

UNITED STATES OF AMERICA 114 FERC ¶62,329
FEDERAL ENERGY REGULATORY COMMISSION

Georgia Power Company
Savannah Electric Power Company

Docket No. EC06-81-000

ORDER AUTHORIZING MERGER

(Issued March 30, 2006)

On February 14, 2006, as amended on February 17, 2006, Georgia Power Company (Georgia Power) and Savannah Electric Power Company (Savannah Electric) (collectively, Applicants) filed a joint application under section 203 of the Federal Power Act (FPA)¹ requesting Commission authorization for the internal corporate reorganization in which Savannah Electric will merge into its affiliate company, Georgia Power.

Georgia Power and Savannah Electric are Georgia corporations and wholly-owned subsidiaries of The Southern Company (Southern),² an energy holding company. Georgia Power is a vertically-integrated public utility that provides electricity to approximately two million customers in a 53,000 square mile franchised service area in Georgia. Georgia Power owns and operates transmission facilities that are interconnected with Savannah Electric and other public utility affiliates, non-affiliated utility companies, the Tennessee Valley Authority, and the Southeastern Power Administration in the states of Georgia, South Carolina, and Florida. Georgia Power owns approximately 3,200 miles of transmission lines and provides transmission service on an integrated basis with Southern's other public utilities under a joint open access transmission tariff (OATT). Georgia Power sells wholesale power under various contracts, including the Southern Company Intercompany Interchange Contract (IIC). Georgia Power has interconnection agreements with other sellers of wholesale power.

Savannah Electric is a vertically-integrated public utility primarily engaged in the sale of electricity at wholesale and retail to approximately 142,000 customers in a 2,000 square mile service area in southeastern Georgia. Savannah Electric owns approximately

¹ 16 U.S.C. § 824b (2000), amended by Energy Policy Act of 2005, Pub. L. No. 109-58, § 1289, 119 Stat. 594, 982-93 (2005).

² Southern's other wholly-owned public utility subsidiaries are Alabama Power Company, Gulf Power Company, Mississippi Power Company, and Southern Power Company.

400 miles of transmission lines and provides transmission service through the same OATT as Georgia Power. Savannah Electric sells wholesale power through the IIC and is a party to a number of interconnection agreements with generators that sell wholesale power.

According to the application, the reorganization will result in the consolidation of Savannah Electric's jurisdictional facilities with those of Georgia Power. Georgia Power will completely own and control all of Savannah Electric's jurisdictional facilities, which will continue to be operated on a consolidated basis. Transmission service will continue to be provided under the existing OATT.

Under the terms of the merger agreement, Savannah Electric will be merged into Georgia Power through a stock conversion, with Georgia Power remaining as the surviving corporation. All of Savannah Electric's common stock, which is owned by Southern, will be converted to shares of Georgia Power's common stock. Southern will continue to own all of the outstanding common stock of Georgia Power. Preferred shareholders of Savannah Electric will receive shares of Georgia Power preferred stock in exchange for their Savannah Electric preferred stock. Georgia Power will assume Savannah Electric's obligations under its outstanding debt securities.

Applicants state that the proposed transaction is consistent with the public interest and will have no adverse effect on competition, rates, or regulation. With respect to competition, Applicants state that because the transaction is wholly internal to Southern, it will not affect the relevant market shares of the Applicants, other public utility subsidiaries of Southern, or any other market participant. Applicants state that a competitive analysis is not required because the transaction is an internal reorganization involving affiliates and is not a combination of previously unaffiliated assets.

Applicants state that no costs associated with the proposed transaction will be included in the rates of wholesale customers. Applicants state that because the Applicants have substantial differences in their retail rates, the Georgia Public Service Commission will review and approve a retail rate transition plan that will protect ratepayer interests.

Applicants assert that neither Commission nor state regulation will be affected by the proposed transaction. They state that the Commission will continue to have jurisdiction over wholesale power sales and transmission service. Applicants further state that Georgia Power's retail rates will continue to be regulated by the Georgia Public Service Commission.

Applicants assert that the proposed transaction does not result in, at the time of the transaction or in the future: (a) transfers of facilities between a traditional utility associate company with wholesale or retail customers served under cost-based regulation

and an associate company; (b) new issuances of securities by traditional utility associate companies with wholesale or retail customers served under cost-based regulation for the benefit of an associate company; (c) new pledges or encumbrances of assets of a traditional utility associate company with wholesale or retail customers served under cost-based regulation for the benefit of an associate company; and (4) new affiliate contracts between non-utility associate companies and traditional utility associate companies with wholesale or retail customers served under cost-based regulation, other than non-power goods and services agreements subject to review under sections 205 and 206 of the FPA.

Notice of the application was published on February 17, 2006, with comments, protests, or interventions due on or before March 7, 2006. None were received. Notices of intervention and unopposed timely filed motions to intervene are granted pursuant to the operation of Rule 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. § 385.214). Any opposed or untimely motion to intervene is governed by the provisions of Rule 214.

After consideration, it is concluded that the transaction is consistent with the public interest and is authorized, subject to the following conditions:

- (1) The transaction is authorized upon the terms and conditions and for the purposes set forth in the application;
- (2) The foregoing authorization is without prejudice to the authority of the Commission or any other regulatory body with respect to rates, service, accounts, valuation, estimates, or determinations of cost, or any other matter whatsoever now pending or which may come before the Commission;
- (3) Nothing in this order shall be construed to imply acquiescence in any estimate or determination of cost or any valuation of property claimed or asserted;
- (4) The Commission retains authority under sections 203(b) and 309 of the FPA to issue supplemental orders as appropriate;
- (5) If the merger results in changes in the status or the upstream ownership of Applicants' affiliated qualifying facilities, if any, an appropriate filing for recertification pursuant to 18 C.F.R. § 292.207 shall be made;
- (6) Applicants shall account for the transfer of the jurisdictional transmission facilities in accordance with Electric Plant Instruction No. 5 and Account 102, Electric Plant Purchased or Sold, of the Uniform System of Accounts. Applicants must also file their proposed accounting within six months of the date that the transfer is consummated. The accounting submission

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should provide all accounting entries related to the transfer, along with appropriate narrative explanations describing the basis for the entries;

- (7) Applicants shall make appropriate filings under section 205 of the FPA, as necessary, to implement the merger; and
- (8) Applicants shall notify the Commission within 10 days of the date that the merger has been consummated.

This action is taken pursuant to the authority delegated to the Director, Division of Tariffs and Market Development - West, under 18 C.F.R. § 375.307. This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 C.F.R. § 385.713.

Steve P. Rodgers
Director
Division of Tariffs and Market Development – West