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declassified



Southern Company Services
a subsidiary of The Southern Company

Wayne Boston
Assistant Comptroller
and Assistant Secretary

**FREEDOM OF INFORMATION ACT
CONFIDENTIAL TREATMENT REQUESTED**

August 14, 1996

Securities and Exchange Commission
Washington, DC 20549



Re: *The Southern Company and
Southern Development and Investment Group, Inc.
Certificate of Notification - File No. 70-8173
Request for Confidential Treatment*

Ladies and Gentlemen:

Pursuant to Rule 104 under the Public Utility Holding Company Act of 1935, as amended, The Southern Company (SOUTHERN), a registered holding company, and Southern Development and Investment Group, Inc. (SOUTHERN DEVELOPMENT), hereby request confidential treatment of the attached Certificate of Notification for the quarter ended June 30, 1996. This certificate contains information which is proprietary and competitively sensitive. The public disclosure thereof would materially harm SOUTHERN and SOUTHERN DEVELOPMENT.

As permitted by Rule 101(c)(1) of the General Rules and Regulations for Electronic Filings, 17 CFR 232.101(c)(1) the aforementioned confidential information is filed herewith in paper format only.

SOUTHERN hereby requests a hearing before any part thereof is made public to third parties requesting its disclosure.

Yours very truly,


Wayne Boston

Enclosures

cc: Freedom of Information Act Officer (w/enc.)
Robert Wason, Chief Financial Analyst (w/enc.)

X-ref 09650-94
DOCUMENT NUMBER-DATE

10186 SEP 24 86

FPSC-RECORDS/REPORTING

CERTIFICATE OF NOTIFICATION

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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) Statement of Income

SOUTHERN DEVELOPMENT & INVESTMENT GROUP, INC.
INCOME STATEMENT (unaudited)

A

SIX MONTHS ENDED
JUNE 30, 1996

REVENUE

1	Associate Companies	\$ 189,410
2	Non Associate Companies	9,796,728
3	Interest Income	<u>18,422</u>
4	TOTAL SALES	10,004,560

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EXPENSES

5	Salaries and Wages	2,199,356
6	Rent	279,454
7	Cost of Goods Sold	121,452
8	Depreciation/Amortization	191,116
9	Office Supplies and expenses	353,345
10	Outside Services Employed	4,732,213
11	Alabama Power Company	1,932,509
12	Georgia Power Company	486,420
13	Gulf Power Company	571
14	Mississippi Power Company	76,974
15	Southern Company Services	3,780,196
16	Maintenance	101,804
17	Miscellaneous General	435,078
18	Insurance	0
19	Taxes Other than Income	<u>12,337</u>
20	TOTAL EXPENSES	14,662,469
21	NET INCOME (LOSS) BEFORE TAX	(4,657,909)
22	Benefit for Income Taxes	1,622,370
23	NET INCOME (LOSS) AFTER TAXES	<u>\$ (3,035,539)</u>

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(b) Balance Sheet

SOUTHERN DEVELOPMENT & INVESTMENT GROUP, INC.
 BALANCE SHEET (unaudited)
 JUNE 30, 1996

A

JUNE 1996

ASSETS

1	Cash and temporary investments	\$	70,139
2	Accounts Receivable:		
	Associated companies		2,601,794
3	Customers and others, less allowance for doubtful accounts		2,766,397
4	Costs and estimated earnings in excess of billings on contracts		5,289,334
5	Prepays and other		127,908
6	Materials and supplies		130,609
7	Total current assets		<u>8,086,277</u>
8	Investments-Envirotech		3,114,238
9	Investments-ICS		1
10	Investments-ITC		6,195,000
11	Total Investments		<u>9,309,239</u>
12	Office furniture, fixtures, equipment, and leasehold improvements		1,257,410
13	Less accumulated depreciation and amortization		<u>(644,716)</u>
14	Net Property and Equipment		<u>612,694</u>
15	Intangible and other assets, net		1,520,677
16	Noncurrent deferred income taxes		273,897
17	Restricted Deposit		550,000
18	Total Other Assets		<u>2,344,574</u>
19	TOTAL ASSETS	\$	<u>20,352,784</u>

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LIABILITIES AND STOCKHOLDERS' EQUITY

20	Accounts Payable:		
	Associated companies	\$	1,299,845
21	Other		5,203,167
22	Billings in excess of costs and estimated earnings on contracts		757,862
23	Other accrued liabilities		1,614,550
24	TOTAL LIABILITIES		<u>8,905,414</u>
25	Common Stock, par value \$1; 500 shares authorized and outstanding		500
26	Additional paid-in capital		19,783,098
27	Retained earnings		<u>(8,336,228)</u>
28	Total stockholders' equity		<u>11,447,370</u>
29	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	<u>20,352,784</u>

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(c) Cash Flow Statement

SOUTHERN DEVELOPMENT & INVESTMENT GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 1996

A

SIX MONTHS ENDED
JUNE 30, 1996

CASH FLOWS FROM OPERATING ACTIVITIES:

1	Net Loss	\$ <u>(3,035,539)</u>
	Adjustments to reconcile net loss to net cash used in operating activities:	
2	Depreciation/amortization	191,116
3	Changes in operating assets and liabilities:	
4	Accounts Receivable	414,298
5	Costs and estimated earnings in excess of billings on contracts	(264,334)
6	Deferred income taxes	(213,375)
7	Prepays and other assets	(47,481)
8	Accounts payable and other accrued liabilities	(777,839)
9	Billings in excess of costs and estimated earnings on contracts	<u>239,679</u>
10	Total adjustments	<u>(451,255)</u>
11	Net cash used in operating activities	<u>(3,493,499)</u>
	CASH FLOWS FROM INVESTING ACTIVITIES:	
12	Project Investment	(6,195,000)
13	Purchase of property and equipment, net	<u>(538,165)</u>
14	Total cash flows from investing activities	<u>(6,733,165)</u>
	CASH FLOWS FROM FINANCING ACTIVITIES:	
15	Additional capital contributions	10,124,002
16	Total cash flows from financing activities	<u>10,124,002</u>
17	INCREASE (DECREASE) IN CASH AND TEMPORARY INVESTMENTS	<u>(102,658)</u>
18		
19	CASH AND TEMPORARY INVESTMENTS AT BEGINNING OF YEAR	<u>172,797</u>
20	CASH AND TEMPORARY INVESTMENTS AT END OF PERIOD	\$ <u>70,139</u>

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(a) A narrative of activities undertaken during the previous quarter (second quarter, 1996) in each of the following areas:

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

2 Development has continued market research and product development with respect to evaluation
3 of interactive energy management technologies in a pilot project in suburban Atlanta. The pilot project is
4 currently being operated commercially and has approximately 170 residents.

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

6 Development has continued product development and has engaged in market research with
7 respect to energy management, power quality, and efficiency services and projects. Development has
8 engaged in several lighting projects and a distribution retrofit project on a commercial basis. Development
9 has engaged in a limited number of residential customer financing projects for energy conservation and
10 efficiency improvements.

11 (iii) **PowerCall™**

12 Development has completed the preliminary business plan for the commercialization of
13 PowerCall™ power monitoring services. A pilot project in Birmingham, Alabama is being conducted
14 which provides power monitoring to approximately 200 Alabama Power customers.

15 The business plan for the commercialization of PowerCall™ home security is complete. A home
16 security monitoring service is being provided to approximately 600 Alabama Power customers and
17 expanding in Alabama. The infrastructure is currently being developed to expand this business line within
18 Southern's service territory.

19 (iv) **Research and Development**

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

24 Southern Development has postponed development of load management flywheels with United
25 Technology Automotive (UTA). Evaluation and product testing continues with UTA and with other
26 developers for power quality/ride thru and UPS flywheel applications.

27 Southern Development is evaluating and has ordered prototypes of a very small gas turbine
28 design for field testing. Preliminary applications are for peak shaving and standby generators at customer's
29 sites or in the distribution system of the utility.

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

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

32 (vi) **Technical Consulting Services**

33 Development continued to provide the technical consulting services formerly provided by SEI,
34 including engineering services, transformer testing and repair, environmental testing, and procurement
35 inventory management and joint procurement services.

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

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Development continued to provide support for the Good Cents program, including activities related to the Good Cents Environmental Home Program and the Residential Building Energy Program, including technical support and training with respect to Good Cents programs. Development also continued on Enet and Enerlink product development and activities relating to the licensing of Enerlink and the servicing of such license contracts. The Information Systems Group completed the Rochester Gas and Electric Project effective May 31, 1996 and transferred ownership of software developed in conjunction with Southern Applied Technologies, Inc. to Airborne Remote Mapping, Inc. The Consulting Services Group has licensed the Georgia Power Company's Animal Protection Technology to a third party for manufacturing and distribution.

(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 Development's business activities comparing--

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

<u>E</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>
<u>BUSINESS LINES</u>	<u>COMMISSION'S AUTHORIZATION</u>	<u>1996 BUDGET</u>	<u>2nd QUARTER INVESTMENT #</u>	<u>INVESTMENT SINCE INCEPTION</u>
1 2 Prototype Energy Management System	\$175 million	\$8.07 million	\$0.41 million	\$3.02 million
3 4 Energy Management and Efficiency Services	\$40 million	\$2.20 million	\$1.14 million	\$3.38 million
5 PowerCall™	\$20 million	\$0.40 million	\$0.06 million	\$0.92 million
6 7 Research and Development Activities	\$20 million	\$2.68 million	\$2.23 million	\$2.15 million
8 9 Energy and Resource Recovery Facilities	\$10 million	\$0.00	\$0.00	\$0.00
10 11 Technical Consulting Services	\$5 million	\$0.06	\$1.12 million	\$3.30 million
12 13 Licensing of Intellectual Property	\$5 million	\$1.15 million	\$2.21 million	\$2.53 million

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

(c) A description of any services received by Development from Southern Company Services and from each of the Southern 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.

A OPERATING COMPANY	B DOLLAR VALUE OF SERVICE	C NUMBER OF PERSONNEL	D TYPE OF PERSONNEL
1 Alabama Power Company 2 -Technical Consulting for 3 Environmental Matters 4 Vehicle Repair & Svcs	1,352,565	12*	Cheerists Inspectors Mechanics Admin.
5 Georgia Power Company 6 -Technical Consulting and 7 Repair of Equipment	343,238	170 **	Skilled Technicians, Market Specialists, Customer Service Representatives, Administrative
8 Gulf Power Company 9 -Market Research re. 10 Interactive Energy Management	572	0	Marketing
11 Mississippi Power Company 12 -Repair of Equipment	12,678	14***	Mechanics Administrative
13 Southern Company Services 14 -Professional & Technical 15 Services including: Finance, 16 Market Research, Information 17 Resource, Telecommunications, 18 Accounting, and Engineering 19 Services	1,916,959	248 ****	Engineering, Procurement, Accounting, Marketing, Information Resource

20 * Total number of hours not available. Estimated full time employees to be 12.

21 ** These employees recorded a total of 2,867 hours for the quarter which is the equivalent of 6 full
22 time employees.

23 *** Total number of hours not available. Estimated full time employees to be 1.

24 **** These employees recorded a total of 17,654 hours for the quarter which is the equivalent of 34 full
25 time employees.

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

- 3 1. Support of Operating Companies Good Cents Program.
4 2. Technical support and training for Residential Building Energy Program (RBEP) software
5 package.
6 3. Services associated with developing, deploying and maintaining information based products that
7 facilitate the delivery of competitive pricing options to large accounts. These software products include
8 customer energy use analysis systems, enhanced energy use analysis products for account executives to
9 augment their customer service roles, billing system systems for billing large accounts and rate analysis
10 products for use by rate departments for designing, developing and administering new rates. The services
11 include design, development of new software solutions as well as adaptation of existing software programs
12 related to the above applications.

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

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

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

6 Southern Development originated loans on behalf of Fannie Mae and potentially other lenders for
7 energy conservation and efficiency equipment. The amount of such financing during the first two quarters
8 was \$2,464,914. The accumulative amount of outstanding financing was \$732,240. Southern
9 Development made no bad debt write-off during the quarter. As originator of the loans, Southern
10 Development accepted no liability to either borrower or lender.

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

13 None.

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

16 None.

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

19 None.

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

22 Southern Development is principal on a performance bond obtained from Johnson and Higgins of GA,
23 Inc. and payable to Siemens Power Corporation in an amount equal to \$44,800.

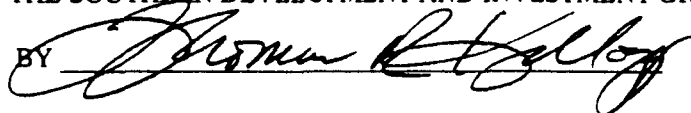
SIGNATURE

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 August 14, 1996

THE SOUTHERN DEVELOPMENT AND INVESTMENT GROUP, INC.

BY



Thomas R. Kellogg
Vice President & General Manager