

Actuarial Report Gulf Power Company

Southern Company's Nonqualified Pension Plans
For 2010 Fiscal Year



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Preparation of this Actuarial Valuation

For 2010 Fiscal Year

Southern Company's Nonqualified Pension Plans Gulf Power Company—Allocable Portion

This report has been prepared to present to management the financial accounting and reporting requirements allocable to Gulf Power Company ("GULF") for the 2010 fiscal year for pension benefits under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715. This cost is a portion of the total cost of Southern Company's nonqualified pension benefit plans. GULF's cost is based on the benefit obligations of its employees. Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate. The results as of other dates may also be significantly different from the results shown in this report, and the scope of this report does not include an analysis of the potential range of results as of other dates.

In conducting the valuation, we have relied on personnel and plan design information supplied by the Company as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results. This information along with any adjustments or modifications is summarized in various sections of this report. In calculating 2010 pension expense, we have measured liabilities as of December 31, 2009. In calculating projected year-end disclosure results, we have measured liabilities as of December 31, 2009. Except as specifically noted elsewhere in this report, these projected results do not reflect changes in assumptions and other significant events between January 1, 2009 and the December 31, 2009 year-end measurement date.

- This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of ASC 715. The information in this report is not intended to supersede or supplant the advice and interpretations of the Company's auditors.
- The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions section of this report. The Company selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 715. Hewitt Associates provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by ASC 715.

Preparation of this Actuarial Valuation


The undersigned are familiar with the near-term and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions herein. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no associate of Hewitt Associates providing services to the Company has any direct financial interest or indirect material interest in the Company. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for the Company.

Hewitt Associates LLC



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Summary

Summary

Changes Between December 31, 2008 and December 31, 2009 Measurements

In general, the 2010 fiscal year costs are based on the same plan provisions and actuarial basis used to determine 2009 costs.

However, the following changes were recognized as of the December 31, 2009 measurement date.

■ Two plan changes were recognized in this valuation due to indexing of the pay and benefit limits.

— The IRC Section 415 benefit limit increased to \$195,000 from \$185,000.

— The IRC Section 401(a)(17) pay limit increased to \$245,000 from \$230,000.

These automatic increases in the limits were previously anticipated, so their impact has been treated as an experience item as required by ASC 715.

■ The following assumptions have been changed:

— The discount rate was decreased to 5.60% from 6.75%.

— The single sum discount rate decreased to 4.25% from 4.75%.

— The single sum prime rate decreased to 5.25% from 6.75%.

The discount rate was decreased to comply with the ASC 715 requirements that the assumptions reflect market conditions as of the measurement date, and changes in the assumptions between measurement dates reflect changes in the market conditions. As required by ASC 715, the impact of all of these changes was treated as an experience item.

No other changes were reflected in the 2010 fiscal year costs.

Summary

Significant results of the 2010 valuation are shown below. Comparable results of the 2009 valuation are also shown.

	2009	2010
Projected Benefit Obligation	\$ 12,885,348	\$ 15,030,533
Accumulated Benefit Obligation	\$ 11,483,029	\$ 12,969,743
Service Cost	\$ 220,459	\$ 272,950
Assets	\$ 0	\$ 0
Accrued Costs	\$ 7,777,734	\$ 8,624,835
Pension Cost	\$ 1,543,459	\$ 1,746,329
Participant Counts		
Retirees and Beneficiaries	30	32
Terminated Vested	0	0
Actives	<u>62</u>	<u>65</u>
Total	92	97

Accounting Requirements for the SERP, Supplemental Benefit Plan, and Benefits Provided in Individual Agreements

Accounting Requirements: ASC 715 Expense/(Income)

Accounting Information under ASC 715

The following pages contain information about the Benefit Obligations and the Expense/(Income) calculated under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715.

In particular, the following pages present:

- Reconciliation of Funded Status;
- Pension Cost;
- Plan Experience During Prior Plan Year;
- Amortizable Gain or Loss; and
- Unrecognized Prior Service Cost.

Benefit Obligations

The Accumulated Benefit Obligation (ABO) represents the actuarial present value of benefits based on service and pay earned as of the measurement date. The Projected Benefit Obligation (PBO) represents the actuarial present value of benefits based on service earned through the measurement date reflecting the effect of assumed future pay increases on ultimate benefit amounts.

The Service Cost represents the actuarial present value of benefits that are attributed to the 2010 fiscal year, reflecting the effect of assumed future pay increases. The Service Cost includes interest to the end of the measurement period at the ASC 715 discount rate.

ASC 715 Expense/(Income)

The Net Periodic Pension Expense/(Income) is the annual amount to be recognized in the income statement as the cost of pension benefits for this plan for the period ending December 31, 2010.

Settlement/Curtailment Expense/(Income) is the amount to be recognized in the income statement as the cost of special events such as settlements, curtailments, and the provision of certain termination benefits during fiscal 2010.

Accounting Requirements: ASC 715 Expense/(Income)

Reconciliation of Funded Status

This schedule reconciles the funded status of the plan with amounts already accrued by the Company as of the current and prior measurement dates. The difference between the funded status and the prepaid/accrued pension cost represents amounts to be recognized in future periods as amortization payments.

A reconciliation of funded status is shown as of the current year's measurement date and at the prior year's measurement date.

	Fiscal 2009 (December 31, 2008)	Fiscal 2010 (December 31, 2009)
Projected Benefit Obligation	\$ (12,885,348)	\$ (15,030,533)
Market Value of Assets	<u>0</u>	<u>0</u>
Funded Status	\$ (12,885,348)	\$ (15,030,533)
Unrecognized Amounts		
■ Transition Liability/(Asset)	0	0
■ Prior Service Cost	1,577,618	1,319,395
■ (Gain)/Loss	<u>3,529,996</u>	<u>5,086,303</u>
Prepaid/(Accrued) Pension Cost	\$ (7,777,734)	\$ (8,624,835)

Accounting Requirements: ASC 715 Expense/(Income)

Pension Cost

The development of the pension cost for the fiscal year consists of payments for benefit accruals (service cost), interest on the current projected benefit obligation (interest cost), expected return on assets, and amortizations of unrecognized amounts.

	Fiscal 2009 Cost	Fiscal 2010 Cost
Service Cost	\$ 220,459	\$ 272,950
Interest Cost	840,631	817,020
Expected Return on Assets	0	0
Amortization of Unrecognized Amounts		
■ Transition Liability/(Asset)	0	0
■ Prior Service Cost	258,223	258,220
■ (Gain)/Loss	<u>224,146</u>	<u>398,139</u>
Total Pension Cost	\$ 1,543,459	\$ 1,746,329
Supplemental Data and Expected Values		
■ Market-Related Value of Assets	\$ 0	\$ 0
■ Annual Benefit Payments	\$ 863,115	\$ 881,781
■ Average Remaining Service	10 Years	9 Years

Accounting Requirements: ASC 715 Expense/(Income)

Plan Experience

During the current valuation, actual experience during the prior fiscal year is compared to anticipated experience. This comparison identifies experience gains or losses. These are measured as the difference between the expected funded position of the plan at year-end (based on the beginning of year actuarial assumptions and adjusted for plan changes) and the actual funded position of the plan at year-end.

	January 1, 2009 to December 31, 2009
(1) Funded Status, As of Last Measurement Date	\$ (12,885,348)
(2) Service Cost for Period	(220,459)
(3) Interest Cost for Period	(840,631)
(4) Expected Return for Period	0
(5) Contributions During Period (Benefit Payments)	696,358
(6) Impact of Plan Amendment	<u>0</u>
(7) Expected Funded Status, As of Current Measurement Date, (1)+(2)+(3)+(4)+(5)+(6)	\$ (13,250,080)
(8) Actual Funded Status, At Current Measurement Date	<u>(15,030,533)</u>
(9) Experience (Gain)/Loss, (7)-(8)	\$ 1,780,453

Accounting Requirements: ASC 715 Expense/(Income)

Development of (Gain)/Loss Amortization

Only gains and losses in excess of a corridor limit are subject to amortization. The corridor is 10% of the greater of:

- Market-Related Value of Assets (MRV); or
- Projected Benefit Obligation (PBO).

Only asset gains or losses which have been incurred and admitted into the market-related value of assets are subject to amortization. Gains and losses outside of the corridor, if any, are amortized over the average remaining service period of employees expected to receive benefits from the plan.

	Fiscal 2010
(1) Unrecognized Net (Gain)/Loss	\$ 5,086,303
(2) Nonadmitted Asset (Gain)/Loss	<u>0</u>
(3) (Gain)/Loss Subject to Corridor, (1)-(2)	\$ 5,086,303
(4) Corridor, 10% of Greater of PBO or MRV	
(a) PBO	\$ 15,030,533
(b) MRV	\$ 0
(c) Corridor, 10% of Max [(a) or (b)]	\$ 1,503,053
(5) (Gain)/Loss to be Amortized, Excess of (3) over (4c), If Any	\$ 3,583,250
(6) Average Remaining Service Period	9 Years
(7) (Gain)/Loss Amortization, (5)÷(6)	\$ 398,139

Accounting Requirements: ASC 715 Expense/(Income)

Development of Unrecognized Prior Service Cost

Increases in the projected benefit obligation (PBO) attributable to plan amendments are amortized over the remaining service period of employees benefiting under the Plan. Prior service costs that are being amortized are shown below.

Date Established	Original Amounts to be Amortized	Remaining Amortization Period	Remaining Amounts to be Amortized	Annual Amortization Amount
01/01/2001	\$ 884,347	1 Year	\$ 88,432	\$ 88,432
03/31/2007	\$ 1,697,880	7.25 Years	<u>1,230,963</u>	<u>169,788</u>
Total			\$ 1,319,395	\$ 258,220

Appendix

Personnel Information

This page contains a summary of personnel data submitted and used for the measurement of cost for fiscal 2010. Benefit obligations as of the December 31 measurement date are based on projections using personnel data supplied as of the preceding January 1 complemented with pay data which includes the preceding March updates. See the actuarial assumptions and methods section for more details.

	For Fiscal 2009 (As of January 1, 2008)	For Fiscal 2010 (As of January 1, 2009)
Active Participants ¹	62	65
Retirees and Beneficiaries		
Number Receiving Average Monthly Benefit ¹	28	27
Average Monthly Benefit	\$ 1,837	\$ 1,938
Number Receiving Installment Benefit ¹	2	5
Average Remaining Installment Benefit	478,145	\$ 229,785
Terminated Vesteds		
Number ¹	0	0
Average Monthly Benefit	N/A	N/A

¹ Includes participants who are currently active at, retired from, or terminated from other operating companies who will receive (or are receiving) a portion of their benefit from GULF due to prior service with GULF.

Plan Provisions

Supplemental Benefit Plan (Pension Provisions)

Participation

Eligibility to participate is determined by the plan's Administrative Committee.

Benefit

Monthly retirement income under The Southern Company Pension Plan that is not payable under that plan as a result of the exclusion of compensation deferred under the Southern Company Deferred Compensation Plan, the IRC section 401(a)(17) recognizable pay limit, and/or the IRC section 415 defined benefit plan maximum annual benefit.

Form of Payment (for actives eligible and electing installments and all future active participants retiring after March 1, 2007)

Ten annual installments derived from the single sum value of the monthly retirement income benefits. The initial single sum value is determined as of the date installments commence and is based on the monthly benefits expected to be paid over an average lifetime (based on the mortality table from Revenue Ruling 2001-62) and the Single Sum Discount Rate. Each annual installment is determined by dividing the remaining balance of the single sum value by the remaining number of installments. After its initial determination, the remaining balance is reduced by the amount of the installments paid and is increased monthly with interest at the monthly equivalent of the Single Sum Prime Rate.

Single Sum Discount Rate

The 30-year Treasury rate for September prior to the calendar year of separation from service (but no more than 6.00%)

Single Sum Prime Rate

The annual prime rate as published in the Wall Street Journal.

Supplemental Executive Retirement Plan

Participation

Eligibility to participate is determined by the plan's Administrative Committee.

Benefits

Monthly retirement income supplementing benefits provided under The Southern Company Pension Plan and Supplemental Benefit Plan related to recognition of incentive pay not included in determination of benefits provided under those plans.

Plan Provisions

Supplemental Executive Retirement Plan

Form of Payment (for actives eligible and electing installments and all future active participants retiring after March 1, 2007)

Ten annual installments derived from the single sum value of the monthly retirement income benefits. The initial single sum value is determined as of the date installments commence and is based on the monthly benefits expected to be paid over an average lifetime (based on the mortality table from Revenue Ruling 2001-62) and the Single Sum Discount Rate. Each annual installment is determined by dividing the remaining balance of the single sum value by the remaining number of installments. After its initial determination, the remaining balance is reduced by the amount of the installments paid and is increased monthly with interest at the monthly equivalent of the Single Sum Prime Rate.

Single Sum Discount Rate

The 30-year Treasury rate for September prior to the calendar year of separation from service (but no more than 6.00%)

Single Sum Prime Rate

The annual prime rate as published in the Wall Street Journal.

Benefits Provided in Individual Agreements

Participation

Employees who execute individual agreements with the Company that provide nonqualified pension benefits.

Benefits

Pension benefits specified in individual agreements.

Form of Payment (for actives eligible and electing installments and all future active participants retiring after March 1, 2007)

Ten annual installments derived from the single sum value of the monthly retirement income benefits. The initial single sum value is determined as of the date installments commence and is based on the monthly benefits expected to be paid over an average lifetime (based on the mortality table from Revenue Ruling 2001-62) and the Single Sum Discount Rate. Each annual installment is determined by dividing the remaining balance of the single sum value by the remaining number of installments. After its initial determination, the remaining balance is reduced by the amount of the installments paid and is increased monthly with interest at the monthly equivalent of the Single Sum Prime Rate.

Plan Provisions

Benefits Provided in Individual Agreements

Single Sum Discount Rate The 30-year Treasury rate for September prior to the calendar year of separation from service (but no more than 6.00%)

Single Sum Prime Rate The annual prime rate as published in the Wall Street Journal.

Certain Other Supplemental Pension Benefits

Participation Employees who retired under nonqualified early retirement window offerings in the late 1980's and early 1990's.

Benefits Benefits provided in window offerings.

Actuarial Assumptions

Measurement Date for Fiscal 2010	December 31, 2009.
Discount Rate	5.60% compounded annually.
Pay Increases	4.00% per year to age 65.
Social Security	Projected based on the Social Security Act in effect during 2009 assuming:

(1) 2.75% per year increases in the formula breakpoints.

(2) 2.25% per year cost-of-living increases.

Single Sum Discount Rate 4.25% compounded annually.

Single Sum Prime Rate 5.25% compounded annually.

Retirement Age
Actives According to the rates of retirement shown below:

Age	Percent Retiring	Age	Percent Retiring
50-54	0.5%	63	30.0%
55	5.0%	64	25.0%
56	5.0%	65	75.0%
57	5.0%	66	75.0%
58	7.5%	67	25.0%
59	10.0%	68	25.0%
60	12.5%	69	25.0%
61	15.0%	70	100.0%
62	45.0%		

These rates produce a weighted average retirement age of 60.

Terminated Vesteds Age 57.

Mortality Rates

Healthy Lives Retired Pensioners 2000 Combined Healthy Mortality Table, Fully Generational.

Disabled Lives Retired Pensioners 2000 Combined Healthy Mortality Table.

Actuarial Assumptions

Withdrawal Rates	According to select and ultimate rates based on Company experience. See Table B for specific rates.
Disability Rates	According to rates which vary by age. See Table A for specific rates.
Incentive Payments	Future incentives are anticipated to pay out at 130% of target.
Marital Status	75% of males and 65% of females are married. Husbands are two years older than wives.
Payment Form	Based on participants' election.
Cost Method	Projected Unit Credit.
Market-Related Value of Assets	These benefits are currently unfunded.
Pay and Benefit Limits Indexing	2.25% per year.
Participants Included	All employees designated by the Company as active, transfers in or transfers out, and eligible to participate, plus any others currently receiving benefits or entitled to benefits in the future.
Participant Data	Benefit obligations are based on reasonable and normal actuarial projections of participant data supplied prior to the measurement date. For the development of fiscal 2010 costs, demographic information as of January 1, 2009 and pay data including the March 2009 updates were used.
Asset Data	Benefits under the plan are currently unfunded for ASC 715 purposes and are paid out of the Company's general assets.

Actuarial Assumptions

Table A

Disability Rates

Age	Disabilities Per 1,000 Participants
Under 40	0.85
40 to 44	1.76
45 to 49	3.80
50 to 54	6.39
55 to 59	11.60
60 to 64	15.52
65 & Over	0.00

Actuarial Assumptions

Table B

Withdrawals per 1,000 Participants

Age	Years of Service					Ultimate
	0	1	2	3	4	
20 & Under	180.0	130.5	115.0	99.0	84.5	70.0
21	176.0	130.5	115.0	99.0	82.5	66.0
22	171.0	126.9	115.0	99.0	80.0	61.0
23	166.0	122.4	111.0	99.0	77.5	56.0
24	163.0	117.9	106.0	94.6	73.8	53.0
25	159.0	115.2	101.0	89.1	69.1	49.0
26	156.0	111.6	98.0	83.6	64.8	46.0
27	152.0	108.9	94.0	80.3	61.2	42.0
28	149.0	105.3	91.0	75.9	57.5	39.0
29	146.0	102.6	87.0	72.6	54.3	36.0
30	144.0	99.9	84.0	68.2	51.1	34.0
31	141.0	98.1	81.0	64.9	48.0	31.0
32	139.0	95.4	79.0	61.6	45.3	29.0
33	137.0	93.6	76.0	59.4	43.2	27.0
34	135.0	91.8	74.0	56.1	40.6	25.0
35	133.0	90.0	72.0	53.9	38.5	23.0
36	131.0	88.2	70.0	51.7	36.4	21.0
37	129.0	86.4	68.0	49.5	34.3	19.0
38	128.0	84.6	66.0	47.3	32.7	18.0
39	126.0	83.7	64.0	45.1	30.6	16.0
40	125.0	81.9	63.0	42.9	29.0	15.0
41	123.0	81.0	61.0	41.8	27.4	14.5
42	122.0	79.2	60.0	39.6	25.8	14.0
43	121.0	78.3	58.0	38.5	24.8	13.5
44	119.5	77.4	57.0	36.3	22.9	13.0
45	118.5	76.1	56.0	35.2	21.9	12.5
46	117.5	75.2	54.5	34.1	20.8	12.0
47	116.5	74.3	53.5	32.5	19.5	11.5
48	115.5	73.4	52.5	31.4	18.5	11.0
49	115.0	72.5	51.5	30.3	17.7	10.5
50	114.0	72.0	50.5	29.2	16.6	10.5
51	113.0	71.1	50.0	28.1	15.6	10.5
52	112.5	70.2	49.0	27.5	15.0	10.5
53	111.5	69.8	48.0	26.4	14.0	10.5
54	110.0	68.9	47.5	25.3	13.2	10.5
55	110.0	67.5	46.5	24.8	12.4	10.5
56	110.0	67.5	45.0	23.7	11.9	10.5
57 & Over	110.0	67.5	45.0	22.0	11.0	10.5

Actuarial Assumptions

Accounting Method

Valuations to determine the net periodic pension cost for the ongoing plan use the **Projected Unit Credit Cost Method**.

Under this actuarial method, the ultimate retirement benefit is first projected to retirement using the salary scale assumptions. The cost attributed to past service (**projected benefit obligation**) is determined on the measurement date as the present value of the projected benefits actually earned (accrued) as of that date. (The actual attribution of each portion of the benefit for accounting purposes follows the benefit accrual pattern as defined in the plan.) The **funded status** is the amount by which the fair value of assets exceeds the projected benefit obligation.

The current year's **service cost**, determined on the measurement date, is the amount required to fund the projected benefit expected to be earned in the current year (based on the attribution pattern of the benefit).

The calculations for any disability, termination, or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination, and death.

Overview of ASC 715

Background

The Financial Accounting Standards Board issued Statement No. 87, "Employers' Accounting for Pensions" and Statement No. 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" in December 1985.

Statement No. 87 deals with three aspects of pension accounting: the income statement, the balance sheet, and financial footnotes. The expense and disclosure portions of Statement No. 87 were effective for fiscal years beginning after December 15, 1986. Compliance with the balance sheet and non-U.S. plans portion of the statement became mandatory for plan years beginning after December 15, 1988. Statement No. 88 was effective upon adoption of Statement No. 87.

Statement of Financial Accounting Standards No. 132 (Employers' Disclosures about Pensions and Other Postretirement Benefits) was published in February 1998. Statement No. 132 amended the disclosure requirements of FAS Statements No. 87 and 88. The new disclosure requirements under Statement No. 132 are effective for fiscal years beginning after December 15, 1997.

The Financial Accounting Standards Board introduced the FASB Accounting Standards Codification (ASC) as a single source of authoritative non-governmental U.S. Generally Acceptable Accounting Principles in July 2009. Codification does not change any provisions of the underlying accounting standards but reorganizes them and changes the terminology used to reference them.

The sections dealing with the income statement define components, positive or negative, which are added together to provide the expense for the year. Since some of these components are negative, the pension plan expense may also be negative. That is, pensions can be a source of corporate income.

The sections dealing with the balance sheet require that in some circumstances, certain liabilities and assets be recorded. Some companies with poorly funded plans may discover their reported corporate equity diminished by poor pension asset performance.

The disclosure requirements of Topic 715 are designed to assist readers of annual reports in accurately assessing the financial position of the company. The required disclosure includes expense and liability items, as well as assumptions used in deriving the results.

Actuarial computations under Accounting Standards Codification Topic 715 (ASC 715) (formerly known as Statement of Financial Accounting Standards No. 87 (FAS 87)) are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with our understanding of ASC 715. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from these results. Accordingly, additional determinations are needed for other purposes, such as judging benefit security at termination or adequacy of funding for an ongoing plan.

Overview of ASC 715

The following list briefly discusses the items shown on the ASC 715 valuation summary.

Components of the Reconciliation of Funded Status

Accumulated Benefit Obligation	The actuarial present value ¹ of vested and nonvested benefits accrued to date based on current service and compensation.
Projected Benefit Obligation	The actuarial present value ¹ of accrued benefits based on current service and projected salaries.
Fair Value of Assets	Market value of assets (excluding contributions owed to the plan but not yet paid by the Company).
Funded Status	A measurement of the overall financial position of a pension plan. Difference between the projected benefit obligation and fair value of assets.
Unrecognized:	
Transition (Asset) Liability	The unrecognized portion of the difference (on the date of adoption of ASC 715) between the funded status of the plan and the (accrued) prepaid pension expense.
Prior Service Cost	The unrecognized cost of a plan amendment which grants benefits retroactively.
Net Actuarial (Gain)/Loss	The unrecognized cost of (gains)/losses resulting from experience different than assumed or from changes in assumptions.
Prepaid/(Accrued)	The amount by which past cash contributions to the plan exceed (fall short of) the pension expense recognized in past income statements.

¹ The value, as of a specified date, of pension benefit amounts payable now and in the future, with each amount adjusted to reflect the time value of money and the probability of payment using the discount rate and assumptions of mortality, withdrawal, and retirement.

Overview of ASC 715

Components of Expense

Service Cost	Present value of benefits attributed to service rendered during the period. Equal to projected unit credit normal cost with interest to year-end.
Interest Cost	The increase in the projected benefit obligation due to the passage of time. Basically, the interest cost on the PBO adjusted for benefit payments expected during the period.
Expected Return on Assets	The return on plan assets expected during the period adjusted for expected benefit payments and cash contribution.
Amortization of Unrecognized Transition Liability, Prior Service Cost, and Net Actuarial (Gain)/Loss	Recognition through the income statement of a portion of the liabilities recognized in the funded status of the plan but not yet on the balance sheet of the Company.
Net Periodic Pension Cost (Income)	Represents the ASC 715 pension cost (income) for the fiscal year.
Contribution	Represents the cash contribution made during the fiscal year.
Expected Benefit Payments	Represents the expected benefit payments (both monthly annuity payments and lump sum payments) that will be made during the fiscal year.
Average Remaining Service	Represents the average remaining working lifetime of those current active employees who are expected to receive a benefit.

Overview of ASC 715

Components of Expense

The expense is calculated as of the first day of the plan year using assumptions that are appropriate as of that date. Using the components described above, the annual expense under ASC 715 equals:

- (1) Service cost; plus
- (2) Interest cost; minus
- (3) Expected return on plan assets, if any; plus
- (4) Amortization of transition (asset) or liability; plus
- (5) Amortization of prior service cost; plus
- (6) Required amortization of actuarial (gains) or losses.

Disclosure

Unlike expense, footnote items disclosed in the plan sponsor's annual report are determined as of the last day of the plan year, using assumptions that are current as of the end of the year. The disclosure items required by ASC 715 include:

- Components of expense as listed above;
- The amount of gain or loss due to settlements, curtailments, and the additional costs of providing special termination benefits;
- Reconciliation of assets and liabilities from previous year–end to the current year–end;
- Reconciliation of the funded status of the plan;
- The projected benefit obligation, accumulated benefit obligation and assets for pension plans with underfunded ABO.
- The long-term rate of return on assets, the discount rate, and the salary increase rate assumption used to develop expense;
- The amount of other comprehensive income (arising from the change in additional minimum liability, if any).

Actuarial Report Gulf Power Company

ASC 715-60 Valuation
For 2010 Fiscal Year



To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Hewitt Associates LLC.

Preparation of this Actuarial Valuation

For 2010 Fiscal Year

Gulf Power Company

This report has been prepared to present to management the financial accounting and reporting requirements for the fiscal period January 1, 2010 to December 31, 2010 for postretirement benefits other than pensions under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715. Determinations for purposes other than financial accounting requirements may be significantly different from the results reported herein. Thus, the use of this report for purposes other than those expressed here may not be appropriate. The results as of other dates may also be significantly different from the results reported herein, and the scope of this report does not include an analysis of the potential range of results as of other dates.

In conducting the valuation, we have relied on personnel, plan design, health care claim cost, and asset information supplied by the Company (and its health plans) as of the valuation date. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report. In calculating fiscal year 2010 expense for postretirement benefits other than pensions, we have measured liabilities as of December 31, 2009. In calculating projected year-end disclosure results, we have measured liabilities as of December 31, 2009. Except as specifically noted elsewhere in this report, these projected results do not reflect changes in assumptions and other significant events between January 1, 2009 and the December 31, 2009 year-end measurement date.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice (ASOPs) as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of ASC 715. The information in this report is not intended to supersede or supplant the advice and interpretations of the Company's auditors.

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions section of this report. The economic, demographic and health care claim cost assumptions were prescribed by the company for purposes of compliance with ASC 715. Hewitt Associates provided guidance with respect to these assumptions, and it is our belief that they represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by ASC 715.

The preparation of this report included both health care and pension actuaries familiar with the near-term and long-term aspects of postretirement benefits. The undersigned are familiar with the near-term and long-term aspects of postretirement benefit valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions herein. Each section of this report is considered an integral part of the actuarial opinions.

Preparation of this Actuarial Valuation

To our knowledge, no associate of Hewitt Associates providing services to the Company has any direct financial interest or indirect material interest in the Company. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for the Company.

Hewitt Associates LLC



Scott C. Twery
Fellow of the Society of Actuaries



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October 2010

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Summary

Summary

About This Report

This report summarizes the results of nonpension postretirement benefit valuations under the Accounting Standards Codification (ASC) Topic 715 (formerly known as the Statement of Financial Accounting Standards No. 106 (FAS 106)) for Gulf Power Company (GULF). Specifically, the report shows the December 31, 2009 benefit obligations and the development of annual accounting cost under the ASC 715 guidelines for the retiree medical plan and the retiree life plan.

Note that cost determinations for other purposes, such as funding, differ from these ASC 715 results. Also note that none of the amounts in this material have been adjusted for any tax effects or for any other accounting rules.

A number of different measures of each plan's obligations are shown. These include the:

- *Expected Postretirement Benefit Obligation (EPBO)* which is the present value of all future benefit payments;
- *Accumulated Postretirement Benefit Obligation (APBO)* which is the portion of the EPBO attributed to employees'/retirees' past service;
- *Service Cost* which is the portion of the EPBO attributed to the current year; and
- *Net Periodic Postretirement Benefit Cost (Expense)* which is the net charge against income for these benefits.

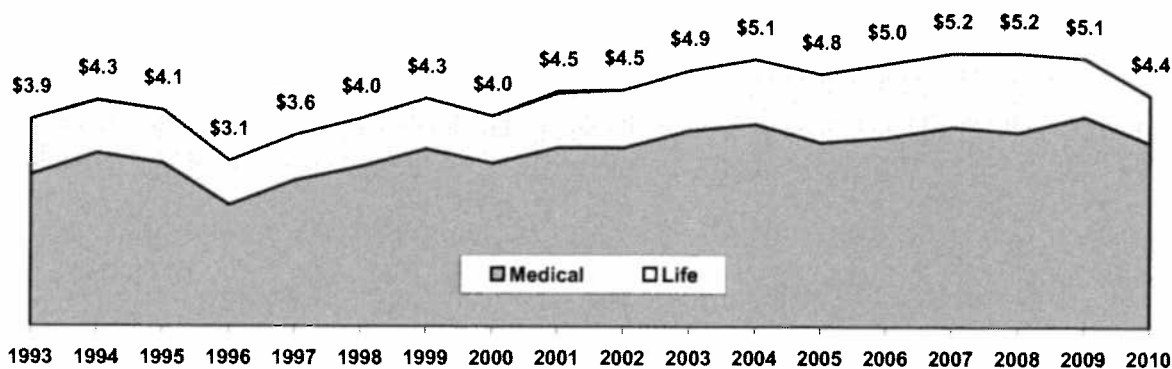
A full description of these terms and the ASC 715 methodology appear in the Section entitled "Overview of ASC 715."

The results in this report exclude any events or remeasurements that occur after the measurement date, December 31, 2009.

Summary

ASC 715 Costs

GULF's total 2010 ASC 715 cost for retiree medical and life benefits is \$4,350,122. This chart shows the trend in ASC 715 costs since 1993, in millions. Note that part of the change in cost from year to year is due to assumption changes.



Changes Since The Last Valuation

This year's valuation was, for the most part, done on the same basis as the last valuation; however, the following changes are being reflected for the first time with this valuation:

■ Data

- New personnel data was collected as of January 1, 2009 and projected to the December 31, 2009 measurement date for this valuation.

■ Plan

- Updated data on required retiree contribution levels was obtained and is reflected.
- The retiree life plan was changed to reduce post-65 benefits for all employees who retire after January 1, 2011. This change was effective September 1, 2009.

■ Assumptions

- The discount rate was decreased to 5.80% from 6.75% for the Retiree Medical Plan and decreased to 6.00% from 6.75% for the Retiree Life Plan to reflect the decrease in yields on high quality fixed income investments between the December 31, 2008 and December 31, 2009 measurement dates.
- The salary increase rate (average over a career) was changed to average 4.48% for noncovered employees, 3.56% for covered employees, and 4% for SERP eligible employees. These are averages over a full career for an employee hired at age 25 and retiring at age 61.

Summary

Changes Since the Last Valuation

■ Assumptions

- The expected return on assets for the 401(h) account and Provident Reserve was increased from 8.5% to 8.75%.
- Net per capita annual health care claims cost assumptions were updated based on 2009 claims data.
- The medical trend rates assumption was also changed to better reflect anticipated experience.

The discount rates were decreased to comply with the ASC 715 requirements that the assumptions reflect market conditions as of the measurement date and changes in the assumptions between measurement dates reflect changes in the market conditions. The other assumptions were changed to reflect emerging experience and revisions to future expectations. As required by ASC 715, the impact of all of these changes was treated as an experience item.

Other changes included retirement rates, withdrawal rates, percent married, and participation rates and were reflected in the 2010 fiscal year costs. See the Actuarial Assumptions section for details.

■ Assets

- The MetLife reserve as reported by Southern Company as of August 31, 2009 was treated as an experience gain in the retiree life plan. The amount was used to reduce company contributions and is expected to run out in 2011.

Summary

Results Summary

Primary results of the current year's ASC 715 valuation appear below. Prior year's results are shown for comparative purposes.

Fiscal Year	2009	2010
Medical Plans		
EPBO	\$ 66,451,789	\$ 68,061,293
APBO	\$ 57,904,354	\$ 58,407,845
Service Cost	\$ 1,042,948	\$ 1,072,909
Assets	\$ 13,052,702	\$ 14,092,409
Accrued Costs	\$ 32,899,468	\$ 34,680,909
Annual Cost	\$ 3,987,435	\$ 3,470,157
Personnel Counts		
Actives	1,286	1,301
Retirees and Surviving Spouses	577	595
Spouses of Retirees	<u>293</u>	<u>299</u>
Total	2,156	2,195
Life Plans		
EPBO	\$ 15,929,574	\$ 15,313,225
APBO	\$ 14,486,409	\$ 14,232,478
Service Cost	\$ 285,399 ¹	\$ 230,692
Assets	\$ 127,029	\$ 881,253 ²
Accrued Costs	\$ 16,389,904	\$ 17,124,652
Annual Cost	\$ 1,157,423 ¹	\$ 879,965
Personnel Counts		
Actives	1,286	1,301
Retirees	<u>503</u>	<u>519</u>
Total	1,789	1,820
Total		
EPBO	\$ 82,381,363	\$ 83,374,518
APBO	\$ 72,390,763	\$ 72,640,323
Service Cost	\$ 1,328,347 ¹	\$ 1,303,601
Assets	\$ 13,179,731	\$ 14,973,662
Accrued Costs	\$ 49,289,372	\$ 51,805,561
Annual Cost	\$ 5,144,858 ¹	\$ 4,350,122

¹ Reflects remeasurement as of August 31, 2009 triggered by retiree life plan change.

² Includes MetLife reserve, which will run out in 2011.

Accounting Requirements

Accounting Requirements: ASC 715 Expense/(Income)

Accounting Information under ASC 715

The following pages contain information about the Benefit Obligations and the Expense/(Income) calculated under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715.

In particular, the following pages present:

- A brief description of ASC 715 requirements (more detail appears in the section titled “Overview of ASC 715”);
- A list of ASC 715 obligations by plan and by participant category;
- A summary of assets and contributions;
- The development of market-related value of assets;
- A reconciliation of the plan’s funded status;
- The development of ASC 715 costs;
- The development of plan experience and gain/loss amortization; and
- A discussion of plan experience and gain/loss amortization.

Benefit Obligations

The Accumulated Postretirement Benefit Obligation (APBO) represents the actuarial present value of benefits based on service earned through the measurement date reflecting the effect of anticipated increases of medical claims and assumed future pay increases on ultimate benefit amounts, as applicable.

The Service Cost represents the actuarial present value of benefits that are attributed to the 2010 fiscal year, reflecting the effect of anticipated increases of medical claims and assumed future pay increases, as applicable. The Service Cost includes interest to the end of the measurement period at the ASC 715 discount rate.

ASC 715 Expense/(Income)

The Net Periodic Postretirement Benefit Expense/(Income) is the annual amount to be recognized in the income statement as the cost of postretirement welfare benefits for this plan for the period ending December 31, 2010.

Settlement/Curtailment Expense/(Income) is the amount to be recognized in the income statement as the cost of special events such as settlements, curtailments, and the provision of certain termination benefits during fiscal 2010.

Accounting Requirements: ASC 715 Expense/(Income)

ASC 715 Valuation Process

This chart illustrates the five-step valuation process described on the facing page.

STEP 1

EXPECTED BENEFITS

STEP 2

EXPECTED POSTRETIREMENT BENEFIT OBLIGATION (EPBO)	DISCOUNT
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STEP 3

ACCUMULATED POSTRETIREMENT BENEFIT OBLIGATION (APBO)	FUTURE SERVICE COST
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STEP 4

ASSETS AND RESERVES	UNRECOGNIZED PAST COSTS	FUTURE SERVICE COST
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STEP 5

INTEREST COST AND AMORTIZATION

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SERVICE COST

ASC 715 COSTS

Accounting Requirements: ASC 715 Expense/(Income)

Accounting Information Under ASC 715

The Financial Accounting Standards Board issued Statement No. 106 (Employers' Accounting for Postretirement Benefits Other Than Pensions) now known as the Accounting Standards Codification Topic 715 issued under U.S. Generally Accepted Accounting Principles in December of 1990.

The expense and disclosure portions of ASC 715 are generally effective for fiscal years beginning after December 15, 1992. The non-U.S. plans portion of Topic 715 is effective for fiscal years beginning after December 15, 1994.

Gulf Power Company adopted the expense and disclosure portions of ASC 715 for its 1993 fiscal year based on a January 1 measurement date. The Transition Obligation as of January 1, 1993 was spread over the average remaining service period (but not less than 20 years).

ASC 715 Obligation and Expense Determination—The Process

The outline below describes the process used for determining benefit obligations and expenses under ASC 715:

- (1) Postretirement benefits for each year in the future are projected for each individual participant based on the assumptions made about the future, plan provisions, and census data.
- (2) The expected benefits for each participant are discounted to the valuation date. This yields the present value of expected future benefits called the *Expected Postretirement Benefit Obligation (EPBO)*.
- (3) The present value is attributed ratably to past and future years of service for each participant. The past service cost is called the *Accumulated Postretirement Benefit Obligation (APBO)*.
- (4) The total past service cost is compared to plan assets and reserves. The difference is the unrecognized past service cost. In the first year ASC 715 is implemented, the unfunded and unreserved past service cost is called the *Transition Obligation*.
- (5) The expense consists of the current year's portion of the future service cost, called the *Service Cost*, and payment on the unfunded and unreserved past service cost. The payment is the net of interest on the past service cost, less expected return on assets, plus a principal payment on the unfunded and unreserved amount. To smooth the net ASC 715 costs, the expected asset return is often based on a *Market-Related Value of Assets* that spreads the recognition of asset (gains)/losses over a few years.

A graphic on the facing page illustrates this process.

Accounting Requirements: ASC 715 Expense/(Income)

ASC 715 Obligations, December 31, 2009

The obligations shown below are based on the personnel information and plan provisions supplied by the Company, actuarial assumptions described in later sections of this report, and the cost allocation method mandated by ASC 715.

	Retiree Medical	Retiree Life	Total
EPBO			
Actives			
Fully Eligible	\$ 8,249,528	\$ 1,772,165	\$ 10,021,693
Other	<u>30,802,220</u>	<u>3,803,749</u>	<u>34,605,969</u>
Total	\$ 39,051,748	\$ 5,575,914	\$ 44,627,662
Retirees	<u>29,009,545</u>	<u>9,737,311</u>	<u>38,746,856</u>
Total	\$ 68,061,293	\$ 15,313,225	\$ 83,374,518
APBO			
Actives			
Fully Eligible	\$ 8,249,528	\$ 1,772,165	\$ 10,021,693
Other	<u>21,148,772</u>	<u>2,723,002</u>	<u>23,871,774</u>
Total	\$ 29,398,300	\$ 4,495,167	\$ 33,893,467
Retirees	<u>29,009,545</u>	<u>9,737,311</u>	<u>38,746,856</u>
Total	\$ 58,407,845	\$ 14,232,478	\$ 72,640,323
Service Cost			
Actives			
Fully Eligible	\$ 0	\$ 0	\$ 0
Other	<u>1,072,909</u>	<u>230,692</u>	<u>1,303,601</u>
Total	\$ 1,072,909	\$ 230,692	\$ 1,303,601
Retirees	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 1,072,909	\$ 230,692	\$ 1,303,601

Accounting Requirements: ASC 715 Expense/(Income)

Assets for Fiscal 2010

The Company has established funds to pay a portion of its retiree medical and life benefits. This summary of assets was supplied by the Company.

	Retiree Medical	Retiree Life	Total
Assets, December 31, 2009			
401(h)/Provident Reserves ¹	\$ 13,635,382	\$ 53,916	\$ 13,689,298
VEBA	457,027	72,365	529,392
MetLife Reserves	<u>0</u>	<u>754,972</u>	<u>754,972</u>
Total	\$ 14,092,409	\$ 881,253	\$ 14,973,662

¹ The 401(h) account includes amounts that have been funded for future retiree medical benefits through a separate account in the pension plan. The Provident reserves are amounts reserved for certain supplemental life insurance benefits.

Accounting Requirements: ASC 715 Expense/(Income)

Development of Market-Related Value of Assets, December 31, 2009

The 401(h) and any VEBA accounts are to be valued using a smoothing method. This asset valuation method is designed to spread unexpected asset gains or losses over a period of five years. Each year, 20% of the prior five years' asset gains and losses are recognized. Effectively, the market-related value is equal to the difference between the market value and nonadmitted asset gains and losses from prior years. The market-related value is used for determining the expected return on assets component of ASC 715 costs.

	401(h) Account	VEBAs	
		Medical	Life
Asset (Gain)/Loss Calculation			
(1) Market Value, 12/31/2008	\$ 12,586,342	\$ 466,360	\$ 76,424
(2) Benefit Payments from Account	(941,098)	(39,188)	(14,355)
(3) Contributions to Account	0	39,188	14,355
(4) Expected Return on Assets	<u>1,397,301</u>	<u>28,852</u>	<u>5,967</u>
(5) Expected Market Value, 12/31/2009, (1)-(2)+(3)+(4)	\$ 13,042,545	\$ 495,212	\$ 82,391
(6) Actual Market Value, 12/31/2009	<u>13,635,382</u>	<u>457,027</u>	<u>72,365</u>
(7) Asset (Gain)/Loss During 2009, (5)-(6)	\$ (592,837)	\$ 38,185	\$ 10,026
Market-Related Value of Assets Calculation			
(1) Market Value, 12/31/2009	\$ 13,635,382	\$ 457,027	\$ 72,365
(2) Nonadmitted (Gains)/Losses			
(a) 1/1/2009 to 12/31/2009	\$ (474,270)	\$ 30,548	\$ 8,021
(b) 10/1/2007 to 12/31/2008	4,362,896	46,883	13,787
(c) 10/1/2006 to 9/30/2007	(661,201)	13,209	7,042
(d) 10/1/2005 to 9/30/2006	<u>(150,017)</u>	<u>9,333</u>	<u>3,348</u>
(e) Total	\$ 3,077,408	\$ 99,973	\$ 32,198
(3) Market-Related Value, 12/31/2009, (1)+(2e)	\$ 16,712,790	\$ 557,000	\$ 104,563

Accounting Requirements: ASC 715 Expense/(Income)

Reconciliation of Funded Status, December 31, 2009

The following reconciles the funded status of the Company's plans with amounts accrued on its financial statements. Unfunded and unaccrued amounts will generally be accrued over the average remaining service period of active participants expected to benefit from the plan.

	Retiree Medical	Retiree Life	Total
December 31, 2009			
APBO	\$ (58,407,845)	\$ (14,232,478)	\$ (72,640,323)
Plan Assets	<u>14,092,409</u>	<u>881,253</u>	<u>14,973,662</u>
Funded Status	\$ (44,315,436)	\$ (13,351,225)	\$ (57,666,661)
Unrecognized Amounts			
Transition Obligation	706,740	0	706,740
Prior Service Cost	2,745,528	(1,864,433)	881,095
(Gain)/Loss	<u>6,182,259</u>	<u>(1,908,994)</u>	<u>4,273,265</u>
Accrued Postretirement Benefit Cost	\$ (34,680,909)	\$ (17,124,652)	\$ (51,805,561)

Accounting Requirements: ASC 715 Expense/(Income)

2010 Fiscal Year Net Postretirement Benefit Cost

The following develops the net periodic postretirement benefit cost or expense for the fiscal year. This cost reflects the decision by the Company to amortize its transition obligations. In addition, the Company utilizes a smoothed market-related value of assets and a 10% gain/loss corridor in determining its net cost. As you can see, the fiscal year cost is the net of several amounts that are described elsewhere in this report. All amounts shown are annual.

	Retiree Medical	Retiree Life	Total
2010 Fiscal Year Net Postretirement Benefit Cost			
Service Cost	\$ 1,072,909	\$ 230,692	\$ 1,303,601
Interest on APBO	3,288,244	832,391	4,120,635
Expected Return on Assets	(1,470,213)	(9,700)	(1,479,913)
Amortization of Unrecognized Amounts			
Transition Obligation	257,000	0	257,000
Prior Service Cost	322,217	(136,422)	185,795
(Gain)/Loss	<u>0</u>	<u>(36,996)</u>	<u>(36,996)</u>
Net Periodic Postretirement Benefit Cost	\$ 3,470,157	\$ 879,965	\$ 4,350,122
Supplemental Data, December 31, 2009			
Market-Related Asset Value	\$ 17,269,790	\$ 158,479	\$ 17,428,269
Expected Benefit Payments	\$ 3,427,981	\$ 718,595	\$ 4,146,576
Average Remaining Service for (Gain)/Loss Amortization	14.00 Years	14.00 Years	
Amortization Schedule			
Unrecognized Transition Obligation	\$ 706,740		\$ 706,740
Amortization of Transition Obligation	\$ 257,000		\$ 257,000
Remaining Amortization Period	2.75 Years		
Unrecognized Prior Service Cost	\$ 2,745,528	\$ (1,864,433)	\$ 881,095
Amortization of Prior Service Cost	\$ 322,217	\$ (136,422)	\$ 185,795
Remaining Amortization Period	8.52 Years	13.67 Years	

Accounting Requirements: ASC 715 Expense/(Income)

Development of Gain/Loss Amortization, December 31, 2009

The actuarial gain or loss is a measure of unexpected changes in the plan's funded status. The gain/loss is found by comparing the expected funded status of the plan at year-end (based on the beginning of year actuarial assumptions) and the actual funded status at year-end before recognizing any plan changes. The total unrecognized gain/loss is the accumulation of all gains/losses since adoption of ASC 715, less any amounts included in the prior years' costs. If the total unrecognized gains/losses (adjusted for nonadmitted asset gains/losses) exceed 10% of the greater of the APBO or market-related asset values, then a portion of the excess is included in the current year's costs.

	Retiree Medical	Retiree Life	Total
Actuarial Experience Determination			
(1) Funded Status, 12/31/2008	\$ (44,851,652)	\$ (14,359,380)	\$ (59,211,032)
(2) Service Cost, 12/31/2008 to 12/31/2009	1,042,948	285,399	1,328,347
(3) Interest Cost, 12/31/2008 to 12/31/2009	3,791,423	913,685	4,705,108
(4) Expected Return, 12/31/2008 to 12/31/2009	(1,426,153)	(10,093)	(1,436,246)
(5) Contributions, 12/31/2008 to 12/31/2009	2,500,604	422,908	2,923,512
(6) Effects of Special Accounting	<u>0</u>	<u>0</u>	<u>0</u>
(7) Expected Funded Status, 12/31/2009, (1)-(2)-(3)-(4)+(5)+(6)	\$ (45,759,266)	\$ (15,125,463)	\$ (60,884,729)
(8) Impact of Amendments	0	2,416,030	2,416,030
(9) Effect of Transfers	0	0	0
(10) Actual Funded Status, 12/31/2009	<u>(44,315,436)</u>	<u>(13,351,225)</u>	<u>(57,666,662)</u>
(11) Total (Gain)/Loss, 12/31/2008 to 12/31/2009, (7)+(8)+(9)-(10)	\$ (1,443,830)	\$ 641,792	\$ (802,038)
Development of Total Unrecognized (Gains)/Losses			
(12) (Gain)/Loss Amortized ¹	294,610	(67,521)	227,089
(13) Prior Unrecognized (Gain)/Loss, 12/31/2008	7,920,699	(2,618,307)	5,302,392
(14) (Gain)/Loss Allocated to Transfers	<u>0</u>	<u>0</u>	<u>0</u>
(15) Unrecognized (Gain)/Loss, 12/31/2009, (11)-(12)+(13)-(14)	\$ 6,182,259	\$ (1,908,994)	\$ 4,273,265
Calculation of (Gain)/Loss Amortization			
(16) Nonadmitted Asset (Gains)/Losses	<u>3,177,381</u>	<u>32,198</u>	<u>3,209,579</u>
(17) Unrecognized (Gain)/Loss Subject to Amortization, (15)-(16)	\$ 3,004,878	\$ (1,941,192)	\$ 1,063,686
(18) 10% of Greater of APBO or Market-Related Asset Value	\$ 5,840,785	\$ 1,423,248	\$ 7,264,033
(19) (Gain)/Loss to be Amortized, Excess of (17) Over (18), if Any	\$ 0	\$ (517,944)	\$ (517,944)
(20) Average Remaining Service to Expected Retirement	14.00 Years	14.00 Years	
(21) (Gain)/Loss Amortization, (19)÷(20)	\$ 0	\$ (36,996)	\$ (36,996)

¹ Includes adjustments when/where necessary to compensate for rounding and to match reported (accrued)/prepaid costs.

Accounting Requirements: ASC 715 Expense/(Income)

Comments on Plan Experience

The annual valuation quantifies the differences between the plan's actual experience and anticipated experience since the last valuation. The experience is favorable if the plan's past service liabilities are lower than what would have been anticipated this year using last year's actuarial assumptions. If this is the case, an actuarial gain has occurred. If liabilities exceed the expected level, a loss has occurred as a result of unfavorable experience. Losses generally lead to increased costs; gains usually result in lower costs.

During the period between January 1, 2009 and December 31, 2009 for the retiree medical plan, the Company experienced a gain of about \$1.4 million, and for the retiree life plan, a loss of about \$0.6 million. The primary factors leading to these gains and losses are:

- **Economic Assumption Changes**—Per capita claims were adjusted to reflect the most recently available data on actual claims and premiums. The discount rate was decreased to reflect the increase in returns on high-quality, fixed-income investments. The medical trend rates assumption was also updated. Initial trend rates were adjusted and ultimate trend rates were decreased.
- **Asset Gains/Losses**—Assets were expected to yield 8.50% on 401(h) and Provident reserves accounts and a 5.0% annual return on VEBA accounts. The actual return on assets from January 1, 2009 to December 31, 2009 for retiree medical was about 15.74%, and for retiree life was about (0.59%), resulting in a net gain of about \$0.5 million.
- **Personnel and Miscellaneous Changes**—This item normally reflects changes in the overall composition and demographics of the plan population. This item also typically includes gains/losses that resulted from other events during the year being different than anticipated, and gains/losses that resulted from any data changes.

Appendix

Personnel Information

This section contains a summary of personnel data submitted and used for the measurement of cost for fiscal 2010. The benefit obligations as of the December 31, 2009 measurement date were based on projections using personnel data supplied as of the preceding January 1 supplemented by pay data as of the preceding March. Summaries of the data as of January 1, 2008 and January 1, 2009 are on the following pages.

Personnel Information

Personnel Counts by Status

The table below shows the number of retired and active participants by eligibility category.

	January 1, 2008	January 1, 2009
Retiree Medical		
Retirees and Surviving Spouses ¹		
Under Age 65	201	195
Age 65 or Older	<u>376</u>	<u>400</u>
Total	577	595
Spouses of Retirees	293	299
Actives	<u>1,286</u>	<u>1,301</u>
Total	2,156	2,195
Retiree Life		
Retirees	503	519
Actives	<u>1,286</u>	<u>1,301</u>
Total	1,789	1,820

¹ Research is ongoing to identify survivors of retirees with nongrandfathered coverage. For conservatism, all survivors have been assumed to have grandfathered coverage. It is anticipated that around 50 survivors, system wide, will be determined to have nongrandfathered coverage once the research is complete.

Personnel Information

Personnel Characteristics of Active Participants

This chart shows key demographic statistics of the active participants included in the valuation.

	January 1, 2008	January 1, 2009
Number		
Males	948	952
Females	<u>338</u>	<u>349</u>
Total	1,286	1,301
Average Present Age		
Males	45.9	45.8
Females	44.8	45.1
Total	45.6	45.6
Average Years of Vesting Service		
Males	19.2	19.1
Females	15.3	15.3
Total	18.2	18.1
Average Entry Age		
Males	26.7	26.7
Females	29.5	29.8
Total	27.4	27.5
Average Compensation¹	\$ 61,291	\$ 61,721

¹ Reflects increases in base rate of pay through March 1.

Personnel Information

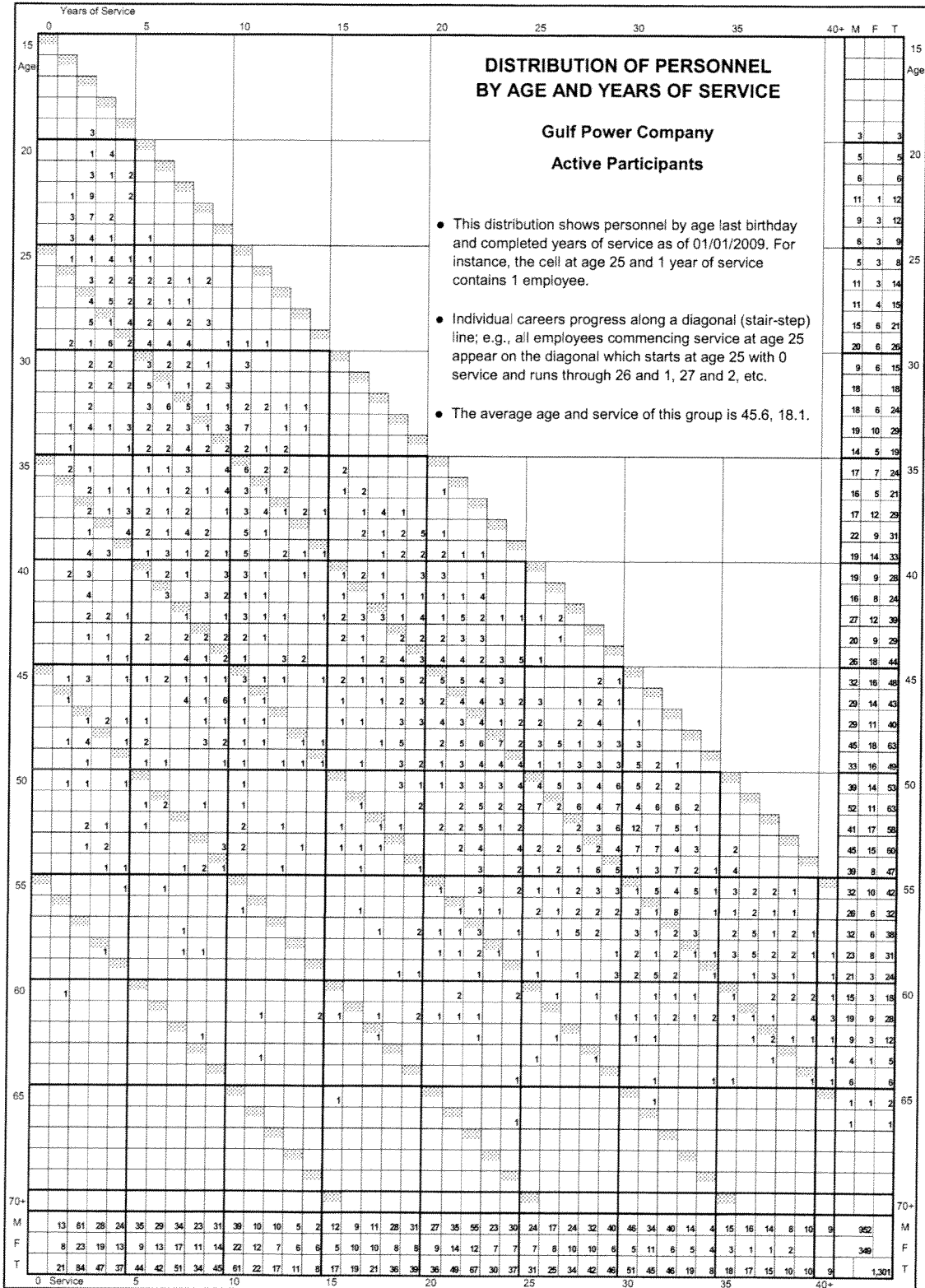
Distributions of Active and Retired Personnel

The following two charts show distributions of active participants and retired participants. The active distribution shows participants by attained age and completed years of service as of the valuation date. The retirees distribution shows participants by attained age and completed years since retirement date.

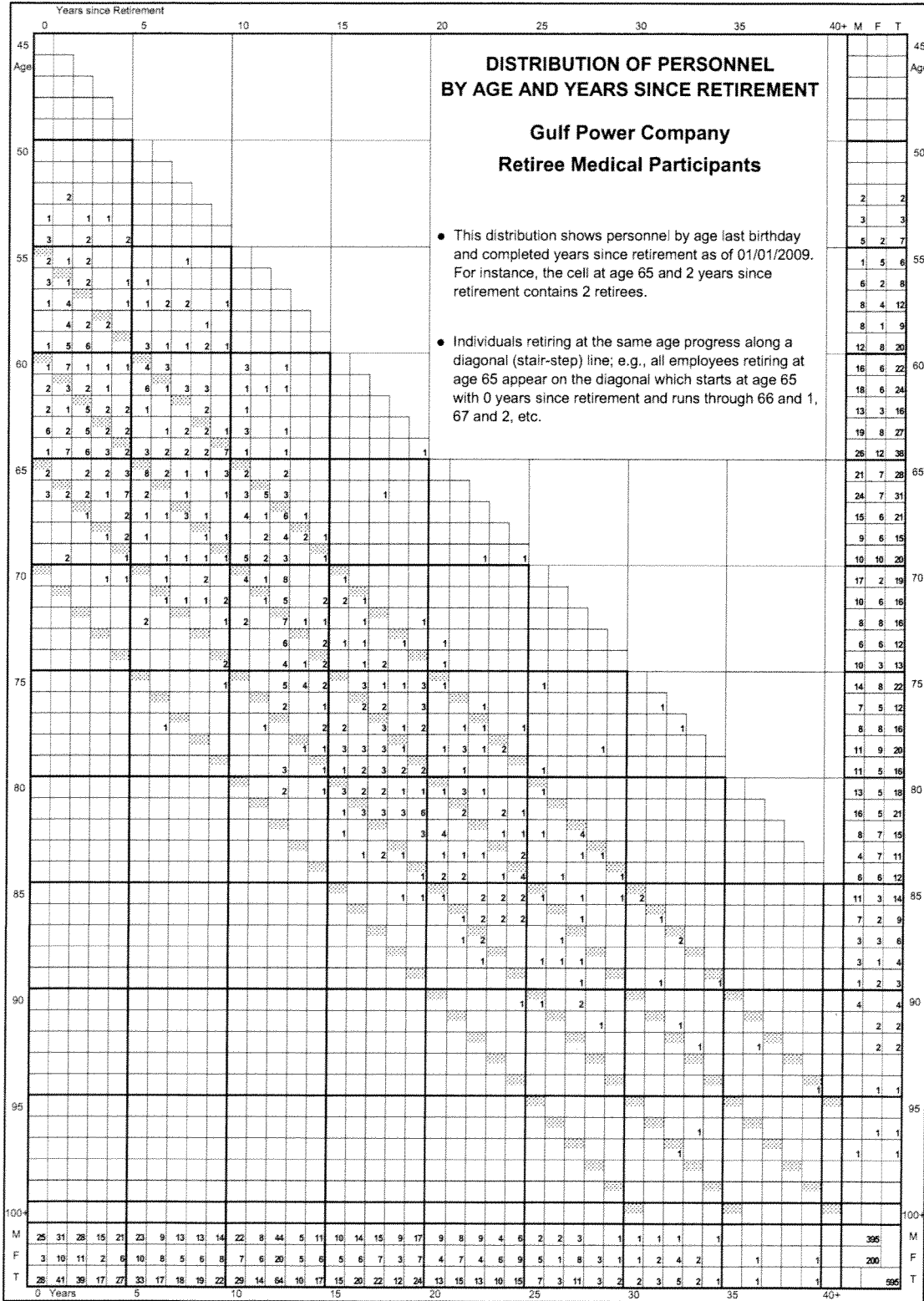
These charts may be useful in obtaining various types of information:

- The number of participants who will become eligible for early or normal retirement benefits in the next few years;
- The number of participants who continue to work past age 65;
- The age at which active participants were hired;
- The retirement ages of current retirees;
- The number of participants who will be affected by changes in plan provisions or other benefits based on eligibility requirements; and
- The distribution of participants around certain averages.

Personnel Information



Personnel Information



Plan Provisions

Postretirement Medical Plan

Eligibility	Retirement from active service.
Continuation of Benefits	Continued for life to the surviving spouse of a retiree or active eligible for retirement.
Plan	
Under 65	Multiple self-insured options—Standard PPO shown below.
Age 65 and Older	Medicare Supplement.
Deductible	
Under 65	\$250 per individual; \$750 maximum per family.
Age 65 and Older	Medicare Part B Deductible.
Coinsurance	
Under 65	Plan pays 100% after applicable copays in-network. Plan pays 60% coinsurance out-of-network.
Age 65 and Older	Plan pays remaining 20% of Medicare approved charges.
Maximum Out-of-Pocket	
Under 65	\$1,500 per individual; \$4,500 per family.
Age 65 and Older	Not applicable.
Maximum Lifetime Coverage	
Under 65	\$2,000,000
Age 65 and Older	Limited to 365 days of inpatient hospital services in benefits or 730 days if requirements met.
Outpatient Visit	
Under 65	Plan pays 100% after \$25 copay.
Age 65 and Older	Plan pays the remaining 20% of the Medicare approved amount after deductible is met.
Outpatient Surgery	
Under 65	Plan pays 100% after \$50 copay.
Age 65 and Older	Plan pays the remaining 20% of the Medicare approved amount after deductible is met.

Plan Provisions

Postretirement Medical Plan

Inpatient Hospital

Under 65

Plan pays 100% after \$200 copay per admission (Participant pays \$50 copay per day; limited to days two through six).

Age 65 and Older

Plan pays Part A deductible in full and applicable coinsurance.

Emergency Room

Under 65

Plan pays 100% after \$50 copay if not followed by admission.

Age 65 and Older

Plan pays the remaining 20% of the Medicare approved amount after deductible is met.

Prescription Drugs

Under 65

Retail: \$50 deductible applies; Participant pays 10% for generic drugs and 20% for formulary brands, and 30% for nonformulary brands (all subject to \$5 minimum copay). Mail order: Participant pays \$10 generic, \$30 formulary brands, and \$60 nonformulary brands.

Age 65 and Older

Plan covers prescription drugs up to a maximum of \$5,000 per person annually. \$50 deductible applies. Retail: Participant pays 10% coinsurance generic, 20% formulary brand, and 30% coinsurance non-formulary brand (all subject to \$5 minimum copay). Mail order: Participant pays \$10 copay generic, \$30 copay formulary brands, and \$60 copay non-formulary brands.

Retiree Contributions

Prior Plan (Grandfathered)

Monthly contributions required from current retirees follow:

Coverage Category	Monthly Contribution
Retiree Only Under 65	\$ 39.54
Retiree Under 65 Plus Spouse Under 65	\$ 298.30
Retiree Only 65 or Over	\$ 7.40
Retiree 65 or Over Plus Spouse 65 or Over	\$ 45.20
Surviving Spouse Under 65	\$ 258.76
Surviving Spouse 65 or Over	\$ 37.80

Plan Provisions

Postretirement Medical Plan

Retiree Contributions

Current Plan (Nongrandfathered)

All retirees will contribute the difference between the annual cost of coverage and the "Company's share of that cost" which equals:

$$\begin{aligned} & \text{Annual cost of coverage} \\ \times & \text{ 50\% + [1\% x years of accredited service (max 40)]} \\ = & \text{ Company's share} \end{aligned}$$

The maximum annual cost of coverage which the Company will consider in determining its share of the cost is as follows:

Category	Amount
Single	
Under 65	\$ 7,500
Over 64	\$ 2,000
Family	
Retiree & Spouse Under 65	\$ 15,000
One Under 65 & One Over 64	\$ 9,500
Retiree and Spouse Over 64	\$ 4,000

The Company's share of the annual cost will be reduced 3.6% per year for each year retirement precedes age 55.¹

However, retiree contributions will be determined pursuant to the prior plan for all current retirees who retired before 2002 but after attaining age 55² and all current employees who met these conditions as of January 1, 2002:

(1) Had at least 25 years of accredited service (and retired after attaining age 55); or

(2) Were age 55 and had at least 10 years of accredited service.

¹ Does not apply to employees who retire prior to January 1, 2006.

² The current plan contributions will not apply to anyone before 2006.

Plan Provisions

Postretirement Medical Plan

Details Related To Measurement of Anticipated Impact of 2003 Medicare Act

The cost measurements reflect the expected impact of the 2003 Medicare Act on the existing substantive plan provisions. Gulf Power Company's (GULF's) expectations are based on its current understandings of the Act and what final regulations are anticipated to allow.

- The company expects to apply for and receive the new 28% federal prescription drug ("Rx") subsidy, because the company believes its Rx benefits will be deemed actuarially equivalent to Medicare Part D benefits.¹ However, some Medicare-eligible retirees may enroll in Part D making it impossible for the company to collect the federal subsidy for their benefits. For those retirees, the company's benefits are expected to integrate² with whatever payments the Part D plans make.
- For grandfathered employees/retirees,³ the company will automatically inflate the maximum annual prescription drug benefit so that its Rx benefits will be deemed actuarially equivalent to Medicare Part D benefits for all future years.
- For nongrandfathered employees/retirees,⁴ the company expects that its Rx benefits will be deemed actuarially equivalent to Medicare Part D benefits for the next 20 years.

The following provides more details on how GULF has interpreted its grandfathered benefits in light of the Medicare Act.

Actuarial Equivalence

GULF's Rx coverages are expected to be actuarially equivalent to Part D benefits. This testing was done by a qualified group actuary familiar with GULF's Rx benefits. Each Rx coverage was tested separately and deemed actuarially equivalent if (a) equaled or exceeded (b), where (a) and (b) are:

- (a) The average, annual, anticipated claims expected to be paid by the coverages less an allocation of the contributions retirees must pay for healthcare benefits.
- (b) The average, annual, anticipated claims expected to be paid pursuant to the basic Part D benefits less the average anticipated cost of Part D benefits to retirees (\$35/month per covered individual).

¹ Rx benefits created by the 2003 Medicare Act which will be delivered by private companies.

² This integration is often referred to as the "wraparound" approach. The form of integration has been based on the methodologies (carve-out or coordination) that the companies have used historically to integrate with Medicare Parts A and B.

³ The company pays for the cost of medical and Rx benefits for the grandfathered group to the extent that cost exceeds a modest contribution these retirees pay.

⁴ The company has committed to pay a fraction of the cost of coverage up to a fixed dollar amount or cap (\$7,500, or \$2,000 if Medicare eligible).

Plan Provisions

Postretirement Medical Plan

Actuarial Equivalence

Note that only a fraction of the contributions retirees must pay for healthcare coverages were attributed to Rx benefits. That fraction was based on the relative anticipated cost of retiree medical and Rx coverages for Medicare eligible retirees. The \$5,000 annual limit on payments from GULF's Rx coverages is expected to increase when necessary to keep the plans actuarially equivalent as an operational consequence of the Medicare Act.

The Company's benefits for nongrandfathered employees are also anticipated to be actuarially equivalent to the Medicare benefit for 20 years. The pricing of coverage will reflect subsidies received for this group.

Integration with Part D Benefits

By law, GULF will not receive the 28% federal Rx benefit subsidy for those Medicare eligible retirees who enroll in a Medicare Part D plan. GULF's Rx coverages for these employees will be the same as they are for those who do not enroll in a Part D plan. However, GULF's benefits will integrate with Part D benefits using the same methodologies that have been used for years to integrate with Medicare Parts A & B.

Plan Provisions

Postretirement Life Plan

Eligibility

Retirement from active service.

Benefits

Current Plan

The benefit is determined by the following formula:

$$\begin{aligned} & \$2,000 \\ & \times \text{Years of accredited service (max 25)} \\ & = \text{Benefit} \end{aligned}$$

The benefit will be 1/2 this amount if the employee retires before age 55.¹

However, retiree benefits will be determined pursuant to the prior plan for all current retirees who retired before 2002 but after attaining age 55² and all current employees who met these conditions as of January 1, 2002:

- (1) Had at least 25 years of accredited service (and retired after attaining age 55); or
- (2) Were age 55 and had at least 10 years of accredited service.

Prior Plan

Retirements On or
After December 1, 1986

Age 65 or Older

Multiple of pay based on age.

Age	If > 49 on January 1, 1987	If < 50 on January 1, 1987
65	229%	100%
66	212%	95%
67	194%	90%
68	179%	85%
69	165%	80%
70+	75%	75%

¹ Does not apply to employees who retire prior to January 1, 2006.

² The current plan benefits will not apply to anyone before 2006.

Plan Provisions

Postretirement Life Plan

Benefits

Prior Plan

Retirements On or After
December 1, 1986

Before Age 65

Either (1) or (2):

(1) Age 65 benefit from the schedule above during the first year of retirement, reduced for each successive year of retirement reaching age 70 levels shown above upon attainment of age 70.

(2) Continued preretirement coverage to age 65:

Basic (noncontributory) \$12,500, and

Elective (contributory) 1, 2, or 3 x pay.

Reduced coverage according to above schedule after age 65.

Retirements Prior
to December 1, 1986

Age 65 or Older

Multiple of preretirement coverage based on type of coverage.

Age	Contributory	Basic	Supplemental
65	92%	92%	92%
66	85%	85%	85%
67	78%	78%	78%
68	72%	72%	72%
69	66%	66%	66%
70+	20%	\$ 1,000	30%

Plan Provisions

Postretirement Life Plan

Benefits

Prior Plan

Retirements Prior to
December 1, 1986

Before Age 65

Either (1) or (2):

- (1) Benefit reducing immediately, according to a schedule which starts at 92% of preretirement benefit in first year of retirement and reaches age 70 levels shown above upon attainment of age 70.
- (2) Continued preretirement coverage to age 65, reduced according to "Age 65 or Older" schedule after age 65.

Maximum Benefits

Effective September 1, 2009, the age 65 or older coverage for all noncovered employees who retire after January 1, 2011 will be limited to the following:

Year of Death	Maximum Coverage
2011-2013	\$ 100,000
2014-2016	\$ 50,000
2017-2019	\$ 25,000
2020+	\$ 12,500

Retiree Contributions

Coverage under the current plan is provided at Company cost. Under prior plan coverage, the continuation of preretirement coverage requires contributions of 9.9¢ per \$1,000 coverage per month. Only required if Option (2) is selected; no charge for basic coverage.

Actuarial Assumptions

The following assumptions have been reviewed and approved.

Measurement Date December 31, 2009.

Discount Rate 5.80% compounded annually for the Retiree Medical Plan.
6.00% compounded annually for the Retiree Life Plan.

Expected Long-Term Return on Assets Varies by asset type:

Asset	Annual Return
401(h)	8.75%
Provident Reserve	8.75%
Medical VEBA Account	5.00%
Life VEBA Account	5.00%

Salary Increase Rate According to rates which vary by age and/or service and average 4.48% for noncovered employees, 3.56% for covered employees, and 4.0% for SERP eligible employees over a full career. See Table A for specific rates.

Retirement Rates Vary by age:

Age	Percent Retiring	Age	Percent Retiring
50-54	0.5%	63	30.0%
55	5.0%	64	25.0%
56	5.0%	65	75.0%
57	5.0%	66	75.0%
58	7.5%	67	25.0%
59	10.0%	68	25.0%
60	12.5%	69	25.0%
61	15.0%	70	100.0%
62	45.0%		

Actuarial Assumptions

Mortality Rates

Healthy

Retired Pensioners' 2000 Combined Healthy Participant Mortality Table Fully Generational with Scale AA.

Disabled

Retired Pensioners' 2000 Combined Healthy Participant Mortality Table.

Withdrawal Rates

According to select and ultimate rates based on Company experience. See Table C for specific rates.

Disability Rates

According to rates which vary by age. See Table B for specific rates.

Market-Related Value of Assets

The market-related value of assets is equal to the difference between the market value of assets and nonadmitted asset gains and losses from prior years. Asset gain/losses are identified for each year as the difference between expected and actual asset return. Each year's asset gains and losses are recognized or admitted over a five-year period.

New Entrants

None.

Spouses of Participants

Actives

75% of males and 65% of females married at retirement; wives assumed to be two years younger than their husbands.

Retirees

Based on medical coverage codes (if dependent birth dates not provided, wives assumed to be two years younger than husbands).

Remarriage Assumption

None.

Net Per Capita Annual Health Care Claims Costs

Net per capita annual claim cost is shown by Medicare eligibility:

	Medical	Drugs
Medicare Ineligible	\$ 8,305	Included in Medical
Medicare Eligible	\$ 1,167	\$ 2,089

Net per capita annual claim levels are the average levels of total claims expected to be incurred for each covered individual in the year following the valuation date.

Projected claim levels for spouses of active employees discounted 10% to reflect coordination of benefits with other plans and lower expected claim levels.

Actuarial Assumptions

Net Per Capita Annual Health Care Claims Costs

Per capita claims were based on an averaging of prior expectations and the Company's own experience based on the actual plan elections made by retirees. All amounts were adjusted for anticipated trend.

Medical Cost Age Factors

Net per capita claims are adjusted to reflect expected increases with age as follows:

- Medicare Ineligible: 4.0% per year.
- Medicare Eligible: 3.0% per year declining 1% every five years.

Net Per Capita Annual Medical Trend Rates

The trend rate is the anticipated annual increase in the net per capita company-paid claims. The anticipated gross claims trend rates match the trend rates shown below due to substantive plan provisions:

- Medicare Ineligible: 8.50% per year in 2010, grading down to 5.25% by 2016.
- Medicare Eligible: 8.50% per year in 2010, grading down to 5.25% by 2016.
- Prescription Drugs: 8.50% per year in 2010, grading down to 5.25% by 2016 (post-65 only).

Trend rates are adjusted as necessary to reflect fixed maximums.

Retiree Medical Contributions Trend

Same rates as Company-paid medical.

Future Medical Plan Participation Rates

Future retirees/spouses are expected to participate at these levels:

	Grandfathered Retirees	Nongrandfathered Retirees
Retirees	100%	80%
Spouses	100%	75%

Actuarial Assumptions

Federal Subsidy of Rx Benefits	The annual federal subsidy of Rx benefits per Medicare-eligible individual per year is anticipated to be \$610 starting in 2009. This amount was anticipated to trend upwards after 2009 at the rates used for Rx claims.
Medicare Part D Participation Rates	5% of grandfathered retirees eligible for Medicare will be assumed to enroll in a Medicare Part D plan starting in 2009.
Impact of Wrapping Around Part D	<p>Prescription drug claims for Medicare eligible retirees were anticipated to decrease by \$1,228 in 2009 due to integration with Medicare Part D.</p> <p>This amount was anticipated to trend upwards after 2009 at the rates used for Rx claims.</p>
Expense Loads	
Retiree Medical	None explicitly.
Retiree Life	10% of current year's expected retiree life benefit payments.
Cost Allocation Method	As described in Accounting Standards Codification Topic 715. Basically, projected unit credit cost method with cost attributed to first eligibility for full benefits.
ASC 715 Compliance	ASC 715 compliance elected for fiscal year 1993. Delayed recognition of ASC 715 transitional obligation as of initial measurement date.
Attribution Period	Date of hire to date of first full eligibility based on applicable plan. See the Plan Provisions section for more details.
Plan Changes	Retiree medical and life plans expected to remain unchanged based on substantive plan (indexing, deductibles, coinsurances, maximum out-of-pocket amounts, and other forms of cost sharing assumed to be part of the substantive plan).
Personnel Data	Participant data as of January 1 prior to the measurement date supplied by the Company projected to the measurement date assuming that the actuarial assumptions correctly anticipate actual events.

Actuarial Assumptions

Table A

Salary Increases

Age	Years of Service							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 or more
Noncovered Employees								
Under 20	10.00%							
20 to 24	8.00%	7.50%						
25 to 29	7.50%	7.00%	6.50%					
30 to 34	7.00%	6.50%	6.00%	5.50%				
35 to 39	6.50%	6.00%	5.50%	5.00%	5.00%			
40 to 44	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%		
45 to 49	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%	
50 to 54	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%	2.25%
Over 55	5.00%	4.00%	3.50%	3.00%	2.25%	2.25%	2.25%	2.25%
Covered Employees								
All Ages	6.00%	5.00%	4.00%	3.00%	2.50%	2.25%	2.25%	2.25%

Table B

Disability Rates

Age	Disabilities Per 1,000 Participants
Under 40	0.85
40 to 44	1.76
45 to 49	3.80
50 to 54	6.39
55 to 59	11.60
60 to 64	15.52
65 & Over	0.00

Actuarial Assumptions

Table C

Withdrawals per 1,000 Participants

Age	Years of Service					Ultimate
	0	1	2	3	4	
20 & Under	180.0	130.5	115.0	99.0	84.5	70.0
21	176.0	130.5	115.0	99.0	82.5	66.0
22	171.0	126.9	115.0	99.0	80.0	61.0
23	166.0	122.4	111.0	99.0	77.5	56.0
24	163.0	117.9	106.0	94.6	73.8	53.0
25	159.0	115.2	101.0	89.1	69.1	49.0
26	156.0	111.6	98.0	83.6	64.8	46.0
27	152.0	108.9	94.0	80.3	61.2	42.0
28	149.0	105.3	91.0	75.9	57.5	39.0
29	146.0	102.6	87.0	72.6	54.3	36.0
30	144.0	99.9	84.0	68.2	51.1	34.0
31	141.0	98.1	81.0	64.9	48.0	31.0
32	139.0	95.4	79.0	61.6	45.3	29.0
33	137.0	93.6	76.0	59.4	43.2	27.0
34	135.0	91.8	74.0	56.1	40.6	25.0
35	133.0	90.0	72.0	53.9	38.5	23.0
36	131.0	88.2	70.0	51.7	36.4	21.0
37	129.0	86.4	68.0	49.5	34.3	19.0
38	128.0	84.6	66.0	47.3	32.7	18.0
39	126.0	83.7	64.0	45.1	30.6	16.0
40	125.0	81.9	63.0	42.9	29.0	15.0
41	123.0	81.0	61.0	41.8	27.4	14.5
42	122.0	79.2	60.0	39.6	25.8	14.0
43	121.0	78.3	58.0	38.5	24.8	13.5
44	119.5	77.4	57.0	36.3	22.9	13.0
45	118.5	76.1	56.0	35.2	21.9	12.5
46	117.5	75.2	54.5	34.1	20.8	12.0
47	116.5	74.3	53.5	32.5	19.5	11.5
48	115.5	73.4	52.5	31.4	18.5	11.0
49	115.0	72.5	51.5	30.3	17.7	10.5
50	114.0	72.0	50.5	29.2	16.6	10.5
51	113.0	71.1	50.0	28.1	15.6	10.5
52	112.5	70.2	49.0	27.5	15.0	10.5
53	111.5	69.8	48.0	26.4	14.0	10.5
54	110.0	68.9	47.5	25.3	13.2	10.5
55	110.0	67.5	46.5	24.8	12.4	10.5
56	110.0	67.5	45.0	23.7	11.9	10.5
57 & Over	110.0	67.5	45.0	22.0	11.0	10.5

Medical Claims Cost Development

Valuing Postretirement Medical Benefits

Determining a present value of promised health care benefits is made difficult because assumptions must be made about potentially volatile future health care costs. Two basic types of assumptions must be made:

- Per capita claims costs; and
- Cost trend rates.

Projections of health care costs start with the development of an anticipated cost per covered individual for the current year. Ideally, this assumed per capita claims level is derived from actual past experience. But, historical data may not be usable because of:

- Credibility of historical claims data. Historical claims experience is not a statistically adequate sample on which to base future claims experience until the number of covered lives exceeds about 1,000;
- Integrity of historical claims data. Historical data collected for purposes other than ASC 715 valuations may not be adequate to use in determining future costs due to inaccuracies or insufficient detail;
- Plan changes. Plan changes may render historical data less useful;
- Applicability of historical data. High turnover can make historical claims data a less reliable predictor of future claims; and
- Large catastrophic claims. Occasional large claims can unduly influence the experience portrayed by historical data.

When historical retiree claims data cannot be used alone, expected claims levels based on normative claims distributions and current plan design can be used. These expected claims levels are usually called "manual rates." Alternatively, active claims data can be used after adjustments to reflect the higher cost of retiree health care. Or, each approach can be weighted and combined.

Medical Claims Cost Development

Valuing Postretirement Medical Benefits

The health care cost trend rate deserves careful consideration. It affects costs significantly but, unfortunately, recent experience and possible future changes in external health care cost factors make precise predictions of each year's benefits difficult. Future increases in health care costs are affected by many factors:

- Medical inflation;
- Changes in utilization patterns;
- Technological advances;
- Cost shifting (i.e., increase in costs incurred by nonmanaged programs due to noninsured claims, changes in the Medicare payments, and increased emphasis on managed care programs);
- Cost leveraging (i.e., erosion of fixed deductibles and out-of-pocket maximums); and
- Changes to government medical programs, such as Medicare.

Medicare exerts significant control over hospital and physician costs for patients age 65 and older. This is largely a result of changes made by Medicare in 1983 to tighten its control over hospital inpatient charges, as well as more recent changes made in OBRA 1989 and OBRA 1990 that restrict and control charges for physicians' services for Medicare-eligible patients. As an aside, this further complicates projecting cost increases for pre-65 retirees (and even active plans) because of cost-shifting from Medicare's new cost-containment policies.

ASC 715 costs are also heavily influenced by demographic assumptions, including:

- Active turnover rates (How many actives will remain employed until retirement?);
- Retirement patterns (At what ages will employees retire?);
- Percent of employees with covered dependents (Will an employee cover any dependents at retirement and what will be the characteristics of the dependent(s)?); and
- Mortality rates (When will employees die?).

Overview of ASC 715

Background

In December 1990, the Financial Accounting Standards Board finalized the accounting rules for postretirement benefits other than pensions in Statement of Financial Accounting Standard No. 106 ("FAS 106"). These rules, generally effective for the first fiscal year beginning after December 15, 1992, require employers to charge the cost of postretirement benefits (most notably postretirement medical benefits) against income over the working lifetimes of employees. This is in sharp contrast to the prior practice of expensing postretirement benefit costs only when the related benefits were paid, which is after employees retire.

The FAS 106 expense calculation considers expected future medical costs, not just the cost of benefits today. It also includes an accrual for all eligible active employees, valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits.

In February 1998, the Financial Accounting Standards Board revised the disclosure requirements for postretirement benefit plans with Statement 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits." The revised rules did not affect either the measurement or recognition of benefit costs.

In September 2006, the Financial Accounting Standards Board again revised the disclosure requirements for postretirement benefit plans with Statement 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, and Amendment of FASB Statements No. 87, 88, 106, and 132(R)." The revised rules also require that the funded status of the plan be recognized in the statement of financial position. The rules did not affect the measurement of benefit costs or calculation of annual cost.

In July 2009, the Financial Accounting Standards Board introduced the FASB Accounting Standards Codification (ASC) as a single source of authoritative non-governmental U.S. Generally Acceptable Accounting Principles. Codification does not change any provisions of the underlying accounting standards but reorganizes them and changes the terminology used to reference them.

Scope of ASC 715

ASC 715-60 applies to all postretirement benefits other than pensions, including:

- Health care benefits—medical and dental,
- Life insurance outside of the pension plan, and
- Other welfare benefits—day care, legal services, housing subsidies, tuition assistance, etc.

The statement applies to any arrangement that is in substance a postretirement benefit plan. It can be written or unwritten.

Substantive Plan

The accounting for postretirement benefits is based upon the substantive plan, which is the plan as understood by the employer and employees. Generally, it is the written plan, but an employer's cost sharing policies as evidenced by past practice or communication to employees may differ from the written plan.

Overview of ASC 715

ASC 715-60 Terminology

- The **Expected Postretirement Benefit Obligation (EPBO)** is the actuarial present value of all postretirement benefits expected to be paid to each employee and his/her covered dependents in the future. The calculation considers the probability that the employee will remain with the Company until retirement, the expected retirement age, and the anticipated level of medical claims at that time.

The EPBO is not used directly in the expense calculation nor is it disclosed. It is, however, a good measure of total exposure.

- The **Accumulated Postretirement Benefit Obligation (APBO)** is the portion of the EPBO that is attributed to employee service rendered prior to the valuation date:

— For retired employees and actives who have reached their Full Eligibility Date, the APBO equals the EPBO.

— For active employees not yet eligible for full benefits, the APBO equals a pro rata portion of the EPBO based on years of service worked prior to the valuation date (but after the employee's participation date) to those expected to be worked at the Full Eligibility Date.

The APBO is used in the accounting calculations to establish the plan's funded status and to develop postretirement benefit expense.

- The **Transition Obligation** is the unfunded and unreserved portion of the APBO as of the date of initial application of the accounting standards.
- The **Prior Service Cost** is the increase or decrease in the APBO due to a plan amendment subsequent to initial application of the accounting standards.
- The **Service Cost** is one-year's pro rata share of the EPBO for current active employees. There is no Service Cost for retirees or active employees who have already met the eligibility conditions for full benefits.
- The **Discount Rate** is the interest rate selected as of the measurement date to determine the present value of future cash outflow of postretirement payments. FASB suggests that employers should look to rates of return on high-quality, fixed-income investments currently available whose cash flows match the timing and amount of expected benefit payments.
- A **Settlement** is an irrevocable action that relieves the employer (or the Plan) of primary responsibility for a postretirement benefit obligation. Making lump sum cash payments to plan participants in exchange for their rights to benefits or purchasing nonparticipating insurance contracts for some or all participants are examples of settlements.

Overview of ASC 715

ASC 715-60 Terminology

- A **Curtailment** is an event that significantly reduces the remaining service period of active plan participants or eliminates the accrual of benefits for future service for some or all active participants. A plant shutdown or benefit freeze will trigger a curtailment.
- The **Full Eligibility Date** is the date at which an employee has rendered all service necessary to receive all of the benefits expected to be received by that employee.
- The **Attribution Period** is the period to which EPBO is assigned. It begins at the employee's participation date and ends at the employee's Full Eligibility Date.

Recognition of Funded Status

FAS 158 requires that companies recognize a balance sheet asset or liability for their postretirement benefit plans that is equal to the difference between the fair value of plan assets and the benefit obligation as of the measurement date. For a postretirement benefit plan, the benefit obligation is the Accumulated Postretirement Benefit Obligation (APBO). The difference between a plan's funded status and its current (accrued)/prepaid position will be recognized, **net of tax**, as a component of Accumulated Other Comprehensive Income (AOCI).

This requirement is generally effective for fiscal years ending after December 15, 2006.

Statement of Financial Position Classification

For balance sheet presentation, all overfunded plans will be aggregated and recognized as an asset. Similarly, all underfunded plans will be aggregated and recognized as a liability.

If a company presents a classified statement of financial position, the current and noncurrent portions of an asset or liability will be reported separately, in accordance with existing standards. The asset for overfunded plans is always classified as noncurrent. For underfunded plans, the current portion of the liability will be determined on a plan-by-plan basis, and will equal the excess (if any) of: (1) the present value of benefits included in the benefit obligation that are expected to be paid in the next twelve months (or operating cycle, if longer); over (2) the fair value of plan assets.

Overview of ASC 715

Components of Expense

The components of expense ("net periodic postretirement benefit cost" using ASC 715-60 terminology) are:

- The **Service Cost** is the portion of the EPBO attributed to employee service during the fiscal period (again, attributing costs to full eligibility instead of over the whole service period).
- The **Interest Cost** accounts for the increase in the APBO due to the passage of time. It is calculated as interest on the APBO, less interest on expected benefit payments.
- The **Expected Return on Plan Assets** accounts for the expected earnings on certain plan assets set aside to provide benefits under these plans.
- The **Transition Obligation** is amortized on a straight-line basis over the average remaining service period of active plan participants, or 20 years if greater. Alternatively, an employer can choose to recognize the transition obligation immediately in the net income of the compliance year as the effect of a change in accounting principle. Note that a single method of transition must be used for all postretirement plans. Also, any phase-in recognition may not be less than pay-as-you-go accounting.
- The **Prior Service Cost**, if any, is generally amortized over the remaining service to full eligibility of each plan participant active on the date of the amendment.
- Any **Gain or Loss** exceeding 10% of the APBO (or, alternatively, the entire gain or loss) is subject to amortization. The minimum amortization is the excess divided by the average remaining service period of active plan participants.
- The effect of a temporary deviation from the Substantive Plan to increase or decrease the employer's share of the benefit costs is recognized immediately as a loss or gain.
- The amount of gain or loss recognized due to **Settlement or Curtailment**.

Using the components above, the annual expense under ASC 715 equals:

- Service Cost; plus
- Interest Cost; minus
- Expected Return on Plan Assets, if any; plus
- Amortization of Transition Obligation, if any; plus
- Amortization of Prior Service Cost, if any; plus
- Required Amortization of (Gains) or Losses; plus
- Immediate Recognition of a Loss or (Gain) caused by deviation from the Substantive Plan; plus
- Gain or Loss recognized due to a Settlement or Curtailment

Overview of ASC 715

Disclosures

The disclosures required by ASC 715, as changed by FAS 132(R) and FAS 158, include:

- Reconciliation of changes in the APBO and reconciliation of changes in fair value of assets.
- The plan's funded status, and the amounts recognized in the statement of financial position, showing separately the assets and current/noncurrent liabilities recognized.
- Information about plan assets (for a funded plan), including the value of plan assets in each major asset category, a description of investment strategies and target asset allocations (if used), and a description of the basis for determining the expected long-term rate of return on assets assumption.
- Projected benefit payments and projected retiree drug subsidy receipts for each of the next five fiscal years and the total aggregate amount for the subsequent five fiscal years.
- The employer's best estimate, as soon as it can reasonably be determined, of total contributions to be paid to the plan for the next fiscal year.
- Components of expense, including settlement and curtailment amounts.
- The gain/loss and prior service cost/credits recognized in Other Comprehensive Income for the period, and any amounts reclassified as components of expense.
- The amounts in Accumulated Other Comprehensive Income that have not yet been recognized as components of expense.
- Economic assumptions, including assumed health care cost trend rate, used to develop costs and disclosures.
- The effect of a one percentage point increase and the effect of a one percentage point decrease in the assumed health care cost trend rate on (i) the aggregate of the service and interest cost components of expense, and (ii) APBO.
- The amounts in Accumulated Other Comprehensive Income expected to be recognized as components of expense for the next year.
- Cost and description of special termination benefits.
- Interim disclosure of the components of net periodic postretirement benefit cost.
- Interim period updates of contributions paid and expected to be paid during the current fiscal year, if that expectation has changed significantly from the previous annual or interim period disclosure.

Actuarial Report Gulf Power Company

The Southern Company Pension Plan
For 2010 Fiscal Year



Preparation of this Actuarial Valuation

For 2010 Fiscal Year

The Southern Company Pension Plan Gulf Power Company—Allocable Portion

This report has been prepared to present to management the financial accounting and reporting requirements allocable to Gulf Power Company ("GULF") for the 2010 fiscal year for pension benefits under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715. This cost is a portion of The Southern Company Pension Plan's total cost. GULF's cost is based on the benefit obligations of its employees and assets in its separately maintained account within The Southern Company Pension Plan trust. In addition, this material describes how well funded GULF's benefit obligations are and GULF's anticipated funding responsibilities for the 2010 plan year. Determinations for purposes other than financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate. The results as of other dates may also be significantly different from the results shown in this report, and the scope of this report does not include an analysis of the potential range of results as of other dates.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Company as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonability. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results. This information along with any adjustments or modifications is summarized in various sections of this report. In calculating 2010 pension expense, we have measured liabilities as of December 31, 2009. In calculating projected year-end disclosure results, we have measured liabilities as of December 31, 2009. Except as specifically noted elsewhere in this report, these projected results do not reflect changes in assumptions and other significant events between January 1, 2009 and the December 31, 2009 year-end measurement date.

- This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the requirements of ASC 715. The information in this report is not intended to supersede or supplant the advice and interpretations of the Company's auditors.
- The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions section of this report. The Company selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 715. Hewitt Associates provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by ASC 715. While the method used to value assets is prescribed by the Company, Hewitt Associates provided guidance with respect to the use of this method, and it is our belief that the method is appropriate for financial accounting purposes.

Preparation of this Actuarial Valuation

The undersigned are familiar with the near-term and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions herein. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no associate of Hewitt Associates providing services to the Company has any direct financial interest or indirect material interest in the Company. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for the Company.

Hewitt Associates LLC



Scott C. Twery
Fellow of the Society of Actuaries
Enrolled Actuary



Joy L. Ferguson
Associate of the Society of Actuaries
Enrolled Actuary

March 2011

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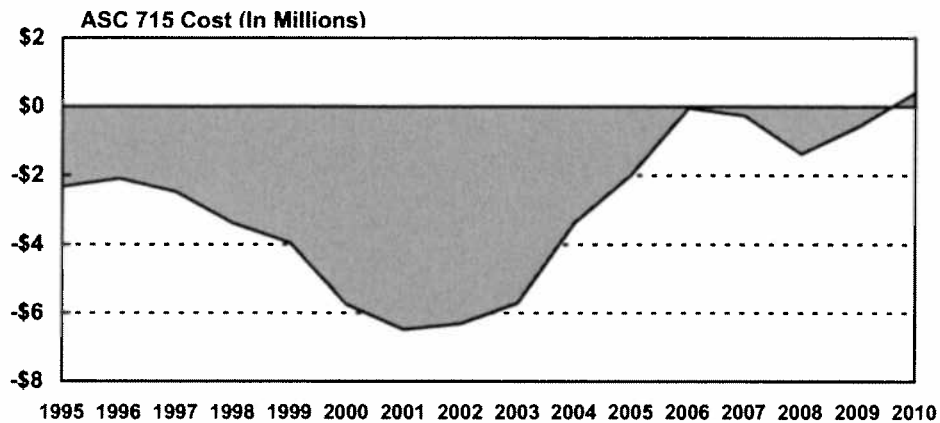
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Summary

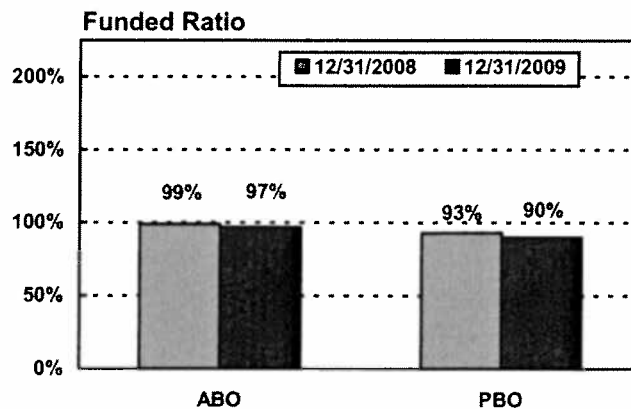
Summary

Overview of Results

GULF's ASC 715 (formerly known as FAS 87) cost for fiscal 2010 is \$416,453. No contribution is expected to be required for 2010. The chart below shows the trend in ASC 715 costs since 1995. The changes in costs over this period have been attributable to a variety of factors; however, much of the change can be attributed to plan experience that differed from expectations.



The comparison of the assets in GULF's account within The Southern Company Pension Plan's trust to key measures of GULF's current benefit obligations is favorable. The chart below shows the ratio of the Company's assets' market value to two measures of benefit obligations for its current and former employees. Ratios are shown as of the cost measurement dates for 2009 and 2010. The accumulated benefit obligation (ABO) represents benefit obligations based on employees' current pays and current service levels; the projected benefit obligation (PBO) represents obligations based on the same service levels but with projected pays.



Summary

Changes Since 2009

In general, the 2010 fiscal year costs are based on the same plan provisions and actuarial basis used to determine 2009 costs.

However, the following changes were recognized as of the December 31, 2009 measurement date.

■ Two plan changes were recognized in this valuation due to indexing of the pay and benefit limits.

— The IRC Section 415 benefit limit increased to \$195,000 from \$185,000.

— The IRC Section 401(a)(17) pay limit increased to \$245,000 from \$230,000.

These automatic increases in the limits were previously anticipated, so their impact has been treated as an experience item.

■ The following assumptions have been changed.

— The discount rate was decreased to 5.95% from 6.75%.

— The salary increase rate (average over career for average employees) was changed to average 4.48% for non-covered employees, 3.56% for covered employees, and 4.00% for SERP eligible employees.

— The expected return on assets was increased to 8.75% from 8.50%.

— Withdrawal rates, retirement rates, percent married, and optional forms of payment assumptions were updated to better reflect anticipated experience.

The discount rate was lowered to comply with the ASC 715 requirements that the assumptions reflect market conditions as of the measurement date and changes in the assumptions between measurement dates reflect changes in the market conditions. The salary increase rate was updated to remain consistent with the discount rate and reflect emerging and expected future experience with respect to Southern's pay practices. As required by ASC 715, the impact of all of these changes was treated as an experience item.

No other changes were reflected in the 2010 fiscal year costs.

Summary

Significant results of the 2010 valuation are shown below. Comparable results of the 2009 valuation are also shown.

	2009	2010
Benefit Obligations		
Projected Benefit Obligation	\$ 247,879,115	\$ 283,855,418
Accumulated Benefit Obligation	\$ 231,299,859	\$ 261,706,252
Vested Benefit Obligation	\$ 226,616,365	\$ 259,203,339
Service Cost	\$ 6,257,766	\$ 7,580,218
<i>As % of Covered Payroll</i>	7.92%	9.41%
Asset Values		
Market	\$ 229,406,957	\$ 254,058,825
Market Related	\$ 306,764,801	\$ 306,776,609
Pending Asset Transfer	\$ 0	\$ 0
Contributions and Costs		
Allocated Contribution	\$ 0	\$ 0
Pension Cost	\$ (581,094)	\$ 416,453
<i>As % of Covered Payroll</i>	(0.74%)	0.52%
Participant Counts and Payroll		
Retirees and Beneficiaries	733	753
Terminated Vested	279	291
Surviving Spouses—Deferred	3	3
Actives	<u>1,291</u>	<u>1,306</u>
Total	2,306	2,353
Total Covered Payroll	\$ 79,015,926	\$ 80,532,259

Funding Requirements

Funding Requirements

At the end of the 1996 plan year, the Company's pension plan was merged with other pension plans sponsored by the Southern Company to form The Southern Company Pension Plan. Due to the consolidation, funding requirements will be determined for The Southern Company Pension Plan in total. The total plan requirement will then be allocated to the component plans that were merged on a consistent basis.

For 2010, the actuarial valuation for the entire consolidated plan is expected to indicate that total plan assets exceed a number of critical measures of aggregate benefit liabilities. As a result, the consolidated plan is expected to be considered *fully funded*. **Therefore, the funding requirement allocable to GULF for 2010 should be \$0.**

Accounting Requirements

Accounting Requirements: ASC 715 Expense/(Income)

Accounting Information under ASC 715

The following pages contain information about the Benefit Obligations and the Expense/(Income) calculated under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 715.

In particular, the following pages present:

- Benefit Obligations as of the Measurement Date;
- Reconciliation of Funded Status;
- Pension Cost;
- Plan Experience During Prior Plan Year;
- Amortizable Gain or Loss;
- Market-Related Value of Assets; and
- Unrecognized Prior Service Cost.

Benefit Obligations

The Accumulated Benefit Obligation (ABO) represents the actuarial present value of benefits based on service and pay earned as of the measurement date. The Projected Benefit Obligation (PBO) represents the actuarial present value of benefits based on service earned through the measurement date reflecting the effect of assumed future pay increases on ultimate benefit amounts.

The Service Cost represents the actuarial present value of benefits that are attributed to the 2010 fiscal year, reflecting the effect of assumed future pay increases. The Service Cost includes interest to the end of the measurement period at the ASC 715 discount rate.

ASC 715 Expense/(Income)

The Net Periodic Pension Expense/(Income) is the annual amount to be recognized in the income statement as the cost of pension benefits for this plan for the period ending December 31, 2010.

Settlement/Curtailment Expense/(Income) is the amount to be recognized in the income statement as the cost of special events such as settlements, curtailments, and the provision of certain termination benefits during fiscal 2010.

Accounting Requirements: ASC 715 Expense/(Income)

Benefit Obligations as of the Measurement Date for Fiscal 2010 (December 31, 2009)

The obligations shown below are based on personnel information and plan provisions supplied by the Company and actuarial assumptions as described in the Actuarial Assumptions section of the report. Obligations have been allocated to plan participants' years of service based on the method mandated by ASC 715. Assets were reported by the Company and are discussed more in the following pages.

	Vested Benefit Obligation	Accumulated Benefit Obligation	Projected Benefit Obligation
Retirees and Beneficiaries	\$ 106,140,124	\$ 106,140,124	\$ 106,140,124
Terminated Vested	10,680,356	10,680,356	10,680,356
Actives	<u>142,382,859</u>	<u>144,885,772</u>	<u>167,034,938</u>
Total	\$ 259,203,339	\$ 261,706,252	\$ 283,855,418
<i>Net Assets</i>	98.02%	97.08%	89.50%
<i>As a % of Total Obligations</i>			

Accounting Requirements: ASC 715 Expense/(Income)

Reconciliation of Funded Status

This schedule reconciles the funded status of the plan with amounts already accrued by the Company as of the current and prior measurement dates. The difference between the funded status and the prepaid/accrued pension cost represents amounts to be recognized in future periods as amortization payments.

A reconciliation of funded status is shown as of the current year's measurement date and at the prior year's measurement date.

	Fiscal 2009 (December 31, 2008)	Fiscal 2010 (December 31, 2009)
Projected Benefit Obligation	\$ (247,879,115)	\$ (283,855,418)
Pending Asset Transfer	0	0
Market Value of Assets	<u>229,406,957</u>	<u>254,058,825</u>
Funded Status	\$ (18,472,158)	\$ (29,796,593)
Unrecognized Amounts		
■ Transition Liability/(Asset)	0	0
■ Prior Service Cost	8,406,721	7,186,593
■ (Gain)/Loss	58,476,009	71,601,666
Fourth Quarter Cashflows	<u>0</u>	<u>0</u>
Prepaid/(Accrued) Pension Cost	\$ 48,410,572	\$ 48,991,666

Accounting Requirements: ASC 715 Expense/(Income)

Pension Cost

The development of the pension cost for the fiscal year consists of payments for benefit accruals (service cost), interest on the current projected benefit obligation (interest cost), expected return on assets, and amortizations of unrecognized amounts.

	Fiscal 2009 Cost	Fiscal 2010 Cost
Service Cost	\$ 6,257,766	\$ 7,580,218
Interest Cost	16,298,636	16,488,429
Expected Return on Assets	(24,357,624)	(24,695,548)
Amortization of Unrecognized Amounts		
■ Transition Liability/(Asset)	0	0
■ Prior Service Cost	1,220,128	1,043,354
■ (Gain)/Loss	<u>0</u>	<u>0</u>
Total Pension Cost	\$ (581,094)	\$ 416,453
<i>As % of Covered Payroll</i>	<i>(0.74%)</i>	<i>0.52%</i>
Supplemental Data and Expected Values		
■ Market-Related Value of Assets	\$ 306,764,801	\$ 306,776,609
■ Annual Benefit Payments	\$ 12,835,674	\$ 13,477,927
■ Average Remaining Service	13 Years	13 Years
■ Contributions	\$ 0	\$ 0
■ Annual Trust Expense	\$ 1,124,094	\$ 1,492,451

Accounting Requirements: ASC 715 Expense/(Income)

Plan Experience

During the current valuation, actual experience during the prior fiscal year is compared to anticipated experience. This comparison identifies experience gains or losses. These are measured as the difference between the expected funded position of the plan at year-end (based on the beginning of year actuarial assumptions and adjusted for plan changes) and the actual funded position of the plan at year-end.

	January 1, 2009 to December 31, 2009
(1) Funded Status, As of Last Measurement Date	\$ (18,472,158)
(2) Service Cost for Period	(6,257,766)
(3) Interest Cost for Period	(16,298,636)
(4) Expected Return for Period	24,357,624
(5) Contributions During Period	0
(6) Impact of Plan Amendment	<u>0</u>
(7) Expected Funded Status, As of Current Measurement Date, (1)+(2)+(3)+(4)+(5)+(6)	\$ (16,670,936)
(8) Actual Funded Status, At Current Measurement Date	<u>(29,796,593)</u>
(9) Experience (Gain)/Loss, (7)-(8)	\$ 13,125,657

Accounting Requirements: ASC 715 Expense/(Income)

Plan Experience

The table below reconciles funded status and pension costs at the last measurement date with the corresponding figures at the current measurement date. Descriptions of each item of change appear on the following pages along with some quantitative analysis of experience items.

	Funded Status
Levels as of Measurement Date for Fiscal 2009	\$ (18,472,158)
Effects of:	
■ Expected Plan Experience	\$ (4,762,096)
■ Actuarial (Losses)/Gains	
— Obligation Experience ¹	\$ (26,255,575)
— Asset Experience	<u>19,693,236</u>
— Total	\$ (6,562,339)
■ Plan Changes	<u>0</u>
■ Total Change	\$ (11,324,435)
Levels as of Measurement Date for Fiscal 2010	\$ (29,796,593)

¹ Includes assumption changes, personnel changes, and other miscellaneous items.

Accounting Requirements: ASC 715 Expense/(Income)

Plan Experience

Expected Plan Experience

PBO is expected to increase with Service Cost and Interest Cost, less benefit payments. Assets are expected to grow with contributions and expected return on assets, less benefit payments. The Service Cost is expected to grow with interest.

Gains and Losses

Assumption Changes

The discount rate was decreased to 5.95% from 6.75%. The salary increase rate (average over a career for an average employee) was changed to average 4.48% for non-covered employees, 3.56% for covered employees, and 4.00% for SERP eligible employees.

Personnel Changes and Miscellaneous

Gains and losses may be caused by withdrawals, deaths, retirements, and new entrants as well as any data changes which are different than expected.

Asset Experience

The market value of assets earned 17.07% for the period from January 1, 2009 through December 31, 2009 versus the long-term rate of return of 8.75%. This item includes the effect of trust expenses different from expected. See a later page for more details.

Limit Changes

Neither the IRC §401(a)(17) recognizable pay limit nor the IRC §415 defined benefit plan maximum annual benefit increased as expected. Since changes in these limits are anticipated, the difference between the actual and expected limits has been treated as an experience item.

Plan Changes

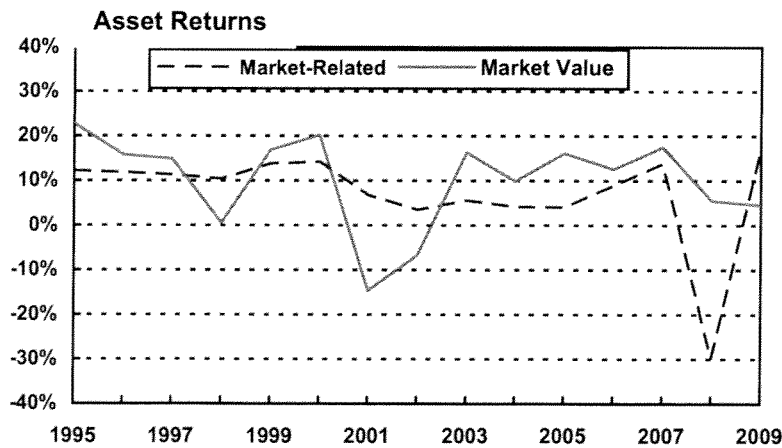
None.

Accounting Requirements: ASC 715 Expense/(Income)

Asset Experience

Historical asset returns are shown below for several periods. The 2009 expected long-term rate of return was 8.75% compounded annually reduced by the anticipated trust expenses.

Year	Return on Market Value	Return on Market-Related Value
2009	17.07%	4.48%
2008 ¹	-29.85%	5.52%
2007	17.50%	13.74%
2006	12.56%	8.87%
2005	16.10%	4.04%
2004	9.89%	4.14%
2003	16.29%	5.59%
2002	-6.77%	3.44%
2001	-14.62%	6.76%
2000	20.21%	14.26%
1999	16.86%	13.85%
1998	0.59%	10.45%
1997	14.88%	11.32%
1996	15.74%	11.86%
1995	22.75%	12.20%
15-Year Average	7.50%	8.63%



¹ Returns for the 15-month period October 1, 2007 thru December 31, 2008.

Accounting Requirements: ASC 715 Expense/(Income)

Development of (Gain)/Loss Amortization

Only gains and losses in excess of a corridor limit are subject to amortization. The corridor is 10% of the greater of:

- Market-Related Value of Assets (MRV); or
- Projected Benefit Obligation (PBO).

Only asset gains or losses which have been incurred and admitted into the market-related value of assets are subject to amortization. Gains and losses outside of the corridor, if any, are amortized over the average remaining service period of employees expected to receive benefits from the plan.

	Fiscal 2010
(1) Unrecognized Net (Gain)/Loss	\$ 71,601,666
(2) Nonadmitted Asset (Gain)/Loss	<u>52,717,784</u>
(3) (Gain)/Loss Subject to Corridor, (1)-(2)	\$ 18,883,882
(4) Corridor, 10% of Greater of PBO or MRV	
(a) PBO	283,855,418
(b) MRV	306,776,609
(c) Pending Asset Transfer	<u>0</u>
(d) Corridor, 10% of Max [(a) or (b)+(c)]	30,677,661
(5) (Gain)/Loss to be Amortized, Excess of (3) over (4d), If Any	\$ 0
(6) Average Remaining Service Period	13 Years
(7) (Gain)/Loss Amortization, (5)÷(6)	\$ 0

Accounting Requirements: ASC 715 Expense/(Income)

Market-Related Value of Assets for Fiscal 2010

For the FAS 87 pension cost valuation, a market-related value of assets is designed to dampen the effect of market value swings by spreading unexpected asset gains or losses over a period of five years. In general, each year, 20% of the prior five years' asset gains and losses are recognized. The market-related value is equal to the difference between the market value and nonadmitted asset gains and losses from prior years.

	Fiscal 2010 (December 31, 2009)
Development of Asset (Gain)/Loss from January 1, 2009 to December 31, 2009	
(1) Market Value of Assets, At Last Measurement Date	\$ 229,406,957
(2) Net Transfers During Prior Period	(1,256,769)
(3) Actual Benefit Payments During Prior Period	12,188,411
(4) Contributions During Prior Period	0
(5) Expected Return on Assets During Prior Period	<u>24,357,624</u>
(6) Expected Market Value, At Current Measurement Date, (1)+(2)-(3)+(4)+(5)	\$ 240,319,401
(7) Actual Market Value	<u>254,058,825</u>
(8) Asset (Gain)/Loss During Prior Period, (6)-(7)	\$ (13,739,424)
Development of Market-Related Value of Assets	
(1) Market Value of Assets	\$ 254,058,825
(2) Nonadmitted (Gains)/Losses	
(a) 10/01/2004 to 09/30/2005	\$ 0
(b) 10/01/2005 to 09/30/2006	(2,742,709)
(c) 10/01/2006 to 09/30/2007	(12,155,605)
(d) 10/01/2007 to 12/31/2008	78,607,637
(e) 01/01/2009 to 12/31/2009	<u>(10,991,539)</u>
(f) Total	<u>52,717,784</u>
(3) Market-Related Value, (1)+(2f)	\$ 306,776,609

Accounting Requirements: ASC 715 Expense/(Income)

Development of Unrecognized Prior Service Cost

Increases in the projected benefit obligation (PBO) attributable to plan amendments are amortized over the remaining service period of employees benefiting under the Plan. Prior service costs that are being amortized are shown below.

Date Established	Original Amounts to be Amortized ¹	Remaining Amortization Period	Remaining Amounts to be Amortized	Annual Amortization Amount
06/01/1991	\$ 3,391,107	0.1667 Years	29,752	29,752
07/01/1996	\$ 3,309,817	3.25 Years	632,759	194,695
01/01/2001	\$ 7,112,167	7 Years	3,111,577	444,510
09/30/2002	\$ 4,115,395	7.75 Years	2,126,285	274,360
09/30/2005	\$ 1,269,632	9.75 Years	884,208	90,688
09/30/2006	\$ 523,548	10.75 Years	<u>402,012</u>	<u>9,349</u>
			\$ 7,186,593	\$ 1,043,354

¹ Reflects spin-off of prior service cost to SNC on January 1, 1991 and January 1, 1992, COMM on January 1, 1995, and SCS on January 1, 1996.

Appendix

Personnel Information

This section contains a summary of personnel data submitted and used for the measurement of cost for fiscal 2010. Benefit obligations as of the December 31 measurement date are based on projections using personnel data supplied as of the preceding January 1 complemented with pay data which includes the preceding March updates. See the actuarial assumptions and methods section for more details. The information is organized to be useful for a variety of purposes:

- Averages of age, service, and pay provide quick comparisons of the differences from year to year in the employee group.
- Detailed information on active personnel by age and service isolates the number of employees eligible for specific employee benefits. For example, if employees with fifteen or more years of service are to receive additional vacation, this distribution indicates the number of employees currently eligible for additional vacation and the number potentially becoming eligible for additional vacation in each of the next several years.
- Information on pay by age in successive years may be useful in analyzing compensation trends.

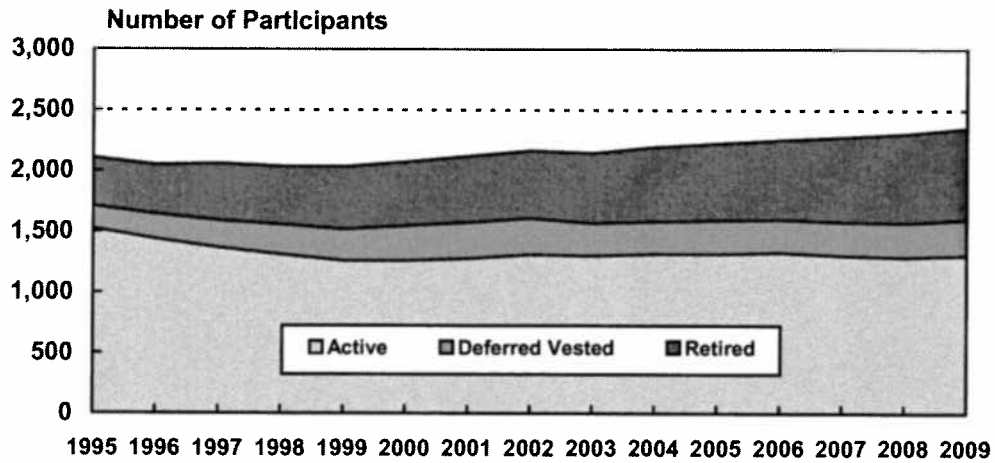
Personnel Information

	For Fiscal 2009 (As of January 1, 2008)	For Fiscal 2010 (As of January 1, 2009)
Active Participants		
Number		
Male	918	926
Female	<u>327</u>	<u>338</u>
Total	1,245	1,264
Average Age		
Male	45.6	45.5
Female	44.7	44.9
Total	45.4	45.4
Average Service		
Male	18.9	18.8
Female	15.3	15.2
Total	17.9	17.8
Average Age at Hire		
Male	26.7	26.7
Female	29.4	29.7
Total	27.5	27.6
Average Pay	\$ 61,745	\$ 62,017
Participants On Leave or Disabled		
Accruing Service	41	37
Not Accruing Service	5	5
Inactive Participants		
Retirees and Beneficiaries		
Number	733	753
Average Monthly Benefit	\$ 1,314	\$ 1,306
Terminated Vesteds		
Number	279	291
Average Monthly Benefit	\$ 562	\$ 567
Surviving Spouses—Deferred		
Number	3	3
Average Monthly Benefit	\$ 250	\$ 250

Personnel Information

Personnel History

The graph below shows the number of pension participants from 1995 to the current census collection date.



The table below shows the average age and service of active pension participants from 1995 to the current census collection date. Participants on leave or disabled are excluded from the averages.

Year	Average Age	Average Service
1995	41.4	15.1
1996	42.3	16.0
1997	42.4	16.3
1998	42.9	17.0
1999	43.4	17.4
2000	43.5	17.3
2001	43.7	17.4
2002	44.1	17.6
2003	44.7	18.0
2004	44.6	17.7
2005	44.6	17.8
2006	45.1	18.2
2007	45.3	18.1
2008	45.4	17.9
2009	45.4	17.8

Personnel Information

Distribution of Personnel

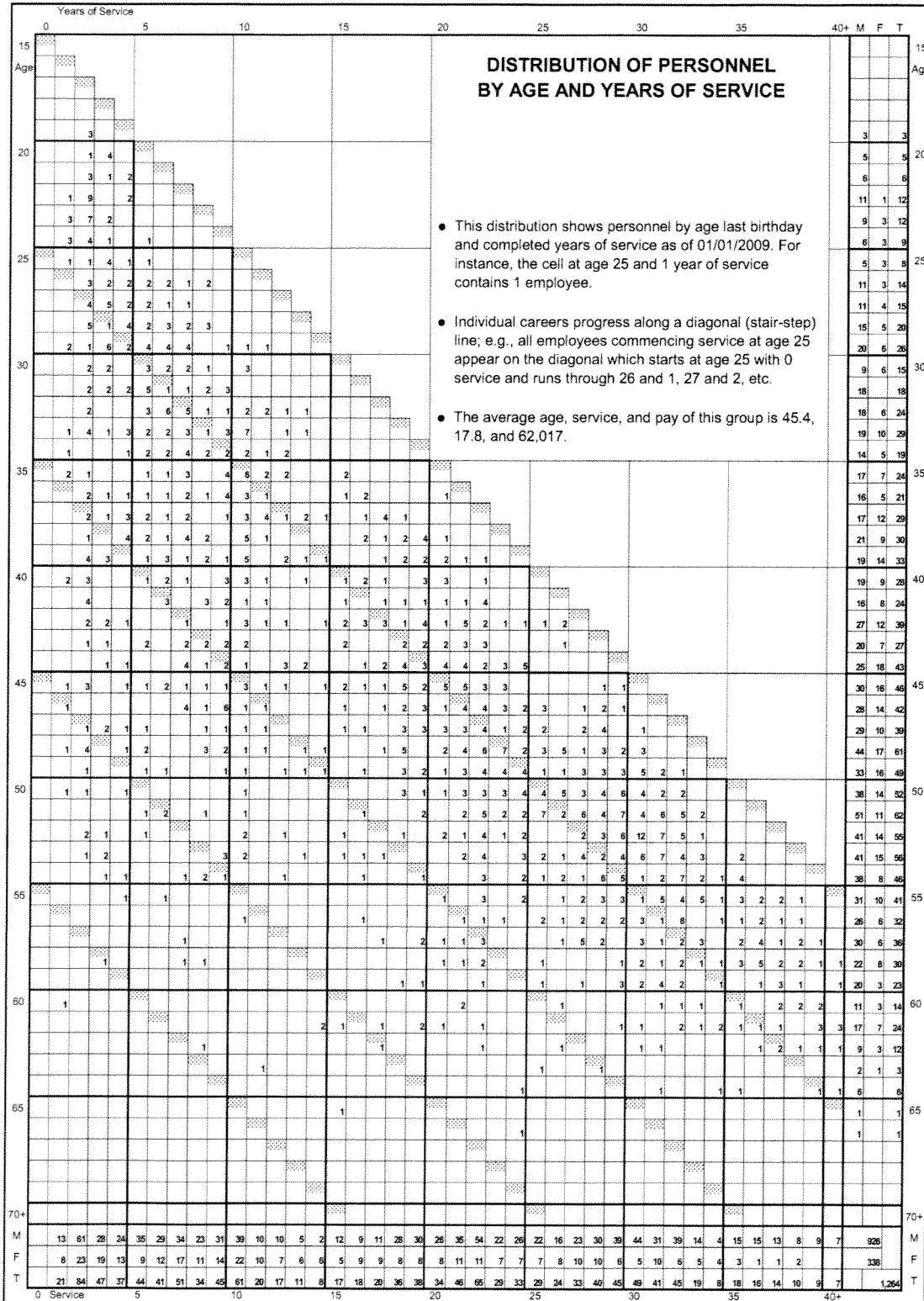
The following chart shows the distribution of active participants presented by age last birthday and completed years of service on the valuation date. All participants hired at the same age lie along the same diagonal line.

This chart may be useful in obtaining various types of information:

- The number of participants who will become eligible for early or normal retirement benefits in the next few years;
- The number of participants who continue to work past age 65;
- The number of participants who will meet the vesting requirements in the next few years;
- The number of participants who will be affected by changes in plan provisions or other benefits based on eligibility requirements;
- The ages at which participants were hired during the past year; and
- The distribution of participants by age and service around median age and median service.

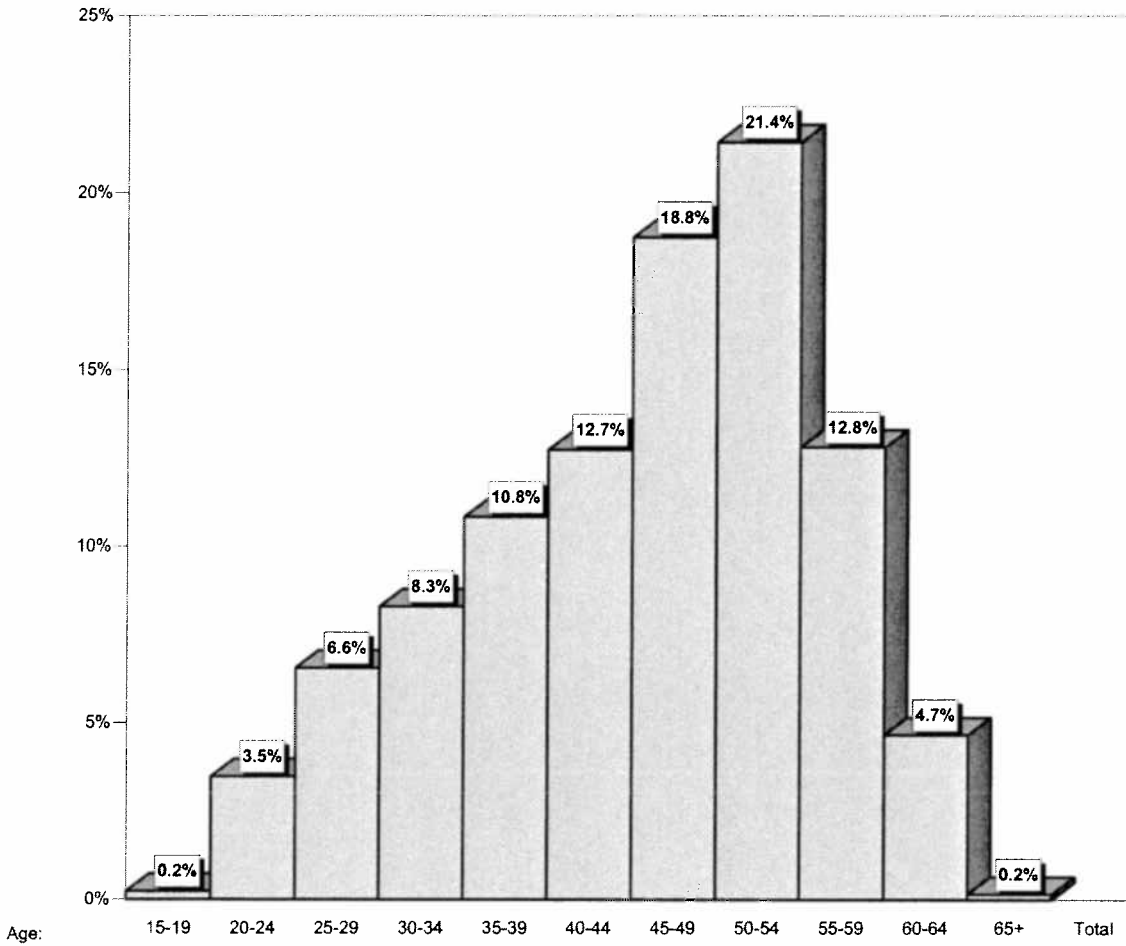
Supplementing the age/service distribution are three graphs. The first shows the percentage of active employees in each of several 5-year age classifications and the second shows the percentage of active participants age 55 and over by expected service at age 65. This second chart is useful in determining the level of retirement benefits. The chart will also determine the proportion of the participants approaching retirement who are considered "full career" employees. The last graph contains a tracking of average pay by age over the last three years.

Personnel Information



Personnel Information

Distribution of Personnel by Age

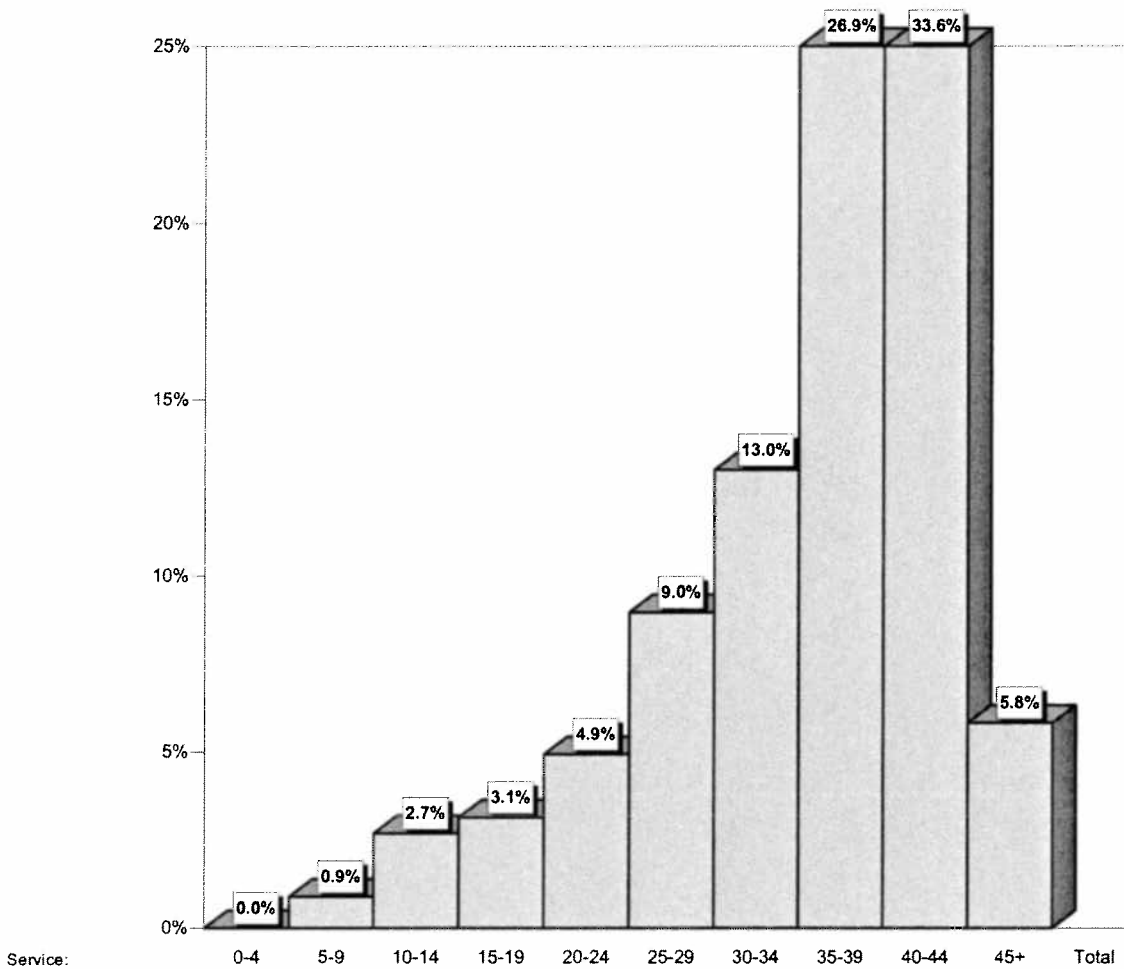


Number	3	44	83	105	137	161	237	271	162	59	2	1,264
Average Pay	34,208	35,938	46,801	53,057	56,523	60,033	64,767	70,574	70,042	65,936	64,076	62,017
Average Service	2.0	2.3	4.5	6.7	9.8	14.3	18.6	24.9	29.4	29.9	19.5	17.8

Detail of Employees 55 & Over												
Age	55	56	57	58	59	60	61	62	63	64	65	66+
Number	41	32	36	30	23	14	24	12	3	6	1	1
Average Pay	70,678	68,309	71,901	67,400	71,858	64,541	69,383	67,260	48,120	61,663	\$	\$
Average Service	29.2	29.0	28.8	29.8	30.7	30.6	29.6	30.1	21.3	33.8	15.0	24.0

Personnel Information

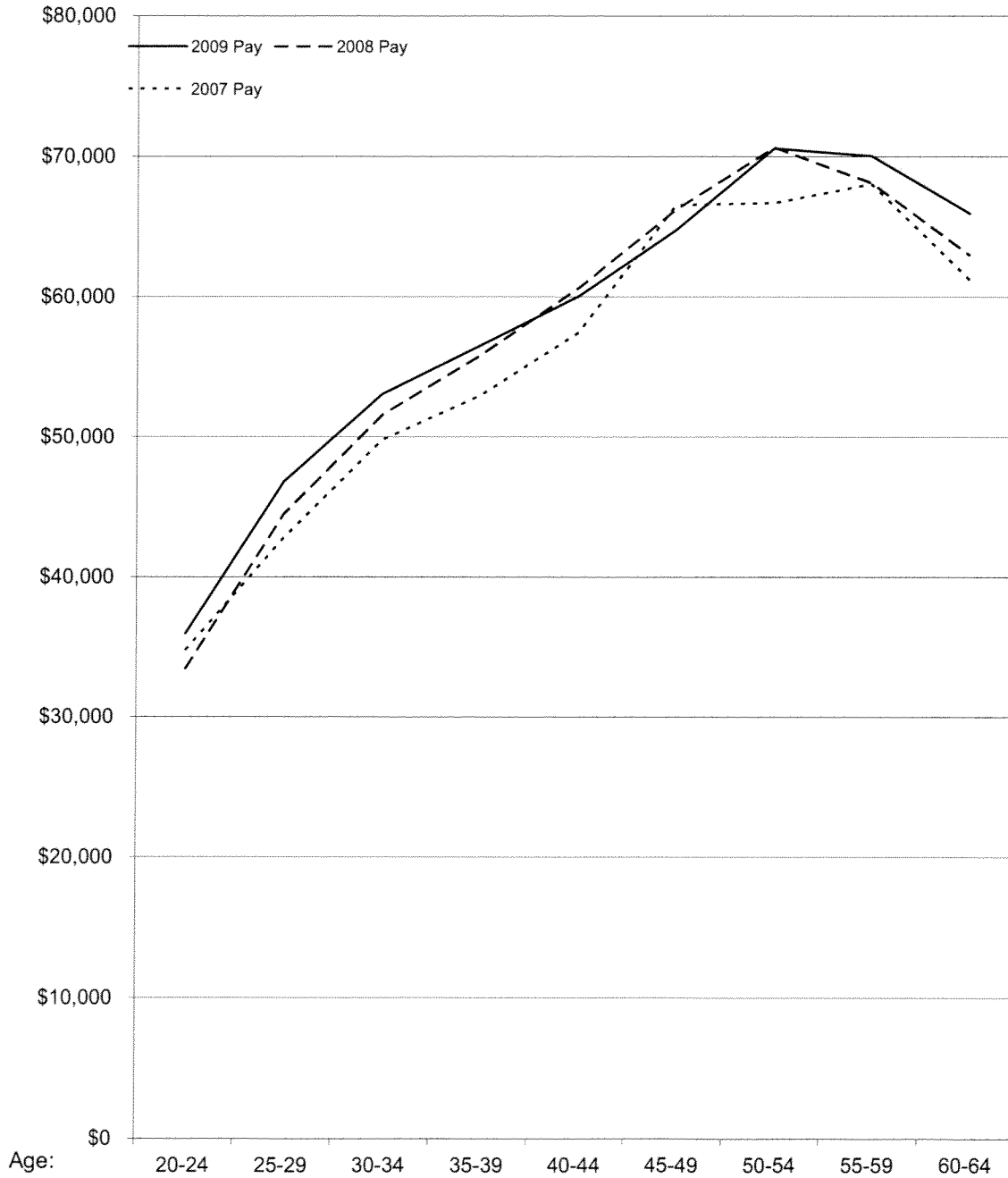
Distribution of Personnel By Expected Service At Age 65 (Based Upon Personnel Age 55 And Over)



Number	0	2	6	7	11	20	29	60	75	13	223
Average Pay	0	40,027	47,046	43,402	60,375	58,804	66,649	72,169	74,640	76,763	68,902
Average Service At Age 65*	0.0	7.6	13.3	17.4	23.5	27.9	33.0	37.4	42.2	46.2	35.9

Personnel Information

Average Compensation By Age



Plan Provisions

History

The Pension Plan for Employees of Gulf Power Company was originally effective July 1, 1944. The plan was consolidated with other pension plans of the Southern Company to form The Southern Company Pension Plan at the end of the 1996 plan year. The plan was most recently restated and amended as of January 1, 2002. The effect of plan amendments on the plan's liabilities is measured on the valuation date. Amendments and changes reflected in recent valuations are described below.

Changes Reflected in the 2010 Valuation

The following plan changes were reflected as of the December 31, 2009 measurement date:

- The IRC Section 415 benefit limit increased to \$195,000 from \$185,000.
- The IRC Section 401(a)(17) pay limit increased to \$245,000 from \$230,000.

Changes Reflected in the 2009 Valuation

The following plan changes were reflected as of the December 31, 2008 measurement date:

- The IRC Section 415 benefit limit increased to \$185,000 from \$180,000.
- The IRC Section 401(a)(17) pay limit increased to \$230,000 from \$225,000.

Changes Reflected in the 2008 Valuation

The following plan changes were reflected as of the September 30, 2007 measurement date:

- The IRC Section 415 benefit limit increased to \$180,000 from \$175,000.
- The IRC Section 401(a)(17) pay limit increased to \$225,000 from \$220,000.

Changes Reflected in the 2007 Valuation

The following plan changes were reflected as of the September 30, 2006 measurement date:

- The IRC Section 415 benefit limit increased to \$175,000 from \$170,000.
- The IRC Section 401(a)(17) pay limit increased to \$220,000 from \$210,000.

An additional plan change was recognized in this valuation due to legislative changes. The Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) increased benefit and pay limits for purposes of determining qualified pension plan benefits. However, these increases were scheduled to return to pre-EGTRRA levels in 2011. The Pension Protection Act of 2006 made the EGTRRA increases permanent.

Plan Provisions

Changes Reflected in the 2006 Valuation

The following plan changes were recognized as of the September 30, 2005 measurement date.

- The IRC Section 415 defined benefit plan maximum annual benefit was increased to \$170,000 from \$165,000.
- The IRC Section 401(a)(17) recognizable pay limit increased to \$210,000 from \$205,000.

Retirees in pay status as of April 1, 2005 were provided a pension supplement of \$250 per month starting August 1, 2005 payable until they turn age 62.

Changes Reflected in the 2005 Valuation

The following plan changes were recognized as of the September 30, 2004 measurement date:

- The IRC Section 415 defined benefit plan maximum annual benefit was increased to \$165,000 from \$160,000.
- The IRC Section 401(a)(17) recognizable pay limit increased to \$205,000 from \$200,000.

Changes Reflected in the 2004 Valuation

No changes in plan provisions were recognized in the 2004 valuation.

Changes Reflected in the 2003 Valuation

The following plan changes were recognized as of the September 30, 2002 measurement date:

- As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), the following changes were recognized:
 - The IRC section 401(a)(17) recognizable pay limit increased to \$200,000 from \$170,000. The Company elected to apply the new limit on a retrospective basis.
 - The IRC section 415 defined benefit plan maximum annual benefit increased to \$160,000 from \$140,000. In addition, the adjustment of the limit for early commencement was changed.
- Plan changes impacting two groups of participants were recognized. The changes impacted all covered employees and only noncovered employees under the "New Retirement Program" (i.e., noncovered employees under age 35 as of January 1, 1997, and noncovered employees hired after 1996). As a result of these changes, all employees have basically the same pension provisions.

Changes Reflected in the 2002 Valuation

The maximum benefit limit was changed due to automatic indexing. The IRC Section 415 defined benefit plans maximum annual benefit was increased to \$140,000 from \$135,000.

Plan Provisions

Changes Reflected in the 2001 Valuation

The following plan changes were recognized as of the September 30, 2000 measurement date:

- The IRC Section 415 defined benefit plans maximum annual benefit was increased to \$135,000 from \$130,000.

The IRC Section 401(a)(17) recognizable pay limit increased to \$170,000 from \$160,000.

Additionally, several plan changes occurring at year-end 2000 were reflected as of a December 31, 2000 remeasurement:

- A 1.25% of final average total pay (base plus incentives) formula was added.
- The 43-year service cap was removed.
- Early retirement reductions for employees starting receipt of pension benefits before age 55 were lowered to 0.3% (from 0.333%) for each month benefit commencement precedes age 55.
- The \$325 reduction in the Social Security benefit for the Social Security offset was changed to \$350.
- An ad hoc benefit increase was made for retirees (1.5% per year of retirement; 7.5% maximum).

The first four changes above apply to noncovered employees only.

Changes Reflected in the 2000 Valuation

No changes in plan provisions were recognized in the 2000 valuation.

Changes Reflected in the 1999 Valuation

The maximum benefit limit was changed due to automatic indexing. The IRC Section 415 defined benefit plans maximum annual benefit was increased to \$130,000 from \$125,000.

Changes Reflected in the 1998 Valuation

No changes in plan provisions were recognized in the 1998 valuations.

Changes Reflected in the 1997 Valuation

The Pension Plan for Employees of Gulf Power Company was consolidated with other pension plans sponsored by Southern Company to form The Southern Company Pension Plan at the very end of the 1996 plan year. Additional plan changes which were recognized July 1, 1996 for ASC 715 purposes were first recognized for funding purposes.

The maximum pay and benefit limits were changed due to automatic indexing. The IRC section 415 defined benefit plans maximum annual benefit was increased to \$125,000 from \$120,000 and the IRC section 401(a)(17) recognizable pay limit increased to \$160,000 from \$150,000.

Plan Provisions

Changes Reflected in the 1996 Valuation

Participant transfers from the GULF plan to the SCS plan occurred December 31, 1995. For funding purposes, this special transfer was reflected in the same manner as the regular transfers among the system plans. For ASC 715 purposes, this transfer was reflected as a special spin-off/merger with liabilities and unrecognized amounts transferred to the SCS plan as of January 1, 1996. Assets will be transferred at the end of the year.

For ASC 715 purposes, amendments adopted during the year were reflected in a July 1, 1996 remeasurement. For funding purposes, these changes will be recognized as of January 1, 1997.

Significant changes include:

- Ad hoc benefit increases for retirees (1.5% per year of retirement; 7.5% maximum).
- Transition to 1% of final average pay formula for noncovered employees who were under age 35 as of January 1, 1997.
- The \$250 reduction in the Social Security benefit for the Social Security offset was changed to \$325 for other noncovered employees.
- Earliest retirement eligibility and benefit payment age for surviving spouses were changed from age 55 to age 50.

For funding purposes, these changes were reflected January 1, 1997.

Changes Reflected in the 1995 Valuation

The maximum pay and benefit limits were changed. The IRC section 415 defined benefit plan maximum annual benefit was increased to \$120,000 from \$118,800 due to automatic indexing. In addition, the definition of actuarial equivalence used to adjust the limit for payment at ages other than the Social Security Retirement Age was changed by the Retirement Protection Act of 1994. For ERISA funding purposes, these changes were treated as a plan amendment since no increases were expected for the funding valuation. A de minimis spin-off from the GULF plan to the new Southern Communications Services, Inc. (COMM) plan occurred January 1, 1995. Even though the spin-off was de minimis, Funding Standard Account entries, unfunded frozen accrued liability, and actuarial value of assets were allocated to the new plan.

Changes Reflected in the 1994 Valuation

The IRC section 415 benefit limit was changed from \$115,641 in 1993 to \$118,800 in 1994. Also, the pay cap was changed from \$235,840 in 1993 to \$150,000 in 1994. These changes were recognized in the January 1, 1994 valuation.

Changes Reflected in the 1993 Valuation

The IRC section 415 benefit limit was changed from \$112,221 to \$115,641 in 1993. Also, the pay cap was changed from \$228,860 to \$235,840. These changes were recognized in the January 1, 1993 valuation.

Changes Reflected in the 1992 Valuation

The IRC section 415 benefit limit was changed from \$108,963 to \$112,221 in 1992. Also, the pay cap was changed from \$222,220 to \$228,860. These changes were recognized in the January 1, 1992 valuation.

Plan Provisions

Changes Reflected in the 1991 Valuation

The IRC section 415 benefit limit was changed from \$102,582 to \$108,963 in 1991. Also, the \$200,000 pay cap was changed from \$209,200 to \$222,220. These changes were recognized in the January 1, 1991 valuation.

The following plan changes were adopted on or about June 1, 1991, and also reflected in the 1991 valuations:

- An ad hoc retiree benefit increase was made, according to the following schedule:

Year of Retirement	Benefit Increase	Year of Retirement	Benefit Increase
1990	2%	1976-1986	10%
1989	4%	1971-1975	20%
1988	6%	1966-1970	30%
1987	8%	1965 or earlier	40%

- The minimum benefit was increased from \$240 per year of service to \$300 per year of service.
- The death benefit for survivors of active employees was changed to 45% of the participant's accrued benefit. The benefit had previously been 50% of the accrued benefit, actuarially reduced to age 55.
- The \$168 reduction in the Social Security benefit for the FAP formula's Social Security offset was changed to \$250.
- The 40-year service cap was increased to 43 years.

Changes Reflected in the 1990 Valuation

The IRC section 415 benefit limit was changed from \$98,064 to \$102,582 in 1990. Also, the \$200,000 pay cap was changed to \$209,200. These changes were recognized in the January 1, 1990 valuation.

Plan Provisions

Participation	Completion of one year of service.
Normal Retirement	
Eligibility	Later of attainment of age 65 and completion of five years of participation.
Benefit	Accrued benefit.
Early Retirement	
Eligibility	Later of attainment of age 50 and completion of ten years of participation.
Benefit	Accrued benefit reduced by 0.3% for each month benefit commencement precedes normal retirement date.
Disabled Retirement	
Eligibility	Completion of five years of service.
Benefit	Accrued benefit based on compensation at disablement and service at normal retirement date.
Terminated Vested Benefits	
Eligibility	Completion of five years of service.
Benefit	Accrued benefit payable at age 65. Benefits may commence as early as age 50 with actuarial reduction to age 55 and 0.3% reductions for each month benefit commencement precedes age 55.
Preretirement Spouse's Benefit	
Eligibility	Fully vested status.
Benefit	45% of the accrued benefit, payable on the participant's earliest retirement date. Participants may elect to upgrade the benefit to a 100% Joint and Survivor. The cost of this upgrade is paid through a reduction in benefits payable. Terminated employees with vested benefits receive the coverage free of charge prior to being eligible for early retirement. Thereafter, benefits are reduced if coverage is elected.

Plan Provisions

Normal Form of Annuity

Single

Life Annuity.

Married

50% Joint and Survivor; benefits are reduced 10% for this form (terminated vested employees' benefits are adjusted based on actuarial equivalent tables).

Optional Forms of Payment

Life Annuity,
50% Joint and Survivor Annuity,
50% Joint and Survivor Annuity with Pop-up,
100% Joint and Survivor Annuity,
100% Joint and Survivor Annuity
with Pop-up, and
Social Security Level Income Annuity.

Benefit Limits

Benefits cannot exceed the limits set by IRC Section 415.

Plan Provisions

Definitions

Accrued Benefits

Greater of (A) less (B), (C), or (D):

- (A) 1.7% times final average pay times years of participation as of calculation date.
- (B) 50% times offset based on PIA times a ratio of years of participation at calculation date to years of participation attainable at normal retirement.
- (C) \$300 times years of participation as of calculation date (career average pay benefit for service prior to 1986, if larger).
- (D) 1.25% times final average total pay times years of participation as of the calculation date.

Final Average Pay

Average pay over the three plan years of participation which produce the highest average out of the last ten plan years. Pay for benefit purposes cannot exceed the limits set by IRC Section 401(a)(17). Final average total pay includes incentives paid during each plan year in the average.

Offset Based on Primary Insurance Amount (PIA)

Estimated Social Security benefit (determined using only actual Southern Company earnings) reduced by \$4,200 (\$350 per month).

The offset is limited by the maximum allowable under integration rules in IRC Section 401(1).

Pay

Highest base rate of earnings during year.

Years of Participation for Benefit Purposes

Years of service as a participant, prorated for hours less than 1,680.

Year of Service

12-month period with 1,000 hours.

Actuarial Assumptions

Measurement Date for Fiscal 2010	December 31, 2009.
Discount Rate	5.95% compounded annually.
Expected Long-Term Rate of Return	8.75% compounded annually reduced by the anticipated trust expenses based on prior years' actual expenses.
Pay Increases	4.00% for SERP participants. For other noncovered employees, according to rates which vary by age and service and average 4.48% over a full career. For covered employees (IBEW), according to rates which vary by age and calendar year and average 3.56% over a full career. See Table A for specific rates.
Social Security	Projected based on the Social Security Act in effect during 2009 assuming: <ul style="list-style-type: none"> (1) 2.75% per year increases in the formula breakpoints. (2) 2.25% per year cost-of-living increases.
Retirement Age	According to the rates of retirement below:

Age	Percent Retiring	Age	Percent Retiring
50-54	0.5%	63	30.0%
55	5.0%	64	25.0%
56	5.0%	65	75.0%
57	5.0%	66	75.0%
58	7.5%	67	25.0%
59	10.0%	68	25.0%
60	12.5%	69	25.0%
61	15.0%	70	100.0%
62	45.0%		

These rates produce a weighted average retirement age of 60.

Actuarial Assumptions

Retirement Age

Terminated Vesteds

Age 57.

Mortality Rates

Healthy Lives

Retired Pensioners 2000 Combined Healthy Mortality Table, Fully Generational.

Disabled Lives

Retired Pensioners 2000 Combined Healthy Table.

Withdrawal Rates

According to select and ultimate rates based on Company experience. See Table C for specific rates.

Disability Rates

According to rates which vary by age. See Table B for specific rates.

Expenses

An explicit adjustment for trust expenses is included. The adjustment is based on the prior three years' trust expenses. For fiscal 2010, \$1,492,451 of expenses have been assumed payable in the middle of the measurement period.

Incentive Payments

Incentives are anticipated to pay out at 130% of target in future years. Incentive targets varying by salary grade are provided by the Company. Covered employees (IBEW) are assumed to have a 5% target.

Marital Status

75% of males and 65% of females are married. Husbands are two years older than wives.

Payment Form

All single participants are assumed to elect single life annuities. For married male participants, 25% are assumed to elect single life annuities, 25% are assumed to elect 50% joint and survivor annuities, 25% are assumed to elect 100% joint and survivor annuities, and 25% are assumed to elect level income annuities.

For married female participants, 40% are assumed to elect single life annuities, 10% are assumed to elect 50% joint and survivor annuities, 10% are assumed to elect 100% joint and survivor annuities, and 40% are assumed to elect level income annuities.

Cost Method

Projected Unit Credit.

Actuarial Assumptions

Market-Related Value of Assets

The market-related value of assets is equal to the difference between the market value of assets and nonadmitted asset gains and losses from prior years. Asset gain/losses are identified for each year as the difference between expected and actual asset return. Each year's asset gains and losses are recognized or admitted over a five-year period.

Section 415 Limits

The annual benefit payable at Social Security retirement age has been limited to \$195,000 based on the provisions of IRC Section 415(b).

Pay and Benefit Limits Indexing

2.25% per year.

Participants Included

All employees designated by the Company as active or transfers-in and eligible to participate, plus any others currently receiving benefits or entitled to benefits in the future.

Participant Data

Benefit obligations are based on reasonable and normal actuarial projections of participant data supplied prior to the measurement date. For the development of fiscal 2010 costs, demographic information as of January 1, 2009 and pay data including the March 2009 updates were used.

Asset Data

Asset data was supplied by the Company as of the measurement date.

Actuarial Assumptions

Table A

Salary Increases

Age	Years of Service							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 or more
Noncovered Employees								
Under 20	10.00%							
20 to 24	8.00%	7.50%						
25 to 29	7.50%	7.00%	6.50%					
30 to 34	7.00%	6.50%	6.00%	5.50%				
35 to 39	6.50%	6.00%	5.50%	5.00%	5.00%			
40 to 44	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%		
45 to 49	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%	
50 to 54	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%	2.25%
Over 55	5.00%	4.00%	3.50%	3.00%	2.25%	2.25%	2.25%	2.25%
Covered Employees								
All Ages	6.00%	5.00%	4.00%	3.00%	2.50%	2.25%	2.25%	2.25%

Table B

Disability Rates

Age	Disabilities Per 1,000 Participants
Under 40	0.85
40 to 44	1.76
45 to 49	3.80
50 to 54	6.39
55 to 59	11.60
60 to 64	15.52
65 & Over	0.00

Actuarial Assumptions

Table C

Withdrawals per 1,000 Participants

Age	Years of Service					Ultimate
	0	1	2	3	4	
20 & Under	180.0	130.5	115.0	99.0	84.5	70.0
21	176.0	130.5	115.0	99.0	82.5	66.0
22	171.0	126.9	115.0	99.0	80.0	61.0
23	166.0	122.4	111.0	99.0	77.5	56.0
24	163.0	117.9	106.0	94.6	73.8	53.0
25	159.0	115.2	101.0	89.1	69.1	49.0
26	156.0	111.6	98.0	83.6	64.8	46.0
27	152.0	108.9	94.0	80.3	61.2	42.0
28	149.0	105.3	91.0	75.9	57.5	39.0
29	146.0	102.6	87.0	72.6	54.3	36.0
30	144.0	99.9	84.0	68.2	51.1	34.0
31	141.0	98.1	81.0	64.9	48.0	31.0
32	139.0	95.4	79.0	61.6	45.3	29.0
33	137.0	93.6	76.0	59.4	43.2	27.0
34	135.0	91.8	74.0	56.1	40.6	25.0
35	133.0	90.0	72.0	53.9	38.5	23.0
36	131.0	88.2	70.0	51.7	36.4	21.0
37	129.0	86.4	68.0	49.5	34.3	19.0
38	128.0	84.6	66.0	47.3	32.7	18.0
39	126.0	83.7	64.0	45.1	30.6	16.0
40	125.0	81.9	63.0	42.9	29.0	15.0
41	123.0	81.0	61.0	41.8	27.4	14.5
42	122.0	79.2	60.0	39.6	25.8	14.0
43	121.0	78.3	58.0	38.5	24.8	13.5
44	119.5	77.4	57.0	36.3	22.9	13.0
45	118.5	76.1	56.0	35.2	21.9	12.5
46	117.5	75.2	54.5	34.1	20.8	12.0
47	116.5	74.3	53.5	32.5	19.5	11.5
48	115.5	73.4	52.5	31.4	18.5	11.0
49	115.0	72.5	51.5	30.3	17.7	10.5
50	114.0	72.0	50.5	29.2	16.6	10.5
51	113.0	71.1	50.0	28.1	15.6	10.5
52	112.5	70.2	49.0	27.5	15.0	10.5
53	111.5	69.8	48.0	26.4	14.0	10.5
54	110.0	68.9	47.5	25.3	13.2	10.5
55	110.0	67.5	46.5	24.8	12.4	10.5
56	110.0	67.5	45.0	23.7	11.9	10.5
57 & Over	110.0	67.5	45.0	22.0	11.0	10.5

Actuarial Assumptions

Discussion of Actuarial Assumptions and Methods

Ultimate Cost

The ultimate cost of a pension plan can be measured only when the obligation to all participants has been fully discharged. The cost will then be:

The benefits paid from the plan
plus
administrative expenses
less
investment gains
plus
investment losses.

The actuarial process assigns pension costs to the current year by estimating, based on both current and future service, the benefits to be paid to current plan participants. These estimates are determined through an actuarial valuation which uses three basic elements to project payments from the plan:

- Benefit provisions of the plan.
- Data on the present workforce, terminated vested, and retired employees.
- Certain predictions (actuarial assumptions) about the future as it applies to this workforce.

Actuarial Assumptions

The first step in the actuarial process is to determine the magnitude of the pension liability by determining the benefits expected to be paid. To determine how many employees will become eligible for benefits, what benefits will be paid, and how long benefits will be paid, it is necessary to make some economic and demographic predictions (usually called *actuarial assumptions*) such as:

- An assumed retirement age predicting when employees will begin to receive retirement benefits.
- A mortality rate predicting the number of employees who will die before retirement and the duration of benefit payments after retirement.
- A withdrawal rate predicting the number of employees who will leave the workforce before retirement. (Sometimes certain kinds of withdrawal such as disabilities are predicted separately.)
- If the benefits are based on compensation, an assumed rate of pay increases predicting employees' compensation in future years.

Actuarial Assumptions

These assumptions are applied to the data for each employee to predict the amount of benefits expected to be paid each year in the future. The total future benefit payments in each year are then discounted at a selected interest rate to determine the current amount which with future investment return, will be sufficient to pay the expected benefits as they become payable. The discounted payments are usually called the present value of future benefits.

Total Future Benefit Payments	
Future Investment Return	Present Value of Future Benefits

Actuarial Method

The actuarial method is the mathematical process which determines the contributions required to pay for the present value of future benefits, by allocating costs to the years of an employee's career. Some costs are allocated to future years in an employee's career (*future service liability*) and other costs are allocated to past years (*past service liability*).

Total Future Benefit Payments			
Future Investment Return	Present Value of Future Benefits		
	<table border="1" style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: center;">Future Service Liability</td> <td style="text-align: center;">Past Service Liability</td> </tr> </table>	Future Service Liability	Past Service Liability
Future Service Liability	Past Service Liability		

There is a fair amount of flexibility in this allocation of costs between future and past. Some methods assign relatively little cost to past years in an employee's career, others assign a more significant portion to the past. All methods produce allocations of contributions which will accumulate to an amount sufficient to provide the benefits at retirement. However, the various methods produce widely different allocation of contributions to past and future employment.

Many actuarial methods are acceptable under the Employee Retirement Income Security Act of 1974 (ERISA) for calculating cash contributions. However, once an actuarial method has been selected and filed for minimum funding purposes, a change in method may be made only if approved by the Secretary of the Treasury or his delegate. The Secretary has granted automatic approval for some changes in actuarial method.

Usual terminology refers to the future allocation as the *present value of future normal costs* and the past allocation as the *accrued liability*.

Actuarial Assumptions

The portion of the accrued liability which is not covered by the assets of the plan is called the *unfunded accrued liability*. The value of the assets used in the actuarial process under ERISA must take into account fair market value, but this may be done in a way which eliminates much of the short-term fluctuation of market value from one valuation to the next.

Total Future Benefit Payments		
Future Investment Return	Present Value of Future Benefits	
	Future Service Liability	Past Service Liability
	Present Value of Future Normal Costs	Unfunded Accrued Liability
		Assets

For the current year, the method produces a *normal cost*. Payment of the normal cost each year would eventually discharge all future service liability.

The unfunded accrued liability must also be discharged, and this is done by an *amortization payment*. The amortization payment is flexible, and may be increased or decreased within certain allowable bounds. The sum of both the normal cost and the amortization payment is the current year's pension cost.

Total Future Benefit Payments		
Future Investment Return	Present Value of Future Benefits	
	Future Service Liability	Past Service Liability
	Present Value of Future Normal Costs	Unfunded Accrued Liability
		Assets

Normal Cost

 Amortization Payment

Current Year's Contribution

Actuarial Assumptions

Valuations to determine expense for the ongoing plan use the *Projected Unit Credit Cost Method*.

Under this actuarial method, the costs attributable to past service and the current year's service are determined by prorating over all years of service the benefits expected to be paid upon normal retirement.

- The expected pension benefit (based on past and future service) at normal retirement is determined for each employee.
- The *normal cost* is determined equal to the present value of the current year's portion of the employee's expected pension benefit. The current year's portion is equal to the expected pension benefit divided by the total credited service at the anticipated retirement date.
- The *accrued liability* is determined equal to the present value of the past years' portion of the employee's expected pension benefit. The past years' portion is equal to the expected pension benefit times the ratio of the participant's credited service to the total credited service at the anticipated retirement date.
- The sum of such values for all employees determines the normal cost and accrued liability for the plan.

The *unfunded accrued liability* is the amount by which the accrued liability exceeds the valuation assets.

The calculations for any disability, termination or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination and death.



Actuarial Report

Southern Company
The Southern Company Pension Plan
As of January 1, 2010

To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Hewitt Associates LLC.

Preparation of this Actuarial Valuation

As of January 1, 2010 for The Southern Company Pension Plan

This report has been prepared for the plan sponsor and for Southern Company and summarizes the results of the funding valuation for the 2010 plan year and the plan accounting and reporting requirements for the 2010 plan year for pension benefits under U.S. Generally Accepted Accounting Principles as set forth in Accounting Standards Codification (ASC) Topic 960 ("ASC 960"). In addition, this material is intended to serve as a source document for certain accounting or government filing requirements. Determinations for purposes other than the funding valuation and plan accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate. The results as of other dates may also be significantly different from the results shown in this report, and the scope of this report does not include an analysis of the potential range of results as of other dates.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by Southern Company as of the funding valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results. Additionally, we have relied on elections to waive credit balances by Southern Company as of the date this report is issued. This information, along with any adjustments or modifications, is summarized in various sections of this report.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the applicable laws and regulations under Internal Revenue Code (IRC) Sections 404 and 412 (including Section 430), and our understanding of the requirements of ASC 960. The plan accounting information in this report is not intended to supersede or supplant the advice and interpretations of the Company's auditors.

The Pension Protection Act of 2006 (PPA) was signed into law on August 17, 2006. The Worker, Retiree, and Employer Recovery Act of 2008 (WRERA) amended some aspects of PPA and was signed into law on December 23, 2008. The funding valuation results reflect the provisions of PPA as amended by WRERA and any regulatory guidance provided prior to the issuance of this report. The results of this report may need to be modified if subsequent regulatory guidance or law changes affect the results presented in this report.

Preparation of this Actuarial Valuation

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions section of this report.

- For the funding valuation, the allowable interest rates and mortality tables available to measure plan liabilities are prescribed by IRC Section 412. Hewitt Associates provided guidance with respect to the alternative interest rate and mortality table options, and it is our belief that the options prescribed by Southern Company are appropriate for funding purposes. It is our belief that all other actuarial assumptions used for the funding valuation represent reasonable expectations of anticipated plan experience. The actuarial cost method used is prescribed by IRC Section 412. While the method used to value assets is prescribed by Southern Company, Hewitt Associates provided guidance with respect to the use of this method, and it is our belief that the method is appropriate for funding purposes.
- For the plan accounting valuation, Southern Company selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with ASC 960. Hewitt Associates provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience. The asset and actuarial cost methods used are prescribed by ASC 960.

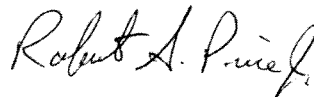
The undersigned are familiar with the near-term and long-term aspects of pension valuations and meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no associate of Hewitt Associates providing services to Southern Company has any direct financial interest or indirect material interest in Southern Company. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Southern Company.

Hewitt Associates LLC



Scott C. Twery
Fellow of the Society of Actuaries
Enrolled Actuary



Robert S. Price, Jr.
Fellow of the Society of Actuaries
Enrolled Actuary

June 2011

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Summary

Summary

The following presents a comparison of the key valuation results from the January 1, 2010 valuation with the results from the January 1, 2009 valuation. Details of any plan, method, or assumption changes affecting results are summarized on the following page.

	January 1, 2009	January 1, 2010
Funding Information		
Effective Interest Rate	6.50%	6.59%
Funding Target	\$ 5,202,694,580	\$ 5,504,897,237
Value of Plan Assets	\$ 5,733,841,232	\$ 6,152,422,565
Funding Standard Carryover Balance	265,531,480	299,413,297
Prefunding Balance	<u>0</u>	<u>0</u>
Adjusted Value of Plan Assets	\$ 5,468,309,752	\$ 5,853,009,268
Funding Shortfall, Not Less Than \$0	\$ 0	\$ 0
Funding Target Attainment Percentage	105.11%	106.32%
Target Normal Cost	\$ 208,993,041	\$ 153,641,738
Contributions, Beginning-of-Year		
Minimum Required Contribution ¹	\$ 0	\$ 0
Maximum Deductible Contribution ²	\$ 2,977,975,446	\$ 2,635,817,015
ASC 960 Plan Reporting Information		
Present Value of Accumulated Plan Benefits	\$ 4,288,785,435	\$ 4,442,497,817
Market Value of Assets	\$ 5,212,582,938	\$ 5,593,111,423
Funded Ratio	121.54%	125.90%
Personnel Information		
Number of Participants:		
Actives	25,950	26,094
Inactives with Deferred Benefits	6,465	6,400
Inactives in Payment Status	<u>14,996</u>	<u>15,933</u>
Total	47,411	48,427
Total Payroll	\$ 1,712,892,665	\$ 1,731,877,339

¹ Before application of funding balances.

² Prior to reflection of the at-risk funding target.

Summary

Plan Changes

The funding and plan reporting valuations do not reflect any plan changes.

Method Changes

The funding valuation reflects the following method change:

- A change in the liability cost method for projected disability benefits to comply with final PPA regulations.

Assumption Changes

The funding valuation reflects the following prescribed assumption changes:

- A change in the interest rate assumption from segment rates with no lookback (5.32%, 6.45%, and 6.69% as of January 2009) to segment rates with no lookback (4.60%, 6.65%, and 6.76% as of January 2010).
- A change in the mortality assumption from the 2009 Static Mortality Table for Annuitants and Non-Annuitants per §1.430(h)(3)-1(e) to the 2010 Static Mortality Table for Annuitants and Non-Annuitants per §1.430(h)(3)-1(e).

The funding valuation reflects the following non-prescribed assumption changes:

- A change in the optional payment form election percentages based on the following table:

Optional Form	Male Election		Female Election	
	Prior Year	Current Year	Prior Year	Current Year
Single Life Annuity	36%	25%	44%	40%
50% Joint & Survivor	32%	25%	28%	10%
100% Joint & Survivor	32%	25%	28%	10%
Level Income	N/A	25%	N/A	40%

- A change in the funding target normal cost load from 0.75% of assets to actual prior year's administrative expenses, excluding investment management expenses.
- A change in the withdrawal rates to better reflect experience.
- A change in the salary increase assumption from a range based on age and service of 11.85% to 3.85% to a range based on age and service of 10.0% to 2.25% for Noncovered Employees and a range of 7.25% to 4.25% based on age to a range of 6.0% to 2.25% based on service for Covered Employees.
- An change in the percent married assumption from 80% for males and 70% for females to 75% for males and 65% for females.
- A change in the Social Security Wage Base increase assumption from 4.00% to 2.75%.
- A change in the Social Security COLA increase assumption from 3.00% to 2.25%.

Summary

The plan reporting valuation reflects the following assumption changes:

- A change in the interest rate from 8.50% to 8.75%.
- A change in the optional payment form election percentages based on the following table:

Optional Form	Male Election		Female Election	
	Prior Year	Current Year	Prior Year	Current Year
Single Life Annuity	36%	25%	44%	40%
50% Joint & Survivor	32%	25%	28%	10%
100% Joint & Survivor	32%	25%	28%	10%
Level Income	N/A	25%	N/A	40%

- A change in the withdrawal rates to better reflect experience.
- A change in the salary increase assumption from a range based on age and service of 10.1% to 2.1% to a range based on age and service of 10.0% to 2.25% for Noncovered Employees and a range of 5.5% to 2.5% based on age to a range of 6.0% to 2.25% based on service for Covered Employees.
- An change in the percent married assumption from 80% for males and 70% for females to 75% for males and 65% for females.
- A change in the Social Security Wage Base increase assumption from 4.00% to 2.75%.
- A change in the Social Security COLA increase assumption from 3.00% to 2.25%.

Summary

Contribution Summary

Following is a summary of employer contributions made or expected to be made for the 2009 and 2010 plan years for purposes of Section 430 of the Internal Revenue Code. Quarterly payments are due the 15th of the month. If the 15th falls on a weekend or holiday, it is recommended that the payment be made by the last business day before the weekend or holiday.

Contributions are normally discounted to the beginning of the plan year at the Effective Interest Rate when determining the portion of the minimum required contribution that has been satisfied by the contributions. However, note that contributions attributable to late quarterly installments are discounted at the Effective Interest Rate plus five percent.

2009 Plan Year Contributions

If there are discounted contributions that exceed the minimum required contribution, the plan sponsor can elect to add them to the Prefunding Balance. If the discounted contributions are less than the minimum required contribution or contributions are not made by the required due dates, funding balances must be applied against the minimum required contribution in order to avoid an unpaid minimum required contribution or late quarterly installment.

Date	Contribution Amount	Interest Rate	Interest-Adjusted Amount
April 15, 2009	\$ 0	6.50%	\$ 0
July 15, 2009	0	6.50%	0
October 15, 2009	0	6.50%	0
January 15, 2010	0	6.50%	0
September 15, 2010	<u>0</u>	6.50%	<u>0</u>
(1) Total Contributions	\$ 0		\$ 0
(2) Funding Balance Applied Against MRC			\$ 0
(3) Minimum Required Contribution (MRC)			\$ 0
(4) Excess Contributions at January 1, 2009, (1) + (2) - (3)			\$ 0

Summary

2010 Plan Year Contributions

Date	Contribution Amount	Interest Rate	Interest-Adjusted Amount
April 15, 2010	\$ 0	6.59%	\$ 0
July 15, 2010	0	6.59%	0
October 15, 2010	0	6.59%	0
December 20, 2010	620,000,000	6.59%	582,889,797
January 14, 2011	0	6.59%	0
September 15, 2011	<u>0</u>	6.59%	<u>0</u>
Total Contributions	\$ 620,000,000		\$ 582,889,797
Minimum Required Contribution (MRC)			\$ 0

Funding Requirements

Funding Requirements: Assets, Liabilities, and Funded Status

Contents

- Funding Balances for the 2009 Plan Year
- Reconciliation of Market Value of Assets
- Value of Plan Assets for the 2010 Plan Year
- At-Risk Status for the 2010 Plan Year
- Funding Target for the 2010 Plan Year
- Funding Target Attainment Percentage and Eligibility Ratio for the 2010 Plan Year

Funding Requirements: Assets, Liabilities, and Funded Status

Funding Balances for the 2009 Plan Year

Two funding balances are used to track contributions that have been made to the plan in excess of the minimum required amount.

The Funding Standard Carryover Balance (FSCB) was first established for the 2008 plan year as the Funding Standard Account Credit Balance, if any, existing as of the last day of the 2007 plan year. The FSCB as of the valuation date for a given plan year is reduced by any amount used to offset the Minimum Required Contribution (MRC) for that plan year and any election to reduce the FSCB (including a deemed election under Section 436 of the Internal Revenue Code). The remaining FSCB is adjusted to the end of the plan year for the plan's actual investment experience during the year.

The Prefunding Balance (PFB) was first established at \$0 at the beginning of the 2008 plan year. The PFB as of the valuation date is increased by the amount of any Interest Adjusted Excess Contributions for the prior plan year to the extent the plan sponsor elects to add such amounts to the PFB. The PFB is reduced by any amount used to offset the MRC for the plan year and any election to reduce the PFB (including a deemed election under Section 436 of the Internal Revenue Code). After these reductions, the PFB is adjusted for the plan's actual investment experience during the year. The FSCB must be reduced to \$0 before the PFB can be reduced or used to offset the MRC.

The development of the FSCB and PFB for the 2009 plan year shown below reflects any elections to waive funding balances that have been made by the plan sponsor as of the date this report is issued (including any deemed elections required under Section 436). Note that any elections to waive funding balances that occur after this report is issued (including any deemed elections required under Section 436) could affect the valuation results shown in this report.

	Funding Standard Carryover Balance	Prefunding Balance
(1) Beginning Balance, January 1, 2009	\$ 265,531,480	\$ 0
(2) Balance Applied to MRC for 2009 Plan Year	0	0
(3) Balance Waived or Deemed Waived for 2009 Plan Year	<u>0</u>	<u>0</u>
(4) Amount Remaining, (1) – (2) – (3)	\$ 265,531,480	\$ 0
(5) Investment Return during 2009 Plan Year	12.76%	12.76%
(6) Interest Earned on Balance, (4) x (5)	\$ 33,881,817	\$ 0
(7) Prior Year Excess Contributions		
(a) Excess 2009 Plan Year Contributions	N/A	\$ 0
(b) Interest to December 31, 2009 ¹	N/A	<u>0</u>
(c) Total Available to Add to Balance	N/A	\$ 0
(d) Excess Contributions Added to Balance	N/A	\$ 0
(8) Balance, December 31, 2009, (4) + (6) + (7d)	\$ 299,413,297	\$ 0

¹ As applicable, interest on contributions in excess of the MRC before applying funding balances uses the Effective Interest Rate of 6.50%, and interest on excess contributions attributable to the use of funding balances to offset the MRC uses the plan's investment return.

Funding Requirements: Assets, Liabilities, and Funded Status

Reconciliation of Market Value of Assets (MVA)

	2008 Plan Year	2009 Plan Year
MVA, Without Accrued Contributions, January 1	\$ 7,495,516,449	\$ 5,212,582,938
Contributions Paid During Plan Year:		
Employer Contributions	0	0
Employee Contributions	0	0
Benefit Payments during Plan Year	(238,794,466)	(258,835,956)
Administrative Expenses for Plan Year	(7,038,116)	(7,176,550)
Net Return on Assets during Plan Year	<u>(2,037,100,929)</u>	<u>646,540,991</u>
MVA, Without Accrued Contributions, December 31	\$ 5,212,582,938	\$ 5,593,111,423
Discounted Contributions Receivable for Plan Year	<u>0</u>	<u>0</u>
MVA, Including Accrued Contributions, December 31	\$ 5,212,582,938	\$ 5,593,111,423

Funding Requirements: Assets, Liabilities, and Funded Status

Value of Plan Assets for the 2010 Plan Year

The value of plan assets is used each year for developing the funding requirements of the plan. The value is equal to the average market value of assets for the current and prior two years, adjusted for contributions, benefit payments, administrative expenses, and the expected return on assets during these periods. In addition, it includes discounted accrued contributions. However, the value of plan assets must also be constrained to be within 10% of the market value of assets, including discounted accrued contributions, as of the valuation date. This value may be further reduced by applicable funding balances when calculating certain results.

	2008	2009	2010
Expected Rate of Return on Assets	6.43%	6.69%	N/A
Market Value of Assets, Including Discounted Accrued Contributions	\$ 7,495,516,449	\$ 5,212,582,938	\$ 5,593,111,423
Net Adjustments to January 1, 2010:			
Employer Contributions for 2008 Plan Year	0	N/A	N/A
Employer Contributions for 2009 Plan Year	0	0	N/A
Employee Contributions for 2008 Plan Year	0	N/A	N/A
Employee Contributions for 2009 Plan Year	0	0	N/A
Benefit Payments for 2008 Plan Year	(238,794,466)	N/A	N/A
Benefit Payments for 2009 Plan Year	(258,835,956)	(258,835,956)	N/A
Administrative Expenses for 2008 Plan Year	(7,038,116)	N/A	N/A
Administrative Expenses for 2009 Plan Year	(7,176,550)	(7,176,550)	N/A
Expected Earnings for 2008 Plan Year	474,181,313	N/A	N/A
Expected Earnings for 2009 Plan Year	<u>339,967,722</u>	<u>339,967,722</u>	<u>N/A</u>
Adjusted Market Value of Assets	\$ 7,797,820,396	\$ 5,286,538,154	\$ 5,593,111,423
(1) Preliminary Value of Plan Assets, Including Accrued Contributions, January 1, 2010, Average of Adjusted Market Value of Assets			\$ 6,225,823,324
(2) Market Value Corridor			
(a) 90% of Market Value of Assets, Including Discounted Accrued Contributions			\$ 5,033,800,281
(b) 110% of Market Value of Assets, Including Discounted Accrued Contributions			\$ 6,152,422,565
(3) Value of Plan Assets, After Corridor, January 1, 2010, Greater of (1) and (2)(a), Not Greater Than (2)(b)			\$ 6,152,422,565
(4) Value of Plan Assets as a Percent of Market Value of Assets			110.00%

Funding Requirements: Assets, Liabilities, and Funded Status

At-Risk Status for the 2010 Plan Year

A plan is considered at-risk for the 2010 plan year if:

- (a) there were at least 500 participants covered by defined benefit plans in the controlled group on any day of the prior plan year,
- (b) the Funding Target Attainment Percentage for the 2009 plan year was less than the 2010 Funding Target Benchmark Percentage of 75%, and
- (c) the At-Risk Funding Target Attainment Percentage for the 2009 plan year was less than the At-Risk Funding Target Benchmark Percentage of 70%.

More Than 500 Participants in Controlled Group?	Yes
2009 Funding Target Attainment Percentage	105.11%
2010 Funding Target Benchmark Percentage	75.00%
At-Risk Status	
2010 Plan Year	Not-at-Risk
2009 Plan Year	Not-at-Risk
2008 Plan Year	Not-at-Risk
2007 Plan Year	N/A
2006 Plan Year	N/A
At-Risk in Current Year and Two of Preceding Four Years? (If yes, loads apply)	No

Since the 2009 Funding Target Attainment Percentage is greater than or equal to the 75% funding target benchmark percentage for 2010, the plan is deemed to be not-at-risk for the 2010 plan year.

Funding Requirements: Assets, Liabilities, and Funded Status

Funding Target for the 2010 Plan Year

The funding target under IRC Section 430 is calculated as the present value of all benefits that have been accrued or earned under the plan as of the first day of the plan year, based on current service and current pay. The target normal cost is the present value of all benefits expected to accrue or be earned under the plan during the plan year, including any increase in benefits earned in prior plan years attributable to compensation increases in the current plan year.

IRC Section 430 prescribes the allowable interest rate and mortality assumptions that may be used in this calculation. If a plan is in at-risk status, the plan's funding target and target normal cost are determined using special actuarial assumptions. For 2010, the plan has been determined to be not-at-risk, so the funding target and target normal cost have been developed using the not-at-risk liability basis, including the interest rate, mortality, and other assumptions shown in the Actuarial Assumptions and Methods section of this report.

Funding Target, January 1, 2010

Vested Actives	\$ 2,776,782,862
Nonvested Actives	<u>104,770,553</u>
Subtotal Actives	\$ 2,881,553,415
Inactives with Deferred Benefits	268,812,662
Inactives in Payment Status	<u>2,354,531,160</u>
Total	\$ 5,504,897,237
Target Normal Cost, January 1, 2010	
Target Normal Cost, Before Reflecting Expenses	\$ 146,465,188
Trust Expense Amount	<u>7,176,550</u>
Target Normal Cost	\$ 153,641,738

Funding Requirements: Assets, Liabilities, and Funded Status

Funding Target Attainment Percentage and Eligibility Ratio for the 2010 Plan Year

The 2010 Funding Target Attainment Percentage (FTAP) will be used to determine at-risk status for Section 430 and Section 404 funding purposes for the 2011 plan year. This is a separate calculation from the Adjusted Funding Target Attainment Percentage used in determining whether benefit restrictions apply under Section 436.

Since the 2010 FTAP is greater than or equal to 80%, the plan is not at-risk for the 2011 plan year.

A 2010 Eligibility Ratio of at least 80% allows the plan sponsor to apply a portion of the Funding Standard Carryover Balance or the Prefunding Balance against the 2011 Minimum Required Contribution (if elected). The Funding Standard Carryover Balance must be exhausted before the Prefunding Balance may be used.

Since the 2010 Eligibility Ratio is greater than or equal to 80%, the plan sponsor may elect to apply the Funding Standard Carryover Balance or Prefunding Balance to the 2011 Minimum Required Contribution.

(1) Funding Target Attainment Percentage (FTAP)		
Before Waivers of Funding Balances, January 1, 2010		
(a) Value of Plan Assets		\$ 6,152,422,565
(b) Funding Standard Carryover Balance (FSCB)		\$ 299,413,297
(c) Prefunding Balance (PFB)		\$ 0
(d) Not-At-Risk Funding Liability		\$ 5,504,897,237
(e) Preliminary FTAP: [(a) – (b) – (c)] / (d)		106.32%
(2) Waived Funding Balance(s)		
(a) FSCB		\$ 0
(b) PFB		\$ 0
(3) FTAP After Waivers of Funding Balances, January 1, 2010		
(a) FSCB After Waivers, 1(b) – 2(a)		\$ 299,413,297
(b) PFB After Waivers, 1(c) – 2(b)		\$ 0
(c) Final FTAP: [1(a) – 3(a) – 3(b)] / 1(d)		106.32%
(4) Eligibility Ratio, January 1, 2010, [1(a) – 3(b)] / 1(d)		111.76%

Funding Requirements: Contributions

Contents

This section displays the development of contribution requirements under ERISA. All contributions are calculated as being payable on January 1, 2010.

- Minimum Required Contribution for the 2010 Plan Year
- Development of Funding Shortfall and Shortfall Amortization Base Exemption
- Quarterly Contribution Requirements for the 2010 Plan Year
- Preliminary Quarterly Contribution Requirements for the 2011 Plan Year
- Maximum Deductible Contribution for the 2010 Plan Year

Funding Requirements: Contributions

Minimum Required Contribution for the 2010 Plan Year

The Minimum Required Contribution is determined under Section 430(a) of the Internal Revenue Code. The minimum contribution is determined as of the beginning of the plan year, and is equal to the sum of the target normal cost for the plan year and the shortfall amortization charge for the plan year, less any credit for excess assets for the plan year. Actual contributions are discounted, at the Effective Interest Rate, from the date of each contribution to the beginning of the plan year to determine the portion of the Minimum Required Contribution that has been satisfied.

A plan sponsor may elect to use all or a portion of any Funding Standard Carryover Balance or Prefunding Balance to offset the Minimum Required Contribution for a plan year if the plan's Eligibility Ratio for the prior plan year is at least 80%.

If a plan sponsor makes contributions in excess of the minimum required amount (determined after reflecting any election to offset the minimum by funding balances), the excess contributions may be added to the Prefunding Balance for the following plan year after being adjusted for interest. To the extent the excess contributions are attributable to cash contributions in excess of the minimum required amount before applying funding balances, the interest adjustment is made using the Effective Interest Rate for the plan year. To the extent the excess contributions are attributable to the use of funding balances to offset the minimum required contribution, the interest adjustment is made using the actual rate of return on plan assets for the plan year.

(1) Effective Interest Rate	6.59%
(2) Target Normal Cost	\$ 153,641,738
(3) Shortfall Amortization Charge	\$ 0
(4) Credit for Excess Assets	
(a) Adjusted Value of Plan Assets	\$ 5,853,009,268
(b) Funding Target	<u>5,504,897,237</u>
(c) Excess Assets, (a) – (b), Not Less Than \$0	\$ 348,112,031
(d) Credit for Excess Assets, Lesser of (2) and 4(c)	\$ 153,641,738
(5) Minimum Required Contribution, Before Reflecting Funding Balances, January 1, 2010, (2) + (3) – 4(d), Not Less Than \$0	\$ 0

Funding Requirements: Contributions

Development of Funding Shortfall and Shortfall Amortization Base Exemption

Development of Funding Shortfall

(1) Funding Target	\$ 5,504,897,237
(2) Adjusted Value of Plan Assets	
(a) Value of Plan Assets	\$ 6,152,422,565
(b) Funding Standard Carryover Balance	299,413,297
(c) Prefunding Balance	0
(d) Adjusted Value of Plan Assets, (a) – (b) – (c), Not Less Than \$0	\$ 5,853,009,268
(3) Funding Shortfall, (1) – 2(d), Not Less Than \$0	\$ 0

Determination of Shortfall Amortization Base Exemption

(4) Applicable Percentage	
(a) Was Plan Subject to the Deficit Reduction Contribution in 2007?	No
(b) Applicable Percentage for 2010	96%
(5) Applicable Percentage of Funding Target for Exemption Test, (1) × 4(b)	\$ 5,284,701,348
(6) Prefunding Balance Used to Reduce Minimum Required Contribution	\$ 0
(7) Value of Plan Assets Less Prefunding Balance, If Any Portion Used to Reduce Minimum Required Contribution, 2(a) – 2(c)	\$ 6,152,422,565
(8) Is Plan Exempt from Creating a Shortfall Amortization Base?	Yes

Since the Value of Plan Assets less the Prefunding Balance used to reduce the Minimum Required Contribution is greater than the Applicable Percentage of the Funding Target, the plan is exempt from creating a new shortfall amortization base in 2010.

Funding Requirements: Contributions

Quarterly Contributions for 2010 Plan Year

Unless a plan qualifies for an exemption, quarterly installments toward the Minimum Required Contribution are due on April 15, July 15, and October 15 of the plan year, and January 15 of the following plan year.

The amount of each quarterly installment for the 2010 plan year is 25% of the lesser of:

- (a) 90% of the current year's Minimum Required Contribution as of the first day of the current plan year; and
- (b) 100% of the prior year's Minimum Required Contribution as of the first day of the prior plan year.

If the plan does not satisfy these quarterly installment requirements, interest penalties payable to the plan accrue, and plan participants may need to be notified if the contribution is more than 60 days late. In addition, there may be other implications of missed quarterly installments such as a requirement to notify the PBGC and a requirement to file certain information with the PBGC under ERISA Section 4010.

2010 Quarterly Contribution Exemption

A plan is exempt from the quarterly contribution requirements if it did not have a funding shortfall for the prior plan year. The plan did not have a funding shortfall for the 2009 plan year, so quarterly contributions are not required for the 2010 plan year.

Funding Requirements: Contributions

Preliminary Quarterly Contributions for 2011 Plan Year

2011 Quarterly Contribution Exemption

A plan is exempt from the quarterly contribution requirements if it did not have a funding shortfall for the prior plan year. The plan does not have a funding shortfall for the 2010 plan year, so quarterly contributions are not required for the 2011 plan year.

Funding Requirements: Contributions

Maximum Tax Deductible Contribution for 2010 Tax Year

PPA modified the maximum deductible contribution for years beginning in 2008 to be the greater of: (1) 150% of the minimum funding target, plus the minimum target normal cost, plus any liability associated with expected future benefit increases due to future salary growth, less the value of plan assets; and (2) 100% of the at-risk funding target, plus the at-risk target normal cost, less the value of plan assets. The maximum deductible contribution cannot be less than the Minimum Required Contribution.

The maximum deductible contribution shown below does not reflect the allowable deduction limit based on the at-risk funding target described above. If the plan sponsor is considering making contributions (with the intent of deducting such contributions) in excess of the maximum deduction limit shown below, additional analysis should be performed.

The maximum deductible contribution shown below is based on the valuation results for the 2010 plan year. The IRS has not yet provided guidance on which tax year this maximum deductible contribution will correspond to. We have assumed below that the maximum deductible contribution based on the valuation results for the 2010 plan year corresponds to the 2010 tax year.

Regulatory guidance that could impact the amount of the maximum deductible limit and the tax year it applies to is anticipated to be provided after this report is issued. The maximum deductible limit shown below should be verified with the plan's actuary before being relied upon.

(1) Minimum Funding Target	\$ 5,504,897,237
(2) Minimum Target Normal Cost	\$ 153,641,738
(3) Cushion Amount	
(a) 50% of Minimum Funding Target	\$ 2,752,448,619
(b) Maximum Funding Target, Including Expected Benefit Increases Due to Future Salary Growth	5,882,149,223
(c) Minimum Funding Target	<u>5,504,897,237</u>
(d) Cushion Amount, (a) + (b) – (c)	\$ 3,129,700,605
(4) Value of Plan Assets	<u>6,152,422,565</u>
(5) Preliminary Limit, (1) + (2) + 3(d) – (4), Not Less Than \$0	\$ 2,635,817,015
(6) Minimum Required Contribution before Adjustment for Funding Balances	\$ 0
(7) Maximum Tax Deductible Contribution Without Reflection of At-Risk Target, Greater of (5) and (6)	\$ 2,635,817,015

Funding Requirements: Experience

Funding Target Experience

Under the Unit Credit Cost Method, deviations in liability experience are measured by comparing the actual funding target with the expected funding target. The excess of the expected funding target over the actual funding target is the actuarial gain or loss for the year. The funding target shown below has been measured on a not-at-risk basis, using the 2009 plan year valuation interest rates and mortality table.

	During 2009 Plan Year
Not-At-Risk Funding Target, January 1, 2009	\$ 5,202,694,580
Not-At-Risk Target Normal Cost, Before Trust Expenses, January 1, 2009	169,898,669
Benefit Payments during Plan Year	(258,835,956)
Interest at 5.32% to December 31, 2009	<u>279,026,138</u>
Expected Funding Target, Before Changes, January 1, 2010	\$ 5,392,783,431
Actual Funding Target, Before Changes, January 1, 2010	<u>5,390,348,080</u>
Funding Target (Gain)/Loss for 2009 Plan Year (Actual – Expected)	\$ (2,435,351)

Asset Experience

The plan's funding balances are adjusted to reflect the actual rate of return on plan assets for the plan year, which is determined on the basis of fair market value and must take into account the amount and timing of all contributions, distributions, and other plan payments made during the year. On this basis, the annual rate of return on market value of plan assets was 12.76%. Following is a simplified reconciliation of plan assets.

	Value of Plan Assets	Market Value
Asset Value, January 1, 2009	\$ 5,733,841,232	\$ 5,212,582,938
Benefit Payments and Expenses during 2009 Plan Year	(266,012,506)	(266,012,506)
2009 Plan Year Discounted Contributions	0	0
Expected Earnings at 5.32% during 2009 Plan Year	<u>298,056,108</u>	<u>270,325,166</u>
Expected Asset Value, December 31, 2009	\$ 5,765,884,834	\$ 5,216,895,598
Actual Asset Value, December 31, 2009	<u>6,152,422,565</u>	<u>5,593,111,423</u>
Asset (Gain)/Loss (Expected – Actual)	\$ (386,537,731)	\$ (376,215,825)

Funding Requirements: Experience

Explanation of Certain Factors Contributing to Funding Target (Gain)/Loss

Pay Experience

Overall, pay increased less than expected. Actual pay increases for employees who were participants on both January 1, 2009, and January 1, 2010, averaged 2.04% vs. an expected increase of 5.09%. This may be broken down by age as follows:

Age	Actual Increase	Expected Increase
≤ 24	8.96%	9.39%
25–29	4.76%	8.55%
30–34	3.25%	6.71%
35–39	2.50%	5.58%
40–44	2.22%	4.91%
45–49	1.57%	4.50%
50–54	1.25%	4.30%
55–59	1.12%	4.23%
60+	0.59%	4.20%

Funding Requirements: Experience

Changes in Participant Group

Below is a table showing the changes in the number of participants during the 2009 plan year.

Source	Actives	Inactives with Deferred Benefits	Inactives in Payment Status	Total
Plan Participants, 1/1/2009	25,950	6,465	14,996	47,411
Changes during 2009:				
Nonvested Terminations	(215)	0	0	(215)
Lump Sums Paid	(5)	(3)	0	(8)
Lump Sums Pending	0	0	0	0
Deferred Vested Terminations	(233)	233	0	0
Retirements	(891)	(233)	1,124	0
Deaths	(63)	(21)	(394)	(478)
New Beneficiaries	0	3	241	244
Receiving Beneficiaries	0	(18)	18	0
Benefit Expirations	0	0	(60)	(60)
Rehires	182	(30)	0	152
New Entrants	1,369	0	5	1,374
Data Corrections	0	4	3	7
Net Changes	144	(65)	937	1,016
Plan Participants, 1/1/2010	26,094	6,400	15,933	48,427

Accounting Requirements

Accounting Requirements: ASC 960 Plan Reporting

ASC 960 Plan Reporting

ASC 960 establishes standards of accounting and reporting for the annual financial statements of a defined benefit pension plan.

Comparison of Accumulated Benefit Values and Assets

The following liability values have been determined as of January 1, 2010, using a discount rate of 8.75%.

Accumulated Plan Benefits

Participants Currently in Payment Status	\$ 2,009,084,475
Participants with Deferred Benefits	212,740,196
Other Participants	<u>2,216,144,142</u>
Total Vested Plan Benefits	\$ 4,437,968,813
Nonvested Benefits	<u>4,529,004</u>
Total Plan Benefits	\$ 4,442,497,817

Net Assets Available for Benefits

Plan Assets per Trust Statement	\$ 5,593,111,423
Contributions Receivable	<u>0</u>
Market Value of Assets Available for Benefits	\$ 5,593,111,423

Funded Ratio

Total Assets Available for Benefits Divided by Total Plan Benefits	125.90%
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Accounting Requirements: ASC 960 Plan Reporting

Changes in the Actuarial Present Value of Accumulated Plan Benefits

Disclosure of the following reconciliation of changes in the Actuarial Present Value of Accumulated Plan Benefits is required under ASC 960.

Actuarial Present Value of Accumulated Plan Benefits, January 1, 2009	\$ 4,288,785,435
Increase/(Decrease) Due to:	
Interest Accumulation	\$ 353,770,558
Benefit Payments	(258,835,956)
Assumption Changes	(69,208,969)
Plan Amendments	0
Other Changes ¹	<u>127,986,749</u>
Total	\$ 153,712,382
Actuarial Present Value of Accumulated Plan Benefits, January 1, 2010	\$ 4,442,497,817

¹ The "Other Changes" component represents the normal operation of the pension plan. It consists primarily of the increase due to ongoing benefit accruals (if any) and those items of plan experience that are not associated with plan asset performance.

Appendix

Personnel Information

The actuarial valuation was based on personnel information from Southern Company records as of January 1, 2010. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

Summary of Participant Data

	January 1, 2009	January 1, 2010
Actives	25,950	26,094
Inactives with Deferred Benefits	6,465	6,400
Inactives in Payment Status	<u>14,996</u>	<u>15,933</u>
Total	47,411	48,427

Personnel Information

Summary of Active Participant Data

	January 1, 2009	January 1, 2010
Number		
Male	18,961	19,039
Female	<u>6,148</u>	<u>6,236</u>
Total	25,109	25,275
Average Age		
Male	46.4	46.1
Female	44.1	44.2
Total	45.8	45.6
Average Service		
Male	20.0	19.4
Female	14.5	14.5
Total	18.6	18.2
Average Age at Hire		
Male	26.4	26.7
Female	29.6	29.7
Total	27.2	27.4
Total Payroll	\$ 1,712,892,665	\$ 1,731,877,339
Average Pay	\$ 68,218	\$ 68,521
Active Participants on Leave or Disabled		
Accruing Service	776	735
Not Accruing Service	65	84

Personnel Information

Summary of Inactive Participant Data

	January 1, 2009	January 1, 2010
Inactives with Deferred Benefits		
Number	6,465	6,400
Average Current Age	50.6	51.0
Average Monthly Benefit ¹	\$ 715	\$ 713
Inactives in Payment Status		
Number	14,996	15,933
Average Current Age	69.5	69.5
Average Monthly Benefit	\$ 1,295	\$ 1,340

¹ After adjustment for assumed retirement age and payment form.

Personnel Information

Distribution by Age and Service

Following is an active participant grid in the format required by the IRS for the attachment to Schedule SB of Form 5500.

Schedule SB, Line 26—Schedule of Active Participant Data As of January 1, 2010

The Southern Company Pension Plan

EIN: 63-0274273 PN: 001

Number of Participants and Average Compensation

Attained Age	Years of Credited Service									
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+
<25		691 \$43,802	24 \$48,054							
25-29		1,342 \$49,650	603 \$57,807	39 \$56,377						
30-34		976 \$52,333	1,073 \$60,322	579 \$65,078	11					
35-39		706 \$55,193	793 \$60,157	842 \$65,881	242 \$75,115	41 \$67,897				
40-44		503 \$57,083	509 \$62,802	554 \$66,284	397 \$74,515	628 \$73,266	109 \$70,335			
45-49		362 \$60,881	386 \$64,209	362 \$66,234	271 \$69,370	909 \$71,728	1,447 \$77,125	217 \$74,321		
50-54		243 \$59,519	212 \$62,669	234 \$65,901	176 \$65,281	542 \$68,868	1,534 \$79,691	1,841 \$79,747	201 \$72,526	
55-59		115 \$59,662	114 \$63,678	122 \$60,321	94 \$66,194	268 \$69,529	705 \$75,038	1,237 \$78,859	1,201 \$80,905	101 \$77,927
60-64		53 \$67,730	42 \$58,471	55 \$60,187	51 \$65,609	91 \$68,304	244 \$72,545	317 \$77,411	440 \$84,430	274 \$87,819
65-69		7	11	9	7	14	19	26 \$69,314	18	27 \$79,530
70+				2	1	2	4	1	1	3

N-25275

Plan Provisions

Summary of Plan Changes

Pension plans sponsored by the Southern Company were originally effective at various dates ranging from July 1, 1944 to January 1, 1995, and have been amended from time to time. Effective January 1, 1989, the plans were amended and restated. Effective January 1, 1997, the plans were consolidated to form The Southern Company Pension Plan. Effective January 1, 1998, the Savannah Plan merged with the Plan. The plan was most recently restated and amended effective January 1, 2009.

Changes Reflected in the 2010 Valuation

There are no changes reflected in the January 1, 2010 valuation.

Changes Reflected in the 2009 Valuation

The following changes were first reflected in the January 1, 2009 valuation:

- The IRC Section 401(a)(17) pay limit increased to \$245,000 from \$230,000; and
- The IRC Section 415 benefit limit was changed to \$195,000 from \$185,000.

Changes Reflected in the 2008 Valuation

The following changes were first reflected in the January 1, 2008 valuation:

- The IRC Section 401(a)(17) pay limit increased to \$230,000 from \$225,000; and
- The IRC Section 415 benefit limit was changed to \$185,000 from \$180,000.

Changes Reflected in the 2007 Valuation

The following changes were first reflected in the January 1, 2007 valuation:

- The IRC Section 401(a)(17) pay limit increased to \$225,000 from \$220,000;
- The IRC Section 415 benefit limit was changed to \$180,000 from \$175,000; and
- Certain employees of Progress Energy, Inc. from the Desoto County Plant and Rowan County Plant became eligible to participate in the plan through an acquisition. These employees will receive credit for vesting and eligibility service back to their original date of hire with their former employer and accredited service from the date of acquisition.

Changes Reflected in the 2006 Valuation

The following changes were first reflected in the January 1, 2006 valuation:

- The IRC Section 401(a)(17) pay limit increased to \$220,000 from \$210,000;
- The IRC Section 415 benefit limit was changed to \$175,000 from \$170,000; and
- As of August 1, 2005, retirees in pay status as of April 1, 2005 began receiving a pension supplement of \$250 per month with payments continuing until they turn age 62.

Plan Provisions

Changes Reflected in the 2005 Valuation

The IRC Section 401(a)(17) pay limit increased to \$210,000 from \$205,000. Also, the IRC Section 415 benefit limit was increased from \$165,000 to \$170,000. These changes were first recognized in the January 1, 2005 valuation.

Changes reflected in the 2004 Valuation

The IRC Section 401(a)(17) pay limit was changed to \$205,000 from \$200,000. Also, the IRC Section 415 benefit limit was changed to \$165,000 from \$160,000. These changes were first recognized in the January 1, 2004 valuation.

Changes Reflected in the 2003 Valuation

Plan changes impacting two groups of participants were first reflected in the January 1, 2003 valuation. The changes impacted all covered employees and only noncovered employees under the "New Retirement Program" (i.e., noncovered employees under age 35 as of January 1, 1997, and noncovered employees hired after 1996). As a result of these changes, all employees have basically the same pension provisions.

Changes Reflected in the 2002 Valuation

The following changes were first reflected in the January 1, 2002 valuation:

- As a result of the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA), several changes were recognized as of January 1, 2002 for funding purposes:
 - The IRC Section 401(a)(17) recognizable pay limit increased to \$200,000 from \$170,000. The Company elected to apply the new limit on a retrospective basis.
 - The IRC Section 415 defined benefit plan maximum annual benefit increased to \$160,000 from \$140,000. In addition, the adjustment of the limit for early commencement was changed.
- Southern Energy Resources, Inc. (SERI), which is now Mirant Corporation, was spun off from Southern Company on April 2, 2001. As a result, liabilities and assets were spun off for all but a handful of current and former SERI employees (Southern Energy Retired Employees) as of the spin-off date. The amount of assets spun off during 2002 met IRC Section 414(l) requirements.

Plan Provisions

Changes Reflected in the 2001 Valuation

The following changes were first reflected in the January 1, 2001 valuation:

- Several plan changes occurring at year-end 2000 and effective January 1, 2001 were reflected as of the January 1, 2001 valuation date for funding purposes and as of a December 31, 2000 remeasurement date for FAS 87 costs purposes. The first four changes apply to noncovered employees only.
 - A 1.25% of final average total pay (base plus incentives) formula was added.
 - The 43-year service cap was removed.
 - Early retirement reductions for employees starting receipt of pension benefits before age 55 were lowered to 0.3% (from 0.333%) for each month benefit commencement precedes age 55.
 - The \$325 reduction in the Social Security benefit for the Social Security offset was changed to \$350.
 - An ad hoc benefit increase was made for retirees (1.5% per year of retirement; 7.5% maximum).
 - The maximum benefit limit changed. The IRC Section 415 defined benefit plan maximum annual benefit was increased to \$140,000 from \$135,000.

Changes Reflected in the 2000 Valuation

The following changes were first reflected in the January 1, 2000 valuation:

- Starting January 1, 2000, benefit provisions for OPIEU members employed at SAV began a gradual transition to benefit provisions under the SOCO plan. Also, the reduction to Social Security in the benefit formula was raised to \$350 monthly from \$325 for SAV IBEW members.
- During 1999, Southern Energy Resources, Inc. (SERI) acquired employees from Commonwealth Energy System (SENE), Orange and Rockland Utilities, Inc. (SENY), and Pacific Gas & Electric Company (SECA) who may become eligible for benefits under this plan. SENE employees became eligible to participate in the plan on January 1, 1999, SECA on April 1, 1999, and SENY on July 1, 1999. These employees will receive credit for vesting and benefit purposes back to their original date of hire with their former employers. Benefits under the plan will be offset by benefits payable from their prior plans.
- The maximum pay and benefit limits were changed. The IRC Section 415 defined benefit plan maximum annual benefit was increased to \$135,000 from \$130,000 and the IRC Section 401(a)(17) recognizable pay limit increased to \$170,000 from \$160,000.

Changes Reflected in the 1999 Valuation

Starting January 1, 1999, plan provisions for members of IBEW employed at SAV will slowly transition to the provisions of the SOCO Plan. The benefits for these participants will transition in the same manner as for noncovered SAV employees (see below for a brief summary of the transition rules).

Plan Provisions

Changes Reflected in the 1998 Valuation

The Employees' Retirement Plan of Savannah Electric & Power Company (SAV Plan) merged with The Southern Company Pension Plan (SOCO Plan) at the very end of the 1997 plan year. Starting January 1, 1998 plan provisions for noncovered employees will slowly transition to the provisions of the SOCO Plan. Covered employees will continue to be covered by the provisions of the SAV Plan. A brief summary of the changes in noncovered employees' pension benefits follows:

- *Noncovered Employees age 35 and over on January 1, 1997.* Benefits equal to benefits provided to employees not covered under SOCO's New Retirement Program with two exceptions. Employees age 50 and over with at least 10 years of service on January 1, 1997 receive the greater of the SOCO Plan benefit and the SAV Plan benefit at retirement. All other employees receive the greater of a full career SOCO Plan benefit and the SAV Plan benefit counting pay and service through December 31, 2001 (including SAV Plan early retirement adjustments).
- *Noncovered Employees under age 35 on January 1, 1997.* Benefits equal to benefits provided to employees covered under SOCO's New Retirement Program. These employees receive the greater of a full career SOCO Plan benefit and the SAV Plan benefit counting pay and service through December 31, 2001. Final average pay will be based on a three-year average. Benefits will be adjusted for early commencement by the SOCO Plan factors for pre-1997 hires.
- *Noncovered Employees hired after January 1, 1998.* These employees will be covered under SOCO's New Retirement Program.

All employees who became participants in the SAV Plan prior to January 1, 1998 will be eligible for normal retirement at age 65 regardless of service. All employees who became participants in the SAV Plan on or before January 1, 1997 will be eligible for early retirement at age 55 regardless of service.

The maximum benefit limit changed due to automatic indexing. The IRC Section 415 defined benefit plans maximum amount benefit was increased to \$130,000 from \$125,000.

Plan Provisions

Changes Reflected in the 1997 Valuation

At the very end of the 1996 plan year, the pension plans for employees of the following companies were consolidated to form The Southern Company Pension Plan:

- Alabama Power Company (APC)
- Georgia Power Company (GPC)
- Gulf Power Company (GULF)
- Mississippi Power Company (MPC)
- Southern Company Services, Inc. (SCS)
- Southern Nuclear Operating Company, Inc. (SNC)
- Southern Communications Services, Inc. (COMM)
- Southern Development and Investment Group, Inc. (SODEV)
- Southern Energy, Inc. (SEI)

Additional plan changes which were recognized July 1, 1996 for FAS 87 purposes were first recognized for funding purposes.

The maximum pay and benefit limits were changed due to automatic indexing. The IRC Section 415 defined benefit plans maximum annual benefit was increased to \$125,000 from \$120,000 and the IRC Section 401(a)(17) recognizable pay limit increased to \$160,000 from \$150,000.

Changes Reflected in the 1996 Valuation

Participant transfers to the SCS plan occurred December 31, 1995. For funding purposes, this special transfer was reflected in the same manner as the regular transfers among the system plans. For FAS 87 purposes, this transfer was reflected as a special spin-off/merger with liabilities and unrecognized amounts transferred to the SCS plan as of January 1, 1996. Assets will be transferred at the end of the year.

For FAS 87 purposes, amendments adopted during the year were reflected in a July 1, 1996 remeasurement. For funding purposes, these changes were reflected January 1, 1997.

Significant changes include:

- Ad hoc benefit increases for retirees (1.5% per year of retirement; 7.5% maximum).
- Transition to 1% of final average pay formula for noncovered employees who were under age 35 as of January 1, 1997.
- The \$250 reduction in the Social Security benefit for the Social Security offset was changed to \$325 for other noncovered employees.
- Earliest retirement eligibility and benefit payment age for surviving spouses were changed from age 55 to age 50.

Plan Provisions

Changes Reflected in the 1995 Valuation

The following changes were first recognized in the January 1, 1995 valuation:

- The maximum pay and benefit limits were changed. The IRC Section 415 defined benefit plan maximum annual benefit was increased to \$120,000 from \$118,800 due to automatic indexing. In addition, the definition of actuarial equivalence used to adjust the limit for payment at ages other than the Social Security Retirement Age was changed by the Retirement Protection Act of 1994. For ERISA funding purposes, these changes were treated as a plan amendment since no increases were expected for the funding valuation.
- As part of an early retirement program, several plan changes were effective for GPC, MPC, and SCS employees retiring within a specified window period:
 - Early retirement reductions were eliminated.
 - A Social Security supplement payable to age 62 was added.

These changes were reflected in 1994 for FAS 87 cost purposes. They were reflected as plan amendments on January 1, 1995 for funding purposes.

- The SEI plan was amended effective at the end of 1994 to grant past service credits (and a corresponding offset for Scott Paper benefits) for nine salaried employees at the Mobile Mill facility acquired from Scott Paper. This change was reflected during 1994 for FAS 87 cost purposes and in this January 1, 1995 valuation for funding purposes.
- Two new pension plans were created by spin-offs from the SCS plan. There were a number of de minimis and non-de minimis spin-offs from a number of the existing pension plans as of the beginning of the year at the same time as the initial spin-off.

Changes Reflected in the 1994 Valuation

The IRC Section 415 benefit limit was changed from \$115,641 in 1993 to \$118,800 in 1994. Also, the pay cap was changed from \$235,840 in 1993 to \$150,000 in 1994. These changes were recognized in the January 1, 1994 valuation.

Changes Reflected in the 1993 Valuation

The IRC Section 415 benefit limit was changed from \$112,221 to \$115,641 in 1993. Also, the pay cap was changed from \$228,860 to \$235,840. These changes were recognized in the January 1, 1993 valuation.

Changes Reflected in the 1992 Valuation

The IRC Section 415 benefit limit was changed from \$108,963 to \$112,221 in 1992. Also, the pay cap was changed from \$222,220 to \$228,860. These changes were recognized in the January 1, 1992 valuation.

Plan Provisions

Changes Reflected in the 1991 Valuation

The IRC Section 415 benefit limit was changed from \$102,582 to \$108,963 in 1991. Also, the \$200,000 pay cap was changed from \$209,200 to \$222,220. These changes were recognized in the January 1, 1991 valuation.

The following plan changes were adopted on or about June 1, 1991, and also reflected in the 1991 valuations:

- An ad hoc retiree benefit increase was made, according to the following schedule:

Year of Retirement	Benefit Increase	Year of Retirement	Benefit Increase
1990	2%	1976-1986	10%
1989	4%	1971-1975	20%
1988	6%	1966-1970	30%
1987	8%	1965 or earlier	40%

- The minimum benefit was increased from \$240 per year of service to \$300 per year of service.
- The death benefit for survivors of active employees was changed to 45% of the participant's accrued benefit. The benefit had previously been 50% of the accrued benefit, actuarially reduced to age 55.
- The \$168 reduction in the Social Security benefit for the FAP formula's Social Security offset was changed to \$250.
- The 40-year service cap was increased to 43 years.

Plan Provisions

Summary of Plan Provisions

Participation

Completion of one year of service.

Normal Retirement

Eligibility

Later of attainment of age 65 and completion of five years of participation.

Benefit

Accrued benefit.

Early Retirement

Eligibility

Later of attainment of age 50 and completion of ten years of participation.

Benefit

Accrued benefit reduced by 0.3% for each month benefit commencement precedes normal retirement date.

Disabled Retirement

Eligibility

Completion of five years of service.

Benefit

Accrued benefit based on compensation at disablement and service at normal retirement date.

Terminated Vested Benefits

Eligibility

Earlier of completion of five years of service or attainment of normal retirement age.

Benefit

Accrued benefit payable at age 65. Benefits may commence as early as age 50 with actuarial reduction to age 55 and 0.3% reduction for each month benefit commencement precedes age 55.

Preretirement Spouse's Benefit

Eligibility

Fully vested status.

Benefit

45% of the accrued benefit, payable on the participant's earliest retirement date.

Participants may elect to upgrade the benefit to a 100% Joint and Survivor. The cost of this upgrade is paid through a reduction in benefits payable.

Terminated employees with vested benefits receive the coverage free of charge prior to being eligible for early retirement. Thereafter, benefits are reduced if coverage is elected.

Plan Provisions

Normal Form of Annuity

Single	Life Annuity.
Married	50% Joint and Survivor; benefits are reduced 10% for this form (terminated vested employees' benefits are adjusted based on actuarial equivalent tables).

Optional Forms of Payment

Life Annuity,
50% Joint and Survivor Annuity,
50% Joint and Survivor Annuity with Pop-up.
75% Joint and Survivor Annuity,
75% Joint and Survivor Annuity with Pop-up.
100% Joint and Survivor Annuity,
100% Joint and Survivor Annuity with Pop-up, and
Social Security Level Income Annuity.

Benefit Limits

Benefits cannot exceed the limits set by IRC Section 415.

Definitions

Accrued Benefit

Greater of (A) less (B), (C) or (D):

- (A) 1.7% times final average pay times years of participation as of calculation date.
- (B) 50% times offset based on PIA times a ratio of years of participation at calculation date to years of participation attainable at normal retirement.
- (C) \$300 times years of participation as of calculation date (career average pay benefit for service prior to 1986, if larger).
- (D) 1.25% times final average total pay times years of participation as of calculation date.

Final Average Pay

Average pay over the three plan years of participation which produce the highest average out of the last ten plan years. Pay for benefit purposes cannot exceed the limits set by IRC Section 401(a)(17). Final average total pay includes incentives paid during plan years in the average.

Offset Based on Primary Insurance Amount (PIA)

Estimated Social Security benefit (determined using only actual Southern Company earnings) reduced by \$4,200 (\$350 per month).

The offset is limited by the maximum allowable under integration rules in IRC Section 401(l).

Plan Provisions

Pay	Highest base rate of earnings during year.
Plan Year	Calendar year.
Years of Participation For Benefit Purposes	Years of Service as a participant, prorated for hours less than 1,680.
Year of Service	12-month period with 1,000 hours.

Plan Provisions

Provisions Applicable to Former Savannah Plan Participants

Participation	Completion of one year of service.
Normal Retirement	
Eligibility	Later of attainment of age 65 and completion of five years of participation. Participants on December 31, 1997 may retire upon the attainment of age 65 regardless of service.
Benefit	Accrued benefit.
Early Retirement	
Eligibility	Later of attainment of age 50 and completion of ten years of participation. Participants on January 1, 1997 may retire upon the attainment of age 55 regardless of service.
Benefit	Accrued benefit reduced for each month benefit commencement precedes normal retirement date. SAV Plan benefit reductions are 5/12% per month prior to age 62 and 0.3% per month prior to age 55. SOCO Plan benefit reductions are 0.3% per month prior to age 65.
Disabled Retirement	
Eligibility	Completion of five years of service.
Benefit	Accrued benefit based on compensation at disablement and service at normal retirement date.
Terminated Vested Benefits	
Eligibility	Completion of five years of service.
Benefit	Accrued benefit payable at age 65. Benefits may commence early at age 50 with reductions. For employees with 10 or more years of service, reductions match those for early retirement. For other employees, SOCO Plan benefits are actuarially reduced; SAV Plan benefit reductions match those for early retirement.

Plan Provisions

Preretirement Spouse's Benefit

Eligibility

Fully vested status.

Benefit

45% of the accrued benefit, payable on the participant's earliest retirement date.

Participants may elect to upgrade the benefit to a 100% Joint and Survivor. The cost of this upgrade is paid through a reduction in benefits payable.

Terminated employees with vested benefits receive the coverage free of charge prior to being eligible for early retirement. Thereafter, benefits are reduced if coverage is elected.

Normal Form of Annuity

Single

Life Annuity.

Married

50% Joint and Survivor; benefits are reduced 10% for this form for noncovered employees (terminated vested and covered employees' benefits are adjusted based on actuarial equivalent tables).

Optional Forms of Payment

Life Annuity, 50% Joint and Survivor Annuity, 75% Joint and Survivor Annuity, 100% Joint and Survivor Annuity, and Social Security Level Income Annuity.

Employees terminating after January 1, 1998 are eligible to elect to have their survivor annuity paid with a pop-up feature.

Benefit Limits

Benefits cannot exceed the limits set by IRC Section 415.

Plan Provisions

Definitions

Accrued Benefits

The SAV Plan accrued benefit is the greater of (A) and (B):

- (A) For credited service earned on or after April 1, 1969, 1-1/6% of pay in each year up to \$3,600, plus 2% of pay in each year over \$3,600;

For credited service earned on or after April 1, 1959 up to March 31, 1969, 1% of pay in each year up to \$3,000, plus 2% of pay in each year over \$3,000;

For credited service earned prior to April 1, 1959, annuity benefit plus 1% of pay in each year (1956 – 1958) up to \$3,000, plus 1½% of pay in each year over \$3,000.

- (B) 1-2/3% of final average pay times credited service (up to 36 years) less 1 ½% of Social Security Benefit times credited service (up to 33 1/3 years).

The Southern Company plan accrued benefit is the greater of (A) less (B), (C), (D) or (E):

- (A) 1.7% times final average pay times years of participation as of calculation date.
- (B) 50% times offset based on PIA times a ratio of years of participation at calculation date to years of participation attainable at normal retirement.
- (C) \$300 times years of participation as of calculation date.
- (D) SAV Plan accrued benefit counting pay and service through December 31, 2001 (retirement if at least age 50 with 10 years of service on January 1, 1997).
- (E) 1.25% times final average total pay times years of participation as of calculation date.

Plan Provisions

Credited Service	Elapsed time from date of participation. Beginning January 1, 1998, credited service will be determined similarly to years of participation for benefit purposes.
Final Average Pay	Average pay over the three plan years of participation which produce the highest average out of the last ten plan years. Pay for benefit purposes cannot exceed the limits set by IRC Section 401(a)(17). Final average total pay includes incentives paid during each plan year in the average.
Offset Based on Primary Insurance Amount (PIA)	<p>Estimated Social Security benefit (determined using only actual Southern Company earnings) reduced by \$4,200 (\$350 per month).</p> <p>The offset is limited by the maximum allowable under integration rules in IRC Section 401(1).</p>
Pay	Highest base rate of earnings during year. For SAV Plan benefits pay is basically actual compensation excluding bonuses, overtime, and some other amounts.
Plan Year	Calendar year.
Social Security Benefit	For SAV Plan benefits, estimated Social Security benefit assuming no earnings after retirement for early retirees and level earnings after termination for terminated vested participants.
Years of Participation for Benefit Purposes	Years of Service as a participant, prorated for hours less than 1,680.
Year of Service	12-month period with 1,000 hours.

Actuarial Assumptions and Methods

For Funding Requirements

Interest Rates	Based on segment rates with no lookback (as of January 2010).
1st Segment Rate	4.60%.
2nd Segment Rate	6.65%.
3rd Segment Rate	6.76%.
Salary Increases	
Minimum Funding Target Normal Cost	4.0% for SERP participants. See Tables 1-2 for others.
Maximum Tax Expected Benefit Increase	
Social Security Wage Base Increases	Future wage indices are based on a national wage increase of 2.75% per year.
Social Security COLA Increases	2.25%.
Optional Payment Form Election Percentage	Retirement Eligible Males: 25% life annuity 25% level income 25% joint and 50% survivor annuity 25% joint and 100% survivor annuity Retirement Eligible Females: 40% life annuity 40% level income 10% joint and 50% survivor annuity 10% joint and 100% survivor annuity The life annuity percentage for disabled participants is the sum of the life annuity and the level income percentages since disabled participants are assumed to commence their benefits at age 65. Non-Retirement Eligible Participants: 100% life annuity.
Retirement Age	
Active Participants	See Table 3.
Terminated Vested Participants	Age 57.
Mortality Rates	
Healthy and Disabled	2010 Static Mortality Table for Annuitants and Non-Annuitants per §1.430(h)(3)-1(e).

Actuarial Assumptions and Methods

Withdrawal Rates	See Table 4.
Disability Rates	See Table 5.
Surviving Spouse Benefit	It is assumed that 75% of males and 65% of females have an eligible spouse, and that males are two years older than their spouses.
Valuation Compensation	2009 Pensionable earnings rolled forward on year with the salary increase assumption.
Benefit and Compensation Limits	Projected benefits and compensation are limited by the current IRC Section 415 maximum benefit of \$195,000 and the 401(a)(17) compensation limit of \$245,000.
Valuation of Plan Assets	Smoothed fair market value of assets over the current and prior two years, adjusted for contributions, benefit payments, administrative expenses, and expected earnings. The average value of assets calculated in this manner is further limited to not less than 90% nor more than 110% of fair market value.
Expected Return on Assets	8.75%, but no larger than:
2008 Plan Year	6.43%.
2009 Plan Year	6.69%.
Trust Expenses Included in Target Normal Cost	Prior year's actual administrative expenses, excluding investment management expenses. For 2010, \$7,176,550.
Actuarial Method	Standard Unit Credit Cost Method.
Valuation Date	January 1, 2010.

Actuarial Assumptions and Methods

Changes in Funding Methods/Assumptions since the Prior Year

Method Changes

The funding valuation reflects the following method change:

- A change in the liability cost method for projected disability benefits to comply with final PPA regulations.

Assumption Changes

The funding valuation reflects the following prescribed assumption changes:

- A change in the interest rate assumption from segment rates with no lookback (5.32%, 6.45%, and 6.69% as of January 2009) to segment rates with no lookback (4.60%, 6.65%, and 6.76% as of January 2010).
- A change in the mortality assumption from the 2009 Static Mortality Table for Annuitants and Non-Annuitants per §1.430(h)(3)-1(e) to the 2010 Static Mortality Table for Annuitants and Non-Annuitants per §1.430(h)(3)-1(e).

The funding valuation reflects the following non-prescribed assumption changes:

- A change in the optional payment form election percentages based on the following table:

Optional Form	Male Election		Female Election	
	Prior Year	Current Year	Prior Year	Current Year
Single Life Annuity	36%	25%	44%	40%
50% Joint & Survivor	32%	25%	28%	10%
100% Joint & Survivor	32%	25%	28%	10%
Level Income	N/A	25%	N/A	40%

- A change in the funding target normal cost load from 0.75% of assets to actual prior year's administrative expenses, excluding investment management expenses.
- A change in the withdrawal rates to better reflect experience.
- A change in the salary increase assumption from a range based on age and service of 11.85% to 3.85% to a range based on age and service of 10.0% to 2.25% for Noncovered Employees and a range of 7.25% to 4.25% based on age to a range of 6.0% to 2.25% based on service for Covered Employees.
- An change in the percent married assumption from 80% for males and 70% for females to 75% for males and 65% for females.
- A change in the Social Security Wage Base increase assumption from 4.00% to 2.75%.
- A change in the Social Security COLA increase assumption from 3.00% to 2.25%.

Actuarial Assumptions and Methods

For Plan Reporting Requirements

Interest Rate	8.75%.
Value of Accrued Benefits for Plan Reporting Purposes	Beginning-of-year values are determined in accordance with the recommended procedures of the American Academy of Actuaries as described in Illustrations 1 and 2 of ASOP No. 4, using the Standard Unit Credit Cost Method.
Mortality Rates Healthy	RP-2000 Fully Generational Scale AA Combined Healthy Mortality Table.
Disabled	RP-2000 Combined Healthy Mortality Table.
All other assumptions	Same as funding assumptions.

Changes in Plan Reporting Methods/Assumptions since the Prior Year

Method Changes

The plan reporting valuation does not reflect any method changes.

Assumption Changes

- A change in the interest rate from 8.50% to 8.75%.
- A change in the optional payment form election percentages based on the following table:

Optional Form	Male Election		Female Election	
	Prior Year	Current Year	Prior Year	Current Year
Single Life Annuity	36%	25%	44%	40%
50% Joint & Survivor	32%	25%	28%	10%
100% Joint & Survivor	32%	25%	28%	10%
Level Income	N/A	25%	N/A	40%

- A change in the withdrawal rates to better reflect experience.
- A change in the salary increase assumption from a range based on age and service of 11.85% to 3.85% to a range based on age and service of 10.0% to 2.25% for Noncovered Employees and a range of 7.25% to 4.25% based on age to a range of 6.0% to 2.25% based on service for Covered Employees.
- An change in the percent married assumption from 80% for males and 70% for females to 75% for males and 65% for females.
- A change in the Social Security Wage Base increase assumption from 4.00% to 2.75%.
- A change in the Social Security COLA increase assumption from 3.00% to 2.25%.

Actuarial Assumptions and Methods

Table 1
Salary Merit Increase Rates—Covered Employees

Service	Rate	Service	Rate
0	6.00%	30	2.25%
1	6.00%	31	2.25%
2	6.00%	32	2.25%
3	6.00%	33	2.25%
4	6.00%	34	2.25%
5	5.00%	35+	2.25%
6	5.00%		
7	5.00%		
8	5.00%		
9	5.00%		
10	4.00%		
11	4.00%		
12	4.00%		
13	4.00%		
14	4.00%		
15	3.00%		
16	3.00%		
17	3.00%		
18	3.00%		
19	3.00%		
20	2.50%		
21	2.50%		
22	2.50%		
23	2.50%		
24	2.50%		
25	2.25%		
26	2.25%		
27	2.25%		
28	2.25%		
29	2.25%		

Actuarial Assumptions and Methods

Table 2—Page 1 of 2
Salary Merit Increase Rates—Noncovered Employees

Age	Years of Service						
	0-4	5-9	10-14	15-19	20-24	25-29	30+
15	10.00%						
16	10.00%						
17	10.00%						
18	10.00%						
19	10.00%						
20	8.00%	7.50%					
21	8.00%	7.50%					
22	8.00%	7.50%					
23	8.00%	7.50%					
24	8.00%	7.50%					
25	7.50%	7.00%	6.50%				
26	7.50%	7.00%	6.50%				
27	7.50%	7.00%	6.50%				
28	7.50%	7.00%	6.50%				
29	7.50%	7.00%	6.50%				
30	7.00%	6.50%	6.00%	5.50%			
31	7.00%	6.50%	6.00%	5.50%			
32	7.00%	6.50%	6.00%	5.50%			
33	7.00%	6.50%	6.00%	5.50%			
34	7.00%	6.50%	6.00%	5.50%			
35	6.50%	6.00%	5.50%	5.00%	5.00%		
36	6.50%	6.00%	5.50%	5.00%	5.00%		
37	6.50%	6.00%	5.50%	5.00%	5.00%		
38	6.50%	6.00%	5.50%	5.00%	5.00%		
39	6.50%	6.00%	5.50%	5.00%	5.00%		
40	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%	
41	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%	
42	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%	
43	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%	
44	6.00%	5.50%	5.00%	4.50%	4.00%	3.00%	

Actuarial Assumptions and Methods

Table 2—Page 2 of 2
Salary Merit Increase Rates—Noncovered Employees

Age	Years of Service						
	0-4	5-9	10-14	15-19	20-24	25-29	30+
45	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%
46	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%
47	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%
48	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%
49	5.50%	5.00%	4.50%	4.00%	3.00%	2.50%	2.25%
50	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%
51	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%
52	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%
53	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%
54	5.00%	4.50%	4.00%	3.50%	2.25%	2.25%	2.25%
55+	5.00%	4.00%	3.50%	3.00%	2.25%	2.25%	2.25%

Actuarial Assumptions and Methods

Table 3
Retirement Rates

Age	Rate
50	0.50%
51	0.50%
52	0.50%
53	0.50%
54	0.50%
55	5.00%
56	5.00%
57	5.00%
58	7.50%
59	10.00%
60	12.50%
61	15.00%
62	45.00%
63	30.00%
64	25.00%
65	75.00%
66	75.00%
67	25.00%
68	25.00%
69	25.00%
70+	100.00%

Actuarial Assumptions and Methods

Table 4—Page 1 of 2
Withdrawal Rates

Age	Years of Service					
	0	1	2	3	4	5+
15	18.00%	13.05%	11.50%	9.90%	8.45%	7.00%
16	18.00%	13.05%	11.50%	9.90%	8.45%	7.00%
17	18.00%	13.05%	11.50%	9.90%	8.45%	7.00%
18	18.00%	13.05%	11.50%	9.90%	8.45%	7.00%
19	18.00%	13.05%	11.50%	9.90%	8.45%	7.00%
20	18.00%	13.05%	11.50%	9.90%	8.45%	7.00%
21	17.60%	13.05%	11.50%	9.90%	8.25%	6.60%
22	17.10%	12.69%	11.50%	9.90%	8.00%	6.10%
23	16.60%	12.24%	11.10%	9.90%	7.75%	5.60%
24	16.30%	11.79%	10.60%	9.46%	7.38%	5.30%
25	15.90%	11.52%	10.10%	8.91%	6.91%	4.90%
26	15.60%	11.16%	9.80%	8.36%	6.48%	4.60%
27	15.20%	10.89%	9.40%	8.03%	6.12%	4.20%
28	14.90%	10.53%	9.10%	7.59%	5.75%	3.90%
29	14.60%	10.26%	8.70%	7.26%	5.43%	3.60%
30	14.40%	9.99%	8.40%	6.82%	5.11%	3.40%
31	14.10%	9.81%	8.10%	6.49%	4.80%	3.10%
32	13.90%	9.54%	7.90%	6.16%	4.53%	2.90%
33	13.70%	9.36%	7.60%	5.94%	4.32%	2.70%
34	13.50%	9.18%	7.40%	5.61%	4.06%	2.50%
35	13.30%	9.00%	7.20%	5.39%	3.85%	2.30%
36	13.10%	8.82%	7.00%	5.17%	3.64%	2.10%
37	12.90%	8.64%	6.80%	4.95%	3.43%	1.90%
38	12.80%	8.46%	6.60%	4.73%	3.27%	1.80%
39	12.60%	8.37%	6.40%	4.51%	3.06%	1.60%
40	12.50%	8.19%	6.30%	4.29%	2.90%	1.50%
41	12.30%	8.10%	6.10%	4.18%	2.74%	1.45%
42	12.20%	7.92%	6.00%	3.96%	2.58%	1.40%
43	12.10%	7.83%	5.80%	3.85%	2.48%	1.35%
44	11.95%	7.74%	5.70%	3.63%	2.29%	1.30%

Actuarial Assumptions and Methods

Table 4—Page 2 of 2
Withdrawal Rates

Age	Years of Service					
	0	1	2	3	4	5+
45	11.85%	7.61%	5.60%	3.52%	2.19%	1.25%
46	11.75%	7.52%	5.45%	3.41%	2.08%	1.20%
47	11.65%	7.43%	5.35%	3.25%	1.95%	1.15%
48	11.55%	7.34%	5.25%	3.14%	1.85%	1.10%
49	11.50%	7.25%	5.15%	3.03%	1.77%	1.05%
50	11.40%	7.20%	5.05%	2.92%	1.66%	1.05%
51	11.30%	7.11%	5.00%	2.81%	1.56%	1.05%
52	11.25%	7.02%	4.90%	2.75%	1.50%	1.05%
53	11.15%	6.98%	4.80%	2.64%	1.40%	1.05%
54	11.00%	6.89%	4.75%	2.53%	1.32%	1.05%
55	11.00%	6.75%	4.65%	2.48%	1.24%	1.05%
56	11.00%	6.75%	4.50%	2.37%	1.19%	1.05%
57	11.00%	6.75%	4.50%	2.20%	1.10%	1.05%
58	11.00%	6.75%	4.50%	2.20%	1.10%	1.05%
59	11.00%	6.75%	4.50%	2.20%	1.10%	1.05%
60	11.00%	6.75%	4.50%	2.20%	1.10%	1.05%
61+	11.00%	6.75%	4.50%	2.20%	1.10%	1.05%

Actuarial Assumptions and Methods

Table 5
Disability Rates

Age	Rate	Age	Rate
15	0.085%	45	0.380%
16	0.085%	46	0.380%
17	0.085%	47	0.380%
18	0.085%	48	0.380%
19	0.085%	49	0.380%
20	0.085%	50	0.639%
21	0.085%	51	0.639%
22	0.085%	52	0.639%
23	0.085%	53	0.639%
24	0.085%	54	0.639%
25	0.085%	55	1.160%
26	0.085%	56	1.160%
27	0.085%	57	1.160%
28	0.085%	58	1.160%
29	0.085%	59	1.160%
30	0.085%	60	1.552%
31	0.085%	61	1.552%
32	0.085%	62	1.552%
33	0.085%	63	1.552%
34	0.085%	64	1.552%
35	0.085%	65+	0.000%
36	0.085%		
37	0.085%		
38	0.085%		
39	0.085%		
40	0.176%		
41	0.176%		
42	0.176%		
43	0.176%		
44	0.176%		

Actuarial Assumptions and Methods

Discussion of Actuarial Assumptions and Methods

The following discussion uses terminology consistent with the funding valuation. The accounting valuation process would be similar but with different terminology.

Ultimate Cost

The ultimate cost of a pension plan can be measured only when the obligation to all participants has been fully discharged. The cost will then be:

The benefits paid from the plan
plus
administrative expenses
less
investment gains
plus
investment losses.

The actuarial process assigns pension costs to the current year by estimating, based on both current and future service, the benefits to be paid to current plan participants. These estimates are determined through an actuarial valuation which uses three basic elements to project payments from the plan:

- Benefit provisions of the plan.
- Data on the present workforce, terminated vested, and retired employees.
- Certain predictions (actuarial assumptions) about the future as it applies to this workforce.

Actuarial Assumptions

The first step in the actuarial process is to determine the magnitude of the pension liability by determining the benefits expected to be paid. To determine how many employees will become eligible for benefits, what benefits will be paid, and how long benefits will be paid, it is necessary to make some economic and demographic predictions (usually called actuarial assumptions) such as:

- An assumed retirement age predicting when employees will begin to receive retirement benefits.
- A mortality rate predicting the number of employees who will die before retirement and the duration of benefit payments after retirement.
- A withdrawal rate predicting the number of employees who will leave the workforce before retirement. (Sometimes certain kinds of withdrawal such as disabilities are predicted separately.)
- If the benefits are based on compensation, an assumed rate of pay increases predicting employees' compensation in future years.

Actuarial Assumptions and Methods

These assumptions are applied to the data for each employee to predict the amount of benefits expected to be paid each year in the future. The total future benefit payments in each year are then discounted for the time value of money at a selected interest rate to determine the current amount which, with future interest accruals, will be sufficient to pay the expected benefits as they become payable. The discounted payments are usually called the present value of future benefits.

Total Future Benefit Payments	
Discount for Time Value of Money	Present Value of Future Benefits

Actuarial Method

The actuarial method is the mathematical process which determines the contributions required to pay for the present value of future benefits, by allocating costs to the years of an employee's career. Some costs are allocated to future years in an employee's career (*future service liability*) and other costs are allocated to past years (*past service liability*).

Total Future Benefit Payments	
Discount for Time Value of Money	Present Value of Future Benefits
Future Service Liability	Past Service Liability

Prior to the Pension Protection Act of 2006 (PPA), there was a fair amount of flexibility in this allocation of costs between future and past. However, for plan years beginning in 2008, plans are required to use the **Unit Credit Cost Method** to determine the minimum contributions to the ongoing plan.

Under this actuarial method, the cost attributed to past service (referred to as the **funding target**) is determined on the valuation date as the present value of the benefits actually earned (accrued) as of the first day of the plan year based on current service and current pay. The **funding shortfall** is the amount by which the funding target exceeds the valuation assets (adjusted for certain funding balances).

The current year's **target normal cost** is determined as the present value of the benefits expected to be earned in the current year.

Because the value of the future service liability is not used in the calculation of the funding target and target normal cost, it is generally omitted from the actuarial report.

The calculations for any disability, termination or death benefits take into consideration that the entitlement to benefits may begin at various future times. Each age prior to retirement has associated with it appropriate probabilities of disability, termination and death.

Actuarial Assumptions and Methods

The portion of the funding target which is not covered by the assets of the plan is called the **funding shortfall**. The value of the assets used in the actuarial process under PPA must take into account fair market value or an average of fair market value that reduces some of the short-term fluctuation of market value from one valuation to the next.

Total Future Benefit Payments		
Discount for Time Value of Money	Present Value of Future Benefits	
	Future Service Liability	Funding Target
	Present Value of Future Target Normal Costs	Funding Shortfall
		Assets

For the current year, the method produces a **target normal cost**. Payment of the target normal cost each year would eventually discharge all future service liability.

The funding shortfall must also be discharged, and this is done by a **shortfall amortization charge**. The shortfall amortization charge is the sum of up to seven shortfall amortization installments. Each shortfall amortization installment is determined as a seven-year amortization of the portion of funding shortfall attributable to the current plan year or a prior plan year. The sum of both the target normal cost and the shortfall amortization charge is the current year's Minimum Required Contribution. In certain circumstances, the Minimum Required Contribution may be reduced by a credit for any excess assets in the plan.

Total Future Benefit Payments				
Discount for Time Value of Money	Present Value of Future Benefits			
	Future Service Liability	Funding Target		
	Present Value of Future Target Normal Costs	Funding Shortfall		
		Assets		
Target Normal Cost	<table border="1" style="display: inline-table; vertical-align: middle;"> <tr> <td style="width: 40px; height: 20px;"></td> <td style="width: 40px; height: 20px;"></td> </tr> </table>			Shortfall Amortization Charge
Current Year's Contribution				

From: Scott Twery [scott.twery@aonhewitt.com]
Sent: Monday, August 01, 2011 6:42 PM
To: Grayson, Edward E.
Subject: Attorney Client Privilege - Inquiries related to first set of OPC document request #16
Attachments: 2010 Southern Company Qualified Pension Funding Report.pdf; 2010 GULF Qualified Pension Accounting Report.pdf; 2010 GULF Nonqualified Pension Accounting Report.pdf; 2010 GULF Postretirement Medical and Life Accounting Report.pdf; 2009 GULF VEBA Funding Report.pdf

Document request #16 has to do with actuarial studies.

Ed, five files are attached. These are the latest actuarial studies that have been produced. The file names readily describe the report they contain. As we discussed, you will clearly want to submit the 3 accounting reports. And as we discussed, the appropriateness of submitting the other two files may be worth a little consideration.

-- The pension funding report addresses the funding requirements for the Southern Company Pension Plan in total rather than saying anything specific about Gulf's responsibilities as a "co-sponsor" of that plan.

-- The VEBA funding report aids the determination of the contribution that would be deductible to Gulf's VEBA supporting retiree medical/life benefit. This report has Gulf specific results, but the key pages have blanks that would get filled in by someone in the tax area (see page 9).

If you have any questions or want to discuss, please call.

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