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April 5, 2005

Mr. Jonathan G. Katz, Secretary
U.S. Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549-0609

Re: File No. 4-497

FILED ELECTRONICALLY (rule-comments@sec.gov)

Dear Mr. Katz:

The Southern Company (NYSE: SO) ("Southern Company") is a registered public utility company under the Public Utility Holding Company Act of 1935 and has six wholly-owned public registrant subsidiaries – Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, Savannah Electric and Power Company and Southern Power Company (the "Registrant Subsidiaries"). We appreciate the Securities and Exchange Commission's ("SEC") effort to seek feedback on the implementation of Section 404 of the Sarbanes-Oxley Act ("SOX"). We support the intent and goals of SOX Section 404, and we believe that our company has benefited from the more formalized control structure that implementation of Section 404's requirements has produced. But, we believe that we, and we suspect many others like us, have expended more time and resources than really is warranted or that is truly beneficial to our shareholders. Perhaps some of this is attributable to our simply going too far in implementing Section 404, in an effort to try to be certain of successful compliance. Perhaps some is attributable to the independent auditing firms' struggle to understand these new requirements and their desire to ensure that both management's and their work is fully compliant. To some extent, however, we believe that the same value can be achieved with lower costs through the SEC or the Public Company Accounting Oversight Board ("PCAOB") taking steps to (1) adjust the scope of overall compliance; (2) provide for rotational and/or "benchmarking" of testing for certain controls; or (3) revise, or encourage more practical and reasonable interpretations of, PCAOB Auditing Standard No. 2 ("AS 2").

We recognize that some of these suggestions would require legislative action, which probably would be difficult in today's environment. While we believe that these suggestions still merit consideration, in recognizing the practical difficulties of such changes, we particularly ask that, short of suggested changes, the SEC and PCAOB look for ways to encourage practical implementation of Section 404. The PCAOB will have the opportunity

to do so in its reviews of the public accounting firms this year. We respectfully ask that in those reviews, the PCAOB look not only for compliance mistakes that registrants and their auditors may have made, but for areas where either registrants or the auditors may have done more than necessary, whether out of abundance or precaution or overly strict interpretation of Section 404's definitions and compliance requirements. The following are some of our specific thoughts. Our objective truly is not to seek wholesale change, but rather refinements and practical interpretations to lessen the burden of compliance without compromising the important goals of Section 404.

SUGGESTIONS FOR ADJUSTING SCOPE OF OVERALL COMPLIANCE

- Require Compliance Every 2 to 3 Years.

Require management assessments and independent auditor opinions every 2 to 3 years, rather than every year. This would require a legislative change (SOX Section 404 itself requires annual management assessment and independent auditor attestation to, and report on, management's assessment, as does PCAOB Auditing Standard No. 2 ("AS 2")). We believe that the intent and goal of Section 404 to promote greater financial reporting integrity and responsibility would still be served. Internal control problems that lead to serious financial statement errors are likely to take place over a number of years (e.g., Enron, HealthSouth, Adelphia, and others; WorldCom may have occurred over the shortest time period, but still more than a year). During "off-years," management might test only "super key" controls in high risk areas (e.g., financial close, judgments and estimates, new accounting policies or practices, etc.), and independent auditors might use their "old" model which allowed for judgment in control testing and substantive testing was performed where it was not efficient or effective to rely on full controls testing.

- Exempt or Reduce Compliance Requirements for Certain Registrants.

Exempt registrants whose common stock is owned entirely by a registered parent that fully complies with Section 404. Again, we recognize that this would require a legislative change, but would still serve the goal of financial integrity and responsibility. For a holding company such as ours, Section 404 compliance necessitates considerable subsidiary level work, which would provide the benefits of Section 404 to holders of subsidiary securities. An alternative to this would be to impose less burdensome requirements on such subsidiary registrants (e.g., staggered compliance every other year, rotation of controls testing, benchmarking and limited testing of key controls). Or, rather than making a distinction based on whether a subsidiary's common stock is wholly owned by a parent, another alternative would be to exempt, or at least impose less burdensome requirements on, registrants with a certain dollar amount of registered securities and/or a certain number of securities holders (whether debt or equity). Perhaps, such registrants could be permitted to comply less frequently than every year (see above) or to rely on a clearly communicated materiality threshold to limit its scoping controls for testing, rather than the level of controls testing that seems to be driven by AS 2.

- Eliminate Requirement for Auditor Attestation of Management’s Assessment.

Eliminate the requirement for the independent auditor to opine on management’s assessment – require the independent auditor to opine solely on the effectiveness of the registrant’s controls. Again, we recognize that this would require a legislative change to Section 404. There is a concern that the independent auditor’s separate focus on management’s assessment may result in numerous “documentation deficiencies” that are not substantive, may be redundant, and may be an inefficient use of resources.

SUGGESTIONS FOR PROVIDING FOR ROTATION OF CONTROLS TESTING

- Specifically Permit Rotation.

Short of requiring overall compliance on a 2 to 3 year basis (requiring a legislative change), clarify that at least certain controls are suitable for review/testing rotation (e.g., IT application controls and controls over routine processes). Annual review and/or testing could be retained for other controls, preferably only after significant changes (e.g., financial statement close process, areas of significant judgments or estimates, changes in accounting policies or standards, accounting for significant, unusual, manual journal entries, or non-routine transactions). Many of these “high risk” items already are subject to the required external auditor communications under Generally Accepted Accounting Standards (SAS 60 or 61). AS 2 may permit such review/testing, but in the absence of some clarification/encouragement, registrants and their independent auditors are reluctant to take any risk of being second guessed.

- Specifically Permit Base Lining/Benchmarking of Appropriate Controls.

Similar to the prior bullet, after a registrant’s initial assessment and independent auditor attestation, PCAOB should specifically acknowledge that base lining or benchmarking of certain controls may be an allowable audit approach. “Base lining” (sometimes referred to as “benchmarking”) is a well established audit practice. Testing changes to such controls, in “real time,” as part of a continuous controls management process (before a change becomes effective) should be sufficient. Assuming IT program change controls are effective, management and the independent auditors should not be required to re-test each applicable financial application control each year. In addition, base lining in other control areas, such as entity level controls, again relying on the registrant’s controls management process, would seem to make sense. Changes also could be identified through annual “walk-throughs,” without detailed management and/or external auditor testing. Certainly, a combination of annual testing of high-risk, non-routine areas, combined with rotational testing of other control areas (including IT controls benchmarking) would fulfill the spirit and intent of Section 404 in a more efficient, less costly manner.

SUGGESTIONS FOR REVISING, OR ENCOURAGING MORE PRACTICAL
INTERPRETATIONS OF, AS 2

- Improve Definitions, in Particular “Significant Deficiency.”

Better define “significant deficiency” to provide registrants and their independent auditors comfort that it is not necessary to discover and correct truly immaterial deficiencies that would not be important to investors. The current standard focuses on detection of potential misstatements in excess of “inconsequential amounts,” if the chance of such a misstatement is more likely than “remote.” Rightly or wrongly, this is being interpreted as a very low standard, leading to extremely complex control, documentation, and testing structures, with questionable return to investors (we identified and tested over 4,000 key controls within our system of companies). Appendix E to AS 2, in particular E91, seems to indicate that materiality is still an important factor, especially in defining “inconsequential” – “A misstatement is inconsequential if a reasonable person would conclude, after considering the possibility of further undetected misstatements, that the misstatement, either individually or when aggregated with other misstatements, would clearly be immaterial to the financial statements. If a reasonable person could not reach such a conclusion regarding a particular misstatement, that misstatement is more than inconsequential.” Nevertheless, there seems to be a reluctance to rely on historic thoughts of materiality. PCAOB should be encouraged to proactively collaborate with independent auditors and registrants to help create a more reasonable interpretation of the AS 2 definitions. Perhaps the PCAOB, in its audits of the independent auditors this year, can help provide some practical interpretations of these definitions.

- Provide Greater Flexibility Within AS 2.

Clarify that certain provisions within the AS 2 allow for flexibility in application. We believe that auditors have been too afraid of PCAOB compliance repercussions to make reasonable and practical interpretations. Change some of AS 2’s “should’s,” “must’s,” and “all’s” to “may’s” or “should be considered’s.” The prescriptive nature of the standard forces auditors to levels of detailed testing that borders on absolute assurance.

- Encourage PCAOB to Review Independent Auditors for “Operational Improvement” Opportunities, as well as AS 2 Compliance.

Again, we fear that registered public accounting firms have been unable to reach practical Section 404 implementation conclusions because of substantial worry about the PCAOB “unknowns.” Upcoming PCAOB reviews of public accounting firms should include evaluation not just of the firms’ compliance with AS 2, but also the reasonableness of their (and management’s) interpretations in applying AS 2, especially in the areas of:

- Use of the work of others (especially assessment of objectivity and competence);
- Principal audit evidence;
- Scoping of major classes of transactions and materiality; and

- The expectations related to the number of compensating or complementary controls vs. “key controls.”

AS 2 does permit the independent auditor to rely on the work of others. But, because of the emphasis on determining the competence and objectivity of others and the requirement that the “principal audit evidence” be their own work, independent auditors may be reluctant. If nothing else, perhaps the PCAOB, in conducting its audits of the independent auditors this year, could look for instances where independent auditors could rely on the work of others and provide some feedback to the independent auditors for future 404 opinions.

- We would particularly encourage the PCAOB to participate in regular communication and discourse with the independent audit firms, registrants, and perhaps the SEC, to solicit feedback, discuss issues, and provide timely guidance and issue resolutions. A regularly scheduled forum in which the participants are expected to meaningfully participate and reach some consensus could serve to provide helpful guidance for both registrants and their independent audit firms.

Conclusion. In conclusion, there needs to be some practicality and reasonableness applied to the implementation of Section 404 and AS 2. We recognize that this is new, and those who wish to be certain that they are complying may tend to overdo it. Again, we particularly believe that the PCAOB could be extremely helpful in its audits of the public accounting firms this year if it looks not just for faults in implementation of Section 404, but also looks for areas where registrants and their independent auditors may have overdone the amount of work necessary to satisfy Section 404 and AS 2. As well, needed and helpful guidance could be provided through regular forums in which the SEC, the PCAOB, the independent audit firms, and registrants would be expected to actively participate.

Again, thank you for the opportunity to provide comments on Section 404. We hope that this year will bring some needed guidance and clarity to the implementation of this very difficult provision.

Sincerely,

/s/ Thomas A. Fanning
Thomas A. Fanning