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July 20, 2011

Mr. James L. Kroeker
Chief Accountant
United States Securities and Exchange Commission
Office of the Chief Accountant
100 F Street, NE
Washington, DC 20549-1090

Reference: File No. 4-600: Work Plan for the Consideration of Incorporating International Financial Reporting Standards into the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation

Dear Mr. Kroeker:

Southern Company is a leading U.S. producer of electricity, and owns electric utilities in four states, a growing competitive generation company, as well as fiber optics and wireless communications. Southern Company has 4.4 million customers and more than 42,000 megawatts of generating capacity and a grid of transmission and distribution lines. Based in Atlanta, Georgia, Southern Company is one of the largest generators of electricity in the nation, serving both regulated and competitive markets across the southeastern United States.

Southern Company provides retail electric service as regulated by the public service commissions in the states it serves and by federal energy agencies. Public service commissions determine fair electric rates, oversee what investment costs can be recovered (e.g., environmental controls or plant construction), and determine the return on equity utilities can recover in retail markets. Southern Company also sells power in the wholesale market and transmits wholesale power for other providers. A FORTUNE 500 company, Southern Company had revenues of \$17.5 billion in 2010.

We appreciate the opportunity to comment on the latest addition to the work plan for the consideration of incorporating International Financial Reporting Standards (“IFRS”) into the U.S. financial reporting system, the staff paper entitled, “Exploring a Possible Method of Incorporation” (the “Staff Paper”).

General Comments on the Possible Adoption of IFRS

As a U.S.-based corporation with no foreign operations, we fail to see any direct benefit to our company and the vast majority of U.S. registrants from adopting IFRS and therefore we oppose a mandated adoption of IFRS by U.S. issuers. Rather than requiring all U.S. issuers to adopt IFRS, we believe that the Commission should make the adoption of IFRS optional. We agree with comments made by SEC Commissioner Kathleen Casey in a recent speech where she stated that optionality would avoid unnecessary costs for U.S. issuers that have no international operations or aspirations while preserving the benefits of adopting IFRS for multinational corporations. The resulting increased use of IFRS among U.S. multinational issuers would help ensure that the U.S. would continue to influence the development of future IFRS for the benefit of U.S. investors investing in companies reporting under IFRS, addressing one of the primary arguments made for the mandatory adoption of IFRS in the U.S.

Cost-benefit analysis. We do not believe that the stated benefits from moving to a single set of globally-accepted accounting standards justify the level of effort and costs that would be required for U.S. issuers to adopt IFRS. One of these stated benefits is that the global capital markets would benefit from the use of a single set of global accounting standards that would facilitate comparisons of companies throughout the world. While this may be true, we do not believe that the benefit to the capital markets would justify the substantial amount of costs that will be incurred by U.S. issuers. We believe that the capital markets will continue to operate effectively in what Commissioner Casey termed a “two-GAAP” world without the required adoption of IFRS by U.S. issuers.

High quality U.S. standards. We also have serious reservations about the quality of IFRS, when compared to U.S. GAAP, in that these standards have never been as rigorously applied in practice as they would be in the U.S. under the scrutiny of the SEC and the PCAOB. While often legitimately criticized as being overly complex and too rules-based, we believe that U.S. accounting standards continue to represent the highest quality standards in the world. Widely accepted and understood by investors and analysts throughout the world, U.S. GAAP continues to accurately present the financial condition and operating performance of U.S. issuers.

Rather than incorporating IFRS into U.S. GAAP, we suggest that the FASB continue to work with the IASB on the convergence of IFRS and U.S. GAAP to maximize comparability between the two. The convergence approach would continue to allow for a U.S.-only option in those instances where U.S. interests clearly differ from those in other countries, such as in the current joint project on financial instruments. We believe that the FASB’s development of U.S.-specific standards, when warranted, under the convergence approach would better serve investors in U.S. issuers than the FASB merely having the ability to modify the requirements of newly-issued IFRS, as described in the Staff Paper.

Regulatory reporting requirements. In addition to the substantial costs that we would incur if required to adopt IFRS, we anticipate that companies within our industry would also experience significant ongoing costs related to regulatory reporting. As highlighted in a panel discussion at the IFRS Roundtable hosted by the SEC staff on July 7, 2011, the electric utility industry is regulated by both federal and state regulators which rely almost exclusively on financial

information prepared in accordance with U.S. GAAP. Under the typical cost-of-service model prevalent in our industry, regulators use this information to set the rates that can be charged to customers for electricity and other services. If the Commission eventually requires the incorporation of IFRS into U.S. GAAP, there is a high likelihood that our regulators will require us to keep an additional set of books based on existing U.S. GAAP, ignoring the phase in of IFRS, in order to maintain the rate-making structure that is currently in place. Otherwise, the regulators would have to continually adjust the financial information they use for setting rates in order to avoid changes in customer rates resulting solely from changes in accounting standards.

Need for rate-regulated accounting. While we disagree with a move to IFRS for the reasons outlined above, if the Commission ultimately chooses to incorporate IFRS into U.S. GAAP for all U.S. issuers, we fully expect that Southern Company will be able to make the transition to IFRS as required. However, we would like to stress to the Commission how vital it is for our company, and our industry as a whole, to be able to continue to present to our investors and analysts the effects of our regulatory environment in our financial statements. At present, our financial statements reflect the effects of rate regulation under U.S. GAAP Codification ASC 980, *Regulated Operations* (formerly FASB Standard No. 71) (“ASC 980”). As we discuss in greater detail within this letter, it is critically important that U.S. GAAP continue to provide for rate-regulated accounting regardless of how the Commission elects to proceed under its work plan.

Comments on the Staff Paper

Support for the “condorsement” transition approach. If the Commission requires all U.S. issuers to adopt IFRS at some point in the future, we support the staggered, phased-in approach described in the Staff Paper. We believe that the approach outlined in the Staff Paper would allow for the thoughtful incorporation of IFRS into U.S. GAAP while minimizing the transition burden and costs for U.S. issuers. By adopting the standards over a reasonable timeframe, companies should have less need to add additional staff or to employ outside resources than they would under a single adoption date approach. With respect to an appropriate timeframe for incorporating IFRS into U.S. GAAP, we feel that the suggested timeframe of 5 to 7 years would be reasonable provided that there is a detailed plan for adoption established at the beginning of the transition period, as suggested in the Staff Paper, along with a moratorium on further changes to U.S. GAAP.

We also support allowing for prospective application of IFRS when possible. Prospective application will significantly reduce the data-gathering effort that will be required for U.S. companies, further reducing the costs from what would be incurred for full retrospective adoption. In this regard, we noted that the Staff Paper mentions several ways that IFRS could be prospectively applied: for all transactions entered into subsequent to the incorporation effective date (what we would call a “true prospective approach”); from the beginning of the earliest period presented in the financial statements (or a “modified prospective approach”); or in other ways not requiring full retrospective application, as determined by the FASB. The Staff Paper then continues to discuss how componentization of fixed assets under IAS 16 might be best accomplished through the true prospective approach, with which we agree. In fact, we believe that the use of the true prospective approach is the *only* viable option available if the SEC

concludes that the incorporation of IFRS should be phased in over a number of years. A requirement to follow the modified prospective approach or any other approach that requires the restatement of prior year information, coupled with staggered incorporation of IFRS into U.S. GAAP, would likely result in companies restating their prior years' financial statements every year during the transition period, leading to potential confusion among investors and analysts.

Role of the SEC and FASB. In the past two years, we have observed an unprecedented level of cooperation and collaboration between the FASB, the IASB, and the boards' respective staff as they have worked to finalize major convergence projects. Throughout that process, U.S. interests have had a prominent position at the table and concerns raised by U.S. companies (including Southern Company) have been heard and considered as these projects have moved forward. While we would like for U.S. companies to continue to have significant influence in the international standard-setting process, we are concerned that the diminished role of the FASB in that process, as outlined in the Staff Paper, could potentially result in U.S. interests being minimized or ignored in the future. Therefore, we believe that it is critically important that the FASB have the ability to modify or add to the requirements of IFRS incorporated into U.S. GAAP, when necessary, in order to maintain the high standard of accounting and disclosure standards to which investors in U.S. issuers are accustomed.

Therefore, we strongly support the outlined proposal for the continued role of the SEC and the FASB in the standard-setting process. And we believe that the continued oversight and involvement of both the SEC and the FASB is necessary to ensure the continued protection of investors and to maintain fair, orderly, and efficient capital markets. The Staff Paper states that, under the incorporation process described, the FASB would retain its authority to modify IFRS for U.S.-specific circumstances when appropriate. We believe that it is absolutely critical that the FASB have the ability to evaluate each IASB addition or modification to IFRS, as well as each IFRIC interpretation of IFRS, to ensure that investors in U.S. public companies are provided the most useful information for making investment decisions. While the Staff Paper indicates that such modifications would be "rare and generally avoidable", we believe that those situations could occur regularly and increase in frequency over time, especially if U.S. perspectives are not seriously considered and addressed by the IASB. Therefore, we believe that it would be more appropriate for the SEC to characterize these potential modifications to IFRS as *infrequent* rather than *rare*. We are concerned that a stated expectation by the SEC that FASB modifications would be rare might unintentionally restrain the FASB in the exercise of its authority in this area to the detriment of U.S. issuers and their investors.

The Staff Paper discusses three potential options that could be available to the FASB if it were to conclude that incorporation of a particular IFRS or an interpretation of IFRS into U.S. GAAP would not be in the best interests of investors. We believe that the options outlined are appropriate and that they would allow the FASB to adequately protect the interests of investors in U.S. issuers. We believe that the third option listed in the Staff Paper, the potential for the FASB to set requirements compatible with IFRS on issues not specifically addressed by IFRS, is especially critical to the potential continuation of accounting for cost-based rate regulation under U.S. GAAP, as discussed in the following section.

Accounting for Rate Regulation. One of the most significant differences between U.S. GAAP and IFRS is that IFRS does not specifically allow for the recognition of regulatory assets and regulatory liabilities by utilities subject to cost-based regulation as in ASC 980. To highlight for the Commission the significance of this issue to our company, Southern Company had \$4.4 billion in regulatory assets and \$1.8 billion in regulatory liabilities reflected on its balance sheet at December 31, 2010. If Southern Company were required to adopt IFRS today, it could potentially be required to write off substantially all of its regulatory assets and liabilities resulting in a reduction in shareholders' equity of \$2.6 billion (or 15% of Southern Company's total equity).

Beyond the balance sheet impact of rate-regulated accounting, it is our belief that the cost and revenue recognition currently required under ASC 980 best depicts our results of operations in light of the regulatory environments in which we operate. Specifically, under ASC 980, we are required to defer and capitalize costs incurred in providing service to our customers until those costs are reflected in the rates charged to customers for electricity and defer revenues currently collected from customers that will be applied to the recovery of future costs as prescribed by our regulators. We believe this matching of costs with the associated revenues provides the most meaningful presentation of our operating results for investors and analysts. In the absence of the regulatory accounting required under ASC 980, our earnings would be extremely volatile due to the timing mismatch between the incurrence of costs and their inclusion in rates. The discontinuation of cost-based regulatory accounting would likely require us to spend considerable time and effort to explain to our investors the ongoing volatility in our operating results and could potentially result in the distortion of revenue trends in our businesses.

Due in large part to Canada's anticipated adoption of IFRS in 2011, the IASB considered the issue of accounting for rate regulation over two years ago, going so far as to issue an exposure draft in 2009. U.S. and Canadian utilities were generally supportive of the accounting outlined in the exposure draft based on the belief that utilities in North America subject to cost-based regulation would have recognized regulatory assets and liabilities under the accounting that was proposed in much the same manner as they currently do under U.S. and Canadian GAAP. However, due to strong opposition expressed in the comment letters received on the exposure draft, the IASB reconsidered its proposal and ultimately chose to table the project for the time being. As a result, any utility currently reporting under ASC 980 would be challenged to justify the existence of its regulatory assets and regulatory liabilities if adopting IFRS today and, if unable to do so, would likely have to write off those assets and liabilities upon adoption.

Our industry is entering into a time of unprecedented capital requirements as we construct the first nuclear power plants built in the U.S. in over 30 years and as we evaluate other significant changes to our generation fleet to meet future environmental challenges. We believe that the continuation of cost-based regulatory accounting under ASC 980 is critically important to providing current and potential investors with the most relevant information regarding our financial position and operating results. Without this accounting framework, we believe that our capital costs will unnecessarily increase due to the resulting volatility in our earnings and the risk perceived by potential investors from reliance upon financial statements that do not reflect the economics of our business. Given the regulatory frameworks in which we operate, any additional capital costs will ultimately be borne by our customers through increased rates. If the regulatory

accounting under U.S. GAAP is discontinued, we expect that analysts and credit rating agencies will demand supplemental non-GAAP financial information (on an ASC 980 basis) in order to be able to properly analyze and understand Southern Company's financial position and results of operations.

In light of this critically important issue, we strongly support allowing the FASB to continue to exercise its authority as the national standard setter through the options outlined in the Staff Paper, options which we believe will allow for the FASB to consider the need for the continuation of cost-based regulatory accounting under U.S. GAAP. Specifically, we note the option for the FASB to set "...requirements compatible with IFRS on issues not addressed specifically by IFRS." The Staff Paper goes on to say, "the FASB could decide to carry forward certain such requirements that already exist in U.S. GAAP with any necessary conforming amendments." We believe, as discussed above, that the FASB and the SEC should allow for the continued accounting under ASC 980 until such time as the IASB addresses this issue. If the IASB chooses not to add a project to its agenda to address the accounting for cost-based rate regulation, we believe that U.S. utilities should be allowed to continue to follow the current guidance in ASC 980 based on our belief that it is consistent with the IASB's conceptual framework. In the event that the IASB determines that there is a need for a rate-regulated accounting standard under IFRS, we hope that the FASB would work closely with the IASB in the development of a standard by educating the IASB about the nature of the regulatory environment in the U.S. and ensuring that the views of U.S. utilities are adequately addressed in the process.

Conclusion

In conclusion, we strongly oppose the mandated adoption of IFRS by U.S. issuers as we believe there would be no benefit to the vast majority of U.S. companies. Additionally, we believe that the costs to U.S. issuers would far outweigh any benefits to the global capital markets. However, if the Commission chooses to require all U.S. issuers to adopt IFRS, we believe that the proposed work plan outlined in the Staff Paper is a reasonable approach provided that the FASB and the SEC continue to allow for specific U.S. GAAP, where needed, as in the case of ASC 980. We believe that it is critically important for the Commission to continue to allow for the continued use of rate-regulated accounting for the benefit of our current and future investors.

Sincerely,

A handwritten signature in cursive script that reads "W. R. Hinson".

W. Ron Hinson
Senior Vice President, Corporate Comptroller, and Chief Accounting Officer