

SPECIAL RULES GOVERNING OPERATION OF RATES RSE AND CNP

By orders of the Alabama Public Service Commission in Dockets #18117 and #18416.

Effective for December 1982 billings and thereafter; modified effective for July 1985 billings and thereafter; modified effective for April 1990 billings and thereafter; modified effective May 1, 2002 for application to March 2003 billings and thereafter; modified effective October 16, 2005 for application to January 2007 billings and thereafter.

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1. The Commission finds that the adoption of Rate RSE and the resulting reduction of the number of general retail rate increase requests filed by the Company, given the increased monitoring and auditing provisions of Rate RSE and these Rules, will increase the Commission's ability to fulfill its statutory duty to supervise the overall operation of the Company as provided in Title 37, Code of Alabama (1975) with appropriate representation of the consumer interest. The absence of lengthy and time-consuming hearings occasioned by major rate cases brought by this utility will provide a better opportunity for the Commission and its staff to effectively and closely monitor the Company's daily operations and to investigate regulatory matters which heretofore have remained unaddressed.
2. The Commission finds that this increased supervision is essential to the proper implementation of Rate RSE, is essential to the protection of the Company's retail customers, and is a proper and necessary exercise of the Commission's statutory responsibilities. The Commission expressly acknowledges that its function is to regulate the Company, not to substitute its judgment for that of the Company's management, subject to the demonstration that the Company is honestly, economically and efficiently managed.
3. The Company recognizes the Commission's increased oversight responsibilities and the need for additional significant monitoring by the Commission and its staff over and above the current levels of reporting, auditing and inspection. The Company by acceptance of these Rates commits itself to cooperate fully with the Commission, its staff, the Attorney General of the State of Alabama, and any successor State agency charged by law with the duty of representing the interests of the consuming public in this regard.
4. In furtherance of the Commission's increased monitoring role and activities, the Company agrees as follows:
 - (a) The Company shall continue to furnish to the Commission, its staff, and on request the Attorney General or any successor State agency charged by law with the duty of representing the consuming public, all reports and other data which are presently being supplied and which are identified on Exhibit "A" hereto, and which are not otherwise furnished under this Paragraph 4.

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- (b) The Company shall provide to the Commission, its staff, and on request the State agency responsible for representing the consuming public, copies of its Annual Operating Budget and Annual Construction Budget for the upcoming rate year immediately upon approval by the Company's executive management, but not later than December 1 of each preceding year, and shall immediately provide any revisions or amendments thereto. The Construction Budget will contain a list or summary of the PEs, and on request the Company will furnish individual PEs. The Company will also furnish supplementary information as requested by the Commission and its staff.
- (c) The Company shall provide to the Commission, its staff, and on request the State agency responsible for representing the consuming public, entries on Appendix B to Rate RSE no later than December 1 prior to the initiation of an increase or decrease derived by the operation of Rate RSE, as applied to January billings. In those instances where an increase or decrease is to occur, the Company shall include in its submittal a written analysis summarizing the principal reasons, events or factors contributing to cause such increase or decrease. Consistent with the terms of Rate RSE, the Company shall submit to the Commission, by March 1 of each year, the calculation of the actual retail return, along with the derivation of the refund (if any) to be applied to April billings.
- (d) The Company shall participate in informal meetings where the Commission, its staff or any other interested party can discuss the Company's most recent annual submittal under Rate RSE. Such meetings shall be held on the second Tuesday of December, at a place and time designated by the Commission. In the event the date for any such meeting falls on a legal holiday, then the meeting shall be held on the next succeeding working day.
- (e) The Company shall provide, upon request by the Commission, its staff, or the State agency charged with representing the consuming public, any schedules contained in its internal Monthly Operating Report immediately upon completion of said report by the Company.
- (f) The Company shall produce at its general office, upon request by the Commission, its staff, or the State agency charged with representing the consuming public, the Company's Rate RSE and Rate CNP calculations and projections for each rate year as defined by the tariff, including any requested input and output data.

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- (g) The Company shall provide the Commission, its staff, and on request the State agency charged with representing the consuming public, all preliminary and final prospectuses promptly after filing.
 - (h) The Company agrees to provide the Commission, its staff, and on request the State agency charged with representing the consuming public, copies of its Annual Report to Shareholders, Annual Statistical Review and SEC Forms 10-Q, 8-K and 10-K as soon as they become available.
 - (i) The Company agrees that if the Commission, its staff, or the State agency charged with representing the consuming public, makes a reasonable request for any documentation or explanation of any accounting entries that support Appendix B to Rate RSE, the Company shall, within five working days from the receipt of written request therefor, provide full and complete response to said request.
 - (j) The Company agrees that its refusal or delay in complying with the reasonable data requests of the Commission, its staff, and the State agency charged with representing the consuming public, in connection with Rates RSE and CNP shall, unless the Company can (after notice and opportunity for hearing) show just and reasonable cause for its refusal or delay, have the effect of suspending the next succeeding annual increase in operation of Rates RSE or CNP for the number of days equal to the number of days the Company has failed to comply with any such data requests.
5. The Company and Commission agree that the Uniform System of Accounts, as used in Rates RSE and CNP, is the system of accounts in effect as of the latest effective date of these rules. The Commission and the Company further agree that any modification or amendment to the Uniform System of Accounts by the FERC shall not be binding on the Commission in computing Rates RSE or CNP unless and until adopted by the Commission. The Company further agrees that in any accounting treatment or change for which the Company needs FERC approval, the Company will also seek and obtain approval by this Commission prior to such treatment or change becoming effective under Rates RSE or CNP.

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6. The Company pledges its good faith and cooperation in all areas pertaining or relating to activities by the Commission or its staff in the exercise of its monitoring, auditing and inspection functions as well as the specified reporting requirements imposed upon the Company herein.
7. Limited Complaint Proceedings Respecting Computation of Rates RSE and CNP. The Commission may hold limited complaint proceedings (Sections 37-1-83, *et seq.*) to inquire into the amount, accuracy and compliance with the Uniform System of Accounts or into any material changes in accounting treatments of all expenditures and book entries of the Company utilized in the computation of the Rates RSE and CNP adjustments or to make inquiries into any facets of the Company's operations involving questions relating to honest, efficient or economical management. In any such complaint proceedings, the burden of proof as to the amount and verification of expenditures, as to any material changes in accounting treatments, and as to conformity with the Uniform System of Accounts shall be upon the Company, and the burden of proof in any challenge to the Company's conformity to the standard of honest, efficient and economical management shall be upon the complainant or the Commission.

Changes, if any, made in the amount of any numbers or items in Appendix B of Rate RSE as a result of such a complaint proceeding shall be effective for billings beginning fifteen days following the resolution of the complaint proceeding by the Commission. If the changes indicate an over collection by the Company pursuant to Rate RSE, a further compensation adjustment factor based upon the amount of such over collection and the estimated KWH usage for the next calendar year shall be computed, approved by the Commission, and applied only to bills during such calendar year to remove and compensate for such over collection; providing, however, that such compensating adjustment factor shall apply only to collections pursuant to Rate RSE and shall apply to adjust for over collection for no more than six months prior to the resolution of the complaint by the Commission.

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Any complaints under this procedure shall be heard and resolved by the Commission as soon as practicable but in no event later than six months following the filing. If the delay is occasioned by the Company's fault or refusal or inability to proceed upon proper notice, any complaint unresolved by the end of such six month period shall be deemed to be resolved against the Company until such time as the complaint is resolved by the Commission. Nothing in this paragraph shall be deemed as restricting or abrogating any right of appeal to the court under applicable law.

8. Revenues obtained by the Company from Rate CNP will be included in Electric Operating revenue on Line 1 of Appendix B, page 2, to Rate RSE for purpose of determining actual net income under Rate RSE.
9. It is the intent of Rates RSE and CNP and these Special Rules to avoid the large general rate increase requests experienced prior to the initiation of those Rates, with the attendant delays and lengthy, expensive proceedings. It is therefore the commitment of the Company, by its acceptance of these Rates and Rules, as modified, to make no general rate increase filing to be effective prior to November 1, 1994, and to request no change in the Equity Return Range to be effective before June 30, 1992. It is likewise the commitment of the Commission, by reason of the Company's acceptance of the modifications to such Rates and Rules, to make no change in Rates RSE and CNP, nor reductions in the rate schedules to which they apply, to be effective prior to November 1, 1994, and to make no changes in the RRCE range until after June 30, 1992. It is, however, expressly recognized that an unforeseen calamity, whether physical or economic, of the nature of force majeure may occur. In such event, the Company and the Commission shall consult in good faith to determine whether such commitments should be modified and, failing agreement thereon, the parties may take such actions as in good conscience they deem appropriate. Further adjustments under Rates RSE and CNP shall continue after November 1, 1994 unless the Commission, after review, thereafter affirmatively votes to modify or discontinue the operation of the rates after such date.

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10. To facilitate effective monitoring and the orderly flow of data, the Commission and the Company shall each designate an individual or office to or through whom all questions, information requests and Company visits shall be coordinated and unnecessary expense and duplication of effort avoided. Any such requests for information (including specifically, requests to visit any Company plants or premises) shall be upon reasonable advance notice transmitted through the coordinators and shall be consistent with the safe and orderly conduct of the Company's business. However, nothing in this paragraph shall be construed as restricting in any manner the Commission in the proper exercise of its regulatory rights, power, authority, jurisdiction and duties as provided in Title 37, Code of Alabama (1975), as amended.

EXHIBIT “A” SPECIAL RULES RATES RSE AND CNP

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Documents presently provided:

1. Balance Sheet - Each Month - By Account.
2. Statement of Income - Current Month, this year, last year; Year-to-Date, this year, last year; 12 Months Ended this year, last year.
3. Details of Revenues by Customer Class - Current Month, this year, last year; Year-to-Date, this year, last year.
4. Details of kWh sold by Customer Class.
5. Number of Meters - End of Month, this year and last year by customer class.
6. Energy Source and Disposition-kWh (Steam, Nuclear, Hydro, Other, Purchases, Total--Sales, Company Use, Losses, Total) - Current Month, this year, last year; Year-to-Date, this year, last year.
7. Operation and Maintenance Expenses (By Function) - Current Month, this year, last year; Year-to-Date, this year, last year.
8. Taxes Other than Income Taxes - Current Month, this year, last year; Year-to-Date, this year, last year.
9. Income Taxes-State and Federal - Current Month, this year, last year; Year-to-Date, this year, last year.
10. Detail of Steam Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
11. Detail of Nuclear Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
12. Detail of Hydro Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
13. Detail of Other Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.

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14. Detail of Transmission Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
15. Detail of Distribution Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
16. Detail of Customer Accounts Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
17. Detail of Customer Service Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
18. Detail of Sales Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
19. Detail of Administrative and General Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
20. Detail of Steam Heat Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
21. Detail of RCS Program Function Expenses (By Account) - Current Month, this year, last year; Year-to-Date, this year, last year.
22. Monthly Availability Report - By Generating Unit for Steam Function.
23. Monthly NRC Report - By Generating Unit for Nuclear Function.
24. Monthly Operating Data-Electric Plants (1401 Report) - By Plant, By Generating Unit.
25. Monthly Outage Report - By Generating Unit.
26. Monthly Steam Power Generating Station Statistics (Schedule 21).

Additional documents to be provided:

1. Annual Operating Budget.
2. Annual Construction Budget.