

SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

Amendment No. 2  
to  
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

ALABAMA POWER COMPANY  
600 North 18<sup>th</sup> Street  
Birmingham, Alabama 35291

SOUTHERN COMMUNICATIONS SERVICES, INC.  
5555 Glenridge Connector, Suite 500  
Atlanta, Georgia 30342

GEORGIA POWER COMPANY  
241 Ralph McGill Boulevard, N.E.  
Atlanta, Georgia 30308

SOUTHERN COMPANY ENERGY SOLUTIONS,  
INC.  
241 Ralph McGill Boulevard, N.E.  
Atlanta, Georgia 30308

GULF POWER COMPANY  
One Energy Place  
Pensacola, Florida 32520

SOUTHERN COMPANY SERVICES, INC.  
241 Ralph McGill Boulevard, N.E.  
Atlanta, Georgia 30308

MISSISSIPPI POWER COMPANY  
2992 West Beach  
Gulfport, Mississippi 39501

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

SAVANNAH ELECTRIC AND POWER COMPANY  
600 East Bay Street  
Savannah, Georgia 31401

SOUTHERN NUCLEAR OPERATING COMPANY,  
INC.  
40 Inverness Center Parkway  
Birmingham, Alabama 35242

(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

One Energy Place  
Pensacola, Florida 32520  
850.444.6111

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January 31, 2000

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

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Dear Ms. Bayo:

RE: The Southern Company – Amendment No. 2 to Form U-1, File No. 70-9557 relating to the Southern Investment Plan, the Employee Savings Plan and the Employee Ownership Plan of the Southern electric system filed with the Securities and Exchange Commission

Rule 53(a)(4), 17 C.F.R. §250.53 (a)(4), of the rules and regulations promulgated by the Securities and Exchange Commission ("SEC") under the Public Utility Holding Company Act of 1935, as amended, 15 U.S.C. §§79a et seq. (the "Act"), specifies that a copy of each application must be filed with each public utility commission having jurisdiction over retail rates of such holding Company's public utility subsidiaries.

The enclosed Amendment No. 2 to Form U-1 was filed with the SEC by Southern on December 22, 1999. To comply with the requirements of the SEC's Rule 53(a)(4), a copy of such filing is being provided to you herewith.

If you have any questions regarding the enclosed, please feel free to call me at (850) 444-6231.

- AFA \_\_\_\_\_
- APP \_\_\_\_\_
- CAF \_\_\_\_\_
- CMU \_\_\_\_\_
- CTR \_\_\_\_\_
- EAG** \_\_\_\_\_
- LEG \_\_\_\_\_
- MAS \_\_\_\_\_
- OPC \_\_\_\_\_
- RRR \_\_\_\_\_
- SEC \_\_\_\_\_
- VWV \_\_\_\_\_
- OTH \_\_\_\_\_

Sincerely,

*Susan D. Ritenour*

Susan D. Ritenour  
Assistant Secretary and Assistant Treasurer

lw

Enclosure

cc: Beggs and Lane  
J. A. Stone, Esq.

DOCUMENT NUMBER-DATE

01344 FEB-18

FPSC-RECORDS/REPORTING

William E. Zales, Jr., Vice President and  
Corporate Secretary  
Alabama Power Company  
600 North 18<sup>th</sup> Street  
Birmingham, Alabama 35291

Judy M. Anderson, Vice President  
and Corporate Secretary  
Georgia Power Company  
241 Ralph McGill Boulevard, N.E.  
Atlanta, Georgia 30308

Warren E. Tate, Secretary  
and Treasurer  
Gulf Power Company  
One Energy Place  
Pensacola, Florida 32520

Michael W. Southern, Vice President,  
Chief Financial Officer, Secretary and Treasurer  
2992 West Beach  
Gulfport, Mississippi 39501

Kirby R. Willis, Vice President,  
Treasurer and Chief Financial Officer  
Savannah Electric and Power Company  
600 East Bay Street  
Savannah, Georgia 31401

Tommy Chisholm, Secretary  
Southern Communications Services, Inc.  
5555 Glenridge Connector, Suite 500  
Atlanta, Georgia 30342

Tommy Chisholm, Secretary  
Southern Company Energy Solutions, Inc.  
241 Ralph McGill Boulevard, N.E.  
Atlanta, Georgia 30308

Tommy Chisholm, Vice President  
and Secretary  
Southern Company Services, Inc.  
241 Ralph McGill Boulevard, N.E.  
Atlanta, Georgia 30308

Tommy Chisholm, Vice President  
and Secretary  
Southern Energy Resources, Inc.  
900 Ashwood Parkway, Suite 500  
Atlanta, Georgia 30338

Sherry A. Mitchell, Corporate Secretary  
Southern Nuclear Operating Company, Inc.  
40 Inverness Center Parkway  
Birmingham, Alabama 35242

(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

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

## INFORMATION REQUIRED

### Item 2. Fees, Commissions and Expenses.

The additional fees, commissions and expenses paid or to be incurred in connection with the issuance and sale of the Plan Stock are estimated not to exceed \$5,000, which includes the fees of counsel.

### Item 3. Applicable Statutory Provisions.

(a) Southern considers that the proposed issuance and sale of the Plan Stock are subject to the provisions of Sections 6(a), 7, 32 and 33 of the Act and Rules 53 and 54 thereunder.

Southern considers that any purchases of Southern's common stock by the Employing Companies pursuant to the ESOP prior to contributing such stock to the ESOP Trust are subject to the provisions of Sections 9(a) and 10 of the Act.

The proposed transactions will be carried out in accordance with the procedure specified in Rule 23 and pursuant to an order of the Commission with respect thereto.

(b) Rule 53 Analysis. The proposed transactions are subject to Rule 53, which provides that, in determining whether to approve the issue or sale of a security for purposes of financing the acquisition of an EWG or FUCO, the Commission shall not make certain adverse findings if the conditions set forth in Rule 53(a)(1) through (a)(4) are met, and are not otherwise made inapplicable by reason of the existence of any of the circumstances described in Rule 53(b).

Southern currently meets all of the criteria of Rule 53(a), except for clause (1). At October 31, 1999, Southern's "aggregate investment," as defined in Rule 53(a)(1), in EWGs and

FUCOs was approximately \$2.969 billion, or approximately 74.09% of Southern's "consolidated retained earnings," also as defined in Rule 53(a)(1), for the four quarters ended September 30, 1999 (\$4.008 billion). 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 Nos. 26501 and 26646, dated April 1, 1996 and January 15, 1997, respectively.

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 domestic utility subsidiary 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 would be no basis for the Commission to withhold or deny approval for the proposal made in this Application-Declaration. The issuance of the Plan Stock as proposed 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). Southern's consolidated capitalization as of September 30, 1999, was 44.5% equity, 55.5% debt including all non-recourse debt, and 57.1% equity and 42.9% debt excluding all non-recourse debt. On a pro forma basis, taking into consideration the transactions contemplated hereby, such ratios are 48.6% and 51.4%, respectively, for equity and debt. The common equity component of Southern's pro forma consolidated capitalization represents 39.2% of total capitalization at September 30, 1999. Both are within accepted industry ranges and within the limits set by independent rating agencies (such as Standard and Poor's) for "A" rated utilities.

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 evidenced by the continued "A" corporate credit rating of Southern. Specifically, in January 1997 Standard & Poor's assigned Southern 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 corporate rating, are all "A+" or better. As a point of reference, the percentage of debt in the total capital structure of the Southern domestic operating utility companies was 43.7% at September 30,

1999, which is lower than the average for Standard & Poor's "A" rated vertically integrated utilities. At year end 1998, according to Standard & Poor's, the average total debt (both long-term and short-term) for "A" rated electric utilities was 50.4% of total capitalization.

Southern's consolidated retained earnings grew on average approximately 5.5% per year over the last five years. Excluding the \$111 million one-time windfall profits tax imposed on SWEB in 1997 and the write down of assets in 1998, the average growth would be 7.2%. In 1998, consolidated retained earnings increased approximately \$36 million, or slightly less than 1%. Southern's interests in EWGs and FUCOs have made a positive contribution to earnings in the three calendar years ending after the issuance of the Rule 53(c) Order.

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

**Item 6. Exhibits and Financial Statements.**

(a) Exhibits

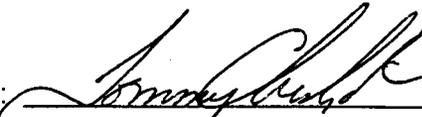
F- Opinion of Troutman Sanders LLP, counsel for Southern.

**SIGNATURES**

Pursuant to the requirements of the Public Utility Holding Company Act of 1935, the undersigned companies have duly caused this amendment to be signed on their behalf by the undersigned thereunto duly authorized.

Dated: December 22, 1999

**THE SOUTHERN COMPANY**

By:   
\_\_\_\_\_  
Tommy Chisholm  
Secretary

**ALABAMA POWER COMPANY**

By:   
\_\_\_\_\_  
Wayne Boston  
Assistant Secretary

**GEORGIA POWER COMPANY**

By:   
\_\_\_\_\_  
Wayne Boston  
Assistant Secretary

GULF POWER COMPANY

By: Wayne Boston  
Wayne Boston  
Assistant Secretary

MISSISSIPPI POWER COMPANY

By: Wayne Boston  
Wayne Boston  
Assistant Secretary

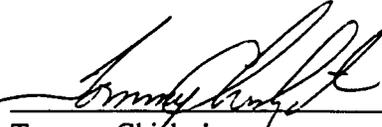
SAVANNAH ELECTRIC AND POWER  
COMPANY

By: Wayne Boston  
Wayne Boston  
Assistant Secretary

SOUTHERN COMMUNICATIONS SERVICES,  
INC.

By: Tommy Chisholm  
Tommy Chisholm  
Secretary

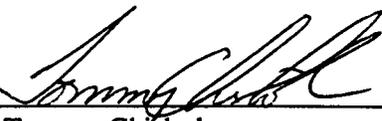
SOUTHERN COMPANY ENERGY SOLUTIONS,  
INC.

By:   
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Tommy Chisholm  
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SOUTHERN COMPANY SERVICES, INC.

By:   
\_\_\_\_\_  
Wayne Boston  
Assistant Secretary

SOUTHERN ENERGY RESOURCES, INC.

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\_\_\_\_\_  
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SOUTHERN NUCLEAR OPERATING  
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