

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

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

Southern Company Services, Inc.
Alabama Power Company
Georgia Power Company
Gulf Power Company
Mississippi Power Company
Savannah Electric and Power Company
Southern Power Company

Docket No. EL05-102-002

ORDER ACCEPTING COMPLIANCE FILING AS MODIFIED

(Issued April 19, 2007)

1. On November 6, 2006, Southern Company Services, Inc. (Southern Services), acting as agent for Alabama Power Company, Georgia Power Company, Gulf Power Company, Mississippi Power Company, and Southern Power Company (Southern Power) (collectively, Southern Operating Companies), submitted a compliance filing pursuant to the Commission's Order on Settlement, issued October 5, 2006.¹ The compliance filing includes amendments to the Southern Company System Intercompany Interchange Contract (IIC), a Separation of Functions and Communications Protocol applicable to Southern Power (Separation Protocol), a Generator Support Service Tariff (GSS Tariff), and a Projected Implementation Schedule outlining actions to date and the expected timeframe for implementing the Separation Protocol.
2. In this order, we accept Southern Services' compliance filing, as modified, and direct a further compliance filing, as discussed below.

¹ *Southern Company Services, Inc.*, 117 FERC ¶ 61,021 (2006) (Settlement Order).

I. Background

3. On May 5, 2005, the Commission instituted an investigation in Docket No. EL05-102-000 to determine whether the role of Southern Power in the Southern Operating Companies' generation "pool" continued to be appropriate and consistent with the Commission's regulations and precedents regarding affiliate abuse.² Specifically, the Commission set for hearing the following issues: (1) the justness and reasonableness of the IIC, including the justness and reasonableness of Southern Power's continued inclusion in the Southern Operating Companies' pool (Pool) and whether that inclusion involves undue preference and undue discrimination that adversely affect wholesale competition and wholesale customers in the southeast; (2) whether any of the Southern Companies, including Southern Power, have violated or are violating (either on their own or through their agent, Southern Services) the Standards of Conduct under Part 358 of the Commission's regulations; and (3) whether the Southern Operating Companies' Code of Conduct is just and reasonable and whether the Code of Conduct should continue to define Southern Power as a "system company."

4. On April 11, 2006, the parties to the proceeding filed an Offer of Settlement (Settlement) and Explanatory Statement.

5. On October 5, 2006, the Commission issued the Settlement Order. The Commission evaluated the Settlement and concluded that it was deficient in several respects, and did not adequately protect against affiliate abuse. Accordingly, the Commission ordered significant changes to the Settlement.

6. In the Settlement Order,³ the Commission required first that the Southern Operating Companies adopt a clear separation of functions, including restrictions on information sharing, and a separation of personnel, for all transactions undertaken for the benefit of Southern Power's shareholders. Similarly, the Commission required the Southern Operating Companies to make clear that Southern Power is to be treated as an Energy Affiliate under the Standards of Conduct and therefore cannot receive any nonpublic transmission information. Second, the Commission modified the Settlement to ensure that Southern Power cannot receive preferential access to transmission information or otherwise receive transmission service on terms not available to third

² *Southern Company Services, Inc.*, 111 FERC ¶ 61,146 (Hearing Order), *clarified*, 112 FERC ¶ 61,015 (2005).

³ Settlement Order, 117 FERC ¶ 61,021 at P 3.

parties. Finally, the Commission required that all similarly situated merchant generators have access to back up power from the Southern Operating Companies. The Southern Operating Companies were given 15 days to decide whether to accept these and the other changes specified in the Settlement Order. If they rejected the changes, the Commission would reinstate the hearing in this case.⁴

7. On October 20, 2006, Southern Services filed a Notice of Acceptance of Modifications to Settlement (Acceptance Filing), in which Southern Services accepted, as agent for the Southern Operating Companies, the Settlement Order modifications and expressed its understanding of these modifications. In addition, Southern Services committed to work diligently to implement the modifications set forth in the Settlement Order in a timely manner.

8. On November 6, 2006, Southern Services submitted, as agent for the Southern Operating Companies, a compliance filing, as directed by the Settlement Order.

II. Notice of Filing and Responsive Pleadings

9. Notice of Southern Services' filing was published in the *Federal Register*, 71 Fed. Reg. 67,552 (2006), with protests or interventions due on or before November 27, 2006. On November 27, 2006, Electric Power Supply Association (EPSA) filed a protest. On December 8, 2006, Southern Services filed a response to the protest of EPSA.

III. Discussion

A. Procedural Matter

10. Rule 213(a)(2) of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.213(a)(2) (2006), prohibits an answer to a protest unless otherwise ordered by the decisional authority. We are not persuaded to accept the answer of Southern Services and will, therefore, reject it.

⁴ Article X of the proposed Settlement provides that any Settling Party that is adversely affected by a Commission order modifying the Settlement may terminate the Settlement or, alternatively, indicate that it accepts such modifications.

B. Substantive Matters

11. We generally accept Southern Services' compliance filing as being in compliance with the Settlement Order, except as set forth in the following sections.

1. Separation of Functions and Communications Protocol

12. Southern Services proposes to replace the Communications Protocol filed in the Settlement with the Separation of Functions and Communications Protocol (Separation Protocol) in order to comply with certain requirements in the Settlement Order. Southern Services contends that the Settlement Order permits Southern Power to remain a "system company" rather than a "marketing affiliate," with resources integrated in the Southern Operating Companies' generation Pool established under the IIC.⁵ Southern Services acknowledges, however, that the Commission required a clear separation, including a separation of personnel and restrictions on information sharing, with respect to wholesale activities of Southern Power that are carried on for its sole benefit. Southern Services has set forth these requirements in the new Separation Protocol.

13. Southern Services states that the provisions of its new Separation Protocol implement the following three items of its Acceptance Filing:

- The wholesale activities of Southern Power carried on for the sole benefit of Southern Power must be functionally separated from the other Southern Operating Companies. This consists of Southern Power's generation planning, market analysis, business development (origination), and asset management functions. (Settlement Order at PP 34, 35, 37).
- The functionally separated personnel of Southern Power may not receive nonpublic market information from the other Southern Operating Companies, either directly or indirectly. (Settlement Order at PP 34, 35).
- Southern Power may use shared support employees in a manner consistent with the Commission's requirements under its Standards of Conduct and subject to comparable "no conduit" rules pertaining to the transfer of prohibited market information. (Settlement Order at P 37).

⁵ Southern Services' November 6, 2006 transmittal letter, page 2.

14. Southern Services' proposed Separation Protocol provides for a separation of Southern Power's functions from those of the other Southern Operating Companies with respect to four specific wholesale activities for Southern Power that are defined as "separated functions." These four activities are: generation planning, market analysis, business development (marketing/sales), and asset management.

15. EPSA protests that Southern Services' proposed revisions to the Separation Protocol do not satisfy the requirements of the Settlement Order that there be a separation of functions for *all* functions, except joint economic dispatch and reserve sharing under the IIC. Thus, EPSA argues, the compliance filing would allow Southern Power to undertake other activities that may be unrelated to joint economic dispatch and reserve sharing under the IIC without adhering to the separation of functions requirement. EPSA requests that the Commission direct Southern Services to modify its definition of separated functions to consist of all activities undertaken by Southern Power or on behalf of Southern Power other than joint economic dispatch and reserve sharing under the IIC. EPSA also requests that the Commission clarify that the separation of functions must extend to trading activities so that Southern Power's trading desk will be located separate from other trading desks.

Commission Determination

16. In the Settlement Order, the Commission stated:

Our precedents require that, where a competitive affiliate enters into transactions for its own benefit, it must separate its functions from those of its regulated affiliates. . . . We cannot exempt Southern Power from this requirement. Consequently, the Communications Protocol and Code of Conduct must be revised to provide a separation of functions and information sharing protections for *any* function that is undertaken for the benefit of Southern Power's shareholders, *i.e.*, any function except joint economic dispatch and reserve sharing under the IIC.⁶

17. The Commission shares EPSA's concern that Southern Services' list of "separated functions" may be too limited. While the Settlement Order discusses our concern regarding the four specified activities, we did not intend that discussion to be all

⁶ Settlement Order, 117 FERC ¶ 61,021 at P 34-35. (Emphasis in the original). (Footnotes omitted).

inclusive. We do not have sufficient information to determine that these four activities are the only activities that may be undertaken for the benefit of Southern Power's shareholders and, thus, the only ones that must be separated. As noted above, the Settlement Order required that there must be a separation of functions and information sharing protections "for any function that is undertaken for the benefit of Southern Power's shareholders, *i.e.*, any function except joint economic dispatch and reserve sharing under the IIC."⁷ Accordingly, the Settlement Order requires, by its terms, that a separation occur with respect to "any function except joint economic dispatch and reserve sharing under the IIC." We therefore require the Southern Companies to restate the Separation Protocol consistent with the Settlement Order and file it as part of a further compliance filing.

18. With respect to EPSA's request for clarification that the separation of functions must extend to trading activities, we clarify that Southern Power's trading desk must be located separately from other trading desks and Southern Power's other trading facilities have restricted access through adequate security measures, *e.g.*, card key access. We note that it appears from Southern Services' compliance filing that Southern Services agrees that trading activities must be separated.

2. Sharing of Market Information

19. The Settlement Order required that the Communications Protocol and the Code of Conduct be revised to provide a restriction on the flow of market information from the regulated function to the competitive function.⁸

20. Southern Services proposes to include the following language in its new Separation Protocol:

Personnel who conduct separated functions for Southern Power may not receive *non-public* market information from the other Southern Operating Companies ("prohibited information"), which information also includes the *non-public* inputs (fuel forecasts, emission allowance forecasts, load forecasts, and projected unit operating characteristics) and *non-public* outputs (projected future capacity resources and

⁷ *Id.*

⁸ Settlement Order, 117 FERC ¶ 61,021 at P 35, 37.

the utilization and cost of such capacity and energy) of the Integrated Resource Planning process used by the other Southern Operating Companies. *This limitation is not intended to restrict access to information related to Southern Power's participation in the Southern Company System Intercompany Interchange Contract ("IIC") except to the extent specified in Section 5.2 of the IIC, which addresses non-public information regarding the operation of Pool resources of the other Southern Operating Companies.* [Emphasis added.]

21. In addition, Southern Services proposes to include the following new section 5.2 in the IIC:

With respect to its participation in this IIC, Southern Power Company may have access to information regarding the operation of its own plants or other generation resources (such as those acquired by contract) that it has committed to the Pool ("Pool resources"), but it may not otherwise have access to *non-public* information regarding the operation of Pool resources of the other OPERATING COMPANIES. [Emphasis added.]

22. EPSA is concerned that Southern Services' proposal is at odds with the Commission's requirements prohibiting franchised utilities from sharing information with their marketing affiliates. EPSA states that the Commission has consistently required that Codes of Conduct include the following language:

All market information shared between the [franchised utility affiliate] and the [marketing affiliate] will be disclosed simultaneously to the public. This includes all market information, including but not limited to, any communication concerning power or transmission business, present or future, positive or negative, concrete or potential.

23. EPSA also argues that the Commission has consistently rejected proposals by other utilities to define prohibited information to include only nonpublic information and that the Settlement Order did not limit the prohibition to nonpublic information.

Commission Determination

24. EPSA is correct with respect to both points concerning the Code of Conduct.

25. First, the Commission has consistently required that the code of conduct provide for simultaneous disclosure of shared marketing information.⁹ The Commission has said that one of the safeguards that the Commission has put in place to prevent affiliate abuse is a code of conduct which ensures that preferences are not accorded the marketing affiliate and that market information is not shared with the marketing affiliate unless it is also disclosed simultaneously to non-affiliates.¹⁰

26. In addition, the Commission does not limit the simultaneous disclosure of market information to only nonpublic shared information, and has rejected proposals which require the simultaneous disclosure of only nonpublic information. We believe that the difficulties inherent in implementing and enforcing a standard that allows the sharing of already publicly available information do not warrant allowing an exception for such information.¹¹ The Settlement Order required a restriction on the sharing of *any* market information, not just nonpublic information, and required that the code of conduct and the IIC be revised accordingly.¹² We will direct Southern Services to make these revisions.

3. Other Code of Conduct Concerns

27. Southern Services has revised its Code of Conduct to state that Southern Power is further subject to the conditions and requirements of the Separation Protocol that is attached and made a part of thereof.

28. EPSA complains that Southern Services' Code of Conduct continues to define Southern Power as a "system company" rather than a "marketing affiliate" and, as a

⁹ See, e.g., *Entergy Nuclear Generation Co.*, 86 FERC ¶ 61,142 (1999).

¹⁰ See *UtiliCorp United, Inc.*, 75 FERC ¶ 61,168 (1996).

¹¹ See, e.g., *Entergy Nuclear Generation Co.*, 86 FERC ¶ 61,142 (1999).

¹² Settlement Order, 117 FERC ¶ 61,021 at P 34, 35, and nn.20, 22. The only restriction to nonpublic information occurs where the Settlement Order makes clear that Southern Power is to be treated as an Energy Affiliate under the Standards of Conduct and therefore cannot receive any nonpublic information. *Id.* at P 3, 55.

result, fails to conform to the Commission's requirement that there be a separation of functions. EPSA requests that the Commission direct Southern Services to modify the Code of Conduct to define Southern Power as a marketing affiliate.

29. In support, EPSA argues that, while the Separation Protocol will control some areas in the Code of Conduct that would otherwise permit an affiliate preference, retaining Southern Power as a system company serves no purpose other than to create ambiguities that may permit Southern Services to circumvent the intent of the Settlement Order. Moreover, EPSA claims that the Separation Protocol does not control with respect to all areas that would be covered if Southern Power were treated as a marketing affiliate. EPSA points to section 5 of the Code of Conduct which prohibits an officer or employee of a System Company from making any statement suggesting that: (a) a person doing business with a marketing affiliate will receive preferential treatment with regard to service from or to a system company; and (b) a person doing business with system companies will receive preferential treatment in the purchase or sale of electric energy from or to marketing affiliates. EPSA appears to be arguing that, according to section 5 of the Code of Conduct, because Southern Power is not a marketing affiliate, an employee of a Southern Operating Company (including Southern Power) could suggest that a person doing business with Southern Operating Companies will receive preferential treatment in the purchase or sale of electric energy from or to Southern Power.

Commission Determination

30. EPSA is concerned that Southern Power may be given preferential treatment by the Southern Operating Companies because Southern Power is not bound by the limitations in the Code of Conduct as a marketing affiliate would be. We disagree that Southern Power needs to be defined as a marketing affiliate in order to address that concern. Southern Power is defined as a "system company" under the Code of Conduct because it is part of the Southern generating pool and will therefore continue to share the discrete functions of joint dispatch and reserve sharing with its regulated operating affiliates. However, the Code of Conduct makes clear that "Southern Power Company is further subject to the conditions and requirements of the Separations of Functions and Communications Protocol that is attached and made a part hereof." As discussed above, it is the Separations of Functions and Communications Protocol that, as modified by this Order, will contain the protections necessary to implement the Settlement Order.

31. However, while the Separation Protocol includes some of the affiliate anti-discrimination protections of the Code of Conduct (*e.g.*, those on information sharing and separation of personnel), it does not contain all such protections. While the Commission disagrees with EPSA's contention that Southern Power should be designated a marketing affiliate, we do not find that the current version of the Separation Protocol contains

adequate protections for captive customers from affiliate abuse. Accordingly, we will require Southern Services to include in the Separation Protocol a requirement that Southern Power abide by items 5 (no statements or indications of preferential treatment) and 7 (concerning pricing of interaffiliate goods, service, and transactions) of the Code of Conduct.

4. Generation Support Service

32. Under the GSS Tariff, the Southern Operating Companies offer nonfirm energy to generators located within the Southern Operating Companies' control area, on a next-hour basis, in response to a verifiable forced outage event to serve a pre-existing sale schedule. The maximum service term is the balance of the calendar day or four hours, whichever is greater. The service will be priced at the higher of 110 percent of Southern Services' incremental cost or \$100/MWh. Additionally, an administration fee of \$5,000.00 shall apply annually for each Service Agreement. Southern Services states that it has elected to forego market-based pricing for service under the GSS Tariff, as directed by the Commission in the Settlement Order, in favor of a rate structure similar to that used for emergency-type service. Southern Services asserts that this will afford more certainty for potential users, while at the same time leaving them the option to pursue market-based energy opportunities (from Southern Operating Companies or from any other supplier) if they prefer to do so.

33. EPSA complains the Settlement Order would exempt the Southern Operating Companies from the requirement that sales from the franchised utilities to the marketing affiliate, Southern Power, be priced no lower than the market price and, as a result, unlike every other marketing affiliate subject to the Commission's jurisdiction, Southern Power would have access to energy that is priced at variable cost. EPSA states that a \$100/MWh charge will not address the concern that the IIC provides Southern Power with an affiliate preference, and the Commission should direct Southern Services to revise the GSS Tariff rate to eliminate the \$100/MWh charge.

34. In addition, EPSA complains that Southern Services has not justified the limited duration of the hourly service and the Commission should direct Southern Services to modify the GSS Tariff to provide for a maximum term of at least 48 hours. EPSA states that Southern Power's access to pool energy is not restricted to any number of hours.

Commission Determination

35. In the Settlement Order, the Commission required that the Southern Operating Companies make available the same backup service being offered to Calpine Corporation and Coral Power, L.L.C. in Article VIII of the offer of settlement to any interested

merchant generator in the Southern Operating Companies' control area.¹³ The Commission also agreed that the rates for all merchants should be comparable, market-based, and reflected in the Southern Operating Companies' EQR reports. In addition, the Commission required that the Southern Operating Companies file a Generation Support Service Tariff that sets forth the terms and conditions of the service, including, but not limited to, the firmness of the service and the procedures for requesting the service.¹⁴

36. The GSS Tariff filed by Southern Services generally complies with the Settlement Order and, with certain modifications discussed below, we will accept it. The proposed cost-based rates are acceptable, since such rates are a standard practice utilized by other companies in similar situations.¹⁵ In addition, Southern Services is leaving generators the option to pursue market-based energy opportunities (from the Southern Operating Companies or from any other supplier) if they prefer to do so.¹⁶ We remind Southern Services that the rates under the GSS Tariff or under market-based rates, must be comparable for marketing entities, and must be reflected in Southern Services' EQR reports.

37. EPSA complains that the Settlement Order would exempt the Southern Operating Companies from the requirement that sales from the franchised utilities to Southern Power be priced no lower than the market price. We disagree; EPSA's argument is a collateral attack on the Settlement Order concerning the reciprocal benefits of Southern Power's participation in the pool under the IIC. As the Settlement Order recognized, Southern Power receives back up power at cost based rates under the IIC and, in return, is obligated to supply back up power to its affiliates at cost-based rates under the IIC. Therefore, the rates, terms and conditions of that service are governed by the IIC, not the GSS Tariff.

38. The GSS Tariff was intended to apply only to unaffiliated merchant generators, not to Southern Power. This is not discriminatory because Southern Power has reciprocal rights and obligations under the IIC-it not only receives back up power, but is obligated to provide it at incremental cost. There is no such requirement imposed on other

¹³ *Id.* at P 50.

¹⁴ *Id.*

¹⁵ *See, e.g., Indiana Michigan Power Company*, 44 FERC ¶ 61,313 (1988).

¹⁶ *See* Southern Services' Transmittal letter, page 3.

merchant generators under the GSS Tariff.¹⁷ The GSS Tariff simply provides a contractual mechanism for such merchant generators to receive backup power from the Southern Operating Companies.

39. EPSA also contends that Southern Services should revise the GSS tariff to provide for a maximum term of at least 48 hours for this service. We will reject this claim. EPSA did not provide support for why a maximum term of the service should be at least 48 hours; additionally, other companies provide similar services for less than 48 hours.¹⁸ We will also reject EPSA's claim that the tariff rate should not include the \$100/MWh minimum charge. The \$100/MWh minimum charge is a standard practice for similar services.¹⁹

5. Modifications to the GSS Tariff

40. In the proposed GSS Tariff, Southern Services reserves for itself the right to file revisions to the GSS Tariff under section 205 of the Federal Power Act (FPA),²⁰ using a just and reasonable standard of review, while proposing to limit Commission review and other parties' challenges to the GSS Tariff under section 206 of the FPA²¹ to the higher, public interest standard of review.

¹⁷ In addition, the audit ordered in the Settlement Order will examine whether any of the pooling arrangements, including reserve sharing, can operate to provide an undue preference to any Operating Company, including Southern Power.

¹⁸ *See, e.g.,* Northern States Power Co.'s Service Schedule for Outage Energy and Emergency Energy, provides service up to six hours, Docket No. ER93-807-000 (1993). Central Power and Light Company and West Texas Utilities Co.'s Coordination Transmission Service Tariff, provides service up to ten hours, Docket No. ER95-58-000 (1994).

¹⁹ *See, e.g.,* *Indiana Michigan Power Company*, 44 FERC ¶ 61,313 (1988); *Central Power and Light Company*, 81 FERC ¶ 61,311 (1997); *Duquesne Light Company*, 86 FERC ¶ 61,189 (1999); and *Nevada Power Company*, 95 FERC ¶ 61,331 (2001).

²⁰ 16 U.S.C. § 825d (2004).

²¹ 16 U.S.C. § 825e (2004).

41. EPSA protests this provision, arguing that the public interest standard of review is only applicable to private contracts, not to tariff offerings. In addition, EPSA asserts that there is no reason to allow Southern Services to maintain a tariff for back-up service designed to address concerns of affiliate preference if a third party can demonstrate that the terms are no longer just and reasonable. EPSA states that should the Commission, on its own motion or upon complaint, find that the existing GSS Tariff terms are no longer just and reasonable, the Commission must have the authority to modify the GSS Tariff to include just and reasonable terms pursuant to section 206 of the FPA.

Commission Determination

42. We agree that this provision is unacceptable. The Commission will not allow Southern Services to reserve solely to itself the right to seek modifications to the GSS Tariff under the lower just and reasonable standard under section 205.²² Accordingly, we will direct Southern Services to modify this provision of the GSS Tariff.

6. Audit

43. The Settlement Order directed the Office of Enforcement to conduct an audit of Southern Power and its regulated Southern Operating Company affiliates to ensure that the important protections and benefits to consumers provided by the modifications to the Settlement are implemented properly and that the conditions imposed on the settlement are sufficient to address any remaining opportunities for affiliate abuse under the IIC as it relates to Southern Power. EPSA asks the Commission to clarify that the Southern Operating Companies' summary of the audit scope is incomplete and inaccurate, and that the Office of Enforcement will consider any factors it believes are relevant to the potential for affiliate abuse with respect to the Southern Companies.²³

44. We will deny EPSA's request for clarification. The Southern Operating Companies' summary of the audit scope merely repeats the language from the body of the Commission's order and accurately reflects the scope of the audit. In the Settlement Order, we stated that the audit should address whether the Southern Operating Companies are fully complying with the conditions of the order and whether the conditions imposed are sufficient to address any remaining opportunities for affiliate

²² See *Southern Company Services*, 60 FERC ¶ 61,273 (1992), *order denying reh'g*, 67 FERC ¶ 61,080, at 61,227-28 (1994), *citing Papago Tribal Utility Authority v. FERC*, 723 F.2d 950 (D.C. Cir. 1983).

²³ Electric Power Supply Association's November 27, 2006 Comments at 9.

abuse under the IIC as relates to Southern Power, and provided examples of what the audit should examine in footnotes 2 and 31. The fact that the Southern Operating Companies did not restate the examples in its filing does not and will not constrain the Commission from conducting a complete and thorough audit within the scope required by the Settlement Order.

45. Further, the Southern Operating Companies' filing includes a projected implementation schedule that reflects the compliance efforts to date and the Southern Operating Companies' expected timeframes for completing the remaining compliance milestones. The Southern Operating Companies state that they anticipate being ready for the audit seven months after the Commission issues an order accepting the compliance filing.²⁴

46. We will require that the Southern Operating Companies complete and make effective each of the items in its implementation schedule within the timeline stated in its implementation schedule. For example, as stated in the implementation schedule, by one month after the "Acceptance Order," the Southern Operating Companies will: implement the IIC; implement the GSS Tariff; complete assessment of functional separation requirements and develop a relocation plan; develop an employee training program and begin the implementation effort; and complete assessment of information restrictions and begin the implementation effort. We are requiring the Southern Operating Companies to adhere to these completion and effective dates, as well as all subsequent completion and effective dates on its implementation schedule, *i.e.*, we expect that all tasks necessary for full implementation will be completed *no later than the seven months* Southern has requested. Because this order accepts the Southern Operating Companies' compliance filing as modified in this order, this order is the "Acceptance Order" and the timeline for completing the remaining implementation schedule items begins on the date this order issues. We also direct the Office of Enforcement to monitor Southern Operating Companies' implementation progress and, once implementation is complete, to commence its audit and conclude that audit within 12 months thereafter.

The Commission orders:

(A) The Southern Operating Companies are hereby directed to file a modified compliance filing, within thirty (30) days of this Order, making the modifications required in this Order.

²⁴ Exhibit E of Southern Operating Companies November 6, 2006, Compliance Filing at 2.

(B) The Southern Operating Companies' compliance filing, as modified in accordance with Ordering Paragraph (A), is hereby accepted for filing.

By the Commission. Commissioner Moeller not participating.

(S E A L)

Kimberly D. Bose
Secretary