

# SYSTEM RESTORATION RIDER SCHEDULE "SRR"



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.

## SETTING SRR REVENUE LEVEL

The SRR revenue levels will be set by agreement of the Mississippi Public Service Commission (Commission or MPSC), the Mississippi Public Utilities Staff (Staff) and the Company as provided by the Commission in its Order in Docket No.2006-UN-0511.

## SUMMARY OF COSTS AND CALCULATION OF RETAIL PROPERTY DAMAGE RESERVE ACCRUAL

Each year on or before February 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 2 through 5 of Appendix A and the specifically allowed expenses noted in item 11 below and on lines 16 through 19 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.
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

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develop the SRR Investment Revenue Requirement.

9. The Interest Expense on SRR Investment from item 7 above is added to the SRR Investment Revenue Requirement calculated in item 8 above to develop the Total Return Requirement on SRR Investment.
10. The SRR Revenues Approved by the MPSC and the SRR Investment Revenue Requirement will be summed to develop the SRR Revenues Available for Expenses.
11. The SRR Municipal Franchise Taxes and the retail portion of SRR Allowed Property Insurance Expense, Specifically Allowed SRR Expenses, Amortization of SRR Regulatory Asset, and Interest Expense on SRR Investment are summed to develop the Total SRR Expenses excluding Property Damage Reserve Accrual.
12. The SRR Revenue Available for Retail Property Damage Reserve Accrual and the True-Up of the Prior Year's Retail Property Damage Reserve Accrual amount are added to the Beginning Property Damage Reserve Balance to develop the Projected Ending Retail Property Damage Reserve Balance. The True-Up of the Prior Year's Retail Property Damage Reserve Accrual represents the retail portions of any variances in actual revenues and the actual costs for the prior test period. In the calculation of the True-Up of Prior Year's Retail Property Damage Reserve Accrual, the amounts for actual SRR investment balances will be the average balances calculated in accordance with Federal Energy Regulatory Commission filing requirements.
13. SRR revenue levels will be set by agreement of the Commission, the Staff and the Company.
14. Once the revenue levels have been agreed upon, total projected retail billing units for the period over which the SRR factors are to be applied shall be used to determine the monthly SRR factors.
15. Calculation of the SRR factors is as follows:

The total SRR revenue level shall be allocated among six Rate Schedule Groups on the basis of the allocation of the Property Damage Reserve in the Company's most recent cost-of-service study filed by the Company with the Commission. Each group's allocated SRR revenue level shall then be divided by the associated number of projected annual billing units in order to determine the monthly factor. The Rate Schedule Groups and associated monthly billing units are:

<u>Group</u>	<u>Rate Schedules</u>	<u>Monthly Billing Units</u>
Group 1:	OSL SL, OL	Bills Fixtures
Group 2:	R, GS-LVS, GSEH-LVS, HIL, T	Bills
Group 3:	GS-LVT, GSEH-LVT, GS-HV, GSEH-HV, GP	Bills
Group 4:	LGS-LV, LGSEH-LV, SPSS, T-LP	Demands
Group 5:	LGS-HV, LGSEH-HV, LGS-TOU, LPSS	Demands

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Group 6: LPO, LPO-TOU

Demands

16. 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 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 Schedule will be made on or before February 1, 2008. The SRR Schedule shall continue unless modified or terminated as provided by law.

## FILING PROCEDURES

On or before the initial SRR filing date of February 1, 2008, and annually on or before February 1 thereafter, the Company shall submit a sworn filing including the calculation of the "SRR" Projected Ending Retail Property Damage Reserve Balance 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
1. SRR Revenues Approved by the MPSC – Debit / (Credit)	_____	
<u>Return Requirement on SRR Investment</u>		
2. Retail Property Damage Reserves`		
3. SRR Regulatory Asset		
4. SRR Related Accumulated Deferred Income Taxes		
5. Other SRR Investment		
6. Total SRR Investment	_____	
7. Return on SRR Investment	_____	
8. Target Net Income Before Interest Expense on SRR Investment	_____	
9. Interest Expense on SRR Investment	_____	
10. Adjusted Target Net Income on SRR Investment	_____	
11. Income Tax Adjustment Factor	_____	
12. SRR Investment Revenue Requirement	_____	
13. Interest Expense on SRR Investment	_____	
14. Total Return Requirement on SRR Investment – Debit / (Credit)	_____	
15. SRR Revenues Available for Expenses (Line 1 + Line 14)		
<u>SRR Expenses excluding Property Damage Reserve Accrual</u>		
16. SRR Municipal Franchise Taxes		
17. SRR Allowed Property Insurance Expense		
18. Specifically Allowed SRR Expenses		
19. Amortization of SRR Regulatory Asset		
20. Total SRR Expenses excluding Property Damage Reserve Accrual	_____	
21. SRR Revenue Available for Retail Property Damage Reserve Accrual (Line 15 + Line 20)		
22. True-Up of Prior Year's Retail Property Damage Reserve Accrual		
23. Beginning Retail Property Damage Reserve Balance	_____	
24. Projected Ending Retail Property Damage Reserve Balance	=====	