

# RATE ECR ENERGY COST RECOVERY RATE



By order of the Alabama Public Service Commission dated March 7, 2017 in Docket # 18148.

<b>PAGE</b> 1 of 6	<b>EFFECTIVE DATE</b> January, 2017 Billings	<b>REVISION</b> Third
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## AVAILABILITY

Same as the specific base rate schedule incorporating this Energy Cost Recovery Rate by reference.

## APPLICABILITY

Applicable as an integral part of each base rate schedule of the Company in which reference is made to this Rate ECR.

## EXPLANATORY STATEMENT

By its order in Docket #18148 (consolidating Docket #18152) issued May 29, 1981, the Alabama Public Service Commission abolished Rate FT, effective upon the replacement thereof by procedure to be defined in the rates, rules and regulations of the Commission incorporating, for application in Alabama, the Georgia fuel cost recovery system described in the order. That order also observed that it would be necessary in the transition to the new system "that the rate form be so arranged as not to constitute a revision or refiling of those general rate schedules of the Company now filed and under suspension and with respect to which the Commission must issue an order on or before October 18, 1981." To implement the Commission's May 29, 1981 order, Rate ECR (set forth below) will replace the Energy Cost Adjustment, Energy Cost Adjustment Calculation Procedure and the Special Rules Governing Administration of Rate FT, as last approved by the Commission. The tax provisions of Rate FT ("Income Tax Rate Adjustment," "General Tax Provisions," and "Adjustment for Local Taxes") continue to be effective and are designated as "Rate T."

## GENERAL DESCRIPTION OF RATE

This Rate ECR is made a part of each of the base rate schedules of the Company to which Rate ECR is applicable and any modification to, amendment to or replacement of such base rate schedules. All bills rendered under such base rate schedules of the Company will be increased pursuant to the provisions of this Rate ECR and the effective Energy Cost Recovery factor calculated pursuant to this Rate ECR. This Rate ECR provides for the recovery by the Company of defined energy cost and establishes a procedure for the recovery of defined energy costs through the base rate schedules of the Company. After the development of the Energy Cost Recovery factor, it will be combined for billing purposes with the charges in the applicable rate schedule and shown as a single line item on the bill to the customer.



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By order of the Alabama Public Service Commission dated March 7, 2017 in Docket # 18148.

PAGE 2 of 6	EFFECTIVE DATE January, 2017 Billings	REVISION Third
----------------	--	-------------------

## ENERGY COST RECOVERY FACTOR CALCULATION PROCEDURE (RATE ECR FORMULA)

The Energy Cost Recovery factor to be applied to each kilowatt-hour supplied by the Company under any base rate schedule of which this Rate ECR is made a part shall be calculated in accordance with the following formula:

$$\text{ECRF} = \frac{\text{ETEC}}{\text{ETS}} + \text{CF}$$

Where:

ECRF = Energy cost recovery factor to be applied to the retail kilowatt-hour sales during the current billing period and computed to the nearest one-thousandth of a cent per kilowatt-hour.

ETEC = The sum of:

- (1) Estimated cost of fossil fuel and emission allowances to be issued out of Accounts 151 and 158.1 and charged to Accounts 501, 509, 518 and 547 of the Uniform System of Accounts prescribed by the Alabama Public Service Commission for the current billing period (three months) at the Company's generating plants, including also the Company's portion of estimated fossil fuel cost and emission allowances at generating plants whose capacity is shared with others and the Company's portion of such estimated costs at plants owned or operated by any affiliated company.
- (2) Estimated cost of nuclear fuel to be recorded in Account 518 (exclusive of any fossil fuel expense therein to be issued from Account 151) of such Uniform System of Accounts for the current billing period (three months) at the Company's generating plants, including also the Company's portion of estimated nuclear fuel cost at generating plants whose capacity is shared with others and the Company's portion of such estimated cost at plants owned or operated by any affiliated company.
- (3) Estimated purchased energy cost, exclusive of capacity or demand charges, shall be that portion of the estimated cost to be recorded in Account 555 of such Uniform System of Accounts for the current billing period (three months), excluding the cost related to the generation at plants owned or operated by any affiliated company already reflected in the estimated fossil and nuclear fuel costs above, when such energy is purchased on an economic dispatch basis or, otherwise, the estimated actual identifiable fossil fuel cost issued from Account 151 and nuclear fuel cost recorded in Account 518 or the estimated average cost of such fossil and nuclear fuel when such costs are not actually identifiable; less the estimated actual



# RATE ECR ENERGY COST RECOVERY RATE

By order of the Alabama Public Service Commission dated March 7, 2017 in Docket # 18148.

<b>PAGE</b> 3 of 6	<b>EFFECTIVE DATE</b> January, 2017 Billings	<b>REVISION</b> Third
-----------------------	---	--------------------------

identifiable cost of fossil and nuclear fuel (together with costs, gains, or losses associated with emission allowances) recovered through estimated inter-system sales or the estimated average cost of such fossil and nuclear fuel when such costs are not actually identifiable. Estimated purchased energy cost also includes any other cost or credit that is part of, or directly related to, a certificated power purchase arrangement if the Commission, in its order certifying the arrangement, so directs the inclusion of such cost or credit in Rate ECR.

- (4) Gains, losses and costs associated with Company's utilization of futures, options and over the counter derivatives (including, without limitation, futures contracts, puts, calls, caps, floors, collars, and swaps) for the purpose of hedging its energy and fuel costs.
- (5) Gains, losses and costs recorded in Account 456 associated with sales of natural gas that are attributable to operating considerations at the Company's electric generating facilities.

ETS = Estimated total energy sales of the Company for the current billing period (three months), to be divided into the aforesaid sum (ETEC) so as to derive a factor (computed to the nearest one-thousandth of a cent per kilowatt-hour).

CF = The correction factor for prior periods represents the adjustment that is necessary to adjust prior estimates to actual data. This adjustment shall be computed as follows: Accumulate and total the actual monthly data in the categories of cost referred to in ETEC above. Deduct from this amount of total energy cost the following: (a) The energy cost recovery applicable to the wholesale customers, and (b) the energy cost recovery billed to the retail customers. The net amount represents the under- or over-recovery of energy cost applicable to retail customers for the month. The monthly amounts shall be accumulated through the end of the third month preceding the current billing period (three months). Then add the estimated under- or over-recovery of energy cost applicable to retail customers for the second (to be adjusted to Actual at the hearing if data available) and first months preceding the current billing period. This summation produces a dollar amount which, when divided by the estimated retail energy sales for the current billing period (three months), constitutes the correction factor (CF). The CF is computed to the nearest one-thousandth of a cent per kilowatt-hour.

In the development of the initial Energy Cost Recovery factor, the transition from the Energy Cost Adjustment contained in Rate FT to this Rate ECR must be recognized. Therefore, it will be necessary to estimate (later to be adjusted to actual) the under- or over-recovery for May and June 1981. This estimate shall be included as the correction factor in the initial Energy Cost Recovery factor. This estimate shall be computed as presently provided for in Rate FT.

# RATE ECR ENERGY COST RECOVERY RATE



By order of the Alabama Public Service Commission dated March 7, 2017 in Docket # 18148.

PAGE 4 of 6	EFFECTIVE DATE January, 2017 Billings	REVISION Third
----------------	--	-------------------

## RULES AND REGULATION GOVERNING APPLICATION OF ENERGY COST RECOVERY RATE

These rules and regulations are applicable to and are an integral part of Rate ECR. These rules and regulations established the procedures to be used in the determination of the Energy Cost Recovery factor.

1. On or before June 10, 1981, the Company shall submit to the Commission an estimate of energy cost and estimated sales for the three (3) calendar months beginning on July 1, 1981, and a proposed, initial Energy Cost Recovery factor computed in accordance with the calculation procedure contained in this Rate ECR, to be incorporated in base rate schedules of the Company as provided in this Rate ECR. On or before June 19, 1981, the Commission shall conduct a public hearing on the information so submitted for the purpose of determining its accuracy. The Company's testimony shall be under oath and shall, with any corrections thereto, constitute the Company's affirmative case. The Commission will issue an order on or before June 24, 1981, establishing the initial Energy Cost Recovery factor to be incorporated in the base rate schedules of the Company beginning July 1, 1981, and continuing until changed by the provisions of this Rate ECR.
2. After the initial Energy Cost Recovery factor is established, the Company can change such Energy Cost Recovery factor because of increased or decreased energy cost only after a submittal to the commission of an estimate of the Company's energy cost and sales for the three (3) consecutive calendar months beginning forty-five (45) days following the submittal and a proposed Energy Cost Recovery factor to recover those costs adjusted as required by the provisions of the Rate ECR Formula and subsection 4 of these rules and regulations. The Company shall submit its proposed Energy Cost Recovery factor and testimony forty-five (45) days in advance of the date the new Energy Cost Recovery factor is to be made effective as a part of the base rate schedules of the Company. Not less than twenty (20) days after any such submittal or after a Commission show cause order concerning the existing Energy Cost Recovery factor, the Commission shall conduct a public hearing on the information so submitted for the purpose of determining its accuracy. The Company's testimony shall be under oath and shall, with any corrections thereto, constitute the Company's affirmative case. At any such hearing, the burden of proof to show that an increased Energy Cost Recovery factor, based on fluctuations in energy cost, is just and reasonable shall be upon the Company.

Formal intervention by customers of the Company shall be permitted. The staff of the Commission and formal intervenors shall have the right to examine all of the Company's records used in preparation of the testimony and exhibits of the Company, to cross-examine the Company's witnesses and present rebuttal testimony. If the staff of the Commission or any formal intervenors intend to submit rebuttal testimony recommending a

# RATE ECR ENERGY COST RECOVERY RATE



By order of the Alabama Public Service Commission dated March 7, 2017 in Docket # 18148.

PAGE	EFFECTIVE DATE	REVISION
5 of 6	January, 2017 Billings	Third

different estimate of the Energy Cost Recovery factor, such testimony shall be reduced to writing and delivered to the Company five (5) days in advance of the scheduled hearing date. Following such hearing, the Commission shall issue an order stating the Energy Cost Recovery factor to be used by the Company during the next three (3) consecutive calendar months, or until changed as provided in this paragraph. The hearing shall be completed and submitted for issuance of an order within thirty-five (35) days from the Company's initial submittal. Should the Commission fail to issue such an order by the forty-fifth (45th) day after the Company's submittal, the Energy Cost Recovery factor proposed by the Company thereupon be deemed effective.

3. The Company shall compute, record and report to the Commission the monthly and accumulated over or under-recovery of actual energy cost resulting from application of the Energy Cost Recovery factor as soon as available.
4. It is the express purpose of this Rate ECR to allow the Company to recover the energy costs specifically identified in the Rate ECR Formula. Accordingly, the Rate ECR Formula contains an adjustment which requires the Company to collect or refund any accumulated under-recovery or over-recovery resulting from the difference between actual energy cost and revenues recovered pursuant to the estimated Energy Cost Recovery factor established by the Commission pursuant to this Rate ECR. At any time the Commission orders a change in the Energy Cost Recovery factor, recognition will be given to such accumulated over or under-recoveries so as to provide that the Company will neither recover more than nor less than its actual energy cost as defined in the ECR formula contained in this Rate ECR. Further, to provide for an orderly transition from the Energy Cost Adjustment contained in Rate FT to this Rate ECR, the under or over-recoveries under the Energy Cost Adjustment contained in Rate FT for the months of May and June, 1981, will be incorporated and recognized in the accumulated over and under-recoveries provided for in the Rate ECR formula contained in this Rate ECR.
5. The Commission shall disallow and make appropriate adjustments for any reported energy cost that is the result of illegal or clearly imprudent conduct on the part of the Company.
6. All Commission orders establishing a changed Energy Cost Recovery factor pursuant to this Rate ECR shall contain the Commission's findings of fact and conclusions of law upon which the Commission's action is based. Such order shall be deemed a final order subject to judicial review under Alabama law.
7. The Commission shall not prohibit or limit the operation of this Rate ECR to the extent it permits rate increases or decreases to adjust for increased or decreased purchase power costs where such increased or decreased purchase power costs shall have become effective under the procedures of a Federal regulatory agency or under a contract approved by a Federal regulatory agency. Any subsequent refunds received by the Company with

# RATE ECR ENERGY COST RECOVERY RATE



By order of the Alabama Public Service Commission dated March 7, 2017 in Docket # 18148.

<b>PAGE</b> 6 of 6	<b>EFFECTIVE DATE</b> January, 2017 Billings	<b>REVISION</b> Third
-----------------------	---	--------------------------

respect to such increased purchase power costs which become effective under procedures of a Federal regulatory agency, or otherwise, shall be refunded by the Company to its customers in the manner directed by the Commission.

8. In submitting any estimate of energy costs under this Rate ECR, the Company shall disclose the name and address of each person, firm or corporation from whom the Company expects to purchase fuel, or the transportation of fuel, during the period covered by such estimate. Each such submittal shall also disclose, when applicable, any financial interests the Company has in any person, firm or corporation expected to supply fuel or transport fuel to the Company during the period covered by the estimate. It shall be the duty of the Commission to make public at each public hearing held pursuant to this Rate ECR any information disclosed by the Company pursuant to the requirements of this paragraph. It shall constitute a financial interest within the meaning of this paragraph:
  - (a) For any member of the Board of Directors of the Company to be a member of the Board of Directors of a corporation supplying fuel, or transporting fuel, to the Company;
  - (b) For any member of the Board of Directors of the Company to be the proprietor of, or a partner in, any business supplying fuel, or transporting fuel, to the Company; or
  - (c) For any member of the Board of Directors of the Company or the Company to own ten percent (10%) or more of the stock of any corporation supplying fuel, or transporting fuel, to the Company.
9. The procedures provided for in Rate ECR and these Rules and Regulations are for the purpose of calculating, at a hearing, the energy costs of the Company, which are recoverable in full (but no more) as part of the application of Rate ECR and the rates to which it applies. Therefore, the submittals of the Company to initiate the calculation procedures and hearing are not "new schedules" subject to suspension within the meaning of Section 37-1-81, Code of Alabama 1975. The procedures and hearing are governed by the 45-day time limitation hereinabove specified.