

ENERGY COST MANAGEMENT CLAUSE SCHEDULE "ECM-2A"



Mississippi Public Service Commission Schedule No. 49

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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 "FCR-2".

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 beginning with the first billing cycle of February 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 factor shall include carrying cost on the monthly net FCR and ECM over recovery or under recovery balance, net of ADITs, based upon the Company's weighted average cost of capital as applied and in the accordance with the Company's Performance Evaluation Plan filed with the Commission.

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:

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

Where:

ECM = Energy Cost Management Factor to be added per KWH each month for twelve months beginning with the February 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.; projected carrying costs on the net fuel and energy cost management over/under recovery consistent with the prescribed methodology; and costs incurred by Mississippi Power in connection with external consulting or legal services provided to the Commission or the Public Utilities Staff in connection with FERC litigation or

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other activities pursuant to Miss. Code Section 77-1-55, or other regulatory filings or proceedings, when properly supported and authorized by the Commission for recovery in the ECM Schedule, and costs that have been authorized by the Commission for recovery in the ECM Schedule for consulting or legal services provided to Mississippi Power, in connection with FERC litigation or other activities pursuant to Miss. Code Section 77-1-55, or other regulatory filings or proceedings which are incurred to protect the interest or provide benefits to ratepayers.

- 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.
- 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 under recovery (over recovery) adjustment would be a positive (negative) amount calculated using the following formula:

$$ADJ = AECMR - PreviousADJ - \left[\left[AECM - \left[\frac{AECM}{ATES} * ADL \right] \right] * \frac{ARS}{ATS} + \left[\frac{AECM}{ATES} * ADL \right] \right]$$

Where:

AECMR = Actual Energy Cost Management Recovery determined by totaling each month's actual revenue collected under the Energy Cost Management Clause Scheduled 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.; actual carrying costs on the net fuel and energy cost management over/under recovery consistent with the prescribed methodology; and actual costs incurred by Mississippi Power in connection with external consulting or legal services provided to the Commission or the Public Utilities Staff in connection with FERC litigation or other activities pursuant to Miss. Code Section 77-1-55, or other

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regulatory filings or proceedings, when properly supported and authorized by the Commission for recovery in the ECM Schedule, and actual costs that have been authorized by the Commission for recovery in the ECM Schedule for consulting or legal services provide to Mississippi Power, in connection with FERC litigation or other activities pursuant to Miss. Code Section 77-1-55, or other regulatory filings or proceedings which are incurred to protect the interest or provide benefits to ratepayers. 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.
- 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.

and:

- RENM = Renewable Energy Net Metering Adjustment is a cents/kWh adder. The adder is to be included in the ECM factor and added after the final calculation of each factor in each of the rate class categories on the ECM bulletin. This adjustment is calculated as follows:

$$RENM = \frac{BREN + RENMadj}{BRS}$$

Where:

- BREN = Budgeted Renewable Energy Net Metering Cost includes costs budgeted for customer communications pursuant to Commission Order, costs budgeted by the Company associated with the cost benefit study required to be performed by the Company pursuant to the Mississippi Renewable Energy Net Metering Rule ("MRENMR") and any other costs the Commission approves for recovery through ECM that have been ordered and/or approved by the Commission to be incurred by the Company in connection with the implementation of the Company's Renewable Energy Net Metering (RENM) rate schedule, Interconnection Applications and Agreements, and/or compliance with the MNENMR or the Mississippi Distributed Generator Interconnection Rule ("MDGIR").

- RENMadj = 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 cost during that period. Such under recovery (over recovery) adjustment would be a positive (negative) amount calculated using the following formula.

$$RENMadj = AREN - ARENRev$$

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AREN = Actual Renewable Energy Net Metering Cost includes costs incurred for customer communications pursuant to Commission Order, costs incurred by the Company associated with the cost benefit study required to be performed by the Company pursuant to the Mississippi Renewable Energy Net Metering Rule and any other costs the Commission approves for recovery through ECM that have been ordered and/or approved by the Commission to be incurred by the Company in connection with the implementation of the Company's Renewable Energy Net Metering (RENM) rate schedule, Interconnection Applications and Agreements, and/or compliance with the MNENMR or the Mississippi Distributed Generator Interconnection Rule ("MDGIR").

ARENRev= Actual Renewable Energy Net Metering Revenue collected during the previous sample period by the RENM factor.