalation and financing costs) is about $6.1 billion with the first unit entering commercial operation in April 2016 and the second in 2017. The regulatory framework in Georgia supports construction of new generation assets through the combination of the Integrated Resource Plan approach and a plant certification process, which ensure recovery of prudently incurred investment in base rates upon completion. The Georgia PSC certified construction of the proposed nuclear units in April 2009. In addition, legislation was passed in Georgia that allows for recovery of a cash return on construction work in progress during the construction period starting in 2011, providing incremental credit support for large capital spending projects and moderating the rate impact of including the new plant in rate base upon commercial operation. The ability to collect CWIP reduces the in-service cost to about $4.4 billion. Given the new technology and long construction period, the construction of the new nuclear units contributes to an increase business risk, placing pressure on the consolidated business risk profile, and necessitating completion of the project on budget and on schedule in order to mitigate adverse effects on credit quality. In early 2010, GPC amended the engineering, procurement, and construction contract with Westinghouse and Stone & Webster to replace certain index-based adjustments to the purchase price with fixed escalation amounts, thereby increasing cost certainty. The Georgia PSC approved the amendment in August 2010.

Southern is also pursuing the construction of a 582MW integrated gasification combined cycle unit (Kemper IGCC) at Mississippi Power at a cost of $2.4 billion. Similar to the nuclear plant construction, the plant is being built under a generally constructive regulatory framework and a significant portion of the costs for the construction will be known or fixed early in the construction process. However, the lack of recent construction experience for similar types of plants in the U.S. increases business risk.

Southern had about $669 million in deferred fuel costs as of June 30, 2010, which was largely unchanged compared to Dec. 31, 2009. GPC's deferred fuel balance of $657.2 million contributes the bulk of the consolidated fuel cost deferrals. In April 2010, GPC received approval from the Georgia PSC to adjust fuel rates so as to recover the deferred fuel balance over 42 months. In addition, the Georgia PSC approved a mechanism that allows for fuel costs to adjust intra-year if fuel cost under-recovery exceeds the budget by more than $75 million, thereby preventing material accumulation of deferred fuel costs. Although the regulatory environment has historically been generally constructive, the large capital spending program combined with the deferred fuel-cost recovery, may pressure the company's competitive rates and regulatory relationships, especially given the slowdown in the regional economy.

Southern's cash flow generation and financial management policies are consistent and strong, support the company's overall intermediate financial risk profile, and benefit from the preponderance of regulated utility operations and a growing customer base. For the 12 months ended June 30, 2010, adjusted funds from operations (FFO) was about $3.97 billion, while total adjusted debt was $22.48 billion, leading to adjusted FFO interest coverage of 4.5x, adjusted FFO to debt of 17.7%, and adjusted total debt to total capital of 58%. Adjusted FFO benefits from incremental recovery of fuel costs as well as the completion of various projects which are included in rate base primarily through the use of riders. The most recent credit metrics reflect the inclusion of about $1.395 billion in off-balance sheet debt stemming from the short-fall in the current funding level of pension and other post-retirement obligations and also include about $412 million of trust preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content.

Liquidity

Southern's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Southern's 'adequate' liquidity supports its 'A' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by about 1.2x. The 'A-1' short-term rating on Southern reflects its corporate credit rating, but also accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital spending needs.

Southern has $4.4 billion in revolving credit facilities (excluding credit facility availability of Southern Power). As of June 30, 2010, $686 million supported outstanding commercial paper, and $1.8 billion supported tax-exempt floating rate securities, leaving about $1.9 billion undrawn. Of the total available credit facilities, Southern has $950 million available for short-term needs and commercial paper backup; APC has $1.27 billion in available facilities; GPC $1.7 billion; Gulf Power $220 million; and MPC $161 million. Of the total available credit facilities, about $2.8 billion expires after September 2011. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern and its subsidiaries are well in compliance. Southern also had $266 million of cash on hand as of June 30, 2010.

Outlook

The stable outlook reflects Southern's consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. Currently, we don't contemplate a higher rating, but such a change would largely depend on a consistently stronger financial profile. The ratings on Southern and its subsidiaries will be lowered if the consolidated financial risk profile weakens over the next few years such that debt leverage remains aggressive, adjusted FFO to total debt is consistently below 18% and adjusted FFO to interest coverage declines to below 4.0x, as a result of the substantial capital spending budget, the inability to recover such expenses in rates or the inability to recover the current deferred fuel cost balance in a timely manner. The pursuit of the nuclear plant construction, which is expected to be funded in a balanced manner, places additional pressure on the consolidated ratings, such that any delays in the construction schedule, cost over-runs on the budget or indications of weakening regulatory support could lead to lower ratings. Finally, the current ratings incorporate a constructive outcome in Georgia Power's pending rate case.

Accounting

Southern's financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2009.

In assessing the financial risk profile of Southern Standard & Poor's views Southern Power as an equity investment and its dividend distributions to Southern as part of FFO for coverage ratio computation. Southern Power's equity is viewed as minority interest for capitalization ratios.

Southern reports changes in under recovered fuel balances as part of changes in working capital. However, Standard & Poor's, while analyzing company's cash flows, re-classifies these changes as part of changes in funds from operations (FFO). This adjustment reflects the long term nature of recovery of fuel costs which is more a standard measure of FFO rather than working capital.

Asset-retirement obligations (ARO) totaled about $1.2 billion at Dec. 31, 2009, while the corresponding nuclear decommissioning trust fund balance totaled $1.07 billion, leading to the imputation of $88.4 million as off-balance sheet debt. The current funding level of pension and other post-retirement obligations leads to the imputation of $1.395 billion as an off-balance sheet obligation.

Standard & Poor's views Southern's $412 million of trust-preferred securities and $1.1 billion of preferred and preference shares as of Dec. 31, 2009, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends. Trust preferred and preferred securities accounted for about 3% of total capital as of Dec. 31, 2009.

Capitalization of non-rail car operating leases adds about $233.4 million of off-balance-sheet obligations as of Dec. 31, 2009, while debt imputed for purchased power agreements (PPAs) adds about $1.2 billion. These figures represent about 6.5% of adjusted total debt. PPAs with Southern Power are included in imputed debt because Standard & Poor's rates Southern Power on a stand-alone basis.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Corporate Criteria: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010

Table 1.

Southern Co. -- Peer Comparison*

Industry Sector: Electric

	Southern Co.	Duke Energy Corp.	American Electric Power Co. Inc.	Dominion Resources Inc.	Entergy Corp.
Rating as of Sep. 20, 2010	A/Stable/A-1	A-/Stable/A-2	BBB/Stable/A-2	A-/Stable/A-2	BBB/Stable/--
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	14,996.9	12,886.0	13,566.2	15,690.5	11,746.2
Net income from cont. oper.	1,562.4	1,288.0	1,291.3	1,942.7	1,202.2
Funds from operations (FFO)	3,524.5	4,105.3	3,051.8	2,278.0	3,041.9
Capital expenditures	3,892.5	4,024.6	3,609.5	3,085.4	2,361.6
Cash and short-term investments	421.0	1,231.3	711.3	132.3	1,634.3
Debt	19,610.3	16,429.5	19,403.3	17,740.2	13,344.8
Preferred stock	746.7	0.0	135.5	844.3	155.6
Equity	14,259.7	21,472.3	11,439.5	11,113.6	8,303.1
Debt and equity	33,870.0	37,901.8	30,842.8	28,853.8	21,648.0
Adjusted ratios					
EBIT interest coverage (x)	3.3	3.3	2.4	2.8	3.2
FFO int. cov. (X)	4.3	5.7	3.4	3.0	4.5
FFO/debt (%)	18.0	25.0	15.7	12.8	22.8
Discretionary cash flow/debt (%)	(9.8)	(9.8)	(9.2)	(11.0)	(0.5)
Net cash flow / capex (%)	57.4	73.1	65.4	41.0	104.9
Total debt/debt plus equity (%)	57.9	43.3	62.9	61.5	61.6
Return on common equity (%)	10.9	4.9	10.9	17.5	13.7

Table 1.

Southern Co. -- Peer Comparison* (cont.)					
Common dividend payout ratio (un-adj.) (%)	85.5	89.4	52.8	49.9	46.8

*Fully adjusted (including postretirement obligations).

Table 2.

Southern Co. -- Financial Summary*

Industry Sector: Electric

	--Fiscal year ended Dec. 31--				
	2009	**2008**	**2007**	**2006**	**2005**
Rating history	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1	A/Stable/A-1
(Mil. $)					
Revenues	14,796.3	15,813.5	14,381.0	13,579.0	12,773.0
Net income from continuing operations	1,487.1	1,597.6	1,602.4	1,449.5	1,476.2
Funds from operations (FFO)	3,889.6	3,473.6	3,210.4	3,374.6	3,669.5
Capital expenditures	4,464.5	3,888.8	3,324.1	2,486.3	2,168.4
Cash and short-term investments	682.8	379.1	201.0	137.1	174.4
Debt	21,918.0	20,158.0	16,754.9	15,403.1	15,681.6
Preferred stock	747.0	747.0	746.0	1,152.5	1,242.0
Equity	15,625.0	14,023.0	13,131.0	12,523.5	11,366.8
Debt and equity	37,543.0	34,181.0	29,885.9	27,926.6	27,048.4
Adjusted ratios					
EBIT interest coverage (x)	3.2	3.3	3.4	3.6	3.8
FFO int. cov. (x)	4.4	4.2	4.3	5.0	6.0
FFO/debt (%)	17.7	17.2	19.2	21.9	23.4
Discretionary cash flow/debt (%)	(12.7)	(8.8)	(7.2)	(5.0)	(4.1)
Net Cash Flow / Capex (%)	55.5	56.9	60.6	88.1	116.3
Debt/debt and equity (%)	58.4	59.0	56.1	55.2	58.0
Return on common equity (%)	8.8	11.2	12.9	13.3	14.2
Common dividend payout ratio (un-adj.) (%)	96.3	83.5	77.5	75.0	70.9

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Southern Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--									
Southern Co. reported amounts										
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	18,466.4	14,764.9	4,556.3	4,556.3	3,151.5	820.0	3,051.0	3,051.0	1,434.0	4,532.9
Standard & Poor's adjustments										
Operating leases	233.4	--	75.2	13.1	13.1	13.1	62.2	62.2	--	14.0

Table 3.

Reconciliation Of Southern Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Intermediate hybrids reported as debt	(206.0)	206.0	--	--	--	(9.5)	9.5	9.5	9.5	--
Intermediate hybrids reported as equity	541.0	(541.0)	--	--	--	32.5	(32.5)	(32.5)	(32.5)	--
Postretirement benefit obligations	1,395.6	--	(35.0)	(35.0)	(35.0)	--	20.8	20.8	--	--
Accrued interest not included in reported debt	188.1	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	82.4	(82.4)	(82.4)	--	(82.4)
Share-based compensation expense	--	--	--	23.0	--	--	--	--	--	--
Power purchase agreements	1,211.2	--	173.2	173.2	61.5	61.5	111.7	111.7	--	--
Asset retirement obligations	88.4	--	77.0	77.0	77.0	77.0	(44.9)	(44.9)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	167.4	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	800.2	--	--
Minority interests	--	1,195.1	--	--	--	--	--	--	--	--
US decommissioning fund contributions	--	--	--	--	--	--	(6.0)	(6.0)	--	--
Total adjustments	3,451.6	860.1	290.4	251.2	283.9	256.9	38.4	838.7	(23.0)	(68.3)

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	21,918.0	15,625.0	4,846.7	4,807.6	3,435.4	1,076.9	3,089.4	3,889.6	1,411.0	4,464.5

*Southern Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of October 14, 2010)*

Southern Co.	
Corporate Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1

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Ratings Detail (As Of October 14, 2010)*(cont.)		
Preferred Stock (2 Issues)		BBB+
Senior Unsecured (4 Issues)		A-
Corporate Credit Ratings History		
21-Dec-2000	*Foreign Currency*	A/Stable/A-1
30-Nov-1998		A/Watch Neg/A-1
24-Jan-1997		--/--/A-1
21-Dec-2000	*Local Currency*	A/Stable/A-1
30-Nov-1998		A/Watch Neg/A-1
24-Jan-1997		A/Stable/A-1
Business Risk Profile		Excellent
Financial Risk Profile		Intermediate
Related Entities		
Alabama Power Capital Trust V		
Preferred Stock (1 Issue)		BBB+
Alabama Power Co.		
Issuer Credit Rating		A/Stable/A-1
Commercial Paper		
Local Currency		A-1
Preference Stock (2 Issues)		BBB+
Preferred Stock (4 Issues)		BBB+
Senior Secured (6 Issues)		A/A-1
Senior Unsecured (27 Issues)		A
Senior Unsecured (22 Issues)		A/A-1
Georgia Power Co.		
Issuer Credit Rating		A/Stable/A-1
Preference Stock (1 Issue)		BBB+
Preferred Stock (2 Issues)		BBB+
Senior Unsecured (48 Issues)		A
Senior Unsecured (1 Issue)		A-
Senior Unsecured (32 Issues)		A/A-1
Senior Unsecured (7 Issues)		A/NR
Gulf Power Co.		
Issuer Credit Rating		A/Stable/A-1
Preference Stock (2 Issues)		BBB+
Preferred Stock (3 Issues)		BBB+
Senior Unsecured (15 Issues)		A
Senior Unsecured (2 Issues)		A/A-1
Senior Unsecured (1 Issue)		A/NR
Mississippi Power Co.		
Issuer Credit Rating		A/Stable/A-1
Preferred Stock (4 Issues)		BBB+
Senior Secured (1 Issue)		A+/A-1
Senior Unsecured (5 Issues)		A

Ratings Detail (As Of October 14, 2010)*(cont.)	
Senior Unsecured (3 Issues)	A/A-1
Southern Company Capital Funding, Inc.	
Senior Unsecured (1 Issue)	A-
Southern Company Funding Corp.	
Issuer Credit Rating	--/--/A-1
Commercial Paper	
Local Currency	A-1
Southern Co. Services Inc.	
Issuer Credit Rating	A/Stable/--
Southern Electric Generating Co.	
Issuer Credit Rating	A/Stable/NR
Senior Unsecured (1 Issue)	A
Southern Power Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (3 Issues)	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

April 27, 2011

Summary:
Southern Co.

Primary Credit Analyst:
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Secondary Contact:
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Table Of Contents

Summary:
Southern Co.

Credit Rating: A/Stable/A-1

Rationale

The ratings on Southern Co. (Southern) reflect the consolidated credit profiles of its operating subsidiaries, Alabama Power Co. (APC), Georgia Power Co. (GPC), Gulf Power Co., and Mississippi Power Co. (MPC). Standard & Poor's Ratings Services views Southern Power Co., Southern Co.'s other major subsidiary, as an equity investment and does not incorporate it into the assessment of the credit quality of Southern.

Southern has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi, and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks, combined with effective management of regulatory relations; strong operating performance and high availability and capacity utilization factors for owned generation; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

These strengths are offset primarily by significant capital spending needs of about $13.2 billion (excluding Southern Power capital expenditures) during 2011-2013. The expenditures are to address significant environmental-compliance requirements, transmission and distribution system growth needs, new generation projects (including nuclear), system maintenance, and nuclear fuel expenditures. Timely recovery of these expenditures is necessary to provide ongoing support to the consolidated credit profile, although this may be challenging given the still-modest economic recovery in the regional and national economies.

The planned capital spending program includes preliminary costs for building two new nuclear plants at existing sites with major plant specific construction starting in late 2011, once the Nuclear Regulatory Commission approves the combined construction and operating license. Georgia Power will own 45.7% of each of the two 1,117MW units. The in-service certificated cost for Georgia Power's share of the project (including escalation and financing costs) is about $6.1 billion, with the first unit entering commercial operation in April 2016 and the second in 2017. The regulatory framework in Georgia supports construction of new-generation assets through the combination of the Integrated Resource Plan approach and a plant certification process, which ensure recovery of prudently incurred investment in base rates upon completion. The Georgia Public Service Commission (PSC) certified construction of the proposed nuclear units in April 2009. In addition, legislation was passed in Georgia that allows for recovery of a cash return on construction work in progress during the construction period starting in 2011, providing incremental credit support for large capital spending projects and moderating the rate impact of including the new plant in rate base upon commercial operation. The ability to collect CWIP reduces the in-service cost to about $4.4 billion.

On Dec. 21, 2010, the Georgia PSC approved GPC's Nuclear Construction Cost Recovery (NCCR) tariff, effective Jan. 1, 2011, which allows recovery of about $223 million of financing costs associated with the nuclear plant construction. Given the new technology and long construction period, the construction of the new nuclear units contributes to an increase business risk, placing pressure on the consolidated business risk profile, and necessitating completion of the project on budget and on schedule to mitigate adverse effects on credit quality. In early 2010, GPC amended the engineering, procurement, and construction contract with Westinghouse and Stone & Webster to replace certain index-based adjustments to the purchase price with fixed escalation amounts, thereby increasing cost certainty. The Georgia PSC approved the amendment in August 2010.

Southern is also pursuing the construction of a 582MW integrated gasification combined cycle unit (Kemper IGCC) at Mississippi Power at a cost of $2.4 billion. Similar to the nuclear plant construction, the Kemper IGCC unit is being built under a generally constructive regulatory framework and a significant portion of the costs for the construction will be known or fixed early in the construction process. Nevertheless, the lack of recent construction experience for similar types of plants in the U.S. contributes to an increase in business risk.

Southern's deferred fuel balance totaled about $420 million as of Dec. 31, 2010, a reduction of about $249 million compared to June 30, 2010. GPC's deferred fuel balance of $398 million contributes the bulk of this deferral. In April 2010, the Georgia PSC approved an adjustment to GPC's fuel rates to enable recovery of deferred fuel costs over 42 months. In addition, the Georgia PSC approved a mechanism that allows for fuel costs to adjust intra-year if fuel cost under-recovery exceeds the budget by more than $75 million, preventing further material accumulation. Although the regulatory environment has historically been generally constructive, the large capital spending program combined with the deferred fuel-cost recovery, may pressure the company's competitive rates and regulatory relationships, especially given the still-slow recovery in the regional economy.

Southern's consistent cash flow generation and generally conservative financial management policies support the company's overall intermediate financial risk profile, and benefit from the preponderance of regulated utility operations and a growing customer base. For the 12 months ended Dec. 31, 2010, adjusted funds from operations (FFO) was about $4.41 billion, while total adjusted debt was $22 billion, leading to adjusted FFO interest coverage of 4.9x, adjusted FFO to debt of 20.1%, and adjusted total debt to total capital of 56.5%. Adjusted FFO benefits from incremental recovery of fuel costs, as well as the completion of various projects included in the rate base primarily through the use of riders. The most recent credit metrics reflect the inclusion of about $870 million in off-balance-sheet debt stemming from the shortfall in the current funding level of pension and other post-retirement obligations and also include about $412 million of trust-preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content.

Liquidity

Southern's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Southern's adequate liquidity supports its 'A' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. The 'A-1' short-term rating on Southern reflects its corporate credit rating, but also accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital spending needs.

Southern has $4.4 billion in revolving credit facilities (excluding credit facility availability of Southern Power). As of Dec. 31, 2010, $1.3 billion supported outstanding commercial paper (CP), and $1.3 billion supported tax-exempt floating-rate securities, leaving about $1.74 billion undrawn. Of the total available credit facilities, Southern has $950 million available for short-term needs and CP backup; APC has $1.27 billion in available facilities; GPC $1.7

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billion; Gulf Power $240 million; and MPC $161 million. Of the total available credit facilities, about $2.8 billion expires after September 2011. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern and its subsidiaries are well in compliance. Southern also had $447 million of cash on hand as of Dec. 31, 2010.

Outlook

The stable outlook reflects Southern's consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. Currently, we don't contemplate a higher rating, but such a change would largely depend on a consistently stronger financial profile.

We could lower the ratings on Southern and its subsidiaries if the consolidated financial risk profile weakens over the next few years such that debt leverage remains aggressive, adjusted FFO to total debt is consistently below 18%, and adjusted FFO to interest coverage declines to below 4x as a result of the substantial capital spending budget, the inability to recover such expenses in rates, or the inability to recover the current deferred fuel cost balance in a timely manner. The pursuit of the nuclear plant construction, which we expect to be funded in a balanced manner, places additional pressure on the consolidated ratings, such that any delays in the construction schedule, cost overruns on the budget, or indications of weakening regulatory support could lead to lower ratings.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Corporate Criteria: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010

Credit Opinion: Southern Company (The)

Southern Company (The)

Atlanta, Georgia, United States

Ratings

Category	Moody's Rating
Outlook	Negative
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
Jr Subordinate Shelf	(P)Baa1
Commercial Paper	P-1
Alabama Power Company	
Outlook	Stable
Issuer Rating	A2
Sr Unsec Bank Credit Facility	A2
Senior Unsecured	A2
Jr Subordinate Shelf	(P)A3
Preferred Stock	Baa1
Commercial Paper	P-1
Georgia Power Company	
Outlook	Negative
Issuer Rating	A2
Sr Unsec Bank Credit Facility	A2
Senior Unsecured	A2
Jr Subordinate Shelf	(P)A3
Preferred Stock	Baa1

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Key Indicators

[1]
Southern Company (The)

ACTUALS	LTM 2Q09	2008	2007	2006
(CFO Pre-W/C + Interest) / Interest Expense	4.2x	4.5x	4.2x	4.8x
(CFO Pre-W/C) / Debt	15.7%	18.3%	18.5%	20.6%
(CFO Pre-W/C - Dividends) / Debt	9.7%	12.0%	11.8%	13.9%
Debt / Book Capitalization	51.2%	49.9%	48.5%	48.6%

[1] All ratios are calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Consolidated cash flow coverage metrics that are weak for its rating

- Increasing business and operating risk profile at several of its regulated utility subsidiaries

- Supportive regulatory environments in all four of its jurisdictions in the face of challenging economic conditions

- Exposure to potential carbon regulation and national renewable portfolio standards

- Nonutility business limited to contracted wholesale generation in the Southeast

Corporate Profile

Based in Atlanta, GA, The Southern Company (Southern) is a utility holding company that owns four vertically integrated regulated utilities: Georgia Power Company (GPC, A2 senior unsecured, negative outlook), Alabama Power Company (APC, A2 senior unsecured, stable outlook), Mississippi Power Company (MPC, A1 senior unsecured, negative outlook) and Gulf Power Company (Gulf, A2 senior unsecured, negative outlook) with an operating footprint across the Southeast. The company also engages in competitive electricity generation through Southern Power Company (SPC, Baa1 senior unsecured, stable outlook).

SUMMARY RATING RATIONALE

Southern's A3 senior unsecured rating reflects its position as the parent company of four single A rated regulated utility subsidiaries operating in supportive regulatory environments and a highly contracted wholesale generating company. The company's negative rating outlook is due to consolidated cash flow coverage metrics that are weak for its rating and the higher business and operating risk profile of some of its utility subsidiaries that are undertaking large capital expenditure programs. The negative outlook also considers slowing economic growth in its service territory, long-term challenges from potential carbon regulation and national renewable portfolio standards, and the likely need for capital infusions at the utility subsidiaries.

DETAILED RATING CONSIDERATIONS

- Consolidated cash flow coverage metrics that are weak for its A3 rating

Southern's consolidated cash flow coverage metrics have declined in recent years due in part to higher capital spending at the utilities, increased debt levels necessary to finance these capital expenditures, and slowing economic growth in its service territory. Cash flow from operations before working capital (CFO pre-W/C) interest coverage has fallen from the 5.5x range historically to 4.5x in 2008 and 4.2x for the twelve months ended June 30, 2009. Similarly, CFO pre-W/C to debt has fallen from the 22% range historically to 18% in 2008 and 15.7% for the twelve months ended June 30, 2009. Ratios for 2008 and 2009 were negatively affected by one-time items related to settlements on its leveraged lease transactions and with regard to MC Asset Recovery (Mirant related) litigation. These more recent metrics which map closer to the high Baa rating category in accordance with Moody's Regulated Electric and Gas Utilities Methodology, one rationale for the negative outlook currently assigned to its rating. Metrics are likely to remain at these lower levels going forward and may come under additional pressure should deferrals or capital expenditures increase due to new environmental, carbon, or renewable energy costs, or there is continued low demand growth or electricity usage in its service territory.

- Increasing business and operating risk profile at several of its regulated utility subsidiaries

Southern's largest utility subsidiary, Georgia Power Company, is embarking on an expensive, multi-year construction program to add two new nuclear generating units, each representing 1,100 MW of capacity, to its existing Vogtle nuclear plant site near Waynesboro, Georgia. GPC will own 45.7% of the new units, with the remainder to be owned by its current Vogtle partners: Oglethorpe Power Corporation (30%), Municipal Electric Authority of Georgia (22.7%), and the City of Dalton (1.6%). GPC's in-service cost of the project is expected to be $4.5 billion. GPC is expected to spend about $560 million on the new Vogtle units in 2009 and $700 or more million annually for several years thereafter. This is in addition to significant spending required for new conventional and biomass generation, transmission, distribution, and environmental compliance, resulting in total capex at a high $2.5 billion range annually for at least the next three years.

While Moody's views nuclear power as a viable long-term strategy for the utility industry to meet new baseload capacity and reduce reliance on coal, building a new nuclear plant is a complex and risky endeavor during construction, although the two new Vogtle plants appear to be a relatively manageable investment for a utility the size of Georgia Power. Southern is also considering new nuclear construction at a second site, although the company has not yet identified which site.

Similarly, Mississippi Power Company has filed for approval to construct a 582 MW integrated coal gasification combined cycle or IGCC plant in Kemper County, Mississippi. The plant's current cost estimate is $2.2 billion, which is slightly more than the $2.0 billion of total asset size of Mississippi Power as of June 30, 2009. Because of this project, MPC's capital expenditures are expected to increase dramatically, rising from a manageable $150 million in 2009 to about $1 billion in 2011 with IGCC spending representing the bulk of the increase. This will represent a substantial capital investment for a utility of MPC's size and will likely pressure the utility's credit metrics going forward. Although IGCC technology has been utilized at other plants on a limited basis, the size, scope, and complexity of the project will increase the business and operating risk profile of Mississippi Power.

- Supportive regulatory treatment in all four of its jurisdictions in the face of challenging economic conditions

Southern's rating considers the utilities' generally constructive regulatory treatments in their jurisdictions. Moody's considers each of the four states that Southern operates in, Alabama, Florida, Georgia, and Mississippi, to have above average regulatory environments that provide adequate rates of return and generally strong cost recovery provisions. All four of the company's retail regulated utility subsidiaries operate under established base rate plans with authorized return on equity (ROE) levels that are considered above average for U.S. electric utilities. The utilities have several adjustment mechanisms in place to address rising costs and each of the respective regulatory jurisdictions allows the utilities to adjust rates prospectively based on expected fuel and purchased power costs. All the utilities have under-recovered fuel and purchased power balances as of June 30, 2009, though rate adjustments and moderating fuel prices could reduce these balances over the near-term.

Nevertheless, challenging economic conditions throughout the company's service territory are testing these historically strong regulatory relationships. In Georgia, for example, economic conditions have led to lower than projected revenues and decreased customer usage since the company's last rate order was approved in 2007 and, as a result, the company's retail return on equity is likely to fall below the bottom of its allowed range in both 2009 and 2010. Rather than file a base rate case under these economic conditions, GPC proposed and the GPSC approved a plan to amortize up to $324 million of a regulatory liability instead. The company will not file its next base rate case until July 1, 2010, unless economic conditions continue to reduce its ROE below 9.25%.

In Mississippi, a traditionally supportive regulatory environment, there has been turnover at the Mississippi Public Service Commission in recent years with the departure of several long serving commissioners. In addition, various concerns about the company's pending IGCC construction project have been raised by the Attorney General, several independent power producers and other intervenors, which has increased political and regulatory uncertainty in the state.

- Exposure to potential environmental mandates, including carbon, and national renewable portfolio standards

Southern generates approximately 84% of its electricity from coal and natural gas and, as one of the largest coal-fired utility systems in the U.S., it is vulnerable to increasingly stringent environmental mandates, including potential controls on carbon. The company has spent approximately $6.3 billion on environmental expenditures through 2008 to comply with federal and state mandates thus far and has budgeted approximately $3 billion of spending for its existing environmental expenditure program for 2009 - 2011. These expenditures have been a key reason for the weakened credit metrics at Southern and its utility subsidiaries. While Moody's anticipates the continued timely recovery of environmental costs through rate adjustments, the funding requirements are expected to continue to put pressure on the company's financial metrics and balance sheet. In addition, the southeast region of the country is vulnerable in the event a national renewable portfolio standard is passed as there are very limited renewable energy sources in the region.

- Non-utility business limited to contracted unregulated generation in the Southeast

SPC, Southern's competitive generation business, has a comparatively higher level of business risk than Southern's core retail regulated utility subsidiaries due to its lack of regulated cost recovery provisions and because its primary operations are in the competitive wholesale power markets. However, SPC exhibits a lower business risk profile than most other competitive wholesale generators due to a strategy of entering into long-term, fixed price contracts for the majority of its generation output with both unaffiliated wholesale purchasers as well as with Southern's regulated utilities. In addition, the market-based contracts under which capacity is sold contain provisions that pass the costs of fuel and related transportation through to the wholesale energy purchasers, thereby reducing SPC's financial and operating risk. SPC's capacity is almost fully contracted through 2017 although Moody's notes as of December 31, 2008, SPC has a moderately lower percentage of capacity hedged after 2010 compared to prior year disclosures.

Liquidity

Southern maintains a solid liquidity profile that is supported by the underlying cash flows of its four regulated electric operating subsidiaries and wholesale generation business; large, mostly unused bank credit facilities; and a sufficient cash position at June 30, 2009. Southern's parent level liquidity is supported by cash dividends from its subsidiaries and availability under two revolving credit facilities totaling $950 million that expire in 2012. The credit facilities provide liquidity support for Southern's commercial paper program and other short-term financing needs. Each credit facility has a covenant which limits Southern's debt to capital (excluding trust preferred securities) to 65% and there are no material adverse change representations for new borrowings. As of June 30, 2009, Southern was in compliance with its financial covenant.

Southern had parent company cash on hand of $2 million and commercial paper outstandings of $458 million as of June 30, 2009. Southern generated $2.7 billion of consolidated cash from operations for the twelve months ended June 30, 2009, compared to $3.4 billion for fiscal year 2008 on a Moody's adjusted basis, driven by lower earnings due to the economic recession, significantly higher fuel inventory costs, and accrued tax payments and other working capital items. Moody's anticipates dividend contributions from the subsidiaries to be in the range of $1.4

billion to $1.6 billion annually through 2010. Southern's utilities with large planned capital expenditures are expected to require significant equity infusions over the next several years.

Southern's utility subsidiaries and SPC each maintain their own bank facilities to support short-term liquidity needs. Consolidated credit facilities are approximately $4.7 billion as of June 30, 2009 (including $1.5 billion providing liquidity support to the utilities' pollution control revenue bonds). Of this, $484 million expire in the second half of 2009, $965 million expire in 2010, $25 million expire in 2011, and $3.2 billion expire in 2012. Moody's expects Southern to renew most of these expiring facilities as they mature, although constrained bank credit market conditions could lower the sizes of the facilities upon renewal. Southern had consolidated cash on hand of $782 million and $1.1 billion of short-term notes outstanding as of June 30, 2009.

Southern and its subsidiaries maintain contracts for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, emissions allowances, and energy price risk management that could require collateral in the event of a ratings downgrade. In the event of an unsecured rating downgrade of certain subsidiaries to Baa3, the maximum collateral requirements would be $413 million as of June 30, 2009. If credit ratings are downgraded to below investment grade, the potential maximum collateral requirement would be $2.0 billion. Generally, collateral could be provided by a Southern Company guaranty, letter of credit, or cash. As of June 30, 2009, Southern has no parent level maturities and its subsidiaries have approximately $1.096 billion of debt maturities over the next four quarters. Southern's next parent company long-term debt maturity is for $600 million of floating rate notes due August 2010.

Rating Outlook

The rating outlook is negative, reflecting the negative outlook of three of its four utility subsidiaries and higher overall business and operating risks caused by expected nuclear and IGCC construction. It also reflects longer term risks associated with increasingly stringent environmental mandates, including carbon, and national renewable portfolio standards.

What Could Change the Rating - Up

The negative outlook precludes a near term upgrade of Southern Company's rating.

What Could Change the Rating - Down

The rating could be downgraded if Georgia Power's rating is lowered; if carbon control legislation or national renewable portfolio standards are put in place, if there is a continued reduction in sales volumes and/or system revenues due to extended weakness in the economy, if there is a significant increase in parent company debt, or if consolidated credit metrics do not show sustained improvement, including CFO pre-WC interest coverage above 4.5x and the CFO pre-WC to debt ratio above 20%.

Rating Factors

Southern Company (The)

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)			X			
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (5%)			X			
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)			X			
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating			**A3**			

b) Actual Senior Unsecured Rating			A3				

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Southern Company (The)

Global Credit Research - 13 Aug 2010

Atlanta, Georgia, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Jr Subordinate Shelf	(P)Baa2
Commercial Paper	P-2
Georgia Power Company	
Outlook	Stable
Issuer Rating	A3
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
Jr Subordinate Shelf	(P)Baa1
Preferred Stock	Baa2
Alabama Power Company	
Outlook	Stable
Issuer Rating	A2
Sr Unsec Bank Credit Facility	A2
Senior Unsecured	A2
Jr Subordinate Shelf	(P)A3
Preferred Stock	Baa1
Commercial Paper	P-1

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Key Indicators

[1]Southern Company (The)

ACTUALS	LTM 2Q10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	4.6x	4.7x	4.5x	4.5x
(CFO Pre-W/C) / Debt	18.5%	18.8%	17.9%	19.9%
(CFO Pre-W/C - Dividends) / Debt	11.9%	12.3%	11.2%	13.2%
Debt / Book Capitalization	49.5%	49.8%	49.9%	48.5%

[1] All ratios are calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Supportive regulatory environments in three of its four regulatory jurisdictions

- Higher business and operating risk profile at several of its regulated utility subsidiaries

- Long-term term exposure to potential carbon controls and renewable portfolio standards

- Potentially growing renewable energy business outside of the Southeast region

Corporate Profile

Based in Atlanta, GA, The Southern Company (Southern) is a utility holding company that owns four vertically integrated regulated utilities: Georgia Power Company (GPC, A3 senior unsecured, stable outlook), Alabama Power Company (APC, A2 senior unsecured, stable outlook), Mississippi Power Company (MPC, A2 senior unsecured, stable outlook) and Gulf Power Company (Gulf, A3 senior unsecured, stable outlook) with an operating footprint across the Southeast. The company also engages in competitive electricity generation through Southern Power Company (SPC, Baa1 senior unsecured, stable outlook) and renewable energy through the recently created Southern Renewable Energy, Inc. (unrated).

SUMMARY RATING RATIONALE

Southern's Baa1 senior unsecured rating reflects its position as the parent company of four regulated utility subsidiaries rated at low to mid-A rating levels and a highly contracted wholesale generating company. Three of its four regulated utilities operate in supportive regulatory environments, with the Florida regulatory environment becoming significantly less supportive over the last year. Southern's traditionally low risk profile has increased in recent years as a result of new nuclear and IGCC construction, weak economic conditions in the Southeast, regulatory risk with a large rate case pending in Georgia, and a thus far limited expansion into unregulated generation outside of its Southeast region, including biomass generation in Texas and solar generation in New Mexico. The company has embarked on a renewable energy partnership with Ted Turner, the largest landowner in the U.S., to develop solar power.

DETAILED RATING CONSIDERATIONS

- Supportive regulatory environments in three of its four regulatory jurisdictions, although the company faces regulatory risk in Georgia with a large rate pending

Southern's rating considers the utilities' generally supportive regulatory treatments in their jurisdictions. Moody's considers three of the four states that Southern operates in, including Alabama, Georgia, and Mississippi, to have above average regulatory environments that provide adequate rates of return and generally strong cost recovery provisions. The company's retail regulated utility subsidiaries operate under established base rate plans with authorized return on equity (ROE) levels that are considered above average for U.S. electric utilities. The utilities have several adjustment mechanisms in place to address rising costs and each of the respective regulatory jurisdictions allows the utilities to adjust rates prospectively based on expected fuel and purchased power costs. Georgia Power and Gulf Power have under-recovered fuel and purchased power balances as of June 30, 2010, though rate adjustments and moderating fuel prices could reduce these balances over the near-term.

Nevertheless, challenging economic conditions throughout the company's service territory are testing these historically strong regulatory relationships. In Georgia, for example, economic conditions have led to lower than projected revenues and decreased customer usage since the company's last rate order was approved in 2007 and, as a result, the company's retail return on equity has fallen below the bottom of its allowed range in both 2009 and 2010. Rather than file a base rate case under these economic conditions, GPC proposed and the GPSC approved a plan to amortize up to $324 million of a regulatory liability instead. On July 1, 2010, GPC filed for a $615 million rate increase for 2011 ($1 billion including estimated 2012 and 2013 rate increases), subjecting the company to regulatory risk due to the aggregate size of the request during a time of continuing recessionary economic conditions in Georgia. The GPSC has planned several public hearings on the rate case throughout the state.

Although the state of Florida has historically fostered a supportive regulatory environment for investor owned utilities, highly politicized rate proceedings for two other utilities in the state last year has led to a perceived decline in this environment. Although Gulf Power has been somewhat insulated from this regulatory environment thus far, Moody's now views the overall regulatory framework as substantially less supportive of utility credit quality than it had been previously.

- Higher business and operating risk profile at several of its regulated utility subsidiaries, including nuclear construction at Georgia Power and IGCC construction at Mississippi Power

Southern's largest utility subsidiary, Georgia Power Company, is in the midst of an expensive, multi-year construction program to add two new nuclear generating units, each representing 1,100 MW of capacity, to its existing Vogtle nuclear plant site near Waynesboro, Georgia. GPC owns 45.7% of the new units, with the remainder to be owned by its current Vogtle partners: Oglethorpe Power Corporation (30%), Municipal Electric Authority of Georgia (22.7%), and the City of Dalton (1.6%). The total cost of the project is expected to be approximately $14 billion with GPC's share at $6.4 billion. GPC spent about $560 million on the new Vogtle units in 2009 and will spend approximately $700 million annually in 2010 and for the next several years. This is in addition to significant spending for new conventional and biomass generation, transmission, distribution, and environmental compliance, resulting in total capex at a high $2.5 billion range annually for at least the next three years.

In Mississippi, on May 27, 2010, Mississippi Power Company decided to move forward on the construction of a 582 MW integrated coal gasification combined cycle or IGCC plant in Kemper County, Mississippi. MPC estimates that the construction costs to be $2.4 billion, net of government construction cost incentives, and the plant is expected to be in operation by May 2014. Among the conditions imposed by the Mississippi Public Service Commission are a construction cost cap of $2.88 billion, 20% above the currently estimated capital cost; no CWIP recovery in 2010-2011 (AFUDC accrual only), with CWIP recovery thereafter; and regular, ongoing prudence reviews. The plant's current cost estimate of $2.4 billion was increased from $2.2 billion last year and is more than the $2.1 billion of total balance sheet assets of Mississippi Power. Although IGCC technology has been utilized at other plants on a limited basis, the size, scope, and complexity of the project has materially increased the business and operating risk profile of Mississippi Power.

- Long-term term exposure to potential carbon controls and renewable portfolio standards

Southern generates a significant portion of its electricity from coal and, as one of the largest coal-fired utility systems in the U.S., is vulnerable to environmental mandates, including potential controls on carbon. The company has spent approximately $7.5 billion on environmental expenditures through 2009 to comply with federal and state mandates thus far and has budgeted approximately $2.5 billion of spending for its existing environmental expenditure program for 2010 - 2012. While Moody's anticipates the continued timely recovery of environmental costs through rate adjustments, funding requirements could put pressure on the company's financial metrics and balance sheet, particularly if carbon control legislation or carbon regulations are implemented by either the U.S. Congress or the Environmental Protection Agency. In addition, the southeast region of the country is vulnerable in the event renewable portfolio standards are passed as there are very limited renewable energy sources in the region. The combination of carbon regulation and renewable portfolio standards has the potential to materially increase the company's costs over the long-term.

- Potentially growing renewable energy business outside of the Southeast

Southern Power, Southern's competitive generation business, has a comparatively higher level of business risk than Southern's core retail regulated utility subsidiaries due to its lack of regulated cost recovery provisions and because its primary operations are in the competitive wholesale power markets. However, Southern Power exhibits a lower business risk profile than most other competitive wholesale generators due to a strategy of entering into long-term, fixed price contracts for the majority of its generation output with both unaffiliated wholesale purchasers as well as with Southern's regulated utilities, and its focus on the Southeast region. In addition, the market-based contracts under which capacity is sold contain provisions that pass the costs of fuel and related transportation through to the wholesale energy purchasers, thereby reducing SPC's financial and operating risk. SPC's capacity is almost fully contracted through 2017.

Over the last year, Southern Power has begun to expand outside of its traditional Southeast regional focus with the acquisition of the 100 MW Nacogdoches biomass-fueled generating facility in Nacogdoches, Texas. Construction is currently underway and the plant is expected to be on line by mid-2012. The output is fully contracted to the City of Austin for 20 years.

On January 25, 2010, Southern Company formed Southern Renewable Energy, created to acquire, own, and construct renewable generation assets. It's first project is a 30 MW solar project in New Mexico. On January 26, Southern announced a strategic alliance with Ted Turner, the largest individual landowner in the U.S., to develop and invest in large scale solar photovoltaic projects in the U.S. Southwest in addition to evaluating other solar renewable projects. While currently modest, significant additional investments in renewable energy outside of the Southeast has the potential to further increase Southern Company's overall business and operating risk profile.

Liquidity

Southern Company's liquidity profile is supported by the underlying cash flows of its four regulated electric operating subsidiaries and wholesale generation business; a mostly unused bank credit facility at the parent company level; and a sufficient cash position as of June 30, 2010. Southern maintains two credit facilities totaling $950 million at the parent company level that expire on July 7, 2012. The credit facilities provide liquidity support for Southern's commercial paper program and can be used for other short-term financing needs. Each credit facility has a covenant which limits Southern's debt to capital (excluding trust preferred securities) to 65% and there are no material adverse change representations for new borrowings. As of June 30, 2010, Southern was in compliance with its financial covenant.

At the parent level, Southern had $16 million of cash on hand and commercial paper outstandings of $125 million as of June 30, 2010. Southern generated $4.1 billion of consolidated cash from operations for the twelve months ended June 30, 2010, compared to $3.3 billion for fiscal year 2009 on a Moody's adjusted basis. Moody's anticipates dividend contributions from the subsidiaries to be in the range of $1.7 billion to $1.8 billion annually in 2010 and 2011. However, Southern's utilities with large planned capital expenditures are expected to require significant equity infusions over the next several years.

Southern's utility subsidiaries and Southern Power each maintain their own bank facilities to support short-term liquidity needs. Consolidated credit facilities are approximately $4.8 billion as of June 30, 2010 (with $1.8 billion providing liquidity support to the utilities' pollution control revenue bonds). Of these, $559 million expire in the second half of 2010, $983 million in 2011, with the bulk by far, $3.2 billion, expiring in 2012. Moody's expects Southern to renew most of these expiring facilities as they mature, although bank credit market conditions could lower the sizes of the facilities upon renewal. Southern had consolidated cash on hand of $266 million and $879 million of commercial paper outstanding as of June 30, 2010.

Southern and its subsidiaries maintain contracts for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, emissions allowances, and energy price risk management that could require collateral in the event of a ratings downgrade. In the event of an unsecured rating downgrade of certain subsidiaries to Baa3, the maximum collateral requirements would be $469 million as of June 30, 2010. If credit ratings are downgraded to below investment grade, the potential maximum collateral requirement would be $2.6 billion. Generally, collateral could be provided by a Southern Company guaranty, letter of credit, or cash. As of June 30, 2010, Southern had approximately $1,514 million of consolidated debt maturities over the next twelve months.

Rating Outlook

The stable rating outlook reflects Moody's expectation that there will be a reasonably supportive outcome of its pending rate case in Georgia, that there will be no major delays or cost overruns on the Vogtle nuclear or Kemper County IGCC construction projects; that economic conditions in the Southeast will gradually improve; that costs resulting from carbon regulations or renewable portfolio standards will be recovered in rates without significant regulatory lag; and that growth of its renewable energy business outside of its region will remain modest and manageable.

What Could Change the Rating - Up

An upgrade is unlikely while two of its subsidiaries are engaged in major new construction programs. Ratings could be raised, however, if there is additional clarity on carbon regulation or renewable portfolio standards; if there is a reasonable outcome of its pending Georgia rate case and an improvement in the Florida regulatory environment; if financial metrics show sustained improvement, including CFO pre-W/C interest coverage above 4.5x and CFO pre-W/C to debt above 22%.

What Could Change the Rating - Down

The ratings could be downgraded if either Alabama Power or Georgia Power's ratings are lowered; if there are delays or cost overruns on either the Vogtle or Kemper County projects; if there is an adverse outcome of the pending Georgia Power rate case; if there is significant additional debt issued at the parent company level; if carbon legislation, carbon regulations or national renewable portfolio standards are put in place; if there is a major expansion of Southern's renewable energy business; if metrics show a sustained decline, including CFO pre-W/C interest coverage below 3.9x and CFO pre-W/C to debt below 19%.

Rating Factors

Southern Company (The)

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)			X			
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (5%)			X			
b) Generation and Fuel Diversity (5%)					X	
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)			X			
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating			A3			
b) Actual Senior Unsecured Rating			Baa1			

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Global Power
U.S. and Canada
Credit Analysis

Southern Company

Southern Company Funding, Inc.

Ratings

Security Class	Current Rating
IDR	A
Short-Term IDR/Commercial Paper	F1
Senior Unsecured Notes	A

IDR – Issuer default rating.

Outlook

Stable

Financial Data

Southern Company
($ Mil.)

	LTM 6/30/09	2008
Net Revenues	9,416	9,494
Operating EBITDA	4,972	4,962
Funds from Operations	3,466	3,726
Total Debt	20,370	18,646
Total Capital	35,142	32,910
Internal Cash/Capital Expenditures (%)	30.6	53.4

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Related Research

- *Alabama Power Company, Oct. 19, 2009*
- *Georgia Power Company, Oct. 19, 2009*
- *Gulf Power Company, Oct. 19, 2009*
- *Mississippi Power Company, Oct. 19, 2009*
- *Southern Power Company, Oct. 19, 2009*

Rating Rationale

- Fitch Ratings affirmed the ratings of Southern Company (SO) on Sept. 3, 2009. The Rating Outlook is Stable.
- SO's ratings reflect the financial strength and consistency of cash flows generated mainly by its four regulated electric utilities as well as Southern Power's wholesale power business, strong liquidity, constructive regulation in each of the state jurisdictions, limited commodity price risk, and manageable parent-level debt.
- Cash flow stability is supported by numerous annual tariff adjustments for its utility businesses and by the hedging strategy of Southern Power, which sells power under long-term contracts largely to investment grade counterparties.
- The primary credit concerns are the potential financial stress associated with the large capital expenditure programs of its subsidiaries, exposure to future greenhouse gas emission regulations, and the impact of a weak economy on electricity demand.
- Driving the large capital expenditure program are new capacity additions, including a proposal to build Kemper, an integrated gasification combined cycle (IGCC) plant at Mississippi Power Company (MPC) and plans for two new nuclear units at Plant Vogtle at Georgia Power Company (GPC) as well as environmental upgrades. GPC's construction and regulatory risks for Plant Vogtle are mitigated, in part by a Georgia state law that permits cash return on construction work in progress (CWIP) for approved nuclear projects. Mississippi also has a supportive baseload generation law.

Key Rating Drivers

- Funding strategy for cash needs in excess of subsidiary cash flows.
- Continued timely rate support of capital investments including a reasonable return on invested capital.
- The ultimate cost and rate treatment of expected environmental compliance costs.
- Management's adherence to its conservative financial strategy, including maintenance of a balanced capital structure at its utility subsidiaries and long-term hedges at Southern Power.

Recent Events

- On March 17, 2009, the Georgia Public Service Commission (PSC) certified GPC's nuclear plant construction plan for Plant Vogtle. On April 21, 2009, the state of Georgia enacted legislation that will allow recovery of nuclear plant related CWIP. The GPC's estimated in-service cost for the dual unit nuclear plant is approximately $4.5 billion.
- On Oct. 7, 2008, the Alabama Public Service Commission (PSC) approved a corrective rate package, providing adjustments to selected rate structures effective Jan. 1, 2009, that is expected to increase annual revenue by approximately $168 million. As part of the rate package, Alabama Power Company agreed to a

moratorium on any increase in 2009 base rates under its Rate Stabilization Equalization plan.

- On Jan. 21, 2009, SO accepted a FERC-issued "market-base rate" (MBR) tariff order. The MBR provides for a "must offer" energy auction whereby SO will offer all of its available energy for sale in a day-ahead auction and an hour-ahead auction with a reserve price — not to exceed the "cost-based rate" (CBR) — after considering native load requirements, reliability obligations, and sales commitments to third parties. SO commenced the auction under MBR rules on April 23, 2009. Fitch believes there is no credit implication to the SO group from the settlement, and it resolves long standing uncertainty regarding market power.
- On Jan. 30, 2009, SO accepted a FERC-issued CBR tariff order. The CBR tariff order provides for a cost-based price for wholesale electricity sales contracts for a term of less than a year.
- In the first quarter of 2009, SO entered into a litigation settlement agreement with Mirant resulting in payment and a charge of $202 million against its 2009 income. The one time payment is a cash outflow but eliminates the litigation risk.

Liquidity

SO has strong liquidity. To meet short-term cash needs SO and its subsidiaries rely on internal cash generation and commercial paper borrowings supported by the bank credit facilities. At June 30, 2009, SO and its subsidiaries had cash and cash equivalents of approximately $782 million, commercial paper borrowings of $1.1 billion, and aggregate bank credit facilities of $4.7 billion. Approximately $1.3 billion of the total credit facilities are dedicated to providing liquidity support to its subsidiaries' variable rate pollution control revenue bonds.

As shown in the table below, $484 million of credit facilities expire in 2009, $965 million in 2010, $25 million in 2011, and $3.2 billion in 2012. Approximately $44 million of the credit facilities expiring in 2009 and 2010 allow for the execution of term loans for an additional two-year period, and $501 million contain provisions allowing one-year term loans.

The utility subsidiaries have access to additional liquidity through commercial paper issued by Southern Company Funding Inc., a SO subsidiary organized to issue and sell commercial paper at the request and for the benefit of each of the utility operating companies.

SO and its subsidiaries have manageable debt maturities through 2011 as listed in the table below:

Debt Maturities

($ Mil., As of June, 30 2009)

	2009	2010	2011
APC	250	100	200
GPC	125	250	408
Gulf	0	140	110
MPC	0	0	80
SO	253	600	0
Total	628	1,090	798

Source: Company reports.

Credit Facilities

($ Mil.)

	Amount Available	Expiration	Commercial Paper Outstanding	Cash and Cash Equivalents
Alabama Power Company	1,260	325 in 2009; 145 in 2010; 25 in 2011; and 765 in 2012	0	197
Georgia Power Company	1,675	555 in 2010; 1,120 in 2012	471	38
Gulf Power Company	220	90 in 2009; 130 in 2010	66	59
Mississippi Power Company	149	59 in 2009; 90 in 2010	45	5
Southern Power Company	400	400 in 2012	0	29
Southern Company	950	950 in 2012	458	453
Others	55	10 in 2009; 45 in 2010	51	1
Total	4,709	—	1,091	782

Source: Company reports.

Capital Spending

Consolidated capital expenditures will aggregate approximately $16.6 billion over the three-year period between 2009 and 2011 compared to $13.6 billion in the prior three-year period. Approximately $2.9 billion or 17% of expenditures will be spent on environmental compliance related projects and approximately $5.3 billion (32%) on the construction of new generating facilities. The remaining expenditures are for maintenance of existing power plants, transmission and distribution systems. The breakdown of capital expenditures by company is shown below. Expenditures are likely to accelerate beyond 2011 if construction of the Kemper IGCC and Vogtle nuclear units moves forward. The IGCC plant is expected to enter commercial operation in November of 2013 if the MPSC rules favorably on need and cost recovery of the project and the nuclear units are expected to begin commercial operation in April of 2016 and 2017, respectively. The capital spending forecast includes projected costs of approximately $2.1 billion for the IGCC and $4.5 billion for the nuclear plants.

Capital Expenditures

($ Mil.)

	2009	2010	2011
Alabama Power Company	1,414	973	974
Georgia Power Company	2,719	2,609	2,552
Gulf Power Company	478	337	400
Mississippi Power Company	155	480	1,018
Southern Power Company	749	659	769
Southern Company	96	97	105
Total Capital Expenditure	5,611	5,155	5,818

Source: Company reports.

Capital Structure

($ Mil.)

	6/30/09	12/31/08
Total Debt	20,370	18,646
Hybrid Equity	988	988
Common Equity	13,784	13,276
Total Capital	35,142	32,910
Total Debt/Total Capital (%)	58	56.7
Total Hybrid Equity/Total Capital (%)	2.8	3.0
Common Equity	39.2	40.3

Source: Company reports.

Financial Review and Fitch Expectations

Consolidated financial metrics for the latest twelve months (LTM) ending June 30, 2009, were marginally weaker than 2008 credit measures, but still consistent with rating category guidelines. Results were adversely affected by lower kWh volumes due to the recessionary economic conditions and recovery lags of rising operating costs. Total energy kWh sales, including wholesale sales for the consolidated group declined 8.4% in terms of volume during the six month year over year period ending June 30, 2009. The kWh sales reduction was driven by weak industrial demand.

SO had good access to debt markets during the credit crisis as it benefited from an investor flight to quality. Parent debt is expected to remain low and anticipated to be approximately 10% of total debt in 2010.

Fitch expects the ratios of FFO coverage and EBITDA/interest will be in the range of 4.0x to 5.0x in 2010 and 2011. The outcome of Georgia Power's 2010 base rate filing is an important credit driver as the three-year base rate settlement will expire at the end of 2010. Baseload construction projects at GPC and MPC may pressure consolidated credit ratios during the construction period. Fitch's Stable Outlook assumes SO will maintain a balanced capital structure to fund the upcoming capital spending cycle. SO issues equity through a dividend reinvestment, employee savings/options and a continuous offering program.

Company Profile

SO is a utility holding company that owns four regulated and vertically integrated electric utilities and a wholesale generation business in the Southeast U.S. A non-core subsidiary, SouthernLinc Wireless, provides digital wireless communications to SO's subsidiaries and provides fibre optic solutions to telecommunication providers. The utility subsidiaries operate under "cost-of-service' regulation and long-term franchise agreements granted by the state regulatory commissions. SO owns approximately 42,000 MW of generation capacity through its subsidiaries. Of the total generation owned, 50% is coal, 35% is natural gas, 9% is nuclear, and 6% is hydroelectric.

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Financial Summary — Southern Company

($ Mil., Years Ended Dec. 31)

	LTM 6/30/09	2008	2007	2006	2005	2004	2003
Fundamental Ratios (x)							
FFO/Interest Expense	4.6	4.9	4.4	4.7	5.6	5.6	5.2
CFFO/Interest Expense	3.8	4.6	4.6	4.2	4.3	4.8	5.2
Debt/FFO	5.9	5.0	5.1	4.8	4.3	4.3	3.8
Operating EBIT/Interest Expense	3.6	3.7	3.5	3.6	3.8	4.0	3.9
Operating EBITDA/Interest Expense	5.1	5.2	4.8	4.9	5.3	5.3	5.3
Debt/Operating EBITDA	4.1	3.8	3.7	3.6	3.7	3.7	3.0
Common Dividend Payout (%)	83.9	73.5	69.5	72.5	69.0	68.2	68.1
Internal Cash/Capex (%)	30.6	53.4	61.6	56.0	60.2	78.1	103.0
Capex/Depreciation (%)	279.2	275.1	285.4	250.2	202.4	220.9	194.9
Profitability							
Adjusted Revenues	16,781	17,127	15,353	14,356	13,554	11,902	11,251
Net Revenues	9,416	9,494	8,982	8,661	8,328	7,738	7,747
Operating and Maintenance Expense	3,639	3,748	3,670	3,519	3,510	3,329	3,239
Operating EBITDA	4,972	4,962	4,584	4,437	4,151	3,795	3,935
Depreciation and Amortization Expense	1,507	1,443	1,245	1,200	1,176	955	1,027
Operating EBIT	3,465	3,519	3,339	3,237	2,975	2,840	2,908
Gross Interest Expense	968	950	963	906	781	716	740
Net Income for Common	1,572	1,742	1,734	1,573	1,591	1,532	1,474
Operating Maintenance Expense % of Net Revenues	38.6	39.5	40.9	40.6	42.1	43.0	41.8
Operating EBIT % of Net Revenues	36.8	37.1	37.2	37.4	35.7	36.7	37.5
Cash Flow							
Cash Flow from Operations	2,672	3,463	3,443	2,854	2,560	2,722	3,087
Change in Working Capital	(794)	(263)	125	(483)	(1,003)	(538)	(1)
Funds from Operations	3,466	3,726	3,318	3,337	3,563	3,260	3,088
Dividends	(1,385)	(1,345)	(1,253)	(1,174)	(1,128)	(1,075)	(1,025)
Capital Expenditures	(4,207)	(3,969)	(3,553)	(3,002)	(2,380)	(2,110)	(2,002)
Free Cash Flow	(2,920)	(1,851)	(1,363)	(1,322)	(948)	(463)	60
Net Other Investment Cash Flow	(69)	(191)	(189)	18	(249)	(142)	(192)
Net Change in Debt	2,465	1,903	591	881	1,154	475	119
Net Change in Equity	778	349	1,008	272	(88)	231	115
Capital Structure							
Short-Term Debt	1,093	953	1,272	1,941	1,258	426	568
Long-Term Debt	19,277	17,693	15,581	14,087	13,913	13,598	11,071
Total Debt	20,370	18,646	16,853	16,028	15,171	14,024	11,639
Total Hybrid Equity and Minority Interest	988	988	986	744	596	561	2,323
Common Equity	13,784	13,276	12,385	11,371	10,689	10,278	9,648
Total Capital	35,142	32,910	30,224	28,143	26,456	24,863	23,610
Total Debt/Total Capital (%)	58.0	56.7	55.8	57.0	57.3	56.4	49.3
Total Hybrid Equity and Minority Interest/Total Capital (%)	2.8	3.0	3.3	2.6	2.3	2.3	9.8
Common Equity/Total Capital (%)	39.2	40.3	41.0	40.4	40.4	41.3	40.9

Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

Global Power
U.S. and Canada
Full Rating Report

Southern Company

Southern Company Capital Funding, Inc.

Ratings

Security Class	Current Rating
IDR	A
Short-Term IDR/Commercial Paper	F1
Senior Unsecured Notes	A

IDR – Issuer default rating.

Rating Outlook

Negative

Financial Data

Southern Company
($ Mil.)

	LTM 6/30/10	2009
Revenue	16,557	15,743
Gross Margin	9,698	9,317
Cash Flow from Oper.	4,060	3,263
Operating EBITDA	5,354	5,116
Total Debt	20,625	20,426
Total Capitalization	37,146	36,292
ROE (%)	13.94	11.67
Capex/Deprec. (%)	305.0	311.1

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Related Research

Applicable Criteria
- *Corporate Rating Methodology, Aug. 16, 2010*
- *Utilities Sector Notching and Recovery Ratings, March 16, 2010*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*
- *Fitch's Approach to Rating Competitive Generators, July 24, 2007*

Other Research
- *Alabama Power Company, Oct. 5, 2010*
- *Georgia Power Company, Oct. 5, 2010*
- *Gulf Power Company, Oct. 5, 2010*
- *Mississippi Power Company, Oct. 5, 2010*
- *Southern Power Company, Oct. 5, 2010*

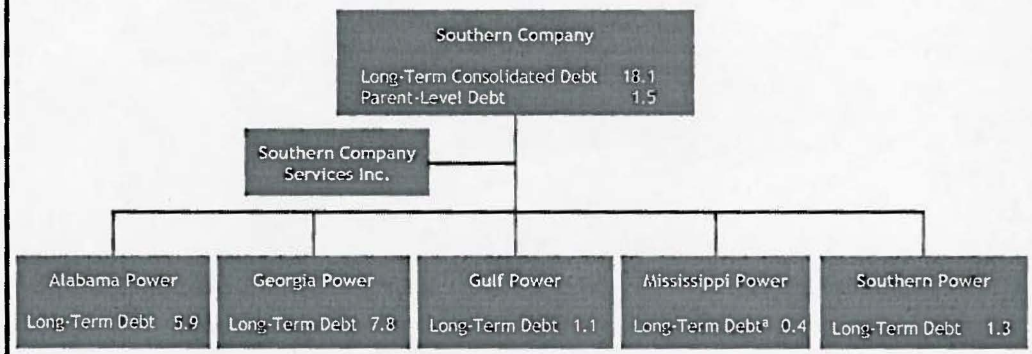
Rating Rationale

- Fitch affirmed the ratings of Southern Company on Sept. 3, 2010. The Rating Outlook was revised to Negative from Stable.
- The revision of Southern's Outlook to Negative reflects concerns around rising business risk at several of its utility subsidiaries. For Georgia Power Company (issuer default rating [IDR] 'A', Outlook Negative) and Mississippi Power Company (IDR 'A', Outlook Stable), the increase of business risk is driven by the construction of large, complex baseload projects: the Vogtle nuclear units 3 and 4 and the Kemper IGCC plant, respectively. Gulf Power Company (IDR 'A–', Outlook Stable) is facing an uncertain regulatory environment in Florida and a recovering, albeit still weak, economy.
- A high reliance on the industrial sector in a backdrop of slow economic recovery is likely to continue to affect cash flows. Finally, potential stringent environmental rules on coal-fired plants would weigh on Southern's utilities because of the predominance of coal in their capacity mixes.
- Consolidated credit metrics for Southern have moved downward in recent years. For the last 12 months (LTM) ending June 30, 2010, funds flow from operations (FFO) to total debt stood at 18%; this percentage has gradually declined from the 23% level five years ago. Similarly, total debt to EBITDA has been creeping up and stood at 3.9x for the LTM ending June 30, 2010. In Fitch's view, a number of things have to happen to restore Southern's credit metrics to their historical strength and prompt an Outlook revision back to Stable. These include robust recovery in load across the service territories of Southern's utilities, a constructive rate outcome in the pending rate case at Georgia Power, and successful execution of the large baseload construction program.
- Key rating drivers for Southern include the execution of the baseload construction program, the aforementioned outcome of the pending base rate case at Georgia Power, economic conditions across the subsidiary service territories, and regulatory support.
- Southern's ratings recognize the financial support the company gets from its operating subsidiaries in the form of dividends for the payment of corporate expenses, debt service, and other business matters. Southern provides equity funding to its subsidiaries for their long-term growth while optimizing their capital mixes. Southern's regulated utility subsidiaries derive predictable cash flows from low-risk utility businesses, enjoy favorable regulatory framework in their service territories, and exhibit limited commodity price risks due to the ability to recover fuel and purchased power through a separate cost tracker. Southern's ratings also reflect adequate liquidity, financial flexibility, and ready access to the capital markets.

What Could Trigger a Downgrade?

- Underrecovery or delays in recovery of construction costs at Vogtle or Kemper.
- Significant cost overruns in major capital projects.

Debt Structure
($ Bil.)



[a]Excludes Plant Daniel operating lease.
Source: Company reports.

- A restrictive outcome in the Georgia Power rate filing.
- Persistently weak economic conditions in the service territory.

Key Developments

Georgia Power Rate Filing

Georgia Power made a periodic rate filing with the Georgia Public Service Commission in July 2010. The filing includes a requested rate increase totalling $615 million, or 8.2% of retail revenues, to be effective Jan. 1, 2011, based on a proposed retail return on equity (ROE) of 11.95%. The requested increase will be recovered through Georgia Power's existing base rate tariffs as follows: $451 million, or 6.0%, through the traditional base rate tariffs; $115 million, or 1.5%, through the Environmental Compliance Cost Recovery (ECCR) tariff; $32 million through the Demand Side Management (DSM) tariffs; and $17 million through the Municipal Franchise Fee (MFF) tariff. A regulatory decision is expected prior to year-end 2010, and new rates will be effective in January 2011. The outcome is an important rating factor for Georgia Power and, potentially, Southern.

Baseload Construction Program

The Vogtle and Kemper construction spending is ramping up. The new capacity will reduce the overall emissions profile of Southern's generation and meet load growth.

Georgia Power plans to spend approximately $2 billion for the new Vogtle units 3 and 4 through 2012. Each unit will provide approximately 1,100 MW of new capacity. A combined construction operating license (COL) from the Nuclear Regulatory Commission is currently expected to be received by year-end 2011, and Georgia Power is doing prelicensing site excavation work under its early site permit.

The Kemper unit is a 582-megawatt IGCC plant that is expected to come online by 2014 and will use lignite, a low-cost energy source found in Mississippi. Mississippi Power is subject to a regulatory cost cap of $2.88 billion for the Kemper project, which is $480 million above the projected construction cost.

For additional information, please refer to the full rating reports for Georgia Power and Mississippi Power (see links in the Related Research section).

Liquidity and Capital Spending

Bank Credit Arrangements

($ Mil., as of June 30, 2010)

			Executable Term Loans		Expires		
	Total	Unused	One Year	Two Years	2010	2011	2012
Southern Company Parent	950	950	0	0	0	0	950
Alabama Power	1,271	1,271	372	0	333	173	765
Georgia Power	1,715	1,703	220	40	40	555	1,120
Gulf	220	220	190	0	80	140	0
Mississippi Power	161	161	65	41	56	105	0
Southern Power	400	400	0	0	0	0	400
SEGCO	60	60	60	0	10	50	0
Consolidated Southern	**4,777**	**4,765**	**907**	**81**	**519**	**1,023**	**3,235**

SEGCO – Southern Electric Generating Company.
Source: Company reports.

Liquidity is strong and Southern, and its subsidiaries have ready access to debt markets. To meet short-term cash needs and contingencies, Southern has substantial cash flow from operating activities and ready access to capital markets, including commercial paper programs (which are backed by bank credit facilities) to meet liquidity needs.

Southern and its subsidiaries had approximately $266 million of cash and cash equivalents and approximately $4.8 billion of unused committed credit arrangements with banks as of June 30, 2010. Of the unused credit arrangements, $519 million expires in 2010, $1.0 billion expires in 2011, and $3.2 billion expires in 2012. Of the credit arrangements expiring in 2010 and 2011, $81 million contains provisions allowing for two-year term loans executable at expiration and $907 million contains provisions allowing for one-year term loans executable at expiration. At June 30, 2010, approximately $1.8 billion of the credit facilities was dedicated to providing liquidity support to the traditional operating companies' variable-rate pollution control revenue bonds. Subsequent to June 30, 2010, the maturity dates of the revolving periods of certain bank facilities were extended.

Southern has no money pool. Each regulated operating subsidiary, and Southern Power Company (SPC) issues its own debt and preferred securities on a nonrecourse basis to Southern. Alabama Power, Georgia Power, Gulf Power, and Mississippi Power can access commercial paper through Southern Company Funding Corp. and provide a note to support their own borrowings. Southern, Alabama Power, and SPC have their own commercial paper programs. There are no cross-defaults among Southern and its subsidiaries.

Long-Term Debt Maturities

($ Mil.)

	2010	2011	2012	2013	2014
Alabama Power Company	100	200	500	250	0
Georgia Power Company	0	408	200	1,375	0
Gulf Power Company	0	110	0	60	75
Mississippi Power Company	0	80	0	50	0
Southern Company	0	300	500	0	350
Southern Electric Generating Company	0	0	0	50	0
Southern Power Company	0	0	575	0	0

Source: Company reports.

Southern Company Consolidated Capital Spending
($ Mil.)

	2010E	2011E	2012E
Alabama Power	1,000	1,000	1,100
Georgia Power	2,500	2,400	2,800
Gulf Power	271	350	419
Mississippi Power	472	661	1,300
Southern Power/Other	657	889	581
Southern Company Consolidated	**4,900**	**5,300**	**6,200**

Source: SEC Form 10-K.

In addition to the baseload nuclear and IGCC construction program, capital-spending plans include the addition of three gas-fired units at Georgia Power, environmental controls at all of the utility subsidiaries, and a combustion turbine and a biomass project at SPC, plus the 30-MW Cimarron I solar project. Cimarron is Southern's first foray into solar power, and Fitch considers more solar investments a possibility.

Potential incremental capital-spending requirements may stem from any new regulations on pollutants including SOx, NOx, fly ash, mercury, and carbon. Fitch expects Southern's capital spending to remain elevated for the next five years, requiring continuous access to capital markets for funding.

Consolidated Capital Structure

Southern's parent-level borrowings are low relative to utility holding company peers. Approximately 5% of consolidated debt was borrowed by the parent holding company as of Dec. 31, 2009.

Consolidated Capital Structure — Southern Company
($ Mil., as of June 30, 2010)

Short-Term Debt	882.0
Long-Term Debt[a]	19,236.5
Preferred Stock	374.5
Preference Stock	707.3
Trust Preferred	412.0
Total Common Stockholders' Equity	15,533.0
Total Capitalization	**37,145.3**
Total Adjusted Debt/Total Capitalization (%)[b]	55

[a]Includes securities due within one year. [b]Includes hybrid equity credit, excludes Plant Daniel lease
Source: Company reports.

Fitch anticipates Southern will raise common equity as needed to support subsidiaries, and the subsidiaries will supplement internal cash flow with debt and equity.

Company Profile

Southern is a utility holding company of four regulated and vertically integrated electric utilities operating in the states of Alabama, Georgia, Florida, and Mississippi and a wholesale generation subsidiary (SPC) that operates throughout the Southeast. Southern's system covers approximately 128,000 square miles in the Southeast. Other subsidiaries include Southern Nuclear, which provides nuclear plant operating services to Georgia Power and Alabama Power, and Southern Services Company, which provides system services to subsidiary companies.

Noncore businesses of Southern include SouthernLINC Wireless, which provides digital wireless communications for use by Southern and its subsidiaries and fiber-optic solutions to telecommunications providers.

Financial Summary — Southern Company

($ Mil., Fiscal Years Ended Dec. 31)

	LTM 6/30/10	2009	2008	2007	2006	2005	2004	2003
Fundamental Ratios								
FFO/Interest Expense (x)	4.8	4.2	4.9	4.4	4.7	5.6	5.6	5.2
CFO/Interest Expense (x)	5.0	4.2	4.6	4.6	4.2	4.3	4.8	5.2
FFO/Debt (%)	18.3	16.4	20.3	20.1	22.5	26.0	26.0	26.5
Operating EBIT/Interest Expense (x)	3.8	3.4	3.7	3.5	3.6	3.8	4.0	3.9
Operating EBITDA/Interest Expense (x)	5.3	5.0	5.2	4.8	4.9	5.3	5.3	5.3
Operating EBITDAR/(Interest Expense + Rent) (x)	4.7	4.4	5.2	4.7	4.8	5.2	5.2	5.2
Debt/Operating EBITDA (x)	3.9	3.9	3.7	3.6	3.3	3.3	3.3	3.0
Common Dividend Payout (%)	70.2	83.3	73.5	—	—	—	—	—
Internal Cash/Capital Expenditures (%)	58.1	39.1	53.4	61.6	56.0	60.2	78.1	103.0
Capital Expenditures/Depreciation (%)	305.0	311.1	275.1	285.4	250.2	202.4	220.9	194.9
Profitability								
Adjusted Revenues	16,557	15,743	17,127	15,353	14,356	13,554	11,902	11,251
Net Revenues	9,698	9,317	9,494	8,982	8,661	8,328	7,738	7,747
Operating and Maintenance Expense	3,649	3,526	3,748	3,670	3,519	3,510	3,329	3,239
Operating EBITDA	5,354	5,116	4,962	4,584	4,437	4,151	3,795	3,935
Depreciation and Amortization Expense	1,446	1,503	1,443	1,245	1,200	1,176	955	1,027
Operating EBIT	3,799	3,502	3,519	3,339	3,237	2,975	2,840	2,908
Gross Interest Expense	1,004	1,021	950	963	906	781	716	740
Net Income for Common	2,043	1,643	1,742	1,734	1,573	1,591	1,532	1,474
Operating and Maintenance Expense % of Net Revenues	37.6	37.8	39.5	40.9	40.6	42.1	43.0	41.8
Operating EBIT % of Net Revenues	39.2	37.6	37.1	37.2	37.4	35.7	36.7	37.5
Cash Flow								
Cash Flow from Operations	4,060	3,263	3,463	3,443	2,854	2,560	2,722	3,087
Change in Working Capital	258	(45)	(263)	125	(483)	(1,003)	(538)	(1)
Funds from Operations	3,802	3,308	3,726	3,318	3,337	3,563	3,260	3,088
Dividends	(1,498)	(1,434)	(1,345)	(1,253)	(1,174)	(1,128)	(1,075)	(1,025)
Capital Expenditures	(4,411)	(4,676)	(3,969)	(3,553)	(3,002)	(2,380)	(2,110)	(2,002)
Free Cash Flow	(1,849)	(2,847)	(1,851)	(1,363)	(1,322)	(948)	(463)	60
Net Other Investment Cash Flow	(139)	17	(191)	(189)	18	(249)	(142)	(192)
Net Change in Debt	404	1,502	1,903	591	881	1,154	475	119
Net Equity Proceeds	1,088	1,286	349	1,008	272	(88)	231	115
Capital Structure								
Short-Term Debt	882	639	953	1,272	1,941	1,258	426	568
Long-Term Debt	19,883	19,478	17,384	15,272	12,916	12,443	12,127	11,071
Total Debt	**20,765**	**20,117**	**18,337**	**16,544**	**14,857**	**13,701**	**12,553**	**11,639**
Total Hybrid Equity and Minority Interest	1,297	1,297	1,297	1,295	1,915	2,066	2,032	2,323
Common Equity	15,533	14,878	13,276	12,385	11,371	10,689	10,278	9,648
Total Capital	**37,595**	**36,292**	**32,910**	**30,224**	**28,143**	**26,456**	**24,863**	**23,610**
Total Debt/Total Capital (%)	55.2	55.4	55.7	54.7	52.8	51.8	50.5	49.3
Total Hybrid Equity and Minority Interest/Total Capital (%)	3.4	3.6	3.9	4.3	6.8	7.8	8.2	9.8
Common Equity/Total Capital (%)	41.3	41.0	40.3	41.0	40.4	40.4	41.3	40.9

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source Company reports.

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May 8, 2009

Summary:

Gulf Power Co.

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Summary:
Gulf Power Co.

Credit Rating: A/Stable/--

Rationale

The ratings on Gulf Power Co. reflect the consolidated credit profile of its parent, Southern Co. The parent company has an excellent business risk profile characterized by stable electric utility operations in Georgia, Alabama, Mississippi and Florida, which contribute more than 90% of consolidated operating income. Southern Co.'s business risk profile benefits from: operations in jurisdictions with generally constructive regulatory frameworks, strong regulated utility operations, competitive rates and prudent and reasonably conservative management and financial policies. These strengths are offset by significant capital spending needs during the next three years of about $14.4 billion and significant fuel cost deferrals. Timely recovery of capital expenditures and deferred fuel costs is important to provide support to the consolidated credit profile.

Gulf Power is Southern Co.'s third-largest subsidiary, serving 427,929 customers primarily in the Florida panhandle area and providing about 5% to 6% of operating income and cash flows. The moderately sized service territory has attractive demographics but experienced no customer growth during 2008 as a result of the overall weakness in the local economy. Residential and commercial customers account for 69% of revenues and 61% of sales, while industrial customers account for 12% of revenues and 15% of sales. There is no meaningful customer concentration. Sales for resale are material at 15% of revenues and 24% of sales and are generally accomplished through longer-term contracts with little meaningful fuel exposure. Total generating capacity is 2,659 MW, with coal-fired assets contributing 77.3% of energy, gas 15.6%, and purchases 7.4%. Plant availability continued to be consistently high during 2008, with 88.6% for the fossil-fired units. Retail rates are moderately competitive and could come under pressure as the company recovers deferred fuel and storm restoration costs along with invested capital.

The regulatory environment for Gulf Power is generally constructive and supportive of credit quality, allowing the company to recover invested capital as well as capacity and fuel costs while earning an adequate ROE. The allowed ROE range is 10.75% to 12.75%, with rates set at 12% to recognize Gulf Power's above-average operating performance. Purchased power capacity and energy costs, both incurred and forecast, are recovered through a clause that provides for regular true-ups. Environmental projects not in rates are recovered through an environmental-recovery clause. As of Dec. 31, 2008, Gulf Power had about $97 million in deferred fuel costs and in July 2008, the Florida Public Service Commission (FPSC) approved an increase in the fuel factor of 28.3% to recover $38.2 million in deferred fuel costs from September to December 2008. The fuel cost recovery factor was reviewed again in November 2008 and increased by 12.9% to ensure recovery of current fuel costs as well as recovery of deferred fuel costs during 2009. The FPSC requires the company to file for updated fuel cost recoveries if fuel revenues deviate by more than 10% of the projected fuel costs for the period. Given Gulf Power's exposure to hurricanes, the FPSC has allowed the company to recover $52.6 million related to storm damages through 2009 and has included in base rates recovery of $3.5 million annually to fund a storm reserve fund.

Southern Co.'s cash flow generation has been consistent and strong, benefiting from the preponderance of regulated utility operations and a growing customer base. For 2008, adjusted funds from operations (FFO) was about $3.5 billion, while total adjusted debt was $20.1 billion, leading to adjusted FFO interest coverage of 4.2x, adjusted FFO to debt of 17.2%, and adjusted total debt to total capital of 59%. These credit protection measures should benefit in the next 12 to 18 months from incremental recovery of fuel costs, which could moderate the need for debt financings. The ratios account for about $412 million of trust preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content and pension funding shortfall that adds $1.2 billion as an off-balance sheet debt obligation. Of Southern Co.'s credit protection measures, FFO interest coverage is adequate for the rating, while FFO to debt and total debt to total capital are aggressive, placing some pressure on the ratings despite the company's excellent business risk profile.

Short-term credit factors

The 'A-1' short-term rating reflects Gulf Power's corporate credit rating and accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital-spending needs.

Gulf Power's liquidity is viewed on a consolidated basis with that of Southern Co. As of Dec. 31, 2008, consolidated liquidity was ample, with $417 million of cash on hand, and $3.8 billion in total credit facilities (excluding credit facility availability of Southern Power) of which $794 million supported outstanding commercial paper, and $1.3 billion supported tax-exempt floating rate securities, leaving $1.74 billion available for other needs. Of the total available credit facilities, Southern Co. has $950 million available for short-term needs and commercial paper backup; Alabama Power has $1.256 billion in available facilities; Georgia Power $1.345 billion; Gulf Power $120 million; and Mississippi Power $99 million. About $970 million of the available credit facilities mature in 2009, $25 million mature in 2011 and the balance in 2012. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern Co. and its subsidiaries are well in compliance.

Southern Co.'s liquidity could come under some pressure if the company continues to accumulate deferred fuel costs, which totaled about $1.2 billion as of Dec. 31, 2008. The company estimates that the combination of revised fuel cost adjustments and the recent moderation in fuel prices, should allow for recovery by 2010, providing support to cash flow and liquidity.

Outlook

The stable outlook on Gulf Power reflects the outlook of its parent, Southern Co. The stable outlook reflects Southern Co.'s consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. An outlook revision to positive is currently not contemplated, but would largely depend on a consistently stronger financial profile. The outlook would be revised to negative if the company's financial profile weakens as a result of the substantial capital spending budget and the inability to recover such expenses in rates in a timely manner, or the inability to recover the current deferred fuel cost balance.

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RATINGSDIRECT®

October 6, 2009

Gulf Power Co.

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Gulf Power Co.

Major Rating Factors

Corporate Credit Rating
A/Stable/A-1

Strengths:

- A generally constructive regulatory environment in Florida;
- Historically above-average customer growth with attractive demographics;
- Strong operating performance;
- Moderately competitive rate structure;
- Stable consolidated cash flows; and
- Operating and regulatory diversity on a consolidated basis.

Weaknesses:

- Large environmental compliance costs due to heavy reliance on coal;
- Economic slowdown in the Florida economy; and
- Aggressive adjusted consolidated debt leverage.

Rationale

The ratings on Gulf Power Co. reflect the consolidated credit profile of its parent, Southern Co. Southern Co. has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks combined with effective management of regulatory relations; strong operating performance and high availability and capacity utilization factors for owned generation; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

These strengths are offset primarily by significant capital spending needs of about $14.4 billion (excluding Southern Power capital expenditures) during the next three years. The expenditures address significant environmental-compliance requirements, transmission and distribution growth needs, new generation projects, system maintenance, and nuclear fuel expenditures. Timely recovery of these expenditures is necessary to provide ongoing support to the consolidated credit profile, although this may be challenging given the overall slowdown in the regional economy.

Gulf Power is Southern Co.'s third-largest subsidiary, serving 427,929 customers primarily in the Florida Panhandle area and providing about 5% to 6% of operating income and cash flows. The moderately sized service territory has attractive demographics but experienced no customer growth during 2008 as a result of the overall weakness in the local economy. Residential and commercial customers account for 69% of revenues and 61% of sales, while industrial customers account for 12% of revenues and 15% of sales. There is no meaningful customer concentration. Sales for resale are somewhat material at 15% of revenues and 24% of sales and are generally accomplished through longer-term contracts with little meaningful fuel exposure. Total generating capacity is 2,659 MW, with coal-fired assets contributing 77.3% of energy, gas 15.6%, and purchases 7.4%. Plant availability continued to be consistently high during 2008, with 88.6% for the fossil-fired units. Retail rates are moderately competitive and could come under pressure as the company recovers deferred fuel and storm restoration costs along with invested capital.

The regulatory environment for Gulf Power is generally constructive and supportive of credit quality, allowing the company to recover invested capital as well as capacity and fuel costs while earning an adequate ROE. The allowed ROE range is 10.75% to 12.75%, with rates set at 12% to recognize Gulf Power's above-average operating performance. Purchased power capacity and energy costs, both incurred and forecast, are recovered through a clause that provides for regular true-ups. Environmental projects not in base rates are recovered through an environmental-recovery clause. As of June 30, 2009, Gulf Power had reduced its fuel deferral balance significantly to about $52.7 million compared to $97 million on Dec. 31, 2008. In November 2008, the fuel cost recovery factor was increased by 12.9% to ensure recovery of deferred fuel costs during 2009. The Florida Public Services Commission (FPSC) requires the company to file for updated fuel-cost recoveries if fuel revenues deviate by more than 10% of the projected fuel costs for the period. Given Gulf Power's exposure to hurricanes, the FPSC has allowed the company to accrue $3.5 million annually to fund its storm reserve for future contingencies.

Southern Co.'s cash flow generation has been consistent and strong, contributing to an intermediate financial risk profile, and benefiting from the preponderance of regulated utility operations and a growing customer base. For the 12 months ended June 30, 2009, adjusted funds from operations (FFO) was about $3.49 billion, while total adjusted debt was $21.9 billion, leading to adjusted FFO interest coverage of 4.2x, adjusted FFO to debt of 15.9%, and adjusted total debt to total capital of 60.1%. Both adjusted FFO to total debt and total debt to total capital are aggressive for the rating category, and both measures should benefit in the next 12 to 18 months from incremental recovery of fuel costs as well as the completion of various projects currently under construction which will be included in rate base, primarily through the use of riders. The most recent credit metrics reflect the inclusion of about $1.22 billion in off-balance sheet debt stemming from the short-fall in the current funding level of pension and other post-retirement obligations and also include about $412 million of trust preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content.

Gulf Power's stand-alone financial profile for 12 months ended June 30, 2009 is adequate for the current ratings, with adjusted FFO interest coverage of 5.5x, adjusted FFO to debt of 18.5% and debt leverage of 56.7%.

Short-term credit factors

The 'A-1' short-term rating reflects Gulf Power's corporate credit rating, but also accounts for stable cash flow and sufficient liquidity to meet upcoming debt maturities and capital-spending needs.

Gulf Power's liquidity is viewed on a consolidated basis with that of Southern Co. As of June 30, 2009, consolidated liquidity was adequate, with $752 million of cash on hand, and $4.3 billion in total credit facilities (excluding credit facility availability of Southern Power) of which $1.1 billion supported outstanding commercial paper, and $1.5 billion supported tax-exempt floating rate securities, leaving about $1.7 billion available under the revolving credit facilities for other needs. Of the total available credit facilities, Southern Co. has $950 million available for short-term needs and commercial paper backup; Alabama Power has $1.26 billion in available facilities; Georgia Power $1.675 billion; Gulf Power $220.0 million; and Mississippi Power $149.0 million. About $484 million of the credit facilities mature in 2009, $965 million of the credit facilities will mature in 2010 and the balance mature in 2012. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern Co. and its subsidiaries are well in compliance.

As of June 30, 2009, the deferred fuel balance was $822.0 million compared to $1.22 billion at the beginning of 2009. GPC forms about 80% of the consolidated fuel deferral balance and is expected to file an updated fuel cost recovery mechanism by mid December 2009, with new rates going into effect April 2010. Therefore, we do not expect a significant reduction in Southern Co's consolidated deferred fuel balance in the near to intermediate term. However, the liquidity position could come under pressure if the fuel deferral balances increase from current levels.

Outlook

The stable outlook on Gulf Power reflects the outlook of its parent, Southern Co. The stable outlook on Southern Co. reflects the company's consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. An outlook revision to positive is currently not contemplated, but such a change would largely depend on a consistently stronger financial profile. The outlook will be revised to negative and ratings may be lowered if the company's financial profile weakens over the next few years such that debt leverage remains aggressive, adjusted FFO/TD is consistently below 17% and adjusted FFO/Interest coverage declines to below 4.0x, as a result of the substantial capital spending budget, the inability to recover such expenses in rates or the inability to recover the current deferred fuel cost balance in a timely manner. In addition, the pursuit of the nuclear plant construction, which is expected to be funded in a balanced manner, places additional pressure on the consolidated ratings, such that any delays in the construction schedule, cost over-runs on the budget or indications of weakening regulatory support would also lead to a negative outlook revision.

Accounting

Southern Co.'s financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2008.

In assessing the financial risk profile of Southern Standard & Poor's views Southern Power as an equity investment and its dividend distributions to Southern as part of FFO for coverage ratio computation. Southern Power's equity is viewed as minority interest for capitalization ratios.

Southern reports changes in under recovered fuel balances as part of changes in working capital. However, Standard & Poor's, while analyzing company's cash flows, re-classifies these changes as part of changes in funds from operations (FFO). This adjustment reflects the long term nature of recovery of fuel costs which is more a standard measure of FFO rather than working capital.

Asset-retirement obligations (ARO) totaled about $1.2 billion at Dec. 31, 2008, while the corresponding nuclear decommissioning trust fund balance totaled $864 million, leading to the imputation of $208.7 million as off-balance sheet debt. The current funding level of pension and other post-retirement obligations leads to the imputation of $1.23 billion as an off-balance sheet obligation.

Standard & Poor's views Southern Co.'s $412 million of trust-preferred securities and $1.1 billion of preferred and preference shares as of Dec. 31, 2008, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends. Trust preferred and preferred securities accounted for about 4.8% of total capital as of Dec. 31, 2008, which is not an unduly large amount.

Capitalization of non-rail car operating leases adds about $281.5 million of off-balance-sheet obligations as of Dec.

31, 2008, while debt imputed for purchased power agreements (PPAs) adds about $850.9 million. These figures represent about 5.6% of adjusted total debt. PPAs with Southern Power are included in imputed debt because Standard & Poor's rates Southern Power on a stand-alone basis.

Table 1.

Southern Co. -- Peer Comparison*

Industry Sector: Electric

	Southern Co.	Duke Energy Corp.	Entergy Corp.	American Electric Power Co. Inc.	FPL Group Inc.
Rating as of Oct. 1, 2009	A/Stable/A-1	A-/Positive/A-2	BBB/Stable/--	BBB/Stable/A-2	A/Stable/--
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	14,591.1	14,217.3	11,821.0	13,319.9	15,356.7
Net income from cont. oper.	1,549.8	1,630.0	1,162.8	1,168.0	1,293.7
Funds from operations (FFO)	3,352.8	4,149.1	3,093.7	2,769.0	3,490.9
Capital expenditures	3,233.1	3,878.1	2,062.9	3,794.8	1,932.2
Cash and short-term investments	239.1	1,518.9	1,403.2	669.0	481.7
Debt	17,438.6	17,312.7	12,481.8	17,208.4	12,068.6
Preferred stock	881.8	0.0	162.9	93.2	838.0
Equity	13,225.8	23,111.8	8,172.0	10,154.5	11,620.0
Debt and equity	30,664.5	40,424.5	20,653.8	27,362.9	23,688.6
Adjusted ratios					
EBIT interest coverage (x)	3.4	3.1	3.3	2.4	3.2
FFO int. cov. (X)	4.5	4.9	4.9	3.3	6.0
FFO/debt (%)	19.2	24.0	24.8	16.1	28.9
Discretionary cash flow/debt (%)	(7.1)	(9.0)	4.2	(10.2)	3.8
Net cash flow / capex (%)	66.2	73.9	124.6	56.3	145.0
Total debt/debt plus equity (%)	56.9	42.8	60.4	62.9	50.9
Return on common equity (%)	12.4	6.7	13.4	10.7	11.7
Common dividend payout ratio (un-adj.) (%)	78.8	78.7	44.8	53.7	50.8

*Fully adjusted (including postretirement obligations).

Table 2.

Gulf Power Co. -- Financial Summary*

Industry Sector: Electric

	--Fiscal year ended Dec. 31--				
	2008	2007	2006	2005	2004
Rating history	A/Stable/--	A/Stable/--	A/Stable/--	A/Stable/--	A/Stable/--
(Mil. $)					
Revenues	1,387.2	1,259.8	1,203.9	1,083.6	960.1
Net income from continuing operations	104.5	88.0	79.3	76.0	68.4
Funds from operations (FFO)	202.1	190.3	138.2	165.2	147.9
Capital expenditures	384.5	240.5	152.8	149.3	149.0

Table 2.

Gulf Power Co. -- Financial Summary* (cont.)					
Cash and short-term investments	3.4	5.3	7.5	3.8	64.8
Debt	1,138.6	858.7	836.2	754.5	753.3
Preferred stock	49.0	49.0	47.6	60.0	38.1
Equity	871.1	780.3	681.6	693.0	652.0
Debt and equity	2,009.7	1,638.9	1,517.8	1,447.5	1,405.4
Adjusted ratios					
EBIT interest coverage (x)	3.9	3.7	3.6	4.1	3.9
FFO int. cov. (x)	4.7	4.6	3.8	5.1	4.9
FFO/debt (%)	17.8	22.2	16.5	21.9	19.6
Discretionary cash flow/debt (%)	(28.4)	(11.5)	(9.6)	(7.3)	(9.7)
Net Cash Flow / Capex (%)	30.5	47.6	41.9	63.0	50.7
Debt/debt and equity (%)	56.7	52.4	55.1	52.1	53.6
Return on common equity (%)	12.2	12.3	12.0	12.6	11.5
Common dividend payout ratio (un-adj.) (%)	83.1	87.5	92.5	90.9	102.6

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Gulf Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2008--									
Gulf Power Co. reported amounts										
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	997.5	920.1	277.5	277.5	192.7	43.1	147.9	147.9	87.8	377.8
Standard & Poor's adjustments										
Operating leases	16.5	--	4.5	0.7	0.7	0.7	3.8	3.8	--	10.7
Intermediate hybrids reported as equity	49.0	(49.0)	--	--	--	3.1	(3.1)	(3.1)	(3.1)	--
Postretirement benefit obligations	58.9	--	(2.7)	(2.7)	(2.7)	--	1.3	1.3	--	--
Accrued interest not included in reported debt	9.0	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	4.0	(4.0)	(4.0)	--	(4.0)
Share-based compensation expense	--	--	--	0.8	--	--	--	--	--	--
Asset retirement obligations	7.8	--	0.6	0.6	0.6	0.6	(0.2)	(0.2)	--	--

Table 3.

Reconciliation Of Gulf Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)

Reclassification of nonoperating income (expenses)	--	--	--	--	9.1	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	56.4	--	--
Total adjustments	141.1	(49.0)	2.4	(0.6)	7.7	8.4	(2.2)	54.2	(3.1)	6.7

Standard & Poor's adjusted amounts

	Debt	Equity	Operating income (before D&A)	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	1,138.6	871.1	279.9	276.9	200.4	51.5	145.7	202.1	84.7	384.5

*Gulf Power Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of October 6, 2009)*

Gulf Power Co.	
Corporate Credit Rating	A/Stable/A-1
Preference Stock (2 Issues)	BBB+
Preferred Stock (3 Issues)	BBB+
Senior Unsecured (12 Issues)	A
Senior Unsecured (3 Issues)	A/A-1
Senior Unsecured (1 Issue)	A/NR
Corporate Credit Ratings History	
29-Jun-2009	A/Stable/A-1
21-Dec-2000	A/Stable/--
30-Nov-1998	A+/Watch Neg/--
Business Risk Profile	Excellent
Financial Risk Profile	Intermediate
Related Entities	
Alabama Power Capital Trust V	
Preferred Stock (1 Issue)	BBB+
Alabama Power Co.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preference Stock (2 Issues)	BBB+
Preferred Stock (4 Issues)	BBB+
Senior Secured (6 Issues)	A/A-1
Senior Unsecured (28 Issues)	A

Ratings Detail (As Of October 6, 2009)*(cont.)	
Senior Unsecured (18 Issues)	A/A-1
Georgia Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preference Stock (1 Issue)	BBB+
Preferred Stock (2 Issues)	BBB+
Senior Unsecured (45 Issues)	A
Senior Unsecured (1 Issue)	A-
Senior Unsecured (31 Issues)	A/A-1
Senior Unsecured (8 Issues)	A/NR
Mississippi Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preferred Stock (4 Issues)	BBB+
Senior Secured (1 Issue)	A+/A-1
Senior Unsecured (4 Issues)	A
Senior Unsecured (3 Issues)	A/A-1
Southern Co.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock (2 Issues)	BBB+
Senior Unsecured (3 Issues)	A-
Southern Company Capital Funding, Inc.	
Senior Unsecured (1 Issue)	A-
Southern Company Funding Corp.	
Issuer Credit Rating	--/--/A-1
Commercial Paper	
Local Currency	A-1
Southern Co. Services Inc.	
Issuer Credit Rating	A/Stable/--
Southern Electric Generating Co.	
Issuer Credit Rating	A/Stable/NR
Senior Unsecured (1 Issue)	A
Southern Power Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (3 Issues)	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

STANDARD & POOR'S

Global Credit Portal
RatingsDirect®

October 14, 2010

Gulf Power Co.

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Gulf Power Co.

Major Rating Factors

Strengths:

- A generally constructive regulatory environment in Florida;
- Historically above-average customer growth with attractive demographics;
- Strong operating performance;
- Moderately competitive rate structure;
- Stable consolidated cash flows; and
- Operating and regulatory diversity on a consolidated basis.

Corporate Credit Rating

A/Stable/A-1

Weaknesses:

- Large capital spending to address environmental compliance;
- Economic slowdown in the Florida economy; and
- Aggressive adjusted consolidated debt leverage.

Rationale

The ratings on Gulf Power Co. reflect the consolidated credit profile of its parent, Southern Co. Southern has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi, and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks combined with effective management of regulatory relations; strong operating performance and high availability and capacity utilization factors for owned generation; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

Significant capital spending needs of about $14.5 billion (excluding Southern Power capital expenditures) during the next three years are primary offsetting factors. The expenditures address significant environmental-compliance requirements, transmission and distribution system growth needs, new generation projects including nuclear, system maintenance, and nuclear fuel expenditures. Timely recovery of these expenditures is necessary to provide ongoing support to the consolidated credit profile, although this may be challenging given the still modest economic recovery in the regional and national economies.

Gulf Power is Southern Co.'s third-largest subsidiary, serving 428,154 customers primarily in the Florida Panhandle area and providing about 5% of operating income and cash from operations. The moderately sized service territory has attractive demographics but experienced no meaningful customer growth during 2009 as a result of the overall weakness in the local economy. Residential and commercial customers account for 74% of revenues and 67% of sales, while industrial customers account for 11% of revenues and 13% of sales. There is no meaningful customer concentration. Sales for resale are modest at 9% of revenues and 19% of sales and are generally accomplished through longer-term contracts with little meaningful fuel exposure. Total generating capacity is 2,659 MW, with coal-fired assets contributing 61.7% of energy, gas 28%, and purchases 10.3%. Plant availability continued to be

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consistently high during 2009, with 89.7% for the fossil-fired units. Retail rates are moderately competitive and could come under pressure as the company recovers deferred fuel and storm restoration costs along with invested capital.

The regulatory environment for Gulf Power is generally constructive and supportive of credit quality, allowing the company to recover invested capital as well as capacity and fuel costs while earning an adequate ROE. The allowed ROE range is 10.75% to 12.75%, with rates set at 12% to recognize Gulf Power's above-average operating performance. Purchased power capacity and energy costs, both incurred and forecast, are recovered through a clause that provides for annual true-ups. Environmental projects not in base rates are recovered through an environmental-recovery clause. As of June 30, 2010, Gulf Power's deferred fuel balance was $11.2 million, a modest increase from Dec. 31, 2009 of $2.4 million. The Florida Public Services Commission (FPSC) requires Gulf Power to file for updated fuel-cost recoveries if fuel revenues deviate by more than 10% of the projected fuel costs for the period. Given Gulf Power's exposure to hurricanes, the FPSC has allowed the company to accrue $3.5 million annually to fund its storm reserve for future contingencies.

Southern's cash flow generation and financial management policies are consistent and strong, support the company's overall intermediate financial risk profile, and benefit from the preponderance of regulated utility operations and a growing customer base. For the 12 months ended June 30, 2010, adjusted funds from operations (FFO) was about $3.97 billion, while total adjusted debt was $22.48 billion, leading to adjusted FFO interest coverage of 4.5x, adjusted FFO to debt of 17.7%, and adjusted total debt to total capital of 58%. Adjusted FFO benefits from incremental recovery of fuel costs as well as the completion of various projects which are included in rate base primarily through the use of riders. The credit metrics reflect the inclusion of about $1.395 billion in off-balance sheet debt stemming from the shortfall in funding pension and other post-retirement obligations and include about $412 million of trust preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content.

Gulf Power's stand-alone financial profile for the 12 months ended June 30, 2010 is adequate for the current ratings, with adjusted FFO interest coverage of 5.9x, adjusted FFO to debt of 18.5% and debt leverage of 56.2%.

Liquidity

Gulf Power's short-term rating is 'A-1' and we view its liquidity on a consolidated basis with that of parent Southern's liquidity is 'adequate' under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Southern Co.'s 'adequate' liquidity supports its 'A' consolidated corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by about 1.2x. The 'A-1' short-term rating on Southern and Gulf Power reflects the companies' corporate credit rating but also accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital spending needs.

Southern has $4.4 billion in revolving credit facilities (excluding credit facility availability of Southern Power). As of June 30, 2010, $686 million supported outstanding commercial paper, and $1.8 billion supported tax-exempt floating rate securities, leaving about $1.9 billion undrawn. Of the total available credit facilities, Southern has $950 million available for short-term needs and commercial paper backup; APC has $1.27 billion in available facilities; GPC $1.7 billion; Gulf Power $220 million; and MPC $161 million. Of the total available credit facilities, about $2.8 billion expires after September 2011. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern and its subsidiaries are well in compliance. Southern also had $266 million of cash on hand as of

June 30, 2010.

Outlook

The stable outlook on Gulf Power reflects the outlook of its parent. The stable outlook reflects Southern's consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. Currently, we don't contemplate a higher rating, but such a change would largely depend on a consistently stronger financial profile. The ratings on Southern Co. and its subsidiaries will be lowered if the consolidated financial profile weakens over the next few years such that debt leverage remains aggressive, adjusted FFO to total debt is consistently below 18% and adjusted FFO to interest coverage declines to below 4.0x, due to the substantial capital spending budget, the inability to recover such expenses in rates or to recover the current deferred fuel cost balance in a timely manner. The pursuit of the nuclear plant construction, which is expected to be funded in a balanced manner, places additional pressure on the consolidated ratings, such that any delays in the construction schedule, cost overruns on the budget or indications of weakening regulatory support could lead to lower ratings. Finally, the current ratings incorporate a constructive outcome in GPC's pending rate case.

Accounting

Southern's financial statements are in accordance with U.S. GAAP and are audited by Deloitte & Touche, which has issued unqualified opinions on the company's financial statements and internal controls for 2009.

In assessing Southern's financial risk profile Standard & Poor's views Southern Power as an equity investment and its dividend distributions to Southern as part of FFO for coverage ratio computation. Southern Power's equity is viewed as minority interest for capitalization ratios.

Southern reports changes in under recovered fuel balances as part of changes in working capital. However, Standard & Poor's, while analyzing company's cash flows, re-classifies these changes as part of changes in FFO. This adjustment reflects the long-term nature of recovery of fuel costs which is more a standard measure of FFO rather than working capital.

Asset-retirement obligations (ARO) totaled about $1.2 billion at Dec. 31, 2009, while the corresponding nuclear decommissioning trust fund balance totaled $1.07 billion, leading to the imputation of $88.4 million as off-balance sheet debt. The current funding level of pension and other post-retirement obligations leads to the imputation of $1.395 billion as an off-balance sheet obligation.

Standard & Poor's views Southern's $412 million of trust-preferred securities and $1.1 billion of preferred and preference shares as of Dec. 31, 2009, as having intermediate equity content, ascribing 50% of each amount to debt and the remaining 50% to equity for ratio computation purposes. The associated distributions are similarly treated as 50% interest and 50% dividends. Trust preferred and preferred securities accounted for about 3% of total capital as of Dec. 31, 2009.

Capitalization of non-rail car operating leases adds about $233.4 million of off-balance-sheet obligations as of Dec. 31, 2009, while debt imputed for purchased power agreements (PPAs) adds about $1.2 billion. These figures represent about 6.5% of adjusted total debt. PPAs with Southern Power are included in imputed debt because Standard & Poor's rates Southern Power on a stand-alone basis.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
- Corporate Criteria: Analytical Methodology, published April 15, 2008.
- Corporate Criteria: Standard & Poor's Standardizes Liquidity Descriptors for Global Corporate Issuers, July 2, 2010

Table 1.

Southern Co. -- Peer Comparison*

Industry Sector: Electric

	Southern Co.	Duke Energy Corp.	American Electric Power Co. Inc.	Dominion Resources Inc.	Entergy Corp.
Rating as of Sep. 20, 2010	A/Stable/A-1	A-/Stable/A-2	BBB/Stable/A-2	A-/Stable/A-2	BBB/Stable/--
	--Average of past three fiscal years--				
(Mil. $)					
Revenues	14,996.9	12,886.0	13,566.2	15,690.5	11,746.2
Net income from cont. oper.	1,562.4	1,288.0	1,291.3	1,942.7	1,202.2
Funds from operations (FFO)	3,524.5	4,105.3	3,051.8	2,278.0	3,041.9
Capital expenditures	3,892.5	4,024.6	3,609.5	3,085.4	2,361.6
Cash and short-term investments	421.0	1,231.3	711.3	132.3	1,634.3
Debt	19,610.3	16,429.5	19,403.3	17,740.2	13,344.8
Preferred stock	746.7	0.0	135.5	844.3	155.6
Equity	14,259.7	21,472.3	11,439.5	11,113.6	8,303.1
Debt and equity	33,870.0	37,901.8	30,842.8	28,853.8	21,648.0
Adjusted ratios					
EBIT interest coverage (x)	3.3	3.3	2.4	2.8	3.2
FFO int. cov. (X)	4.3	5.7	3.4	3.0	4.5
FFO/debt (%)	18.0	25.0	15.7	12.8	22.8
Discretionary cash flow/debt (%)	(9.8)	(9.8)	(9.2)	(11.0)	(0.5)
Net cash flow / capex (%)	57.4	73.1	65.4	41.0	104.9
Total debt/debt plus equity (%)	57.9	43.3	62.9	61.5	61.6
Return on common equity (%)	10.9	4.9	10.9	17.5	13.7
Common dividend payout ratio (un-adj.) (%)	85.5	89.4	52.8	49.9	46.8

*Fully adjusted (including postretirement obligations).

Table 2.

Gulf Power Co. -- Financial Summary*

Industry Sector: Electric

	--Fiscal year ended Dec. 31--				
	2009	2008	2007	2006	2005
Rating history	A/Stable/A-1	A/Stable/--	A/Stable/--	A/Stable/--	A/Stable/--

110138-OPC-POD-55-69

Table 2.

Gulf Power Co. -- Financial Summary* (cont.)					
(Mil. $)					
Revenues	1,302.2	1,387.2	1,259.8	1,203.9	1,083.6
Net income from continuing operations	117.4	104.5	88.0	79.3	76.0
Funds from operations (FFO)	264.2	202.1	190.3	138.2	165.2
Capital expenditures	411.8	384.5	240.5	152.8	149.3
Cash and short-term investments	8.7	3.4	5.3	7.5	3.8
Debt	1,372.8	1,138.6	858.7	836.2	754.5
Preferred stock	49.0	49.0	49.0	47.6	60.0
Equity	1,053.3	871.1	780.3	681.6	693.0
Debt and equity	2,426.1	2,009.7	1,638.9	1,517.8	1,447.5
Adjusted ratios					
EBIT interest coverage (x)	3.9	3.9	3.7	3.6	4.1
FFO int. cov. (x)	5.9	4.7	4.6	3.8	5.1
FFO/debt (%)	19.2	17.8	22.2	16.5	21.9
Discretionary cash flow/debt (%)	(22.9)	(28.4)	(11.5)	(9.6)	(7.3)
Net Cash Flow / Capex (%)	41.7	30.5	47.6	41.9	63.0
Debt/debt and equity (%)	56.6	56.7	52.4	55.1	52.1
Return on common equity (%)	8.5	12.2	12.3	12.0	12.6
Common dividend payout ratio (un-adj.) (%)	80.3	83.1	87.5	92.5	90.9

*Fully adjusted (including postretirement obligations).

Table 3.

Reconciliation Of Gulf Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)*

	--Fiscal year ended Dec. 31, 2009--									
Gulf Power Co. reported amounts										
	Debt	**Shareholders' equity**	**Operating income (before D&A)**	**Operating income (before D&A)**	**Operating income (after D&A)**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	1,209.2	1,102.3	282.1	282.1	188.7	38.4	194.2	194.2	95.5	421.3
Standard & Poor's adjustments										
Operating leases	4.6	--	3.8	0.5	0.5	0.5	3.4	3.4	--	--
Intermediate hybrids reported as equity	49.0	(49.0)	--	--	--	3.1	(3.1)	(3.1)	(3.1)	--
Postretirement benefit obligations	66.6	--	(1.7)	(1.7)	(1.7)	--	0.0	0.0	--	--
Accrued interest not included in reported debt	10.2	--	--	--	--	--	--	--	--	--
Capitalized interest	--	--	--	--	--	9.5	(9.5)	(9.5)	--	(9.5)

Table 3.

Reconciliation Of Gulf Power Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)* (cont.)										
Share-based compensation expense	--	--	--	0.9	--	--	--	--	--	--
Power purchase agreements	24.9	--	6.3	6.3	1.1	1.1	5.3	5.3	--	--
Asset retirement obligations	8.2	--	0.6	0.6	0.6	0.6	(0.4)	(0.4)	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	20.2	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	74.2	--	--
Total adjustments	163.5	(49.0)	9.1	6.7	20.6	14.8	(4.3)	69.9	(3.1)	(9.5)
Standard & Poor's adjusted amounts										
	Debt	**Equity**	**Operating income (before D&A)**	**EBITDA**	**EBIT**	**Interest expense**	**Cash flow from operations**	**Funds from operations**	**Dividends paid**	**Capital expenditures**
Adjusted	1,372.8	1,053.3	291.2	288.7	209.3	53.1	189.9	264.2	92.4	411.8

*Gulf Power Co. reported amounts shown are taken from the company's financial statements but might include adjustments made by data providers or reclassifications made by Standard & Poor's analysts. Please note that two reported amounts (operating income before D&A and cash flow from operations) are used to derive more than one Standard & Poor's-adjusted amount (operating income before D&A and EBITDA, and cash flow from operations and funds from operations, respectively). Consequently, the first section in some tables may feature duplicate descriptions and amounts.

Ratings Detail (As Of October 14, 2010)*	
Gulf Power Co.	
Corporate Credit Rating	A/Stable/A-1
Preference Stock (2 Issues)	BBB+
Preferred Stock (3 Issues)	BBB+
Senior Unsecured (15 Issues)	A
Senior Unsecured (2 Issues)	A/A-1
Senior Unsecured (1 Issue)	A/NR
Corporate Credit Ratings History	
29-Jun-2009	A/Stable/A-1
21-Dec-2000	A/Stable/--
30-Nov-1998	A+/Watch Neg/--
Business Risk Profile	Excellent
Financial Risk Profile	Intermediate
Related Entities	
Alabama Power Capital Trust V	
Preferred Stock (1 Issue)	BBB+
Alabama Power Co.	
Issuer Credit Rating	A/Stable/A-1

Ratings Detail (As Of October 14, 2010)*(cont.)	
Commercial Paper	
Local Currency	A-1
Preference Stock (2 Issues)	BBB+
Preferred Stock (4 Issues)	BBB+
Senior Secured (6 Issues)	A/A-1
Senior Unsecured (27 Issues)	A
Senior Unsecured (22 Issues)	A/A-1
Georgia Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preference Stock (1 Issue)	BBB+
Preferred Stock (2 Issues)	BBB+
Senior Unsecured (48 Issues)	A
Senior Unsecured (1 Issue)	A-
Senior Unsecured (32 Issues)	A/A-1
Senior Unsecured (7 Issues)	A/NR
Mississippi Power Co.	
Issuer Credit Rating	A/Stable/A-1
Preferred Stock (4 Issues)	BBB+
Senior Secured (1 Issue)	A+/A-1
Senior Unsecured (5 Issues)	A
Senior Unsecured (3 Issues)	A/A-1
Southern Co.	
Issuer Credit Rating	A/Stable/A-1
Commercial Paper	
Local Currency	A-1
Preferred Stock (2 Issues)	BBB+
Senior Unsecured (4 Issues)	A-
Southern Company Capital Funding, Inc.	
Senior Unsecured (1 Issue)	A-
Southern Company Funding Corp.	
Issuer Credit Rating	--/--/A-1
Commercial Paper	
Local Currency	A-1
Southern Co. Services Inc.	
Issuer Credit Rating	A/Stable/--
Southern Electric Generating Co.	
Issuer Credit Rating	A/Stable/NR
Senior Unsecured (1 Issue)	A
Southern Power Co.	
Issuer Credit Rating	BBB+/Stable/A-2
Commercial Paper	
Local Currency	A-2
Senior Unsecured (3 Issues)	BBB+

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.

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The McGraw-Hill Companies

April 27, 2011

Summary:
Gulf Power Co.

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Table Of Contents

Summary:

Gulf Power Co.

Credit Rating: A/Stable/A-1

Rationale

Standard & Poor's Ratings Services' ratings on Gulf Power Co. reflect the credit profile of its parent, Southern Co. Southern has an excellent business risk profile characterized by stable regulated electric utility operations in Georgia, Alabama, Mississippi, and Florida, which contribute more than 90% of consolidated operating income. The business risk profile benefits from operations in jurisdictions with generally constructive regulatory frameworks, combined with effective management of regulatory relations; strong operating performance and high availability and capacity utilization factors for owned generation; regulatory and operating diversity with a presence in four states; competitive rates for the region that provide some cushion for future rate increases to recover fuel costs and increasing capital expenditures; lack of meaningful unregulated operations; and prudent and reasonably conservative management and financial policies.

These strengths are offset primarily by significant capital spending needs of about $13.2 billion (excluding Southern Power capital expenditures) during 2011-2013. The expenditures are to address significant environmental-compliance requirements, transmission and distribution system growth needs, new generation projects (including nuclear), system maintenance, and nuclear fuel expenditures. Timely recovery of these expenditures is necessary to provide ongoing support to the consolidated credit profile, although this may be challenging given the still-modest economic recovery in the regional and national economies.

Gulf Power is Southern Co.'s third-largest subsidiary, serving 430,658 customers, primarily in the Florida Panhandle, and providing about 7% of operating income and cash from operations. The moderately sized service territory has attractive demographics but experienced no meaningful customer growth during 2010 as a result of the overall weakness in the local economy. Residential and commercial customers account for 72% of revenues and 62% of sales, while industrial customers account for 110% of revenues and 11% of sales. There is no meaningful customer concentration. Sales for resale are modest at 13% of revenues and 27% of sales and are generally accomplished through longer term contracts with little meaningful fuel exposure. Total generating capacity is 2,663 MW, with coal-fired assets contributing 64.6% of energy, gas 17.8%, and purchases 17.6%. Plant availability remained consistently high during 2010, with 94.7% for the fossil-fired units. Retail rates are moderately competitive and could come under pressure as the company recovers deferred fuel and storm restoration costs, along with invested capital.

The regulatory environment for Gulf Power is generally constructive and supportive of credit quality, allowing the company to recover invested capital as well as capacity and fuel costs while earning an adequate ROE. The allowed ROE range is 10.75% to 12.75%, with rates set at 12% to recognize Gulf Power's above-average operating performance. Purchased power capacity and energy costs, both incurred and forecast, are recovered through a clause that provides for annual true-ups. Environmental projects not in base rates are recovered through an environmental-recovery clause. As of Dec. 31, 2010, Gulf Power's deferred fuel balance was $17.4 million, a modest increase from June 30, 2010 of $11.2 million. The Florida Public Services Commission (FPSC) requires Gulf Power to file for updated fuel-cost recoveries if fuel revenues deviate by more than 10% of the projected fuel costs for the period. Given Gulf Power's exposure to hurricanes, the FPSC has allowed the company to accrue $3.5 million annually to fund its storm reserve for future contingencies.

Southern's consistent cash flow generation and generally conservative financial management policies support the company's overall intermediate financial risk profile, and benefit from the preponderance of regulated utility operations and a growing customer base. For the 12 months ended Dec. 31, 2010, adjusted funds from operations (FFO) was about $4.41 billion, while total adjusted debt was $22 billion, leading to adjusted FFO interest coverage of 4.9x, adjusted FFO to debt of 20.1%, and adjusted total debt to total capital of 56.5%. Adjusted FFO benefits from incremental recovery of fuel costs, as well as the completion of various projects which are included in rate base primarily through the use of riders. The most recent credit metrics reflect the inclusion of about $870 million in off-balance-sheet debt stemming from the shortfall in the current funding level of pension and other post-retirement obligations and also include about $412 million of trust-preferred securities and $1.08 billion of preferred and preference shares as having intermediate equity content.

Gulf Power's stand-alone financial profile for the 12 months ended Dec. 31, 2010 is adequate for the current ratings, with adjusted FFO interest coverage of 6.0x, adjusted FFO to debt of 21.5%, and debt leverage of 56.5%.

Liquidity

Gulf Power's short-term rating is 'A-1' and we view its liquidity on a consolidated basis with that of Southern. Southern's liquidity is adequate under Standard & Poor's corporate liquidity methodology, which describes a company's liquidity in five standard categories. Southern's adequate liquidity supports its 'A' corporate credit rating. Projected sources of liquidity, mainly operating cash flow and available bank lines, cover projected uses, mainly necessary capital expenditures, debt maturities, and common dividends, by more than 1.2x. The 'A-1' short-term rating on Southern and Gulf Power reflects the companies' corporate credit ratings, but also accounts for stable cash flow generation and sufficient liquidity to meet upcoming debt maturities and capital spending needs.

Southern has $4.4 billion in revolving credit facilities (excluding credit facility availability of Southern Power). As of Dec. 31, 2010, $1.3 billion supported outstanding commercial paper (CP), and $1.3 billion supported tax-exempt floating-rate securities, leaving about $1.74 billion undrawn. Of the total available credit facilities, Southern has $950 million available for short-term needs and CP backup; APC has $1.27 billion in available facilities; GPC $1.7 billion; Gulf Power $240 million; and MPC $161 million. Of the total available credit facilities, about $2.8 billion expires after September 2011. Most credit facilities include a 65% debt to total capitalization ratio, for which Southern and its subsidiaries are well in compliance. Southern also had $447 million of cash on hand as of Dec. 31, 2010.

Outlook

The stable outlook on Gulf Power reflects the outlook of its parent, Southern. The stable outlook reflects Southern's consistent, regulated electric utility operations that benefit from constructive regulatory frameworks, strong operations, and service territories with growing customer bases and attractive demographics. Currently, we don't contemplate a higher rating, but such a change would largely depend on a consistently stronger financial profile.

We could lower the ratings on Southern and its subsidiaries if the consolidated financial risk profile weakens over the next few years such that debt leverage remains aggressive, adjusted FFO to total debt is consistently below 18%, and adjusted FFO to interest coverage declines to below 4x, as a result of the substantial capital spending budget, the inability to recover such expenses in rates, or the inability to recover the current deferred fuel cost balance in a timely manner. The pursuit of the nuclear plant construction, which we expect to be funded in a balanced manner, places additional pressure on the consolidated ratings, such that any delays in the construction schedule, cost overruns on the budget, or indications of weakening regulatory support could lead to lower ratings.

Related Criteria And Research

- Criteria Methodology: Business Risk/Financial Risk Matrix Expanded, published May 27, 2009.
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Moody's Investors Service

Global Credit Research
Credit Opinion
2 SEP 2009

Credit Opinion: Gulf Power Company

Gulf Power Company

Florida, United States

Ratings

Category	**Moody's Rating**
Outlook	Negative
Issuer Rating	A2
Senior Unsecured	A2
Jr Subordinate Shelf	(P)A3
Preferred Stock	Baa1
Parent: Southern Company (The)	
Outlook	Negative
Sr Unsec Bank Credit Facility	A3
Senior Unsecured	A3
Jr Subordinate Shelf	(P)Baa1
Commercial Paper	P-1
Gulf Power Capital Trust V	
Outlook	Negative
Bkd Preferred Shelf	(P)A3
Gulf Power Capital Trust VI	
Outlook	Negative
Bkd Preferred Shelf	(P)A3

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Key Indicators

[1]
Gulf Power Company

ACTUALS	**LTM 2Q09**	**2008**	**2007**	**2006**
(CFO Pre-W/C + Interest) / Interest Expense	**5.5x**	**5.5x**	**5.2x**	**5.5x**
(CFO Pre-W/C) / Debt	**17.7%**	**21.7%**	**23.9%**	**24.4%**
(CFO Pre-W/C - Dividends) / Debt	**10.4%**	**13.4%**	**14.5%**	**15.8%**
Debt / Book Capitalization	**48.3%**	**47.5%**	**43.6%**	**48.1%**

[1] All ratios are calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Strong though declining cash flow coverage metrics

- Substantially higher capital expenditures for environmental compliance

- Supportive Florida regulatory environment

- Exposure to environmental mandates, including carbon, and national renewable portfolio standards

Corporate Profile

Gulf Power Company, headquartered in Pensacola, Florida, is a vertically integrated utility subsidiary of The Southern Company that provides electricity to retail customers in northwest Florida and to wholesale customers in the Southeast. Gulf Power serves 428,000 customers in a 7,400 square mile region. Gulf Power owns 2,710 megawatts of nameplate capacity, 78% of which are coal-fired baseload units, and operates within the Southern Company power pool.

SUMMARY RATING RATIONALE

Gulf Power's A2 senior unsecured debt rating reflects strong though declining credit metrics that are weak for its rating, substantially higher capital expenditures for environmental compliance, and a supportive regulatory environment in Florida with timely fuel, environmental and storm cost recovery mechanisms. The rating also considers Gulf Power's position as part of the Southern Company corporate family, with the support that the parent provides and its access to a widespread, integrated generation and transmission network; the utility's relatively small size and concentrated service territory exposed to storm related event risk; and its significant exposure to more stringent environmental mandates, including carbon, and national renewable portfolio standards.

DETAILED RATING CONSIDERATIONS

- Strong, though declining financial metrics that are weak for its current A2 rating

Gulf Power's cash flow coverage metrics have exhibited a declining trend in recent years with cash flow from operations pre-working capital (CFO pre-W/C) to debt falling from the 25% range historically to 21.7% in 2008 and 17.7% for the twelve month period ending 6/30/09. Similarly, CFO pre-W/C interest coverage has fallen from 6.5x or higher in 2004 and 2005 to the 5.5x range over the last three years and for the twelve months ending 6/30/09. These lower metrics have been caused by higher operating costs and additional debt incurred to finance rising capital expenditure requirements, particularly for environmental compliance. Moody's expects Gulf Power's credit metrics to remain pressured going forward as capital expenditures stay elevated, which could negatively affect ratings.

- Substantial environmental capital expenditures have required additional debt financing

Gulf Power is expected to spend approximately $1.2 billion from 2009 - 2011 on capital expenditures, of which $478 million is being incurred in 2009 alone. This represents a substantial increase over the $154 million of capital expenditures spent by the company as recently as 2006. Most of these higher capital expenditures are for environmental compliance and are being financed with a combination of debt issuances at the utility and capital contributions from the Southern Company parent company. Gulf Power projects capital expenditures to remain elevated over the next several years. The Florida Public Service Commission (FPSC) has approved recovery of prudently incurred environmental compliance costs through an environmental cost recovery clause that is adjusted annually subject to certain limits.

- Above average regulatory environment in Florida is supportive of credit quality

The rating considers the above average regulatory environment for investor owned utilities in Florida, which has a history of timely rate actions and supportive measures for cost recovery. The FPSC continues to provide constructive regulatory support to the utility despite some recent changes on the Commission, which is an important credit positive which mitigates to some degree the declining credit metrics exhibited by the utility recently.

Gulf Power operates under base rates that were established in 2002 and are based on a 12% return on equity. The utility also benefits from a FPSC approved fuel cost recovery mechanism that includes a true-up of actual costs, a projection of future costs, and interest on the over/(under) recovery balance. The mechanism also allows for interim rate adjustments if the end of period under- or over-recovery balance exceeds 10% of the projected annual fuel revenues for that period. As of June 30, 2009, the under-recovery fuel balance was $53 million compared to $97 million as of December 31, 2008. Gulf Power was granted a 5.8% rate increase in November 2008 for fuel recovery.

With utilities in Florida vulnerable to hurricane activity, regulatory treatment to address storm costs has been an important factor supporting the credit quality of the company during storm affected years. In the event the company incurs significant storm costs, it may file a streamlined approval for an interim surcharge of up to 80% of the cost of the storm-recovery when recovery costs exceed $10 million. Gulf Power would then be able to petition for full and permanent recovery of all costs. Securitization legislation for the recovery of storm-related costs is also in place in Florida, although Gulf Power has not pursued securitization of past storm costs.

Exposure to more stringent environmental mandates, including carbon, and national renewable portfolio standards

Gulf Power generated approximately 84% of its power from coal in 2008 with the remainder from natural gas. Due to the carbon intensity of its fuel mix, the company has significant exposure to additional costs related to potential carbon legislation. In addition, the southeast region of the country is particularly vulnerable in the event a national renewable portfolio standard is passed as there are very limited renewable energy sources in the southeast. The combination of carbon regulation and renewable portfolio standards has the potential to materially increase costs for the utility over the long term.

Liquidity

Gulf Power maintains a satisfactory liquidity profile with $220 million of unused bank credit facilities supporting a $150 million commercial paper program, under which $66 million of commercial paper was outstanding as of June 30, 2009, with $69 million of the facilities dedicated to funding purchase obligations related to pollution control bonds. All of the bank credit facilities have 364 day tenors; with $90 million expiring in 2009 and $130 million expiring in 2010. Of the $220 million total, $70 million have a one-year term loan options that could be executed at the company's option at expiration, mitigating refinancing risk to some degree. There is no material adverse change clause in any of Gulf Power's credit agreements and most facilities include a 65% debt to capital covenant. As of June 30, 2009, the company was in compliance with this covenant. Gulf Power can also meet short-term cash needs through commercial paper issued by Southern Company Funding Corporation (SCFC), which issues and sells commercial paper on behalf of Southern Company's regulated subsidiaries. SCFC's commercial paper program is authorized at $2.98 billion.

Gulf Power maintains some contracts for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, emissions allowances, and energy price risk management that could require collateral in the event of a ratings downgrade. In the event of a downgrade to Baa3, Gulf Power has potential collateral requirements of $62 million as of June 30, 2009. If Gulf Power's credit rating is downgraded to below investment grade, the utility's potential collateral requirement rises to $246 million.

On June 30, 2009, Gulf Power had $59 million of cash on hand, up from $3.4 million at December 31, 2008. The company generated $126 million of cash from operations for the twelve months ended June 30, 2009, compared to $148 million for 2008. The decline in cash flow is primarily due to an increase in fuel inventory working capital. Gulf Power has $140 million of floating rate senior notes it issued due on June 28, 2010, which the company expects to refinance, and no other long-term debt due through 2010.

Rating Outlook

The negative rating outlook reflects declining cash flow coverage metrics that are weak for its current rating, high capital expenditures that are expected to remain elevated, and long-term challenges facing the company from more stringent environmental mandates, including carbon, and renewable portfolio standards.

What Could Change the Rating - Up

The negative outlook precludes a near-term upgrade of Gulf Power's ratings.

What Could Change the Rating - Down

Additional, unanticipated capital expenditure requirements; additional debt leverage, an adverse change in the regulatory environment in Florida; the imposition of new environmental mandates or renewable portfolio standards, or if CFO pre-working capital interest coverage falls below 5.0x or CFO pre-working capital debt remains below 25% for an extended period.

Rating Factors

Gulf Power Company

Regulated Electric and Gas Utilities	**Aaa**	**Aa**	**A**	**Baa**	**Ba**	**B**
Factor 1: Regulatory Framework (25%)			X			
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (5%)					X	
b) Generation and Fuel Diversity (5%)						X

Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)			X			
b) CFO pre-WC + Interest / Ineterest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)			X			
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating			**A3**			
b) Actual Senior Unsecured Rating			**A2**			

Moody's
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Credit Opinion: Gulf Power Company

Global Credit Research - 13 Aug 2010

Florida, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	A3
Senior Unsecured	A3
Preferred Stock	Baa2
Parent: Southern Company (The)	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa1
Senior Unsecured	Baa1
Jr Subordinate Shelf	(P)Baa2
Commercial Paper	P-2

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Key Indicators

[1]Gulf Power Company

ACTUALS	LTM 2Q10	2009	2008	2007
(CFO Pre-W/C + Interest) / Interest Expense	5.4x	6.2x	4.7x	5.6x
(CFO Pre-W/C) / Debt	19.0%	21.0%	17.9%	26.2%
(CFO Pre-W/C - Dividends) / Debt	11.4%	13.8%	9.6%	16.8%
Debt / Book Capitalization	48.3%	48.6%	47.5%	43.6%

[1] All ratios are calculated in accordance with the Regulated Electric and Gas Utilities Rating Methodology using Moody's standard adjustments

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

- Recently perceived decline in Florida political and regulatory environment

- Cash flow coverage metrics that are weak for an A credit rating

- Substantially higher capital expenditures for environmental compliance

- Potential exposure to carbon regulations and national renewable portfolio standards

Corporate Profile

Gulf Power Company, headquartered in Pensacola, Florida, is a vertically integrated utility subsidiary of The Southern Company that provides electricity to retail customers in northwest Florida and to wholesale customers in the Southeast. Gulf Power serves 428,000 customers in a 7,400 square mile region. Gulf Power owns 2,703 megawatts of nameplate capacity, 78% of which are coal-fired baseload units, and operates within the Southern Company power pool.

SUMMARY RATING RATIONALE

Gulf Power's A3 senior unsecured debt rating reflects cash flow coverage metrics that are weak for its rating, higher capital expenditures for environmental compliance, and a decline in the historically supportive Florida regulatory environment. The rating also considers Gulf Power's position as part of the Southern Company corporate family, with the support that the parent provides and its access to a widespread, integrated generation and transmission network; the utility's relatively small size and concentrated service territory exposed to storm related event risk; and its significant exposure to more stringent environmental mandates, including carbon, and national renewable portfolio standards.

DETAILED RATING CONSIDERATIONS

- Recently perceived decline in utility's political and regulatory environment

Although the state of Florida has historically fostered a supportive regulatory environment for investor owned utilities, highly politicized rate proceedings for two other utilities in the state last year has resulted in a decline in that environment. The rate cases were plagued by controversy and political intervention, with the Governor vocally opposing rate increase requests and interfering with the independence of the regulatory process. The Florida Public Service Commission is entering a period of substantial uncertainty with four new commissioners being put in place over the next year. Although Gulf Power is somewhat insulated from this regulatory environment as it has no plans to file a base rate case over the near term, Moody's now views the overall regulatory framework in Florida as substantially less supportive of credit quality than it had been previously and now is more characteristic of an average regulatory environment in the U.S. As a result, in Moody's Rating Methodology for Regulated Electric and Gas Utilities, this has resulted in a lowering of Gulf Power's score on Factor 1 of our rating grid, Regulatory Framework, to the "Baa" category from the "A" category.

Despite this regulatory environment, Moody's notes that Gulf Power operates under base rates that were established in 2002 and are based on a 12% return on equity. The utility also benefits from a FPSC approved fuel cost recovery mechanism that includes a true-up of actual costs, a projection of future costs, and interest on the over/(under) recovery balance. The mechanism also allows for interim rate adjustments if the end of period under- or over-recovery balance exceeds 10% of the projected annual fuel revenues for that period. Because of these strong and timely cost recovery provisions in place in Florida, Moody's continues to view the company's ability to recover its costs and earn returns (Factor 2 in our Rating Methodology) as above average, i.e. "A" category.

With utilities in Florida vulnerable to hurricane activity, regulatory treatment to address storm costs has been an important factor supporting the credit quality of the company during storm affected years. In the event the company incurs significant storm costs, it may file a streamlined approval for an interim surcharge of up to 80% of the cost of the storm-recovery when recovery costs exceed $10 million. Gulf Power would then be able to petition for full and permanent recovery of all costs. Securitization legislation for the recovery of storm-related costs is also in place in Florida, although Gulf Power has not pursued securitization of past storm costs.

- Declining cash flow coverage metrics that are weak for its A3 rating

Gulf Power's cash flow coverage metrics have been weak for an A rating in recent years, using parameters outlined in Moody's Regulated Electric and Gas Utilities Ratings Methodology. Cash flow from operations pre-working capital (CFO pre-W/C) to debt of 17.9% in 2008 and 21 % in 2009, on a Moody's adjusted basis, compares to a minimum of 22% for an A rating under the rating methodology. The company has experienced higher operating costs and additional debt incurred to finance rising capital expenditure requirements, particularly for environmental compliance. Moody's expects Gulf Power's credit metrics to remain stable at close to current levels going forward, with CFO pre-working capital to debt approaching the 20% range and CFO pre-working capital to interest in the 5.0x range, which should be sufficient to support the current rating barring additional adverse regulatory events in Florida.

- Substantial environmental capital expenditures have required additional debt financing

Gulf Power is expected to spend approximately $1 billion from 2010 - 2012 on capital expenditures, with the 2010 projected amount of $271.4 million significantly lower than the 2009 level of $478 million, the latter which reflected environmental control projects at two power plants. Most of these higher capital expenditures are for environmental compliance and the company has no need for new generation over the near term. These expenditures are being financed with a combination of debt issuances at the utility and capital contributions from the parent company. The Florida Public Service Commission (FPSC) has approved recovery of prudently incurred environmental compliance costs through an environmental cost recovery clause that is adjusted annually subject to certain limits.

- Potential exposure to carbon regulation and national renewable portfolio standards

Gulf Power generates a significant portion of its power from coal with the remainder from natural gas. Due to the carbon intensity of its fuel mix, the company has significant exposure to additional costs related to potential carbon legislation. In addition, the southeast region of the country is particularly vulnerable in the event a national renewable portfolio standard is passed as there are very limited renewable energy sources in the southeast. The combination of carbon regulation and renewable portfolio standards has the potential to materially increase costs for the utility over the long term.

Liquidity

Gulf Power maintains $220 million of unused bank credit facilities as of June 30, 2010 supporting a $150 million commercial paper program (issued through Southern Company Capital Funding Corporation, a Southern Company subsidiary organized to issue and sell commercial paper for its utility subsidiaries). In addition, a portion of its bank facilities are dedicated to providing liquidity support for outstanding variable rate pollution control revenue bonds. As of June 30, 2010, the company had $86 million of commercial paper outstanding and $69 million of variable rate pollution control bonds backed by the facilities, leaving the company with $65 million of available credit facility capacity. All of the bank facilities have 364 day tenors, with $190 million having one-year term-out provisions, mitigating refinancing risk to some degree. As of June 30, 2010, of the $220 million of credit facilities, $80 million expire in 2010 and $140 million in 2011. Subsequent to June 30, 2010, Gulf Power increased its existing facilities by $15 million with an expiration of 2011. There is no material adverse change clause in any of Gulf Power's credit agreements and facilities totaling $175 million include a 65% debt to capital covenant. As of June 30, 2010, the company was in compliance with this covenant.

Gulf Power maintains some contracts for physical electricity purchases and sales, fuel purchases, fuel transportation and storage, emissions allowances, and energy price risk management that could require collateral in the event of a ratings downgrade. In the event of a downgrade to Baa3, Gulf Power has potential collateral requirements of $127 million as of June 30, 2010. If Gulf Power's credit rating is downgraded to below investment grade, the utility's potential collateral requirement rises to $566 million. On June 30, 2010, Gulf Power had $20 million of cash on hand, up from $8.7 million at December 31, 2009. The company generated $265 million of cash from operations for the twelve months ended June 30, 2010, compared to $191 million for 2009. The company has $110 million of debt due over the next 12 months.

Rating Outlook

The stable rating outlook reflects Moody's expectation that Gulf Power's cash flow coverage metrics will stabilize; that the Florida regulatory environment will not deteriorate further and could perhaps improve once four new commissioners are in place; and that economic conditions in the Florida panhandle will gradually improve.

What Could Change the Rating - Up

An upgrade could be considered if there is an improvement in the Florida political and regulatory environment; if capital expenditures moderate from currently high levels; if cash flow coverage metrics show sustained improvement, including CFO pre-W/C interest coverage of at least 5.0x and CFO pre-W/C to debt in the 25% range.

What Could Change the Rating - Down

Ratings could be downgraded if there are additional, unanticipated capital expenditure requirements; additional debt leverage; a further deterioration of the political and regulatory environment in Florida; the imposition of new carbon controls or regulations or renewable portfolio standards, or if CFO pre-working capital interest coverage is below 4.5x or CFO pre-working capital debt remains below 22% for an extended period.

Rating Factors

Gulf Power Company

Regulated Electric and Gas Utilities	Aaa	Aa	A	Baa	Ba	B
Factor 1: Regulatory Framework (25%)				X		
Factor 2: Ability to Recover Costs and Earn Returns (25%)			X			
Factor 3: Diversification (10%)						
a) Market Position (5%)					X	
b) Generation and Fuel Diversity (5%)						X
Factor 4: Financial Strength, Liquidity & Financial Metrics (40%)						
a) Liquidity (10%)				X		
b) CFO pre-WC + Interest / Interest (7.5%) (3yr Avg)			X			
c) CFO pre-WC / Debt (7.5%) (3yr Avg)				X		
d) CFO pre-WC - Dividends / Debt (7.5%) (3yr Avg)				X		
e) Debt / Capitalization or Debt / RAV (7.5%) (3yr Avg)				X		
Rating:						
a) Methodology Implied Senior Unsecured Rating			Baa1			
b) Actual Senior Unsecured Rating			A3			

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Global Power
U.S. and Canada
Credit Analysis

Gulf Power Company

A Subsidiary of Southern Company

Ratings

Security Class	Current Rating
Issuer Default Rating	A–
Short-Term Issuer Default Rating	F1
First Mortgage Bonds	A+
Senior Unsecured Notes	A
Preferred Stock	A–

Outlook

Stable

Financial Data

Gulf Power Company
($ Mil.)

	LTM 6/30/09	2008
Net Revenues	646	642
Operating EBITDA	272	277
Funds from Operations	185	205
Debt	1,185	997
Total Capital	2,247	1,917
Debt/FFO (x)	6.4	4.9

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Related Research

- *Alabama Power Company, Oct. 19, 2009*
- *Georgia Power Company, Oct. 19, 2009*
- *Mississippi Power Company, Oct. 19, 2009*
- *Southern Power Company, Oct. 19, 2009*
- *Southern Company, Oct. 19, 2009*

Rating Rationale

- Fitch Ratings affirmed the ratings of Gulf Power Company (Gulf) on Sept. 3, 2009. The Rating Outlook is Stable.
- The ratings are supported by a stable credit profile, constructive regulation, and the operational and financial benefits of its affiliation with Southern Company.
- The ratings and Stable Ratings Outlook also reflect steady cash flows and ample liquidity. Cash flow stability is enhanced by cost recovery clauses for fuel and purchased power energy and capacity, energy conservation, and environmental costs.
- Ratings concerns include the sensitivity of the company's largely coal-fired generating resources to any future greenhouse gas and other existing environmental regulations, and a slowdown in growth of electricity demand in Gulf's service territory. Customer growth in 2009 is expected to be substantially lower than recent years as a result of the recession.

Key Rating Drivers

- Continuation of strong regulatory support is important for Gulf to maintain its credit quality and current ratings.
- Operational and financial efficiency gained from an association with Southern Company.
- The effect of electricity consumption trends on cash flow and credit quality.

Recent Events

- Gulf issued common stock to Southern Company and realized proceeds of $135 million in January 2009. Gulf also issued $130 million of pollution control revenue bonds due 2039 in March 2009. Proceeds of the debt and equity issues will be used for capital spending, including the new scrubber at Plant Crist.
- In March 2009, Gulf entered into a power purchase agreement (PPA) with Shell Energy North America that entitles the company to all of the energy and capacity from an 885 MW combined cycle plant owned by Tenaska Alabama II Partners, L.P. The PPA expires May 24, 2023. The costs have been approved by the Florida Public Service Commission (PSC) and will be recoverable through the fuel and capacity adjustment clauses. The agreement becomes effective after the PSC approval becomes a final non-appealable order, which is no earlier than Nov. 1, 2009.

Liquidity and Capital

As of June 30, 2009, Gulf had approximately $59.2 million of cash and cash equivalents and $220 million in committed lines of credit with banks. The credit facilities provide liquidity support to Gulf's commercial paper borrowings and variable-rate pollution control revenue bonds aggregating $69 million. Of the total credit facilities, $90 million will expire in 2009 and $130 million in 2010. $70 million of these facilities contain provisions allowing for conversion to one-year term loans on the expiration dates. Gulf may also meet short-term cash needs through borrowings from a Southern Company subsidiary, Southern Company Funding, Inc., organized to issue and sell commercial paper at the request and for the benefit of Gulf and other Southern Company subsidiaries. At June 30, 2009, Gulf had $66 million of commercial paper outstanding.

Company Profile

Gulf, a subsidiary of Southern Company, is a vertically integrated electric utility providing electricity generation, transmission, and distribution service to retail customers in Northwest Florida. The company also sells power to wholesale customers. Gulf owns approximately 2,659 MW of generation capacity, of which 77% is coal and the remaining 23% is natural gas.

Debt Maturities

($ Mil.)

	2009	2010	2011
Maturities	0	140	110

Source: Company reports.

Capital Expenditures

($ Mil.)

	2009	2010	2011
General Plant	143	173	167
Environmental Compliance	335	164	233
Total	**478**	**337**	**400**

Source: Company reports.

Capital Structure

($Mil.)

Debt Due within One Year	140
Short-Term Debt	66
Long-Term Debt	979
Total Debt	1,185
Hybrid Equity	98
Common Equity	964
Total Capital	2,247
Total Debt/Total Capital (%)	53
Hybrid and Minority Equity/Total Capital (%)	4
Common Equity/Total Capital (%)	43

Source: Company reports.

Financial Summary — Gulf Power Company

($ in Mil., Years Ended Dec. 31)

	LTM 6/30/09	2008	2007	2006	2005	2004	2003
Fundamental Ratios (x)							
FFO/Interest Expense	4.9	5.4	4.7	5.1	6.2	7.0	5.3
CFFO/Interest Expense	3.6	4.2	5.7	4.3	4.8	5.0	6.0
Debt/FFO	6.4	4.9	4.7	4.6	3.6	3.6	3.7
Operating EBIT/Interest Expense	3.9	4.1	3.8	3.8	4.0	4.0	4.0
Operating EBITDA/Interest Expense	5.7	5.9	5.7	5.8	6.1	6.3	6.1
Debt/Operating EBITDA	4.4	3.6	3.0	3.3	3.1	3.4	2.6
Common Dividend Payout (%)	87.0	83.7	88.1	92.1	90.7	102.9	101.4
Internal Cash/Capex (%)	7.3	16.1	57.9	44.8	58.7	45.3	122.2
Capex/Depreciation (%)	537.9	444.7	281.4	173.0	168.2	194.0	120.7
Profitability							
Adjusted Revenues	1,351	1,387	1,260	1,204	1,084	960	877
Net Revenues	646	642	616	595	570	527	510
Operating and Maintenance Expense	284	278	270	260	251	230	211
Operating EBITDA	272	277	263	255	243	227	233
Depreciation and Amortization Expense	87	85	86	89	85	83	82
Operating EBIT	185	192	177	166	158	144	151
Gross Interest Expense	48	47	46	44	40	36	38
Net Income for Common	100	98	84	76	75	68	69
Operating Maintenance Expense % of Net Revenues	44.0	43.3	43.8	43.7	44.0	43.6	41.4
Operating EBIT % of Net Revenues	28.6	29.9	28.7	27.9	27.7	27.3	29.6
Cash Flow							
Cash Flow from Operations	126	149	217	143	153	143	191
Change in Working Capital	(59)	(56)	48	(38)	(55)	(73)	27
Funds from Operations	185	205	169	181	208	216	164
Dividends	(92)	(88)	(77)	(74)	(69)	(70)	(70)
Capital Expenditures	(468)	(378)	(242)	(154)	(143)	(161)	(99)
Free Cash Flow	(434)	(317)	(102)	(85)	(59)	(88)	22
Net Other Investment Cash Flow	(6)	29	3	(9)	(18)	26	(12)
Net Change in Debt	344	216	(32)	73	(31)	97	62
Net Change in Equity	139	75	129	26	51	29	(72)
Capital Structure							
Short-Term Debt	66	148	45	120	89	50	38
Long-Term Debt	1,119	849	754	710	654	723	566
Total Debt	1,185	997	799	830	743	773	604
Total Hybrid Equity and Minority Interest	98	98	85	41	—	—	—
Common Equity	964	822	731	634	602	592	561
Total Capital	2,247	1,917	1,615	1,505	1,345	1,365	1,165
Total Debt/Total Capital (%)	52.7	52.0	49.5	55.1	55.2	56.6	51.8
Total Hybrid Equity and Minority Interest/Total Capital (%)	4.4	5.1	5.3	2.7	—	—	—
Common Equity/Total Capital (%)	42.9	42.9	45.3	42.1	44.8	43.4	48.2

Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.

Global Power
U.S. and Canada
Full Rating Report

Gulf Power Company

A Subsidiary of Southern Company

Ratings

Security Class	Current Rating
IDR	A–
Short-Term IDR/Commercial Paper	F1
Senior Unsecured Notes	A
Pollution Control Revenue Bonds	A
Subordinated Notes	A–
Preferred Securities	BBB+

IDR – Issuer default rating.

Rating Outlook

Stable

Financial Data

Gulf Power Company
($ Mil.)

	LTM 6/30/10	2009
Revenue	1,436	1,302
Gross Margin	681	637
Cash flow from Oper.	268	195
Operating EBITDA	323	286
Total Debt	1,260	1,250
Total Capitalization	2,420	2,352
ROE (%)	11.75	12.16
Capex/Deprec. (%)	305.8	452.7

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Related Research

Applicable Criteria

- *Corporate Rating Methodology, Aug. 16, 2010*
- *Utilities Sector Notching and Recovery Ratings, March 16, 2010*
- *U.S. Power and Gas Comparative Operating Risk (COR) Evaluation and Financial Guidelines, Aug. 22, 2007*
- *Credit Rating Guidelines for Regulated Utility Companies, July 31, 2007*

Other Research

- *Alabama Power Company, Oct. 5, 2010*
- *Georgia Power Company, Oct. 5, 2010*
- *Mississippi Power Company, Oct. 5, 2010*
- *Southern Power Company, Oct. 5, 2010*
- *Southern Company, Oct. 5, 2010*

Rating Rationale

- Fitch affirmed the ratings of Gulf Power Company on Sept. 3, 2010. The Rating Outlook is Stable.
- The ratings and Stable Outlook for Gulf reflect Fitch's expectation that the credit metrics should improve from 2009 cyclical lows. The Stable Outlook also reflects a manageable capital-expenditure program, modest debt maturities, and historically constructive rate outcomes.
- Gulf's cash flow stability is enhanced by several annually adjusted rate riders that provide timely recovery of all prudent costs related to fuel, purchased costs, and environmental expenditures outside of base rates.
- Fitch expects the still-weak Florida economy and the uncertain utility regulatory situation in the state to gradually improve. While Gulf is heavily dependent on coal-fired generation capacity that must comply with changing emissions standards, the fuel and environmental recovery clauses promote timely recovery of associated costs.
- Fitch expects Gulf to renew its $235 million of revolving credit facilities, which consist of bilateral facilities that have one-year term loan conversion options, prior to the revolving credit period maturity dates in 2010 ($50 million) and 2011 ($185 million).
- Gulf benefits from ownership by the Southern Company (issuer default rating [IDR] 'A', Outlook Negative by Fitch), a multi-utility holding company in the Southeast. For additional information on the Southern, please refer to Fitch's full rating report dated Oct. 5, 2010.

Key Rating Drivers

- Continuation of strong regulatory support is important for Gulf to maintain its credit quality and current ratings.
- Operational and financial efficiency gained from an association with Southern.
- The effect of electricity consumption trends on cash flow and credit quality.

Florida Regulatory Update

In Fitch's view, Florida historically was one of the most constructive regulatory environments in the country. However, political interference in the face of the economic slowdown led to a marked regulatory environment shift in 2010. Recent decisions for unaffiliated Florida utilities have been populist, with below-average allowed return on equity and base rate increases that were significantly lower than amounts requested. Florida has a five-member commission, in which members are appointed by the governor and confirmed by the Senate. Two of the five commissioners are yet to be confirmed by the Senate, and two others are required to vacate their seats by the end of the year.

Gulf has not filed a base rate case since 2002 and, hence, was able to avoid the recent fray over rate making in the state and the associated media scrutiny. Fitch expects the regulatory climate in Florida to slowly return to normal after this election year and as the state's economy slowly begins to recover.

Liquidity and Capital Structure

Credit Facilities
($ Mil.)

			Executable Term Loans		Expires		
	Total	Unused	One Year	Two Years	2010	2011	2012
Gulf Power Company	220	220	190	0	80	140	0

Source: Company reports.

Subsequent to June 30, 2010, Gulf increased the amount of credit facilities to $235 million, with the revolving period for $180 million of the facilities now expiring in 2011. The company may also meet short-term cash needs through borrowings from a Southern subsidiary, Southern Company Funding, Inc., organized to issue and sell commercial paper at the request and for the benefit of Gulf and other Southern subsidiaries. At June 30, 2010, Gulf had $86 million of commercial paper outstanding.

Long-Term Debt Maturities
($ Mil.)

	2010	2011	2012	2013	2014
Gulf Power Company	0	110	0	60	75

Source: Company reports.

Gulf has manageable debt maturities and ready access to the public debt markets, as was most recently demonstrated by the company's $125 million, 30-year, 5.10% unsecured note issuance in September 2010. The proceeds from the notes will be used for the proposed redemption of all or a portion of the $40 million of 5.75% notes due 2033 and/or $35 million of the company's 5.875% notes due 2044; to repay a portion of short-term debt; and for general corporate purposes, including the company's continuous construction program.

The largest shares of capital spending are geared toward environmental upgrades of generation facilities and, to a lesser extent, transmission.

Capital Spending
($Mil.)

	2010E	2011E	2012E
Gulf Power Company	271	350	419

Source: SEC Form 10-K.

Capital Structure — Gulf Power Company
($ Mil., as of June 30, 2010)

Short-Term Debt	86.0
Long-Term Debt[a]	1,173.6
Preference Stock	98.0
Total Common Stockholders' Equity	1,062.3
Total Capitalization	**2,419.9**
Total Adjusted Debt/ Total Capitalization (%)[b]	52

[a]Long-term debt includes securities due within one year. [b]Includes equity credit of hybrid securities.
Source: Company reports.

Capital Structure

In January 2010, Gulf issued to Southern 500,000 shares of its common stock without par and realized proceeds of $50 million. Fitch's ratings assume Gulf will continue to issue a mix of debt and equity to maintain a balanced capital structure.

Company Profile

Gulf, a subsidiary of Southern, is a vertically integrated electric utility providing electricity generation, transmission, and distribution service to retail customers in northwestern Florida. The company also sells power to wholesale customers. Gulf owns approximately 2,659 MW of generation capacity, of which 77% is coal and the remaining 23% is natural gas.

Financial Summary — Gulf Power Company

($ Mil., Fiscal Years Ended Dec. 31)

	LTM 6/30/10	2009	2008	2007	2006	2005	2004	2003
Fundamental Ratios								
FFO/Interest Expense (x)	5.6	4.6	5.4	4.7	5.1	6.2	7.0	5.3
CFO/Interest Expense (x)	6.5	5.1	4.2	5.7	4.3	4.8	5.0	6.0
FFO/Debt (%)	17.7	14.5	20.6	21.2	22.7	30.2	30.0	29.8
Operating EBIT/Interest Expense (x)	4.5	3.9	4.1	3.8	3.8	4.0	4.0	4.0
Operating EBITDA/Interest Expense (x)	6.7	6.0	5.9	5.7	5.8	6.1	6.3	6.1
Operating EBITDAR/(Interest Expense + Rent) (x)	6.1	5.4	5.9	5.7	5.8	6.1	6.3	6.1
Debt/Operating EBITDA (x)	3.8	4.2	3.6	3.0	3.1	2.8	3.2	2.4
Common Dividend Payout (%)	80.7	80.2	83.7	88.1	92.1	90.7	102.9	101.4
Internal Cash/Capital Expenditures (%)	51.9	23.5	16.1	57.9	44.8	58.7	45.3	122.2
Capital Expenditures/Depreciation (%)	305.8	452.7	444.7	281.4	173.0	168.2	194.0	120.7
Profitability								
Adjusted Revenues	1,436	1,302	1,387	1,260	1,204	1,084	960	877
Net Revenues	681	637	642	616	595	570	527	510
Operating and Maintenance Expense	259	261	278	270	260	251	230	211
Operating EBITDA	328	286	277	263	255	243	227	233
Depreciation and Amortization Expense	104	93	85	86	89	85	83	82
Operating EBIT	220	189	192	177	166	158	144	151
Gross Interest Expense	49	48	47	46	44	40	36	38
Net Income for Common	119	111	98	84	76	75	68	69
Operating and Maintenance Expense % of Net Revenues	38.0	41.0	43.3	43.8	43.7	44.0	43.6	41.4
Operating EBIT % of Net Revenues	32.3	29.7	29.9	28.7	27.9	27.7	27.3	29.6
Cash Flow								
Cash Flow from Operations	268	195	149	217	143	153	143	191
Change in Working Capital	45	20	(56)	48	(38)	(55)	(73)	27
Funds from Operations	223	175	205	169	181	208	216	164
Dividends	(103)	(96)	(88)	(77)	(74)	(69)	(70)	(70)
Capital Expenditures	(318)	(421)	(378)	(242)	(154)	(143)	(161)	(99)
Free Cash Flow	(153)	(322)	(317)	(102)	(85)	(59)	(88)	22
Net Other Investment Cash Flow	(33)	(47)	29	3	(9)	(18)	26	(12)
Net Change in Debt	76	219	216	(32)	73	(31)	97	62
Net Equity Proceeds	72	157	75	129	26	51	29	(72)
Capital Structure								
Short-Term Debt	86	90	148	45	120	89	50	38
Long-Term Debt	1,174	1,119	849	754	679	600	669	512
Total Debt	**1,260**	**1,209**	**997**	**799**	**799**	**689**	**719**	**550**
Total Hybrid Equity and Minority Interest	98	98	98	85	72	54	54	54
Common Equity	1,062	1,004	822	731	634	602	592	561
Total Capital	**2,420**	**2,311**	**1,917**	**1,615**	**1,505**	**1,345**	**1,365**	**1,165**
Total Debt/Total Capital (%)	52.1	52.3	52.0	49.5	53.1	51.2	52.7	47.2
Total Hybrid Equity and Minority Interest/Total Capital (%)	4.0	4.2	5.1	5.3	4.8	4.0	4.0	4.6
Common Equity/Total Capital (%)	43.9	43.4	42.9	45.3	42.1	44.8	43.4	48.2

LTM – Latest 12 months. Operating EBIT – Operating income before total reported state and federal income tax expense. Operating EBITDA – Operating income before total reported state and federal income tax expense plus depreciation and amortization expense. Note: Numbers may not add due to rounding.
Source: Company reports and Fitch Ratings.