

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
1 of 31	January 1, 2015	January 9, 2009

APPLICABILITY

This Rate Schedule is the formula by which the retail revenue requirements of Mississippi Power Company (MPC or the Company) shall be calculated and allocated to the Company's various rate schedules subject to the jurisdiction of the Mississippi Public Service Commission (MPSC or the Commission). To the extent that any provision in this Schedule may conflict with applicable statutes, said statutes shall be controlling.

ADJUSTMENTS FOR ANNUAL PERFORMANCE EVALUATIONS

Annually on or before November 15 during the operation of this Schedule, a determination shall be made pursuant to this section of the Schedule as to whether or not the Company's revenues should be increased, decreased, or remain the same. If it is determined that revenues should be increased or decreased, retail electric rate schedules will be adjusted in the manner set forth in this Schedule. These adjustments will be added to or subtracted from the rate schedules previously in effect and the revised rate schedules will become effective for the first billing cycle of February, unless suspended by the MPSC, in which case they will become effective no later than the first billing cycle of April, provided however that in a period when there is a rate adjustment and its effective date is, for whatever reason, later than the first billing cycle of February, the Company shall impose a surcharge or credit for the balance of that year to ensure that the total annual amount to be provided from such rate change shall be recovered from, or credited to, customers over the remainder of that calendar year. The revised retail rate schedules will remain in effect until changed as provided by this Schedule or as otherwise provided by law.

Notwithstanding anything contained in this Schedule to the contrary, the Company shall use its best efforts to implement any rate changes or revenue adjustments required under this Schedule in accordance with the scheduled implementation effective dates or as soon as practical thereafter.

The determination of whether a change in revenues is necessary and, if so, the calculation of any such adjustments will be made annually as follows:

1. The twelve-month ending Projected Retail Return on Investment (PRRI) for the retail jurisdiction will be determined from the Company's records in the manner set forth in Appendix A. This determination shall be based on projected average investment data using the “FERC Method” (as defined in Note A on Appendix A), projected revenue and expense data, and projected simple average capital structure, average cost of debt, and average cost of preferred stock for the upcoming calendar year (Evaluation Period).
2. The Company's Performance Rating (CPR) will be determined based upon the performance indicators and the procedure set forth in Appendix B.
3. The Range of No Change (the Range) for the retail jurisdiction will be determined as set forth in Appendix C.
4. The Company's PRRI will then be compared to the Range of No Change using Appendix D, Revenue Adjustment Worksheet, to determine whether revenues should be increased, decreased, or remain the same. Due to practical constraints, no adjustments provided for under this Schedule will

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
2 of 31	January 1, 2015	January 9, 2009

be made for amounts less than \$250,000. No annual revenue adjustment shall exceed four percent (4%) of the annual aggregate retail revenues of the Company during the Evaluation Period.

Revised retail rate schedules will be filed by the Company with the Commission each time they are adjusted by this Schedule "PEP-5A" and shall then become the filed rate schedules of the Company.

- 4a. If the PRRI falls within the Range of No Change, no retail revenue change is required.
- 4b. If the PRRI is outside the Range of No Change, the revenue adjustment necessary to achieve the proper return will be calculated in accord with Appendix D. The changes will be made in the retail rate schedules to reflect the adjustment in revenues in a manner provided in step 5 below and in the section titled "Rate Design."
5. All rate classes should be in parity, that is, all rate classes should pay rates that cover their cost-of-service including an appropriate return on equity. Parity shall be deemed to exist when the return on equity for each class of service (as indicated in the most recently filed cost-of-service study) is within a range of plus or minus ten (10) percent of the return on equity for the retail jurisdiction in total. The Company shall allocate revenue changes under Schedule "PEP-5A" in a manner that shall move the rate class returns on equity to parity in a manner not inconsistent with the orders of the Commission.

ADJUSTMENT CLAUSES

The Company's adjustment clauses now in effect will not be altered or amended by this Schedule "PEP-5A" in any manner. The revenues received by the Company as a result of these clauses are included, however, in the Company's revenues as used in Appendix "A" to determine the Company's retail return on investment. The investment, revenues and expenses covered by the Environmental Compliance Overview Plan, Rate Schedule "ECO-2," the Storm Restoration Rider, Rate Schedule "SRR," and the Energy Efficiency Cost Recovery, Rate Schedule "EECR" are to be treated by Rate Schedule "PEP-5A" in accordance with the Commission's Orders in Docket 1992-UN-0059 dated December 31, 1992, Docket 2006-UN-0511 dated February 22, 2007, and Docket 2014-UN-0010 dated November 4, 2014, respectively, as modified in accordance with the law¹. All investment, revenues and expenses related to the Kemper County IGCC facility are removed for purposes of calculating Total Jurisdictional Balances subject to collection under this rate schedule.

RATE DESIGN

To meet the requirements of the changing business environment and the increasing competition being experienced by the Company and throughout the electric utility industry, experimental, developmental, and alternative rate schedules are appropriate tools for the Company to use to meet such requirements. Therefore, nothing in this Schedule "PEP-5A" shall be interpreted as preventing the Company from revising, adopting, and implementing rate schedules as may be appropriate and as provided by law. Any

¹ MPSC Docket No. 2014-UN-10 was approved on November 4, 2014, and subsequently revised and submitted on December 4, 2014. The Commission approved the revised filing on March 3, 2015. To the extent any Energy Efficient rate schedule is modified, altered, or changed pursuant to the Comprehensive Portfolio Plan implementation, energy efficiency investment, revenues and expenses will continue to be removed pursuant to this rate schedule.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
3 of 31	January 1, 2015	January 9, 2009

such schedules will be filed with the Commission in accordance with the procedures then in effect during the term of this Schedule.

TERM

This Schedule "PEP-5A" shall be effective as of January 1, 2016, pursuant to the Commission's order in Docket No. 2003-UN-0898, and shall continue unless modified or terminated as provided by law. Nothing herein shall prevent the Commission, on its own motion, or the Company or the Mississippi Public Utilities Staff (Staff) from proposing, in the manner provided by law, changes in this schedule at any time.

FILING PROCEDURES

Annually on or before November 15 immediately preceding each Evaluation Period, the Company will submit a sworn filing including the calculation of PRRI, the Company's Performance Rating, and the Revenue Adjustment Worksheet for the Commission's evaluation. The filing shall include those items required by Section 77-3-37 of the Mississippi Code of 1972, as amended, and Appendix C of the Commission's Public Utilities Rules of Practice and Procedure, as amended, for changes in rates, unless any such filing requirement is waived by the Commission; provided that the Company shall not be required to file any of the information set forth in Section 77-3-37(4) (a-f), as amended. For purposes of rate adjustments under this Rate Schedule PEP-5A, the information listed in Appendix E shall be deemed to meet the filing requirements. A Schedule of Current Rates in Effect and Schedule of Proposed Rates, if applicable, shall be filed with the Commission within thirty (30) days following submittal of the Company's filing.

HEARINGS AND SCHEDULE

During the term of this Schedule "PEP-5A," 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. A hearing shall be required as provided in Section 77-3-2(3)(b) of the Mississippi Code of 1972, as amended, if the change exceeds two percent (2%) of the annual aggregate retail revenues of the Company during the Evaluation Period. For changes of two percent (2%) or less, rates will go into effect on the first billing cycle of February. For rate changes greater than two percent (2%) that the Commission suspends, the Commission will issue a Scheduling Order conforming to a "major" rate change as required by Section 77-3-39 of the Mississippi Code of 1972, as amended. Approved rates shall go into effect no later than the first billing cycle of April, provided however that in a period when there is a rate adjustment and its effective date is, for whatever reason, later than the first billing cycle of February, the Company shall impose a surcharge or credit for the balance of that year to ensure that the total annual amount to be provided from such rate change shall be recovered from, or credited to, customers over the remainder of that calendar year.

The Commission may, in the case of disputes or for other good cause shown, allow additional time for filing annual evaluations or rate schedules.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
4 of 31	January 1, 2015	January 9, 2009

STAFF REVIEW

In considering any evaluation filed pursuant to this Rate Schedule PEP-5A, nothing in this Rate Schedule shall be construed to prevent the Staff from disputing the accuracy of any projected or historical investment, revenue or expense; from disputing that any projected or historical investment, revenue or expense is prudent in amount or purpose or otherwise in accord with the Mississippi law, the Rules and regulations of the Commission or this Rate Schedule PEP-5A; or from disputing whether any item of projected or historical investment, revenue or expense is improperly recorded to an account. The Staff may request and the Company shall provide clarification and additional data underlying the entries subjacent to the categories of (1) Investment, (2) Revenues, and (3) Expenses. If the Staff questions or disputes any of the above, or whether the calculation of the adjustment has been made strictly in accord with the Schedule "PEP-5A," it shall notify the Company in writing within fifty-five (55) days of the filing. The Staff and the Company shall work in good faith to answer any questions and resolve any disputes. For PEP rate adjustments of 2% or less, the undisputed portion of those rate changes will become effective beginning with the first billing cycle of February. Any such disagreements as to the disputed portion of the adjustment shall be resolved by the Commission. In such event, the Company and the Staff shall jointly submit to the Commission a statement of the issues to be resolved. The Company and the Staff may submit separate memoranda supporting their respective positions. If a dispute is resolved by the Commission, the amount ultimately approved will be put into effect beginning with the first billing cycle of the month following the resolution, but no later than the first billing cycle of April, provided however that in a period when there is a rate adjustment and its effective date is, for whatever reason, later than the first billing cycle of February, the Company shall impose a surcharge or credit for the balance of that year to ensure that the total annual amount to be provided from such rate change shall be recovered from, or credited to, customers over the remainder of that calendar year. In the case of PEP rate adjustments greater than 2%, the amount of such rate change approved after hearing will become effective beginning with the first billing cycle of the month following approval but no later than the first billing cycle of April, provided however that in a period when there is a rate adjustment and its effective date is, for whatever reason, later than the first billing cycle of February, the Company shall impose a surcharge or credit for the balance of that year to ensure that the total annual amount to be provided from such rate change shall be recovered from, or credited to, customers over the remainder of that calendar year.

INITIAL EVALUATION

The initial evaluation under this Schedule "PEP-5" shall be the 12 month period ending December 31, 2010. The data for this 12 month period will be made up of projected data for the 12 months ending December 31, 2010, prepared in accordance with the appendices of this rate schedule. This initial evaluation shall be filed on or before November 15, 2009. If a revenue adjustment is determined to be necessary by the initial evaluation, the Company's retail revenues shall be changed as required by this Rate Schedule "PEP-5." The PEP-4A Rate Schedule, as amended by the MPSC's orders in Docket No. 2006-UN-0511, will be denoted as PEP-5.

REVIEW AND ADJUSTMENT FOR PRIOR YEAR'S ACTUAL RESULTS

On or before March 15 of each year this rate schedule is effective, the Company will submit for Staff review and Commission approval a calculation of its actual Earned Return on Investment ("EROI") for the prior year ("Review Period") in accordance with and utilizing the appropriate PEP appendices for such

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
5 of 31	January 1, 2015	January 9, 2009

calculation. The calculation will utilize the same “FERC Method” as used in the projected filing for the actual average rate base for the Review Period and the allocation factors that were used in preparing the Company’s projected filing applied to actual amounts for the review year in accordance with Appendix A.

The Staff shall compare the resulting actual EROI for the Review Period to the Range of No Change developed in the Company’s projected filing for that year. If the Staff questions or disputes the Company’s filing, it shall notify the Company in writing on or before May 1. The Staff and Company shall work in good faith to answer any questions and resolve any disputes. Any such disagreements shall be resolved by the Commission on or before June 15 in accordance with the dispute resolution procedures (i.e. joint statement of issues, memoranda) contained in the Staff Review section of this rate schedule.

If, after the resolution of any such disagreements, the EROI for the Review Period is within the Range of No Change, no additional revenue adjustments shall be made. If the EROI is above the Range of No Change, the Company shall refund or credit to its current retail customers the amount by which revenues exceed the top of the Range of No Change. If the EROI is below the Range of No Change, the Company will be allowed to put a surcharge into effect that will allow it to recover from its current retail customers the amount by which revenues are below the bottom of the Range of No Change. Any such rate adjustment required pursuant to this section, shall be implemented by the Company beginning with the first billing cycle following approval by the Commission and shall be credited or recovered, as applicable, over a period to be determined by the Commission, but not later than December 31 of the year following the regulatory year under review. Each revenue adjustment made pursuant to this section shall constitute a separate revenue adjustment for purposes of Section 77-3-2 of the Mississippi Code of 1972, as amended. Any proposed revenue adjustment for prior year’s actual results to be made under this section shall be limited to an amount which, when coupled with any revenue adjustment from the same prior year’s periodic evaluation under this rate schedule PEP-5A, will limit the total revenue adjustments for that prior year to 4% of the annual aggregate retail revenues of the Company during that prior year. For purposes of this section, the 4% limitation imposed by this PEP Plan shall not apply to revenue adjustments for rate periods other than that prior year.

MAJOR PLANT ADDITIONS OR MODIFICATIONS

It is recognized that a utility must from time to time construct or acquire major plant; make major modifications to existing plant; or comply with environmental laws and regulations. The addition or modification of such plant may increase significantly the Company’s revenue requirements and require significant rate relief. This Schedule “PEP-5A” is not designed to handle adequately the rate increase occasioned by the major addition or modification of plant. Should the Company construct, have constructed, or purchase in place major plant or make major modifications to existing plant, the Company may file for rate or other relief outside this Schedule, but in accordance with the law of the State of Mississippi governing such filing, and the request will be handled by the Commission in its regular manner.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
6 of 31	January 1, 2015	January 9, 2009

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, results in a deficiency in revenues which is not readily capable of being redressed in a timely manner under this Schedule "PEP-5A," 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 filing and the said request will be handled by the Commission in its regular manner.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
8 of 31	January 1, 2015	January 9, 2009

APPENDIX A

CALCULATION OF RETAIL RETURN ON INVESTMENT FOR THE TWELVE MONTHS ENDING _____

(M)	Total Electric System as of <u>MM/DD/YY</u>	Total ECO Service as of <u>MM/DD/YY</u>	Total SRR Service as of <u>MM/DD/YY</u>	Total Kemper Service as of <u>MM/DD/YY</u>	Total EECR Service as of <u>MM/DD/YY</u>	Total PEP Service as of <u>MM/DD/YY</u>	Allocation Per Current <u>COSS</u>	Retail PEP Service as of <u>MM/DD/YY</u>
-----	---	---	---	--	--	---	--	--

REVENUES

- 27. Revenues from Retail Sales (N)
- 28. Revenues from Non-Retail Sales
- 29. Total Revenues from Sales
- 30. Other Operating Revenues
- 31. Total Operating Revenues

EXPENSES

- 32. Operation & Maintenance:
- 33. Fuel/ECM (O)
- 34. Non-Fuel O&M (P)
- 35. Total O&M
- 36. Contributions (Q)
- 37. Non-Territorial Sales:
- 38. Demand (R)
- 39. Energy:
- 40. Fuel & Emission Revenue
- 41. Other Energy Revenue
- 42. Total Non-Territorial Sales
- 43. Revenue Credits (S)
- 44. Depreciation, Amortization & Accretion
- 45. Amortization of Retail Rate Plan
& Filing Expenses (T)
- 46. Amortization of ITC
- 47. Amortization of Reacquired Debt
- 48. Taxes Other than Income Taxes
- 49. Municipal Franchise Taxes
- 50. Interest on Customer Deposits
- 51. Total Adjusted Expenses
- 52. Operating Income Before Income Taxes
- 53. Income Taxes (U)
- 54. Net Operating Income
- 55. AFUDC (V)
- 56. Total Operating Income

RETURN

- 57. Retail Return on Investment (W)

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
9 of 31	January 1, 2015	January 9, 2009

APPENDIX A

FOOTNOTES TO APPENDIX A LINE ITEMS

- (A) Pursuant to the Commission's Order in Docket No. 2003-UN-898, the amounts in this column are the Company average balances utilizing the "FERC Method". The "FERC Method" utilizes 13 month averages (average monthly ending balance from December to December) for all Production and Transmission related investment balances and simple average (average of December of prior year and December of regulatory year ending balance) for Distribution and General Plant related investment balances.
- (B) All non-PEP investment, revenues and expenses are removed for purposes of arriving at the PEP amounts.
- (C) Column (C) is a product of Column (A) less Columns (B).
- (D) The Company is required to file periodically cost-of-service studies with the Commission. The allocators used will be from the most recent cost-of-service study on file with the Commission as of the date of the calculation.
- (E) Column (E) is a product of Column (C) times Column (D).
- (F) The properties included as Plant Held for Future Use shall be those properties for which the Company has plans for use in providing electric service and which will be so employed within a reasonable time period and will be calculated using average balances.
- (G) Fuel and related emission allowance inventory will be the 13 month average balance.
- (H) Construction Work in Progress on all projects related to Production and Transmission will utilize a 13 month average and for Distribution and General Plant a simple average will be used.
- (I) The value for cash working capital shall be zero (\$0), until such time as the Commission approves a change in this amount.
- (J) Implementation of FAS 109, Accounting for Income Taxes, is intended to be revenue neutral for ratemaking. Therefore, Accumulated Deferred Income Taxes will be adjusted to include the Regulatory Assets and Regulatory Liabilities created by the implementation of FAS 109.
- (K) The Property Damage Reserve balance and the annual accrual to the Reserve shall be reflected in the calculation of the SRR Rate Schedule and not in PEP-5A in accordance with the MPSC's orders in Docket No. 2006-UN-0511.
- (L) Due to the various accounts included here, each account will be directly assigned or individually allocated to facilitate their appropriate assignment.
- (M) The amounts used in this column are the Company's operating results for the twelve months ending as of the date noted unless otherwise specified by a footnote.
- (N) In addition to base revenue, this amount includes all revenue from the Company's effective adjustment clauses.
- (O) Fuel expense on line 33 and fuel credits on line 40 are directly assigned to the retail jurisdiction to properly match the retail fuel revenues included in line 27 of this schedule.
- (P) Accruals to the Property Damage Reserve shall be reflected in the calculation of the SRR Rate Schedule and not in PEP-5A in accordance with the MPSC's orders in Docket No. 2006-UA-0511.
- (Q) This amount shall include all charitable and civic contributions that conform to Internal Revenue Code Section 170 and have been approved by the Commission for inclusion in retail cost-of-service.
- (R) This amount includes 75% of the capacity revenue from all new non-firm capacity sales.
- (S) Fuel expense on line 33 and fuel credits on line 40 are directly assigned to the retail jurisdiction to properly match the retail fuel revenues included in line 27 of this schedule.
- (T) This amount is the amortization of retail rate plan and filing expenses.
- (U) Income taxes are allocated between jurisdictions using the following formula:

$$t = RC - KI$$
Where:
t = State and Federal Income Taxes for the Jurisdiction
R = Operating Income before Income Taxes for the Jurisdiction
C = Effective Combined Tax Rate for the Jurisdiction
I = Total Net Investment for the Jurisdiction
K = Income tax deduction factor, which is: (total electric operating income before income taxes multiplied by effective combined tax rate minus total electric income taxes) divided by total electric net investment.
- (V) This will be calculated by the Company in accordance with the FERC prescribed methodology. This amount shall include the AFUDC calculated during the Evaluation Period on the projects defined in Footnote (F).
- (W) This figure is calculated by dividing Line 56 (Total Retail Operating Income) by Line 26 (Total Retail Net Investment). For the projected PEP filing this number represents the Projected Retail Return on Investment (PRRI) and for the PEP Lookback filing this represents the Earned Return on Investment (EROI).

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1

PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
10 of 31	January 1, 2015	January 9, 2009

APPENDIX A

SOURCES OF RESULTS OF OPERATIONS

INVESTMENT

	<u>SOURCE</u>
1. Gross Electric Plant	Account 101; 104; 106; Accounting Department
2. Less: Leased	Account 104; 106-Leased; Accounting Department
3. Adjusted Gross Electric Plant	Line 1 + 2
4. Accumulated Depreciation	Account 108; 111
5. Less: Leased	Account 108-Leased; Accounting Department
6. Adjusted Accumulated Depreciation	Line 4 + 5
7. Net Electric Plant in Service	Line 3 - 6
8. Plant Held for Future Use	Account 105
9. Unamortized Leasehold Improvements & Other Deferred Debits	Account 186; Accounting Department
10. Unamortized Cost of Reacquired Debt	Account 189
11. Fuel Stock	Accounting Department
12. Materials & Supplies	Account 154; 163; Accounting Department
13. Construction Work in Progress	Account 107; Accounting Department
14. Cash Working Capital	Accounting Department
15. Compensating Bank Balances	Accounting Department
16. Prepayments	Account 129; 165; Accounting Department
17. MPSC Assessment & Other Deferred Regulatory Expenses	Account 186; 182; Accounting Department
18. Over/Under Recovery of Ad Valorem Taxes	Account 182
19. Accumulated Deferred Income Taxes	Account 190; 282; 283; Accounting Department
20. Pre-1971 ITC	Accounting Department
21. Customer Advances	Account 252
22. Customer Deposits	Account 253
23. Property Damage Reserve	Account 228; Accounting Department
24. Injuries & Damages Reserve	Account 228; Accounting Department
25. Other Operating Reserves	Account 182; 228; 253; 254; Accounting Department
26. Total Investment	Sum of Lines 7 thru 18 less Lines 19 thru 25

REVENUES

27. Revenues from Retail Sales	Account 400-440; 442 thru 445; 448; Accounting Department
28. Revenues from Non-Retail Sales	Account 400-447; Accounting Department
29. Total Revenues from Sales	Line 27 + 28
30. Other Operating Revenues	Account 400-450 & 451; 454-200; 456-200 & 203
31. Total Operating Revenues	Line 29 + 30

EXPENSES

32. Operation & Maintenance:	
33. Fuel/ECM	Account 401; Accounting Department
34. Non-Fuel O&M	Account 401; 402; Accounting Department
35. Total O&M	Line 32 + 33
36. Contributions	Account 426.1; Accounting Department
37. Non-Territorial Sales:	
38. Demand	Account 447; Accounting Department
39. Energy:	
40. Fuel & Emission Revenue	Account 447; Accounting Department
41. Other Energy Revenue	Accounting Department
42. Total Non-Territorial Sales	Line 38 + 40 + 41
43. Revenue Credits	Account 454; Accounting Department
44. Depreciation, Amortization & Accretion	Account 403; 404; 406; 407; 411
45. Amortization of Retail Rate Plan & Filing Expenses	Accounting Department
46. Amortization of ITC	Account 404; 411; Accounting Department
47. Amortization of Reacquired Debt	Account 428; Accounting Department
48. Taxes Other than Income Taxes	Account 408; Accounting Department
49. Municipal Franchise Taxes	Account 408; Accounting Department
50. Interest on Customer Deposits	Account 431; Accounting Department

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
11 of 31	January 1, 2015	January 9, 2009

APPENDIX A

SOURCES OF RESULTS OF OPERATIONS (continued)

51. Total Adjusted Expenses	Line 35 + 36 + 42 thru 50
52. Operating Income Before Income Taxes	Line 31 - 51
53. Income Taxes (U)	Account 409; 410; 411; Accounting Department
54. Net Operating Income	Line 52 - 53
55. AFUDC (V)	Accounting Department
56. Total Operating Income	Line 54 + 55

RETURN

57. Retail Return on Investment (W)	Line 56 ÷ 26
-------------------------------------	--------------

The above account numbers, line number and sources of information are subject to change with Commission approval as operating and accounting circumstances require. Where noted as “Accounting Department,” this line item may require a separate schedule, include multiple sub-accounts, or may require additional account segments to assess the inclusion within the line item (i.e. location, work order, etc.).

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
12 of 31	January 1, 2015	January 9, 2009

APPENDIX B

PERFORMANCE INDICATORS

Three performance indicators will be used to measure the operational performance of the Company:

Customer Price which compares the Company's average retail price per kWh with the weighted average retail price of the other investor owned utilities having generation, transmission and distribution business within the Southeastern Association of Regulatory Utility Commissioners (SEARUC) member states. The score for this indicator will be determined using each Company's Federal Energy Regulatory Commission (FERC) Form 1 for the previous year and will be updated annually.

Customer Satisfaction which measures the public's perception of the quality of the Company's customer service. A customer opinion survey administered by the MPSC and conducted by a nationally recognized professional survey firm is used to measure this indicator. The survey is conducted each year in the spring and the fall, and the average results of the two most recent surveys will be used in the next annual evaluation.

Customer Service Reliability which measures the reliability of the Company's electric service to customers and is based upon the average amount of time a customer has electric service. The Company's performance is calculated for the latest thirty-six (36) month period ending September prior to the November 15 filing.

Based on the Company's performance, a score on each indicator will be determined for each Evaluation Period. All scores will then be weighted as provided for in Appendix "B" of this rate schedule, to develop an overall Company Performance Rating (CPR) which shall be rounded to the nearest hundredth (.005 and greater being rounded to .01) and then used as an input to the formulas presented in Appendix "C," the Range of No Change.

If for any reason beyond the reasonable control of the Company, an indicator's score cannot be calculated and no provision has otherwise been made in the indicator, the last filed score available will be used.

The Company shall file a performance report on or before November 15 with the Commission. The report will be in the form shown in Appendix B of this rate schedule. The report shall be filed with the other filing requirements identified in this Schedule "PEP-5A."

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
13 of 31	January 1, 2015	January 9, 2009

APPENDIX B

CUSTOMER PRICE

GENERAL DESCRIPTION:

The Customer Price Indicator compares the Company's average retail price per kWh with the weighted average retail price of the other investor owned utilities having generation, transmission and distribution business within the SEARUC member states, as determined from each company's FERC Form 1 for the previous year. This indicator measures how the Company's average retail price per kWh compares with other electric utilities in the same general geographic area.

FORMULA AND DATA SOURCE:

For each company, the FERC Form 1 for the previous year, "Electric Operating Revenues (Account 400)" Schedule will be the source of the data used to calculate the weighted average retail price per kWh in Step 1 of the formula below. The FERC Form 1 filing is prepared by each company once each year, to be filed by April 30. The indicator will be calculated as follows:

Step 1:

Using the "Electric Operating Revenues (Account 400)" Schedule as reported in each company's FERC Form 1 calculate the sum of the "Total Sales to Ultimate Consumers" and the sum of the "Megawatt Hours Sold to Ultimate Consumers" for the utilities, excluding MPC.

Step 2:

Compute the Weighted Average Retail Price per kWh by dividing the sum of the "Total Sales to Ultimate Consumers" by the sum of the "Megawatt Hours Sold to Ultimate Consumers" divided by 1,000.

Step 3:

Using the "Electric Operating Revenues (Account 400)" Schedule as reported in MPC's FERC Form 1, calculate MPC Average Price Per kWh by dividing the "Total Sales to Ultimate Consumers" by the "Megawatt Hours Sold to Ultimate Consumers" divided by 1,000.

Step 4:

The Company's Price Performance (CPP) will be measured using the following formula. The CPP will be rounded to the nearest ten thousandth (.00005 and greater being rounded to .0001).

$$\frac{\text{MPC Average Price Per kWh}}{\text{SEARUC Weighted Average Retail Price per kWh}} = \text{Customer Price Performance (CPP)}$$

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
14 of 31	January 1, 2015	January 9, 2009

APPENDIX B

CUSTOMER PRICE (Continued):

FORMULA AND DATA SOURCE (Continued):

Step 5:

The Company's score on this indicator will be measured using the following formula:

$$\text{Customer Price Score} = (1.3 - \text{CPP}) \div 0.06$$

The score used for the Customer Price Indicator shall be between 0.00 and 10.00 (.005 and greater being rounded to .01).

SPECIAL PROVISIONS:

In the event that FERC Form 1 data is not available for a company within the SEARUC member states for any reason, or if there are any changes in reporting requirements for the FERC Form 1, or changes within the industry from restructuring that affect the availability or comparability of the data, the Staff and Company shall cooperate and use their best efforts to obtain accurate and reliable information necessary to complete the weighted average price calculation for any company for which the data is not available or otherwise not comparable. If, after such efforts, the information is not reasonably obtainable, the most recent data available for such company will continue until a new source of data is agreed upon by the Commission and the Company.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
15 of 31	January 1, 2015	January 9, 2009

APPENDIX B

CUSTOMER SATISFACTION

GENERAL DESCRIPTION:

The Customer Satisfaction Performance Indicator measures the public's perception of the quality of the Company's customer service. This survey is to be administered by the Mississippi Public Service Commission with the provisions outlined below.

FORMULA AND DATA SOURCE:

A nationally recognized professional survey firm, chosen by the MPSC from a list to be provided by the Company, will conduct a customer opinion survey twice each year. The following questions will be asked in the following sequence as part of the customer opinion surveys:

1. **Overall, would you say your opinion of your electric company is very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable?**
(The index for this question is the ratio of the total of the very favorable and somewhat favorable responses to the number of customers asked the question.)

The survey firm will ask, "Have you or anyone in your family had any occasion to contact the electric company about your service, your bill, or anything else within the last six months?" If the customer answers in the affirmative, they will be asked the following Question 2.

2. **Were you satisfied with the way your contact was handled, or should they have done better in some way?**
(The index for this question is the ratio of the satisfied responses to number of customers asked the questions.)

The survey firm then continues with:

I'm going to read you several statements that might be made regarding your electric company. For each statement, please tell me whether you entirely agree with it, mostly agree, mostly disagree, or entirely disagree.

3. **Electric company employees are nearly always courteous.**
4. **The company is willing to listen and respond to its customers' problems.**
5. **The company is fair and honest in its dealings with people.** (The index for each statement 3, 4, and 5, is the ratio of the entirely agree and mostly agree responses for each question to the number of customers asked the question.)

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
16 of 31	January 1, 2015	January 9, 2009

APPENDIX B

CUSTOMER SATISFACTION (Continued):

FORMULA AND DATA SOURCE (Continued):

The responses to each question will be tallied and an index will be developed for each. The simple average of the total of these indices for the five questions will be used in the determination of the overall score attained for the Customer Satisfaction Indicator.

The simple average will be calculated by the following formula separately for the most recent available spring survey and the most recent available fall survey:

$$\frac{\text{Sum of Indices from 5 Questions}}{5} = \text{Average Customer Satisfaction Index (CSI)}$$

The CSI from the most recent spring and fall surveys will be averaged and used in the formula below. The Company's score on this indicator will be measured using the following formula:

$$\text{Customer Satisfaction Score} = (26.3158 \times \text{CSI}) - 15.1547$$

The score used for the Customer Satisfaction Indicator in the December 1 filing shall be between 0.00 and 10.00 (.005 and greater being rounded to .01).

SPECIAL PROVISIONS:

1. The survey firm shall be selected by the Commission and shall be a competent, professional, and nationally recognized survey firm. The Company will provide a list of firms meeting the criteria from which the Commission shall make its selection.
2. The scales used in this indicator were developed from data obtained by a nationally recognized, professional survey firm's asking the five questions listed above. If the survey firm is changed or different questions are asked, new scales will be developed which are compatible with the new data and will yield the same results as though the five questions used above had been asked. Should such a change occur, the last survey, asking the five questions above, will be used until a new surveyor, questions, and/or compatible scales can be developed.
3. If there is considerable difference in the price of the surveying firms, the Commission will choose the lower cost firm. Provided, however, there is reason to select a firm other than the lowest cost firm, the Commission will inform the Company as to the reason.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
17 of 31	January 1, 2015	January 9, 2009

APPENDIX B

CUSTOMER SATISFACTION (Continued):

SPECIAL PROVISIONS (Continued):

4. The survey must be conducted telephonically of residential customers only and must have completion of 900 surveys or other such number of surveys required to obtain a margin of error for the survey of plus or minus 3% (i.e. a 95% confidence level).
5. The Company will have access to all data gained from the survey. Additionally, the Company may from time to time require additional questions as part of the survey in order to gain information. However, those questions will be included in a manner following the above survey questions and in a manner as to not affect the survey results.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE 18 of 31	EFFECTIVE DATE January 1, 2015	DATE OF VERSION SUPERSEDED January 9, 2009

APPENDIX B

CUSTOMER SERVICE RELIABILITY

GENERAL DESCRIPTION:

This performance indicator measures the reliability of the Company's service to electric customers.

FORMULA AND DATA SOURCE:

The Reliability Index (RI) is calculated from Company records as follows:

$$RI = \left[1.00 - \frac{\sum_{x=1}^n C_x T_x}{C_t T_t} \right]$$

Where:

RI = Reliability Index expressed as a ratio rounded to the nearest ten millionth (.0000001).

x = An incident of customer interruption during the thirty-six months ended September prior to the December 1 filing.

n = The number of individual interruptions during the thirty-six months ended September.

C_x = The number of customers affected by a specific interruption incident x, excluding those interruptions listed below.

T_x = The total time that customers C_x were without power during incident x.

$\sum_{x=1}^n C_x T_x$ = The total amount of customer time for all interruptions during the thirty-six months ended September, based on the summation of individual interruptions of varying length and affecting different numbers of customers.

C_t = The total number of Company customers at the end of September, as indicated by the number of meters in active use.

T_t = The total hours available to serve customers during the thirty-six months ended September.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
19 of 31	January 1, 2015	January 9, 2009

APPENDIX B

CUSTOMER SERVICE RELIABILITY (Continued):

FORMULA AND DATA SOURCE (Continued):

Customer interruptions excluded are all interruptions less than five minutes in duration, and interruptions due to the following:

1. Major disasters such as hurricanes, tornadoes, ice storms, manufacturers' equipment defects, sabotage and the like and not due to any omission of the Company.
2. Scheduled outages.
3. Outages to replace individual customers' meters or service drops.
4. Breaker and reclosure operations which do not lock out.
5. Outdoor lighting and street lighting.

Outages due to these reasons shall not be used to reduce the Reliability Index.

The Company's score on this indicator will be measured using the following formula:

$$\text{Customer Service Reliability Score} = (40,861.62 \times \text{RI}) - 40,846.46$$

The score used for the Customer Service Reliability Indicator shall be between 0.00 and 10.00 (.005 and greater being rounded to .01).

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE 20 of 31	EFFECTIVE DATE January 1, 2015	DATE OF VERSION SUPERSEDED January 9, 2009

APPENDIX B PERFORMANCE REPORT

FOR TWELVE MONTHS ENDING MM/DD/YY

	PERFORMANCE SCORE		WEIGHT	=	WEIGHTED SCORE
Customer Price	_____	X	.40	=	_____
Customer Satisfaction	_____	X	.20	=	_____
Customer Service Reliability	_____	X	.40	=	_____
SUM			1.00		_____
COMPANY PERFORMANCE RATING (CPR)*					_____

* The CPR shall be between 0.00 and 10.00 (.005 and greater being rounded to .01).

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE 21 of 31	EFFECTIVE DATE January 1, 2015	DATE OF VERSION SUPERSEDED January 9, 2009

APPENDIX C

RANGE OF NO CHANGE

Under Rate Schedule "PEP-5A" the Company's PRRI is compared to the Range of No Change (the Range) to determine if the Company's retail revenues should be increased, decreased, or remain the same. The Range of No Change will be defined by the following formulas:

$$Y1, \text{ the Top of the Range of No Change} \\ Y1 = \text{PROI} + .50\%$$

$$Y2, \text{ the Bottom of the Range of No Change} \\ Y2 = \text{PROI} - .50\%$$

PROI is the Company's Performance Based Return on Investment and is developed by adjusting the Company's cost of equity (K_{AVG}) for performance. Thus, the Range of No Change varies based on how well the Company performs as measured by the Performance Indicators.

The Company's cost of equity is adjusted for performance each Evaluation Period to obtain the performance-adjusted cost of equity (K_{PER}) using the following formula:

$$K_{PER} = K_{AVG} + [10\% \times (CPR/100)]$$

Where:

- K_{AVG} = Company's cost of equity developed using the formulas described below (stated as a decimal).
- CPR = Company's Performance Rating, which ranges from 0.00 to 10.00, as presented in Appendix "B" on page 21 of this rate schedule.

The Company's performance-adjusted cost of capital (PROI) will be calculated as of the end of each projected annual Evaluation Period using the form listed below.

	Projected Simple Average Balance For YYYY	Projected Capital Structure Ratios	Projected Embedded Simple Average Cost As of MM/DD/YY	Projected Weighted Average Embedded Cost of Capital
Long Term Debt	\$ -	-%	-%	-%
Preferred Stock	-	-%	-%	-%
Common Equity	-	-%	$K_{PER}\%$	-%
	<u>\$</u>	<u>100.000%</u>		<u>PROI</u>

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
22 of 31	January 1, 2015	January 9, 2009

APPENDIX C

The Company shall calculate K_{AVG} annually as of October 1, prior to the Evaluation Period of each year "PEP-5A" is in effect and shall provide such calculation and supporting documentation to the Staff.

To calculate K_{AVG} each year, the results from the following three methodologies shall be averaged. A flotation adjustment of 0.125% shall be added to the average. The average will be rounded to the nearest thousandth percent (.0005% and greater being rounded to .001%).

- A. Discounted Cash Flow (DCF)
- B. Equity Risk Premium (ERP)
- C. Capital Asset Pricing Model (CAPM)

A. DCF

1. The following version of the DCF model shall be used.

$$K = (D_1/P_0) + g$$

Where:

K = Investor-required market return (cost of common equity for each utility)

D_1 = The expected dividend in the first holding period. The dividend to be received is determined by increasing the current dividend by the applicable growth rate (g) at the normal dividend change, timing pattern as stated in Value Line for each of the comparable companies.

P_0 = Stock price for the utility. The stock prices utilized in the formula shall be the average of the daily closing stock prices as presented in Yahoo! Finance for the one month prior to the K_{AVG} determination. (September 1 to September 30)

g = Growth rate for the utility. The average of the projected earnings growth rates for each of the comparable companies as listed in Value Line, Thompson Financial, (Formerly First Call, Formerly IBES), and Zack's.

2. The sample should consist of the parent companies of the operating electric utilities labeled “vertically integrated electric utilities” listed by Moody's. In the event that this list is not available for any reason, the Company shall use its best efforts to obtain accurate and reliable information necessary to determine the appropriate parent companies to include in the sample. The following elimination criteria should be used to determine the representative group (the comparable companies)

Bond Rating - A company must be “investment grade”, have a Moody's bond rating of Baa or better.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
23 of 31	January 1, 2015	January 9, 2009

APPENDIX C

Predominantly Regulated Company - Must have at least 50% of their operating revenues from electric revenues. This information is obtained from AUS Utility Reports.

Note: Utilities involved in a merger, deregulation, utilities that do not pay dividends, and utilities with projected growth rates equal to or less than zero should be excluded from the sample as well.

- The DCF model described above will be performed for each comparable company and the truncated mean should be used, derived by discarding the highest and lowest results of the DCF calculation.

B. Equity Risk Premium

- The following version of the Equity Risk Premium model shall be used.

K = Bond Yield + Equity Risk Premium

Where:

Bond Yield = The normalized yield on long-term Treasury bonds which is calculated as follows: (1) calculate the average yield for Moody's "AAA" rated corporate bonds (as reported by Moody's) for the month prior to the K_{AVG} calculation; (2) calculate the average of the annual spread between the yield for long-term Treasury bonds (as reported in the Ibbotson Yearbook) and Moody's "AAA" rated corporate bonds for the period 1926 to the latest year reported in the most current Ibbotson Year Book; and (3) subtract the average annual spread from the average Moody's "AAA" corporate bond yield.

Equity Risk Premium = The Equity Risk Premium is developed by computing the actual return on equity capital for Moody's Electric Utility Index for each year from 1931 to the present. The equity risk premium is the average of the difference between the return for Moody's Electric Utility Index and the return on long-term Treasury bonds for each year.

C. CAPM

Standard CAPM

- The following version of the Standard CAPM model shall be used.

$$K = R_f + \text{Beta} (R_m - R_f)$$

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
24 of 31	January 1, 2015	January 9, 2009

APPENDIX C

Where:

R_f = The Risk Free Rate is the normalized Bond Yield on 30 Year U.S. Treasury bonds as used in the Equity Risk Premium calculation.

Beta = The Beta is the average of the betas as stated in Value Line for the same group of comparable utilities in the DCF test above. Those companies eliminated by the DCF truncation are also eliminated from this calculation

R_m = Two historical Market Risk Premiums shall be used. The first is the total return market equity risk premium for the most current year listed and the second is the income equity risk premium for the same time period. Both are found in Ibbotson Associated Yearbook.

Two projected market risk premiums shall be used. The first is the Value Line Indicated Total Return less the normalized Yield on 30 Year U.S. Treasury bonds. The second is the S&P 500 Indicated Total Return less the normalized Yield on 30 Year U.S. Treasury bonds.

2. R_m Four calculations are performed for the Standard CAPM using each of the four market risk premiums.

Empirical CAPM

3. The following version of the Empirical CAPM model shall be used

$$K = R_f + 0.25 (R_m - R_f) + 0.75 \text{ Beta} (R_m - R_f)$$

Where:

R_f = The Risk Free Rate is the normalized Yield on 30 Year U.S. Treasury bonds as used in the Equity Risk Premium calculation.

Beta = The Beta is the average of the betas as stated in Value Line for the same group of comparable utilities used in the DCF test above. Those companies eliminated by the DCF truncation are also eliminated from this calculation.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
25 of 31	January 1, 2015	January 9, 2009

APPENDIX C

R_m = Two historical Market Risk Premiums shall be used. The first is the total return market equity risk premium for the most current year listed and the second is the income equity risk premium for the same time period. Both are found in Ibbotson Associates Yearbook.

Two projected market risk premiums should be used. The first uses the Value Line Indicated Total Return less the normalized Yield on 30 Year U.S. Treasury bonds. The second is the S&P 500 Indicated Total Return less the normalized Yield on 30 Year U.S. Treasury bonds.

4. Four calculations are performed for the Empirical CAPM using each of the four market risk premiums.
5. All eight calculations (the four calculations per the Standard CAPM formula and the four calculations per the Empirical CAPM formula) are averaged to determine the resulting CAPM return.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
26 of 31	January 1, 2015	January 9, 2009

APPENDIX D

REVENUE ADJUSTMENT WORKSHEET

The revenue changes under Rate Schedule "PEP-5A" will be determined by utilizing this Revenue Adjustment Worksheet.

COMPARING PRRI TO THE RANGE OF NO CHANGE

The Company's PRRI is compared to the Range of No Change. If the PRRI is within the Range of No Change, no revenue adjustment will be made for that evaluation period. If the PRRI falls outside the Range, one of the adjustments below will be made.

DETERMINING THE REVENUE ADJUSTMENT

When revenue increases or decreases are required by the operation of Rate Schedule "PEP-5A," they shall be calculated as stated below.

Where:

$$ER_{ADJ} = 0.50\% \times (\text{Average Balance of Common Equity} \div \text{Average Capitalization})$$

1. If the Company's PRRI is above the Range of No Change and its CPR is less than 2.00, then the Company shall decrease revenues to a Point of Adjustment which is based upon the Company's performance as measured by its CPR. When the CPR is less than 2.00, the Point of Adjustment is determined by the formula below.

$$\text{Point of Adjustment} = \text{PROI}$$

2. If the Company's PRRI is above the Range of No Change and its CPR is 2.00 or greater and less than 5.00, then the Company shall decrease revenues to a Point of Adjustment which is based upon the Company's performance as measured by CPR. When the CPR is 2.00 or greater and less than 5.00, the Point of Adjustment is determined by the formula below:

$$\text{Point of Adjustment} = \text{PROI} + (0.50\% - ER_{ADJ}) - (((5 - \text{CPR}) \div 3) \times (0.50\% - ER_{ADJ}))$$

3. If the Company's PRRI is above the Range of No Change and its CPR is 5.00 or greater and less than 9.00, then the Company shall decrease revenues to a Point of Adjustment which is based upon the Company's performance as measured by its CPR. When the CPR is 5.00 or greater and less than 9.00, the Point of Adjustment is determined by the formula below.

$$\text{Point of Adjustment} = \text{PROI} + 0.50\% - (((9 - \text{CPR}) \div 4) \times ER_{ADJ})$$

4. If the Company's PRRI is above the Range of No Change and its CPR is 9.00 or greater, then the Company shall decrease revenues to a Point of Adjustment which is based upon the Company's performance as measured by its CPR. When the CPR is 9.00 or greater, then the Point of Adjustment is determined by the formula below.

$$\text{Point of Adjustment} = \text{PROI} + 0.50\%$$

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
27 of 31	January 1, 2015	January 9, 2009

APPENDIX D

5. If the Company's PRRI is below the Range of No Change and its CPR is less than 2.00, then the Company shall increase revenues to a Point of Adjustment which is based upon the Company's performance as measured by its CPR. When the CPR is less than 2.00 the Point of Adjustment is determined by the formula below.

$$\text{Point of Adjustment} = \text{PROI} - 0.50\%$$

6. If the Company's PRRI is below the Range of No Change and its CPR is 2.00 or greater and less than 5.00, then the Company shall increase revenues to a Point of Adjustment which is based upon the Company's performance as measured by CPR. When the CPR is 2.00 or greater and less than 5.00, the Point of Adjustment is determined by the formula below:

$$\text{Point of Adjustment} = \text{PROI} - \text{ER}_{\text{ADJ}} - (((5 - \text{CPR}) \div 3) \times (0.50\% - \text{ER}_{\text{ADJ}}))$$

7. If the Company's PRRI is below the Range of No Change and its CPR is 5.00 or greater and less than 9.00, then the Company shall increase revenues to a Point of Adjustment which is based upon the Company's performance as measured by its CPR. When the CPR is 5.00 or greater and less than 9.00, the Point of Adjustment is determined by the formula below.

$$\text{Point of Adjustment} = \text{PROI} - (((9 - \text{CPR}) \div 4) \times \text{ER}_{\text{ADJ}})$$

8. If the Company's PRRI is below the Range of No Change and its CPR is 9.00 or greater, then the Company shall increase revenues to a Point of Adjustment which is based upon the Company's performance as measured by its CPR. When the CPR is 9.00 or greater, the Point of Adjustment is determined by the formula below.

$$\text{Point of Adjustment} = \text{PROI}$$

DETERMINING ADJUSTMENTS RELATED TO PRIOR YEAR'S ACTUAL RESULTS

To comply with the “Review and Adjustment for Prior Year's Actual Results” portion of this Schedule, the Company's EROI is compared to the Range of No Change. If the EROI is within the Range of No Change, no further adjustment will be made. If the EROI falls below the Range of No Change, the point of adjustment for a surcharge shall be the bottom of the Range of No Change. If the EROI falls above the Range of No Change, the point of adjustment for a refund or credit shall be the top of the Range of No Change.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE "PEP-5A"

Mississippi Public Service Commission Schedule No. 28.1		
PAGE	EFFECTIVE DATE	DATE OF VERSION SUPERSEDED
28 of 31	January 1, 2015	January 9, 2009

APPENDIX D

REVENUE ADJUSTMENT WORKSHEET TWELVE MONTHS ENDING MM/DD/YYYY

I. Determination of Need for Revenue Adjustment

- A. Y1 - Top of Range of No Change _____
- B. Y2 - Bottom of Range of No Change _____
- C. PRRI/EROI per Appendix "A," Line 57. _____
- D. Does comparison of PRRI/EROI to the Range of No Change
indicate a revenue adjustment is required? _____
- 1. _____ No, stop here.
- 2. _____ Yes, PRRI is outside the Range of No Change.
Make Revenue Adjustment per calculation below.

II. Determine the Point of Adjustment

- A. CPR _____
- B. PROI _____
- C. Point of Adjustment _____

III. Revenue Adjustment Calculations

Revenue Adjustment for PRRI/EROI outside the Range of No Change

- 1. Total Retail Projected Net Investment (Appendix "A," Line 26) _____
- 2. Point of Adjustment (Line II.C. above) _____
- 3. Target Net Income (Line 1 x Line 2) _____
- 4. Total Retail Projected Operating Income (Appendix "A," Line 56) _____
- 5. Total Retail Net Income Adjustment (Line 3 - Line 4) _____
- 6. Income Tax Adjustment Factor¹ _____
- 7. Calculated Revenue Adjustment (Line 5/Line 6)² _____
- 8. Revenues from Retail Sales (Appendix "A," Line 27) _____
- 9. Maximum Revenue Adjustment Limit _____ 0.04
- 10. Maximum Revenue Adjustment (Line 8 x Line 9) _____
- 11. Actual Revenue Adjustment (Lesser of Line 7 or Line 10)² _____
- 12. % of Retail Revenues (Line 11/Line 8) _____
- 13. Add Lost Contribution to Fixed Cost from EECR³ _____
- 14. Total PEP Revenue Adjustment (Line 11 + Line 13) _____

¹ The factor represents a composite of Federal and State income tax and municipal franchise taxes.

² Due to practical constraints, no adjustments under this Schedule will be made for amounts less than \$250,000.

³ Pursuant to the EECR rate schedule, when the PEP rate is reset, the Lost Contribution to Fixed Cost component from the EECR calculation is transferred to PEP. This adjustment is revenue neutral across rate schedules and therefore not subject to the revenue adjustment tests.

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1		
PAGE 29 of 31	EFFECTIVE DATE January 1, 2015	DATE OF VERSION SUPERSEDED January 9, 2009

APPENDIX E

FILING REQUIREMENTS

Item No. in Appendix C Schedule 3 of MPSC Public Utility Rules of Practice & Procedure	Statute	Filing Requirement	Applicability to PEP-5A
1	77-3-37(2)(i) and 77-3-37(4)(f)	All direct testimony to be relied upon including a statement of the proposed changes and the reasons for the changes.	Required for rate changes in excess of two percent (2%)
2	77-3-37(2)(b)	Schedule of present rates, fares, tolls, charges or rentals in effect, and the changes proposed to be made.	Required for rate changes in excess of two percent (2%)
3	77-3-37(2)(b)	Sample tariffs implementing the changes.	Required for all rate changes
4	77-3-37(2)(c)	Balance sheet for the most recent month available which shall be not later than nine months prior to the filing date. For multi-state utilities, the balance sheet shall be for the company as a whole plus an estimated balance sheet for Mississippi operations and a summary of the basis on which the estimate was prepared.	September Balance Sheet of Company's Operating Report
5	77-3-37(2)(d)	Operating statement of revenues and expenses [by account number] for twelve months ending as of the date of the balance sheet.	September Income Statement of Company's Operating Report
6	77-3-37(2)(e)	Pro forma operating statement in the same form as the actual operating statement [showing estimated revenues and expenses] beginning with the effective date of the proposed changes (a) without giving effect to changed rates (b) giving effect to changed rates.	Projected PEP-5A Appendix A without proposed rate changes is required for all filings. Projected PEP-5A Appendix A with proposed rate changes is required for rate changes in excess of two percent (2%).

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1

PAGE 30 of 31	EFFECTIVE DATE January 1, 2015	DATE OF VERSION SUPERSEDED January 9, 2009
-------------------------	--	--

APPENDIX E

Item No	Statute	Filing Requirement	Applicability to PEP-5A
7	77-3-37(2)(f)	Pro forma operating statement in the same form as the actual operating statement for the same period giving effect to the proposed changes in rates and adjusted for known changes in the cost of operations.	Same as item no. 6
8	77-3-37(2)(g)	Statement showing (a) number of current customers by classes affected by the proposed changes (b) the actual revenue under the old rates arising from each class and (c) the annual amount of the proposed increase or decrease applicable to each class.	Required for all rate changes in excess of two percent (2%)
	77-3-37(2)(h)	As to public utilities described in Miss. Code Ann., Section 77-3-3 (d)(iv), description of the utility's property, including a statement of the original cost and the cost to the utility. Provide a listing of all depreciable assets by applicable account number: (a) Description of Asset; (b) In Service Date; (c) Original cost of asset to the utility; (d) Life of Asset; (e) Depreciation accrued to date.	September Balance Sheet and Schedules of Plant in Service of Company's Operating Report
9		Statement showing the utility's calculation of jurisdictional rate base including, if applicable, gross plant, accumulated depreciation, working capital, material and supplies, other properties and assets, accumulated deferred income taxes, customer deposits and investment tax credits.	Same as item no. 6
10		Statement showing utility's calculation of return on rate base with and without the proposed increase.	Same as item no. 6
11		Federal Income tax returns and State Income tax returns, with all required attachments and schedules, for prior three years. If a consolidated return, the portion applicable to Mississippi.	Waived

PERFORMANCE EVALUATION PLAN RATE SCHEDULE “PEP-5A”

Mississippi Public Service Commission Schedule No. 28.1

PAGE 31 of 31	EFFECTIVE DATE January 1, 2015	DATE OF VERSION SUPERSEDED January 9, 2009
-------------------------	--	--

APPENDIX E

Item No.	Statute	Filing Requirement	Applicability to PEP-5A
12	77-3-37(2)(a)	(if corporation) Copy of charter or articles of incorporation.	By reference.
13	77-3-37(2)(j) and (k)	(if corporation) The amount and kinds of stock authorized, issued and outstanding.	September Balance Sheet of Company's Operating Report and 10K Statement of Capitalization for prior calendar year by reference
14	77-3-37(2)(l)	(if corporation) The number and amount of bonds authorized and the number and amount issued.	September Balance Sheet of Company's Operating Report and 10K Statement of Capitalization for prior calendar year by reference
15	77-3-37(2)(m)	(if corporation) The rate and amount of dividends paid during the five previous fiscal years and the amount of capital stock on which dividends were paid each year.	10K Statements of Common Stockholders' Equity by reference for previous calendar years
16	77-3-37(2)(n)	(if corporation) An analysis of the surplus covering the period from the close of the last calendar year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the notice.	September Statement of Retained Earnings of Company's Operating Report
22		Copy of notice to customers sent pursuant to Rule 9B (1).	Copy of bill stuffer for rate changes in excess of two percent (2%)
23		An exhibit listing the names and addresses of all interested persons as defined in Rule 2K of the Commission's Rules of Practice and Procedure together with a certificate that the filing utility has served a notice of the filing upon each.	Required for all rate changes in excess of two percent (2%)
24		The year of the last authorized major rate increase, amount of the increase and the docket number of the proceeding.	List year and amount of last major rate increase in Notice.