

SOUTHERN CO
Form PRE 14A
March 24, 2017

Table of Contents

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

CHECK THE APPROPRIATE BOX:

<input type="checkbox"/>	Preliminary Proxy Statement
<input type="checkbox"/>	Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
<input type="checkbox"/>	Definitive Proxy Statement
<input type="checkbox"/>	Definitive Additional Materials
<input type="checkbox"/>	Soliciting Material Under Rule 14a-12

The Southern Company

(Name of Registrant as Specified In Its Charter)
(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

PAYMENT OF FILING FEE (CHECK THE APPROPRIATE BOX):

<input type="checkbox"/>	No fee required.
<input type="checkbox"/>	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
	1) Title of each class of securities to which transaction applies:
	2) Aggregate number of securities to which transaction applies:
	3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
	4) Proposed maximum aggregate value of transaction:
	5) Total fee paid:
<input type="checkbox"/>	Fee paid previously with preliminary materials:
	Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.
	1) Amount previously paid:
	2) Form, Schedule or Registration Statement No.:
	3) Filing Party:
	4) Date Filed:

Table of Contents

Notice of **2017** Annual Meeting of
Stockholders
and Proxy Statement

Table of Contents

Investor Fact Sheet

One of America's Premier Energy Companies

46,000 megawatts of electric generating capacity and 1,500 billion cubic feet of combined natural gas consumption and throughput volume serving approximately 9.0 million electric and gas customers through 11 premier state-regulated utilities, a competitive generation company serving wholesale customers across America and a nationally-recognized provider of customized energy solutions.

Consistently listed among the top U.S. electric service providers by American Customer Satisfaction Index.

Ranked among best employers for minorities and veterans.

Goal to maximize long-term value to stockholders through a customer, community and relationship-focused business model that produces sustainable levels of return on energy infrastructure.

Financial Integrity

Goal of achieving an attractive risk-adjusted return, supported by a simple, transparent business model and sound financial policy.

Experienced management focused on creating and delivering value.

Goal of supporting a strong credit profile and preserving the ability to invest in additional value-accretive projects.

Dividend Objective: Regular, Predictable and Sustainable Growth

68 consecutive years of dividends equal to or greater than the previous year.

15 years of consecutive dividend increases.

Dividends Per Share Paid

2016 Energy Mix for Southern Company

What Distinguishes Southern Company

Electric Operating Companies

Only electric utility system in the U.S. committed to developing the full portfolio of generation resources – natural gas, 21st century coal, nuclear and renewables such as wind and solar – together with an emphasis on energy efficiency.

Southern Company Gas

Largest natural gas distribution operator in the U.S. with seven state-regulated local distribution companies (LDCs), serving over 4.5 million customers. Midstream operations include investments in six pipelines, including Southern Natural Gas. Gas marketing services complement LDCs and midstream investments.

Southern Power

America's premier wholesale energy partner investing in clean energy solutions serving municipalities, electric cooperatives, investor-owned utilities and other energy customers.

PowerSecure

Provides energy technologies and services to electric utilities and large industrial, commercial, institutional and municipal customers. Customer solutions include distributed generation systems, utility infrastructure solutions and energy efficiency products and services.

Growth in Renewables

Approximately 4,000 megawatts of renewable capacity announced or added since 2012, including the largest voluntary utility solar portfolio in the U.S. at Georgia Power.

Research and Development

Edgar Filing: SOUTHERN CO - Form PRE 14A

Industry leader in conducting robust research, development and deployment of new, innovative energy technologies.
Major focus on greenhouse gas emissions reduction and a record of technology advancement dating back to the 1960s.

Table of Contents

Letter to Stockholders

Thomas A. Fanning
Chairman, President and
Chief Executive Officer

There is no doubt the world is rapidly changing on many fronts. At Southern Company we are not merely adapting to this changing environment **we have the energy to lead the change.**

Dear Fellow Stockholders:

You are invited to attend the 2017 Annual Meeting of Stockholders at 10:00 a.m., ET on Wednesday, May 24, 2017, at The Lodge Conference Center at Callaway Gardens, Pine Mountain, Georgia.

2016 was a year of great growth and change as we continued to fill in the energy value chain to sustain growth.

We proudly welcomed more than 6,000 new colleagues and over 4.5 million customers with the addition of Southern Company Gas (formerly AGL Resources Inc.).

Our wholesale electric subsidiary, Southern Power Company (Southern Power), continued to acquire solar, wind and natural gas generation facilities, investing over \$4.5 billion.

We acquired a 50% equity interest in the Southern Natural Gas pipeline system.

With the acquisition of PowerSecure International, Inc. (PowerSecure) and its strategic alliance with Bloom Energy for the deployment of fuel cell and battery storage technologies, we're developing behind-the-meter infrastructure for customers across the country.

These decisions were all designed to help meet customers' current and future energy needs with a focus on the continued execution of our customer-focused business model supporting constructive regulatory environments with healthy capital spending and returns on our investment. We now own and operate 11 premier state-regulated electric and gas utilities that are complemented by energy assets under long-term contract, including natural gas and renewable generation, interstate natural gas pipelines and behind-the-meter infrastructure. We aim to continue to deliver a superior, risk-adjusted total shareholder return (TSR) supported by regular, predictable and sustainable earnings and dividends.

I am also proud to report that we were recognized by *DiversityInc* as one of the Top 50 Companies for Diversity in 2016. *DiversityInc* also ranked Southern Company number one on its list of Top 10 Companies for Opportunity. This is especially meaningful because it testifies that we were recognized not only for cultivating a diverse workplace, but that we are also considered the number one company in America in which the individuals who comprise that diverse workforce are afforded the opportunity to advance their careers. In addition, we earned a perfect score from the Human Rights Campaign on their Corporate Equality Index for 2017.

We are taking advantage of the notice and access rules of the Securities and Exchange Commission (SEC) that allow us to furnish our proxy materials to you over the internet instead of mailing paper copies to each stockholder. We are mailing a Notice of Internet Availability of Proxy Materials beginning on or about April 7, 2017 to certain of our stockholders. The Notice contains instructions on how to access the proxy materials and vote your proxy. We believe this approach allows us to provide stockholders with a timely and convenient way to receive proxy materials and vote, while lowering the costs of delivery and reducing the environmental impact of the annual meeting.

Your vote is important. We urge you to vote promptly, even if you plan to attend the annual meeting.

Thank you for your continued support of Southern Company.

Thomas A. Fanning

Important Notice Regarding the Availability of Proxy Materials for the 2017 Annual Meeting of Stockholders to be held on May 24, 2017:

The proxy statement and the annual report are available at investor.southerncompany.com.

investor.southerncompany.com 3

Table of Contents

Notice of Annual Meeting of Stockholders
of Southern Company

Date and Time

Wednesday, May 24, 2017 at 10:00 a.m., ET

Place

The Lodge Conference Center at Callaway Gardens, Highway 18, Pine Mountain, Georgia 31822

Items of Business

Stockholders are being asked to vote on six agenda items at the 2017 annual meeting.

- 1 Elect 15 Directors
- 2 Approve an amendment to the Certificate of Incorporation to reduce the supermajority vote requirement to a majority vote
- 3 Conduct an advisory vote to approve executive compensation, often referred to as a Say on Pay
- 4 Conduct an advisory vote to approve the frequency of future advisory votes on executive compensation, often referred to as a Say on Frequency
- 5 Ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for 2017
- 6 Consider a stockholder proposal, if properly presented at the meeting

Record Date

Stockholders of record at the close of business on March 27, 2017 are entitled to attend and vote at the annual meeting. On that date, there were _____ shares of common stock of The Southern Company (Southern Company, the Company, we, us or our) outstanding and entitled to vote.

By Order of the Board of Directors.

April 7, 2017

**EVERY VOTE IS IMPORTANT TO
SOUTHERN COMPANY**

We have created an annual meeting website to make it easy to access our 2017 annual meeting materials.

www.southerncompanyannualmeeting.com

At the annual meeting website you can find an overview of the items to be voted, the proxy statement and the annual report to read online or to download, as well as a link to vote your shares.

Even if you plan to attend the annual meeting in person, please vote as soon as possible by internet or by telephone or, if you received a paper copy of the proxy form by mail, by signing and returning the proxy form.

Vote by Internet or Telephone

Voting by internet or by telephone is fast and convenient, and your vote is immediately confirmed and tabulated.

www.proxyvote.com

24/7

1-800-690-6903

24/7

Vote by Mail

If you received a paper copy of the proxy form by mail, you can mark, sign, date and return the proxy form in the enclosed, postage-paid envelope.

Table of Contents

Proxy Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting Agenda

<p>Item 1 Elect 15 Directors</p>	<p>Each nominee holds or has held senior executive positions, maintains the highest degree of integrity and ethical standards and complements the needs of the Company.</p> <p>Through their positions, responsibilities, skills and perspectives, which span various industries and organizations, these nominees represent a Board of Directors (Board) that is diverse and possesses appropriate collective knowledge and experience in accounting, finance, leadership, business operations, risk management, corporate governance and our industry and key subsidiaries service territories.</p> <p style="text-align: right;">The Board recommends a vote FOR each Director nominee. See page 15 for further information.</p>
---	--

Director Nominees

Juanita Powell Baranco

Executive Vice President and Chief Operating Officer of Baranco Automotive Group

Age: 68
 Director since: 2006
 Independent Director: Yes
 Current Committees: Audit

Jon A. Boscia

Founder and President, Boardroom Advisors LLC

Age: 64
 Director since: 2007
 Independent Director: Yes
 Current Committees: Audit

Henry A. Hal Clark III

Senior Advisor of Evercore (retired)

Age: 67
 Director since: 2009
 Independent Director: Yes
 Current Committees: Compensation and Management Succession (Chair), Finance

Thomas A. Fanning

Chairman of the Board, President and Chief Executive Officer (CEO), Southern Company

Age: 60
 Director since: 2010
 Independent Director: No
 Current Committees: None

David J. Grain

Founder and Managing Partner of Grain Management LLC

Age: 54
 Director since: 2012
 Independent Director: Yes
 Current Committees: Compensation and Management Succession, Finance (Chair)

Veronica M. Hagen

Chief Executive Officer, Polymer Group, Inc. (retired)

Age: 71
 Director since: 2008
 Independent Director: Yes
 Current Committees: Governance (Chair), Nuclear/Operations

Warren A. Hood, Jr.

Chairman and Chief Executive Officer, Hood Companies Inc.

Linda P. Hudson

Founder, Chairman and Chief Executive Officer, The Cardea Group

Donald M. James

Chairman and Chief Executive Officer, Vulcan Materials Company (retired)

Edgar Filing: SOUTHERN CO - Form PRE 14A

Age: 65
Director since: 2007
Independent Director: Yes
Current Committees: Audit

Age: 66
Director since: 2014
Independent Director: Yes
Current Committees: Governance,
Nuclear/Operations, Business Security
Subcommittee (Chair)

Age: 68
Director since: 1999
Independent Director: Yes
Current Committees: Compensation and
Management Succession, Finance

Table of Contents

Proxy Summary

John D. Johns

Chairman and Chief Executive Officer, Protective Life Corporation

Age: 65

Director since: 2015

Independent Director: Yes

Current Committees: Audit (Chair)

Dale E. Klein

Associate Vice Chancellor of Research, University of Texas System

Age: 69

Director since: 2010

Independent Director: Yes

Current Committees: Compensation and Management Succession, Nuclear/Operations, Business Security Subcommittee

William G. Smith, Jr.

Chairman, President and Chief Executive Officer, Capital City Bank Group, Inc.

Age: 63

Director since: 2006

Independent Director: Yes

Current Committees: Finance, Governance

Steven R. Specker

Chief Executive Officer, Tri Alpha Energy, Inc.

Age: 71

Director since: 2010

Independent Director: Yes

Current Committees: Compensation and Management Succession, Nuclear/Operations (Chair)

Larry D. Thompson

John A. Sibley Professor of Corporate and Business Law, The University of Georgia School of Law

Age: 71

Director since: 2014

Independent Director: Yes, Lead Independent Director

Current Committees: Finance, Governance

E. Jenner Wood III

Corporate Executive Vice President Wholesale Banking, SunTrust Banks, Inc. (retired)

Age: 65

Director since: 2012

Independent Director: Yes

Current Committees: Governance, Nuclear/Operations

Qualifications, Attributes, Skills and Experience of the Board as a Whole

- CEO or senior executive leadership experience
- Diversity of race, ethnicity, gender, age, cultural background or professional experience
- Electric or gas utility experience or nuclear operations experience
- Engineering, innovation or technology experience
- Federal, state or local government or regulatory experience
- Financial, banking or investment experience
- Knowledge of the traditional electric operating companies or Southern Company Gas
- Risk oversight or risk management experience

Board Independence

All Director nominees are independent except the CEO

Board Diversity

Table of Contents

Proxy Summary

Key Corporate Governance Practices

We seek to establish corporate governance standards and practices that create long-term value for our stockholders and positive influences on the governance of the Company. Our key corporate governance practices include:

- Annual election of Directors
- Majority voting for Directors, with a director resignation policy
- 10% threshold for stockholders to request a special meeting

Adoption of proxy access bylaw that provides stockholders (up to group of 20) that have maintained ownership of 3% of shares for three years the ability to nominate the greater of two nominees or 20% of Directors

14 of 15 Directors are independent with an average tenure of independent Directors of seven years

Strong Lead Independent Director

- All Board committees are comprised of independent Directors
- Annual Board and committee self-evaluations
- Proactive stockholder engagement
 - Clawback policy under our Omnibus Plan
 - Strong stock ownership guidelines
 - Annual management succession planning review
 - Anti-hedging and anti-pledging provisions

Board Tenure

Tenure of Independent Directors
(Years of consecutive service)

Average Tenure of Independent
Directors: **7 years**

Recent and Proposed Governance and Disclosure Enhancements

- Adopted a proxy access right for stockholders
- Continued our stockholder engagement efforts
- Added five new Directors to the Board in the past five years

Included disclosure about Board refreshment, Board and committee self-evaluations and management succession planning

Included a message from the Lead Independent Director

Eliminated the fair price anti-takeover provision in the Certificate of Incorporation

Proposed an amendment to the Certificate of Incorporation to eliminate the supermajority vote requirement

<p>Item 2</p> <p>Approve an Amendment to the Certificate of Incorporation to Reduce the Supermajority Vote Requirement to a Majority Vote</p>	<p>A supermajority vote requirement like the one contained in Article Eleventh of the Certificate of Incorporation, as amended (Certificate of Incorporation or Certificate), historically has been intended to facilitate corporate governance stability and provide protection against self-interested action by large stockholders by requiring broad stockholder consensus to make certain fundamental changes. As corporate governance standards have evolved, many stockholders and commentators now view a supermajority requirement as limiting the Board's accountability to stockholders and the ability of stockholders to effectively participate in corporate governance.</p> <p>The Board recommends a vote FOR approval of an amendment to the Certificate to reduce the supermajority vote requirement to a majority vote.</p> <p>See page 39 for further information.</p>
---	---

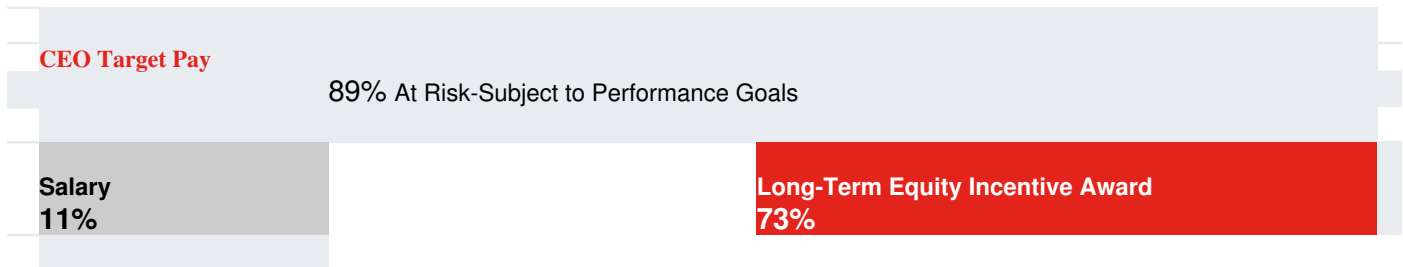
Table of Contents

Proxy Summary

Item 3	Advisory Vote to Approve Executive Compensation (Say on Pay)	<p>We believe our compensation program provides the appropriate mix of fixed and at-risk compensation. Our short- and long-term performance-based compensation program ties pay to Company performance, rewards achievement of financial and operational goals and relative TSR, encourages individual performance that is in-line with our strategy, is aligned with stockholder interests and remains competitive with our industry peers.</p> <p>The Board recommends a vote FOR approval of executive compensation.</p> <p>See page 78 for further information.</p>
-------------------	---	--

Compensation Highlights

We target the total direct compensation for our executives at market median and place a significant portion of that target compensation at risk subject to achieving both short-term and long-term performance goals. In fact, only the base salary portion of executive compensation is fixed.



We have continued with the same compensation program structure for 2016, tying a significant majority of executive compensation to performance. The key performance based elements are the annual cash incentive award and the long-term equity incentive award.

Annual Cash Incentive Award

Awards under our Performance Pay Program (PPP) are earned based on the achievement of performance goals over a one-year performance period.

Performance goals for 2016 include financial goals (earnings per share (EPS) and business unit net income), operational goals and individual performance goals intended to drive performance that we believe will lead to long-term success for the Company.

Payout is made in cash after the end of the performance period.

Long-Term Equity Incentive Award

Awards under our Performance Share Program (PSP) are granted in the form of performance share units that are earned based on the achievement of performance goals over a three-year performance period.

Performance goals for the 2016 to 2018 performance period include a cumulative three-year EPS goal (25% weighting), an equity-weighted return on equity (ROE) goal (25% weighting) and a relative TSR performance goal (50% weighting).

Payout is made in shares of common stock after the end of the three-year performance period.

2016 Financial and Operational Performance

2016 was a successful year for us with our adjusted EPS exceeding our guidance range for the year. We expanded our reach while continuing the strong financial performance of our traditional electric operating companies and our electric wholesale subsidiary, Southern Power. We also demonstrated strong operational performance for the year.

Financial Goals and Achievement for 2016 Performance Pay Program

We exceeded the financial goals for the year set by the Compensation and Management Succession Committee under our 2016 Performance Pay Program. Financial measures tied to compensation performance goals included EPS for Southern Company and net income for our various business units.

Operational Goal Achievement for 2016 Performance Pay Program

Edgar Filing: SOUTHERN CO - Form PRE 14A

Operating performance was strong across the Southern Company system for 2016. Operational measures for the 2016 Performance Pay Program included customer satisfaction, reliability, availability, nuclear plant operations, major projects, safety and culture. Measures and weightings vary among the operating companies.

8 Southern Company 2017 Proxy Statement

Table of Contents

[Proxy Summary](#)

Incentive Compensation Earned for Performance Periods Ended in 2016

The compensation earned by our named executive officers (NEOs) demonstrates our commitment to pay for performance.

Annual Cash Incentive Plan 2016 Performance Pay Program

Our Performance Pay Program rewards annual financial and operational performance as well as individual NEO performance. We had strong financial and operational performance for 2016, exceeding our overall targets for the year. The Compensation and Management Succession Committee also believed the 2016 individual performance contributions by our NEOs were strong. Accordingly, payouts for all participants in the program, including the NEOs, were above target. For the NEOs, payouts ranged from 167% to 174% of target.

Long-Term Equity Incentive Program 2014-2016 Performance Share Program

In 2014, 60% of the target value of our long-term equity incentive program was granted in the form of performance shares under our Performance Share Program. For the three-year performance period of 2014 through 2016, performance shares could be earned based on a relative TSR performance goal. Our three-year TSR performance relative to the utility peer group was below the threshold performance level, resulting in a payout at 0% for the Performance Share Program awards for all participants, including the NEOs.

Compensation Governance Overview

What We Do

- 89% of CEO target pay is at risk based on achievement of performance goals
- Performance shares subject to achievement of three performance measures over a three-year period: cumulative EPS, ROE and relative TSR
- Clawback provision for performance-based pay
- Independent compensation consultant
- Policy against hedging and pledging
- Dividends on stock awards received only if underlying award is earned
- Annual charter review and self-evaluation by the Compensation and Management Succession Committee
- Strong stock ownership requirements
- Annual pay risk assessment
- Change-in-control severance payouts require double-trigger of change in control and termination of employment
- Annual review of tally sheets
- Ongoing stockholder engagement
- Regular updates on best practices to the Compensation and Management Succession Committee from the independent compensation consultant

What We Don't Do

- No tax gross ups for NEOs (except on certain relocation-related expenses)
- NEOs receive limited ongoing perquisites that make up a small portion of total compensation
- No employment agreements with our executives
- No stock option repricing without stockholder approval
- No excise tax gross-ups on change-in-control severance arrangements
- Granting of equity awards are not timed to coincide with the release of material, non-public information

Changes to Long-Term Equity Incentive Program

Based on feedback from investors and input from our independent compensation consultant, along with our ongoing evaluation of best practices, the makeup of our long-term equity incentive program has changed over the past five years.

60% performance shares with a relative TSR performance measure over a three-year performance period and 40% stock options

100% performance shares with three performance measures over a three-year performance period: cumulative EPS, equity-weighted ROE and relative TSR

Table of Contents

Proxy Summary

<p>Item 4 Advisory Vote to Approve the Frequency of Future Advisory Votes on Executive Compensation (Say on Frequency)</p>	<p>We are required to hold an advisory vote on the frequency of the advisory vote to approve executive compensation (Say on Frequency) at least once every six years. In 2011, the Board recommended and the stockholders voted overwhelmingly in favor of an annual Say on Pay vote. The Board continues to believe that the Say on Pay vote should be held every year (on an annual basis). The Board recommends a vote for the frequency of the advisory vote on executive compensation every ONE YEAR (on an annual basis). See page 78 for further information.</p>
<p>Item 5 Ratify the Independent Registered Public Accounting Firm for 2017</p>	<p>The Audit Committee has appointed Deloitte & Touche LLP (Deloitte & Touche) as our independent registered public accounting firm for 2017. This appointment is being submitted to stockholders for ratification. The Board recommends a vote FOR ratification of the appointment of Deloitte & Touche as our independent registered public accounting firm for 2017. See page 79 for further information.</p>

Stockholder Proposal

<p>Item 6 Vote on a Stockholder Proposal</p>	<p>We have been advised that a stockholder proposal is intended to be submitted at the annual meeting. The Board recommends a vote AGAINST the stockholder proposal. See page 84 for further information.</p>
---	--