

# **Southern Company Audit Committee Charter**

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

## ***I. Composition***

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

## ***II. Purpose***

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

- A. Integrity of the financial reporting process;
- B. The system of internal control;
- C. The independence and performance of the internal and independent audit process;
- D. The Company's process for monitoring adherence with the spirit and intent of its Code of Ethics and compliance with laws and regulations; and
- E. Assistance to Executive Management and the Chief Executive Officer in setting an appropriate "Tone at the Top" that encourages the highest levels of ethical behavior and integrity in all matters.

## ***III. Authority***

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

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

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

## ***IV. Meeting Requirements***

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

## **V. Responsibilities**

### **A. Financial Reporting and Independent Audit Process -**

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

1. Provide oversight of the independent audit process, including direct responsibility for:
  - a. Annual appointment of the independent auditors.
  - b. Compensation of the independent auditors.
  - c. Review and confirmation of the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors. Ensure that non-audit services provided by the independent auditors comply with and are disclosed to investors in periodic reports required by the Securities Exchange Act of 1934 and the Sarbanes Oxley Act of 2002.
  - d. Review of the independent auditors' quarterly and annual work plans, and results of audit engagements.
  - e. Review of the experience and qualifications of the senior members of the independent audit team annually and ensure that all partner rotation requirements are executed.
  - f. Evaluation of the independent auditors' performance.
  - g. Oversight of the coordination of the independent auditors' activities with the Internal Auditing and Accounting functions.
2. Review and discuss with management the quarterly and annual consolidated earnings announcements and earnings guidance provided to analysts and rating agencies.
3. Review and discuss with management and the independent auditors the quarterly and annual financial reports and recommend those reports for filing with the SEC. The financial reports include the Southern Company consolidated financial reports as well as the separate financial reports 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, Public Company Accounting Oversight Board (PCAOB) or other regulatory agencies.
    - v. Any audit problems or difficulties and management's response.
4. Review the letter of management representations given to the independent auditors in connection with the audit of the annual financial statements.

### **B. Internal Control –**

The responsibility of the Committee in the area of internal control, in addition to the actions described in *Section (V).(A.)*, is to:

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

ADOPTED ON October 17, 2005

BY THE SOUTHERN COMPANY

BOARD OF DIRECTORS