

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Pat Wood, III, Chairman;
Nora Mead Brownell, and Joseph T. Kelliher.

Southern Company Services, Inc.

Docket No. ER02-851-013

ORDER ACCEPTING COMPLIANCE FILING

(Issued February 12, 2004)

1. In this order, the Commission accepts revised tariff sheets¹ and addresses a refund report submitted by Southern Company Services, Inc. (Southern)² in response to the October 3, 2003 Commission Order approving a settlement establishing formula rates for transmission service provided under Southern Companies' Open Access Transmission Tariff (OATT). This action ensures that customers are charged just and reasonable rates for transmission service.

Background

2. On January 25, 2002, Southern filed an amendment (the January 25 Filing) to Southern Companies' OATT, proposing to revise the calculation of charges for service on its bulk transmission facilities, by adopting a formula rate methodology in lieu of computing charges based on use of a fixed revenue requirement.

3. On March 27, 2002, the Commission issued an order conditionally accepting the proposed tariff sheets and suspending them for five months, to be effective September 1,

¹ First Revised Sheet No. 197, First Revised Sheet No. 200, and First Revised Sheet No. 201 to Southern Companies' FERC Electric Tariff, Fourth Revised Volume No. 5.

² Southern Company Services, Inc. acts as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Savannah Electric and Power Company (collectively, Southern Companies).

2002, subject to refund. The Commission also directed staff to convene a technical conference, which was held in August 2002.³

4. On June 18, 2003, Southern filed a settlement to resolve the issues in that proceeding. On October 3, 2003, the Commission issued an order that approved the settlement.⁴ In that order, the Commission stated that it was modifying the portion of the settlement that would specify deadlines that the Commission must meet when issuing an order on a Formal Challenge.⁵

Southern's Compliance Filing

5. On November 21, 2003, Southern submitted the instant compliance filing (November 21 Filing), including revised tariff sheets that eliminate the deadlines, as well as a refund report and accompanying workpapers.

6. Southern explains that, on October 31, 2003, Southern Companies wired refunds (with interest) associated with revenues collected from September 1, 2002 through September 30, 2003 to the transmission customers affected by the settlement. Also in the November 21 Filing, Southern explains that, subsequent to the filing of the settlement, it was discovered that the formula rate data inadvertently included certain investment items related to generator step-up transformers (GSUs) that should have been excluded in certain instances and, in other instances, excluded certain GSU costs that should have been included in the formula rate. Southern states that these items have been corrected in the November 21 Filing and the supporting workpapers reflect the proper adjustments. Southern notes that the total effect of the GSU adjustments has been to lower the total charges.

7. Southern explains that the refunds made to transmission customers included the effect of this adjustment to the formula rate and the resulting charges. In addition, in part for ease of administration, Southern states that it issued refunds to all customers for a period of time in excess of the Commission-ordered effective date. Southern asserts that it has shared this information and data with the parties to the settlement and that no party expressed opposition.

³Southern Company Services, Inc., 98 FERC ¶ 61,328, reh'g denied, 99 FERC ¶ 61,204 (2002).

⁴Southern Company Services, Inc., 105 FERC ¶ 61,019 (2003) (October 2003 Order).

⁵October 2003 Order, 105 FERC ¶ 61,019 at P 24.

Notices, Interventions and Protests

8. Notice of the November 21 Filing was published in the Federal Register, 68 Fed. Reg. 68,368 (2003), with protests and interventions due on or before December 12, 2003. Alabama Electric Cooperative, Inc., South Mississippi Electric Power Association, and Southeastern Federal Power Customers (Protesters) jointly filed a protest on December 12, 2003. The protest concerns the appropriate demand loss factor being applied to load at the bulk transmission level and the timing of the refunds reflecting the exclusion of certain interconnection facilities. The Protesters claim that the demand loss factor outlined in the settlement was not used in the refund calculation for service rendered in the September 1, 2002 through December 31, 2002 timeframe. This error amounted to Southern under-refunding approximately \$100,000 (including interest). The Protesters also claim that Southern did not remove costs associated with the interconnection facilities identified in its Order No. 2003 compliance filing, filed on September 24, 2003.⁶

9. On December 16, 2003, Southern filed an erratum acknowledging the demand loss factor error and changing the demand loss factor from 3.2% to 2.6%. Southern states that it will make refunds to properly apply the settlement's demand loss factor and to revise the calculations shown on the 2002 workpapers at the time it pays refunds in compliance with the Commission's order addressing the September 24, 2003 compliance filing once the Commission has issued its ruling. Southern notes that it contacted counsel for the parties to the settlement and has been authorized to state that none oppose this approach.

10. Notice of the December 16, 2003 filing was published in the Federal Register, 69 Fed. Reg. 1,712 (2004), with interventions and protests due on or before January 6, 2004. No comments or protests were received.

Discussion

11. We find that Southern's revised tariff sheets comply with the October 2003 Order and therefore accept them for filing to be effective May 1, 2003.

⁶ On September 24, 2003, Southern submitted a compliance filing in Docket No. ER03-851-010 in response to the Commission order issued on March 27, 2002, see supra note 3, which directed Southern to make a compliance filing within 30 days of the date of the issuance of a final rule in Docket No. RM02-1-000. See Standardization of Generator Interconnection Agreements and Procedures, Order No. 2003, FERC Stats. & Regs. ¶ 31,146 (2003).

12. Southern's December 16, 2003 erratum filing indicates that it recognizes that it improperly used the wrong demand loss factor. Southern proposes to provide additional refunds to correct the error when it makes refunds in compliance with a Commission order addressing its pending September 24, 2003 compliance filing in Docket No. ER02-851-010. Southern argues that this approach appears to be the most efficient and effective way to resolve both of these matters given the relatively small monetary impact. Moreover, no party filed in opposition to this proposal.

13. In the interest of administrative efficiency, the Commission will accept Southern's proposal to refund additional amounts associated with the correct demand loss factors at the same time it complies with the Commission's order addressing its pending September 24, 2003 compliance filing. Subject to the foregoing, the refund report is accepted as in compliance with the settlement.

The Commission orders:

(A) Southern's revised tariff sheets are hereby accepted for filing to be effective May 1, 2003.

(B) Southern's refund report is hereby accepted subject to the further refunds and filing discussed in the body of this order.

By the Commission. Commissioner Kelly not participating.

(S E A L)

Linda Mitry,
Acting Secretary.