

Declassified

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

IN RE: The Southern Company and
Southern Development and Investment
Group, Inc., Certificate of Notification
File No. 70-8173

12/31/95

Docket No.: ~~Undocketed~~ 960835-EE
Filed: July 15, 1996

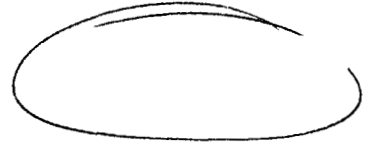


EXHIBIT "A"
REQUEST FOR CONFIDENTIAL CLASSIFICATION

The information provided herein should be maintained as
proprietary confidential business information pursuant to Section
366.093 and Rule 25-22.006, F.A.C.

EXHIBIT "A"

Provided to the Division of Records and Reporting
under separate cover as confidential information

X-ref 06782-96
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CERTIFICATE OF NOTIFICATION

filed by

THE SOUTHERN DEVELOPMENT AND INVESTMENT GROUP, INC.

Pursuant to order of the Securities and Exchange Commission dated January 25, 1995, in the matter of File No. 70-8173.

The Southern Development and Investment Group, Inc. (Southern Development) pursuant to Rule 24, hereby provides the following information as required by the above-mentioned order:

(a)

SOUTHERN DEVELOPMENT
INCOME STATEMENT
(unaudited)

TWELVE MONTHS ENDED
DECEMBER 1995

REVENUE

| | | |
|---|-----------------|-------------------|
| 1 | Revenue | \$14,519,559 |
| 2 | Interest Income | <u>43,314</u> |
| 3 | TOTAL SALES | <u>14,562,873</u> |

EXPENSES

| | | |
|----|------------------------------|---------------|
| 4 | Salaries and Wages | 3,768,897 |
| 5 | Rent | 249,052 |
| 6 | Cost of Goods Sold | 9,385 |
| 7 | Depreciation/Amortization | 196,299 |
| 8 | Office Supplies and expenses | 905,127 |
| 9 | Outside Services Employed | 6,906,838 |
| 10 | Alabama Power Company | 476,133 |
| 11 | Georgia Power Company | 2,798,164 |
| 12 | Gulf Power Company | 56,963 |
| 13 | Mississippi Power Company | 58,921 |
| 14 | Southern Company Services | 6,552,654 |
| 15 | Maintenance | 116,176 |
| 16 | Miscellaneous General | 543,429 |
| 17 | Insurance | 2,295 |
| 18 | Taxes Other than Income | <u>76,743</u> |

19 TOTAL EXPENSES 22,717,076

20 NET INCOME (LOSS) BEFORE TAX (8,154,203)

21 Benefit for Income Taxes 2,853,514

22 NET INCOME (LOSS) AFTER TAXES \$(5,300,689)

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(b)

SOUTHERN DEVELOPMENT
BALANCE SHEET
(unaudited)
December 31, 1995

| <u>ASSETS</u> | <u>DECEMBER 31, 1995</u> |
|--------------------------------------------------------------------------|--------------------------|
| 1 Cash and temporary investments | \$ 172,797 |
| 2 Accounts Receivable: | |
| 3 Associated companies | 1,455,253 |
| 3 Customers and others, less allowance for doubtful accounts | 4,284,114 |
| 4 Costs and estimated earnings in excess of billings on contracts | 2,125,104 |
| 5 Prepaids and other | 85,299 |
| 6 Materials and supplies | <u>104,002</u> |
| 7 Total current assets | <u>8,226,569</u> |
| 8 Investments-Envirotech | 3,114,238 |
| 9 Investments-ICS | <u>1</u> |
| 10 | <u>3,114,239</u> |
| 11 Office furniture, fixtures, equipment, and leasehold improvements | 1,301,903 |
| 12 Less accumulated depreciation and amortization | <u>(548,482)</u> |
| 13 Net property and equipment | <u>753,421</u> |
| 14 Intangible and other assets, net | 1,622,797 |
| 15 Noncurrent deferred income taxes | <u>76,972</u> |
| 16 | <u>1,699,769</u> |
| 17 TOTAL ASSETS | <u>\$13,793,998</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | |
| 18 Accounts Payable: | |
| 19 Associated companies | \$ 819,022 |
| 19 Other | 6,478,116 |
| 20 Billings in excess of costs and estimated earnings on contracts | 548,193 |
| 21 Other accrued liabilities | <u>1,589,759</u> |
| 22 Total liabilities | <u>9,435,090</u> |
| 23 Common Stock, par value \$1; 500 shares authorized and outstanding | 500 |
| 24 Additional paid-in capital | 9,659,097 |
| 25 Retained earnings | <u>(5,300,689)</u> |
| 26 Total stockholders' equity | <u>4,358,908</u> |
| 27 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$13,793,998</u> |

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(c)

SOUTHERN DEVELOPMENT
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1995

| | TWELVE MONTHS ENDED <u>DECEMBER, 1995</u> |
|-----------------------------------------------------------------------------|----------------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| 1 Net Loss | <u>\$(5,300,689)</u> |
| Adjustments to reconcile net loss to net cash used in operating activities: | |
| 2 Depreciation/amortization | 196,299 |
| 3 Changes in operating assets and liabilities: | |
| Accounts Receivable | (5,719,130) |
| 4 Costs and estimated earnings in excess of billings on contracts | (2,125,104) |
| 5 Deferred income taxes | 34,237 |
| 6 Prepaids and other assets | (177,409) |
| 7 Accounts payable and other accrued liabilities | 8,793,475 |
| 8 Billings in excess of costs and estimated earnings on contracts | <u>548,193</u> |
| 9 Total adjustments | <u>1,550,561</u> |
| 10 Net cash used in operating activities | <u>(3,750,128)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| 11 Project Investment | (3,114,239) |
| 12 Purchase of property and equipment, net | <u>(2,402,200)</u> |
| 13 Total cash flows from investing activities | <u>(5,516,439)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | |
| 14 Additional capital transfers | 1,651,668 |
| 15 Additional capital contributions | <u>5,230,000</u> |
| 16 Total cash flows from financing activities | <u>6,881,668</u> |
| 17 INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS | (2,384,899) |
| 18 CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF YEAR | <u>2,557,696</u> |
| 19 CASH AND TEMPORARY INVESTMENTS AT END OF PERIOD | <u>\$ 172,797</u> |

(a) A narrative of activities undertaken during the previous quarter (fourth quarter, 1995) in each of the following areas:

1 (i) **Prototype Energy Management System**

2 Southern Development has continued market research and product development with respect to
3 evaluation of interactive energy management technologies in a pilot project in suburban Atlanta. The
4 pilot project is currently under construction with anticipated occupancy by the first few residents in the
5 first quarter of 1996.

6 (ii) **Energy Management and Efficiency Services**

7 Southern Development has continued product development and has engaged in market research
8 with respect to energy management and efficiency services and projects. Southern Development has
9 engaged in one project on a commercial basis.

10 (iii) **POWERcall(tm)**

11 Southern Development has continued to work on the development of a business plan for the
12 commercialization of PowerCall™. In the interim, it is conducting a pilot project in Birmingham,
13 Alabama which provides power monitoring to approximately 200 Alabama Power Company customers
14 and a combined power monitoring and home security monitoring to approximately 545 Alabama Power
15 Company employees and retirees.

16 (iv) **Research and Development**

17 Southern Development continued to focus research and development on products and services
18 which can be offered to improve customer satisfaction with the core electric utility business, including the
19 following: prototype energy management, energy management and efficiency services, power monitoring
20 and home security, home monitoring automation, and energy storage.

21 Southern Development entered a product development project with United Technologies
22 Automotive for the development of flywheel energy (electric) storage devices for power quality,
23 uninterruptible power supply and load management applications. Southern Development received its first
24 prototype under that contract during the fourth quarter.

25 (v) **Energy and Resource Recovery Facilities**

26 Southern Development is evaluating participation in a synthetic coal project.

27 (vi) **Technical Consulting Services**

28 Southern Development continued to provide the technical consulting services formerly provided
29 by Southern Electric International, Inc., including engineering services, transformer testing and repair,
30 environmental testing, and procurement inventory management and joint procurement services.

31 (vii) **Licensing of Intellectual Property**

32 Southern Development continued to provide support for the Good Cents program, including
33 activities related to the Good Cents Environmental Home Program and the Residential Building Energy
34 Program, including technical support and training with respect to Good Cents programs. Southern
35 Development also continued on Enerlink product development and activities relating to the licensing of
36 Enerlink and the servicing of such license contracts. The information systems group continues to

1 implement Norms and Nucleis software for Rochester Gas and Electric; implementation to be completed
 2 third quarter, 1996.

(b) A project-by-project table, covering both the previous quarter and the time period that has elapsed since the date of this order, for each of Southern Development's business activities comparing—

- (i) the amount of the Commission's authorization for such business activity;
- (ii) the amount of Southern Development's budget for such business activity;
- (iii) the actual investment expended on such business activity.

| | <u>A</u> | <u>B</u> | <u>C</u> | <u>D</u> | <u>E</u> |
|---|-------------------------------------------|-----------------------------------|--------------------|---------------------------------|-----------------------------------|
| | <u>BUSINESS LINES</u> | <u>COMMISSION'S AUTHORIZATION</u> | <u>1995 BUDGET</u> | <u>4TH QUARTER INVESTMENT #</u> | <u>INVESTMENT SINCE INCEPTION</u> |
| 3 | Prototype Energy Management System | \$175 million | \$7.21 million | \$.55 million | \$1.17 million |
| 4 | Energy Management and Efficiency Services | \$40 million | \$.50 million | \$.11 million | \$.24 million |
| 5 | PowerCall™ | \$20 million | \$1.49 million | \$.35 million | \$.58 million |
| 6 | Research and Development Activities | \$20 million | \$5.46 million | \$.96 million | \$1.51 million |
| 7 | Energy and Resource Recovery Facilities | \$10 million | \$0.00 | \$0.00 | \$0.00 |
| 8 | Technical Consulting Services | \$5 million | \$0.00 | \$.18 million | \$.18 million |
| 9 | Licensing of Intellectual Property | \$5 million | \$.74 million | \$0.00 million | \$1.55 million |

- Reflects capital contributions to Southern Development by The Southern Company, and does not include investments made from cash internally generated by Southern Development.

(c) A description of any services received by Southern Development from Southern Company Services, Inc. and from each of Southern's operating companies. This description should contain the dollar value of the services by company and the number and type of personnel used to render the services.

| <u>OPERATING COMPANY</u> | <u>DOLLAR VALUE OF SERVICE</u> | <u>NUMBER OF PERSONNEL</u> | <u>TYPE OF PERSONNEL</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|----------------------------|-----------------------------------------------------------------------------------|
| Alabama Power Company -Technical Consulting for Environmental Matters Vehicle Repair & Svc | 171,667 | 14 * | Chemists Instructors Mechanics Admin. |
| Georgia Power Company -Technical Consulting and Repair of Equipment | 543,561 | 388 ** | Skilled Technicians, Engineers, Administrative |
| Gulf Power Company -Market Research re. Interactive Energy Management | 1,382 | 1 | Marketing |
| Mississippi Power Company -Repair of Equipment | 14,588 | 14 | Mechanics, Administrative |
| Southern Company Services -Professional & Technical Services including: Finance, Market Research, Information Resource, Telecommunications, Accounting, and Engineering Services | 1,763,369 | 248 *** | Engineering, Procurement, Accounting, Marketing, Information Resource |

* Total number of hours not available. Estimated full time employees to be 14.

** These employees recorded a total of 33,012 hours for the quarter which is equivalent of 63 full time employees.

*** These employees recorded a total of 17,295 hours for the quarter which is the equivalent of 33 full time employees.

(d) A description of any services rendered by Southern Development to any associate company within the Southern System. Southern Development will include a statement as to whether the services were at cost.

1. Support of Operating Companies Good Cents Program.
2. Technical support and training for Residential Building Energy Program (RBEP) software package.
3. Services associated with developing, deploying and maintaining information based products that facilitate the delivery of competitive pricing options to large accounts. These software products include customer energy use analysis systems, enhanced energy use analysis products for account executives to augment their customer service role, billing system systems for billing large accounts and rate analysis products for use by rate departments for designing, developing and administering new rates. The services include design,

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development of new software solutions as well as adaptation of existing software programs related to the above applications.

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All services were at cost, except that intellectual property licensed to affiliate companies was for no charge except for the cost of making the property or a copy thereof available, and except for the cost of making required modifications.

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(e) A description of customer financing provided by or through Southern Development, including--

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- (i) the amount of such financing by type of energy conservation and efficiency equipment;
- (ii) the accumulative amount of financing outstanding by customer classification;
- (iii) bad debt write-off incurred during the quarter;
- (iv) disclosure of the material terms and conditions applying to such financing.

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Southern Development has no customer financing.

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(f) Amounts and forms of currently effective guarantees of, and similar provisions and arrangements concerning, performance and undertaking of other obligations by Southern Development.

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None.

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(g) Amounts and forms of currently effective indemnifications of, and sureties on, bonds or other obligations issued on behalf of Southern Development.

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None.

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(h) Amounts and forms of guarantees of, and similar provisions and arrangements concerning, performance and undertaking of other obligations by Southern Development.

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None.

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(i) Amounts and forms of indemnifications of, and sureties on, bonds or other obligations issued on behalf of Southern Development.

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None.

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SIGNATURE

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned company has duly caused this certificate to be signed on its behalf by the undersigned thereunto duly authorized.

Dated February 15, 1996 THE SOUTHERN DEVELOPMENT AND INVESTMENT GROUP, INC.

BY Allen L. Leverett
Allen Leverett
Treasurer