

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

MISSISSIPPI POWER COMPANY
EC-120-00097-00

DOCKET NO. 2017-AD-112

**IN RE: ENCOURAGING STIPULATION OF MATTERS IN
CONNECTION WITH THE KEMPER COUNTY IGCC
PROJECT**

AMENDED AND RESTATED STIPULATION

This Amended and Restated Stipulation is entered into by and between the Mississippi Power Company ("MPC" or "Company") and Chevron Products Company, a division of Chevron U.S.A. Inc., the Federal Executive Agencies, and the Chemours Company FC, LLC ("Joint Parties" and collectively with MPC the "Parties") pursuant to Section 77-3-39 of the *Mississippi Code of 1972, as amended*, RP 13 of the Mississippi Public Service Commission's ("Commission") Public Utilities Rules of Practice and Procedure ("Rules"), and the Commission's July 6, 2017 Order Opening Docket in the above referenced matter. Intervenors wishing to join this Stipulation and agree with all of its terms and conditions are invited to file a Joinder Agreement, the form of which is attached as Exhibit "1" hereto, with the Executive Secretary of the Commission in Docket No 2017-AD-112.

It is hereby stipulated and agreed as follows between the Parties:

INTRODUCTION

1. In negotiating and entering into this Stipulation, the Parties were guided by the following three primary goals:

(a) Comply fully with the directives of the Commission as outlined in its Order Opening Docket on July 6, 2017;

(b) Reach a compromise of known issues related to the Kemper Project that appropriately balances the risks between MPC and its customers consistent with the law and the known facts and circumstances so that an overall fair and reasonable result is assured; and

(c) Provide MPC the ability, in time, to restore the Company's financial strength and credit quality which the Parties agree is vital to maintaining safe, reliable and cost-effective service for MPC's customers now and in the future.

2. In establishing this docket, the Commission specifically outlined the following areas that were expected to be resolved by any stipulation reached between the parties:

(a) Any costs resulting from the settlement and assigned to MPC customers shall result in, at a minimum, no rate increase to MPC's customers. The Commission encourages serious discussions that would lead to a rate reduction, with a particular focus on residential customers.

(b) The settlement should seek to remove the risk of ratepayers bearing any of the costs associated with the gasifier and related assets.

(c) The settlement should include modification or amendment of the certificate issued in Docket No. 2009-UA-14 to allow only for ownership and operation of a natural gas facility at the location of the Kemper County In-Service Assets.

3. The Parties to this Stipulation have reached a compromise of their respective positions, as set forth in their testimony, to settle all known issues related to the Kemper Project consistent with the foregoing goals:

(a) The rates resulting from this Stipulation are just and reasonable and result in recovery of only prudent costs of ownership and operation of the Kemper Project combined cycle generating plant ("Kemper CC") on natural gas. Further, these rates will reduce the rates

paid today by MPC's retail customers for such ownership and operation and therefore will not result in any rate increase.

(b) The Stipulation ensures that MPC's retail customers will not bear any cost of the Kemper Project gasification facilities now or in the future. Furthermore, to the extent MPC, Southern Company or any other third-party owner operates the Kemper Gasifier (as defined below), customers will be shielded from any and all costs and risks arising because of its operation.

(c) The Stipulation outlines the suggested amendments to the existing Kemper Project certificate to ensure that the agreements and goals expressed herein are implemented and to provide additional protection for MPC's customers.

4. The Parties intend for this Stipulation to address all known issues related to MPC's investment in the Kemper Project, including all capital investment in the Kemper CC projected through 2018, specified ratemaking methodologies and the associated 2018 revenue requirement. The Parties conducted a careful and thorough review of the testimony, briefs and other pleadings from the various parties to define the issues to be resolved, the various positions of the Parties and the range of possible and reasonable outcomes.

JURISDICTION AND SUFFICIENCY OF THE FILING

5. The Parties agree that the Commission has jurisdiction over MPC and the subject matter of this proceeding. The Parties agree that the filings, data, documentation and exhibits submitted by the Parties in this Docket 2017-AD-112, Docket 2016-AD-0161, and Docket No. 2015-UN-80 constitute more than sufficient evidence for the Commission to render a finding on all of the issues resolved herein. The Parties further agree that there is substantial evidence to support each and every stipulation made herein.

SETTLEMENT TERMS

6. The Parties stipulate to a revenue requirement which is estimated to result in an overall retail annual revenue requirement of approximately \$117.78 million, based on the values and methodologies shown in Exhibit 2, resulting in a reduction in revenue requirement from the current rates in place for the Kemper CC. MPC shall file compliance rates with the Commission to implement the stipulated revenue requirement within thirty (30) days of Commission approval of this Amended and Restated Stipulation. In calculating the stipulated revenue requirement, the following principles apply, as shown in Exhibit 2:

(a) The stipulated total company Kemper CC capital investment (i.e., average net rate base) is equal to \$906,953,311 (Page 1, Line 18, Exhibit-2);

(b) The Kemper CC rate base, excluding regulatory assets and liabilities detailed below, will be depreciated using standard practices for plant, property and equipment depreciation.

(c) The rate of return shall be calculated reflecting the following principles:

(i) A cost of equity equal to MPC's K_{AVG} calculated pursuant to the Company's annual Performance Evaluation Plan rate schedule (PEP-5) for regulatory years 2018 and 2019 only. For all subsequent regulatory years, the Parties agree that the return on equity shall be equal to the performance-adjusted cost of equity (i. e. K_{PER}) approved in MPC's annual PEP-5 filings, or its successor retail rate schedule or retail rate order establishing MPC's cost of equity.

(ii) An embedded cost of debt equal to 4.620% for regulatory year 2018. The embedded cost of debt for all subsequent years shall be equal to the embedded cost of debt included in the Company's current annual PEP-5 filing.

(iii) MPC will continue to target a strong financial profile by targeting a 50% average equity capital structure ratio (common and preferred) for 2018 and 2019.

(d) The Parties stipulate annual budgeted operations and maintenance (“O&M”) costs of \$25,532,679 in the 2018 revenue requirement are necessary and reasonable. The Stipulation does not preclude the Parties from challenging MPC’s O&M expense recovery for years following 2018.

(e) The Parties agree that the regulatory asset amounts and amortization period approved by the Commission in the In-Service Asset order will be reset to an eight (8) year amortization period commencing in January 2018. The Parties agree to a December 31, 2017 ending balance of \$115,878,266 (\$85,082,186 retail) for all regulatory assets and \$26,465,501 (all retail) for all regulatory liabilities, all of which the Parties agree are appropriately related to the In-Service Assets. The Parties stipulate to an eight year amortization period for all regulatory assets and a six (6) year amortization period for all regulatory liabilities both commencing in January 2018.

(f) The Parties hereby agree and stipulate to the inclusion of all available capacity of the Kemper CC (“Kemper CC Capacity”) and the costs associated with such Kemper CC Capacity in retail rate base and rates, subject to appropriate allocation between the retail and wholesale jurisdictions in accordance with MPC’s periodic cost of service studies performed from time to time as approved by the Commission. Energy from the Kemper CC Capacity will be provided to MPC’s retail and wholesale customers consistent with the Southern Company Intercompany Interchange Contract, as amended from time to time and as approved by the Federal Energy Regulatory Commission.

7. The Kemper CC has been serving MPC's customers since 2014, and the Parties stipulate that the Kemper CC is and will be used and useful through 2018 so long as it remains in operation to serve the needs of MPC's retail customers.

8. MPC hereby stipulates and agrees to permanently remove from retail rate base and rates all costs of the Kemper Gasifier to insulate customers from any and all past, current and future operational and cost risk associated with Kemper Gasifier and lignite operations. In general terms, the Kemper Gasifier includes the following assets:

- (a) Gasifier Trains A and B;
- (b) Liberty Fuels Mine;
- (c) Lignite Delivery Facility;
- (d) Gas Clean-up Facilities;
- (e) Lignite Dryers and Feed Systems;
- (f) Ash Removal System;
- (g) Ash Storage Unit; and
- (h) CO2 Pipeline.

9. MPC represents that cost recovery of the gasification portions was deemed by the Company as no longer probable under Generally Accepted Accounting Principles; therefore, MPC recorded an additional charge to income in June 2017 of \$2.8 billion (\$2.0 billion after tax), which includes estimated costs associated with the gasification portions of the plant and lignite mine.¹ In the aggregate, since the Kemper Project started, MPC has incurred charges of \$6.0 billion (\$4.0 billion after tax) through September 30, 2017.²

¹ Southern Company 10-Q filed with the Securities and Exchange Commission, p. 17 (Nov. 1 2017).

² *Id.*

10. MPC retains the sole and absolute discretion and right, without interference from the Commission or Staff, as to how to: (1) dispose of and/or utilize the Kemper Gasifier assets; and (2) account for the Kemper Gasifier assets, consistent with its commitments in this Stipulation. To the extent MPC or the Southern Company (or their successors or assigns) make a decision to continue to develop and operate the Kemper Gasifier or any portion thereof, MPC agrees to shield customers from any and all costs and risks arising due to operation of the Kemper Gasifier and to compensate retail customers to the extent required to ensure that retail customers remain economically indifferent to any decision related to the future use or disposition of the Kemper Gasifier. MPC agrees and stipulates that its right to continue Kemper Gasifier operations, in a manner related to the provision of electric services to MPC customers, is specifically conditioned upon submission of an application to and approval by the Commission prior to any planning, development, construction, and operations.

11. Should MPC decide to permanently abandon the Kemper Gasifier, MPC agrees to shield its customers from all costs associated with dismantlement, de-mobilization, environmental remediation, mine reclamation, and all others costs necessary to effectuate the safe and permanent shutdown of the Kemper Gasifier equipment and facilities consistent with applicable laws and regulations.

12. The Parties stipulate and request that the Commission amend the certificate issued in Docket No. 2009-UA-14 as follows: (a) to allow for operation of the Kemper Project as only a natural gas combined cycle; (b) to remove the authority for MPC to continue development of the Kemper Gasifier *with the expectation of cost recovery or any other financial support from retail customers*; (c) to remove and void any and all "Conditions to Certificate," all of which were imposed to protect customers from the increased risks posed by the first-of-a-kind gasification

technology originally approved; and (d) to remove the “Monitoring Plan” set out in the Kemper certificate as no longer required.

13. MPC has generating capacity that is in excess of the Company’s long-term targeted reserve margin, and the Parties acknowledge that it is appropriate to examine MPC’s reserve margin and propose prudent financial safeguards for customers.

14. MPC shall, within six (6) months of the Commission’s approval of this Stipulation and using the most current data available to MPC, develop, complete, and file with the Commission a Reserve Margin Plan (“Plan”) and serve the Plan on all interested parties for evaluation to allow a fully informed and transparent review of MPC’s reserve margin.

(a) The Reserve Margin Plan shall include, among other things: forecasting customer load and energy requirements; evaluating the resources available to meet the energy and capacity needs while satisfying strategic considerations; developing, evaluating and implementing demand side management and energy efficiency programs; and assessing and planning for existing and anticipated environmental laws and regulations and any other issues the Mississippi Public Service Commission deems relevant.

(b) MPC’s Plan shall also contain: (i) discrete alternatives that the Company proposes to address its current reserve margin; (ii) the timeframe over which each alternative can be implemented; (iii) a preliminary estimate of the costs of implementing each alternative, including any incremental transmission capital investment and any costs associated with retiring any un-depreciated assets; and (iv) any other impacts (financial or otherwise) not specifically prescribed herein that would have a material impact upon the service provided by MPC or the costs to customers.

OTHER PROVISIONS

15. This Stipulation and the agreements herein shall be construed as a full and final resolution of all known issues concerning MPC's capital investment in the Kemper Project through 2018, the associated 2018 revenue requirement and other ratemaking issues as specified herein. If this Stipulation is approved in full and without modification and survives appeal, the Parties hereby agree and stipulate not to challenge the prudence of the Kemper CC capital investment and O&M costs incurred through 2018, as shown in Exhibit 2.

16. Nothing contained herein should be construed as an agreement of the Parties: (i) on MPC's right to recover from retail ratepayers Kemper CC O&M costs arising after 2018, or (ii) the prospective recovery of capital investment not included in the 2018 revenue requirement. MPC reserves the right to request such recovery in the ordinary course of its Kemper CC regulatory filings with the Commission.

17. The Parties understand and expressly agree that, except as previously stated, the stipulations made herein are for the purpose of this proceeding only and shall not apply to or be used as precedent in any other proceeding of MPC or any other utility.

18. It is agreed that this Stipulation is expressly conditioned upon acceptance by the Commission of all of its provisions without modification. It is also specifically understood and agreed that this Stipulation is interdependent, non-separable and that if the Commission does not accept this Stipulation in its entirety or later modifies its order adopting this Stipulation in a way that conflicts with any term of this Stipulation, no Party will be thereafter bound by any of this Stipulation's provisions. For the avoidance of doubt, MPC and Parties specifically reserve their rights to void this Stipulation and seek alternate rate recovery through any provision provided under Mississippi law in the event the Stipulation is not adopted by the Commission in

full and without modification. In such an event, this Stipulation or the provisions herein shall not act as a waiver of or grounds of estoppel against any remedies available to MPC under the law.

19. The Parties agree that this Stipulation is just and reasonable in the context of reaching a negotiated resolution based on a compromise of their respective positions and is in the public interest.

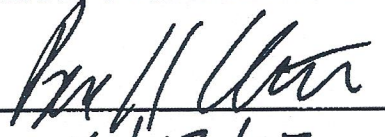
20. This Stipulation may be executed in one or more counterparts, including by the execution of a Joinder Agreement in substantially similar form as attached as Exhibit "1" hereto. Facsimile or electronic signatures shall be effective as original signatures of this Agreement.

SO STIPULATED, between Mississippi Power Company the separately joining parties, all of which have executed a Joinder Agreement a filed same with the Executive Secretary of the Mississippi Public Service Commission.

[SIGNATURE PAGE TO FOLLOW]

SPECIFICALLY AGREED TO BY:

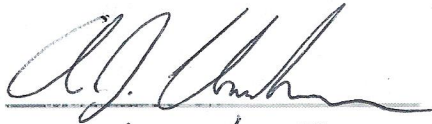
MISSISSIPPI POWER COMPANY

By: 
Date: 11/17/17

CHEVRON PRODUCTS COMPANY

By: _____
Date: _____

FEDERAL EXECUTIVE AGENCIES

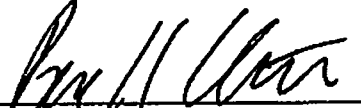
By: 
Date: 11/21/17

THE CHEMOURS COMPANY FC, LLC

By: _____
Date: _____

SPECIFICALLY AGREED TO BY:

MISSISSIPPI POWER COMPANY

By: 

Date: 11/17/17

CHEVRON PRODUCTS COMPANY

By: 

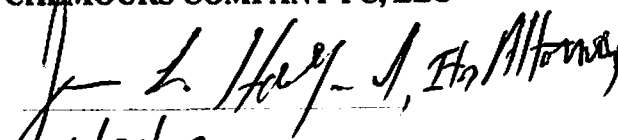
Date: 11/21/17

FEDERAL EXECUTIVE AGENCIES

By: _____

Date: _____

THE CHEMOURS COMPANY FC, LLC

By:  J. L. Haley, Esq., Attorney

Date: 11/21/17

EXHIBIT "1"

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

MISSISSIPPI POWER COMPANY
EC-120-0097-00

DOCKET NO. 2017-AD-112

**IN RE: ENCOURAGING STIPULATION OF MATTERS IN
 CONNECTION WITH THE KEMPER COUNTY IGCC PROJECT**

JOINDER

COMES NOW _____,
a party intervener in this proceeding, and files this Joinder to the Stipulation filed by Mississippi
Power Company on November ___, 2017 ("Stipulation"), in the above-referenced docket.

We have reviewed the Stipulation, we agree with the terms and conditions set forth in the
Stipulation, and hereby adopt the Stipulation without modification and join as a stipulating party
for all purposes described therein.

Please accept this pleading as a formal joinder to the filed Stipulation in this case. We
respectfully request that the Commission approve the Stipulation as filed herein.

RESPECTFULLY SUBMITTED, this the ___ day of _____, 2017.

BY: _____

CERTIFICATE OF SERVICE

I, _____, or my legal counsel on my behalf have in the above and foregoing filing with the Mississippi Public Service Commission on even date herewith, in compliance with Rule 6.112 of the Mississippi Public Service Commission's Public Utilities Rules of Practice and Procedure served:

(1) An electronic copy of the filing has been filed with the Commission via e-mail to the following address:

efile.psc@psc.state.ms.us

(2) An electronic copy of the filing has been mailed via e-mail to all parties of record.

This the ____ day of _____, 2017.

EXHIBIT "2"

STIPULATED REVENUE REQUIREMENT CALCULATION

2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

	(1) (Note 1) 12 MONTHS ENDING 12/31/18 TOTAL ELECTRIC SYSTEM	(2) RETAIL ALLOCATION	(3) 12 MONTHS ENDING 12/31/18 TOTAL RETAIL SERVICE	(4) REF PAGE
Gross Plant in Service	\$1,185,999,076	71.439817%	\$847,275,571	3
Accumulated Depreciation	90,127,872	71.488936%	64,431,457	4
Net Plant in Service	1,095,871,204		782,844,114	
Construction Work in Progress (CWIP)	0	0.000000%	0	5
Inventory	14,723,304	71.388895%	10,510,804	6
Prepayments	4,478,851	71.388890%	3,197,402	7
Regulatory Asset	77,727,513	71.409086%	55,504,506	8
Accumulated Deferred Income Taxes	(285,847,561)	71.438008%	(204,203,804)	8-9
Total Investment	906,953,311		647,853,022	
Weighted Average Cost of Capital	6.622%		6.622%	10-13
Revenue Requirement on Investment Including Interest	60,058,448	71.431794%	42,900,827	
Less Interest Expense	(20,361,102)	71.431794%	(14,544,300)	14
Permanent Book/Tax Differences	1,397,029	71.398317%	997,455	15
Revenue Requirement Subject to Income Tax	41,094,376		29,353,982	
Income Tax Adjustment Factor	61.763%		61.763%	16
Revenue Requirement on Investment Excluding Interest (Line 14 / Line 15)	66,535,589	71.430655%	47,526,807	
Non-fuel Operations & Maintenance Expenses	25,532,679	72.890377%	18,610,866	17
Specifically Allowed Expenses	0	#DIV/0!	0	17
Depreciation and Amortization Expenses	52,401,907	51.459807%	26,965,920	8,18
Taxes Other Than Income Taxes	10,608,321	72.560611%	7,697,462	19
Interest Expense on Investment	20,361,102	71.431794%	14,544,300	14
Revenue Requirement Before Municipal Franchise Taxes	175,439,598	65.746478%	115,345,356	
Municipal Franchise Tax Adjustment Factor	97.930%		97.930%	16
Total Kemper Revenue Requirement	\$179,147,961	65.746478%	\$117,783,474	

Notes:

1. Regulatory Assets amortized over 8 years (page 8)
2. Regulatory Liabilities amortized over 6 years (page 8)
3. ROE from PEP filing (page 10)
4. Removed CPR (page 10)

1 **MISSISSIPPI POWER COMPANY**
2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

4	5	(1)	(2)	(3)	
6		12 MONTHS ENDING		12 MONTHS ENDING	
7		12/31/18		12/31/18	
8		TOTAL ELECTRIC	RETAIL	TOTAL RETAIL	REF
9		SYSTEM	ALLOCATION ⁽¹⁾	SERVICE	PAGE
10					3
11	Gross Kemper Plant in Service:				
12	Production	\$1,071,313,914	71.388894%	\$764,799,154	
13	Transmission	114,163,691	71.917914%	82,104,145	
14	General Property - Other	521,471	71.388894%	372,272	
15	Total	\$1,185,999,076		\$847,275,571	
16					
17	Kemper Accumulated Depreciation:				4
18	Production	\$72,992,094	71.388894%	\$52,108,248	
19	Transmission	17,044,111	71.917914%	12,257,769	
20	General Property - Other	91,667	71.388894%	65,440	
21	Total	\$90,127,872		\$64,431,457	
22					
23	Kemper Construction Work in Progress:				5
24	Production	\$0	71.388894%	\$0	
25	Transmission	0	71.917914%	0	
26	Total	\$0		\$0	
27					
28	Kemper Inventory:				6
29	Production	\$14,723,304	71.388894%	\$10,510,804	
30	Transmission	\$0	71.917914%	0	
31	Total	\$14,723,304		\$10,510,804	
32					
33	Kemper Prepayments:				7
34	Production	\$4,478,851	71.388894%	\$3,197,402	
35	Transmission	0	71.917914%	0	
36	Total	\$4,478,851		\$3,197,402	
37					
38	Kemper Deferred Income Taxes:				
39	Production - Property Related	(230,642,360)	71.388894%	(164,653,030)	8,9
40	Transmission - Property Related	(25,403,698)	71.917914%	(18,269,810)	
41	General Plant - Property Related	(80,520)	71.388894%	(57,482)	
42	Non-Property Related	(29,720,983)		(21,223,482)	
43	Total	(285,847,561)		(204,203,804)	
44	Kemper Permanent Tax Differences:				15
45	Production	1,372,146	71.388894%	979,560	
46	Transmission	24,883	71.917914%	17,895	
47	General Plant	0	71.388894%	0	
48	Total	1,397,029		997,455	
49					
50	Kemper Non-fuel O&M Expenses:				17
51	Production	\$23,983,252	72.987379%	\$17,504,747	
52	Transmission	\$0	71.873146%	0	
53	Administrative and General	\$1,549,427	71.388910%	1,106,119	
54	Specifically Allowed Expenses	\$0	72.987379%	0	
55	Total	\$25,532,679		\$18,610,866	
56					
57	Kemper Depreciation and Amortization Expense:				18
58	Production	\$25,885,655	71.388894%	\$18,479,483	
59	Transmission	\$3,093,024	71.917914%	2,224,438	
60	General Property - Other	\$52,729	71.388894%	37,643	
61	Amortization	\$23,370,499		6,224,356	
62	Total	\$52,401,907		\$26,965,920	
63					
64	Kemper Taxes Other:	\$10,608,321	72.560611%	\$7,697,462	19
65					
66					

67 **Note 1** Allocators are from MPC's 2015 Cost of Service Study filed with the Commission on November 15, 2016, in MPSC Docket No. 2016-UA-0230.

1 **MISSISSIPPI POWER COMPANY**
2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

4
5 **KEMPER GROSS PLANT IN SERVICE**

	COMBINED CYCLE & RELATED ASSETS			TRANSMISSION			GENERAL PROPERTY
	GROSS PLANT	OTHER		GROSS PLANT	OTHER		
	IN SERVICE	ADJUSTMENT	TOTAL	IN SERVICE	ADJUSTMENT	TOTAL	TOTAL
11 December 2017	\$819,246,602	\$247,385,683	\$1,066,632,285	\$114,163,691	\$0	\$114,163,691	\$521,471
12 January	819,652,345	247,385,683	1,067,038,028	114,163,691	0	114,163,691	
13 February	820,063,165	247,385,683	1,067,448,848	114,163,691	0	114,163,691	
14 March	820,497,732	247,385,683	1,067,883,415	114,163,691	0	114,163,691	
15 April	820,908,908	247,385,683	1,068,294,591	114,163,691	0	114,163,691	
16 May	821,320,648	247,385,683	1,068,706,331	114,163,691	0	114,163,691	
17 June	821,733,634	247,385,683	1,069,119,317	114,163,691	0	114,163,691	
18 July	822,143,938	247,385,683	1,069,529,621	114,163,691	0	114,163,691	
19 August	822,555,641	247,385,683	1,069,941,324	114,163,691	0	114,163,691	
20 September	822,982,190	247,385,683	1,070,367,873	114,163,691	0	114,163,691	
21 October	832,906,875	247,385,683	1,080,292,558	114,163,691	0	114,163,691	
22 November	833,321,489	247,385,683	1,080,707,172	114,163,691	0	114,163,691	
23 December 2018	833,733,842	247,385,683	1,081,119,525	114,163,691	0	114,163,691	521,471
24							
25 13 Month-End Average	\$823,928,231	\$247,385,683	\$1,071,313,914	\$114,163,691	\$0	\$114,163,691	
26 Simple Average							\$521,471

1 MISSISSIPPI POWER COMPANY
2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

4
5 KEMPER ACCUMULATED DEPRECIATION OF PLANT IN SERVICE

	COMBINED CYCLE & RELATED ASSETS				TRANSMISSION				GENERAL PROPERTY OTHER		
	MONTHLY DEPRECIATION	PLUS OTHER DEPRECIATION ADJUSTMENT	MONTHLY RETIREMENTS, COR, SALVAGE ADJUSTMENTS	ACCUMULATED DEPRECIATION MONTHLY BALANCE	MONTHLY DEPRECIATION	LESS OTHER DEPRECIATION ADJUSTMENT	MONTHLY RETIREMENTS, COR, SALVAGE ADJUSTMENTS	ACCUMULATED DEPRECIATION MONTHLY BALANCE	ANNUAL DEPRECIATION	ANNUAL RETIREMENTS, COR, SALVAGE ADJUSTMENTS	ACCUMULATED DEPRECIATION MONTHLY BALANCE
12 December 2017				\$63,065,083				\$15,497,599			\$65,302
14 January	\$1,627,083	\$515,387	\$26,957	65,234,510	\$257,752	\$0	\$0	15,755,351	\$52,729	\$0	118,031
15 February	1,627,549	515,387	26,957	67,404,403	257,752	0	0	16,013,103	\$52,729	\$0	
16 March	1,628,093	515,387	26,957	69,574,840	257,752	0	0	16,270,855			\$91,667
17 April	1,628,664	515,387	26,957	71,745,848	257,752	0	0	16,528,607			
18 May	1,629,307	515,387	26,957	73,917,499	257,752	0	0	16,786,359			
19 June	1,630,045	515,387	26,957	76,089,888	257,752	0	0	17,044,111			
20 July	1,630,899	515,387	26,957	78,263,131	257,752	0	0	17,301,863			
21 August	1,631,929	515,387	26,957	80,437,404	257,752	0	0	17,559,615			
22 September	1,633,262	515,387	26,957	82,613,010	257,752	0	0	17,817,367			
23 October	1,674,614	515,387	(13,507,078)	71,295,933	257,752	0	0	18,075,119			
24 November	1,677,206	515,387	26,957	73,515,483	257,752	0	0	18,332,871			
25 December 2018	1,682,360	515,387	26,957	75,740,187	257,752	0	0	18,590,623			
26											
27 Total	\$19,701,013	\$6,184,642	(\$13,210,551)		\$3,093,024	\$0	\$0				
28 13 Month-End Average				\$72,992,094				\$17,044,111			
29											

1 MISSISSIPPI POWER COMPANY
2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

4
5 KEMPER CONSTRUCTION WORK IN PROGRESS

	Dec-17	Jan	Feb	Mar	Apr	May	Jul	July	Aug	Sep	Oct	Nov	Dec	13 Month
6														
7														
8 <u>Production:</u>														
9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11	0	0	0	0	0	0	0	0	0	0	0	0	0	0
12	0	0	0	0	0	0	0	0	0	0	0	0	0	0
13	0	0	0	0	0	0	0	0	0	0	0	0	0	0
14	0	0	0	0	0	0	0	0	0	0	0	0	0	0
15														
16 Total Production	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
17														
18														
19 <u>Transmission</u>														
20	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21	0	0	0	0	0	0	0	0	0	0	0	0	0	0
22	0	0	0	0	0	0	0	0	0	0	0	0	0	0
23	0	0	0	0	0	0	0	0	0	0	0	0	0	0
24														
25 Total Transmission	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
26														
27														
28														
29 <u>General Property-Other:</u>														
30	\$0												\$0	\$0
31														
32 Total General Property-Other	\$0												\$0	\$0
33														
34														
35														

1 MISSISSIPPI POWER COMPANY

2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT

3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

4
5 KEMPER INVENTORY

6			
7		PRODUCTION	TRANSMISSION
8			
9	December 2017	\$14,445,565	\$0
10	January	14,491,855	0
11	February	14,538,145	0
12	March	14,584,435	0
13	April	14,630,725	0
14	May	14,677,014	0
15	June	14,723,304	0
16	July	14,769,594	0
17	August	14,815,884	0
18	September	14,862,174	0
19	October	14,908,464	0
20	November	14,954,754	0
21	December 2018	15,001,044	0
22			
23	13 Month-End Avg	\$14,723,304	\$0

1 **MISSISSIPPI POWER COMPANY**2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**5 **KEMPER PREPAYMENTS**

	PRODUCTION	TRANSMISSION
December 2017	\$5,988,994	\$0
January	5,918,609	0
February	5,848,224	0
March	5,777,839	0
April	5,707,454	0
May	5,637,069	0
June	5,566,684	0
July	5,496,299	0
August	5,425,914	0
September	5,355,529	0
October	0	0
November	786,997	0
December 2018	715,452	0
13 Month-End Avg	\$4,478,851	\$0
Simple Average		

48	Production RSP - 17,388,896			Proposed		Monthly																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										</
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1 MISSISSIPPI POWER COMPANY
2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

4
5 KEMPER PROPERTY RELATED ACCUMULATED DEFERRED INCOME TAXES
6 ACCOUNT 282

	ADJUSTMENTS			
	ENDING ADIT	SMEPA 15%	LOSS/ CCPI2	ADJUSTED BALANCE
11 Dec-17	(223,927,000)	-	-	(223,927,000)
12 Dec-18	(238,423,451)	-	-	(238,423,451)
13	(\$14,496,451)	-	-	(\$14,496,451)
14 IRS METHOD -				
15				
16				
17	NET PROVISION	DAYS IN MONTH	PRO RATA PORTION	PRO RATA AMOUNT
18 December 2017				ADIT
19 January	(\$1,208,038)	31	0.9178	(\$1,108,737)
20 February	(1,208,038)	28	0.8411	(\$1,016,080)
21 March	(1,208,038)	31	0.7562	(\$913,518)
22 April	(1,208,038)	30	0.6740	(\$814,217)
23 May	(1,208,038)	31	0.5890	(\$711,534)
24 June	(1,208,038)	30	0.5068	(\$612,233)
25 July	(1,208,038)	31	0.4219	(\$509,671)
26 August	(1,208,038)	31	0.3370	(\$407,109)
27 September	(1,208,038)	30	0.2548	(\$307,808)
28 October	(1,208,038)	31	0.1699	(\$205,246)
29 November	(1,208,038)	30	0.0877	(\$105,945)
30 December 2018	(1,208,038)	31	0.0027	(\$3,262)
31				
32	(\$14,496,451)	365		(\$6,715,360)

34 Retail Property Related Accumulated Deferred Income Taxes Allocator	71.388894%
35 Retail Portion of Property Related Accumulated Deferred Income Taxes	(\$164,653,030)

36
37 **Transmission**

	ADJUSTMENTS			
	ENDING ADIT	SMEPA 15%	LOSS/ CCPI2	ADJUSTED BALANCE
40 Dec-17	(\$25,570,228)	-	-	(\$25,570,228)
41 Dec-18	(25,210,740)	-	-	(\$50,780,968)
42	\$359,488			
43 IRS METHOD -				
44				
45				
46	NET PROVISION	DAYS IN MONTH	PRO RATA PORTION	PRO RATA AMOUNT
47 December 2017				ADIT
48 January	\$29,957	31	0.9178	\$27,495
49 February	29,957	28	0.8411	25,197
50 March	29,957	31	0.7562	22,654
51 April	29,957	30	0.6740	20,191
52 May	29,957	31	0.5890	17,645
53 June	29,957	30	0.5068	15,182
54 July	29,957	31	0.4219	12,639
55 August	29,957	31	0.3370	10,096
56 September	29,957	30	0.2548	7,633
57 October	29,957	31	0.1699	5,090
58 November	29,957	30	0.0877	2,627
59 December 2018	29,957	31	0.0027	81
60				
61	\$359,488	365		\$166,530

63 Retail Property Related Accumulated Deferred Income Taxes Allocator	71.917914%
64 Retail Portion of Property Related Accumulated Deferred Income Taxes	(\$18,269,810)

65
66 **General Plant**

	ADJUSTMENTS			
	ENDING ADIT	SMEPA 15%	LOSS/ CCPI2	ADJUSTED BALANCE
69 Dec-17	(\$74,828)	-	-	(\$74,828)
70 Dec-18	(87,118)	-	-	(\$161,946)
71	(\$12,290)			
72 IRS METHOD -				
73				
74				
75	NET PROVISION	DAYS IN MONTH	PRO RATA PORTION	PRO RATA AMOUNT
76 December 2017				ADIT
77 January	(\$1,024)	31	0.9178	(\$940)
78 February	(1,024)	28	0.8411	(861)
79 March	(1,024)	31	0.7562	(774)
80 April	(1,024)	30	0.6740	(690)
81 May	(1,024)	31	0.5890	(603)
82 June	(1,024)	30	0.5068	(519)
83 July	(1,024)	31	0.4219	(432)
84 August	(1,024)	31	0.3370	(345)
85 September	(1,024)	30	0.2548	(261)
86 October	(1,024)	31	0.1699	(174)
87 November	(1,024)	30	0.0877	(90)
88 December 2018	(1,024)	31	0.0027	(3)
89				
90	(\$12,290)	365		(\$5,692)

92 Retail Property Related Accumulated Deferred Income Taxes Allocator	71.388894%
93 Retail Portion of Property Related Accumulated Deferred Income Taxes	(\$57,482)

Total Company	(\$256,126,578)
Retail Allocation	(\$182,980,322)

MISSISSIPPI POWER COMPANY
CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

COST OF CAPITAL (COC)

	AVERAGE ENDING BALANCE	CAPITAL STRUCTURE RATIO	EMBEDDED COST	PERFORMANCE ADJUSTMENT	COST OF COMMON EQUITY	RETURN ON INVESTMENT
Debt	\$1,712,256,202	48.597%	4.620%			2.245%
Preferred Stock	33,421,000	0.949%	5.293%			0.050%
Common Equity	1,777,692,222	50.454%	8.576%	0.000%	8.576%	4.327%
	<u>\$3,523,369,424</u>	<u>100.000%</u>				<u>6.622%</u>

1 MISSISSIPPI POWER COMPANY
2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

4
5 2017

6 EMBEDDED COST OF POLLUTION CONTROL OBLIGATIONS

2017						
INTEREST RATE %	DATE DUE	PRINCIPAL AMOUNT OUTSTANDING	NET PROCEEDS %	YIELD TO MATURITY RATE %	ANNUAL COST	EMBEDDED COST %
1.09%	2027	\$9,400,000	97.21%	1.18%	\$110,920	
5.15%	2028	42,625,000	99.25%	5.28%	\$2,250,600	
1.09%	2020	6,550,000	97.49%	1.18%	\$77,290	
1.09%	2025	10,600,000	97.32%	1.18%	\$125,080	
1.09%	2028	13,520,000	98.45%	1.14%	\$154,128	
		<u>\$82,695,000</u>			<u>\$2,718,018</u>	<u>3.287%</u>

18 2017

19 EMBEDDED COST OF OTHER LONG TERM DEBT

2017						
DATE DUE	AMOUNT OUTSTANDING	PROCEEDS %	RATE %	ANNUAL COST	EMBEDDED COST %	
5.40%	2035	\$30,000,000	99.50%	5.49%	\$1,647,000	
5.55%	2019	125,000,000	99.31%	5.73%	7,162,500	
4.75%	2041	150,000,000	99.92%	4.81%	7,215,000	
1.63%	2040	50,000,000	99.65%	1.75%	875,000	
7.13%	2021	270,000,000	99.25%	7.36%	19,872,000	
4.25%	2042	250,000,000	99.45%	4.34%	10,850,000	
4.25%	2042	200,000,000	99.45%	4.34%	8,680,000	
2.29%	2018	550,000,000	100.00%	2.35%	12,925,000	
		<u>\$1,625,000,000</u>			<u>\$69,226,500</u>	<u>4.260%</u>

	PRINCIPAL AMOUNT OUTSTANDING	ANNUAL COST	COMBINED COST RATE
Pollution Control Bonds	82,695,000	2,718,018	
Other Long-term Debt	<u>1,625,000,000</u>	<u>69,226,500</u>	
	<u>\$1,707,695,000</u>	<u>\$71,944,518</u>	<u>4.213%</u>
Discount on Long-term Debt (FERC 226)	6,504,616		
Unamortized Hedge Gains/Loss on Interest Rate Hedges	(2,364,021)		
Total Debt	<u>\$1,711,835,594</u>		
Simple Average Long-term Debt	<u>\$1,712,256,202</u>		
Simple Average Combined Cost Rate		<u>4.894%</u>	

2018

EMBEDDED COST OF POLLUTION CONTROL OBLIGATIONS

2018						
INTEREST RATE %	DATE DUE	PRINCIPAL AMOUNT OUTSTANDING	NET PROCEEDS %	YIELD TO MATURITY RATE %	ANNUAL COST	EMBEDDED COST %
2.13%	2027	\$9,400,000	97.21%	2.22%	\$208,680	
5.15%	2028	42,625,000	99.25%	5.28%	2,250,600	
2.13%	2020	6,550,000	97.49%	2.22%	145,410	
2.13%	2025	10,600,000	97.32%	2.21%	234,260	
2.13%	2028	13,520,000	98.45%	2.18%	294,736	
		<u>\$82,695,000</u>			<u>\$3,133,686</u>	<u>3.789%</u>

2018

EMBEDDED COST OF OTHER LONG TERM DEBT

2018						
DATE DUE	AMOUNT OUTSTANDING	PROCEEDS %	RATE %	ANNUAL COST	EMBEDDED COST %	
5.40%	2035	\$30,000,000	99.50%	5.49%	\$1,647,000	
5.55%	2019	125,000,000	99.31%	5.73%	7,162,500	
4.75%	2041	150,000,000	99.92%	4.81%	7,215,000	
1.63%	2040	50,000,000	99.65%	1.75%	875,000	
7.13%	2021	270,000,000	99.25%	7.36%	19,872,000	
4.25%	2042	250,000,000	99.45%	4.34%	10,850,000	
4.25%	2042	200,000,000	99.45%	4.34%	8,680,000	
6.50%	2028	550,000,000	100.00%	6.50%	35,750,000	
		<u>\$1,625,000,000</u>			<u>\$92,051,500</u>	<u>5.665%</u>

	PRINCIPAL AMOUNT OUTSTANDING	ANNUAL COST	COMBINED COST RATE
Pollution Control Bonds	82,695,000	3,133,686	
Other Long-term Debt	<u>1,625,000,000</u>	<u>92,051,500</u>	
	<u>\$1,707,695,000</u>	<u>\$95,185,186</u>	<u>5.574%</u>
Discount on Long-term Debt (FERC 226)	6,325,782		
Unamortized Hedge Gains/Loss on Interest Rate Hedges	(1,343,972)		
Total Debt	<u>\$1,712,676,810</u>		

**CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

2017**EMBEDDED COST OF PREFERRED STOCK**

SERIES	2017 PAR VALUE OUTSTANDING	DIVIDEND	YIELD TO MATURITY RATE (%)	2017 ANNUAL COST (\$)	COST RATE
4.60%	\$864,300	\$39,758	4.70%	\$40,622	
4.40%	886,700	39,015	4.49%	39,813	
4.72%	1,670,000	78,824	4.82%	80,494	
5.25%	30,000,000	1,575,000	5.36%	1,608,000	
	<u>\$33,421,000</u>	<u>\$1,732,597</u>		<u>\$1,768,929</u>	<u>5.293%</u>

2018**EMBEDDED COST OF PREFERRED STOCK**

SERIES	2018 PAR VALUE OUTSTANDING	DIVIDEND	YIELD TO MATURITY RATE (%)	2018 ANNUAL COST (\$)	COST RATE
4.60%	\$864,300	\$39,758	4.70%	\$40,622	
4.40%	886,700	39,015	4.49%	39,813	
4.72%	1,670,000	78,824	4.82%	80,494	
5.25%	30,000,000	1,575,000	5.36%	1,608,000	
	<u>\$33,421,000</u>	<u>\$1,732,597</u>		<u>\$1,768,929</u>	<u>5.293%</u>

Average

Par Value

\$33,421,000

Average

Annual Cost

\$1,768,929

Average

Cost Rate

5.293%

MISSISSIPPI POWER COMPANY
CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

December 31, 2017 - Beginning Balance

Total Common Equity	1,782,304,961
---------------------	---------------

Activity

Paid in Capital	
Capital Contributions	(128,709,118)
Other Adjustments to Paid-In Capital	5,474,263
Retained Earnings	
Net Income	115,741,973
Preferred Dividends	(1,732,597)
Common Dividends	-
Common Dividends	-
	(9,225,479)

December 31, 2017 -Ending Balance

Total Common Equity	1,773,079,483
---------------------	---------------

Average Common Equity

\$1,777,692,222

1 **MISSISSIPPI POWER COMPANY**
2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

Page 14

4
5 **KEMPER INTEREST EXPENSE**

6		
7	Total Retail Kemper Investment (Page 1)	\$647,853,022
8	Weighted Embedded Cost of Debt (Page 10)	<u>2.245%</u>
9		
10	Kemper Interest Expense (Total Retail Kemper Investment	
11	x Weighted Embedded Cost of Debt)	<u><u>\$14,544,300</u></u>

1 **MISSISSIPPI POWER COMPANY**
2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

4
5 **PERMANENT BOOK/TAX DIFFERENCES**
6
7
8
9

	Book/Tax Difference	Tax Factor	Retail Book/Tax Difference
10			
11			
12			
13 Combined Cycle & Related Assets AFUDC Equity non-deductible book depreciation	3,588,492	38.237404%	1,372,146
14 Transmission AFUDC Equity non-deductible book depreciation	65,076	38.237404%	24,883
15 General Property AFUDC Equity Non-Deductible Book Depreciation	0	38.237404%	0
16 Total	<u>\$3,653,568</u>		<u>\$1,397,029</u>

1 **MISSISSIPPI POWER COMPANY**
2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

Page 16

4
5 **TAX ADJUSTMENT FACTOR**

6		
7	1. The effective combined tax rate was developed using	
8	the following components:	
9	Federal Income Tax Rate	35.00%
10	Mississippi Income Tax Rate	5.00%
11	Alabama Income Tax Rate	6.50%
12		
13	2. State Income Tax is deductible for Federal Income	
14	Tax purposes:	
15	Federal Income Tax Rate	35.00%
16	Combined State Income Tax Rate	5.00%
17	Adjustment for Deductibility of State Taxes	1.75%
18	Federal Income Tax Rate	35.00%
19	Effective Federal Income Tax Rate	33.25%
20		
21	3. Federal Income Tax is deductible for Alabama State	
22	Income Tax purposes:	
23	Alabama Statutory Income Tax Rate	6.50%
24	Federal Income Tax Rate	35.00%
25	Adjustment to Alabama Statutory Rate	2.28%
26	Alabama Statutory Income Tax Rate	6.50%
27	Adjusted Alabama Statutory Rate	4.23%
28	Alabama Apportionment Factor	1.6253%
29	Alabama Effective Income Tax Rate	0.0687%
30		
31	4. Mississippi Income Tax Rate:	
32	Mississippi Statutory Income Tax Rate	5.00%
33	Mississippi Apportionment Factor	98.3747%
34	Mississippi Effective Income Tax Rate	4.9187%
35		
36	5. Development of the Company's composite tax rate:	
37	Effective Federal Income Tax Rate	33.2500%
38	Alabama Effective Income Tax Rate	0.0687%
39	Mississippi Effective Income Tax Rate	4.9187%
40	Company's Composite Income Tax Rate	38.2374%
41	Reciprocal of Composite Income Tax Rate	61.763%
42		
43	6. MPC pays Municipal Franchise Taxes on a portion of	
44	its retail revenues collected. The Municipal	
45	Franchise Tax Rate is adjusted to reflect this.	
46	Municipal Franchise Tax Rate	3.0084%
47	Percentage of Retail Revenues Paid On	68.82%
48	Adjusted Municipal Franchise Tax Rate	2.07%
49	Reciprocal of Municipal Franchise Tax Rate	97.930%

1 MISSISSIPPI POWER COMPANY
2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

4
5 KEMPER NON-FUEL OPERATIONS & MAINTENANCE EXPENSES

6		
7		
8		<u>AMOUNT</u>
9		
10	<u>Non-fuel Operations and Maintenance Expenses:</u>	
11	Production CC O&M	\$23,983,252
12	Transmission	0
13	Administrative & General Expenses	1,549,427
14	Total Company Kemper Non-fuel Operations & Maintenance Expenses	25,532,679
15		
16	Specifically Allowed Expenses	0

1 MISSISSIPPI POWER COMPANY

2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT
3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 20184
5 KEMPER DEPRECIATION EXPENSE
6
7
8

9	DEPRECIATION	DEPRECIATION EXPENSE
10		
11	Total Production Depreciation	\$25,885,655
12		
13	Total Transmission Depreciation	3,093,024
14		
15	Total General Property Depreciation - Other	52,729
16		
17	Total Depreciation Expense	\$29,031,408

1 **MISSISSIPPI POWER COMPANY**
2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**
3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**

4
5 **KEMPER TAXES OTHER THAN INCOME TAXES**

6

7

8

9

Taxes Other

10

11 Franchise Tax

\$25,000

12 Ad Valorem Taxes

10,179,941

13 Payroll Taxes

403,380

14 Total

\$10,608,321