

ENVIRONMENTAL COMPLIANCE OVERVIEW (ECO) PLAN RATE SCHEDULE "ECO-2"



Mississippi Public Service Commission Schedule No. 39

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APPLICABILITY

The Rate Schedule applies to electric service used by all retail customers. To the extent that any provision in this schedule may conflict with applicable statutes, said statutes shall be controlling.

ADJUSTMENTS FOR ENVIRONMENTAL EXPENDITURES

During the first quarter of each calendar year, Mississippi Power Company (the Company) shall file with and come before the Mississippi Public Service Commission (the MPSC or Commission) for hearings regarding the Company's projected environmental expenditures for the current year. The MPSC will address the prudence of the current year's projects and determine whether they are environmental in nature, whether they properly address the environmental concerns and whether the projects and expenditures are reasonable.

At the same time after the initial year of the Plan, MPC will file the actual environmental expenditures made in the prior year on the previously filed projects. The review of the prior expenditures shall be to compare the actual expenditures to the filed projections to assure consistency. If there are any changes in the scope or type of projects or the amount of the expenditures made, the Commission will review any changes for prudence.

At the same time the Company may also file for Certificates of Public Convenience and Necessity for the projected environmental construction projects not previously certificated.

After these hearings and the Commission's rulings on the prudence of these environmental projects and their proposed expenditures for the current year and any approved changes in the prior year's expenditures, the Company will place in effect rates to recover the costs of these projects. The change in rates will be determined as outlined below.

1. A projected thirteen (13) month average balance will be used in the calculation of this rate for production and transmission amounts. A beginning and end-of-period projected average balance will be used for distribution and general amounts. Expense amounts will be projected as of the end of the evaluation year. From the following accounts, the environmental portions thereof which are approved by the Commission for inclusion will be included in the calculation of the Total Retail Environmental Revenue Requirement.

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ADJUSTMENTS FOR ENVIRONMENTAL EXPENDITURES (Cont'd)

Investment Accounts:

Electric Plant In Service (Account 101),
Plant Held for Future Use (Account 105),
Completed Construction Not Classified (Account 106),
Construction Work In Progress (Account 107),
Accumulated Provision for Depreciation (Account 108),
Materials Inventory (Account 154),
Prepaid Materials (Account 186),
Preliminary Survey and Investigation (Account 183),
Regulatory Asset/Liability (Accounts 182, 254),
ARO Liability (Account 230),
Specifically Allowed Environmental Investment (Accounts approved by the Commission), and
Accumulated Deferred Income Taxes (Accounts 190, 281, 282, 283).

Expense Accounts:

Depreciation and Amortization Expense (Accounts 403, 404, 405, 407, 411.1),
Interest Expense,
AFUDC - Debt,
Income Tax Expense, and
Municipal Franchise Tax Expense.

Other Accounts:

AFUDC - Equity and
Other such asset, liability, revenue and expense accounts as approved by the Commission.

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2. The retail portions of the accounts listed in item 1 will be determined using the most recent cost-of-service study filed by the Company with the Commission.
3. 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.
4. The "ECO" Target Net Income Before Interest Expense shall be computed by multiplying the total of item 2 above for the Investment times item 3.
5. This Target Net Income Before Interest Expense will be reduced by Interest Expense and Equity AFUDC in order to determine Adjusted Target Net Income.
6. The "ECO" Adjusted Target Net Income 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 Retail Environmental Investment Revenue Requirement.
7. The retail portions of the current year's projected environmental depreciation and amortization expense, environmental permit fees and expenses, environmental allowances, environmental studies expense, environmental operation and maintenance expenses allowed by the Commission, and Interest expense, net of AFUDC - Debt, are added to the Retail Environmental Investment

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ADJUSTMENTS FOR ENVIRONMENTAL EXPENDITURES (Cont'd)

Revenue Requirement to obtain the Retail Environmental Revenue Requirement Before Adjustment for Prior Year's Expenditures.

The retail portions of any variances in any expenditures from the prior year's approved expenditures which are approved for inclusion will be used to appropriately adjust the current year's Total Retail Environmental Revenue Requirement before Municipal Franchise Taxes.

8. The Total Retail Environmental Revenue Requirement Before Municipal Franchise Taxes will be divided by the Municipal Franchise Tax Adjustment factor to determine Total Retail Environmental Revenue Requirement Before Carry Forward.
9. The annual change in the Total Retail Environmental Revenue Requirement between the immediate past and the current projected year will be limited to 2% of the annual aggregate retail revenues of the Company for the projected twelve (12) month period ending December 31.
10. The Total Retail Environmental Revenue Requirement over the 2% limit will accrue carrying charges at the rate developed in item 3 above and will be included in the calculation of the "ECO" Total Retail Environmental Revenue Requirement the following year as the Environmental Revenue Requirement Carry Forward in order to determine the Total Retail Environmental Revenue Requirement.
11. The total retail KWH sales for the period over which the charges are to be applied shall be used to determine the said Factor.
12. Calculation of the Rate is as follows:

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

Retail KWH
(Item 11 above)

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

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ADJUSTMENTS FOR ENVIRONMENTAL EXPENDITURES - (Cont'd)

13. The actual amounts for all environmental related accounts that are included in the calculation of this Rate and the applicable revenues collected pursuant to it shall be excluded from the Company's evaluation filed under its Performance Evaluation Plan.
14. The formula for calculating the Total Retail Environmental Revenue Requirement is set forth in Exhibit "A".

ADJUSTMENT CLAUSES

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

TERM

The Environmental Compliance Overview (ECO) Plan shall be effective upon approval by the Commission beginning with the first billing cycle of September, 1992, and shall continue unless modified or terminated as provided by law.

FILING PROCEDURES

After the initial year and on or before the tenth working day of February, the Company shall submit a sworn filing including the calculation of the "ECO" Total Retail Environmental Revenue Requirement for that year and the applicable revised "ECO" factors. On that same date the Company will provide notice of the filing to all prior intervenors. The Commission may, for good cause shown, allow additional time for filing the calculation of the "ECO" factors. If the Commission questions or disputes whether the calculation of the "ECO" factors has been made strictly in accord with this Rate Schedule, the law and the Commission's regulations, it shall notify the Company in writing on or before the fifteenth working day of February.

HEARINGS

The annual hearings will be set at the February docket and, following hearings, an order issued regarding the current year's environmental expenditures, any variance in the prior year's approved projects and expenditures, determining the revenue requirement and establishing the associated "ECO" factors by April 15 each calendar year. The hearings shall also consider and determine any environmental Certificates of Public Convenience and Necessity not previously certificated. These hearings will constitute the hearings required pursuant to Miss. Code of 1972, Section 77-3-39(1) (Supp. 1990) and under this rate. During the term of this Schedule, each revenue adjustment will be separately considered for the purpose of determining whether it is a "major change" as defined in Miss. Code of 1972, Section 77-3-37(8) (Supp. 1990).

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FORCE MAJEURE PROVISION

If any cause beyond the reasonable control of the Company, such as natural disaster, damage or loss of generating capacity, orders or acts of civil or military authority, terrorist attacks, government mandates, the happening of any event or events which cause increased costs to the Company, or other causes, whether similar or not, which will result in a deficiency in revenues which is not readily capable of being redressed in a timely manner under this Rate Schedule, the Company may file for rate or other relief outside this Schedule, but in strict accord with the law of the State of Mississippi governing such filings and the said request will be handled by the Commission in its regular manner.

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MISSISSIPPI POWER COMPANY

CALCULATION OF TOTAL RETAIL ENVIRONMENTAL REVENUE REQUIREMENT FOR THE TWELVE MONTHS ENDING _____

	12 Months Ending 00/00/00 Jurisdictional Electric System	Allocation Per Cost of Service Study	12 Months Ending 00/00/00 Total Retail Service	Reference
1. Gross Environmental Plant in Service				
2. Environmental Accumulated Depreciation				
3. Net Environmental Plant in Service				
4. Plant Held for Future Use				
5. Environmental Construction Work in Progress (CWIP)				
6. Materials Inventory				
7. Prepaid Materials				
8. Preliminary Survey and Investigation				
9. Regulatory Asset/Liability				
10. ARO Liability				
11. Specifically Allowed Environmental Investment				
12. Environmental Accumulated Deferred Income Taxes				
13. Total Environmental Investment				
14. Environmental Return on Rate Base				
15. Target Net Income Before Interest Expense on Environmental Investment				
16. Interest Expense on Environmental Investment				
17. Equity AFUDC Accrued on Environmental CWIP				
18. Adjusted Target Net Income on Environmental Investment				
19. Income Tax Adjustment Factor				
20. Environmental Investment Revenue Requirement				
21. Environmental Depreciation Expense				
22. Specifically Allowed Environmental Expenses				
23. Interest Expense on Environmental Investment				
24. Debt AFUDC Accrued on Environmental CWIP				
25. Environmental Revenue Requirement Before Adjustment for Prior Year's Expenditures				
26. Adjustment for Prior Year's Expenditures				
27. Environmental Revenue Requirement Before Municipal Franchise Taxes				
28. Municipal Franchise Tax Adjustment Factor				
29. Total Environmental Revenue Requirement Before Carry Forward				
30. Environmental Revenue Requirement Carry Forward				
31. Total Environmental Revenue Requirement				