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Pensacola, FL 32520

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August 8, 1997

Ms. Blanca S. Bayo, Director  
Division of Records and Reporting  
Florida Public Service Commission  
2540 Shumard Oak Boulevard  
Tallahassee FL 32399-0870

Dear Ms. Bayo:

RE: The Southern Company - Amendment No. 9 (Post-Effective Amendment No. 6) to  
Form U-1 Relating to the Reorganization of SEI (SEC File No. 70-8733)

Enclosed for official filing are fifteen copies of Amendment No. 9 (Post-Effective  
Amendment No. 6) to Form U-1 relating to the reorganization of SEI as filed with the  
Securities and Exchange Commission (SEC File No. 70-8733) on June 30, 1997. This  
filing is required by Rule 53(a)(4) of the General Rules and Regulations under the Public  
Utility Holding Company Act of 1935, as amended, 15 U.S.C. §§ 79a et seq. (the "Act").

Please mark the enclosed extra copy of this letter with the date and time the material was  
accepted in your office for filing and return same to the undersigned.

Sincerely,

*Susan D. Cranmer*

Susan D. Cranmer  
Assistant Secretary and Assistant Treasurer

lw

Enclosures

cc: Florida Public Service Commission  
Cynthia Miller, Esq.  
Gulf Power Company  
G. E. Holland, Esq.

- ACK 2
- VFA 2
- APP 1
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
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FPSC-RECORDS/REPORTING

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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Amendment No. 9  
(Post-Effective Amendment No. 6)  
to  
APPLICATION OR DECLARATION  
on  
FORM U-1

under

The Public Utility Holding Company Act of 1935

THE SOUTHERN COMPANY  
270 Peachtree Street, N.W.  
Atlanta, Georgia 30303

SOUTHERN ENERGY  
NORTH AMERICA,  
INC.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30338

SOUTHERN  
ENERGY, INC.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30338

SEI HOLDINGS, INC.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30338

SOUTHERN ENERGY  
INTERNATIONAL, INC.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30338

MOBILE ENERGY SERVICES  
HOLDINGS, INC.  
900 Ashwood Parkway  
Suite 450  
Atlanta, Georgia 30338

SEI EUROPE, INC.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30333

(Name of company or companies filing this statement  
and addresses of principal executive offices)

THE SOUTHERN COMPANY

(Name of top registered holding company parent of  
each applicant or declarant)

Tommy Chisholm, Secretary  
The Southern Company  
270 Peachtree Street, N.W.  
Atlanta, Georgia 30303

Thomas G. Boren, President  
SEI Holdings, Inc.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30338

(Names and addresses of agents for service)

The Commission is requested to mail signed copies of all orders, notices and communications to:

W.L. Westbrook  
Financial Vice-President  
The Southern Company  
270 Peachtree Street, N.W.  
Atlanta, Georgia 30303

Thomas G. Boren, President  
SEI Holdings, Inc.  
900 Ashwood Parkway  
Suite 500  
Atlanta, Georgia 30338

John D. McLanahan, Esq.  
Troutman Sanders LLP  
600 Peachtree Street, N.E.  
Suite 5200  
Atlanta, Georgia 30308-2216

DOCUMENT NUMBER-DATE

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FPSC-RECORDS/REPORTING

## INFORMATION REQUIRED

### Item 1. Description of Proposed Transaction.

Item 1.1 as filed in Amendment No. 8 (Post-Effective No. 5) is hereby amended to read as follows:

1.1 **Background.** SEI Holdings, Inc. ("Holdings") is a wholly-owned non-utility subsidiary of The Southern Company ("Southern"), a registered holding company under the Act. Through Holdings and other direct and indirect subsidiaries of Holdings, Southern has acquired and currently holds interests in "exempt wholesale generators" ("EWGs"), as defined in Section 32, and "foreign utility companies" ("FUCOs"), as defined in Section 33. By order dated February 2, 1996 (Holding Company Act Release No. 26468) (the "Initial Order") in this proceeding, Holdings is currently authorized, among other things, to acquire the securities of one or more special-purpose subsidiaries (called "Intermediate Subsidiaries") organized exclusively for the purpose of acquiring and holding one or more EWGs or FUCOs or subsidiaries (called "Energy-Related Companies") which derive or will derive substantially all of their revenues from the ownership and/or operation of certain categories of non-utility businesses, namely: "qualifying facilities" (as defined in the Public Utility Regulatory Policies Act of 1978, as amended); steam production, conversion and distribution; and brokering and marketing of electricity and other energy commodities.<sup>1</sup> Holdings is also authorized to acquire and hold certain other kinds of non-utility subsidiaries.<sup>2</sup>

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<sup>1</sup> The Initial Order, as it pertained to power marketing subsidiaries of Holdings, was modified by order dated September 26, 1996 (Holding Company Act No. 26581) in File No. 70-8823. Further, certain aspects of the Initial Order, as it pertains to "Energy-Related Companies," may be superseded upon the effectiveness of new Rule 58, 17 C.F.R. § 250.58.

By supplemental order dated July 17, 1996 (Holding Company Act Release No. 26543) in this proceeding (the "Supplemental Order"), Holdings and its subsidiaries were authorized to pay dividends to their parent companies from time to time through June 30, 1997, out of capital and unearned surplus (including revaluation reserve) to the extent permitted by applicable law. The Commission reserved jurisdiction over the payment of dividends out of capital or unearned surplus by subsidiaries of Holdings that are Energy-Related Companies which derive substantially all of their revenues from brokering or marketing of energy and by other categories of Energy-Related Companies that Holdings may be authorized to acquire by subsequent rule.<sup>3</sup>

The Supplemental Order also granted Southern, Holdings, Southern Energy and Mobile Energy Services Holdings, Inc. ("Mobile Energy"), also a wholly-owned subsidiary of Southern, an extension through June 30, 1997, in which to consummate certain other proposed transactions relating to (i) the transfer of Southern Energy's common stock to Holdings, (ii) the transfer of the stock of certain subsidiaries of Southern Energy to other direct or indirect subsidiaries of Holdings, and (iii) the issuance by Mobile Energy to Southern of one or more series of preferred

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<sup>2</sup> Specifically, one subsidiary of Holdings, Southern Energy North America, Inc. (formerly Southern Electric Wholesale Generators, Inc.) ("Domestic Holdings" in the Initial Order) is the umbrella company for Holdings' domestic operations, and another subsidiary, Southern Energy International, Inc. (formerly SEI Newco 1, Inc.) ("Foreign Holdings" in the Initial Order) is the umbrella company for Holdings' international operations. Holdings was also authorized to acquire from Southern the shares of Southern Energy, Inc. (formerly Southern Electric International, Inc.) ("Southern Energy"), and to acquire the securities of one or more direct or indirect subsidiaries (called "Special Purpose Subsidiaries") organized to engage in any of those activities or businesses in which Southern Energy has previously been authorized to engage.

<sup>3</sup> At the time the Supplemental Order was issued, the Commission was considering a rule proposal, recently adopted as Rule 58, that conditionally exempts the acquisition of securities of certain categories of "energy-related" companies. Also pending was an application filed by Holdings to restate its authority with respect to investments in power and energy brokering and marketing subsidiaries, which was approved by order dated September 26, 1996 (Holding Company Act Release No. 26581).

stock and the contribution thereof by Southern to Holdings. Although the transactions described in (i) and (ii), above, have been consummated or are expected to be consummated prior to June 30, 1997, MESH has not yet issued any shares of preferred stock, and, for various business reasons, may not be in a position to do so prior to June 30, 1997.

Item 1.2 as filed in Amendment No. 8 (Post-Effective No. 5) is hereby amended to read as follows:

1.2 Proposed Modification to Supplemental Order. Holdings now requests a modification of and an extension to the Supplemental Order which would permit Holdings and each current and future subsidiary of Holdings to pay dividends with respect to the securities of such companies, from time to time through June 30, 2000, out of capital or unearned surplus (including revaluation reserve), to the extent permitted under applicable law. Holdings requests that the Commission reserve jurisdiction over the payment of dividends out of capital or unearned surplus by any current or future subsidiary company of Holdings that derives any material part of its revenues from the sale of goods, services, electricity or natural gas to any of Southern's five domestic electric utility subsidiaries<sup>4</sup> or to Southern Company Services, Inc.

The applicants also respectfully request a further extension through June 30, 1998 to consummate the proposals relating to Mobile Energy's preferred stock and request authority for Southern or Holdings to contribute the preferred stock of Mobile Energy referred to in Item 1.1 herein to Southern Energy North America, Inc. In all other respects, these transactions will be

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<sup>4</sup> These include Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company.

carried out in accordance with the terms and conditions contained in the Initial Order and the Supplemental Order.

Item 2. Fees, Commissions and Expenses.

Item 2 as filed in Amendment No. 8 (Post-Effective Amendment No. 5) is hereby amended to read as follows:

The additional fees, commissions and expenses to be paid or incurred in connection with the transactions proposed in this Post-Effective Amendment are estimated not to exceed \$2,000.

Item 3. Applicable Statutory Provisions.

Item 3 is hereby amended by replacing the Rule 54 Analysis filed in Amendment No. 8 (Post-Effective Amendment No. 5) with the following:

Rule 54 Analysis: The proposed transactions are also subject to Rule 54, which provides that, in determining whether to approve an application which does not relate to any "exempt wholesale generator" ("EWG") or "foreign utility company" ("FUCO"), the Commission shall not consider the effect of the capitalization or earnings of any such EWG or FUCO which is a subsidiary of a registered holding company if the requirements of Rule 53(a), (b) and (c) are satisfied.

Southern currently meets all of the conditions of Rule 53(a), except for clause (1). At May 31, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately \$2.117 billion, or about 56.78% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended March 31, 1997 (\$3,728 million). With respect to Rule 53(a)(1), however, the Commission has determined that

Southern's financing of investments in EWGs and FUCOs in an amount greater than the amount that would otherwise be allowed by Rule 53(a)(1) would not have either of the adverse effects set forth in Rule 53(c). See *The Southern Company*, Holding Company Act Release No. 16501, dated April 1, 1996 (the "Rule 53(c) Order"); and Holding Company Act Release No. 26646, dated January 15, 1997 (order denying request for reconsideration and motion to stay).

In addition, Southern has complied and will continue to comply with the record-keeping requirements of Rule 53(a)(2), the limitation under Rule 53(a)(3) on the use of Operating Company personnel to render services to EWGs and FUCOs, and the requirements of Rule 53(a)(4) concerning the submission of copies of certain filings under the Act to retail rate regulatory commissions. Further, none of the circumstances described in Rule 53(b) has occurred.

Moreover, even if the effect of the capitalization and earnings of EWGs and FUCOs in which Southern has an ownership interest upon the Southern holding company system were considered, there is no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The action requested in the instant filing (*viz.* certain transactions by the Applicants as described in Item 1.1 herein) would not, by itself, or even considered in conjunction with the effect of the capitalization and earnings of Southern's EWGs and FUCOs, have a material adverse effect on the financial integrity of the Southern system, or an adverse impact on Southern's public-utility subsidiaries, their customers, or the ability of State commissions to protect such public-utility customers.

The Rule 53(c) Order was predicated, in part, upon an assessment of Southern's overall

financial condition which took into account, among other factors, Southern's consolidated capitalization ratio and the recent growth trend in Southern's retained earnings. As of December 31, 1995, the most recent fiscal year preceding the Rule 53(c) Order, Southern's consolidated capitalization consisted of 49.3% equity (including mandatorily redeemable preferred securities) and 50.7% debt (including \$1.68 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). As of year-end 1996, that ratio was 52.9% equity and 47.1% debt (including \$1.74 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs); and as of March 31, 1997, following completion of Southern's acquisition of a controlling interest in Consolidated Electric Power Asia Ltd., the comparable ratio was 48.7% equity and 51.3% debt (including \$3.82 billion of long-term, non-recourse debt and short-term debt related to EWGs and FUCOs). On a *pro forma* basis, the proposed transactions contemplated in the instant filing have no effect on consolidated capitalization. The common equity component of Southern's pro forma consolidated capitalization represents 37.7% of total capitalization at March 31, 1997. Thus, since the date of the Rule 53(c) Order, there has been no material change in Southern's consolidated capitalization ratio, which remains within acceptable ranges and limits of rating agencies as evident by the continued "A" corporate credit rating of Southern Company. Specifically, in January 1997 Standard & Poor's assigned Southern Company its corporate credit rating of "A" which was consistent with the implied corporate rating previously held by Southern. This implied rating had been in effect since May 1995. Therefore, since the April 1996 issue of the Rule 53(c) Order, the Southern consolidated credit rating has remained at "A" thereby demonstrating Southern's continued strong financial



integrity. In addition, the underlying ratings of the affiliated operating companies, which have a strong influence on the Southern Company corporate rating, are all "A+". As a point of reference, the consolidated pro forma percentage of debt in the total capital structure of the Southern domestic operating utility companies is 42.8%, which is solidly below the median total debt ratio of the Standard & Poor's "A" rated vertically integrated utilities.<sup>5</sup>

Southern's consolidated retained earnings grew on average approximately 8.8% per year from 1991 through 1995. In 1996, consolidated retained earnings increased \$280,365,000, or slightly more than 8%. The small reduction in the rate of earnings growth was primarily attributable to reduced domestic utility sales due to mild weather conditions throughout most of 1996 in the southeastern United States. Earnings attributable to Southern's investments in EWGs and FUCOs continued to contribute modestly to consolidated retained earnings.

Accordingly, since the date of the Rule 53(c) Order, the capitalization and earnings attributable to Southern's investments in EWGs and FUCOs has not had any adverse impact on Southern's financial integrity.

Reference is made to Exhibit I filed herewith which reflects capitalization at March 31, 1997 and the Statement of Income for the twelve months ended March 31, 1997 for The Southern Company and subsidiaries consolidated. In addition, the exhibit is adjusted to give effect to certain transactions proposed by Georgia Power Company and Gulf Power Company.

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<sup>5</sup> Currently, capitalization ratios, including short-term debt, for "A" rated vertically integrated electric utilities have a median total debt to total capital ratio of 45% as noted by Standard & Poor's in May 1997 for companies rated both publicly and confidentially. Prior to issuing this rating standard, the Standard & Poor's total debt to total capital benchmark for an "A" rated vertically integrated investor-owned-utility having an average business position was 47%.

Item 6. Exhibits and Financial Statements.

(a) Exhibits:

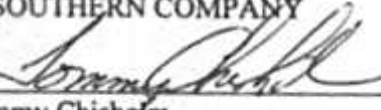
- F - Opinion of Troutman Sanders LLP.
- I - Capitalization and Income Statement of The Southern Company and Subsidiary Companies after giving effect to certain transactions.

SIGNATURE

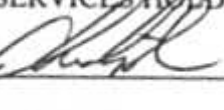
Pursuant to the requirements of the Public Utility Holding Company Act of 1935, each of the undersigned companies has duly caused this statement to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: June 30, 1997


THE SOUTHERN COMPANY

By:   
Tommy Chisholm  
Secretary

MOBILE ENERGY SERVICES HOLDINGS, INC.

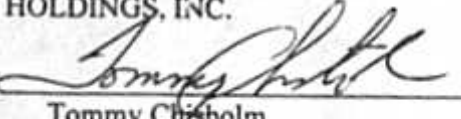
By:   
Tommy Chisholm  
Secretary

SOUTHERN ENERGY, INC.

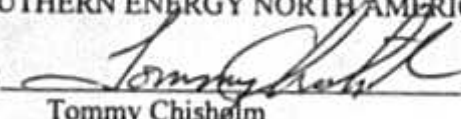
By:   
Tommy Chisholm  
Vice President and Secretary

(Signatures Continued on Next Page)

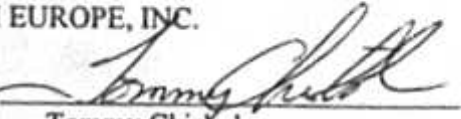
SEI HOLDINGS, INC.

By:   
Tommy Chisholm  
Secretary

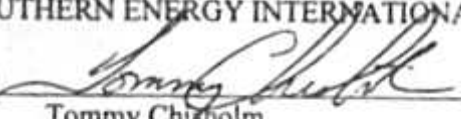
SOUTHERN ENERGY NORTH AMERICA, INC.

By:   
Tommy Chisholm  
Secretary

SEI EUROPE, INC.

By:   
Tommy Chisholm  
Secretary

SOUTHERN ENERGY INTERNATIONAL, INC.

By:   
Tommy Chisholm  
Secretary