

500 Bayfront Parkway
Pensacola, FL 32520

Tel 904.444.6000

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August 20, 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. 10 (Post-Effective Amendment No. 7) 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. 10 (Post-Effective Amendment No. 7) to Form U-1 relating to the reorganization of SEI as filed with the Securities and Exchange Commission (SEC File No. 70-8733) on August 12, 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,

ACK *Susan D. Cranmer*
AFA 1 Susan D. Cranmer
APP _____ Assistant Secretary and Assistant Treasurer
CAF _____ lw
CMU _____
CTR _____ Enclosures
EAG 1 cc: Florida Public Service Commission
LEG 1 Cynthia Miller, Esq.
LIN _____ Beggs and Lane
OPC _____ J. A. Stone, Esq.
RCH _____
SEC 1
WAS _____
OTH _____

DOCUMENT NUMBER-DATE
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FPSC-RECORDS/REPORTING

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

File No. 70-8733

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Amendment No. 10
(Post-Effective Amendment No. 7)
to
APPLICATION OR DECLARATION
on
FORM U-1
APPLICATION OR DECLARATION
under

The Public Utility Holding Company Act of 1935

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

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

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

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

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

MOBILE ENERGY SERVICES
COMPANY, L.L.C.
900 Ashwood Parkway
Suite 500
Atlanta, Georgia 30338

(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

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INFORMATION REQUIRED

The Applications and Declarations heretofore filed in File No. 70-8733, as amended, are hereby amended on a post-effective basis to provide the additional authority requested below.

Item 1. Description Of Proposed Transaction

Applicants propose to restructure the Southern system ownership of Mobile Energy Services Company, L.L.C. ("MESC"), an Alabama limited liability company which owns and operates the Mobile Energy cogeneration project ("Mobile Energy Project"). Specifically, MESC will bifurcate the limited liability company membership interests issued by it into (i) voting membership interests through which control is exercised and (ii) nonvoting economic interests which exercise no control over MESC or the Mobile Energy Project. Under this restructuring of the MESC ownership, Mobile Energy Services Holdings, Inc. ("MESH"), a direct wholly-owned subsidiary of Southern, will continue to own 99% of the voting membership interests of MESC and will continue to control MESC, which in turn owns and operates the Mobile Energy Project. MESH will also continue to own a 1% non-voting economic interest in MESC. Under the proposed arrangement, a new special purpose subsidiary ("SE Mobile"), a direct or indirect wholly-owned subsidiary of SEI Holdings, Inc., will acquire from MESH non-voting securities in the form of economic membership interests representing 98% of the economic interest in MESC. SE Mobile will also acquire the remaining 1% voting interest in MESC and 1% economic interest in MESC, currently held by Southern Energy, Inc., a wholly-owned subsidiary of SEI Holdings, Inc. The transfers will take the form of either direct transfers or through distributions made to Southern and then contributed (through intermediate entities) to SE Mobile. Ultimately, SE

Mobile will hold 99% of the nonvoting economic interest in MESC and 1% of the voting interest in MESC, and MESH will hold 1% of the nonvoting economic interest and 99% of the voting interest in MESC. The transfers of interests is anticipated to occur in at least two stages, separated by twelve or more months.

1.1. Background

By order dated February 2, 1996 (HCAR No. 26468) (the "Initial Order") SEI Holdings, Inc. was 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 which derive or will derive substantially all of their revenues from the ownership or operation, or both, of certain categories of non-utility businesses, namely qualifying facilities (as defined in the Public Utility Regulatory Policies Act of 1978); steam production, conversion and distribution; and brokering and marketing of electricity and other energy commodities. The Initial Order authorized the formation of "Domestic Holdings" (now renamed Southern Energy North America, Inc.) as an umbrella organization for Holdings' domestic operations. Holdings was also authorized to acquire from Southern the shares of Southern Energy, Inc. (formerly Southern Electric International, Inc.). The Initial Order also authorized the issuance by MESC to Southern of a series of preferred stock and contribution thereof by Southern to Holdings.

The Mobile Energy Project is a cogeneration facility. MESH currently holds 99% of the membership interests in MESC. The remaining 1% in MESC is held by Southern Energy, Inc. But for 100% ownership by Southern, the Mobile Energy Project would constitute a qualifying facility under the Public Utility Regulatory Policies Act of 1978. Because the Southern electric system

owns 100% of MESC, it is an "electric utility company" as defined by Section 2(3) of the Public Utility Holding Company Act of 1935, as amended (the "Act"). Under the proposed arrangement Southern's economic interest in the Mobile energy project will be owned within the same group of companies which own Southern's other interests in independent energy projects. That economic ownership, however, would be passive in nature. Control of MESC, which is a public utility under the Act, would continue to be exercised through MESH, a direct subsidiary of Southern. The proposed issuance of securities by MESC and acquisitions of securities by SE Mobile will result in no increase in investment in the Mobile Energy Project and in no change in either the operation of the Mobile Energy Project or the control of the Mobile Energy Project. Southern's realignment of its ownership interest in this independent energy project places the economic ownership with the ownership group of Southern's other independent energy projects and will facilitate the evaluation of the performance of Southern's independent energy portfolio by all interested parties, including the investment community.

1.2 Corporate Structure Under Applicable Alabama Law.

The Alabama Limited Liability Act, pursuant to which MESC is organized, specifically provides for the bifurcation of securities issued by Alabama limited liability companies into "financial rights," encompassing the right to share in profits and losses under Section 10-12-2(d) of the Alabama act and "governance rights" under Section 10-12-2(f) of the Alabama Act. "Governance rights" are defined therein as wholly distinct from "financial rights." Governance rights include all rights to manage the limited liability company. Section 10-12-22 expressly allows the membership of an Alabama limited liability company to restrict or enlarge the management rights and duties of any class of persons, thus allowing for the bifurcation of

interests. Pursuant to the authority requested herein, MESC will amend its operating agreement to make a clear distinction between voting (governance) rights and non-voting economic (financial) interests. The Alabama Act, however, does not permit a one member limited liability company. Thus, a second entity in addition to MESH must be a member of MESC. Currently, Southern Energy, Inc. provides the required second member. Under this post-effective amendment, SE Mobile would become the second member.

Item 2. Fees, Commission and Expenses.

The fees, commissions and expenses paid or incurred and to be paid or incurred in connection with the proposals contained herein are estimated not to exceed \$5,000.

Item 3. Applicable Statutory Provisions.

In order to accomplish this transaction, MESC will exchange outstanding MESC securities for two classes of membership interests, one representing voting interests and the other nonvoting economic interests. Southern Energy, Inc. must be authorized to transfer its resulting interest (1% voting/1% economic) to SE Mobile. MESH must be authorized to transfer its nonvoting economic interests (98%) to SE Mobile. SE Mobile must be authorized to acquire these interests. SE Mobile requests authority to acquire its economic interests cumulatively in two transactions over a period of at least twelve months. These transactions are subject to sections 6(a), 7, 9(a), 10, 12(b), 12(c) , 12(d), and 12(f) of the Act and Rules 43 and 45 thereunder. Applicants submit that the applicable standards of the Act have been met for the following reasons: the proposal makes no change in the control of MESC, Southern does not incur any new financial obligations by virtue of the proposed reorganization, the proposal makes

no change in the operation of the Mobile Energy Project, and the proposal results in an alignment of the economic rights and risks associated with the Mobile Energy Project along with the economic rights and risks of other independent energy projects within Southern's corporate structure while retaining ownership of voting control in a direct subsidiary of Southern.

Rule 54 Analysis: Rule 54 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 June 30, 1997, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and FUCOs was approximately \$2.235 billion, or about 59.96% 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 does not have any effect upon Southern's capitalization or 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). The proposed transaction will have no effect on consolidated

capitalization. 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 at March 31, 1997, 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.¹

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.

¹ 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%.

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 H 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.

Item 4. Regulatory Approval

No state or federal regulatory approval is required other than that of the Commission. The Mobile Energy Project is not a "public utility" under either Alabama law or the Federal Power Act.

Item 5. Procedure

Applicants request that the Commission's order be issued as soon as the rules allow, and that there be no thirty-day waiting period between the issuance of the Commission's order and the date on which it is to be effective. Applicants hereby waive a recommended decision by a hearing officer or other responsible officer of the Commission and hereby consent that the Division of Investment Management may assist in the preparation of the Commission's decision and/or order in the matter unless the Division opposes the matters covered hereby.

Item 6. Exhibits and Financial Statements

(a) Exhibits

- A - Revised Exhibits A-2 and A-3 (To be filed by amendment)
- B - Revised Exhibit B-6(d) (To be filed by amendment)

- G - Form of Federal Register Notice
- H - Capitalization and Income Statement of the Southern Company and Subsidiary Companies after giving effect to certain transactions.

Item 7. Environmental Effects.

No other agency is preparing an environmental impact statement with respect to this matter. This reorganization will not affect the operations previously authorized and the issuance of the requested authority will not constitute any major federal action significantly affecting the quality of the human environment.

SIGNATURES

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: August 12, 1997

THE SOUTHERN COMPANY

By: /s/Tommy Chisholm
Tommy Chisholm
Secretary

MOBILE ENERGY SERVICES HOLDINGS, INC.

By: /s/ Tommy Chisholm
Tommy Chisholm
Secretary

SOUTHERN ENERGY, INC.

By: /s/ Tommy Chisholm
Tommy Chisholm
Vice President and Secretary

SEI HOLDINGS, INC.

By: /s/ Tommy Chisholm
Tommy Chisholm
Secretary

SOUTHERN ENERGY NORTH AMERICA, INC.

By: /s/ Tommy Chisholm
Tommy Chisholm
Secretary

MOBILE ENERGY SERVICES COMPANY, L.L.C.

By: /s/ Tommy Chisholm
Tommy Chisholm
Secretary