

RATE RIDER NDR NATURAL DISASTER RESERVE

By order of the Alabama Public Service Commission dated December 6, 2005 in Docket # U-3556.

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AVAILABILITY

Same as the specific rate schedule incorporating this Rate Rider NDR by reference.

APPLICABILITY

Applicable as an integral part of each rate schedule of the Company in which reference is made to this Rate Rider NDR. This Rate Rider NDR shall not apply to the accounts of customers who have qualified for Rate Rider SSI.

EXPLANATORY STATEMENT

Rate Rider NDR is designed to adjust monthly billings to address the financial impact of operating and maintenance (O&M) expenses attributable to certain natural disasters, as described in Commission orders in Docket No. U-3556 pertaining to the Natural Disaster Reserve.

NDR CHARGE

The NDR Charge is a monthly charge per account that consists of one or two components, depending on the circumstances. The first component relates to the creation of a positive balance in the Reserve and is either a Reserve Establishment Charge or a Reserve Maintenance Charge. The Reserve Establishment Charge is intended to establish a sufficient balance in the Natural Disaster Reserve to address the costs of future natural disasters. The Reserve Maintenance Charge is implemented when the approved balance in the Reserve has been established through the Reserve Establishment Charge, and protects against attrition through smaller continuing contributions to that balance.

The second component of the NDR Charge only applies when there is a negative balance in the Reserve. When that circumstance exists, the Negative Balance Charge is used to recover the costs giving rise to the negative balance.

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Reserve Establishment Charge

The following Reserve Establishment Charge is used to establish a balance of \$75 million in the Reserve.

Non-Residential:	\$1.86 per month per account
Residential:	\$0.75 per month per account

Reserve Maintenance Charge

The following Reserve Maintenance Charge is implemented when the balance in the Natural Disaster Reserve has reached \$75 million and remains in effect unless the Reserve balance falls below \$50 million.

Non-Residential:	\$0.37 per month per account
Residential:	\$0.15 per month per account

In the event the Reserve balance falls below \$50 million, then the Reserve Establishment Charge will be re-activated (and the Reserve Maintenance Charge concurrently suspended) until the Reserve balance once again reaches \$75 million. When the Reserve balance is restored to this approved level, the Reserve Maintenance Charge will be re-activated (and the Reserve Establishment Charge concurrently suspended).

Negative Balance Charge

Any negative balance in the Reserve will be collected by allocating that amount to both non-residential and residential accounts and recovering those costs over a 24-month period. This will be accomplished by allocating the costs giving rise to the negative balance between non-residential and residential customers on a 30.3% and 69.7% basis respectively, dividing each allocated share by the number of customers in each class, and then dividing each result by 24. Using this same process, an additional charge will be developed for each subsequent natural disaster that results in an increase in the negative balance. Any such additional charge will be based on the incremental change in the negative balance. The Negative Balance Charge is the aggregate of all such separately calculated charges that are applicable to a given month.

LIMITATION ON TOTAL NDR CHARGE

Notwithstanding the foregoing, the total NDR Charge under this Rate Rider NDR will not exceed \$10.00 per month per account for non-residential customers and \$5.00 per month per account for residential customers.