

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

ALABAMA POWER CO
Form PRE 14C
March 04, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
SCHEDULE 14C
(RULE 14c-101)
INFORMATION REQUIRED IN INFORMATION STATEMENT

SCHEDULE 14C INFORMATION

Information Statement Pursuant To Section 14(c) of the
Securities Exchange Act of 1934
(AMENDMENT NO.)

Check the appropriate box:

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

Definitive information statement

ALABAMA POWER COMPANY

(Name of Registrant as Specified in Its Charter)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14c-5(g) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

(4) Date Filed:

GRAPHIC OMITTED] [GRAPHIC OMITTED]

NOTICE OF 2003
ANNUAL MEETING
& INFORMATION STATEMENT

www.alabamapower.com

Charles D. McCrary
President and
Chief Executive Officer

600 North 18th Stree/18N-0001
Post Office Box 2641
Birmingham, Alabama 35291-0001

Tel 205.257.2243
Fax 205.257.5100

[GRAPHIC OMITTED] [GRAPHIC OMITTED]

March____, 2003

Dear Shareholder:

You are cordially invited to attend our 2003 Annual Meeting of Shareholders at 8:00 a.m., Central Time, on April 25, 2003 at Watercolor Inn, 34 Goldenrod Circle, Seagrove Beach, Florida.

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

At the meeting we will elect our board of directors and vote on a proposed amendment to Alabama Power Company's Articles of Incorporation to increase our authorized shares of common stock.

Sincerely yours,

/s/Charles D. McCrary
Charles D. McCrary
President and Chief Executive Officer

ALABAMA POWER COMPANY
Birmingham, Alabama

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
To be held on April 25, 2003

NOTICE IS HEREBY GIVEN that the annual meeting of the shareholders of Alabama Power Company (the "Company") will be held at Watercolor Inn, 34 Goldenrod Circle, Seagrove Beach, Florida on April 25, 2003 at 8:00 a.m., Central Time, to elect 16 members of the board of directors, to amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock with a par value of \$40 per share which the Company may issue from 6,000,000 shares to 15,000,000 shares and to transact any other business that may properly come before said meeting or any adjournment or postponement thereof.

Only shareholders of record at the close of business on March 10, 2003 will be entitled to notice of and to vote at said meeting or any adjournment or postponement thereof.

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

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

BY ORDER OF THE BOARD OF DIRECTORS

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

Birmingham, Alabama
March _____, 2003

TABLE OF CONTENTS

	Page
General Information.....	1
Shareholder Proposals.....	1

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Nominees for Election as Directors..... 2
Corporate Governance..... 4
Audit Committee Report..... 6
Compensation and Management Succession Committee Report..... 8
Compensation Committee Interlocks and Insider Participation..... 10
Certain Relationships and Related Transactions..... 10
Executive Compensation Information..... 11
Stock Ownership Table..... 15
Articles of Incorporation..... 16
Appendix A-- Southern Company's Audit Committee Charter..... A-1

INFORMATION STATEMENT

GENERAL INFORMATION

This Information Statement is furnished by Alabama Power Company (the "Company") in connection with the 2003 Annual Meeting of Shareholders and any adjournment or postponement thereof. The meeting will be held April 25, 2003 at 8:00 a.m., at Watercolor Inn, 34 Goldenrod Circle, Seagrove Beach, Florida. This Information Statement is initially being provided to shareholders on or about March _____, 2003.

At the meeting, we will elect 16 members to the board of directors, amend the Company's Articles of Incorporation to increase the number of authorized shares of common stock from 6,000,000 shares to 15,000,000 shares and transact any other business that may properly come before the meeting. We are not aware of any other matters to be presented at the meeting; however, the holder of the Company's common stock will be entitled to vote on any other matters properly presented.

All shareholders of record on the record date of March 10, 2003 are entitled to notice of and to vote at the meeting. On that date, there were 6,000,000 common shares outstanding and entitled to vote, all of which are held by The Southern Company ("Southern Company"). There were also 475,115 shares of preferred stock and 8,001,250 shares of Class A preferred stock outstanding on that date.

With respect to the election of directors, all of the outstanding shares of preferred stock and Class A preferred stock are entitled to vote as a single class with the Company's common stock. Each common share counts as one vote. Each share of the 4.20% Series, the 4.52% Series, the 4.60% Series, the 4.64% Series, the 4.72% Series and the 4.92% Series of outstanding preferred stock, with par value of \$100 per share, counts as two-fifths vote, each share of the 5.20% Series and the 5.83% Series of outstanding Class A preferred stock, with stated capital of \$25 per share, counts as one-tenth vote and each share of the Flexible Money Market Class A preferred stock (Series 2003A), with stated capital of \$100,000 per share, counts as 400 votes. Neither the Company's charter nor by-laws provides for cumulative voting rights.

With respect to the proposed amendment to the Company's Articles of Incorporation to increase the authorized number of shares of common stock, all of the outstanding shares of preferred stock and Class A preferred stock are entitled to vote as a single class with the Company's common stock. Votes will be tabulated based on the value of each share as described under "ARTICLES OF INCORPORATION - Vote Required" herein.

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

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

SHAREHOLDER PROPOSALS

Shareholders may present proper proposals for inclusion in the Company's information statement and for consideration at the next annual meeting of its shareholders by submitting their proposals to the Company in a timely manner. In order to be so included for the 2004 Annual Meeting, shareholder proposals must be received by the Company no later than February ____, 2004.

NOMINEES FOR ELECTION AS DIRECTORS

ITEM NO. 1 -- ELECTION OF DIRECTORS

A board of 16 directors is to be elected at the annual meeting, each director to hold office until the next annual meeting of shareholders and until the election and qualification of a successor board. If any named nominee becomes unavailable for election, the board may substitute another nominee.

On the following pages there is information concerning the nominees for director stating, among other things, their names, ages, positions and offices held, and brief descriptions of their business experience. The ages of the directors set forth below are as of December 31, 2002, with the exception of Drs. Portera and Walker, whose ages are as of the date of their election in 2003.

Charles D. McCrary - Director since 2001

Mr. McCrary, 51, is president and chief executive officer of the Company and executive vice president of Southern Company. He served as president and chief operating officer of the Company from April 2001 to October 2001 and vice president of Southern Company from February 1998 to April 2001. He served as executive vice president of external affairs of the Company from April 1994 through February 1998. He is a director of AmSouth Bancorporation.

Whit Armstrong - Director since 1982

Mr. Armstrong, 55, is president, chairman and chief executive officer of The Citizens Bank, Enterprise, Alabama. He is also president, chairman and chief executive officer of Enterprise Capital Corporation, Inc.

David J. Cooper, Sr. - Director since 1998

Mr. Cooper, 57, is president of Cooper/T. Smith Corporation (a maritime company with a core business of stevedoring and tugboats). He is a director of Cooper/T. Smith Corporation and subsidiaries and chairman of American Equity Underwriters, Inc., Mobile, Alabama.

H. Allen Franklin - Director since 1999

Mr. Franklin, 58, is chairman, president and chief executive officer of Southern

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Company. He served as president and chief executive officer of Southern Company from March 2001 to April 2001 and president and chief operating officer from June 1999 to March 2001. He served as executive vice president of Southern Company and president and chief executive officer of Georgia Power from January 1994 to June 1999. He is a director of SouthTrust Corporation, Vulcan Materials Company and Southern Company system companies -- Georgia Power and Gulf Power.

R. Kent Henslee - Director since 1999

Mr. Henslee, 67, is managing partner of the law firm of Henslee, Robertson, Strawn & Knowles, L.L.C., Gadsden, Alabama.

Carl E. Jones, Jr.-- Director since 1988

Mr. Jones, 62, is chairman, president and chief executive officer of Regions Financial Corporation, Birmingham, Alabama.

Patricia M. King - Director since 1997

Ms. King, 57, is president and chief executive officer of King Motor Co., Inc., King's Highway, Inc. and King Imports, Inc. (automobile dealerships), Anniston, Alabama.

James K. Lowder - Director since 1997

Mr. Lowder, 53, is chairman of The Colonial Company (real estate development and sales), Montgomery, Alabama.

Wallace D. Malone, Jr. - Director since 1990

Mr. Malone, 66, is chairman and chief executive officer of SouthTrust Corporation (bank holding company), Birmingham, Alabama. He is a director of Mercedes-Benz U.S. International, Inc.

Malcolm Portera - Director since 2003

Dr. Portera, 57, has served as chancellor of The University of Alabama System, Tuscaloosa, Alabama, since January 2002. He served as president of Mississippi State University from January 1998 to December 2001.

Robert D. Powers - Director since 1992

Mr. Powers, 53, is president of The Eufaula Agency, Inc. (real estate and insurance), Eufaula, Alabama.

C. Dowd Ritter - Director since 1997

Mr. Ritter, 55, is chairman, president and chief executive officer of AmSouth Bancorporation and AmSouth Bank, Birmingham, Alabama.

James H. Sanford - Director since 1983

Mr. Sanford, 58, is chairman of HOME Place Farms, Inc. (diversified farmers), Prattville, Alabama. He is also president of Autauga Quality Cotton Association, Prattville, Alabama. He is chairman of Sylvest Farms of Georgia, Inc., College Park, Georgia, and chairman of Sylvest Farms, Inc., Montgomery, Alabama.

William F. Walker - Director since 2003

Dr. Walker, 65, has served as president of Auburn University ("Auburn"), Auburn, Alabama, since June 2002. He served as interim president of Auburn from June 2001 to June 2002, provost and vice president of academic affairs of Auburn from August 1999 to June 2001, interim provost of Auburn from September 1998 to August 1999 and Auburn's dean of engineering and professor of mechanical engineering from 1988 to September 1998.

John C. Webb, IV - Director since 1977

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Mr. Webb, 59, is president of Webb Lumber Company, Inc. (wholesale lumber and wood products sales), Demopolis, Alabama.

James W. Wright - Director since 2000

Mr. Wright, 58, is chairman and chief executive officer of First Tuskegee Bank, Tuskegee, Alabama. He is also chairman and chief executive officer of Birthright Incorporated (bank holding company).

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

Vote Required

The majority of the votes cast by the shares outstanding and entitled to vote at a meeting at which a quorum is present is required for the election of directors. Southern Company, as owner of all of the Company's outstanding common stock, will vote for all of the nominees above.

CORPORATE GOVERNANCE

How is the Company organized?

The Company is managed by a core group of officers and governed by a board of directors which has been set at a total not to exceed 25 members. The current nominees for election as directors consist of 16 members -- 14 non-employees, the chief executive officer of the Company and the chief executive officer of Southern Company.

What are directors paid for their services?

- o Standard Arrangements. The following compensation was paid to the Company's directors during 2002 for service as a member of the board of directors and any board committee(s), except that employee directors received no fees or compensation for service as a member of the board of directors or any board committee. At the election of the director, all or a portion of the cash retainer may be payable in Southern Company common stock, and all or a portion of the total fees may be deferred under the Deferred Compensation Plan until membership on the board is terminated.

Cash Retainer Fee..... \$17,000

Stock Retainer Fee..... 520 shares of Southern Company common stock

Meeting Fee..... \$900 for each board or committee meeting attended

- o Pension Plan. There is no pension plan for non-employee directors.
- o Other Arrangements. No director received other compensation for services as a director during the year ending December 31, 2002 in addition to or in lieu of that specified by the standard arrangements specified above.

New Governance Policies and Processes

We have reviewed the provisions of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the proposed and final rules of the U.S. Securities and Exchange Commission (the "SEC") and the proposed new listing standards of the New York Stock Exchange (the "NYSE") regarding corporate governance policies and

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

processes. In anticipation of the effectiveness or adoption of final rule changes, we are reviewing the Company's corporate governance policies and practices. Based on the SEC's Proposed Rule: Standards Relating to Listed Company Audit Committees, the Company would be exempt from the audit committee requirements set forth in Section 301 of the Sarbanes-Oxley Act and, therefore, would not be required to have an audit committee or an audit committee report on whether it has an audit committee financial expert. The Company will continue to monitor all actions taken by the SEC and the NYSE and will amend, to the extent necessary, the standards, disclosures and charters applicable to the board, its committees and the Company as a whole as final rules impacting the Company are adopted and become effective.

COMMITTEES OF THE BOARD

Audit Committee:

- o Members are Mr. Webb, Chairman; Mr. Henslee; and Mr. Lowder
- o Met four times in 2002
- o Oversees the Company's internal control and compliance matters

The Company's audit committee meets periodically with management, internal auditors and independent auditors to discuss auditing, internal controls and compliance matters.

The Southern Company Audit Committee provides a broad overview of the Company's financial reporting and control functions. Southern Company's Audit Committee reviews and discusses the Company's financial statements with management and the independent auditors. Such discussions include critical accounting policies and practices, alternative financial treatments, proposed adjustments and control recommendations. Such discussions also include significant management judgments and estimates, reporting or operational issues and changes in accounting principles, as well as any disagreements with management. The Southern Company Audit Committee also is responsible for recommending the filing of the Company's annual financial statements with the SEC.

The Southern Company board of directors amended its Audit Committee Charter in 2003. Under the new charter, the Southern Company Audit Committee has authority to appoint, compensate and oversee the work of the independent auditors. The new charter is attached to this Information Statement as Appendix A.

Compensation Committee:

- o Members are Mr. Malone, Chairman; Mr. Franklin, ex officio; and Mr. Armstrong
- o Met three times in 2002
- o Oversees the administration of the Company's compensation arrangements

The Company's Compensation Committee reviews and provides input to the Southern Company Compensation and Management Succession Committee on the performance and compensation of its chief executive officer and makes recommendations regarding the fees paid to members of the board of directors.

Southern Company's Compensation and Management Succession Committee approves the corporate performance goals used to determine incentive compensation and establishes the mechanism for setting compensation levels for the Company's executive officers. It also administers executive compensation plans and reviews management succession plans.

Nominating Committee:

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

- o Members are Mr. Ritter, Chairman; Mr. Franklin, ex officio; Mr. Andreas Renschler; and Mr. Sanford
- o Met one time in 2002
- o Considers and recommends nominees for election as directors

The Nominating Committee expects to identify from its own resources qualified nominees and does not accept from shareholders recommendations of individuals to be considered as nominees. The final selection of the board's nominees is within the sole discretion of the board of directors.

Executive Committee:

- o Members are Mr. McCrary, Chairman; Mr. Jones; Mr. Malone; and Mr. Ritter
- o Met two times in 2002
- o Acts in place of full board on matters that require board action between meetings of the board to the extent permitted by law and within certain limits set by the board

Nuclear Safety Committee:

- o Members are Mr. Cooper, Chairman; Ms. King; Mr. Mayer Mitchell; Mr. Powers; and Mr. Wright
- o Met three times in 2002
- o Reviews nuclear operations activities

The board of directors met six times in 2002. Average director attendance at all board and committee meetings was 95 percent. Messrs. Renschler and Franklin attended less than 75 percent of applicable meetings.

AUDIT COMMITTEE REPORT

The Audit Committee of Southern Company (the "Committee") oversees the Company's financial reporting process on behalf of the boards of directors of the Company and Southern Company. The Committee members are not professionally engaged in the practice of accounting or auditing. The Company's management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements of the Company in the Annual Report with management. The Committee's review process included discussions of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements.

The independent public accountants are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States. The Committee reviewed with the independent public accountants their judgments as to the quality, not just the acceptability, of the Company's accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

independent public accountants their independence from management and the Company including the matters in the written disclosures required by the Independence Standards Board. The Committee has also considered whether the independent public accountants' provision of non-audit services to the Company is compatible with maintaining their independence.

The Committee discussed the overall scopes and plans with the Company's internal auditors and independent public accountants for their respective audits. The Committee meets with the internal auditors and independent public accountants, with and without management present, to discuss the results of their audits, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting. The Committee held 12 meetings during fiscal 2002.

In reliance on the reviews and discussions referred to above, the Committee recommended to the board of directors of Southern Company (and the board approved) that the audited financial statements be included in the Company's Annual Report for the year ended December 31, 2002 and filed with the Securities and Exchange Commission. The Committee also recommended to the board of directors of Southern Company (and the board approved) the selection of the Company's independent public accountants.

Members of the Committee:

L. G. Hardman III, Chairman Dorrit J. Bern Donald M. James Zack T. Pate J. Neal Purcell

Principal Public Accounting Firm Fees

The following represents the fees billed to the Company for the last fiscal year by Deloitte & Touche LLP -- the Company's principal public accountant for 2002:

Audit Fees	\$ 553,322
Audit-Related Fees	32,471
Tax Fees	10,540
All Other Fees	-

Total	\$ 596,333
	=====

Change in Principal Public Accounting Firm

On March 28, 2002, the Board of Directors of Southern Company, upon recommendation of its Audit Committee, decided not to engage Arthur Andersen LLP ("Arthur Andersen") as the Company's principal public accountants and engaged Deloitte & Touche LLP ("Deloitte & Touche") to serve as the Company's principal public accountants for fiscal year 2002.

Arthur Andersen's reports on the financial statements of the Company for the two fiscal years ended December 31, 2001, did not contain any adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope, or accounting principles. Such reports have not been re-issued in connection with the Company's financial statements included in the annual report on Form 10-K for the year ended December 31, 2002.

During the Company's two fiscal years ended December 31, 2001, and the subsequent interim period through March 28, 2002:

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

- o there were no disagreements between the Company and Arthur Andersen on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference to the subject matter of the disagreement in connection with their reports;
- o there were no reportable events as described in Item 304(a)(1)(v) of Regulation S-K; and
- o the Company did not consult Deloitte & Touche with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

No representative of Deloitte & Touche is expected to be present at the meeting unless prior to the day of the meeting the Company's Corporate Secretary has received written notice from a shareholder addressed to the Corporate Secretary at Alabama Power Company, 600 North 18th Street, Birmingham, Alabama 35291, that such shareholder will attend the meeting and wishes to ask questions of a representative of Deloitte & Touche.

COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE REPORT

What is the executive compensation philosophy?

Southern Company's Compensation and Management Succession Committee's intent is to provide an executive compensation program that is competitive and is tied to Southern Company's and the Company's short- and long-term performance. With the objective of maximizing Southern Company shareholder value over time, the program aligns the interests of executives and Southern Company's shareholders.

TOTAL EXECUTIVE COMPENSATION

How is total executive compensation established?

We retain an independent executive compensation consultant who provides information on total executive compensation paid at other large companies in the electric and gas utility industries. Seventeen of these companies are included in the 27 companies that comprise the S&P Electric Utility Index. Based on the market data, total executive compensation targets are set at an appropriate size-adjusted level. This means that for target level performance, the program is designed to pay executives an amount that is at or about the median of the market. Total executive compensation is paid through an appropriate mix of both fixed and performance-based (incentive) compensation. Because the program focuses on incentive compensation, actual total compensation paid can be above or below the targets based on actual corporate performance.

What are the components of total executive compensation?

- o Base pay (salary);

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

- o Short-term incentives (annual performance bonuses); and
- o Long-term incentives.

These are the primary components of the executive compensation program. The Company does provide certain perquisites that we review periodically to determine if they are reasonable and appropriate. The primary perquisites provided by the Company are financial planning services, club memberships (for business use) and home security.

BASE PAY

A range for base pay is determined for each executive, including Mr. McCrary, by comparing the base pay at the appropriate peer group of companies described previously. Base pay is set at a level that is at or below the size-adjusted median paid at those companies because of the emphasis on incentive compensation in the executive compensation program.

ANNUAL PERFORMANCE BONUSES

Annual bonuses are paid through the Omnibus Incentive Compensation Plan. All named executives participated in this plan in 2002.

Performance Goals

Maximum annual performance bonus levels are based on a percentage of Southern Company's net income from operations. In addition, the annual performance bonuses are reviewed in comparison to the attainment of other corporate performance and short-term business unit goals and individual goals. All performance goals were set at the beginning of the year.

For 2002, the corporate performance goals included specific targets for:

- o Southern Company earnings -- earnings per share ("EPS") and
- o The Company's net income and return on equity ("ROE")

We believe that accomplishing the corporate goals is essential for the Company's continued success and sustained financial performance. A target performance level is set for each corporate performance goal.

Performance above or below the targets results in proportionately higher or lower bonus payments. The bonus amount is then adjusted, up or down, based on the degree of achievement of the short-term business unit goals related to capital expenditures, cash flow, customer service, plant availability and diversity, and individual goals.

A target percentage of base pay is established for each executive officer based on his or her position level for target-level performance. Annual performance bonuses based on the achievement of the corporate performance goals, as adjusted for the short-term business unit goals and individual performance, may range from 0 percent of the target to 240 percent.

No bonuses are paid if performance is below a threshold level or if a minimum earnings level is not reached. Also, no bonuses are paid if Southern Company's current earnings are not sufficient to fund the Southern Company common stock dividend at the same level as the prior year. We also capped the maximum amount for the annual performance bonus for each named executive officer at 0.6 percent of Southern Company's net income.

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Annual Bonus Payments

Performance met or exceeded the target levels in all areas in 2002, resulting in bonuses that exceeded the target levels.

Mr. McCrary's annual performance bonus under the Omnibus Incentive Compensation Plan for target-level performance was 75% of his base pay. The target percentage of base pay for the other named executive officers ranged from 50 to 55 percent. Each individual's bonus paid for 2002 performance was based 30% on the degree of achievement of the Southern Company EPS goal and 70% on the degree of achievement of the Company's net income and ROE goal. Performance for both goals exceeded the target, resulting in bonus payments to all named executive officers that exceeded their respective targets.

LONG-TERM INCENTIVES

We base a significant portion of the total compensation program on long-term incentives including Southern Company stock options and performance dividend equivalents.

Stock Options

Executives are granted options with ten-year terms to purchase Southern Company's common stock at the market price on the date of the grant under the terms of the Omnibus Incentive Compensation Plan. The estimated annualized value represented approximately 25 percent of Mr. McCrary's total target compensation and 19 to 24 percent for the other executives. The size of prior grants was not considered in determining the size of the grants made in 2002. These options vest over a three-year period.

Performance Dividends

Executives also are paid performance-based dividend equivalents on most stock options held at the end of the year. Dividend equivalents can range from 25 percent of the common stock dividend paid during the year if total shareholder return over a four-year period, compared to a group of other utility companies, is at the 30th percentile to 100 percent of the dividend paid if it reaches the 90th percentile. We can increase the payout of performance dividends by up to 200 percent if necessary to maintain the competitiveness of the executive compensation program.

For eligible stock options held on December 31, 2002, all executives received a payout of \$1.355 per option for maximum performance under the plan. We did not increase the payout.

POLICY ON INCOME TAX DEDUCTIBILITY OF EXECUTIVE COMPENSATION

Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), limits the deductibility of certain executives' compensation that exceeds \$1 million per year unless the compensation is paid under a performance-based plan as defined in the Code and that has been approved by shareholders. Southern Company has obtained shareholder approval of the Omnibus Incentive Compensation Plan. However, because our policy is to maximize long-term shareholder value, tax deductibility is only one factor considered in setting compensation.

SUMMARY

We believe that the policies and programs described in this report link pay and performance and serve the best interest of Southern Company's shareholders. We frequently review the various pay plans and policies and modify them as we deem

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

necessary to continue to attract, retain and motivate talented executives.

Members of the Committee:

G. J. St. Pe, Chairman D. P. Amos T. F. Chapman

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Southern Company's Compensation and Management Succession Committee is made up of non-employee directors who have never served as executive officers of Southern Company or the Company. During 2002, none of Southern Company's or the Company's executive officers served on the board of directors of any entities whose directors or officers serve on Southern Company's Compensation and Management Succession Committee.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Whit Armstrong is president, chairman and chief executive officer of The Citizens Bank, Enterprise, Alabama; Mr. Carl E. Jones, Jr. is chairman, president and chief executive officer of Regions Financial Corporation, Birmingham, Alabama; Mr. Wallace D. Malone is chairman and chief executive officer of SouthTrust Corporation, Birmingham, Alabama; Mr. C. Dowd Ritter is chairman, president and chief executive officer of AmSouth Bancorporation and AmSouth Bank, Birmingham, Alabama; and Mr. James W. Wright is chairman and chief executive officer of First Tuskegee Bank, Tuskegee, Alabama. During 2002, these banks furnished a number of regular banking services in the ordinary course of business to the Company. The Company intends to maintain normal banking relations with all the aforesaid banks in the future. During 2002, Iris Franklin, daughter-in-law of director, H. Allen Franklin, was employed by the Company as a Market Specialist. Ms. Franklin was paid an aggregate salary and bonus of \$63,592 in 2002.

EXECUTIVE COMPENSATION INFORMATION

Employment Contracts and Termination of Employment and Change in Control Arrangements

The Company has adopted Southern Company's Change in Control Plan, which is applicable to certain of its officers, and has entered into individual change in control agreements with Messrs. McCrary and Martin. If an executive is involuntarily terminated, other than for cause, within two years following a change in control of Southern Company or the Company, the agreements provide for:

- o lump sum payment of two or three times annual compensation,
- o up to five years' coverage under group health and life insurance plans,

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

- o immediate vesting of all stock options, stock appreciation rights and restricted stock previously granted,
- o payment of any accrued long-term and short-term bonuses and dividend equivalents and
- o payment of any excise tax liability incurred as a result of payments made under any individual agreements.

A Southern Company change in control is defined under the agreements as:

- o acquisition of at least 20 percent of Southern Company's stock,
- o a change in the majority of the members of Southern Company's board of directors,
- o a merger or other business combination that results in Southern Company's shareholders immediately before the merger owning less than 65 percent of the voting power after the merger or
- o a sale of substantially all the assets of Southern Company.

A change in control of the Company is defined under the agreements as:

- o acquisition of at least 50 percent of the Company's stock,
- o a merger or other business combination unless Southern Company controls the surviving entity or
- o a sale of substantially all of the assets of the Company.

Southern Company's Omnibus Incentive Compensation Plan provides for pro-rata payments at not less than target-level performance if a change in control occurs and the plan is not continued or replaced with a comparable plan or plans.

On August 22, 2002, the Company and Mr. Hutchins entered into a retention agreement which provides that if Mr. Hutchins remains employed as Chief Financial Officer of the Company until April 1, 2004 or later, upon his subsequent retirement from the Company, he will receive a severance payment of 2.6 times his base salary rate in effect on his retirement date.

Summary Compensation Table

The following table sets forth information concerning the Chief Executive Officer and the other four most highly compensated executive officers of the Company serving during 2002.

Name and Principal Position	Year	Annual Compensation			Restricted Stock Awards (\$)	Long-Term Incentive Plan Awards (Shares)
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)		

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Charles D. McCrary (3)	2002	493,604	673,140	34,993	-	79,57
President, Chief Executive Officer, Director	2001	391,647	438,652	91,403	-	92,33
	2000	-	-	-	-	

C. Alan Martin	2002	332,846	330,083	14,221	-	46,11
Executive Vice President	2001	314,887	231,178	1,157	-	64,90
	2000	293,490	279,905	64,498	-	25,39

William B. Hutchins, III	2002	301,663	271,958	24,520	-	35,36
Executive Vice President, Chief Financial Officer and Treasurer	2001	290,103	180,167	37,141	-	75,12
	2000	279,392	258,657	38,240	-	24,16

Steven R. Spencer (4)	2002	268,940	242,874	42,890	-	31,58
Executive Vice President	2001	250,082	180,049	46,695	-	47,28
	2000	-	-	-	-	

Jerry L. Stewart	2002	236,673	267,000	1,376	-	26,28
Senior Vice President	2001	210,870	178,418	112,574	-	44,78
	2000	199,305	189,069	3,193	-	17,29

- (1) Payout of performance dividend equivalents on stock options granted after 1996 that were held by the executive at the end of the performance periods under the Omnibus Incentive Compensation Plan for the four-year performance periods ended December 31, 2000, 2001 and 2002, respectively. Dividend equivalents can range from 25 percent of the common stock dividend paid during the last year of the performance period if total shareholder return over the four-year period, compared to a group of other large utility companies, is at the 30th percentile to 100 percent of the dividend paid if it reaches the 90th percentile. The Southern Company Compensation and Management Succession Committee can increase the payout of performance dividends by up to 200 percent if necessary to maintain the competitiveness of Southern Company's executive compensation program. For eligible stock options held on December 31, 2000, 2001 and 2002 all named executives received a payout of \$.90, \$1.34 and \$1.355 per option, respectively. The payout was not increased by such Committee.
- (2) Company contributions in 2002 to the Employee Savings Plan (ESP), Employee Stock Ownership Plan (ESOP), non-pension related accruals under the Supplemental Benefit Plan (SBP) and tax sharing benefits paid to participants who elected receipt of dividends on Southern Company's common stock held in the ESP are provided in the following table:

Name	ESP	ESOP	SBP	ESP Tax Sharing Benefits
Charles D. McCrary	\$6,342	\$701	\$17,058	\$ -
C. Alan Martin	6,274	701	9,904	-

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

William B. Hutchins, III	7,597	701	7,359	3,522
Steven R. Spencer	6,251	701	6,311	-
Jerry L. Stewart	8,250	701	4,256	-

In 2002, Messrs. Hutchins, Spencer and Stewart received additional incentive compensation of \$20,000, \$20,000 and \$35,000, respectively.

In 2001, these amounts for Messrs. McCrary, Hutchins, Spencer and Stewart also included additional incentive compensation of \$100,000, \$35,000, \$50,000 and \$100,000, respectively. In 2000, for Mr. Martin this amount also included additional relocation assistance of \$80,000.

(3) Mr. McCrary was named an executive officer in April 2001. (4) Mr. Spencer was named an executive officer in May 2001.

Stock Option Grants in 2002

The following table sets forth all stock option grants to the named executive officers of the Company during the year ending December 31, 2002.

Name	Number of Securities Underlying Options Granted(1)	Percent of Total Options Granted to Employees in Fiscal Year(2)	Exercise or Base Price (\$/Sh) (1)	Expira Date
Charles D. McCrary	79,571	6.0	25.26	02/15/
C. Alan Martin	46,113	3.5	25.26	02/15/
William B. Hutchins, III	35,362	2.7	25.26	02/15/
Steven R. Spencer	31,581	2.4	25.26	02/15/
Jerry L. Stewart	26,286	2.0	25.26	02/15/

(1) Under the terms of the Omnibus Incentive Compensation Plan, stock option grants were made on February 15, 2002 and vest annually at a rate of one-third on the anniversary date of the grant. Grants fully vest upon termination as a result of death, total disability, or retirement and expire five years after retirement, three years after death or total disability, or their normal expiration date if earlier. The exercise price is the average of the high and low price of Southern Company's common stock on the date granted. Options may be transferred to certain family members, family trusts and family limited partnerships.

(2) A total of 1,324,391 stock options were granted in 2002.

(3) Value was calculated using the Black-Scholes option valuation model. The actual value, if any, ultimately realized depends on the market value of Southern Company common stock at a future date. Significant assumptions are shown below:

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Volatility	Risk-free Rate of Return	Dividend Yield	Expected Term
26.34%	2.79%	4.63%	4.28 years

Aggregated Stock Option Exercises in 2002 and Year-end Option Values

The following table sets forth information concerning options exercised during the year ending December 31, 2002 by the named executive officers and the value of unexercised options held by them as of December 31, 2002.

Name	Number of Shares Acquired on Exercise (#)	Value Realized (\$) (1)	Number of Securities Underlying Unexercised Options at Year-End (#)	
			----- Exercisable	Unexercisable
Charles D. McCrary	15,165	218,479	120,187	156,554
C. Alan Martin	21,237	289,189	85,238	102,799
William B. Hutchins, III	33,678	477,285	81,258	98,210
Steven R. Spencer	18,430	251,726	37,001	72,321
Jerry L. Stewart	11,501	172,406	52,738	65,280

(1) The "Value Realized" is ordinary income, before taxes, and represents the amount equal to the excess of the fair market value of the shares at the time of exercise above the exercise price.

(2) This column represents the excess of the fair market value of Southern Company common stock of \$28.39 per share, as of December 31, 2002, above the exercise price of the options. The amounts under the Exercisable column report the "value" of options that are vested and therefore could be exercised. The amounts under the Unexercisable column report the "value" of options that are not vested and therefore could not be exercised as of December 31, 2002.

Defined Benefit or Actuarial Plan Disclosure

The following table sets forth the estimated annual pension benefits payable at

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

normal retirement age under Southern Company's qualified Pension Plan, as well as non-qualified supplemental benefits, based on the stated compensation and years of service with the Southern Company system for the named executive officers at the Company. Compensation for pension purposes is limited to the average of the highest three of the final 10 years' compensation. Compensation is base salary plus the excess of annual incentive compensation over 15 percent of base salary. The compensation components are reported under columns titled "Salary" and "Bonus" in the Summary Compensation Table detailed earlier in this Information Statement.

The amounts shown in the table were calculated according to the final average pay formula and are based on a single life annuity without reduction for joint and survivor annuities or computation of the Social Security offset which would apply in most cases.

Remuneration	Years of Accredited Service					
	15	20	25	30	35	
\$ 100,000	\$ 25,500	\$ 34,000	\$ 42,500	\$ 51,000	\$ 59,500	\$ 68,000
300,000	76,500	102,000	127,500	153,000	178,500	204,000
500,000	127,500	170,000	212,500	255,000	297,500	340,000
700,000	178,500	238,000	297,500	357,000	416,500	476,000
900,000	229,500	306,000	382,500	459,000	535,500	612,000
1,100,000	280,500	374,000	467,500	561,000	654,500	748,000

As of December 31, 2002, the applicable compensation levels and accredited service for determination of pension benefits would have been:

Name	Compensation	ccredited Years of Service
Charles D. McCrary	\$844,258	28
C. Alan Martin	538,706	30
William B. Hutchins, III	468,739	36
Steven R. Spencer	412,502	23
Jerry L. Stewart	392,866	29

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

STOCK OWNERSHIP TABLE

Southern Company is the beneficial owner of 100% of the outstanding common stock of the Company. The following table shows the number of shares of Southern Company common stock owned by directors, nominees and executive officers as of December 31, 2002. It is based on information furnished by the directors, nominees and executive officers. The shares owned by all directors, nominees and executive officers as a group constitute less than one percent of the total number of shares of Southern Company common stock outstanding on December 31,

2002.

Name of Directors, Nominees and Executive Officers	Shares Beneficially Owned (1)	Shares Beneficially Owned Include: Shares Individuals Have Rights to Acquire Within 60 days	Shares Family Me
Whit Armstrong	22,387		
David J. Cooper, Sr.	4,977		
H. Allen Franklin	786,517	747,185	
R. Kent Henslee	6,022		
Carl E. Jones, Jr.	14,958		
Patricia M. King	1,770		
James K. Lowder	9,549		
Wallace D. Malone, Jr.	1,413		
Charles D. McCrary	177,749	174,711	
Malcolm Portera	694		
Robert D. Powers	2,260		
C. Dowd Ritter 1,770			
James H. Sanford	2,181		
William F. Walker	-		
John C. Webb, IV	12,150		3
James W. Wright	2,540		
William B. Hutchins, III	124,779	116,022	
C. Alan Martin	128,311	124,753	
Steven R. Spencer	65,653	64,941	
Jerry L. Stewart	86,206	78,082	
Directors, Nominees, and Executive Officers as a group	1,451,189	1,305,694	3

(1) "Beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, and/or investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security).

(2) Each director disclaims any interest in shares held by family members. Shares indicated are included in the Shares Beneficially Owned column.

Section 16(a) Beneficial Ownership Reporting Compliance.

No reporting person of the Company failed to file, on a timely basis, the

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

reports required by Section 16(a).

ARTICLES OF INCORPORATION

ITEM NO. 2 - PROPOSED AMENDMENT

The board has approved, and recommends to the shareholders that they adopt, an amendment to the Company's Articles of Incorporation that would increase the Company's authorized common stock from 6,000,000 shares to 15,000,000 shares. If the amendment is adopted, Article IX of the Company's Articles of Amendment will be amended to read as follows:

"Article IX

Capital Stock

The corporation is authorized to issue three classes of shares of capital stock to be designated, respectively, "common stock", "preferred stock" and "Class A preferred stock". The total number of shares of stock which the corporation shall have authority to issue shall be 46,350,000 shares, of which 15,000,000 shares shall be common stock with a par value of \$40 per share, 3,850,000 shares shall be preferred stock with a par value of \$100 per share and 27,500,000 shares shall be Class A preferred stock with a par value of \$1 per share. The designations, preferences, voting powers or restrictions or qualifications thereof, the rights of redemption, retirement and conversion of the shares of capital stock of the corporation, and the general provisions with respect thereto, shall be as hereinafter set forth; provided, however, that the preferred stock and Class A preferred stock may be divided into and issued from time to time in one or more series, each such series being hereinafter for convenience referred to as a "class" of preferred stock or Class A preferred stock, as the case may be, and all such series being hereinafter for convenience collectively referred to as "classes" of preferred stock or Class A preferred stock, as the case may be. The board of directors shall have, and is hereby granted the power and authority to divide the unissued shares of preferred stock and Class A preferred stock into series (including the power and authority to reclassify, in the manner provided by law, all or any number of the unissued shares of preferred stock authorized at the time of the adoption of the joint agreement between Alabama Power Company and Birmingham Electric Company prescribing the terms and conditions of the merger of Birmingham Electric Company into and with Alabama Power Company) and to fix and determine the following relative rights and preferences of any such series of preferred stock and Class A preferred stock, and the number of shares constituting any such series and the designation thereof, or any of them: (1) dividend rate, (2) the dividend payment dates, (3) the redemption price thereof, (4) the amount payable in event of liquidation, voluntary and involuntary and (5) the sinking fund provisions, if any, for the redemption or purchase of shares; and to increase or decrease the number of shares of any such series subsequent to the issue of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be so decreased, the shares constituting such decrease shall assume the status of authorized but unissued shares of preferred

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

stock or Class A preferred stock, as the case may be. The board of directors may issue and sell such shares of preferred stock and Class A preferred stock in series and any other authorized shares provided for in this Article IX. Upon the issuance of shares of Class A preferred stock, there shall be transferred to stated capital represented by each such share of Class A preferred stock an amount equal to the excess of the consideration received over the par value thereof (up to an amount which, when added to such par value, shall not exceed such share's preferential claim in the event of involuntary liquidation) and the stated capital represented by each share so determined shall be equal to such share's preferential claim in the event of involuntary liquidation."

Of the 6,000,000 currently authorized shares of common stock, all 6,000,000 shares are outstanding. The additional shares of common stock for which authorization is sought would be a part of the existing class of common stock and, if and when issued, would have the same rights and privileges as the shares of common stock presently outstanding.

Purpose and Effect of Amendment

The board believes that an increase in the number of shares of authorized common stock as contemplated by this proposal would benefit the Company and its shareholders by giving the Company needed flexibility in its corporate planning and responding to developments in the Company's business. The board has no present intention of issuing any shares of common stock to any person other than Southern Company.

The additional shares of common stock will be issuable without further authorization by vote or consent of the shareholders and on such terms and for such consideration as may be determined by the board, subject to applicable law.

Vote Required

The proposed increase in the authorized number of shares of common stock requires the affirmative vote of the larger amount in total value of the common stock and all classes of preferred stock and Class A preferred stock voting as a single class. For voting purposes, the total value of preferred stock shall be equal to the par value of all shares of preferred stock outstanding, the total value of the Class A preferred stock shall be equal to the stated value of all shares of Class A preferred stock outstanding and the total value of the common stock shall be equal to the par value of all shares of common stock outstanding plus Paid-in capital. The total value of the outstanding preferred stock is \$47,511,500, the total value of the outstanding Class A preferred stock is \$325,000,000 and the total value of the common stock using Paid-in capital as of December 31, 2002 is \$2,140,464,000. Southern Company, as owner of all of the Company's common stock, will vote for the proposed amendment.

Southern Company

Audit Committee Charter

This Charter identifies the composition, purpose, authority, meeting requirements and responsibilities of the Southern Company (the Company) Audit Committee (the Committee) as approved by the Southern Company Board of Directors (the Board).

I. Composition

The Committee will be comprised of at least three independent members of the Board, each of whom will be financially literate. A deliberate effort will be made to include at least one Director who is a financial expert. The selection of Committee members will be in accordance with requirements for independence and financial literacy and expertise, as interpreted by the Board in its best business judgment, giving full consideration to the rules of the Securities and Exchange Commission (SEC) and the New York Stock Exchange.

II. Purpose

To assist the Board of Directors in fulfilling its oversight responsibilities for the following:

- A. Integrity of the financial reporting process;
- B. The system of internal control;
- C. The independence and performance of the internal and independent audit process; and
- D. The Company's process for monitoring adherence with the spirit and intent of its Code of Ethics and compliance with laws and regulations.

III. Authority

The Audit Committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- A. Appoint, compensate, and oversee the work of the independent auditors.
- B. Resolve any disagreements between management and the independent auditors regarding financial reporting.
- C. Pre-approve all auditing and non-audit services provided by the independent auditors. D. Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- E. Seek any information it requires from employees--all of whom are directed to cooperate with the Committee's requests--or external parties.
- F. Meet with Company officers, independent auditors, internal auditors, inside counsel or outside counsel, as necessary.

In the execution of its duties, the Committee will report to the Board of Directors.

IV. Meeting Requirements

The Committee shall meet a minimum of four times each year, or more often if warranted, to receive reports and to discuss the quarterly and annual financial statements, including disclosures and other related information. The Committee shall meet separately, at least annually, with Company management, the Director of Internal Auditing, the Compliance Officer, and the independent auditors to discuss matters that the Committee or any of these persons believe should be discussed privately. Meetings of the

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

Committee may utilize conference call, Internet or other similar electronic communication technology.

V. Responsibilities

A. Financial Reporting and Independent Audit Process -

The oversight responsibility of the Committee in the area of financial reporting is to provide reasonable assurance that the Company's financial disclosures and accounting practices accurately portray the financial condition, results of operations, cash flows, plans and long-term commitments of the Company on a consolidated basis, as well as on a separate company basis for each consolidated subsidiary that has publicly traded securities. To accomplish this, the Committee will:

1. Provide oversight of the independent audit process, including direct responsibility for:
 - a. Annual appointment of the independent auditors.
 - b. Compensation of the independent auditors.
- c. Review and confirmation of the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors. Ensure that non-audit services provided by the independent auditors comply with and are disclosed to investors in periodic reports required by the Securities Exchange Act of 1934 and the Sarbanes Oxley Act of 2002.
- d. Review of the independent auditors' quarterly and annual work plans, and results of audit engagements.
- e. Review of the experience and qualifications of the senior members of the independent audit team annually and ensure that all partner rotation requirements are executed.
- f. Evaluation of the independent auditors' performance.
- g. Oversight of the coordination of the independent auditors' activities with the Internal Auditing and Accounting functions.
2. Review and discuss with management the quarterly and annual consolidated earnings announcements and earnings guidance provided to analysts and rating agencies.
3. Review and discuss with management and the independent auditors the quarterly and annual financial statements (including disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations) and recommend the reports for filing with the SEC. The financial statements include the Southern Company consolidated financial statements as well as the separate financial statements for all consolidated subsidiaries with publicly traded securities.
 - a. The review and discussion will be based on timely reports from the independent auditors, including:
 - i. All critical accounting policies and practices to be used.
 - ii. All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management; ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditors.
 - iii. Other material written communications between the independent auditors and management, such as any management letter or schedule of unadjusted differences.
 - b. In addition, the following items will also be reviewed and discussed:
 - i. Significant judgments and estimates made by management.
 - ii. Significant reporting or operational issues identified during the reporting period, including how they were resolved.
 - iii. Issues on which management sought second accounting opinions.
 - iv. Significant regulatory changes and accounting and reporting developments proposed by Financial Accounting Standards Board, SEC or other regulatory agency.

Edgar Filing: ALABAMA POWER CO - Form PRE 14C

- v. Any audit problems or difficulties and management's response.
 - 4. Review the letter of management representations given to the independent auditors in connection with the audit of the annual financial statements.
- B. Internal Control -
- The responsibility of the Committee in the area of internal control, in addition to the actions described in Section (V).(A)., is to:
- 1. Provide oversight of the internal audit function including:
 - a. Review of audit plans, budgets and staffing levels.
 - b. Review of audit results.
 - c. Review of management's appointment, appraisal of, and/or removal of the Company's Director of Internal Auditing. At least every two years, regardless of the performance of the incumbent, the President and Chief Executive Officer will review with the Committee the merits of reassigning the Director of Internal Auditing.
 - 2. Assess management's response to any reported weaknesses or compliance deficiencies. 3. Provide oversight of the Company's Legal and Regulatory Compliance and Ethics Programs, including:
 - a. Creation and maintenance of procedures for:
 - i. Receipt, retention and treatment of complaints received by management regarding accounting, internal accounting controls or audit matters.
 - ii. Confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.
 - b. Review of plans and activities of the Company's Corporate Compliance Officer. c. Review of results of auditing or other monitoring programs designed to prevent or detect violations of laws or regulations.
 - d. Review of corporate policies relating to compliance with laws and regulations, ethics, conflict of interest and the investigation of misconduct or fraud.
 - e. Review of reported cases of employee fraud, conflict of interest, unethical or illegal conduct. 4. Review the quality assurance practices of the internal auditing function and the independent auditors.
 - 5. Review and discuss significant risks facing the Company and the guidelines and policies to govern the process by which risk assessment and risk management is undertaken.
- C. Conduct an annual self-assessment of the Committee's performance.
- D. Other
- 1. Set clear employment policies for Southern Company's hiring of employees or former employees of the independent auditors.
 - 2. Report Committee activities and findings to the Board on a regular basis. 3. Report Committee activities in the Company's annual proxy statement to shareholders. 4. Review this charter at least annually and recommend appropriate changes.

ADOPTED ON FEBRUARY 17, 2003

BY THE SOUTHERN COMPANY

BOARD OF DIRECTORS

Recycle Logo