

Alabama Public Service Commission
November 27, 2024
Page 2 of 2

cc: Commissioner Twinkle Andress Cavanaugh
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 (5)

Office of the Attorney General
Ms. Olivia W. Martin

Alabama Power Company

**RSE Factors Effective for Monthly Bills on and after January 2025,
as Developed in Accordance with Rate RSE
and the Special Rules Governing Operation of Rates RSE and CNP,
and Including Information and Calculations Required
by Appendices A and B to Rate RSE**

November 27, 2024

**Alabama Power Company
RSE Factor Development
Effective for January 2025 Billings
In Conformity with Appendix A to Rate RSE
(In Thousands of Dollars)**

Development of RSE Factor:

If $\frac{((AROR - WRRCE) / CEP) (RCE)}{1 - T}$ is equal to, $\frac{((AROR - WRRCE) / CEP) (RCE)}{1 - T}$ $\frac{BR_s}{BR_t}$ = RSE Factor
or less than 5%, then $\frac{KWH_s}{KWH_t}$

$$\frac{\frac{((0.0605 - 0.0505) / 54.36\%) (\$13,032,022)}{0.73865}}{\$6,667,543} = 4.87\%$$

ALABAMA POWER COMPANY
Rate RSE Factor
(affected rate schedules)
Effective for January 2025 Billings

(A)	(B)	(C)	(D)	(E)	(F)
Rate Schedule	Forecasted Base Rate Revenue Excluding Fuel & Tax YE 2025	Ratio BRs/BRT (B)/Total (B)	Effective Base Rate Revenue Adjustment (C) X Total (D)	Forecasted kWh YE 2025	RSE Factor \$(kWh (D))/(E)
ASL	\$ 2,835,221	0.00055	\$ 178,488	25,213,062	0.007079
BEVT	2,595,763	0.00050	162,262	20,354,547	0.007972
BTA	54,173,823	0.01054	3,420,476	470,492,361	0.007270
BTAL	121,891,620	0.02371	7,694,448	2,086,262,998	0.003688
CFTU	1,538,044	0.00030	97,357	24,535,631	0.003968
FCR	209,898,935	0.04083	13,250,288	6,579,710,902	0.002014
FD	2,408,143,129	0.46841	152,009,974	17,585,629,230	0.008644
FDD	294,149	0.00006	19,471	2,297,751	0.008474
XFDE	16,759,292	0.00326	1,057,946	155,579,482	0.006800
XFDT	360,621	0.00007	22,717	3,172,817	0.007160
FIRTU	304,254	0.00006	19,471	3,460,146	0.005627
FMTU	26,100,800	0.00508	1,648,579	341,065,473	0.004834
FPL	66,084,352	0.01285	4,170,125	252,608,909	0.016508
XFSTU	11,261,534	0.00219	710,706	113,461,263	0.006264
XGRTU	13,727,815	0.00267	866,477	167,551,301	0.005171
HLF	82,385,297	0.01602	5,198,864	1,743,723,491	0.002981
XHLTU	1,400,134	0.00027	87,621	16,834,475	0.005205
XHMTU	3,298,144	0.00064	207,695	32,635,817	0.006364
LAF	4,526,179	0.00088	285,581	19,373,300	0.014741
LFS	10,196,195	0.00198	642,556	72,039,117	0.008920
XLMTU	352,577	0.00007	22,717	4,131,824	0.005498
XLMTU	2,545,807	0.00049	159,016	26,108,598	0.006091
XLPLE	37,109,372	0.00722	2,343,059	529,188,686	0.004428
XLPME	196,268,062	0.03818	12,390,301	1,742,227,632	0.007112
XLPSE	162,485,427	0.03161	10,258,183	1,020,532,981	0.010052
LPL	190,737,410	0.03710	12,039,816	3,161,215,050	0.003809
LPLM	382,025,094	0.07431	24,115,329	6,737,591,870	0.003579
LPM	690,818,529	0.13437	43,606,200	4,556,707,479	0.009570
LPS	107,598,941	0.02093	6,792,273	387,376,577	0.017534
XLPTL	92,934,364	0.01808	5,867,382	1,430,776,796	0.004101
XLPTM	6,397,095	0.00124	402,409	53,515,542	0.007519
XLPTS	13,085,131	0.00255	827,534	102,560,567	0.008069
LTU	2,512,327	0.00049	159,016	24,754,684	0.006424
MTU	19,454,005	0.00378	1,226,698	347,595,767	0.003529
ODL	7,976,431	0.00155	503,011	165,050,330	0.003048
OFFP	952,293	0.00019	61,659	11,101,605	0.005554
PG	1,193,005	0.00023	74,640	6,704,543	0.011133
PMTU	34,065,265	0.00663	2,151,590	581,153,951	0.003702
PTU	1,572,072	0.00031	100,602	21,965,547	0.004580
XRLTU	969,091	0.00019	61,659	11,112,303	0.005549
XRMTU	9,454,699	0.00184	597,123	109,806,250	0.005438
RTA	173,405	0.00003	9,736	1,249,235	0.007793
RTAE	2,787,447	0.00054	175,243	21,444,166	0.008172
RTP	77,312,906	0.01504	4,880,831	1,134,080,544	0.004304
XRTPD	40,836	0.00001	3,245	51,047	0.063573
SCGTU	8,525,344	0.00166	538,709	131,273,644	0.004104
SCH	46,154,850	0.00898	2,914,220	397,813,721	0.007326
SLM	4,652,157	0.00090	292,071	39,253,243	0.007441
TS	1,355,448	0.00026	84,376	17,138,929	0.004923
TSTU	294,035	0.00006	19,471	4,040,761	0.004819
TXTU	1,340,875	0.00026	84,376	16,755,564	0.005036
XTP	86,834	0.00002	6,491	646,686	0.010037
XWP	61,616	0.00001	3,245	750,130	0.004326
Total	\$ 5,141,068,051		\$ 324,523,333	52,511,678,325	

Determination of Projected Average Retail Common Equity (RCE) as of December 31, 2025
Prior to RSE Adjustment:
(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)	\$ 36,906,359 (E)	\$ 326,641
2 . Electric Plant Held for Future Use (Account 105)	49,963	
3 . Construction Work in Progress-Electric (Account 107)	1,554,190	10,762
4 . Accumulated Provision for Depreciation and Amortization of Electric Utility Plant-Credit (Accounts 108 and 111)	(12,118,080) (E)	(49,149)
5 . Electric Plant Acquisition Adjustments-Net (Accounts 114 and 115)	242,967	
6 . Steam Heat Plant (Account 118)	80	80
7 . Accumulated Provision for Depreciation of Steam Heat Plant-Credit (Account 119)	(70)	(70)
8 . Nuclear Fuel-Net (Account 120)	303,897	
9 . Nonutility Property (Account 121)	85,576	85,576
10 . Accumulated Provision for Depreciation and Amortization of Nonutility Property-Credit (Account 122)	(10,303)	(10,303)
11 . Investment in Subsidiary Companies (Account 123)	82,099	48,716
12 . Other Investments (Account 124)	5,089	5,089
13 . Fuel Stock (Account 151)	333,658	-
14 . Materials and Supplies (Account 154)	723,059	8,011
15 . Merchandise (Account 155)	5,450	5,450
16 . Allowance Inventory (Account 158)	12,272	
17 . Total	<u>\$ 28,176,206</u>	<u>\$ 430,803</u>
18 . Electric Investment Percent (Line 17, [Col. 1 - Col. 2 less UPS Investment of \$0] + Col. 1)	<u>98.47% (D)</u>	
19 . Retail Electric Investment Factor	<u>96.84%</u>	
20 . Retail Investment Separation Factor (Line 18 X Line 19)	<u>95.36%</u>	
Common Equity Percentage of Capital Structure		
21 . Common Equity (Accounts 201, 211, and 216)	\$ 13,417,802	
22 . Debt (Accounts 221-227, 231 and 243)	11,531,000 (F)	
23 . Preferred Stock (Accounts 204-207 and 214)	-	
24 . Total (Line 21 + Line 22 + Line 23)	<u>\$ 24,948,802</u>	
25 . Common Equity Percentage of Capital Structure (CEP) (Line 21 + Line 24)	<u>53.78%</u>	
Retail Common Equity (RCE)		
26 . Retail Common Equity (Line 20 x Line 21)	<u>\$ 12,795,216</u>	

Determination of Projected Retail Net Income for the 12 Months Ending December 31, 2025
Prior to RSE Adjustment:
(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)	\$ 6,903,379	\$ 6,667,543 (A)
2 . Other Operating Revenues (Accounts 450-456)	<u>32,128</u>	<u>32,128 (B)</u>
3 . Total Operating Revenues (Line 1 + Line 2)	<u>6,935,507</u>	<u>6,699,671</u>
Electric Expenses		
4 . Electric Operation and Maintenance Expenses (Accounts 401 and 402)	3,480,459	
5 . Electric Depreciation and Amortization Expenses (Accounts 403-407)	1,525,652	
6 . Taxes Other Than Income Taxes (Account 408.1)	522,256	
7 . Other Revenue Credits (Accounts 447-02xxx, 447-04xxx, 454 except 454-00904, and 456 except 456-00953)	<u>558,450 (A), (B)</u>	
8 . Electric Expenses Other Than Income Taxes (Lines 4, 5, and 6 - Line 7)	<u>4,969,917</u>	
9 . Operating Income Before Income Taxes (Line 3 - Line 8)	<u>1,965,590</u>	
10 . Income Taxes (Accounts 409-411)	349,181	
11 . Retail Expense Allocation Factor	<u>96.09%</u>	
12 . Retail Expenses Other Than Income Taxes (Line 8 - UPS Expenses of \$0) x Line 11		<u>4,775,593 (D)</u>
13 . Retail Operating Income Before Income Taxes (Line 3 - Line 12)		1,924,078
14 . Retail Income Taxes (Line 13 + Line 9) x Line 10		<u>341,807</u>
15 . Net Retail Electric Operating Income (Line 13 - Line 14)		1,582,271
Allowance for Funds Used During Construction		
16 . Electric Allowance for Funds Used During Construction (AFUDC) - Gross	82,333	
17 . Retail Electric Allocation Factor	<u>96.25%</u>	
18 . Retail Electric AFUDC (Line 16 - UPS Investment AFUDC of \$0) x Line 17		79,246 (D)
Interest Income		
19 . Interest Revenue (Accounts 419-00001, 419-00304, 419-00038 and 419-00066 through 419-00068) (net of tax)	2,668	
20 . Retail Interest Income (Line 19 x Retail Investment Separation Factor)	<u>95.36% (C)</u>	2,544
Interest Expense and Preferred Dividends		
21 . Interest Expense (Accounts 427-431)	487,097	
22 . Preferred Dividends (Account 437)	-	
23 . Total Interest Expense and Preferred Dividends [(Line 21 + Line 22) x Retail Investment Separation Factor]	<u>95.36% (C)</u>	464,496
Commission-Required Adjustments		
24 . Commission-Required Adjustments (net of tax)	1,962	
25 . Retail Commission-Required Adjustments (Line 24 x Retail Expense Allocation Factor)	<u>96.09%</u>	1,885
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>\$ 1,201,450</u>
Weighted Retail Return on Average Common Equity		
$\frac{\text{RNI}}{\text{RCE}} \times \text{CEP} = \text{WRRCE}$		<u>5.05%</u>

**Determination of Projected Average Retail Common Equity (RCE) as of December 31, 2025
with Adjustment to Adjusting Point of Weighted Equity Return Range:**
(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)	\$ 36,906,359 (E)	\$ 326,641
2 . Electric Plant Held for Future Use (Account 105)	49,963	
3 . Construction Work in Progress-Electric (Account 107)	1,554,190	10,762
4 . Accumulated Provision for Depreciation and Amortization of Electric Utility Plant-Credit (Accounts 108 and 111)	(12,118,080) (E)	(49,149)
5 . Electric Plant Acquisition Adjustments-Net (Accounts 114 and 115)	242,967	
6 . Steam Heat Plant (Account 118)	80	80
7 . Accumulated Provision for Depreciation of Steam Heat Plant-Credit (Account 119)	(70)	(70)
8 . Nuclear Fuel-Net (Account 120)	303,897	
9 . Nonutility Property (Account 121)	85,576	85,576
10 . Accumulated Provision for Depreciation and Amortization of Nonutility Property-Credit (Account 122)	(10,303)	(10,303)
11 . Investment in Subsidiary Companies (Account 123)	82,099	48,716
12 . Other Investments (Account 124)	5,089	5,089
13 . Fuel Stock (Account 151)	333,658	-
14 . Materials and Supplies (Account 154)	723,059	8,011
15 . Merchandise (Account 155)	5,450	5,450
16 . Allowance Inventory (Account 158)	12,272	
17 . Total	<u>\$ 28,176,206</u>	<u>\$ 430,803</u>
18 . Electric Investment Percent (Line 17, [Col. 1 - Col. 2 less UPS Investment of \$0] + Col. 1)	<u>98.47% (D)</u>	
19 . Retail Electric Investment Factor	<u>96.84%</u>	
20 . Retail Investment Separation Factor (Line 18 X Line 19)	<u>95.36%</u>	
Common Equity Percentage of Capital Structure		
21 . Common Equity (Accounts 201, 211, and 216)	\$ 13,666,130	
22 . Debt (Accounts 221-227, 231 and 243)	11,471,975 (F)	
23 . Preferred Stock (Accounts 204-207 and 214)	-	
24 . Total (Line 21 + Line 22 + Line 23)	<u>\$ 25,138,105</u>	
25 . Common Equity Percentage of Capital Structure (CEP) (Line 21 + Line 24)	<u>54.36%</u>	
Retail Common Equity (RCE)		
26 . Retail Common Equity (Line 20 x Line 21)	<u>\$ 13,032,022</u>	

**Determination of Projected Retail Net Income for the 12 Months Ending December 31, 2025
with Adjustment to Adjusting Point of Weighted Equity Return Range:**
(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)	\$ 7,233,941	\$ 6,998,105 (A)
2 . Other Operating Revenues (Accounts 450-456)	<u>32,128</u>	<u>32,128 (B)</u>
3 . Total Operating Revenues (Line 1 + Line 2)	<u>7,266,069</u>	<u>7,030,233</u>
Electric Expenses		
4 . Electric Operation and Maintenance Expenses (Accounts 401 and 402)	3,480,459	
5 . Electric Depreciation and Amortization Expenses (Accounts 403-407)	1,525,652	
6 . Taxes Other Than Income Taxes (Account 408.1)	523,614	
7 . Other Revenue Credits (Accounts 447-02xxx, 447-04xxx, 454 except 454-00904, and 456 except 456-00953)	<u>558,450 (A), (B)</u>	
8 . Electric Expenses Other Than Income Taxes (Lines 4, 5, and 6 - Line 7)	<u>4,971,275</u>	
9 . Operating Income Before Income Taxes (Line 3 - Line 8)	<u>2,294,794</u>	
10 . Income Taxes (Accounts 409-411)	435,788	
11 . Retail Expense Allocation Factor	<u>96.09%</u>	
12 . Retail Expenses Other Than Income Taxes (Line 8 - UPS Expenses of \$0) x Line 11		<u>4,776,898 (D)</u>
13 . Retail Operating Income Before Income Taxes (Line 3 - Line 12)		2,253,335
14 . Retail Income Taxes (Line 13 + Line 9) x Line 10		<u>427,915</u>
15 . Net Retail Electric Operating Income (Line 13 - Line 14)		1,825,420
Allowance for Funds Used During Construction		
16 . Electric Allowance for Funds Used During Construction (AFUDC) - Gross	82,333	
17 . Retail Electric Allocation Factor	<u>96.25%</u>	
18 . Retail Electric AFUDC (Line 16 - UPS Investment AFUDC of \$0) x Line 17		79,246 (D)
Interest Income		
19 . Interest Revenue (Accounts 419-00001, 419-00304, 419-00038 and 419-00066 through 419-00068) (net of tax)	6,079	
20 . Retail Interest Income (Line 19 x Retail Investment Separation Factor)	<u>95.36% (C)</u>	5,797
Interest Expense and Preferred Dividends		
21 . Interest Expense (Accounts 427-431)	484,921	
22 . Preferred Dividends (Account 437)	-	
23 . Total Interest Expense and Preferred Dividends [(Line 21 + Line 22) x Retail Investment Separation Factor]	<u>95.36% (C)</u>	462,421
Commission-Required Adjustments		
24 . Commission-Required Adjustments (net of tax)	1,962	
25 . Retail Commission-Required Adjustments (Line 24 x Retail Expense Allocation Factor)	<u>96.09%</u>	1,885
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>\$ 1,449,927</u>
Weighted Retail Return on Average Common Equity		
$\frac{\text{RNI}}{\text{RCE}} \times \text{CEP} = \text{WRRCE}$		<u>6.05%</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.

Alabama Power Company

Written Analysis of Operation of Rate RSE December 2025 Test

Alabama Power Company is submitting this written analysis pursuant to paragraph 4(c) of the Special Rules Governing Operation of Rates RSE and CNP.

The RSE test for the calendar year ending December 2025 indicates a weighted retail return on common equity ("WRRCE") of 5.05%. Because the resulting WRRCE is below the specified range, Rate RSE will operate to adjust retail revenues recovered through the affected rate schedules. The required adjustment to reach the specified adjusting point of the range is 4.87%.

A comparison of the calculations for the budgeted weighted retail return on common equity for the 12-month periods ending December 31, 2025 and December 31, 2024, as well as the separation factors used for these calculations, are set forth below:

	Tests for the 12 Months Ending	
	<u>December 2025</u>	<u>December 2024</u>
	(Dollars in Thousands)	
Retail Net Income Available for Common Equity (Appendix B, page 2, line 26)	\$1,201,450	\$1,340,231
Retail Common Equity (Appendix B, page 1, line 26)	\$12,795,216	\$12,093,566
Common Equity Percentage of Capital Structure (Appendix B, page 1, line 25)	53.78%	53.26%
Weighted Retail Return on Common Equity (Appendix B, bottom of page 2)	5.05%	5.90%
Retail Electric Investment Factor (Appendix B, page 1, line 19)	96.84%	96.22%
Retail Expense Allocation Factor (Appendix B, page 2, line 11)	96.09%	95.95%
Retail Electric Allocation Factor (Appendix B, page 2, line 17)	96.25%	95.52%

As shown above, the WRRCE of 5.05% for the December 2025 test compares to a WRRCE of 5.90% for the December 2024 test. Major factors contributing to the differential include: (1) increases in costs due to inflationary pressures affecting the Company's operations; (2) increases in costs associated with capital additions to Plant in Service for generation, transmission and distribution assets, along with associated financing costs, depreciation and property tax expenses; (3) increases in Operation & Maintenance costs, including expenses related to routine generating plant outages as well as transmission and distribution expenditures to maintain system reliability; and (4) an increase in Income Tax expense due to the decrease in flow back of certain excess accumulated deferred income taxes. The cumulative effect of these and other pressures on both cost projections and revenues cause the Company's 2025 WRRCE to be below the RSE range, thereby triggering an operation of the rate.