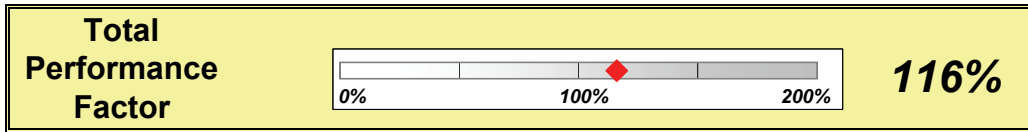


# Gulf Power Company

## 2010 PPP Performance - 2/3/2011

Confidential



	<i>Weight</i>			
<b>Southern Company EPS</b> <i>Excludes \$4.2 M due to tax deduction for interest paid in the MCAR settlement</i>	1/3		<b>155%</b>	<b>EPS</b> \$2.369
<b>Gulf Power ROE</b>	1/3		<b>88%</b>	<b>ROE</b> 11.69%
<b>Operational Performance</b> <i>See Below</i>	1/3		<b>104%</b>	<b>See Below</b>
<b>Safety</b> OSHA Recordables <i>Final 2010 Safety results - Performance was below the goal threshold</i>	20%		<b>0%</b>	<b>OSHA RIR</b> 1.48
<b>Customer Satisfaction</b> <i>Ranked in the Top Quartile overall and for the Large Business segment. Residential and General Business segments ranked in the 2nd quartile.</i>	30%		<b>133%</b>	<b>Top Quartile Overall and for Large Business</b>
<b>Generation</b> Peak Season EFOR <i>Exceptions for Plant Crist requested and denied</i>	20%		<b>139%</b>	<b>EFOR</b> 3.86%
<b>Transmission</b> SAIDI & SAIFI <i>Final 2010 results</i>	5%		<b>120%</b>	<b>SAIDI:</b> 10.2 <b>SAIFI:</b> 0.207
<b>Distribution</b> SAIDI & SAIFI <i>Final 2010 results</i>	5%		<b>114%</b>	<b>SAIDI:</b> 129 <b>SAIFI:</b> 1.30
<b>Culture</b> <i>Workforce Representation at 98%, Work Environment at 171%, Supplier Diversity at 118%</i>	20%		<b>121%</b>	<b>Based on Year-end Scorecards</b>

<b>Capital Expenditures</b>	<u>Goal</u>	<u>Actual</u>	
Gulf Power	\$302.0	\$302.8	Approved Adjustment
Southern Company	\$5,060.5	\$4,283.9	<b>PASS</b>

Gulf had to shift approximately \$15 million from 2011 to 2010 in order to prepare for an outage in spring 2011. The conceptual design for the Crist 6 SCR project was based on a Fall 2010 in-service date. This project was later rescheduled for a Spring 2012 in-service date. The cash flow was appropriately shifted and escalated to account for the changed schedule. The revised project schedule did have differences in the timing of outages but it was believed that subsequent impacts to the work sequence were manageable within the existing budget.

However, new information revealed a significant increase in both the volume and complexity of modifications required to the Unit 6 boiler structural steel. This work must be completed before the start of an outage scheduled to begin in February of 2011. As a result of an unchangeable work sequence and the increase in work scope, the only way to support the current schedule is to shift the material and labor costs for this work from 2011 into 2010.

# 2010 Gulf Power PPP Goals

Applicable to all eligible Gulf employees

**Operational**  
(1/3)

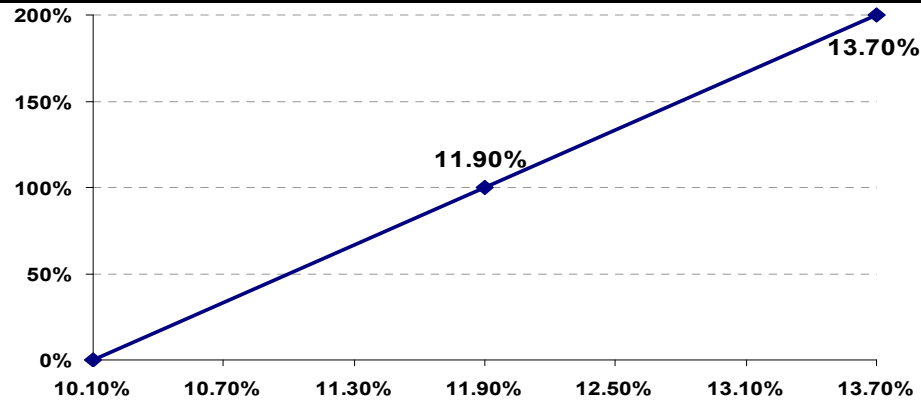
**Safety (20%)**  
**Target Zero**  
 OSHA Recordable  
 Incidence Rate (20%)

**Operations (60%)**  
**Customer Satisfaction (30%)**  
**Generation (20%)**  
**Transmission (5%)**  
*SAIDI & SAIFI (2.5% each)*  
**Distribution (5%)**  
*SAIDI & SAIFI (2.5% each)*

**Culture (20%)**  
**Work Environment (5%)**  
 Internal Survey (2.5%)  
 Fortune Trust Index (1.25%)  
 DiversityInc Index (1.25%)  
**Workforce Representation (10%)**  
 Leadership (5%)  
 Leadership Pipeline (2.5%)  
 System Workforce (2.5%)  
**Supplier Diversity (5%)**

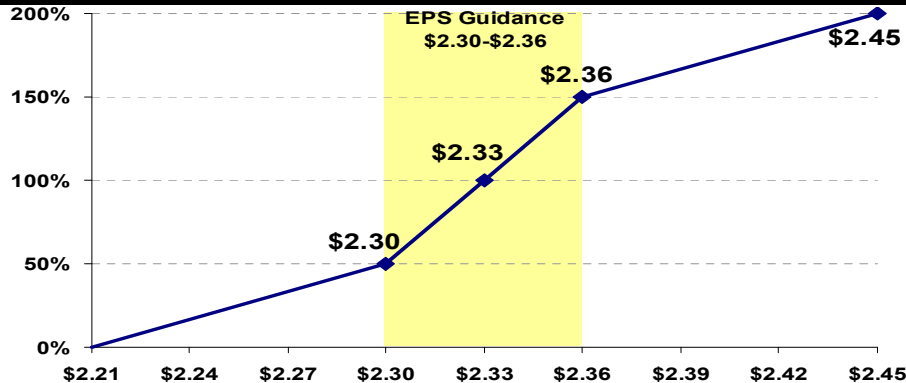
**Gulf ROE**  
(1/3)

**ROE Goal Performance Scale** *Range: 0.00-2.00*



**Southern Company EPS**  
(1/3)

**EPS Goal Performance Scale** *Range: 0.00-2.00*



# Gulf Power 2010 PPP Goals

## Operational Goal Performance Scales

*Range: 0.00-2.00*

### Safety (20%)

Target Zero <sup>2</sup>	
Scale	OSHA Recordable Incidence Rate
200%	Top 20th Percentile - 2010 SEE Total Company
100%	Top 40th Percentile - 2010 SEE Total Company
0%	Top 60th Percentile - 2010 SEE Total Company

### Operations (60%)

Customer Satisfaction <sup>2</sup>	
Scale	Customer Value Benchmark Study
200%	Top Quartile Overall and each segment in the Top Quartile
167%	Top Quartile Overall and 2 segments in Top Quartile
133%	Top Quartile Overall and 1 segments in Top Quartile
100%	Top Quartile Overall
75%	2nd Quartile Overall and at least 2 segments in the Top Quartile
50%	2nd Quartile Overall and at least 1 segments in the Top Quartile
25%	2nd Quartile Overall
0%	At or below Median

Scale	Generation <sup>2</sup>	Transmission <sup>2</sup>		Distribution <sup>2</sup>	
	Peak Season EFOR	SAIDI Duration/MVA	SAIFI Frequency/MVA	SAIDI Duration/Customer	SAIFI Frequency/Customer
200%	2.00%	5.5	0.141	116	1.10
100%	5.06%	13.1	0.208	129	1.38
0%	9.00%	26.4	0.363	158	1.67

### Culture (20%)

Scale	Work Environment			Supplier Diversity	Representation		
	Internal Employee Survey <sup>2</sup>	Fortune Trust Index <sup>1</sup>	DiversityInc Inclusion Index <sup>1*</sup>	% of Total Spend <sup>2</sup>	Leadership <sup>2</sup>	Leadership Pipeline <sup>2</sup>	System Workforce <sup>1</sup>
200%	4.25	85%	Top 10% Overall	19.10%	Subjective assessment by the Southern Company CEO and Management Council		
100%	3.50	70%	Top Quartile SE	10.00%			
0%	2.50	50%	Median SE	7.30%			

<sup>1</sup> Measures Southern Company results

<sup>2</sup> Measures Gulf results

\*See Culture Certification Letter for further details regarding the DiversityInc scale

## Financial Triggers

- EPS performance less than \$2.10 (90% of Target) will result in a 10 percentage point (10% of Target) reduction to the Total Performance Factor.
  - Gulf Capital Expenditures above \$302.0 million will result in a 10 percentage point (10% of Target) reduction to the Total Performance Factor.
  - Southern Company Capital Expenditures above \$5,060.5 million will result in a 10 percentage point (10% of Target) reduction to the Total Performance Factor.
- The capital goals motivate prudent capital investments, and are not intended to penalize or reward employees for events outside of their control. Accordingly, adjustments for performance may be made with approval by the Southern Company CEO. Potential positive or negative adjustments include: Intercompany transfer of assets, acquisitions or dispositions of assets, new capital projects with economic justification, significant project under-runs due to cancellation, deferral or changes in the project scope, economically sound exchanges of capital for O&M, transfer of capital across time periods, and impact of named storms.*

January 4, 2011



Southern Company  
600 North 18th Street  
Birmingham, AL 35203  
Attn: Anthony Topazi

Mr. Topazi,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Customer Satisfaction Operational Goal, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

*Operational Controls and Procedures:*

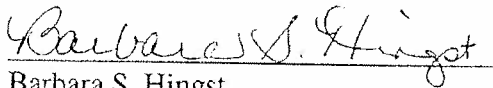
1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Operational Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Operational Goals results and performance as presented herein.
3. The 2010 Operational Goal results were measured and reported in accordance with the attached performance scales established and certified to on February 19<sup>th</sup>, 2010.

Results and Performance:

The final Customer Satisfaction Operational Goal results and according performance for 2010 are:

	Result	Performance
Southern Company	[REDACTED]	[REDACTED]
APC	[REDACTED]	[REDACTED]
GPC	[REDACTED]	[REDACTED]
Gulf	Top quartile overall and top quartile in the Large Business segment. Second quartile in the Residential and General Business segments.	133%
MPC	[REDACTED]	[REDACTED]

Sincerely,



Barbara S. Hingst  
Vice President, Marketing Services

CC: Mr. Larry Sitton,  
Mr. Brent Young

January 11, 2011



Southern Company  
600 North 18th Street  
Birmingham, AL 35203  
Attn: Anthony Topazi

Mr. Topazi,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Distribution Reliability Operational Goal, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

*Operational Controls and Procedures:*

1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Operational Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Operational Goals results and performance as presented herein.
3. The 2010 Operational Goal results were measured and reported in accordance with the attached guidelines and performance scales established and certified to on March 9<sup>th</sup>, 2010.

Results and Performance:

The final Distribution Reliability Operational Goal results and according performance for 2010 are:

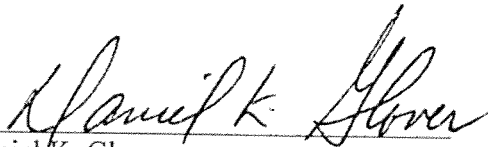
Distribution SAIDI (Duration/Customer)

	<b>Result</b>	<b>Performance</b>
Southern Company	[REDACTED]	[REDACTED]
APC	[REDACTED]	[REDACTED]
GPC	[REDACTED]	[REDACTED]
Gulf	129	100.00%
MPC	[REDACTED]	[REDACTED]

Distribution SAIFI (Frequency/Customer)

	<b>Result</b>	<b>Performance</b>
Southern Company	[REDACTED]	[REDACTED]
APC	[REDACTED]	[REDACTED]
GPC	[REDACTED]	[REDACTED]
Gulf	1.30	128.57%
MPC	[REDACTED]	[REDACTED]

Sincerely,



Daniel K. Glover  
Vice President, Power Delivery – Distribution

CC: Mrs. Tami Barron,  
Mr. Don Horsley,  
Mr. Bernard Jacob,  
Mrs. Leslie Sibert,  
Mr. Larry Sitton,  
Mr. Brent Young

**William O. Ball**  
Executive Vice President and  
Chief Transmission Officer

**Southern Company Transmission**  
600 North 18th Street / 13N-8800  
Post Office Box 2641  
Birmingham, Alabama 35291-8800  
Tel 205.257.6218  
Fax 205.257.5390  
woball@southernco.com



January 14, 2011

Southern Company  
Mr. Anthony Topazi  
600 North 18th Street  
Birmingham, AL 35203

Anthony,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Transmission Reliability Operational Goal, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

Operational Controls and Procedures:

1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Operational Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Operational Goals results and performance as presented herein.
3. The 2010 Operational Goal results were measured and reported in accordance with the attached guidelines and performance scales established and certified to on February 22, 2010.

Results and Performance:

Final Transmission Reliability Operational Goal results and according performance for 2010 are:

**Transmission SAIDI (Duration/Customer)**

	<i>Result</i>	<i>Performance</i>
Southern Company		
APC		
GPC		
Gulf	10.2	138.16%
MPC		

**Transmission SAIFI (Frequency/Customer)**

	<i>Result</i>	<i>Performance</i>
Southern Company		
APC		
GPC		
Gulf	0.207	101.49%
MPC		

Sincerely,

cc: David Durham, Larry Sitton, Brent Young



Douglas E. Jones  
Executive Vice President  
Chief Production Officer

Southern Company Generation  
600 North 18<sup>th</sup> Street / 15N-8170  
Post Office Box 2641  
Birmingham, Alabama 35291

Tel 205.257.7907  
Fax 205.257.5019



January 25, 2011

Southern Company  
600 North 18th Street  
Birmingham, AL 35203  
Attn: Anthony Topazi

Mr. Topazi,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Generation Reliability Operational Goal, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

Operational Controls and Procedures:

1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Operational Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Operational Goals results and performance as presented herein.
3. The 2010 Operational Goal results were measured and reported in accordance with the attached guidelines and performance scales established and certified to on March 18<sup>th</sup>, 2010 and March 23<sup>rd</sup> 2010.

Results and Performance:

The final Generation Reliability Operational Goal results and according performance for 2010 are:

	Result	Performance
Southern Company	[REDACTED]	[REDACTED]
APC	[REDACTED]	[REDACTED]
GPC	[REDACTED]	[REDACTED]
Gulf	3.86%	139.22%
MPC	[REDACTED]	[REDACTED]
Southern Power	[REDACTED]	[REDACTED]

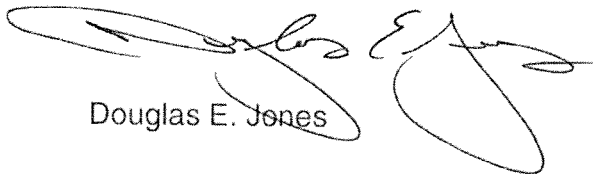
Exclusions:

As defined in the attached guidelines and performance scales established and certified to on March 18<sup>th</sup>, 2010, the following exclusions have been approved by the Southern Company Chief Production Officer and the Southern Company COO and are reflected in the results shown above.

The approved adjustments include:

- Southern Power Plant Franklin 3 steam turbine generator failure
- Southern Power Plant Stanton A steam turbine failure (*partial adjustment*)

Sincerely,



Douglas E. Jones

xc: Ms. Kim Flowers  
Ms. Penny Manuel  
Mr. Larry Sitton  
Mr. Brent Young

March 18, 2010



The Southern Company  
30 Ivan Allen, Jr. Boulevard, NW  
Atlanta, Georgia 30308  
Attn: Thomas A. Fanning

Mr. Fanning,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Generation Reliability Operational Goal, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

Generation Reliability Performance Scale:

The Generation Reliability Operational Goal is measured by the results of the Peak Season Equivalent Forced Outage Rate. Results will be measured and reported as a percentage using two decimals. PPP goal performance for each company will be determined using the following scales:

<u>PPP Goal Performance</u>	<u>APC</u>	<u>GPC</u>	<u>Gulf</u>	<u>MPC</u>	<u>Southern</u>
200%			2.00%		
100%			5.06%		
0%			9.00%		

The Southern Company Peak Season EFOR results will be measured as a MW weighted average of the Southern Company Generation Fossil and Hydro fleet, excluding Southern Power.

**Selected plants and/or units identified as "Tier I" units may be excluded from the 2010 Peak Season EFOR calculation for PPP. In addition, the current goals process allows that exceptions may be considered for forced outage time that results from acts or conditions that are clearly beyond the control of Generation. These would include:**

Acts of force majeure (e.g. named storms, hurricanes, flooding, tornado, lightning, earthquake etc);  
Limitations imposed by the transmission system; damage, delays or limitations imposed by third parties (e.g. vendors, contract maintenance, transmission and distribution)

**All exclusions require approval by the Southern Company Chief Production Officer and either the Southern Company COO or the Southern Company CEO.**

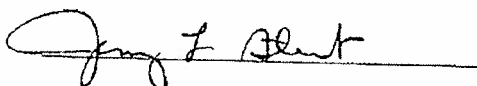
2010 Generation Reliability – Methodology to Establish Performance Scales:

These scales were determined by applying the following methodology:

<u>PPP Goal Performance</u>	<u>Southern</u>	<u>APC</u>	<u>GPC</u>	<u>Gulf</u>	<u>MPC</u>
200% (Maximum)	[REDACTED]	[REDACTED]	[REDACTED]	Less difficult than the 2006-2008 average of Peer Group's Top Performance for each year (excluding Southern Companies)	[REDACTED]
100% (Target)	[REDACTED]	[REDACTED]	[REDACTED]	2006-2008 average of Peer Group's Top Quartile Entry for each year (excluding Southern Companies)	[REDACTED]
0% (Threshold)	[REDACTED]	[REDACTED]	[REDACTED]	Less difficult than the 2006-2008 average of Peer Group's Median for each year (excluding Southern Companies)	[REDACTED]

*2009 peer group data will not be available until mid-year 2010.*

Sincerely,



Jerry L. Stewart,  
Executive Vice President & Chief Production Officer

January 26, 2011



Southern Company  
600 North 18th Street  
Birmingham, AL 35203  
Attn: Anthony Topazi

Mr. Topazi,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Culture Operational Goals, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

Operational Controls and Procedures:

1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Operational Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Operational Goals results and performance as presented herein.
3. The 2010 Operational Goal results were measured and reported in accordance with the attached guidelines and performance scales established and certified to on March 17<sup>th</sup>, 2010.

Results and Performance:

The final Culture Operational Goal results and according performance for 2010 are:

Leadership Representation

	SO	APC	GPC	Gulf	MPC
Performance	[REDACTED]	[REDACTED]	[REDACTED]	100.00%	[REDACTED]

	SNC	SO Gen	SO Trans	SCS Sves & Corp
Performance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Leadership Pipeline Representation

	SO	APC	GPC	Gulf	MPC
Performance	[REDACTED]	[REDACTED]	[REDACTED]	100.00%	[REDACTED]

	SNC	SO Gen	SO Trans	SCS Sves & Corp
Performance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Internal Employee Engagement Survey

	SO	APC	GPC	Gulf	MPC
Result	[REDACTED]	[REDACTED]	[REDACTED]	4.04	[REDACTED]
Performance	[REDACTED]	[REDACTED]	[REDACTED]	172.00%	[REDACTED]

	SNC	SO Gen	SO Trans	SCS Sves & Corp
Result	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Performance	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Southern results applied to all employees:

	Total Workforce Representation	Fortune's Trust Index	DiversityInc's Inclusion Index
Result	NA	77.21%	87.8 percentile overall
Performance	90.00%	148.07%	192.67%

*Supplier Diversity certification is provided separately by the Vice President of Supply Chain Management*

Sincerely,

A handwritten signature in cursive script that reads "Stacy R. Kilcoyne". The signature is written in black ink and is positioned above a horizontal line.

Stacy R. Kilcoyne  
Human Resources Vice President

CC: Ms. Andrea Albritten-Snorton  
Mr. Larry Sitton,  
Mr. Brent Young

February 1st, 2011



Southern Company  
30 Ivan Allen, Jr. Boulevard, NW  
Atlanta, Georgia 30308  
Attn: Arthur P. Beattie

Mr. Beattie,

In connection with the Financial Goals of the 2010 Southern Company Performance Pay Program, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

Controls and Procedures:

1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Financial Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Financial Goals results and performance as presented herein.
3. The 2010 Financial Goal results were measured and reported in accordance with the attached guidelines established on March 24<sup>th</sup>, 2010.



Results:

The final Financial Goal results for 2010 are:

EPS

Earnings from Continuing Operations	\$1,975,472,208
Average Shares Outstanding	832,189,232
<b>Basic EPS from Continuing Operations</b>	<b>\$2.374</b>

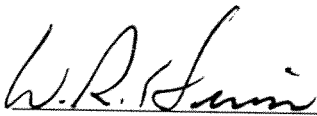
ROE/Net Income

	Net Income	Average Common Equity	Return on Average Common Equity
APC			
GPC			
Gulf	\$121,510,993	\$1,039,663,622	11.69%
MPC			
Southern Power			

In December 2010, the Compensation and Management Succession Committee of the Board of Directors approved a resolution to exclude the impact of the 2010 tax deduction related to the settlement agreement with MC Asset Recovery, LLC for 2010 PPP goal performance.

On March 31, 2009, The Southern Company entered into a settlement agreement with MC Asset Recovery, LLC. The Company agreed to pay \$202 million to resolve the action which arose out of the Mirant bankrupt proceedings. The \$202 million was treated as a non-deductible expenditure in 2009 due to the uncertainty surrounding possible insurance reimbursements. In 2010 the possibility of insurance reimbursements was reevaluated by outside counsel and as a result \$11.2 million of the payments was claimed as a tax deduction on the 2010 tax return. The deduction resulted in approximately \$4.2 million of net income.

Sincerely,



W. Ron Hinson  
Comptroller, CAO and SVP

CC: Mr. Mark Lantrip,  
Mr. Larry Sitton,  
Mr. Brent Young

Doug Jones  
Executive Vice President  
Chief Production Officer

Southern Company Generation  
600 North 18<sup>th</sup> Street / 15N-8170  
Post Office Box 2641  
Birmingham, Alabama 35291

Tel 205.257.7907  
Fax 205.257.5019



February 2, 2011

Southern Company  
600 North 18th Street  
Birmingham, AL 35203  
Attn: Anthony Topazi

Mr. Topazi,

In connection with the Operational Goals of the 2010 Southern Company Performance Pay Program, as Executive Sponsor of the Safety Operational Goal, I certify that, to the best of my knowledge and belief, the following statements are correct in all material respects:

Operational Controls and Procedures:

1. We are responsible for establishing and maintaining effective controls and procedures to ensure the accuracy of Performance Pay Program Operational Goal results. Based on our evaluation of those controls and procedures for the 2010 reporting period, we believe that they are effective.
2. No events have occurred which would require adjustment to management's certification of the 2010 Operational Goals results and performance as presented herein.
3. The 2010 Operational Goal results were measured and reported in accordance with the attached guidelines and performance scales established and certified to on March 22<sup>nd</sup>, 2010 (Safety letter) and March 23<sup>rd</sup> 2010 (Southern Power), and the addendum dated November 11<sup>th</sup>, 2010.

2010 Performance scales based on SEE results:

The following Safety Operational Goal performance scales are determined by the 2010 SEE peer results, as reported on February 1<sup>st</sup>, 2011.

<u>PPP Goal Performance</u>	<u>Southern Company</u> (SEE Total Company)	<u>OPCOs</u> (SEE Total Company – excluding Nuclear)	<u>Southern Company Generation</u> (SEE Fossil/Hydro)
2.00	0.791	1.052	0.870
1.00	0.945	1.121	0.934
0.00	1.173	1.208	1.172

All SEE percentile calculations used to determine the performance scales are EXCLUDING Southern Company and its subsidiaries.

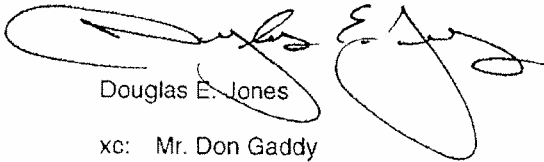
Mr. Anthony Topazi  
February 2, 2011  
Page 2

Results and Performance:

The final Safety Operational Goal results and according performance for 2010 are:

	Result	Performance
Southern Company	[REDACTED]	[REDACTED]
APC	[REDACTED]	[REDACTED]
GPC	[REDACTED]	[REDACTED]
Gulf	1.475	0.00%
MPC	[REDACTED]	[REDACTED]
SNC	[REDACTED]	[REDACTED]
Southern Power	[REDACTED]	[REDACTED]
Southern Generation	[REDACTED]	[REDACTED]
Southern Transmission	[REDACTED]	[REDACTED]
SCS Services & Corporate	[REDACTED]	[REDACTED]

Sincerely,



Douglas E. Jones

xc: Mr. Don Gaddy  
Mr. Hamilton Hardin  
Mr. Larry Sitton  
Mr. Brent Young