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December 1, 2017

VIA E-MAIL
VIA U.S. MAIL

Katherine Collier, Esq., Executive Secretary
Mississippi Public Service Commission
501 North West Street, Suite 201A
Jackson, MS 39201


In Re: **Encouraging Stipulation of Matters in Connection with the Kemper County IGCC Project
Docket No. 2017-AD-112**

Dear Katherine:

On behalf of Mississippi Power Company and with the authority of Mississippi Public Utilities Staff, Chevron Products Company, the Federal Executive Agencies, and the Chemours Company, FC, LLC (collectively, "Joining Parties"), I have enclosed the original and twelve (12) copies of a Second Amended and Restated Stipulation entered into by and among MPC and the Joining Parties in the above-referenced matter. I have also included a copy of this letter, which I appreciate you file-stamping and returning to me in the enclosed, self-addressed, stamped envelope.

Thank you for your assistance in this matter.

Very truly yours,



Ben H. Stone

BHS:hr

Attachment

cc: All Parties of Record
Mr. Virden Jones
Frank Farmer, Esq.
Chad Reynolds, Esq.
Curtis L. Hebert, Jr., Esq.
James L. Halford, Esq.
Lanny L. Ziemann, Capt, USAF
Mr. Billy Thornton
Mr. Stephen Stiglets
Mr. Ben Vance

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**

SECOND AMENDED AND RESTATED STIPULATION

This Second Amended and Restated Stipulation (“Stipulation”) is entered into by and among the Mississippi Power Company (“MPC” or “Company”) and the Mississippi Public Utilities Staff (“Staff”), Chevron Products Company, a division of Chevron U.S.A. Inc. (“Chevron”), the Federal Executive Agencies (“FEA”), and the Chemours Company FC, LLC (“Chemours”) (collectively “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.

Upon execution by the Parties, this Second Amended and Restated Stipulation shall replace and supersede in their entirety the terms and conditions of that certain Stipulation filed on August 21, 2017, and that certain Amended and Restated Stipulation MPC filed on November 22, 2017. Intervenor 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 \$112.60 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 \$853,918,600 (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 to any successor return on equity approved in a future retail rate schedule or retail rate order establishing MPC's cost of equity.¹

(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 latest 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.

¹ The parties note that the provisions of PEP-5 are currently under review in Docket No. 2014-AD-118 (Proceeding to Investigate and Review the Adoption of a Uniform Formula Rate Plan Applicable to Both Entergy Mississippi and Mississippi Power Company). In particular, the Commission has requested as part of the review whether performance indicators should continue to be utilized to adjust the cost of equity.

(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.

(g) The foregoing stipulated revenue requirement includes the anticipated 2018 expenses of low NOx/HGP conversion which is intended to lower the Kemper CC heat rate as described by MPC witness Harrington’s testimony in this proceeding.

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 normal operation to produce energy for the benefit 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.² In the aggregate, since the Kemper Project started, MPC has incurred charges of \$6.0 billion (\$4.0 billion after tax) through September 30, 2017.³

10. MPC agrees to take steps necessary and work in good faith to divest plant site acreage that MPC determines is not required for the present and future needs of the Kemper CC. In such divestiture, any sales proceeds (gain or loss) will be deferred and included in the next rate filing including Kemper related costs.

11. 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

² Southern Company 10-Q filed with the Securities and Exchange Commission, p. 17 (Nov. 1 2017).

³ *Id.*

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 incurring any costs related to any planning, development, construction, and operations.

12. 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.

13. 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 or maintenance of the Kemper Gasifier *with the expectation of cost recovery or any other financial support from retail customers*; (c) to deem satisfied, such that they have no effect, any and all “Conditions to Certificate”; and (d) to remove the “Monitoring Plan” set out in the Kemper certificate as no longer required, provided that if any Independent Monitor costs are incurred in 2018, MPC shall defer those costs for inclusion in the next rate filing including Kemper related costs.

14. 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.

15. 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.

(c) The Parties agree that MPC shall pay and receive recovery through its Energy Cost Management Clause, Rate Schedule “ECM” for the costs of consultants hired by the Staff to review MPC’s Plan and, if necessary, file reports or provide testimony commenting on their findings.

OTHER PROVISIONS

16. 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.

17. Nothing contained herein should be construed as an agreement of the Parties: (i) on MPC's right to seek recovery 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.

18. 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.

19. 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.

20. 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.


21. 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: 11/30/2017

CHEVRON PRODUCTS COMPANY

By: _____

Date: _____

FEDERAL EXECUTIVE AGENCIES

By: _____

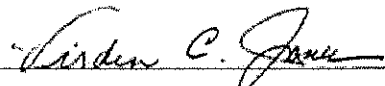
Date: _____

THE CHEMOURS COMPANY FC, LLC

By: _____

Date: _____

MISSISSIPPI PUBLIC UTILITIES STAFF

By: 
Date: November 30, 2017

SPECIFICALLY AGREED TO BY:

MISSISSIPPI POWER COMPANY

By: _____

Date: _____

CHEVRON PRODUCTS COMPANY

By: *Anna Chini*

Date: 12/1/2017

FEDERAL EXECUTIVE AGENCIES

By: *[Signature]*

Date: 12/1/2017

THE CHEMOURS COMPANY FC, LLC

By: _____

Date: _____

MISSISSIPPI PUBLIC UTILITIES STAFF

By: *Gordon C. [Signature]*

Date: November 30, 2017

SPECIFICALLY AGREED TO BY:

MISSISSIPPI POWER COMPANY

By: _____

Date: _____

CHEVRON PRODUCTS COMPANY

By: *Anna Chari*

Date: *12/1/2017*

FEDERAL EXECUTIVE AGENCIES

By: _____

Date: _____

THE CHEMOURS COMPANY FC, LLC

By: *J. L. Hall - 1, It's All/long*

Date: *12/1/17*

MISSISSIPPI PUBLIC UTILITIES STAFF

By: *London C. Jones*

Date: *November 30, 2017*

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 Second Amended and Restated
Stipulation filed by Mississippi Power Company on _____, 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

1 **MISSISSIPPI POWER COMPANY**

Page 1

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 |
|---|---|-----------------------------|--|--------------------|
| 10 Gross Plant in Service | \$1,100,999,076 | 71.443749% | \$786,595,012 | 3 |
| 11 Accumulated Depreciation | 81,893,497 | 71.498996% | 58,553,028 | 4 |
| 12 Net Plant in Service | 1,019,105,579 | | 728,041,984 | |
| 13 Construction Work in Progress (CWIP) | 0 | 0.000000% | 0 | 5 |
| 14 Inventory | 14,723,304 | 71.388895% | 10,510,804 | 6 |
| 15 Prepayments | 4,478,851 | 71.388890% | 3,197,402 | 7 |
| 16 Regulatory Asset | 77,727,513 | 71.409086% | 55,504,506 | 8 |
| 17 Accumulated Deferred Income Taxes | (262,116,647) | 71.442455% | (187,262,567) | 8-9 |
| 18 Total Investment | 853,918,600 | | 609,992,129 | |
| 19 Weighted Average Cost of Capital | 6.622% | | 6.622% | 10-13 |
| 20 Revenue Requirement on Investment Including Interest | 56,546,490 | 71.434459% | 40,393,679 | |
| 21 Less Interest Expense | (19,170,473) | 71.434459% | (13,694,323) | 14 |
| 22 Permanent Book/Tax Differences | 1,397,029 | 71.398317% | 997,455 | 15 |
| 23 Revenue Requirement Subject to Income Tax | 38,773,047 | | 27,696,811 | |
| 24 Income Tax Adjustment Factor | 61.763% | | 61.763% | 16 |
| 25 Revenue Requirement on Investment Excluding Interest (Line 14 / Line 15) | 62,777,143 | 71.433155% | 44,843,694 | |
| 26 Non-fuel Operations & Maintenance Expenses | 25,532,679 | 72.890377% | 18,610,866 | 17 |
| 27 Specifically Allowed Expenses | 0 | #DIV/0! | 0 | 17 |
| 28 Depreciation and Amortization Expenses | 50,276,907 | 50.617486% | 25,448,906 | 8,18 |
| 29 Taxes Other Than Income Taxes | 10,608,321 | 72.560611% | 7,697,462 | 19 |
| 30 Interest Expense on Investment | 19,170,473 | 71.434459% | 13,694,323 | 14 |
| 31 Revenue Requirement Before Municipal Franchise Taxes | 168,365,523 | 65.509405% | 110,295,252 | |
| 32 Municipal Franchise Tax Adjustment Factor | 97.930% | | 97.930% | 16 |
| 33 Total Kemper Revenue Requirement | \$171,924,357 | 65.509405% | \$112,626,623 | |

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)
5. Removed \$85m from Production Gross Plant (page3)

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 | | | | | |
| 11 | Gross Kemper Plant in Service: | | | | 3 |
| 12 | Production | \$986,313,914 | 71.388894% | \$704,118,595 | |
| 13 | Transmission | 114,163,691 | 71.917914% | 82,104,145 | |
| 14 | General Property - Other | 521,471 | 71.388894% | 372,272 | |
| 15 | Total | \$1,100,999,076 | | \$786,595,012 | |
| 16 | | | | | |
| 17 | Kemper Accumulated Depreciation: | | | | 4 |
| 18 | Production | \$64,757,719 | 71.388894% | \$46,229,819 | |
| 19 | Transmission | 17,044,111 | 71.917914% | 12,257,769 | |
| 20 | General Property - Other | 91,667 | 71.388894% | 65,440 | |
| 21 | Total | \$81,893,497 | | \$58,553,028 | |
| 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 | (206,911,446) | 71.388894% | (147,711,793) | 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 | (262,116,647) | | (187,262,567) | |
| 44 | | | | | |
| 45 | Kemper Permanent Tax Differences: | | | | 15 |
| 46 | Production | 1,372,146 | 71.388894% | 979,560 | |
| 47 | Transmission | 24,883 | 71.917914% | 17,895 | |
| 48 | General Plant | 0 | 71.388894% | 0 | |
| 49 | Total | 1,397,029 | | 997,455 | |
| 50 | | | | | |
| 51 | Kemper Non-fuel O&M Expenses: | | | | 17 |
| 52 | Production | \$23,983,252 | 72.987379% | \$17,504,747 | |
| 53 | Transmission | \$0 | 71.873146% | 0 | |
| 54 | Administrative and General | \$1,549,427 | 71.388910% | 1,106,119 | |
| 55 | Specifically Allowed Expenses | \$0 | 72.987379% | 0 | |
| 56 | Total | \$25,532,679 | | \$18,610,866 | |
| 57 | | | | | |
| 58 | Kemper Depreciation and Amortization Expense: | | | | 18 |
| 59 | Production | \$23,760,655 | 71.388894% | \$16,962,469 | |
| 60 | Transmission | \$3,093,024 | 71.917914% | 2,224,438 | |
| 61 | General Property - Other | \$52,729 | 71.388894% | 37,643 | |
| 62 | Amortization | \$23,370,499 | | 6,224,356 | |
| 63 | Total | \$50,276,907 | | \$25,448,906 | |
| 64 | | | | | |
| 65 | Kemper Taxes Other: | \$10,608,321 | 72.560611% | \$7,697,462 | 19 |
| 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.

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

KEMPER GROSS PLANT IN SERVICE

| | COMBINED CYCLE & RELATED ASSETS | | | TRANSMISSION | | | GENERAL PROPERTY |
|----------------------|---------------------------------|---------------------|---------------|---------------------------|---------------------|---------------|---------------------|
| | GROSS PLANT IN SERVICE | OTHER ADJUSTMENT | TOTAL | GROSS PLANT IN SERVICE | OTHER ADJUSTMENT | TOTAL | TOTAL |
| December 2017 | \$819,246,602 | \$162,385,683 | \$981,632,285 | \$114,163,691 | \$0 | \$114,163,691 | \$521,471 |
| January | 819,652,345 | 162,385,683 | 982,038,028 | 114,163,691 | 0 | 114,163,691 | |
| February | 820,063,165 | 162,385,683 | 982,448,848 | 114,163,691 | 0 | 114,163,691 | |
| March | 820,497,732 | 162,385,683 | 982,883,415 | 114,163,691 | 0 | 114,163,691 | |
| April | 820,908,908 | 162,385,683 | 983,294,591 | 114,163,691 | 0 | 114,163,691 | |
| May | 821,320,648 | 162,385,683 | 983,706,331 | 114,163,691 | 0 | 114,163,691 | |
| June | 821,733,634 | 162,385,683 | 984,119,317 | 114,163,691 | 0 | 114,163,691 | |
| July | 822,143,938 | 162,385,683 | 984,529,621 | 114,163,691 | 0 | 114,163,691 | |
| August | 822,555,641 | 162,385,683 | 984,941,324 | 114,163,691 | 0 | 114,163,691 | |
| September | 822,982,190 | 162,385,683 | 985,367,873 | 114,163,691 | 0 | 114,163,691 | |
| October | 832,906,875 | 162,385,683 | 995,292,558 | 114,163,691 | 0 | 114,163,691 | |
| November | 833,321,489 | 162,385,683 | 995,707,172 | 114,163,691 | 0 | 114,163,691 | |
| December 2018 | 833,733,842 | 162,385,683 | 996,119,525 | 114,163,691 | 0 | 114,163,691 | 521,471 |
| 13 Month-End Average | \$823,928,231 | \$162,385,683 | \$986,313,914 | \$114,163,691 | \$0 | \$114,163,691 | |
| 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 |
| December 2017 | | | | \$55,893,208 | | | | \$15,497,599 | | | \$65,302 |
| January | \$1,627,083 | \$338,304 | \$26,957 | 57,885,552 | \$257,752 | \$0 | \$0 | 15,755,351 | \$52,729 | \$0 | 118,031 |
| February | 1,627,549 | 338,304 | 26,957 | 59,878,361 | 257,752 | 0 | 0 | 16,013,103 | \$52,729 | \$0 | |
| March | 1,628,093 | 338,304 | 26,957 | 61,871,715 | 257,752 | 0 | 0 | 16,270,855 | | | \$91,667 |
| April | 1,628,664 | 338,304 | 26,957 | 63,865,640 | 257,752 | 0 | 0 | 16,528,607 | | | |
| May | 1,629,307 | 338,304 | 26,957 | 65,860,207 | 257,752 | 0 | 0 | 16,786,359 | | | |
| June | 1,630,045 | 338,304 | 26,957 | 67,855,513 | 257,752 | 0 | 0 | 17,044,111 | | | |
| July | 1,630,899 | 338,304 | 26,957 | 69,851,673 | 257,752 | 0 | 0 | 17,301,863 | | | |
| August | 1,631,929 | 338,304 | 26,957 | 71,848,862 | 257,752 | 0 | 0 | 17,559,615 | | | |
| September | 1,633,262 | 338,304 | 26,957 | 73,847,385 | 257,752 | 0 | 0 | 17,817,367 | | | |
| October | 1,674,614 | 338,304 | (13,507,078) | 62,353,225 | 257,752 | 0 | 0 | 18,075,119 | | | |
| November | 1,677,206 | 338,304 | 26,957 | 64,395,691 | 257,752 | 0 | 0 | 18,332,871 | | | |
| December 2018 | 1,682,360 | 338,304 | 26,957 | 66,443,312 | 257,752 | 0 | 0 | 18,590,623 | | | |
| Total | \$19,701,013 | \$4,059,642 | (\$13,210,551) | \$64,757,719 | \$3,093,024 | \$0 | \$0 | \$17,044,111 | | | |
| 13 Month-End Average | | | | | | | | | | | |

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 |
|--|--------|-----|-----|-----|-----|-----|-----|------|-----|-----|-----|-----|-----|----------|
| 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**5 **KEMPER INVENTORY**

| | PRODUCTION | TRANSMISSION |
|------------------|--------------|--------------|
| December 2017 | \$14,445,565 | \$0 |
| January | 14,491,855 | 0 |
| February | 14,538,145 | 0 |
| March | 14,584,435 | 0 |
| April | 14,630,725 | 0 |
| May | 14,677,014 | 0 |
| June | 14,723,304 | 0 |
| July | 14,769,594 | 0 |
| August | 14,815,884 | 0 |
| September | 14,862,174 | 0 |
| October | 14,908,464 | 0 |
| November | 14,954,754 | 0 |
| December 2018 | 15,001,044 | 0 |
| 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**4
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 | | |

| | | | | | | | | | | | | | | | |
|----|---|--|----|--------------|---------------------------------------|--------------|--------------|----------------|--------------|--------------|-------------|--------------|----------------|---------------|----------------|
| 46 | | Production RSP = 17.38895% | | Proposed | | Monthly | | Ending Balance | | Simple | | Annual | | Retail Only | |
| 47 | | General Part RSP = 73.725451% | | Amortization | | Deferral | | Dec-17 | | Average | | Amortization | | Annual | |
| 48 | | FERCSub | | Period (Mos) | | May-2017 | | Dec-17 | | Dec-18 | | Monthly | | Simple | |
| 49 | | Regulatory Asset Description | | | | | | | | | | | | | |
| 50 | 18231080 | Legal Proceedings, Fees, and Rate Case Expenses - Retail | 96 | 9,070,223 | 189,865 | 10,399,278 | 9,098,368 | 9,749,324 | 108,326 | 1,299,910 | 100.000000% | 9,749,324 | 1,299,910 | | |
| 51 | 18231080 | Legal Proceedings, Fees, and Rate Case Expenses - Wholesale | 96 | 3,635,147 | 76,094 | 4,187,405 | 2,779,537 | 3,473,371 | 115,772 | 1,388,000 | 0.000000% | - | - | | |
| 52 | 18231112 | Other PSA&Post Certificate Costs - Billable - Retail | 96 | 6,531,704 | 9,218 | 6,596,230 | 5,771,701 | 6,183,965 | 68,711 | 824,529 | 100.000000% | 6,183,965 | 824,529 | | |
| 53 | 18231112 | Other PSA&Post Certificate Costs - Billable - Wholesale | 96 | 2,617,764 | 3,694 | 2,643,632 | 1,762,415 | 2,203,018 | 73,434 | 881,207 | 0.000000% | - | - | | |
| 54 | 18231113 | Other PSA&Post Certificate Costs - Non-Billable - Retail | 96 | 7,949,337 | 56,286 | 7,949,337 | 6,425,450 | 6,884,917 | 76,933 | 917,816 | 100.000000% | 6,884,917 | 917,816 | | |
| 55 | 18231113 | Other PSA&Post Certificate Costs - Non-Billable - Wholesale | 96 | 2,785,141 | 22,588 | 2,943,257 | 1,962,172 | 2,452,714 | 81,757 | 981,086 | 0.000000% | - | - | | |
| 56 | 18231114 | Non-Capitalizable Mine Costs - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 57 | 18231114 | Non-Capitalizable Mine Costs - Wholesale | 96 | - | 0 | 0 | 0 | 0 | - | - | 0.000000% | - | - | | |
| 58 | 18231118 | DOE Loan Guarantee Costs - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 59 | 18231118 | DOE Loan Guarantee Costs - Wholesale | 96 | - | 0 | 0 | 0 | 0 | - | - | 0.000000% | - | - | | |
| 60 | 18231130 | Foreign Exchange Hedges - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 61 | 18231130 | Foreign Exchange Hedges - Wholesale | 96 | - | 0 | 0 | 0 | 0 | - | - | 0.000000% | - | - | | |
| 62 | 18231137 | Legal Fees for Section 174 - Retail | 96 | 444,275 | - | 444,275 | 388,741 | 416,508 | 4,628 | 55,534 | 100.000000% | 416,508 | 55,534 | | |
| 63 | 18231137 | Legal Fees for Section 174 - Wholesale | 96 | 178,056 | - | 178,056 | 118,704 | 148,380 | 4,946 | 59,352 | 0.000000% | - | - | | |
| 64 | 18231148 | Legal fees for Chancery Court Suit - Retail | 96 | 848,817 | 16,716 | 965,822 | 845,100 | 905,465 | 10,061 | 120,729 | 100.000000% | 905,465 | 120,729 | | |
| 65 | 18231170 | Deferred expenses for the Mine - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 0.000000% | - | - | | |
| 66 | 18231170 | Deferred expenses for the Mine - Wholesale | 96 | - | 0 | 0 | 0 | 0 | - | - | 0.000000% | - | - | | |
| 67 | 18231171 | Debt Carrying Costs on Assets in Service but not included in ISA (ex. Mine) - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 68 | 18231171 | Debt Carrying Costs on Assets in Service but not included in ISA - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 69 | 18231171 | Debt Carrying Costs on Excluded CC and Related Assets - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 70 | 18231171 | Debt Carrying Costs on Excluded Combined Cycle & Related Assets - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 71 | 18231171 | Deferred Debt & Amort. on Excluded CC & Related Assets - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 72 | 18231171 | Debt Carrying Costs on 15% of Excluded CC and Related Assets - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 73 | 18231171 | Debt Carrying Costs on 15% of Excluded CC & Related Assets - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 74 | 18231171 | Deferred Debt & Amort. on 15% of Excluded CC & Related Assets - Wholesale | 96 | 904,173 | (84,318) | 313,847 | 209,298 | 261,623 | 8,721 | 104,642 | 0.000000% | - | - | | |
| 75 | 18231181 | Mirror-CWIP Refunds - Retail | 96 | 988,414 | - | 988,414 | 854,840 | 926,638 | 10,266 | 123,552 | 100.000000% | 926,638 | 123,552 | | |
| 76 | 18231182 | Mirror-CWIP Refund Bond Fees - Retail | 96 | 250,000 | - | 250,000 | 218,750 | 234,375 | 2,604 | 31,250 | 100.000000% | 234,375 | 31,250 | | |
| 77 | 80400002 | Mirror-CWIP Refunds Costs - Retail | 96 | 402,591 | - | 402,591 | 352,267 | 377,429 | 4,194 | 50,324 | 100.000000% | 377,429 | 50,324 | | |
| 78 | 80400000 | Non-Capitalizable Labor and Expenses - Retail | 96 | 2,711,709 | 28,409 | 2,540,672 | 2,254,761 | 2,728,661 | 363,896 | 442,861 | 100.000000% | 2,728,661 | 442,861 | | |
| 79 | 80400000 | Non-Capitalizable Labor and Expenses - Wholesale | 96 | 1,215,543 | 11,386 | 1,295,245 | 863,497 | 1,079,371 | 35,979 | 431,748 | 0.000000% | - | - | | |
| 80 | 80400001 | Post COD Mine Costs - Retail | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 81 | 80400001 | Post COD Mine Costs - Wholesale | 96 | - | 0 | 0 | 0 | 0 | - | - | 0.000000% | - | - | | |
| 82 | | Stranded Costs | 96 | - | 0 | 0 | 0 | 0 | - | - | 71.388894% | - | - | | |
| 83 | | Conceded reg assets | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 84 | For Staff Stipulation | Equity cost on 15% up until SMEPA termination | 96 | - | 0 | 0 | 0 | 0 | - | - | 100.000000% | - | - | | |
| 85 | For Staff Stipulation | Mine/Gasifier costs included in FERC 18231112 | 96 | (2,533,590) | - | (2,533,590) | (2,041,461) | (2,187,279) | (24,303) | (291,637) | 100.000000% | (2,187,279) | (291,637) | | |
| 86 | For Staff Stipulation | Mine/Gasifier costs included in FERC 18231113 | 96 | (94,463) | (82,655) | (88,559) | (88,559) | (984) | (11,808) | 100.000000% | (88,559) | (11,808) | | | |
| 87 | | IM costs uncovered | 96 | 8,579,066 | 7,507,470 | 8,043,718 | 89,375 | 1,072,496 | 71.388894% | 5,742,321 | 765,643 | 5,742,321 | 765,643 | | |
| 88 | | New Regulatory Liability | 72 | (16,847,760) | (14,039,890) | (15,443,780) | (233,997) | (2,807,960) | 100.000000% | (15,443,780) | (2,807,960) | (15,443,780) | (2,807,960) | | |
| 89 | | Cost of Capital Regulatory Liability | 72 | (9,617,741) | (8,014,784) | (8,816,253) | (1,602,957) | (1,602,957) | 100.000000% | (8,816,253) | (1,602,957) | (8,816,253) | (1,602,957) | | |
| 90 | Total Regulatory Assets Excluded from the In-Service Asset Filing | | | | \$39,532,891 | \$329,938 | \$21,529,361 | \$17,536,351 | \$19,532,857 | \$332,751 | \$3,993,010 | \$7,613,183 | -\$161,153 | | |
| 91 | Grand Total Regulatory Assets | | | | Total Company Simple Avg Balance | | | | | | | | \$72,720,513 | \$55,504,506 | \$6,224,356 |
| 92 | | | | | Total Company Simple Avg ADIT Balance | | | | | | | | (\$21,223,482) | Total Co. | |
| 93 | ADITs on Regulatory Assets | | | | Total Company Simple Avg ADIT Balance | | | | | | | | \$72,720,513 | Annual Amount | (\$21,223,482) |

| | | | |
|-------------------------|--------------|--------------|--------------|
| Old Reg Assets: | | | |
| Total Company | 67,883,404 | 48,505,914 | 58,194,656 |
| Retail | 51,084,079 | 4,698,569 | 47,891,323 |
| Wholesale | 16,799,325 | 8,807,346 | 10,303,333 |
| New Reg Assets: | | | |
| Total Company | 47,994,862 | 39,590,935 | 43,792,900 |
| Retail | 33,998,107 | 29,748,344 | 31,873,226 |
| Wholesale | 13,996,755 | 9,842,592 | 11,919,674 |
| Total Reg Assets | | | |
| Total Company | 115,878,266 | 88,096,850 | 101,987,556 |
| Retail | 85,082,186 | 74,486,919 | 79,764,549 |
| Wholesale | 30,796,080 | 13,649,937 | 22,223,007 |
| Reg Liab: | | | |
| Retail & Total Co. | (26,465,501) | (22,054,584) | (24,260,043) |

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

Page 9

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

| | ADJUSTMENTS | | | ADJUSTED BALANCE |
|---|----------------|-------------|--------|---------------------|
| | ENDING ADIT | ADJUSTMENTS | | |
| 11 Dec-17 | (223,927,000) | 23,233,291 | - | (200,693,709) |
| 12 Dec-18 | (238,423,451) | 24,307,510 | - | (214,115,941) |
| 13 | (\$14,496,451) | 1,074,218 | - | (\$13,422,233) |
| 14 IRS METHOD - | | | | |
| 15 | | | | |
| 16 | | | | |
| 17 | | | | |
| 18 December 2017 | | | | (200,693,709) |
| 19 January | (\$1,118,519) | 31 | 0.9178 | (201,720,286) |
| 20 February | (1,118,519) | 28 | 0.8411 | (202,661,072) |
| 21 March | (1,118,519) | 31 | 0.7562 | (203,506,897) |
| 22 April | (1,118,519) | 30 | 0.6740 | (204,260,779) |
| 23 May | (1,118,519) | 31 | 0.5890 | (204,919,587) |
| 24 June | (1,118,519) | 30 | 0.5068 | (205,486,452) |
| 25 July | (1,118,519) | 31 | 0.4219 | (205,958,356) |
| 26 August | (1,118,519) | 31 | 0.3370 | (206,335,297) |
| 27 September | (1,118,519) | 30 | 0.2548 | (206,620,296) |
| 28 October | (1,118,519) | 31 | 0.1699 | (206,810,332) |
| 29 November | (1,118,519) | 30 | 0.0877 | (206,908,426) |
| 30 December 2018 | (1,118,519) | 31 | 0.0027 | (206,911,446) |
| 31 | | | | |
| 32 | (\$13,422,233) | 365 | | (\$6,217,737) |
| 33 | | | | |
| 34 Retail Property Related Accumulated Deferred Income Taxes Allocator | | | | 71.388894% |
| 35 Retail Portion of Property Related Accumulated Deferred Income Taxes | | | | (\$147,711,793) |

36
37 **Transmission**

| | ADJUSTMENTS | | | ADJUSTED BALANCE |
|---|----------------|-------------|--------|---------------------|
| | ENDING ADIT | ADJUSTMENTS | | |
| 40 Dec-17 | (\$25,570,228) | | | |
| 41 Dec-18 | (25,210,740) | | | |
| 42 | \$359,488 | | | |
| 43 IRS METHOD - | | | | |
| 44 | | | | |
| 45 | | | | |
| 46 | | | | |
| 47 December 2017 | | | | (25,570,228) |
| 48 January | \$29,957 | 31 | 0.9178 | (25,542,733) |
| 49 February | 29,957 | 28 | 0.8411 | (25,517,536) |
| 50 March | 29,957 | 31 | 0.7562 | (25,494,882) |
| 51 April | 29,957 | 30 | 0.6740 | (25,474,691) |
| 52 May | 29,957 | 31 | 0.5890 | (25,457,046) |
| 53 June | 29,957 | 30 | 0.5068 | (25,441,864) |
| 54 July | 29,957 | 31 | 0.4219 | (25,429,225) |
| 55 August | 29,957 | 31 | 0.3370 | (25,419,129) |
| 56 September | 29,957 | 30 | 0.2548 | (25,411,496) |
| 57 October | 29,957 | 31 | 0.1699 | (25,406,406) |
| 58 November | 29,957 | 30 | 0.0877 | (25,403,779) |
| 59 December 2018 | 29,957 | 31 | 0.0027 | (25,403,698) |
| 60 | | | | |
| 61 | \$359,488 | 365 | | \$166,530 |
| 62 | | | | |
| 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 | | | ADJUSTED BALANCE |
|------------------|----------------|-------------|--------|---------------------|
| | ENDING ADIT | ADJUSTMENTS | | |
| 69 Dec-17 | (\$74,828) | | | |
| 70 Dec-18 | (87,118) | | | |
| 71 | (\$12,290) | | | |
| 72 IRS METHOD - | | | | |
| 73 | | | | |
| 74 | | | | |
| 75 | | | | |
| 76 December 2017 | | | | (\$74,828) |
| 77 January | (\$1,024) | 31 | 0.9178 | (75,768) |
| 78 February | (1,024) | 28 | 0.8411 | (76,629) |
| 79 March | (1,024) | 31 | 0.7562 | (77,403) |
| 80 April | (1,024) | 30 | 0.6740 | (78,093) |
| 81 May | (1,024) | 31 | 0.5890 | (78,696) |
| 82 June | (1,024) | 30 | 0.5068 | (79,215) |
| 83 July | (1,024) | 31 | 0.4219 | (79,647) |
| 84 August | (1,024) | 31 | 0.3370 | (79,992) |
| 85 September | (1,024) | 30 | 0.2548 | (80,253) |
| 86 October | (1,024) | 31 | 0.1699 | (80,427) |
| 87 November | (1,024) | 30 | 0.0877 | (80,517) |
| 88 December 2018 | (1,024) | 31 | 0.0027 | (80,520) |
| 89 | | | | |
| 90 | (\$12,290) | 365 | | (\$5,692) |

| | | | | |
|---|--|--|-------------------|-----------------|
| 91 | | | | |
| 92 Retail Property Related Accumulated Deferred Income Taxes Allocator | | | | 71.388894% |
| 93 Retail Portion of Property Related Accumulated Deferred Income Taxes | | | | (\$57,482) |
| 94 | | | | |
| 95 | | | | |
| 96 | | | | |
| 97 | | | | |
| | | | Total Company | (\$232,395,664) |
| | | | Retail Allocation | (\$166,039,085) |

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 | DATE | PRINCIPAL | NET | YIELD TO | ANNUAL | EMBEDDED |
| | RATE % | DUE | AMOUNT | PROCEEDS % | MATURITY | COST | COST % |
| | | | OUTSTANDING | | RATE % | | |
| 12 | 1.09% | 2027 | \$9,400,000 | 97.21% | 1.18% | \$110,920 | |
| 13 | 5.15% | 2028 | 42,625,000 | 99.25% | 5.28% | \$2,250,600 | |
| 14 | 1.09% | 2020 | 6,550,000 | 97.49% | 1.18% | \$77,290 | |
| 15 | 1.09% | 2025 | 10,600,000 | 97.32% | 1.18% | \$125,080 | |
| 16 | 1.09% | 2028 | 13,520,000 | 98.45% | 1.14% | \$154,128 | |
| 17 | | | <u>\$82,695,000</u> | | | <u>\$2,718,018</u> | <u>3.287%</u> |

18
19 **2017**
20 **EMBEDDED COST OF OTHER LONG TERM DEBT**

| | | 2017 | | | | | |
|----|-------|-------------|------------------------|---------|-------|---------------------|---------------|
| | DATE | AMOUNT | | | | ANNUAL | EMBEDDED |
| | DUE | OUTSTANDING | PROCEEDS % | RATE % | | COST | COST % |
| 25 | 5.40% | 2035 | \$30,000,000 | 99.50% | 5.49% | \$1,647,000 | |
| 26 | 5.55% | 2019 | 125,000,000 | 99.31% | 5.73% | 7,162,500 | |
| 27 | 4.75% | 2041 | 150,000,000 | 99.92% | 4.81% | 7,215,000 | |
| 28 | 1.63% | 2040 | 50,000,000 | 99.65% | 1.75% | 875,000 | |
| 29 | 7.13% | 2021 | 270,000,000 | 99.25% | 7.36% | 19,872,000 | |
| 30 | 4.25% | 2042 | 250,000,000 | 99.45% | 4.34% | 10,850,000 | |
| 31 | 4.25% | 2042 | 200,000,000 | 99.45% | 4.34% | 8,680,000 | |
| 32 | 2.29% | 2018 | 550,000,000 | 100.00% | 2.35% | 12,925,000 | |
| 34 | | | <u>\$1,625,000,000</u> | | | <u>\$69,226,500</u> | <u>4.260%</u> |

| | PRINCIPAL | ANNUAL | COMBINED |
|--|------------------------|---------------------|---------------|
| | AMOUNT | COST | COST |
| | OUTSTANDING | | RATE |
| 41 Pollution Control Bonds | 82,695,000 | 2,718,018 | |
| 43 Other Long-term Debt | <u>1,625,000,000</u> | <u>69,226,500</u> | |
| 45 | <u>\$1,707,695,000</u> | <u>\$71,944,518</u> | <u>4.213%</u> |
| 47 Discount on Long-term Debt (FERC 226) | 6,504,616 | | |
| 50 Unamortized Hedge Gains/Loss on Interest Rate Hedges | (2,364,021) | | |
| 53 Total Debt | <u>\$1,711,835,594</u> | | |
| 55 Simple Average Long-term Debt | <u>\$1,712,256,202</u> | | |
| 57 Simple Average Combined Cost Rate | | <u>4.894%</u> | |

2018
EMBEDDED COST OF POLLUTION CONTROL OBLIGATIONS

| | | 2018 | | | | | |
|----|----------|------|---------------------|------------|----------|--------------------|---------------|
| | INTEREST | DATE | PRINCIPAL | NET | YIELD TO | ANNUAL | EMBEDDED |
| | RATE % | DUE | AMOUNT | PROCEEDS % | MATURITY | COST | COST % |
| | | | OUTSTANDING | | RATE % | | |
| 12 | 2.13% | 2027 | \$9,400,000 | 97.21% | 2.22% | \$208,680 | |
| 13 | 5.15% | 2028 | 42,625,000 | 99.25% | 5.28% | 2,250,600 | |
| 14 | 2.13% | 2020 | 6,550,000 | 97.49% | 2.22% | 145,410 | |
| 15 | 2.13% | 2025 | 10,600,000 | 97.32% | 2.21% | 234,260 | |
| 16 | 2.13% | 2028 | 13,520,000 | 98.45% | 2.18% | 294,736 | |
| 17 | | | <u>\$82,695,000</u> | | | <u>\$3,133,686</u> | <u>3.789%</u> |

2018
EMBEDDED COST OF OTHER LONG TERM DEBT

| | | 2018 | | | | | |
|----|-------|-------------|------------------------|---------|-------|---------------------|---------------|
| | DATE | AMOUNT | | | | ANNUAL | EMBEDDED |
| | DUE | OUTSTANDING | PROCEEDS % | RATE % | | COST | COST % |
| 25 | 5.40% | 2035 | \$30,000,000 | 99.50% | 5.49% | \$1,647,000 | |
| 26 | 5.55% | 2019 | 125,000,000 | 99.31% | 5.73% | 7,162,500 | |
| 27 | 4.75% | 2041 | 150,000,000 | 99.92% | 4.81% | 7,215,000 | |
| 28 | 1.63% | 2040 | 50,000,000 | 99.65% | 1.75% | 875,000 | |
| 29 | 7.13% | 2021 | 270,000,000 | 99.25% | 7.36% | 19,872,000 | |
| 30 | 4.25% | 2042 | 250,000,000 | 99.45% | 4.34% | 10,850,000 | |
| 31 | 4.25% | 2042 | 200,000,000 | 99.45% | 4.34% | 8,680,000 | |
| 32 | 6.50% | 2028 | 550,000,000 | 100.00% | 6.50% | 35,750,000 | |
| 34 | | | <u>\$1,625,000,000</u> | | | <u>\$92,051,500</u> | <u>5.665%</u> |

| | PRINCIPAL | ANNUAL | COMBINED |
|---|------------------------|---------------------|---------------|
| | AMOUNT | COST | COST |
| | OUTSTANDING | | 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 | | | Average Annual Cost | Average Cost Rate |
| | <u>\$33,421,000</u> | | | <u>\$1,768,929</u> | <u>5.293%</u> |

1 **MISSISSIPPI POWER COMPANY**2 **CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT**3 **FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018**6 **December 31, 2017 - Beginning Balance**

7 Total Common Equity 1,782,304,961

9 **Activity**

10 Paid in Capital

11 Capital Contributions (128,709,118)

Other Adjustments to Paid-In Capital 5,474,263

12 Retained Earnings

13 Net Income 115,741,973

14 Preferred Dividends (1,732,597)

15 Common Dividends -

16 Common Dividends -

17 (9,225,479)

19 **December 31, 2017 -Ending Balance**

20 Total Common Equity 1,773,079,483

23 **Average Common Equity****\$1,777,692,222**

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

| | |
|--|----------------------------|
| Total Retail Kemper Investment (Page 1) | \$609,992,129 |
| Weighted Embedded Cost of Debt (Page 10) | <u>2.245%</u> |
| Kemper Interest Expense (Total Retail Kemper Investment x Weighted Embedded Cost of Debt) | <u><u>\$13,694,323</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
9

AMOUNT

10 **Non-fuel Operations and Maintenance Expenses:**

| | |
|--|------------------|
| 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 | <hr/> 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, 2018**5 **KEMPER DEPRECIATION EXPENSE**

| | | |
|----|---|----------------------------|
| 6 | | |
| 7 | | |
| 8 | | |
| 9 | | DEPRECIATION |
| 10 | DEPRECIATION | EXPENSE |
| 11 | Total Production Depreciation | <u>\$23,760,655</u> |
| 12 | | |
| 13 | Total Transmission Depreciation | 3,093,024 |
| 14 | | |
| 15 | Total General Property Depreciation - Other | <u>52,729</u> |
| 16 | | |
| 17 | Total Depreciation Expense | <u><u>\$26,906,408</u></u> |

1 MISSISSIPPI POWER COMPANY

2 CALCULATION OF TOTAL RETAIL KEMPER REVENUE REQUIREMENT

3 FOR THE PROJECTED TWELVE MONTHS ENDING DECEMBER 31, 2018

5 KEMPER TAXES OTHER THAN INCOME TAXES

Taxes Other

11 Franchise Tax

\$25,000

12 Ad Valorem Taxes

10,179,941

13 Payroll Taxes

403,380

14 Total

\$10,608,321