

RATE T TAX ADJUSTMENT

By order of the Alabama Public Service Commission dated July 12, 2011 in Docket #18148.

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AVAILABILITY

Available in all areas served from the interconnected system of the Company.

APPLICABILITY

Applicable as an adjustment to each filed rate of the Company in which reference is made to Rate T.

INTERIM INCOME TAX RATE ADJUSTMENT

In the event of a change (increase or decrease) in the composite federal and state income tax rate that is not accounted for in calculations used to establish the base rates set forth in the Company's current retail rate schedules, each electric service bill will be increased or decreased by applying thereto an "Income Tax Adjustment Percentage." The Income Tax Adjustment Percentage shall capture the effect of the change in the composite tax rate using the Company's original projection of its twelve (12) months ending operations for the subject rate year, as submitted to the Commission in the prior year. The Income Tax Adjustment Percentage shall be applied to electric service bills as soon as practicable after such tax rate change becomes effective and shall remain in effect until the Company's base rates are adjusted to include the change in federal and/or state income tax rates.

The Income Tax Adjustment Percentage to be determined and applied is the percentage change in revenue required to have after-tax operating income for the subject year, given the tax rate change, equal to the after-tax operating income under the calculation used to establish the Company's base rates for the subject year. The combined (federal and state) composite tax rate is the sum of the federal and state statutory tax rates, minus twice their product, all divided by one minus their product.

GENERAL PROVISIONS

Bills shall be increased or decreased to offset the applicable proportionate part of any taxes, assessments, licenses, franchise fees, or rentals which may hereafter be modified and/or imposed upon the Company by any Government Authority at rates higher or lower than those in effect December 31, 1967, and which are assessed on the basis of meters, customers, the price of or revenues from electric energy sold, or the volume of energy generated, purchased for resale or sold.

ADJUSTMENT FOR LOCAL TAXES, ASSESSMENTS AND FEES

In the event any privilege, license, occupational, or other similar tax is modified and/or imposed upon the Company subsequent to January 1, 1955, by or pursuant to a local act of the Alabama Legislature, or by or pursuant to a general act of such legislature having local application, or under or pursuant to any authority granted by or in any such act, and such tax, assessment and/or fee is limited to an area or territory (hereinafter called local area) less than the entire State of Alabama, there shall be added to the rates and charges specified in any of the Company's standard rate schedule amounts which, in the aggregate for the Company's Consumers in such local area, shall be equal to the amount of any such tax, assessment and/or fee modified and/or imposed upon the Company. The Company shall, so long as any such tax, assessment and/or fee is in effect, add to the bills of its Consumers in such local area pro rata, on the basis of the revenue derived by the Company from each such Consumer, an amount sufficient to recover any such tax or taxes, assessments and/or fees.