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SOUTHERN CO  
Form DEF 14A  
April 21, 2004

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

SCHEDULE 14A INFORMATION  
(Rule 14a-101)

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934)

Filed by the Registrant   
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement  
 Confidential, for Use of the Commission Only (as permitted by Rule  
14a-6(e)(2))  
 Definitive Proxy Statement  
 Definitive Additional Materials  
 Soliciting Materials Pursuant to Rule 14a-12

THE SOUTHERN COMPANY

-----  
(Name of Registrant as Specified In Its Charter)

(Name of Persons(s) Filing Proxy Statement, if other than the Registrant's)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed on table below per Exchange Act Rules 14a-6(i) (1) and 0-11.

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pursuant to Exchange Act Rule 0-11 (set forth the amount on which the  
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Check box if any part of the fee is offset as provided by Exchange Act  
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(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

SOUTHERN COMPANY LOGO

FOR INFORMATION ONLY

NOTICE OF

ANNUAL MEETING

2004  
& PROXY STATEMENT

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PROXY STATEMENT  
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LETTER TO STOCKHOLDERS

ALLEN FRANKLIN  
Chairman and  
Chief Executive Officer

(SOUTHERN COMPANY LOGO)

Dear Fellow Stockholder:

You are invited to attend the 2004 Annual Meeting of Stockholders at 10:00 a.m., ET, on Wednesday, May 26, 2004 at The Southern Pine at Callaway, Pine Mountain, Georgia.

At the meeting, I will report on our business and our plans for the future. Also, we will elect our Board of Directors and vote on the other matters set forth in the accompanying Notice.

Your vote is important. Please review the proxy material and return your proxy form as soon as possible.

As you may have heard, I recently announced my retirement, effective in July. So this will be my last annual meeting as chairman and CEO. I am proud to have been associated with this great company for 34 years and thankful for your continued support.

We look forward to seeing you on May 26th.

Sincerely,

-s- Allen Franklin

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Allen Franklin

(PHOTO OF ALLEN FRANKLIN)

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS - MAY 26, 2004  
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TIME AND DATE  
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10:00 a.m., ET, on Wednesday, May 26, 2004

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PLACE  
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The Southern Pine at Callaway  
Georgia Highway 18  
Pine Mountain, Georgia 31822

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DIRECTIONS  
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From Atlanta, Georgia -- take I-85 south to I-185 (Exit 21). From I-185 south, take Exit 34, Georgia Highway 18. Take Georgia Highway 18 east to Callaway.

From Birmingham, Alabama -- take U.S. Highway 280 east to Opelika. Take I-85 north to Georgia Highway 18 (Exit 2). Take Georgia Highway 18 east to Callaway.

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ITEMS OF BUSINESS  
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- (1) Elect 11 members of the Board of Directors;
- (2) Ratify appointment of independent auditors;
- (3) Approve Outside Directors Stock Plan; and
- (4) Transact other business properly coming before the meeting or any adjournments thereof.

-----  
RECORD DATE  
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Stockholders of record at the close of business on March 29, 2004, are entitled to attend and vote at the meeting.

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ANNUAL REPORT TO STOCKHOLDERS  
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The Southern Company Annual Report to stockholders for 2003 is enclosed but is

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not a part of this mailing.

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VOTING  
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Even if you plan to attend the meeting in person, please provide your voting instructions in one of the following ways as soon as possible:

- (1) Internet -- use the Internet address on the proxy form
- (2) Telephone -- use the toll-free number on the proxy form
- (3) Mail -- mark, sign and date the proxy form and return it in the enclosed postage-paid envelope

By Order of the Board of Directors, Tommy Chisholm, Secretary, April 21, 2004

PROXY STATEMENT  
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GENERAL INFORMATION  
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Q: HOW DO I GIVE VOTING INSTRUCTIONS?

A: You may attend the meeting and give instructions in person or give instructions by the Internet, by telephone or by mail. Information for giving instructions is on the proxy form. The Proxies, named on the enclosed proxy form, will vote all properly executed proxies that are delivered pursuant to this solicitation and not subsequently revoked in accordance with the instructions given by you.

Q: CAN I CHANGE MY VOTE?

A: Yes, you may revoke your proxy by submitting a subsequent proxy or by written request received by the Company's corporate secretary before the meeting.

Q: WHO CAN VOTE?

A: All stockholders of record on the record date of March 29, 2004. On that date, there were 737,637,807 shares of Southern Company common stock outstanding and entitled to vote.

Q: HOW MUCH DOES EACH SHARE COUNT?

A: Each share counts as one vote, except votes for directors may be cumulative. Abstentions that are marked on the proxy form are included for the purpose of determining a quorum, but shares that a broker fails to vote are not counted toward a quorum. Neither is counted for or against the matters being considered.

Q: WHAT DOES IT MEAN IF I GET MORE THAN ONE PROXY FORM?

A: You will receive a proxy form for each account that you have. Please vote proxies for all accounts to ensure that all your shares are voted. If you

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wish to consolidate multiple registered accounts, please contact Stockholder Services at (800) 554-7626.

Q: CAN THE COMPANY'S PROXY STATEMENT AND ANNUAL REPORT BE ACCESSED FROM THE INTERNET?

A: Yes, in addition, stockholders may view the Proxy Statement and Annual Report on the Internet instead of receiving them by U.S. mail, each year. If you choose to access future Proxy Statements and Annual Reports online, you will continue to receive a proxy form in the mail. Future proxy forms will contain the website address and other necessary information to view the proxy materials and to submit your vote. Whether you receive your proxy materials in the mail or view them on the Internet, you will continue to have the option to vote on the Internet, by telephone, by mail or in person at the Annual Meeting.

Q: WHAT IS "HOUSEHOLDING"?

A: Certain beneficial owners of the Company's common stock, sharing a single address, may receive only one copy of the Proxy Statement and Annual Report unless the broker, bank or nominee has received contrary instructions from any beneficial owner at that address. This practice -- known as householding -- is designed to reduce printing and mailing costs. If a beneficial owner does not wish to participate in householding, this year or in the future, he or she may contact Stockholder Services at (800) 554-7626 or at 270 Peachtree Street NW, Atlanta, Georgia 30303 and ask to receive a Proxy Statement or Annual Report. As noted earlier, beneficial owners may view the Proxy Statement and Annual Report on the Internet.

Q: WHEN ARE STOCKHOLDER PROPOSALS DUE FOR THE 2005 ANNUAL MEETING OF STOCKHOLDERS?

A: The deadline for the receipt of stockholder proposals to be considered for inclusion in the Company's proxy materials for the 2005 Annual Meeting of Stockholders is December 22, 2004. Proposals must be submitted in writing to Tommy Chisholm, Corporate Secretary, Bin 912, Southern Company, 270 Peachtree Street NW, Atlanta, Georgia 30303. Additionally, the proxy solicited by the Board of Directors for next year's meeting will confer discretionary

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authority to vote on any stockholder proposal presented at that meeting that is not included in the Company's proxy materials unless the Company is provided written notice of such proposal no later than March 7, 2005.

Q: WHO PAYS THE EXPENSE OF SOLICITING PROXIES?

A: The Company pays the cost of soliciting proxies. The officers or other employees of the Company or its subsidiaries may solicit proxies to have a larger representation at the meeting. The Company has engaged Georgeson Shareholder Communications, Inc. to assist with the solicitation of proxies for a fee of \$10,000 plus expenses.

The Company's 2003 Annual Report to the Securities and Exchange Commission on Form 10-K will be provided without charge upon written request to Tommy

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Chisholm, Corporate Secretary, Bin 912, Southern Company, 270 Peachtree Street NW, Atlanta, Georgia 30303.

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### CORPORATE GOVERNANCE

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#### COMPANY ORGANIZATION

Southern Company is a holding company managed by a core group of officers and governed by a Board of Directors that is currently comprised of 10 members. The number of Directors to be elected at this Annual Meeting of Stockholders has been set at 11.

#### DIRECTOR INDEPENDENCE

No Director will be deemed to be independent unless the Board affirmatively determines that the Director is independent of the Company's management. The Board affirmatively determined that each current member of the Board and each nominee for election as a Director, except Mr. Franklin, Chairman and Chief Executive Officer of the Company, and Mr. Ratcliffe, President of the Company, are independent under the Director Independence Requirements of the Company's Corporate Governance Guidelines. The Guideline's Independence Requirements include the independence standards in the New York Stock Exchange corporate governance rules.

In making the independence determination, the Board reviews and considers all commercial, consulting, legal, accounting, charitable or other business relationships that a director or his or her immediate family members have with the Company.

The Corporate Governance Guidelines are available on the Company's website at [www.southerncompany.com](http://www.southerncompany.com) under Investor Relations.

#### COMMUNICATING WITH THE BOARD

Stockholders may send communications to the Company's Board or to specified Directors by regular mail or electronic mail. Regular mail should be sent to the attention of Mr. Tommy Chisholm, Corporate Secretary, Southern Company, Bin 912, 270 Peachtree Street, Atlanta, Georgia 30303. The electronic mail address is [CORPGOV@southernco.com](mailto:CORPGOV@southernco.com). The electronic mail address also can be accessed from the Corporate Governance web page located under Investor Relations on the Southern Company website at [www.southerncompany.com](http://www.southerncompany.com), under the link entitled "Contact Corporate Governance." With the exception of commercial solicitations, all stockholder communications directed to the Board or to specified Directors will be relayed to them.

#### DIRECTOR COMPENSATION

Only non-employee Directors are compensated for Board service. The pay components are:

##### ANNUAL RETAINERS:



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- M \$40,000 if first elected as a Director before 1997, of which \$10,000 is deferred in shares of Company common stock until Board membership ends
- M \$49,000 if first elected as a Director in 1997 or later, of which \$19,000 is deferred in shares of Company common stock until Board membership ends
- M \$5,000 if serving as chair of a Board committee

### EQUITY GRANTS:

- M 1,000 additional shares of Company common stock in quarterly grants of 250 shares are deferred until Board membership ends

### MEETING FEES:

- M \$2,500 for participation in a meeting of the Board
- M \$2,000 for participation in a meeting of a Committee of the Board other than a meeting of the Audit Committee

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- M \$4,000 for attendance in person at a meeting of the Audit Committee
- M \$2,000 for participation by telephone in a meeting of the Audit Committee

Directors may elect to defer up to 100 percent of their compensation until membership on the Board ends.

There is no pension plan for non-employee Directors.

### MEETINGS OF NON-MANAGEMENT DIRECTORS

Non-management Directors meet in executive session with no member of management present following each regularly scheduled Board meeting. There is a presiding Director at each of these executive sessions. Mr. Bruce S. Gordon, chair of the Governance Committee, served as presiding Director during the past year and will continue to serve until the Annual Meeting of Stockholders on May 26, 2004. Mr. Gerald J. St. Pe, chair of the Compensation and Management Succession Committee, has been named by non-management Directors as the presiding Director to serve between the annual meetings of 2004 and 2005 or until a successor is named by the non-management Directors. The presiding Director is selected from the chairs of the Board's five standing committees. See "Communicating with the Board" on page 3 for information regarding communications with the Board or its members.

### COMMITTEES OF THE BOARD

#### COMMITTEE CHARTERS

Charters for each of the five standing committees, the Company's Corporate Governance Guidelines and Code of Ethics can be found at the Company's website -- [www.southerncompany.com](http://www.southerncompany.com). The Audit Committee Charter is also shown in Appendix A of this Proxy Statement.

#### AUDIT COMMITTEE:

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M Members are Mr. Purcell, Chair, Ms. Bern, Mr. James and Dr. Pate

M Met 12 times in 2003

M Oversees the Company's financial reporting and audit processes, internal controls and legal, regulatory and ethical compliance; appoints the Company's independent auditors, approves their services and fees and reviews the scope and timing of their audits; reviews and discusses the Company's financial statements with management and the independent auditors, including critical accounting policies and practices, material alternative financial treatments within generally accepted accounting principles, proposed adjustments, control recommendations, significant management judgments and accounting estimates, new accounting policies and changes in accounting principles, any disagreements with management and other material written communications between the auditors and management; and recommends the filing of the Company's annual financial statements with the Securities and Exchange Commission (the "SEC")

The Board has determined that the four members of the Audit Committee are independent as defined by the New York Stock Exchange corporate governance rules within its listing standards and rules of the SEC promulgated pursuant to the Sarbanes-Oxley Act. The Board has determined that Mr. Purcell qualifies as an "audit committee financial expert" as defined by the SEC. The Audit Committee Charter (see Appendix A) complies with the New York Stock Exchange corporate governance rules.

### COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE:

M Members are Mr. St. Pe, Chair, Mr. Amos and Mr. Chapman

M Met six times in 2003

M Evaluates performance of executive officers and establishes their compensation, administers executive compensation plans and reviews management succession plans

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### FINANCE COMMITTEE:

M Members are Mr. James, Chair, Mr. Amos and Mr. Gordon

M Met six times in 2003

M Reviews the Company's financial matters, recommends actions such as dividend philosophy to the Board and approves certain capital expenditures

### GOVERNANCE COMMITTEE:

M Members are Mr. Gordon, Chair, Ms. Bern, Mr. Chapman and Mr. St. Pe

M Met seven times in 2003

M Oversees the composition of the Board and its committees, determines non-employee Directors' compensation, maintains the Company's Corporate Governance Guidelines and coordinates the performance evaluations of the

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Board and its committees

### GOVERNANCE COMMITTEE -- NOMINEES FOR ELECTION TO THE BOARD

The Governance Committee, comprised entirely of independent Directors, is responsible for identifying, evaluating and recommending nominees for election to the Board of Directors. The Committee solicits recommendations for candidates for consideration from its current Directors and is authorized to engage third party advisers to assist in the identification and evaluation of candidates for consideration. Any stockholder may make recommendations to the Governance Committee by sending a written statement setting forth the candidate's qualifications, relevant biographical information and signed consent to serve. These materials should be submitted in writing to the Company's corporate secretary and received by that office by December 22, 2004 for consideration by this Committee as a nominee for election at the Annual Meeting of Stockholders to be held in 2005. Any stockholder recommendation is reviewed in the same manner as candidates identified by the Committee.

The Governance Committee only considers candidates with the highest degree of integrity and ethical standards. The Committee evaluates a candidate's independence from management, ability to provide sound and informed judgment, history of achievement reflecting superior standards, willingness to commit sufficient time, financial literacy and number of other board memberships. The Board as a whole should be diverse and have collective knowledge and experience in accounting, finance, leadership, business operations, risk management, corporate governance and the Company's industry. The Committee recommends candidates to the Board of Directors for consideration as nominees. Final selection of the nominees is within the sole discretion of the Board of Directors.

All the nominees recommended by the Governance Committee for election to the Board at the 2004 Annual Meeting of Stockholders are currently directors except Mr. Francis S. Blake. Mr. Blake was recommended to the Governance Committee for consideration as a nominee by a third-party director search firm that was retained by the Governance Committee.

#### NUCLEAR OVERSIGHT COMMITTEE:

M Membership is Dr. Pate, Chair

M Reviews and oversees the nuclear generating policies and facilities of the Company's subsidiaries

#### DIRECTOR ATTENDANCE

The Board of Directors met nine times in 2003. The average attendance for directors at all Board and committee meetings was 96 percent. No nominee attended less than 75 percent of applicable meetings.

Directors are expected to attend the Annual Meeting of Stockholders. Nine of the 10 members of the Board of Directors attended the 2003 Annual Meeting of Stockholders.

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STOCK OWNERSHIP TABLE

This table shows the number of shares of the Company's common stock owned by directors, nominees and executive officers as of December 31, 2003. 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 the class.

	TITLE OF SECURITY	SHARES BENEFICIALLY OWNED (1)	SHARES BENEFICIALLY OWNED	
			SHARES INDIVIDUALS HAVE RIGHTS TO ACQUIRE WITHIN 60 DAYS (2)	SHARES BENEFICIALLY OWNED BY FAMILIES
DANIEL P. AMOS	Southern Common Stock	19,086		
DORRIT J. BERN	Southern Common Stock	19,049		
FRANCIS S. BLAKE	Southern Common Stock	200		
THOMAS F. CHAPMAN	Southern Common Stock	8,272		
THOMAS A. FANNING	Southern Common Stock	85,419	83,657	
H. ALLEN FRANKLIN	Southern Common Stock	1,249,367	1,207,841	
BRUCE S. GORDON	Southern Common Stock	20,133		
W. GEORGE HAIRSTON, III	Southern Common Stock	86,224	81,959	
DONALD M. JAMES	Southern Common Stock	17,949		
CHARLES D. MCCRARY	Southern Common Stock	259,492	256,031	
ZACK T. PATE	Southern Common Stock	27,060		
J. NEAL PURCELL	Southern Company Stock	6,628		
D. M. RATCLIFFE	Southern Common Stock	227,807	214,558	
GERALD J. ST. PE	Southern Common Stock	69,981		
DIRECTORS, NOMINEES AND EXECUTIVE OFFICERS AS A GROUP (18 PEOPLE)	Southern Common Stock	2,650,970	2,365,464	

(1) "Beneficial ownership" means the sole or shared power to vote, or to direct

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the voting of, a security or investment power with respect to a security, or any combination thereof.

- (2) Indicates shares of the Company's common stock that certain executive officers have the right to acquire within 60 days. Shares indicated are included in the Shares Beneficially Owned column.

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PROPOSALS

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ITEM NO. 1 -- ELECTION OF DIRECTORS

NOMINEES FOR ELECTION AS DIRECTORS

The Proxies named on the proxy form will vote, unless otherwise instructed, each properly executed proxy form for the election of the following nominees as Directors. If any named nominee becomes unavailable for election, the Board may substitute another nominee. In that event, the proxy would be voted for the substitute nominee unless instructed otherwise on the proxy form. Each nominee, if elected, will serve until the 2005 Annual Meeting of Stockholders.

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(PHOTO OF DANIEL P. AMOS)

DANIEL P. AMOS

Age: 52

Director since: 2000

Board committees: Compensation and  
Management Succession, Finance

Principal occupation: Chairman of  
the board and  
chief  
executive  
officer of  
AFLAC

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Incorporated,  
insurance  
holding  
company

Other directorships: AFLAC  
Incorporated and Synovus

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DORRIT J. BERN

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(PHOTO OF DORRIT J. BERN)

Age: 53

Director since: 1999

Board committees: Audit,  
Governance

Principal occupation: Chairman of  
the board,  
president and  
chief  
executive  
officer of  
Charming  
Shoppes, Inc.,  
retail apparel  
stores

Other directorships: Charming  
Shoppes, Inc. and Brunswick Corporation

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(PHOTO OF FRANCIS S. BLAKE)

FRANCIS S. BLAKE

Age: 54

Director since: First-time nominee

Principal occupation: Executive vice president, business development and corporate operations of The Home Depot, Inc., home improvement

Recent business experience: Mr. Blake served as vice president, business development from 1998 to July 2000 of GE Power Systems, as senior vice president, corporate business development from July 2000 to May

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2001 of General Electric Company and as U.S. Deputy Secretary of Energy from May 2001 to April 2002, when he assumed his

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current  
position.

Other directorships:       None

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(PHOTO OF THOMAS F. CHAPMAN)

THOMAS F. CHAPMAN

Age:                               60

Director since:               1999

Board committees:       Compensation and  
Management Succession, Governance

Principal occupation:       Chairman of  
the board and  
chief  
executive  
officer of  
Equifax, Inc.,  
information  
services and  
transaction  
processing

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Recent business               Mr. Chapman  
experience:                   served as  
                                president from  
                                August 1997 to  
                                June 1999,  
                                and chief  
                                operating  
                                officer of  
                                Equifax from  
                                August 1997 to  
                                January 1998.  
                                He was  
                                appointed  
                                chief  
                                executive  
                                officer in  
                                January 1998  
                                and chairman  
                                of the board



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of Equifax in  
May 1999.

Other directorships: Equifax, Inc.  
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(PHOTO OF ALLEN FRANKLIN)

ALLEN FRANKLIN

Age: 59

Director since: 1988

Principal occupation: Chairman of  
the board and  
chief  
executive  
officer of the  
Company

Recent business Mr. Franklin  
served as president and chief executive  
officer of Georgia Power  
experience: Company and  
executive vice  
president of  
the Company  
from 1994  
until June  
1999. He  
served as  
president and  
chief  
operating  
officer of the  
Company from  
June 1999 to  
March 2001,  
president and  
chief  
executive  
officer from  
March 2001 to  
April 2001,  
and chairman



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Principal occupation: Retired  
president of  
retail markets  
group of  
Verizon  
Communications,  
Inc.,  
telecommunications

Recent business Mr. Gordon  
served as group president of enterprise  
business group  
experience: of Verizon  
from December  
1998 to July  
2000, and as  
president of  
retail markets  
group of  
Verizon from  
July 2000  
until his  
retirement in  
January 2004.

Other directorships: Bartech

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Personnel Services, Office Depot and  
Tyco  
International  
Ltd.

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(PHOTO OF DONALD M. JAMES)

DONALD M. JAMES

Age: 55

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Director since: 1999

Board committees: Audit, Finance  
(chair)

Principal occupation: Chairman of  
the board and  
chief  
executive  
officer of  
Vulcan  
Materials  
Company,  
construction  
materials

Other directorships: Vulcan  
Materials  
Company,  
Protective  
Life  
Corporation  
and SouthTrust  
Corporation

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(PHOTO OF ZACK T. PATE)

ZACK T. PATE

Age: 67

Director since: 1998

Board committees: Audit, Nuclear  
Oversight (chair)

Principal occupation: Chairman  
emeritus of  
the World  
Association of  
Nuclear  
Operators and  
chairman  
emeritus of  
the Institute



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audit  
operations, of  
KPMG, public  
accounting

Recent business                    Mr. Purcell  
served as KPMG's Southeast Area Managing  
Partner  
experience:                         from July 1993  
   to October  
   1998 and as  
   vice-chairman  
   in charge of  
   National Audit  
   Practice  
   Operations  
   from October  
   1998 to his  
retirement on  
   January 31,  
   2002.

Other directorships:                Kaiser  
   Permanente,  
   Inc., Kaiser  
   Permanente of

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Georgia, Synovus and advisory director  
of Synovus  
Financial  
Services

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(PHOTO OF DAVID M. RATCLIFFE)

DAVID M. RATCLIFFE

Age:                                        55

Director since:                         2003



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assumed his current position.

Other directorships: CSX  
Corporation  
and  
Southern  
system  
companies -- Georgia  
Power  
Company and  
Southern  
Power  
Company

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(PHOTO OF GERALD J. ST. PE)

GERALD J. ST. PE

Age: 64

Director since: 1995

Board committees: Compensation  
and Management  
Succession  
(chair),  
Governance

Principal occupation: Former  
president of  
Ingalls  
Shipbuilding  
and retired  
executive  
vice  
president of  
Litton  
Industries

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Recent business Mr. St. Pe  
served as president, Ingalls  
Shipbuilding from  
experience: 1985 to  
August 1999  
and as chief  
operating



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officer of  
Northrop-  
Grumman Ship  
Systems from  
August 1999  
to November  
2001.

Other directorships:           Delta Health  
                                  Group,  
                                  Signal  
                                  International,  
                                  Mac Land  
                                  Disposal  
                                  Centers and  
                                  Merchants  
                                  and Marine  
                                  Bank

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

The affirmative vote of a plurality of shares present and entitled to vote is required for the election of directors.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" THE NOMINEES LISTED IN ITEM NO. 1.

ITEM NO. 2 -- RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of the Board of Directors has appointed Deloitte & Touche LLP as the Company's independent auditors for 2004. This appointment is being submitted to stockholders for ratification. Representatives of Deloitte & Touche LLP will be present at the Annual Meeting to respond to appropriate questions from stockholders and will have the opportunity to make a statement if they desire to do so.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ITEM NO. 2.

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ITEM NO. 3 -- APPROVAL OF THE COMPANY'S OUTSIDE DIRECTORS STOCK PLAN

The Board of Directors has adopted effective May 26, 2004, subject to stockholder approval, the Outside Directors Stock Plan for Directors of The Southern Company and its Subsidiaries (the "Plan"). The Plan is a consolidation of the Outside Directors Stock Plan for The Southern Company that was approved by the Company's stockholders in 1994 and the Outside Directors Stock Plan for Subsidiaries of The Southern Company that was approved by the Company's stockholders in 1995 (collectively, the "Prior Plans"). The purpose of the Plan is to provide a mechanism for non-employee directors to increase their ownership of Company common stock and thereby further align their interests with those of the stockholders.

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The Plan will be administered by the Board's Governance Committee.

The Plan provides for the payment to non-employee directors of a portion of their annual retainer fee in unrestricted shares of common stock of the Company, par value \$5 per share. See "Director Compensation" on page 3 of this Proxy Statement for a description of the stock retainer paid to Company Directors. For the subsidiary company participants the stock retainer presently being paid under the Plan ranges from 340 to 520 shares per year. The Plan permits participants to elect to receive a greater portion -- up to all -- of their compensation in shares of Company common stock. For Company Directors, the receipt of all shares under the Plan will be deferred until termination from the Board. Subsidiary participants may elect to defer receipt of all or a portion of the stock paid under the Plan until termination from their respective board of directors. The Company expects that there will be approximately 50 directors initially participating in the Plan.

The maximum number of shares that may be granted under the Plan is 1,000,000 shares of the Company's common stock in addition to the shares of the Company's common stock that have not yet been granted under the Prior Plans which is approximately 1,700,000 shares. The Plan will expire on May 26, 2014.

The Board of Directors of the Company may amend or terminate the Plan at any time, subject to stockholder approval when required by law or regulation.

The following table sets forth estimated amounts to be paid under the Plan in 2004 to non-employee directors. Officers and other employees are not eligible to participate in this Plan.

POSITION	DOLLAR VALUE (\$)	NUMBER OF SHARES
-----		
Non-executive directors as a group.....	1,800,000	60,000
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The vote needed to approve the Plan is a majority of the shares of the Company's common stock represented at the meeting and entitled to vote.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" ITEM NO. 3.

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 INFORMATION ON A STOCKHOLDER PROPOSAL  
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The Company received a proposal from the Sisters of St. Dominic of Caldwell New Jersey and other stockholders requesting that an independent committee of the Board of Directors assess how the Company is responding to rising regulatory, competitive, and public pressure to significantly reduce carbon dioxide and other emissions. In support of their position, the proponents set forth the following:

- M Southern Company's 2003 Environmental Progress Report acknowledges that climate change is a significant issue and that the company's CO(2) emissions are expected to increase over the next decade.
- M Southern Company's 2002 Form 10-K states, "Compliance with possible additional federal or state legislation related to global climate change . . . could significantly affect Southern Company."
- M Commitments to reduce carbon dioxide emissions and other air pollutants are emerging. Massachusetts and New Hampshire have enacted legislation capping power plants' greenhouse gas emissions. Governors of 11 states pledged to reduce carbon dioxide emissions significantly. Renewable energy standards exist in 13 states, indicating increasing support for non-polluting electricity sources.
- M In October 2003, 43 U.S. Senators voted in favor of legislation that would cap greenhouse gas emissions from a range of industrial sectors.
- M At the Company's 2003 Annual Meeting of Stockholders, a stockholder resolution requesting a report on the economic risks associated with the Company's past, present and future carbon dioxide and other emissions, and the public stance of the Company regarding efforts to reduce those emissions, received 23.7% of the shares voted.
- M In response to the 2003 resolution, the Company told stockholders in the Proxy Statement that the Company currently provides details regarding its risk factors including historic and anticipated environmental costs and known future contingencies. This information was included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002, as well as in other documents, including the Environmental Progress Report. The Company also stated that the detailed information requested on future costs and risks would require knowledge of future governmental or other legal action and was "too speculative to report and quantify" beyond what is already reported.

We believe management and the Board have a fiduciary duty to carefully assess and disclose to shareholders all pertinent information on its climate change responses.

Stockholders therefore request that "a committee of independent directors of the Board assess how the company is responding to rising regulatory, competitive, and public pressures to significantly reduce carbon dioxide and other emissions, and issue a report to shareholders (at reasonable cost and omitting proprietary information) by September 1, 2004."

The stockholder proponents withdrew the resolution as a result of the Company's commitment to conduct further assessments of how the Company is responding to rising regulatory, competitive, and public pressure to significantly reduce carbon dioxide and other emissions and develop the requested report, using internal and external resources as appropriate, as well as soliciting input from interested stakeholders. The full Board will actively participate in and review the results of the assessment. A summary of the results will be included in the Company's next Environmental Progress Report, to be published by spring 2005. The contents of the report will include:

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- M A discussion of the environmental requirements that the Company currently faces and may face in the future, with particular attention to an assessment of current proposals for mandatory restraints on carbon dioxide emissions;
- M An assessment of the strategic options the Company could take to respond to these requirements, with emphasis on their impacts on shareholder value and the competitive position of the Company; and
- M An evaluation of the actions the Company is taking and proposes to take to respond to current and future requirements and an assessment of these current and proposed actions on shareholder value; this will include how these actions affect and will affect the Company's total annual emissions of CO(2), SO(2), NOx and mercury and the net emissions of CO(2) after accounting for offsets, for the time frame 2000-2020.

The stockholder proponents have expressed their appreciation to the Company for including in the Proxy Statement a discussion of the proposal and the basis on which the proponents agreed to its withdrawal.

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### AUDIT COMMITTEE REPORT

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The Audit Committee (the "Committee") oversees the Company's financial reporting process on behalf of the Board of Directors. 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 consolidated financial statements of the Company and its subsidiaries in the Annual Report to stockholders with management. The Committee also reviews the Company's quarterly and annual reporting on Forms 10-Q and 10-K prior to filing with the Securities and Exchange Commission ("SEC"). The Committee's review process included discussions of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and estimates and the clarity of disclosures in the financial statements.

The independent auditors 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 auditors 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, rules and regulations of the SEC and the New York Stock Exchange corporate governance rules. In addition, the Committee has discussed with the independent auditors their independence from management and the Company including the matters in the written disclosures made under Rule 3600T of the Public Company Accounting Oversight Board, which, on an interim basis, has adopted Independence Standards Board No. 1, "Independence Discussions with Audit Committees." The Committee also has considered whether the independent auditors' 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

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and independent auditors for their respective audits. The Committee meets with the internal and independent auditors 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 also meets privately with the Company's compliance officer. The Committee held 12 meetings during 2003.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board approved) that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and filed with the SEC. The Committee also reappointed Deloitte & Touche LLP as the Company's independent auditors for 2004. At the annual meeting of the Company's stockholders, the stockholders will be asked to ratify the Committee's selection of the independent auditors.

Members of the Committee:

- J. Neal Purcell, Chair
- Dorrit J. Bern
- Donald M. James
- Zack T. Pate

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PRINCIPAL PUBLIC ACCOUNTING FIRM FEES

The following represents the fees billed to the Company for the last two fiscal years by Deloitte & Touche LLP ("Deloitte & Touche") -- the Company's principal public accountant:

	2003	2002
Audit Fees (a).....	\$ 6,342,600	\$5,375,000
Audit-Related Fees (b).....	3,901,500	1,014,000
Tax (c).....	285,800	888,000
All Other (d).....	0	252,000
<b>Total.....</b>	<b>\$10,529,900</b>	<b>\$7,529,000</b>

- (a) Includes services performed in connection with financing transactions
- (b) Includes internal control review services, benefit plan and other non-statutory audit services and accounting consultations

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- (c) Includes review services in connection with the consolidated federal tax return, tax compliance services in connection with the benefit plans and licensing and training costs
- (d) Includes Deloitte Consulting services arranged prior to the engagement of Deloitte & Touche as the Company's independent auditors

The Audit Committee has adopted a Policy on Engagement of the Independent Auditor for Audit and Non-Audit Services (see Appendix B) that includes requirements for the Audit Committee to pre-approve audit and non-audit services provided by Deloitte & Touche. This policy was initially adopted in July 2002 and since that time, all audit-related, tax and other non-audit services included in the chart above have been pre-approved by the Audit Committee.

### CHANGE IN PRINCIPAL PUBLIC ACCOUNTING FIRM

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

Arthur Andersen's report on the consolidated financial statements of the Company and its subsidiaries for the fiscal year ended December 31, 2001 did not contain any adverse opinion or disclaimer of opinion, nor was it qualified or modified as to uncertainty, audit scope or accounting principles. Such report has 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, 2003.

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

- M 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;
- M there were no reportable events as described in Item 304(a)(1)(v) of Regulation S-K; and
- M 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 consolidated financial statements, or any other matters or reportable events as set forth in Items 304(a)(2)(i) and (ii) of Regulation S-K.

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### COMPENSATION AND MANAGEMENT SUCCESSION COMMITTEE REPORT

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The Compensation and Management Succession Committee of the Board is responsible for the oversight and administration of the Company's executive compensation

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program. The Committee is composed entirely of independent directors and operates pursuant to a written charter.

### TOTAL EXECUTIVE COMPENSATION

#### EXECUTIVE COMPENSATION PHILOSOPHY

The Company's executive compensation program is based on a philosophy that total executive compensation must be competitive and must be tied to the Company's short- and long-term performance. With the objective of maximizing stockholder value over time, our program aligns the interests of our executives and stockholders.

#### DETERMINATION OF TOTAL EXECUTIVE COMPENSATION

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. Twelve of these companies are included in the 22 companies that comprise the S&P Electric Utility Index -- the peer group used in the five-year performance graph. Based on the market data, total executive compensation targets are set at an appropriate size-adjusted level. This means that for target level performance, our program is designed to pay executives an amount that is at or near the median of the market. Total executive compensation is paid through an appropriate mix of both fixed and performance-based (incentive) compensation. Because our program focuses on incentive compensation, actual total compensation paid can be above or below the targets based on actual corporate performance.

#### COMPONENTS OF TOTAL EXECUTIVE COMPENSATION

The primary components of our executive compensation program are:

- M Base pay (salary);
- M Short-term incentives (annual performance bonuses); and
- M Long-term incentives.

The Company also provides 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 named executive officer, including Mr. Franklin, by comparing the base pay at the appropriate peer group of companies described previously. Base pay is generally set at a level that is at or below the size-adjusted median paid at those companies because of our emphasis on incentive compensation in our executive compensation program. The 2003 base pay level did not exceed the median by more than five percent for any of the named executive officers. The base pay level for Mr. Franklin was below the size-adjusted median.

#### ANNUAL PERFORMANCE BONUSES

Annual bonuses are paid through the Omnibus Incentive Compensation Plan. All named executive officers participated in this plan in 2003.

#### PERFORMANCE GOALS

Annual performance bonuses are based on the attainment of corporate performance goals and attainment of the respective business unit's adjusting goals. All performance goals were set in the first quarter of the year.

For 2003, the corporate performance goals included specific targets for:

M Company earnings -- earnings per share ("EPS") and

M Subsidiary companies' net income or 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 respective business unit's adjusting goals related to such measures as capital expenditures, cash flow, customer service, plant availability and diversity.

A target percentage of base pay is established for each named executive officer based on his or her position level for target-level performance. Annual performance bonuses may range from zero percent of the target to 230 percent based on actual corporate and individual performance.

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 the Company's current earnings are not sufficient to fund the Company's 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 the Company's net income.

#### ANNUAL BONUS PAYMENTS

Performance met or exceeded the target levels in all areas in 2003, resulting in bonuses that exceeded the target levels.

Mr. Franklin's annual performance bonus under the Plan for target-level performance was 100 percent of his base pay. His bonus for 2003 performance was based on the degree of achievement of the Company's EPS goal. The bonus amount was adjusted as described above. Based on the Company's performance his bonus exceeded the target.

The target percentage of base pay for the other named executive officers ranged from 60 to 75 percent and, based on corporate performance, the resulting payout exceeded the named executive officers' respective targets.

#### LONG-TERM INCENTIVES

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

#### STOCK OPTIONS

The named executive officers are granted options with ten-year terms to purchase the Company's common stock at the market price on the date of the grant under



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the terms of the Omnibus Incentive Compensation Plan. The estimated annualized value represented approximately 58 percent of Mr. Franklin's total target compensation, and 19 to 25 percent for the other named executive officers. The size of prior grants was not considered in determining the size of the grants made in 2003. These options vest over a three-year period.

### PERFORMANCE DIVIDENDS

The named executive officers 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 Company's common stock dividend paid during the year if total stockholder 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. No dividend equivalents are paid if total stockholder return over the period is below the 30th percentile or if the Company's earnings are not sufficient to fund the current common stock dividend. For eligible stock options held on December 31, 2003, all executives received a payout of \$1.385 per option for maximum performance under the Omnibus Incentive Compensation Plan.

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### 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 stockholders. The Company has obtained stockholder approval of the Omnibus Incentive Compensation Plan. However, because our policy is to maximize long-term stockholder 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 corporate performance and serve the best interest of stockholders. We frequently review the various pay plans and policies and modify them as we deem necessary to continue to attract, retain and motivate talented executives.

#### Members of the Committee:

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

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### COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

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The Company's Compensation and Management Succession Committee is made up of non-employee directors who have never served as officers of, or been employed by, the Company. None of the Company's executive officers serve on a board of directors of any entity that has a director or officer serving on this Committee.

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 FIVE-YEAR PERFORMANCE GRAPH  
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This performance graph compares the cumulative total stockholder return on the Company's common stock with the Standard & Poor's Electric Utility Index and the Standard & Poor's 500 Index for the past five years. The graph assumes that \$100 was invested on December 31, 1998, in the Company's common stock and each of the above indices, and that all dividends are reinvested. The distribution of shares of Mirant Corporation stock to Company stockholders effective April 2, 2001, is treated as a special dividend for purposes of calculating stockholder return. The stockholder return shown below for the five-year historical period may not be indicative of future performance.

(PERFORMANCE GRAPH)

	1998	1999	2000	2001	2002	2003
Southern Company	\$ 100	\$ 84.99	\$ 126.41	\$ 167.12	\$ 196.57	\$ 231.12
S & P Electric Utility Index	100	83.60	128.61	107.03	90.91	110.02
S & P 500 Index	100	121.04	110.02	96.95	75.52	100.00

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 SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE  
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No reporting person failed to file, on a timely basis, the reports required by Section 16(a) except Messrs. Fanning, Holland and Ratcliffe. On two separate occasions, Mr. Fanning failed to report, on time, one transaction on a Form 4. Messrs. Holland and Ratcliffe each failed to report, on time, one transaction on one Form 4.

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### LEGAL PROCEEDINGS

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In November 2002, the Company and certain current and former directors of Mirant Corporation ("Mirant"), including Allen Franklin, chairman and chief executive officer of the Company, were added as defendants in a class action lawsuit (In re: Mirant Corporation Securities Litigation, United States District Court for the North District of Georgia) originally filed by certain Mirant shareholders against Mirant and certain Mirant officers. On July 14, 2003, the court dismissed the claims in the lawsuit that were based on Mirant's alleged improper energy trading and marketing activities involving the California energy market. The remaining claims are based on alleged false statements and omissions in Mirant's prospectus for its initial public offering and accounting-related issues previously disclosed by Mirant. Such claims allege that the Company was a control person, as defined in Section 20(a) of the Securities Exchange Act of 1934 and Section 15 of the Securities Act of 1933, as to Mirant, based on the Company's majority ownership of Mirant prior to the April 2, 2001 Mirant spin-off and allegations of knowledge of and involvement in Mirant's activities thereafter. The claims against Mr. Franklin and the other current and former Mirant directors are based on alleged misstatements and omissions in Mirant's initial public offering prospectus. The Company does not believe that Mr. Franklin's interest in this litigation is adverse to the Company, and the Company has filed an answer to the consolidated amended class action complaint. Plaintiffs also have filed a motion for class certification. The final outcome of this matter cannot now be determined.

On July 14, 2003, Mirant filed for voluntary reorganization under Chapter 11 with the U.S. Bankruptcy Court. With the exception of document discovery, litigation in the above matter has been stayed until further order of the bankruptcy court.

For more information concerning this litigation, please see the Company's financial statements, including particularly note 3 and Management's Discussion and Analysis of Results of Operation and Financial Condition which are included in the Company's 2003 Annual Report.

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### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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During 2003, subsidiaries of the Company paid Vulcan Materials Company \$260,573 for products and services. These amounts are less than one-tenth of one percent of the 2003 revenues of Vulcan Materials Company and less than one-one hundredth of one percent of the Company's 2003 revenues. Donald M. James, a director of the Company, is chairman and chief executive officer of Vulcan Materials Company.

During 2003, subsidiaries of the Company paid The Home Depot \$491,329 for products and services. These amounts are less than one-tenth of one percent of the 2003 revenues of The Home Depot and the Company. Francis S. Blake, a nominee for election as a director of the Company, is executive vice president of The Home Depot.

During 2003, Mr. Jeffrey G. Franklin, son of Allen Franklin, a director and executive officer of the Company, and Ms. Iris Franklin, daughter-in-law of Allen Franklin, were employed by subsidiaries of the Company. Mr. Franklin was employed by Southern Company Services, Inc. as a Project Manager through March 2003 and by Alabama Power Company, thereafter, as an Assistant to Executive Vice President. His aggregate compensation in 2003 was \$127,077. Ms. Franklin was employed by Alabama Power Company as a Market Specialist and received compensation in 2003 of \$61,398.

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 EXECUTIVE COMPENSATION  
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EMPLOYMENT, CHANGE IN CONTROL AND SEPARATION AGREEMENTS

The Company has Change in Control Agreements with each of its executive officers shown on the Summary Compensation Table on page 22. If an executive is involuntarily terminated, other than for cause, within two years following a change in control of the Company, the Agreements provide for:

- M lump sum payment of three times annual compensation,
- M up to five years' coverage under group health and life insurance plans,
- M immediate vesting of all stock options previously granted,
- M payment of any accrued long-term and short-term bonuses and dividend equivalents, and
- M payment of any excise tax liability incurred as a result of payments made under the Agreement.

A change in control is defined under the Agreements as:

- M acquisition of at least 20 percent of the Company's stock,
- M a change in the majority of the members of the Company's Board of Directors in connection with an actual or threatened change in control,
- M a merger or other business combination that results in the Company's stockholders immediately before the merger owning less than 65 percent of the voting power after the merger, or
- M a sale of substantially all the assets of the Company.

If a change in control affects only a subsidiary of the Company, these payments would only be made to executives of the affected subsidiary who are involuntarily terminated as a result of that change in control.

The 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 February 23, 1998, the Company and Southern Nuclear Operating Company entered into a Deferred Compensation Agreement with Mr. Hairston which provided that on the fifth anniversary of the Agreement, if still employed by the Company or one of its subsidiaries, Mr. Hairston would receive the cash value of the number of shares of common stock that could have been purchased for \$250,000 on February 23, 1998, and on which dividends were reinvested throughout the five-year period. If certain performance goals are met, Mr. Hairston also will receive the estimated income tax expense on the compensation. This Agreement expired by its terms on February 23, 2003, and the cash value of the shares on that date

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(\$601,058) was paid to Mr. Hairston along with the estimated income tax expense on the compensation (\$464,647) for a total payment of \$1,065,705.

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SUMMARY COMPENSATION TABLE  
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This table shows information concerning the Company's chief executive officer serving during 2003 and each of the other four most highly compensated executive officers of the Company serving during 2003.

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG-TERM	
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$)(1)	RESTRICTED STOCK AWARDS (\$)(2)	NUMBER OF SECURITIES UNDERlying STOCK OPTION (3)
H. A. FRANKLIN Chairman & CEO Southern Company	2003	966,240	2,083,162	5,940	--	50
	2002	929,215	1,984,320	7,080	--	38
	2001	855,969	1,867,320	2,770	648,863	49
D. M. RATCLIFFE President Southern Company	2003	606,558	927,416	3,876	--	8
	2002	573,018	865,767	4,550	--	9
	2001	483,324	865,280	3,134	--	15
T. A. FANNING(5) Executive Vice President, CFO & Treasurer Southern Company	2003	375,820	522,396	110,691	--	4
W. G. HAIRSTON, III President & CEO Southern Nuclear Operating Company	2003	459,231	499,660	9,296	--	5
	2002	440,104	507,131	11,485	--	6
	2001	414,594	370,798	1,583	--	9
C. D. MCCRARY President & CEO Alabama Power Company	2003	521,649	694,948	9,111	--	7
	2002	493,604	673,140	34,993	--	7
	2001	391,647	438,652	91,403	--	9

(1) Tax reimbursement on certain perquisites.

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- (2) The amount for Mr. Franklin reflects the value of restricted stock units on the date granted. The restricted stock units vested on April 2, 2001 and the value was transferred to the Company's Deferred Compensation Plan.
- (3) Payout of performance dividend equivalents on most 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, 2001, 2002 and 2003, respectively. Dividend equivalents can range from 25 percent of the common stock dividend paid during the last year of the performance period if total stockholder 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. No dividend equivalents are paid if the total stockholder return is below the 30th percentile or if the Company's earnings are not sufficient to fund the common stock dividend. For eligible stock options held on December 31, 2001, 2002 and 2003, all named executive officers received a payout of \$1.34, \$1.355 and \$1.385 per option, respectively.
- (4) Company contributions in 2003 to the Employee Savings Plan (ESP) and 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 Company common stock held in the Employee Saving Plan, are provided in the following table. For Mr. Fanning, the amount also includes additional relocation assistance of \$138,149.

	ESP (\$)	ESOP (\$)	SBP (\$)	ESP TAX SHARING BENEFIT
H. A. Franklin	8,100	744	49,696	1,341
D. M. Ratcliffe	7,995	744	24,306	552
T. A. Fanning	7,600	744	9,912	--
W. G. Hairston, III	8,026	744	15,207	376
C. D. McCrary	6,946	744	18,490	--

- (5) Mr. Fanning first became an executive officer of the Company on April 11, 2003.

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STOCK OPTIONS

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OPTION GRANTS IN 2003

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)	EXPIRATION DATE (1)
H. A. FRANKLIN	501,935	7.0	27.975	7/01/2009
D. M. RATCLIFFE	83,780	1.2	27.975	2/14/2013
T. A. FANNING	42,314	0.6	27.975	2/14/2013
W. G. HAIRSTON, III	59,097	0.8	27.975	2/14/2013
C. D. MCCRARY	72,054	1.0	27.975	2/14/2013

(1) Stock option grants were made on February 14, 2003 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. Exercise price is the average of the high and low price of the Company's common stock on the date granted. Options may be transferred to a revocable trust and, for the named executive officers, also may be transferred to certain family members, family trusts and family limited partnerships.

(2) A total of 7,165,452 stock options were granted in 2003.

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

VOLATILITY	RISK-FREE RATE OF RETURN	DIVIDEND YIELD	EXPECTED TERM
23.59%	2.72%	4.90%	4.28 years

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 OPTION EXERCISES  
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AGGREGATED OPTION EXERCISES IN 2003 AND YEAR-END OPTION VALUES

NAME	NUMBER OF SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$)(1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR-END (#)		VALUE
			EXERCISABLE	UNEXERCISABLE	IN-THE YE EXERCISA
H. A. FRANKLIN	None	0	813,567	922,693	9,140,6
D. M. RATCLIFFE	137,568	2,049,179	134,637	197,358	1,107,7
T. A. FANNING	22,830	332,827	78,236	83,123	801,8
W. G. HAIRSTON, III	79,070	799,208	21,964	135,068	109,6
C. D. MCCRARY	None	0	192,915	155,880	2,256,6

(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) These columns represent the excess of the fair market value of the Company's common stock of \$30.25 per share, as of December 31, 2003, 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 Unexercisable column reports the "value" of options that are not vested and therefore could not be exercised as of December 31, 2003.

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 PENSION PLAN TABLE  
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COMPENSATION	YEARS OF ACCREDITED SERVICE					
	15	20	25	30	35	40
\$ 100,000	\$ 25,500	\$ 34,000	\$ 42,500	\$ 51,000	\$ 59,500	\$ 68,000
500,000	127,500	170,000	212,500	255,000	297,500	340,000
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
1,300,000	331,500	442,000	552,500	663,000	773,500	884,000
1,500,000	382,500	510,000	637,500	765,000	892,500	1,020,000
1,700,000	433,500	578,000	722,500	867,000	1,011,500	1,156,000
1,800,000	459,000	612,000	765,000	918,000	1,071,000	1,224,000
2,000,000	510,000	680,000	850,000	1,020,000	1,190,000	1,360,000
2,200,000	561,000	748,000	935,000	1,122,000	1,309,000	1,496,000
2,500,000	637,500	850,000	1,062,500	1,275,000	1,487,500	1,700,000
2,800,000	714,000	952,000	1,190,000	1,428,000	1,666,000	1,904,000
3,000,000	765,000	1,020,000	1,275,000	1,530,000	1,785,000	2,040,000
3,200,000	816,000	1,088,000	1,360,000	1,632,000	1,904,000	2,176,000
3,400,000	867,000	1,156,000	1,445,000	1,734,000	2,023,000	2,312,000

This table shows the estimated annual pension benefits payable at normal retirement age under Southern's qualified Pension Plan, as well as non-qualified supplemental benefits, based on the stated compensation and years of service with the Company's subsidiaries. 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. These compensation components are reported under the columns titled "Salary" and "Bonus" in the Summary Compensation Table on page 22.

As of December 31, 2003, the applicable compensation levels and years of accredited service for determination of pension benefits would have been:

ACCREDITED

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	COMPENSATION	SERVICE
H. A. Franklin	2,774,275	32
D. M. Ratcliffe	1,350,337	31
T. A. Fanning	613,396	22
W. G. Hairston, III	835,226	34
C. D. McCrary	1,017,144	29

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 Social Security offset that would apply in most cases.

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EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2003 concerning shares of the Company's common stock authorized for issuance under Southern Company's existing non-qualified equity compensation plans.

PLAN CATEGORY	NUMBER OF SECURITIES TO BE ISSUED UPON EXERCISE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (A)	WEIGHTED-AVERAGE EXERCISE PRICE OF OUTSTANDING OPTIONS, WARRANTS AND RIGHTS (B)	NUMBER REMAINING UNDER FUTURE EQUITY COMPENSATION PLANS (C)
Equity compensation plans approved by security holders.....	33,931,892	\$21.97	4
Equity compensation plans not approved by security holders.....	N/A	N/A	

- (1) Includes shares available for future issuance under the Omnibus Compensation Incentive Plan (39,752,039) and the Outside Directors Stock Plans (1,712,928).

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## APPENDIX A

### 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.

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

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### 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

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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.
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- v. Any audit problems or difficulties and management's response.

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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

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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.

LAST AMENDED ON FEBRUARY 17, 2003

BY THE SOUTHERN COMPANY

BOARD OF DIRECTORS

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### APPENDIX B

#### POLICY ON ENGAGEMENT OF THE INDEPENDENT AUDITOR FOR AUDIT AND NON-AUDIT SERVICES

- A. Southern Company (including its subsidiaries) will not engage the independent auditor to perform any services that are prohibited by the Sarbanes-Oxley Act of 2002. It shall further be the policy of the Company not to retain the independent auditor for non-audit services unless there is a compelling reason to do so and such retention is otherwise pre-approved consistent with this policy. Non-audit services that are prohibited include:
  1. Bookkeeping and other services related to the preparation of accounting records or financial statements of the Company or its subsidiaries.
  2. Financial information systems design and implementation.
  3. Appraisal or valuation services, fairness opinions, or contribution-in-kind reports.
  4. Actuarial services.
  5. Internal audit outsourcing services.
  6. Management functions or human resources.
  7. Broker or dealer, investment adviser, or investment banking services.
  8. Legal services or expert services unrelated to financial statement audits.
  9. Any other service that the Public Company Accounting Oversight Board determines, by regulation, is impermissible.
- B. Effective January 1, 2003, officers of the Company (including its subsidiaries) may not engage the independent auditor to perform any personal

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services, such as personal financial planning or personal income tax services.

- C. All audit services (including providing comfort letters and consents in connection with securities issuances) and permissible non-audit services provided by the independent auditor must be pre-approved by the Southern Company Audit Committee.
- D. Under this Policy, the Audit Committee's approval of the independent auditor's annual arrangements letter shall constitute pre-approval for all services covered in the letter.
- E. By adopting this Policy, the Audit Committee hereby pre-approves the engagement of the independent auditor to provide services related to the issuance of comfort letters and consents required for securities sales by the Company and its subsidiaries and services related to consultation on routine accounting and tax matters. The actual amounts expended for such services each calendar quarter shall be reported to the Committee at a subsequent Committee meeting.
- F. The Audit Committee also delegates to its Chairman the authority to grant pre-approvals for the engagement of the independent auditor to provide any permissible service up to a limit of \$50,000 per engagement. Any engagements pre-approved by the Chairman shall be presented to the full Committee at its next scheduled regular meeting.
- G. The Southern Company Comptroller shall establish processes and procedures to carry out this Policy.

Approved by the Southern Company Audit Committee  
December 9, 2002

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(SOUTHERN COMPANY LOGO)

(RECYCLE LOGO)

RECYCLED PAPER

OUTSIDE DIRECTORS STOCK PLAN FOR  
THE SOUTHERN COMPANY AND ITS SUBSIDIARIES

Effective May 26, 2004

OUTSIDE DIRECTORS STOCK PLAN FOR



# Edgar Filing: SOUTHERN CO - Form DEF 14A

## THE SOUTHERN COMPANY AND ITS SUBSIDIARIES

### Preamble

Prior to the Effective Date (defined herein) of this Outside Directors Stock Plan for The Southern Company and Its Subsidiaries (the "Plan"), Directors (defined herein) participated in The Southern Company Outside Directors Stock Plan ("Southern Stock Plan") and the Outside Directors Stock Plan for Subsidiaries of the Southern Company ("Subsidiaries Stock Plan"). The purpose of this Plan is to update the stock compensation provisions to be in compliance with New York Stock Exchange rules and to merge the Southern Stock Plan and the Subsidiaries Stock Plan into this successor Plan in order to consolidate the statement of these compensation related obligations to Directors. Grants of stock to Directors prior to the Effective Date are governed by the terms of the Southern Stock Plan and the Subsidiaries Stock Plan, as applicable.

The Company has reserved 1,000,000 (one million) authorized and registered shares of Stock (defined herein) that may be granted to Directors under the terms of this Plan. Additionally, any unissued shares of Stock previously authorized and registered for issuance under the Southern Stock Plan and Subsidiaries Stock Plan as of May 26, 2004 shall be transferred to the Plan, added to the reserved Stock and available for issuance to Participants under the Plan. This Plan shall expire on the tenth (10th) anniversary of the Effective Date.

### ARTICLE I - PURPOSE AND ADOPTION OF PLAN

1.1 Adoption. The Southern Company hereby adopts the Outside Directors Stock Plan for The Southern Company and Its Subsidiaries, effective May 26, 2004 subject to (a) the approval of the adoption by the Board of Directors of The Southern Company of the Outside Directors Stock Plan for The Southern Company and Its Subsidiaries by the shareholders of the Company at the annual meeting thereof to be held on May 26, 2004, and (b) the Company's receipt of the

requisite approval of the issuance of the Stock pursuant to the Plan by the Securities and Exchange Commission under the Public Utility Holding Company Act of 1935, as amended, and the rules thereunder.

1.2 Purpose. The Plan is designed to more closely align the interests of Directors with the interests of the shareholders of the Company through ownership of Stock.

### ARTICLE II - DEFINITIONS

2.1 "Affiliated Employer" shall mean any corporation which is a member of the controlled group of corporations of which the Company is the common parent corporation.

2.2 "Board of Directors" shall mean either the Southern Board or a System Company Board, as applicable to a Director.

2.3 "Commission" shall mean the Securities and Exchange Commission.

2.4 "Company" shall mean The Southern Company.

2.5 "Director" shall mean any person who is not an active employee of the Company or a System Company and who either serves on the Southern Board or a System Company Board.

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2.6 "Effective Date" shall mean May 26, 2004.

2.7 "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.8 "Market Value" shall mean the following:

(a) With respect to Stock that is issued by the Company, the average of the high and low prices of the Stock, as published in the Wall Street Journal in its report of New York Stock Exchange composite transactions, on the date one day prior to the date of distribution as set forth in Section 4.3(a) of the Plan (or the average of the high and low sale prices on the trading day immediately preceding such determination date if the Stock is not traded on the date one day prior to the date of distribution).

(b) With respect to Stock that is purchased on the open market, the actual purchase price paid for such Stock on the date of purchase.

2.9 "Participant" shall mean each Director who meets the requirements of Section 3.1 of the Plan.

2.10 "Plan" shall mean the Outside Directors Stock Plan for The Southern Company and Its Subsidiaries, as amended from time to time.

2.11 "Plan Administrator" shall mean the Governance Committee of the Southern Board.

2.12 "Plan Year" shall mean the calendar year.

2.13 "Retainer Fee" shall mean the annual rate of the fees paid to a Director as determined by the Board of Directors from time-to-time, but excluding reimbursements for expenses and any fees or compensation for (a) attendance at the meetings of the Board of Directors or any committee, (b) service on a committee, and (c) service at the request of the Board of Directors or a committee.

2.14 "Stock" shall mean the Company's common stock, par value \$5.00 per share.

2.15 "Southern Board" shall mean the Board of Directors of The Southern Company.

2.16 "System Company" shall mean any Affiliated Employer of the Company which the Southern Board may from time to time determine to bring under the Plan and which shall adopt the Plan, and any successor of any of them. The System Companies that have adopted the Plan are listed in Schedule A, attached hereto, as such Schedule may be amended from time to time.

2.17 "System Company Board" shall mean the Board of Directors of a System Company.

The masculine pronoun shall be construed to include the feminine pronoun and the singular shall include the plural, where the context so requires.

### ARTICLE III - ELIGIBILITY

3.1 Eligibility Requirements.

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(a) Except as provided in Subsections (b) and (c) below, each Director shall become a Participant in the Plan on the first date such Director serves on the Board of Directors.

(b) For purposes of the 2004 Plan Year, a Director who is serving on a Board of Directors as of the Effective Date shall become a Participant in the Plan on the Effective Date, subject to (1) approval of the Plan by the shareholders of the Company at the annual meeting thereof to be held on May 26, 2004, and (2) the Company's receipt of the requisite approval of the Plan by the Commission under the Public Utility Holding Company Act of 1935, as amended, and the rules thereunder.

### ARTICLE IV - FORM AND TIME OF BENEFIT DISTRIBUTIONS

4.1 Stock Grant. Each Participant shall receive a portion of his annual Retainer Fee in Stock, with the remainder of such annual Retainer Fee and meeting attendance fees to be payable, in increments elected by the Director in accordance with Section 4.2 below, in cash or in Stock. The portion of the annual Retainer Fee required to be paid in Stock pursuant to this Section 4.1 may be denominated as dollars and/or shares and shall be stated in Schedule B, attached hereto, as such Schedule shall be amended from time to time.

4.2 Election to Determine Percentage or Amount of Compensation to be Paid in Stock. Each Participant shall have an opportunity to elect to have the non-Stock portion of his Retainer Fee paid in cash or Stock of the Company, or a combination thereof. Each Participant also shall have an opportunity to elect to have a portion of his meeting attendance fees payable in Stock. Such elections shall be made at the time specified by the Plan Administrator on a form provided

to the Participant by the Plan Administrator. Nothing contained in this Section 4.2 shall be interpreted in such a manner as would disqualify the Plan from treatment as a "formula plan" under Rule 16b-3, as promulgated by the Commission under the Exchange Act, as that rule may be amended from time to time.

#### 4.3 Amount and Date of Payment for Stock Compensation.

(a) For any Plan Year in which a Director is a Participant for the full Plan Year, any Stock compensation due a Participant pursuant to Sections 4.1 and 4.2 above shall be payable on a quarterly basis. The amount of Stock to be distributed to a Participant shall initially be determined by first dividing the Participant's required and elected dollar amount of Stock compensation by four (4) and then dividing such quarterly quotient by the Market Value of the Stock. Subsequent distributions shall be based on such quarterly quotient divided by the Market Value of the Stock.

(b) Notwithstanding the foregoing, for purposes of the 2004 Plan Year, for Participants who are serving as Directors as of the Effective Date, no Stock distributions shall be made under the Plan prior to receipt of the requisite approval described in Section 1.1; provided, however, that once the requisite approval of the Plan is received, the Stock distribution shall be made on the first quarterly date following such approval in accordance with Article IV.

4.4 Deferral of Retainer. The portion of the Retainer Fee required to be paid in Stock pursuant to Section 4.1 shall be deferred in accordance with the terms of the deferred compensation plan maintained by the Company or Subsidiary Company for its Directors. Directors also shall have the option to defer in such plan pursuant to its terms that portion of the Retainer Fee not required to be paid in Stock and meeting attendance fees.

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4.5 Death Benefits. No grants of Stock shall be made to any beneficiary of a Participant following a Participant's death.

### ARTICLE V - ADMINISTRATION OF PLAN

5.1 Administrator. The general administration of the Plan shall be the responsibility of the Plan Administrator.

5.2 Powers. The Plan Administrator shall administer the Plan in accordance with its terms and shall have all powers necessary to carry out the provisions of the Plan more particularly set forth herein. It shall interpret the Plan and shall have the discretion to determine all questions arising in the administration, interpretation and application of the Plan, including any ambiguities contained herein or any questions of fact. Any such determination by it shall be conclusive and binding on all persons. It may adopt such regulations as it deems desirable for the conduct of its affairs. It may appoint such accountants, counsel, actuaries, specialists and other persons as it deems necessary or desirable in connection with the administration of this Plan, and shall be the agent for the service of process.

5.3 Duties of the Plan Administrator.

(a) The Plan Administrator is responsible for the daily administration of the Plan. It may appoint other persons or entities to perform any of its fiduciary functions. The Plan Administrator and any such appointee may employ advisors and other persons necessary or convenient to help it carry out its duties, including its fiduciary duties. The Plan Administrator shall have the right to remove any such appointee from his position. Any person, group of persons or entity may serve in more than one fiduciary capacity.

(b) The Plan Administrator shall maintain accurate and detailed records and accounts of Participants and of their rights under the Plan and of all receipts, disbursements, transfers and other transactions concerning the Plan. Such accounts, books and records relating thereto shall be open at all reasonable times to inspection and audit by persons designated by the Board of Directors.

(c) The Plan Administrator shall take all steps necessary to ensure that the Plan complies with the law at all times. These steps shall include such items as the preparation and filing of all documents and forms required by any governmental agency; maintaining of adequate Participants' records; recording and transmission of all notices required to be given to Participants; the receipt and dissemination, if required, of all reports and information received relating to the Plan; securing of such fidelity bonds as may be required by law; and doing such other acts necessary for the proper administration of the Plan. The Plan Administrator shall keep a record of all of its proceedings and acts, and shall keep all such books of account, records and other data as may be necessary for proper administration of the Plan.

5.4 Indemnification. The System Companies and the Company shall indemnify the Plan Administrator against any and all claims, losses, damages, expenses and liability arising from any action or failure to act, except when the same is finally judicially determined to be due to gross negligence or willful misconduct. The System Companies and the Company may purchase at their own expense sufficient liability insurance for the Plan Administrator to cover any and all claims, losses, damages and expenses arising from any action or failure to act in connection with the execution of the duties as Plan Administrator.

### ARTICLE VI - MISCELLANEOUS

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6.1 Assignment. Neither the Participant nor his legal representative shall have any rights to sell, assign, transfer or otherwise convey the right to receive the payment of any benefit due hereunder, which payment and the right thereto are expressly declared to be nonassignable and nontransferable. Any attempt to assign or transfer the right to payment under the Plan shall be null and void and of no effect.

6.2 Amendment and Termination. The Plan may be wholly or partially amended or otherwise modified, suspended or terminated at any time by the Southern Board

or by the Governance Committee with the approval of the Southern Board, upon execution of a duly authorized written document; provided, however, that, without the approval of the shareholders of the Company entitled to vote thereon, no amendment may be made which would, absent such shareholder approval, disqualify the Plan for coverage under Rule 16b-3, as promulgated by the Commission under the Exchange Act, as that rule may be amended from time to time; and provided further that the Plan may not be amended more than once every six (6) months unless such amendment is made in order to comply with changes to either the Internal Revenue Code of 1986, as amended, or the Employee Retirement Income Security Act of 1974, as amended, and the rules thereunder. Notwithstanding the foregoing, no such amendment or termination shall impair any rights to payments to which a Participant may be entitled prior to the effective date of such amendment or termination.

6.3 No Guarantee of Continued or Future Service on a Board of Directors. Participation hereunder shall not be construed as creating a right in any Director to continued service or future service on the Board of Directors. Participation hereunder does not constitute an employment contract between any Director and any System Company or the Company as the case may be.

6.4 Construction. This Plan shall be construed in accordance with and governed by the laws of the State of Georgia, to the extent such laws are not otherwise superseded by the laws of the United States.

[The remainder of this page is left intentionally blank.]

IN WITNESS WHEREOF, the Southern Board, through its duly authorized officers, has adopted this Outside Directors Stock Plan for The Southern Company and Its Subsidiaries this 21st day of April, 2004, to be effective as provided herein.

THE SOUTHERN COMPANY:

(CORPORATE SEAL)

By: /s/Tommy Chisholm

Its: Secretary

Attest:

By: /s/Patricia L. Roberts

Its: Assistant Secretary

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OUTSIDE DIRECTORS STOCK PLAN FOR  
THE SOUTHERN COMPANY AND ITS SUBSIDIARIES

SCHEDULE A

The System Companies as of May 26, 2004 are:

OUTSIDE DIRECTORS STOCK PLAN FOR  
THE SOUTHERN COMPANY AND ITS SUBSIDIARIES

SCHEDULE B

As of \_\_\_\_\_

The portion of a Participant's Retainer Fee required to be distributed in common stock of The Southern Company shall be determined in accordance with the following schedule:

Company	Dollar Amount of Required Stock Distribution
Southern Company	
o Pre-1997 Appointed Directors	\$10,000.00
o Post-1996 Appointed Directors	\$19,000.00

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Company	Shares Distributed
Southern Company	250 shares per quarter
Alabama Power Company	130 shares per quarter
Georgia Power Company	130 shares per quarter
Gulf Power Company	80 shares per quarter
Mississippi Power Company	80 shares per quarter
Savannah Electric and Power Company	80 shares per quarter

Admission Ticket  
(Not Transferable)

[GRAPHIC OMITTED]

2004 Annual Meeting of Stockholders  
10 a.m. ET, May 26, 2004

The Southern Pine at Callaway

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Highway 18  
Pine Mountain, GA 31822

Please present this Admission Ticket in order to gain admittance to the meeting. Ticket admits only the stockholder(s) listed on reverse side and is not transferable.

Directions to Meeting Site:

- o From Atlanta, GA. - take I-85 south to I-185 (Exit 21). From I-185 south, take Exit 34, Georgia Highway 18. Take Georgia Highway 18 east to Callaway.
- o From Birmingham, AL. - take U.S. Highway 280 east to Opelika, AL. Take I-85 north to Georgia Highway 18 (Exit 2). Take Georgia Highway 18 east to Callaway.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of The Southern Company will be held on Wednesday, May 26, 2004, at 10:00 a.m., ET, at The Southern Pine at Callaway, Pine Mountain, Georgia. Stockholders owning shares at the close of business on March 29, 2004, are entitled to attend and vote at the meeting. Stockholders will elect members of the Board of Directors; vote upon ratification of the independent auditors; vote upon approval of Outside Directors Stock Plan; and transact other business properly coming before the meeting or any adjournments thereof.

[GRAPHIC OMITTED]

FORM OF PROXY AND  
TRUSTEE VOTING  
INSTRUCTION FORM

FORM OF PROXY AND  
TRUSTEE VOTING  
INSTRUCTION FORM

PROXY SOLICITED ON BEHALF OF BOARD OF DIRECTORS AND ESP/ESOP TRUSTEES

If a stockholder of record, the undersigned hereby appoints H. A. Franklin, T. A. Fanning and T. Chisholm, or any of them, Proxies with full power of substitution in each, to vote all shares the undersigned is entitled to vote at the Annual Meeting of Stockholders of The Southern Company, to be held at The Southern Pine at Callaway, Pine Mountain, Georgia, on May 26, 2004, at 10:00 a.m., ET, and any adjournments thereof, on all matters properly coming before the meeting, including, without limitation, the items listed on the reverse side of this form.

If a beneficial owner holding shares through the Employee Savings Plan ("ESP") and/or the Employee Stock Ownership Plan ("ESOP"), the undersigned directs the Trustees of these Plans to vote all shares the undersigned is entitled to vote at the Annual Meeting of Stockholders, and any adjournments thereof, on all matters properly coming before the meeting, including, without limitation, the items listed on the reverse side of this form.

This Form of Proxy/Trustee Voting Instruction Form is solicited jointly by the Board of Directors of The Southern Company and the Trustees of the Employee Savings Plan and Employee Stock Ownership Plan pursuant to a separate Notice of Annual Meeting and Proxy Statement. If not voted electronically, this form should be mailed in the enclosed envelope to the Company's proxy tabulator at 51 Mercedes Way, Edgewood, NY 11717. The deadline for receipt of Trustee Voting

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Instruction Forms for ESP and ESOP shares is 5:00 p.m. on Monday, May 24, 2004. The deadline for receipt of shares of record voted through the Form of Proxy is 9:00 a.m. on Wednesday, May 26, 2004. The deadline for receipt of instructions provided electronically is 11:59 p.m. on Tuesday, May 25, 2004.

The proxy tabulator will report separately to the Proxies named above and to the Trustees as to proxies received and voting instructions provided, respectively.

THIS FORM OF PROXY/TRUSTEE VOTING INSTRUCTION FORM WILL BE VOTED AS SPECIFIED BY THE UNDERSIGNED. IF NO CHOICE IS INDICATED, THE SHARES WILL BE VOTED AS THE BOARD OF DIRECTORS RECOMMENDS.

Continued and to be voted and signed on reverse side.

[GRAPHIC OMITTED]

C/O PROXY SERVICES  
P. O. BOX 9112  
FARMINGDALE, NY 11735

Please consider furnishing your voting instructions electronically by Internet or phone. Processing paper forms is more than twice as expensive as electronic instructions.

If you vote by Internet or phone, please do not mail this form

VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com) Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and create an electronic voting instruction form.

VOTE BY TELEPHONE - 1-800-690-6903 Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL  
Mark, sign and date this form and return it in the postage-paid envelope we have provided or return it to Southern Company, C/O ADP, 51 Mercedes Way, Edgewood, NY, 11717.

THANK YOU

VIEW ANNUAL REPORT AND PROXY STATEMENT ON THE INTERNET - [www.southerncompany.com](http://www.southerncompany.com)

NOTE: The last instruction received, either paper or electronic, will be the last tabulated.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

STHCO1                      KEEP THIS PORTION FOR YOUR RECORDS  
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DETACH AND RETURN THIS PORTION ONLY

THIS FORM OF PROXY/TRUSTEE VOTING INSTRUCTION FORM  
IS VALID ONLY WHEN SIGNED AND DATED.

THE SOUTHERN COMPANY

The Board recommends a vote FOR Items 1, 2 and 3.

1. ELECTION OF DIRECTORS

01) D. P. Amos	02) D. J. Bern	03) F. S. Blake	For All	Withhold All	For All Except	To withhold au
04) T. F. Chapman	05) H. A. Franklin	06) B. S. Gordon	( )	( )	( )	Except" and wr
07) D. M. James	08) Z. T. Pate	09) J. N. Purcell				line below.
10) D. M. Ratcliffe	11) G. J. St. Pe					

	For	Against	Abstain
2 RATIFICATION OF THE APPOINTMENT OF DELOITTE & TOUCHE AS INDEPENDENT AUDITORS FOR 2004	( )	( )	( )
3. APPROVAL OF OUTSIDE DIRECTORS STOCK PLAN	( )	( )	( )

UNLESS OTHERWISE SPECIFIED ABOVE, THE SHARES WILL BE VOTED "FOR" ITEMS 1, 2 AND 3.

I consent to suspending future mailings of the Annual Report and Proxy Statement on this account. I have access to copies of the documents or can access them electronically through the Internet. I can revoke this consent at any time by notifying Stockholder Services. ( )

Please indicate if you plan to attend this meeting. ( ) ( )  
Yes No

Signature [PLEASE SIGN WITHIN BOX] Date Signature (Joint Owners) Date