

SYSTEM RESTORATION RIDER SCHEDULE "SRR-1"



Mississippi Public Service Commission schedule No. 53

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APPLICABILITY

This Rate Schedule applies to electric service used by all of Mississippi Power Company's (Company) retail customers. To the extent that any provision in this schedule may conflict with applicable statutes, said statutes shall be controlling.

SUMMARY OF COSTS AND CALCULATION OF RETAIL PROPERTY DAMAGE RESERVE ACCRUAL

Each year on or before March 1, the Company shall submit a filing setting forth System Restoration Rider (SRR) related revenue, expense, and investment for the prior year, showing projected data for the test year, and calculating the associated investments and costs as set forth in this rate schedule.

1. The formula for the following calculations is set forth in Appendix "A."
2. The revenues projected to be collected and actually collected under the Commission approved SRR rate will be included in the System Restoration Rider calculation.
3. The actual year-end balances for the prior year will be used in the projected test year calculation for investment items.
4. The retail portions of the investment items included in lines 1 through 4 of Appendix A and the specifically allowed expenses noted in item 11 below and on lines 13,14, and 17 of Appendix A will be determined using the most recent cost-of-service study filed by the Company with the Commission, unless another allocation method is found to be more appropriate, and its use is approved by the Commission. Unless specifically ordered by the Commission otherwise, the Annual Accrual to Property Damage Reserve shall include as additional accrual to the Reserve any and all amounts required to be credited to customers under the Company's annual PEP Evaluation Period Look-Back.
5. The weighted cost of capital to be used shall be the Company's Performance Based Return on Investment (PROI) calculated in accordance with the Company's most recent Performance Evaluation Plan filed with the Commission. If, for any reason, the Company's Performance Evaluation Plan is no longer effective, the weighted cost of capital used shall be the most recent in effect for the Company. The capital structure ratios shall reflect any required ratemaking adjustments.
6. The Target Net Income Before Interest Expense on SRR Investment shall be computed by multiplying the total of the retail portions of the investment accounts calculated in item 4 above times item 5.
7. The Target Net Income Before Interest Expense on SRR Investment will be decreased by the Interest Expense in order to determine Adjusted Target Net Income on SRR Investment.
8. The Adjusted Target Net Income on SRR Investment is then divided by the Income Tax Adjustment Factor which is a composite of the Federal and State income tax rates applicable to the test period to develop the SRR Investment Revenue Requirement.
9. The Annual Accrual to Property Damage Reserve, Amortization of SRR Regulatory Asset, Specifically Allowed SRR Expenses, including but not limited to the retail portion of SRR Allowed Property Insurance

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Expense, and Interest Expense on SRR Investment are added to the SRR Investment Revenue Requirement to develop the SRR Revenue Requirement before Over/Under Recovery. The Prior Year's SRR Over/Under Recovery represents the retail portions of any variances in actual revenues and the actual cost for the prior test period. In the calculation of the True-up of Prior Year's Over/Under Recovery, the amounts for actual SRR investment balance will be the average balances calculated in accordance with Federal Energy Regulatory Commission Uniform System of Accounts. The Prior Year's SRR Over/Under Recovery is added to the SRR Revenue Requirement before Over/Under Recovery to get to the SRR Revenue Requirement before Municipal Franchise Taxes.

- 10. The SRR Revenue Requirement before Municipal Franchise Taxes is then divided by the Income Tax Adjustment Factor which is an approved rate applicable to the test period to develop the Total SRR Revenue Requirement.
- 11. The total retail billed KWH sales for the period over which the charges are to be applied shall be used to determine the SRR Factors.
- 12. Calculation of the SRR factors is as follows:

$$\frac{\text{Total Retail System Restoration Rider Revenue Requirement (Item 10 above)}}{\text{Retail KWH (Item 11 above)}} = \text{Retail Charge per KWH}$$

$$\text{Retail Charge per KWH} \times \begin{matrix} \text{LPO loss multiplier} = \text{LPO Rate Group Charge} \\ \text{LGS/LGS-EH loss multiplier} = \text{LGS/LGS-EH Rate Group Charge} \\ \text{All Other loss multiplier} = \text{All Other Rate Group Charge} \end{matrix}$$

- 13. The initial Annual Accrual to Property Damage Reserve shall be established by Order of the Commission in Docket No. 2006-UN-511. Any requested increase to the SRR Factors that results in an average monthly increase to the residential customer of less than \$1.00 shall not be considered a substantial revenue adjustment and shall be submitted as a Routine Rate Filing pursuant to RP 9.100(1).
- 14. A band of 10% above and below the \$75 million minimum Property Damage Reserve balance will be the threshold for adjusting the Annual Accrual. The Annual Accrual will remain in effect until the 10% upper limit is exceeded. In any year the Property Damage Reserve balance is projected to be above the 10% upper limit, the Annual Accrual will be adjusted to be equal to the projected charges to the Property Damage Reserve. In any year the Property Damage Reserve balance is projected to be below the 10% lower limit, the Company may request an increase in the SRR Factor. Any requested increase to the SRR Factors that results in an average monthly increase to the residential customer of less than \$1.00 shall not be considered a substantial revenue adjustment and shall be submitted as a Routine Rate Filing pursuant to RP 9.100(1).
- 15. The actual amounts for all System Restoration-related accounts that are included in the calculation of these factors and the applicable revenues collected pursuant to it shall be excluded from the Company's

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evaluation filed under its Performance Evaluation Plan.

ADJUSTMENT CLAUSES

The Company's effective adjustment clauses will not be affected by this Rate Schedule in any manner.

TERM

The System Restoration Rider (SRR) shall be effective upon approval by the Commission. The first filing under the SRR-1 Schedule will be made on or before March 1, 2023. The SRR Schedule shall continue unless modified or terminated as provided by law.

FILING PROCEDURES

On or before the SRR filing date of March 1, 2023, and annually on or before March 1 thereafter, the Company shall submit a sworn filing including the calculation of the Total SRR Revenue Requirement for the projected test year.

HEARINGS AND SCHEDULE

During the term of this Schedule "SRR," each periodic revenue adjustment will be separately considered for the purpose of determining whether a hearing is required pursuant to Section 77-3-39(1) of the Mississippi Code of 1972, as amended, and no such hearing shall be required if the amount of any separate adjustment to the level of retail revenues of the utility is not a "major change" as defined in Section 77-3-37(8) of the Mississippi Code of 1972, as amended.

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APPENDIX A

**MISSISSIPPI POWER COMPANY
CALCULATION OF TOTAL RETAIL SRR REVENUE REQUIREMENT
FOR THE TWELVE MONTHS ENDING _____**

	12 MONTHS ENDING 00/00/00 TOTAL RETAIL SERVICE	REFERENCE
<u>Return Requirement on SRR Investment</u>		
1. Retail Property Damage Reserves`	_____	
2. SRR Regulatory Asset		
3. SRR Related Accumulated Deferred Income Taxes		
4. Other SRR Investment		
5. Total SRR Investment	_____	
6. Return on SRR Investment	_____	
7. Target Net Income Before Interest Expense on SRR Investment		
8. Interest Expense on SRR Investment	_____	
9. Adjusted Target Net Income on SRR Investment		
10. Income Tax Adjustment Factor	_____	
11. SRR Investment Revenue Requirement		
12. Annual Accrual to Property Damage Reserve		
13. Amortization of SRR Regulatory Asset		
14. Specifically Allowed SRR Expenses		
15. Interest Expense on SRR Investment	_____	
16. SRR Revenue Requirement before Over/Under Recovery	_____	
17. Prior Year's SRR Over/Under Recovery	_____	
18. SRR Revenue Requirement before Municipal Franchise Taxes	_____	
19. Municipal Franchise Tax Adjustment Factor	_____	
20. Total SRR Revenue Requirement		
<u>Calculation of Change in Revenue Requirement</u>		
21. Current Year Total SRR Revenue Requirement		
22. Prior Year Approved SRR Revenue Requirement	_____	
23. Increase / (Decrease) in Revenue Requirements	=====	