

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Southern Company Services, Inc.

Docket No. ER06-919-002

ORDER DENYING REHEARING

(Issued February 21, 2007)

1. On December 21, 2006, the Commission issued an order addressing a protested true-up filing made by Southern Company Services, Inc.,¹ pursuant to a formula rate, and setting for hearing whether Southern Companies has improperly included pre-paid pension assets in Account 165 (Prepayments) rather than Account 186 (Deferred Debits).² The December 2006 Order also directed that a settlement judge be assigned and the hearing deferred, to give the parties an opportunity to resolve their differences in a settlement.

2. On January 22, 2007, Southern Companies filed a request for rehearing, arguing that: (1) a hearing is unnecessary because the Commission should summarily decide the disputed issue in its favor; and (2) the hearing and settlement judge procedures previously ordered should be terminated. In this order, we will deny rehearing.

Background

3. This matter began on May 1, 2006, when Southern Companies filed its 2005 True-Up Filing (2005 True-Up Filing) to update formula rates in accordance with the True-Up procedures in Attachment N of Southern Companies' Open Access Transmission Tariff (OATT).

¹ Acting as agent for Alabama Power Company, Georgia Power Company (Georgia Power), Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (Savannah Power) (collectively, Southern Companies).

² *Southern Company Services, Inc.*, 117 FERC ¶ 61,308 (2006) (December 2006 Order).

4. As explained in the December 2006 Order, Southern Companies' formula rate, originally approved by the Commission in *Southern Company Services, Inc.*, 105 FERC ¶ 61,019 (2003) (Settlement Order),³ calculates Southern Companies' charges for services on its bulk transmission facilities (those above 44/46 kV) and its sub-transmission facilities (those at 44/46 kV).

5. Customers may raise objections to items included in a True-Up Filing by filing a Formal Challenge, if earlier, less formal, challenges fail to resolve issues. In this case, customers filed a Formal Challenge objecting, among other matters, to Southern Companies' inclusion of pre-paid pension balances in accounts that they maintain impacts Southern Companies' rate base and revenue requirement.⁴ Customer Group requested a hearing to explore this issue.

6. In the December 2006 Order, the Commission found that this issue necessitated a hearing, stating,

our preliminary analysis indicates that the proposed 2005 True-Up Filing raises issues of material fact that cannot be resolved based on the record before us, and are more appropriately addressed in the hearing and settlement judge procedures ordered below. Therefore, we will accept the 2005 True-Up Filing, subject to potential additional refunds, and set it for hearing and settlement judge procedures.^[5]

Discussion

7. Southern Companies maintains that a hearing is not needed because it presented sufficient information in support of its pre-paid pension claim to allow the Commission to summarily decide this issue in its favor without conducting a hearing. We disagree. Based on our preliminary review of the information provided in the Southern Companies' filing and subsequent pleadings, we found that it was not possible to determine where these pre-paid pension balances belong.

8. Southern Companies currently includes its pre-paid pension balances in Account 165 (Prepayments) and recovers these amounts in its formula rates. In its

³ Southern Companies' formula rate is codified in the Formula Rate Manual in Attachment M of Southern Companies' OATT, while Southern Companies' True-Up Procedures are described in Attachment N.

⁴ The protesting customers were South Mississippi Electric Power Association, Alabama Electric Cooperative, Inc. and Southeastern Federal Power Customers (collectively, Customer Group).

⁵ December 2006 Order at P 19.

Formal Challenge Customer Group states that these pre-paid pension balances have long term benefits, and should be included in Account 186 (Deferred Debits) and removed from the formula rates. It is not clear from the record in this case and the facts and circumstances regarding Southern Companies' funding of its pension costs whether these amounts should properly be recorded as a prepayment, a deferred debit, or if the amount should be apportioned between both accounts. There is sufficient uncertainty regarding Southern Companies' proposed accounting treatment for its pre-paid pension balances that we are currently unable to summarily decide this issue as requested by Southern Companies; this matter involves questions of facts that would best be resolved in a hearing, if settlement talks fail. Accordingly, we will deny Southern Companies' request for rehearing on this issue and affirm our setting this matter for hearing and settlement judge procedures.

The Commission orders:

Southern Companies' request for rehearing is hereby denied, as discussed in the body of this order.

By the Commission.

(S E A L)

Magalie R. Salas,
Secretary.