

Southern Company Transmission Business Practices

Distribution of Operational Penalties for Unreserved Use Penalties

In Order No. 890, the Federal Energy Regulatory Commission (FERC) required transmission providers to develop a mechanism for distributing unreserved use penalty revenues collected as a result of a transmission customer using transmission service that it has not reserved. The unreserved use penalty distributions will be calculated monthly and distributed to non-offending customers on an annual basis on or before the deadline for submitting FERC Form-1.¹

A non-offending customer is defined as the transmission provider on behalf of its native load customers and any transmission customer that purchased point-to-point or network integration transmission service during the month the unreserved use occurred and was not assessed an unreserved use penalty during the month for which the unreserved use penalty is being distributed to non-offending customers.

At the end of the calendar year, Southern will calculate the total penalty revenues collected for unreserved use during each month of the calendar year. The total dollar value of unreserved use penalties collected each month will be distributed to each non-offending customer on a pro-rata basis according to their transmission system load during the month the unreserved use penalties were assessed to the offending customer(s).

The non-offending customer's transmission system load for the month will be determined as follows:

- For each point-to-point transmission service customer, its total bulk transmission dollars for the month divided by the monthly bulk transmission rate.
- For each network integration transmission service customer, its average bulk load for the most recent 12-month period coincident with the transmission provider's monthly transmission system peak hour load.
- For the transmission provider on behalf of its native load customers, the native load customers' average bulk load for the most recent 12-month period coincident with the transmission provider's monthly transmission system peak hour load.

Unreserved use penalties in dispute at the time of the distribution will be excluded from the penalty refund calculations and adjusted for in a subsequent calendar year depending upon the date of resolution (including any judicial appeals).

¹ However, the penalty revenues accrued in 2007 will not be distributed until after FERC accepts Southern's filing of its penalty distribution methodologies and accepts its filing of its annual compliance showing its penalty assessments and proposed distributions for 2007.