



Moses H. Feagin
Executive Vice President
Chief Financial Officer & Treasurer

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December 1, 2025

Mr. Walter L. Thomas, Secretary
Alabama Public Service Commission
RSA Union Building
100 North Union Street, Suite 950
Montgomery, Alabama 36104

Re: Submittal of Information and Calculations Required by Appendix B to Rate RSE and the Special Rules Governing Operation of Rates RSE and CNP Docket Nos. 18117 and 18416

Dear Mr. Thomas:

In accordance with the provisions of Rate RSE (Rate Stabilization and Equalization Factor) and the Special Rules Governing Operation of Rates RSE and CNP, we are submitting the information and calculations required by Appendix B to Rate RSE. The calculations yield a weighted retail return on projected average common equity (WRRCE) of 6.03% for the 12-month period ending December 31, 2026. Consequently, there will be no operation of the rate for the upcoming year (rendering unnecessary the development and inclusion of Appendix A calculations).

By means of this letter, we are providing the enclosed information to the Commission Staff and the Office of the Attorney General. If further information is needed, please do not hesitate to contact the undersigned. The Company is available to meet with the Commission or its Staff to discuss the enclosed materials.

Sincerely,

A handwritten signature in black ink that reads "Moses H. Feagin". The signature is written in a cursive style and is positioned above a horizontal line.

Moses H. Feagin
Executive Vice President
Chief Financial Officer and Treasurer

Enclosures

cc: (with enclosures)
Commissioner Cynthia L. Almond
Commissioner Jeremy H. Oden
Commissioner Chris V. Beeker, III

Secretary of the Alabama Public Service Commission
Mr. Walter L. Thomas, Jr. (11)

Executive Director and Chief Administrative Law Judge
The Honorable John A. Garner

Director, Electricity Policy Division
Mr. John D. Free

Office of the Attorney General
Ms. Olivia W. Martin

Determination of Projected Average Retail Common Equity (RCE) as of December 31, 2026
(In Thousands of Dollars)

	Column 1 <u>Total Amount</u> <small>(Projected 12-mo. avg. bal.)</small>	Column 2 <u>Non-Electric</u> <small>(Projected 12-mo. avg. bal.)</small>
Investment		
1 . Electric Plant in Service (Account 101)	\$ 39,219,733 (E)	\$ 365,964
2 . Electric Plant Held for Future Use (Account 105)	50,280	
3 . Construction Work in Progress-Electric (Account 107)	1,289,801	20,440
4 . Accumulated Provision for Depreciation and Amortization of Electric Utility Plant-Credit (Accounts 108 and 111)	(13,383,951) (E)	(69,175)
5 . Electric Plant Acquisition Adjustments-Net (Accounts 114 and 115)	749,297	
6 . Steam Heat Plant (Account 118)	80	80
7 . Accumulated Provision for Depreciation of Steam Heat Plant-Credit (Account 119)	(80)	(80)
8 . Nuclear Fuel-Net (Account 120)	303,117	
9 . Nonutility Property (Account 121)	88,473	88,473
10 . Accumulated Provision for Depreciation and Amortization of Nonutility Property-Credit (Account 122)	(10,654)	(10,654)
11 . Investment in Subsidiary Companies (Account 123)	90,690	49,748
12 . Other Investments (Account 124)	4,391	4,391
13 . Fuel Stock (Account 151)	188,348	-
14 . Materials and Supplies (Account 154)	759,216	7,322
15 . Merchandise (Account 155)	-	-
16 . Allowance Inventory (Account 158)	12,265	
17 . Total	<u>\$ 29,361,006</u>	<u>\$ 456,509</u>
18 . Electric Investment Percent (Line 17, [Col. 1 - Col. 2 less UPS Investment of \$0] ÷ Col. 1)	<u>98.45% (D)</u>	
19 . Retail Electric Investment Factor	<u>99.37%</u>	
20 . Retail Investment Separation Factor (Line 18 X Line 19)	<u>97.83%</u>	
Common Equity Percentage of Capital Structure		
21 . Common Equity (Accounts 201, 211, and 216)	\$ 14,358,029	
22 . Debt (Accounts 221-227, 231 and 243)	12,090,742 (F)	
23 . Preferred Stock (Accounts 204-207 and 214)	-	
24 . Total (Line 21 + Line 22 + Line 23)	<u>\$ 26,448,771</u>	
25 . Common Equity Percentage of Capital Structure (CEP) (Line 21 ÷ Line 24)	<u>54.29%</u>	
Retail Common Equity (RCE)		
26 . Retail Common Equity (Line 20 x Line 21)	<u>\$ 14,046,460</u>	

Determination of Projected Retail Net Income for the 12 Months Ending December 31, 2026
(In Thousands of Dollars)

	<u>Total Electric</u> (Projected 12 mos. total)	<u>Retail Electric</u> (Projected 12 mos. total)
Electric Operating Revenue		
1 . Sale of Electricity (Accounts 440-448)	\$ 7,166,306	\$ 7,124,436 (A)
2 . Other Operating Revenues (Accounts 450-456)	<u>25,306</u>	<u>25,306 (B)</u>
3 . Total Operating Revenues (Line 1 + Line 2)	<u>7,191,612</u>	<u>7,149,742</u>
Electric Expenses		
4 . Electric Operation and Maintenance Expenses (Accounts 401 and 402)	3,524,800	
5 . Electric Depreciation and Amortization Expenses (Accounts 403-407)	1,583,763	
6 . Taxes Other Than Income Taxes (Account 408.1)	530,231	
7 . Other Revenue Credits (Accounts 447-02xxx, 447-04xxx, 454 except 454-00904, and 456 except 456-00953)	<u>880,988 (A), (B)</u>	
8 . Electric Expenses Other Than Income Taxes (Lines 4, 5, and 6 - Line 7)	<u>4,757,806</u>	
9 . Operating Income Before Income Taxes (Line 3 - Line 8)	<u>2,433,806</u>	
10 . Income Taxes (Accounts 409-411)	480,190	
11 . Retail Expense Allocation Factor	<u>99.27%</u>	
12 . Retail Expenses Other Than Income Taxes (Line 8 - UPS Expenses of \$0) x Line 11		<u>4,723,074 (D)</u>
13 . Retail Operating Income Before Income Taxes (Line 3 - Line 12)		2,426,668
14 . Retail Income Taxes (Line 13 ÷ Line 9) x Line 10		<u>478,782</u>
15 . Net Retail Electric Operating Income (Line 13 - Line 14)		1,947,886
Allowance for Funds Used During Construction		
16 . Electric Allowance for Funds Used During Construction (AFUDC) - Gross	79,233	
17 . Retail Electric Allocation Factor	<u>99.34%</u>	
18 . Retail Electric AFUDC (Line 16 - UPS Investment AFUDC of \$0) x Line 17		78,710 (D)
Interest Income		
19 . Interest Revenue (Accounts 419-00001, 419-00304, 419-00038 and 419-00066 through 419-00068) (net of tax)	5,463	
20 . Retail Interest Income (Line 19 x Retail Investment Separation Factor)	<u>97.83% (C)</u>	5,344
Interest Expense and Preferred Dividends		
21 . Interest Expense (Accounts 427-431)	498,095	
22 . Preferred Dividends (Account 437)	-	
23 . Total Interest Expense and Preferred Dividends [(Line 21 + Line 22) x Retail Investment Separation Factor]	<u>97.83% (C)</u>	487,286
Commission-Required Adjustments		
24 . Commission-Required Adjustments (net of tax)	15,499	
25 . Retail Commission-Required Adjustments (Line 24 x Retail Expense Allocation Factor)	<u>99.27%</u>	15,386
Retail Net Income Available for Common Equity (RNI)		
26 . Retail Net Income Available for Common Equity (Line 15 + Line 18 + Line 20 - Line 23 + Line 25)		<u>\$ 1,560,040</u>
Weighted Retail Return on Average Common Equity		
$\frac{\text{RNI}}{\text{RCE}} \times \text{CEP} = \text{WRRCE}$		<u>6.03%</u>

Notes:

Note (A): To conform with cost-of-service procedures, amounts included in Account 447 (Sales for Resale) associated with Non-Territorial Sales for Resale (subaccounts 447-02xxx and 447-04xxx) are excluded from Line 1 and included in Line 7.

Note (B): To conform with cost-of-service procedures, the total of Accounts 450 (Forfeited Discounts), 451 (Miscellaneous Service Revenues), 453 (Sales of Water and Water Power), subaccount 454-00904 (Rent from Leased Property on Customers' Premises-Other), and subaccount 456-00953 (Miscellaneous Electric Revenues-Return Check Charge) is included on Line 2. The remaining subaccounts for Accounts 454 (Rent from Electric Property) and 456 (Other Electric Revenues) are included in Line 7.

Note (C): Developed on Line 20 of retail common equity computation.

Note (D): To conform with cost-of-service procedures and to afford proper recognition of investment and associated allowance for funds and expenses associated with Unit Power Sales to Nonassociated Utilities, the investment and associated allowance for funds and expenses associated with such sales have been accounted for on Line 18 of RCE calculation and on Lines 12 and 18 of RNI calculation.

Note (E): For purposes of Rate RSE, the capitalization of asset retirement costs shall be excluded from Account 101 (Electric Plant in Service) and the associated depreciation shall be excluded from Account 108 (Accumulated Provision for Depreciation of Electric Utility Plant) pursuant to Accounting for Asset Retirement Obligations.

Note (F): To the extent that rating agencies (Standard & Poor's, Moody's or Fitch, or any successor(s) in function) deem liabilities related to leases, as recorded in Accounts 227 and 243 (or other account(s) established by FERC for such purposes), to be debt in the Company's capital structure, such amounts will be included in line 22 of the RCE calculation.