

ENERGY COST MANAGEMENT CLAUSE SCHEDULE "ECM"



Mississippi Public Service Commission Schedule No. 49

| | | |
|-----------------------|---------------------------------------|---|
| PAGE 1 of 2 | EFFECTIVE DATE July 6, 2001 | DATE OF VERSION SUPERSEDED Original |
|-----------------------|---------------------------------------|---|

APPLICABILITY

Applicable as a modification of all electric service rate schedules or contracts of Company in which reference is made to the Company's Fuel Cost Recovery Clause.

ADJUSTMENT CLAUSE

All bills rendered under rates subject to this schedule shall be adjusted by an energy cost management factor per KWH calculated each November to be applied January through December immediately following the calculation month. The factor shall include a true-up adjustment for any (over) under collection in the twelve month period immediately preceding the calculation month (November through October).

The Company's budgeted energy management costs for the application period and those incurred in the twelve month period immediately preceding the calculation month and budgeted KWH sales for the twelve month application period will be used to develop the energy management cost per KWH.

Individual energy cost management factors, adjusted for line loss differentials, will be calculated for designated classifications and rounded to the nearest .001 mill using the following formula:

$$ECM = \left[\frac{\left[\left[BECM - \left[\frac{BECM}{BTES} \times BDL \right] \right] \times \frac{BRS}{BTS} \right] + \left[\frac{BECM}{BTES} \times BDL \right] + ADJ}{BRS} \right] \times LM$$

Where:

ECM = Energy Cost Management Factor to be added per KWH each month for twelve months beginning with the January billing month.

BECM = Budgeted Energy Cost Management Costs includes budgeted transaction costs for entering forward or financial contracts such as option premiums for both gas and electricity futures contracts and budgeted gas transportation and electricity transmission necessary to meet futures contract obligations for the twelve month application period. Also included are any amounts representing the difference between budgeted gas cost included in the Company's fuel cost recovery clause for the twelve-month application period and the exercise price of any financial instrument applicable to the same application period and entered into by October 31st immediately preceding the calculation month; the budgeted cost of and return on capacity payments for short-term (3 years or less) electricity purchased power contracts, in accordance with the provisions of Section 77-3-91 et seq.; and projected carrying costs on the net fuel and energy cost management over/under recovery consistent with the prescribed methodology.

BTS = Budgeted Total Sales determined by subtracting projected KWH to be generated on-site of specific customers from projected territorial KWH energy sales.

BRS = Budgeted Retail Sales determined by subtracting projected wholesale KWH sales from BTS.

ENERGY COST MANAGEMENT CLAUSE SCHEDULE "ECM"



Mississippi Public Service Commission Schedule No. 49

| PAGE | EFFECTIVE DATE | DATE OF VERSION SUPERSEDED |
|--------|----------------|----------------------------|
| 2 of 2 | July 6, 2001 | Original |

BTES = Budgeted Territorial Energy Supply KWH determined by adding total budgeted Company generation (exclusive of budgeted generation on-site of specific customer and budgeted generation of specifically assigned capacity) and total budgeted energy purchased by Company, less total budgeted energy sold by Company.

BDL = Budgeted Distribution KWH losses.

ADJ = Adjustment for amount collected during the twelve month comparison period (November - October) immediately preceding the calculation month which was less than (more than) the actual energy price stabilization cost during that period. Such underrecovery (overrecovery) adjustment would be a positive (negative) amount calculated using the following formula:

$$ADJ = AECMR - \text{Previous ADJ} - \left[\left[AECM - \left[\frac{AECM}{ATES} \times ADL \right] \right] \times \frac{ARS}{ATS} + \left[\frac{AECM}{ATES} \times ADL \right] \right]$$

Where:

AECMR = Actual Energy Cost Management Recovery determined by totaling each month's actual revenue collected under the Energy Cost Management Clause Schedule for the twelve month comparison period.

Previous ADJ = the amount added or subtracted as ADJ in the previous calculation of the ECM formula.

AECM = Actual Energy Cost Management Cost includes actual transaction costs for entering forward or financial contracts and any gains and/or losses recognized as a result of those contracts during the twelve month period immediately preceding the calculation month (November through October). Gains or losses will be recognized when gas that was purchased forward is neither burned nor placed into storage but instead sold at then-current spot market prices. The AECM will also include the cost of entering into and exercising natural gas and electricity options and the actual costs of gas transportation and electric transmission that must be purchased for the exercise of these options; the actual cost of and return on capacity payments for short-term (3 years or less) electricity purchased power contracts, in accordance with the provisions of Section 77-3-91 et seq.; and actual carrying costs on the net fuel and energy cost management over/under recovery consistent with the prescribed methodology. The costs included herein will be those that are appropriate to recognize in the application period.

ATES = Actual Territorial Energy Supply KWH determined same as BTES using actual determinants for the twelve month comparison period.

ADL = Actual Distribution KWH Losses for the twelve month comparison period.

ATS = Actual Total Sales determined same as BTS using actual territorial KWH energy sales and actual KWH generated at on-site plant of specific customer for the twelve month comparison period.

ARS = Actual Retail Sales determined by subtracting total wholesale KWH sales for the twelve month comparison period from ATS.

and:

LM = Loss Multipliers, used to reflect differentials in line losses on a customer group basis, developed in the most current cost-of-service load flow for the designated classification.