BEFORE THE PUBLIC SERVICE COMMISSION
OF THE
STATE OF MISSISSIPPI

MISSISSIPPI POWER COMPANY
EC1200009700

DOCKET NO. 2003-UN-898

IN RE: NOTICE OF INTENT OF MISSISSIPPI POWER COMPANY TO CHANGE RATES FOR ELECTRIC SERVICE PURSUANT TO ITS PERFORMANCE EVALUATION PLAN, RATE SCHEDULE PEP-5A FOR REGULATORY YEAR 2018

ORDER APPROVING STIPULATION

THIS matter is before the Mississippi Public Service Commission ("Commission") on the Stipulation filed on July 27, 2018 (the "Stipulation") by Mississippi Power Company ("MPC" or the "Company") and the Mississippi Public Utilities Staff ("Staff"), purporting to resolve all pending issues related to MPC's November 15, 2017 notice of intent to change rates pursuant to its PEP-5A ("PEP") rate schedule ("2018 PEP Filing"). The Commission approves the Stipulation in full and hereby finds as follows:

INTRODUCTION

1. MPC is a public utility as defined in Section 77-3-3(d)(i) of the *Mississippi Code of 1972, as amended*, and is engaged in the business of generating, transmitting and distributing electric power to and for the public for compensation in twenty-three (23) counties of southeast Mississippi, having its principal place of business at Gulfport, Mississippi. The Company's mailing address is Post Office Box 4079, Gulfport, Mississippi 39502-4079.

2. MPC is the holder of a Certificate of Public Convenience and Necessity issued in Docket No. U-99, as supplemented from time to time, authorizing its operations in specified areas of the twenty-three (23) counties of southeast Mississippi and is rendering electric service in accordance with its service rules and regulations and in accordance with schedules of rates and

charges, all of which are a part of its tariff that has been previously approved by order of this Commission.

3. MPC is a Mississippi corporation. A copy of its corporate charter, articles of incorporation, the names and addresses of its board of directors and officers, the name of all persons owning fifteen percent (15%) or more of its stock, and a copy of its current balance sheet and income statement are on file with this Commission.

PROCEDURAL HISTORY

4. Since 1986, the Performance Evaluation Plan, as modified by the Commission from time to time, has served as the base rate mechanism utilized by the Commission to establish MPC's rates for retail electric service.

5. On November 15, 2017, MPC filed its latest notice of intent to change rates pursuant to its PEP-5A rate schedule. Notice of the 2018 PEP Filing was given to all parties of record in the above referenced docket. MPC also mailed a notice to each customer pursuant to RP 9.101 of the Commission's Rules. MPC filed a verification of Notice on July 31, 2018, confirming MPC mailed a notice of filing as bill inserts in the billing statements mailed beginning on November 17, 2017. For paperless billing customers, the notice was sent via email on November 16, 2017. Finally, notice of the Company's filing was provided by publication on December 5, 2017, in the Clarion Ledger, a newspaper of general circulation in the State of Mississippi.

6. The Company's 2018 PEP Filing contained a calculation of the Company's Projected Retail Return on Investment for regulatory year 2018, based upon the projected revenues and expenses for the year, and was made in accordance with and utilizing the appropriate PEP appendices for such calculation. The 2018 PEP Filing indicated that the Company's Projected Retail Return on Investment was below the Range of No Change as defined in the PEP Rate

Schedule, resulting in a calculated revenue adjustment equal to $47,042,391. Pursuant to the PEP rate schedule, however, MPC's rate adjustment was limited to 4% of retail revenues equal to $35,892,629.

7. On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act, which reduced the Company's federal income tax rate from 35% to 21% and included other key provisions related to interest expense deductions, the elimination of bonus depreciation, and the timing of expensing capital. The Stipulation's implementation of the changing tax provisions provides a direct benefit to MPC's customers by lowering the Company's revenue requirement.

8. On January 26, 2018, the Commission issued an order in Docket No. 2018-AD-12 directing regulated utilities in Mississippi, including the Company, to file, within thirty days, a detailed discussion of how the Tax Cuts and Jobs Act would be reflected in rates. The Company did so on February 7, 2018, when it submitted, in this Docket, the Supplemental Testimony and Exhibits of Moses H. Feagin, MPC's Vice-President, Treasurer, and Chief Financial Officer. As noted by Mr. Feagin, the net result of the change in tax law was to lower MPC's calculated 2018 PEP revenue requirement from $47,042,391 to $23,385,923.

9. Following the Company's 2018 PEP Filing, the Staff propounded numerous formal and informal data requests as part of its investigation. The Stipulation acknowledges that the Company fully responded to and complied with the Staff's requests and met with the Staff to furnish additional information. No motion has been filed with the Commission by any party as to any discovery period or as to the sufficiency of the responses provided by the Company.

10. On May 8, 2018, the Commission held a properly-noticed public hearing on MPC's requested rate adjustment in this docket. MPC provided oral testimony during that proceeding and

the Company's witnesses responded to cross-examination from both the Commission and Staff. Chevron, the only other party for the 2018 filing, did not participate in the hearing.

11. Upon completion of the Commission's hearing, negotiations continued between the MPC and Staff, and ultimately culminated in the execution of the Stipulation on July 27, 2018. A copy of the Stipulation is attached as Exhibit 1 hereto.

12. For the reasons set forth below, the Stipulation is approved in full and without modification. MPC and the Staff have stipulated to a PEP revenue adjustment of approximately $21.6 million, resulting in a reduction of approximately $1.8 million from MPC's revised 2018 PEP revenue requirement filed in February. The Stipulated revenue requirement represents a reduction of approximately $14.3 million from MPC's original 2018 PEP filing made on November 15, 2017.

JURISDICTION AND SUFFICIENCY OF THE FILING

13. This Commission has jurisdiction over the subject matter and parties herein. The Commission further find that the pleadings, data, documentation and exhibits to this Docket filed by MPC with its 2018 PEP Filing comply with all of the statutory filing requirements, all requirements of the PEP-5A rate schedule, and all the requirements of the Commission's Rules for a major change in rates in excess of $15 million, except for those requirements contained in Section 77-3-37(4) (a)-(e) of the *Mississippi Code of 1972, as amended*, which have been waived by the Commission in the PEP-5A filed rate. Therefore, for good cause shown, the Commission waives any other filing requirements, which may be prescribed by the Rules.

14. This Commission, having reviewed the Stipulation, the Company's filing, and having heard all of the evidence presented at the hearing finds that there is substantial evidence in this proceeding to support the Stipulation. This Commission further finds that the Stipulation

entered into between the Staff and the Company, filed with this Commission, and attached hereto complies with this Commission's Rules and Mississippi law.

FINDINGS AND CONCLUSIONS

15. This Commission has had an opportunity to review the 2018 PEP Filing, the evidence presented by the parties, the Stipulation filed by the Staff and MPC, and the record in this matter. Based upon the hearings, the pre-filed and oral testimony and cross-examination of witnesses, observations of those witnesses, the exhibits, the Stipulation, and based upon the experience and expertise of this Commission, this Commission finds and orders as follows:

(a) Aircraft. Approximately $3.3 million in corporate aircraft costs were included in the Company's revised 2018 PEP revenue requirement filed in February 2018. Rule 21.103(3)(f) of the Commission's Rules of Practice and Procedure limits recovery of corporate aircraft costs to costs which are reasonable and which result in benefits to ratepayers. More recently, this Commission established a new rulemaking docket on June 7, 2018 to review and consider revisions to existing Rule 21.103(3)(f). For this reason, all aircraft costs shall be removed from the stipulated revenue requirement pending approval of a final rule by the Commission addressing such costs.

(b) Compensation. During the May 8, 2018 hearing in this matter, the Staff presented Mr. Feagin, MPC's Chief Financial Officer, with copies of data request MPUS 1-14, which included $52,000 in financial planning expenses for MPC's executives, and MPUS 3-27, which included information related to variable pay, performance share plan, and restricted stock, as well as SERP, a supplemental employee benefit plan. These sorts of compensation costs have consistently been challenged by the Staff since 2010. The Commission finds that a final resolution of the overarching issues regarding MPC's compensation structure is best reserved for a general rate case. Therefore, the Commission finds that it is appropriate and reasonable to exclude the $5.5 million in total company contested compensation costs from recovery until the Commission makes its final decisions regarding MPC's compensation in the general rate case to be filed in 2019. The Company shall be allowed to defer as a regulatory asset for cost recovery purposes and also for accounting purposes, to the extent allowed under generally accepted accounting principles, the costs associated with the contested (and excluded) compensation costs of $5.5 million in 2018 and for similar costs in 2019, including carrying costs on the simple average balance at the Company's PEP weighted average cost of capital, from January 1, 2018, until such time as the Commission ultimately decides on the appropriate rate treatment and adjusts rates accordingly.

(c) Capital Structure. While opening its docket to consider the effects of the Tax Cuts and Jobs Act, the Commission "acknowledge[d] the potential impacts on [MPC's] financial health and credit metrics should be considered."[1] Although these impacts are being considered by the Commission (both in this docket and in its separate Tax Cuts and Jobs Act docket), the pleadings, oral testimony, and Stipulation filed in this proceeding reflect a continuing disagreement between MPC and Staff as to whether and how the Commission should respond to the effects of tax reform on MPC. In lieu of increasing the Company's equity ratio to mitigate the impact of the TCJA, the parties stipulated that none of the $44 million (PEP portion) in unprotected, excess ADITs resulting from the TCJA should be returned to customers at this time, but rather should be retained in rate base by the Company pending further instructions from the Commission in the next general rate case. Deferring a decision on MPC's long-term equity ratio requires that an equity ratio be established for this proceeding until the Commission makes a final determination in the forthcoming general rate case.

[1] Order Opening Docket, MPSC Docket No. 2018-AD-12 (Jan. 26, 2018).

Historically, MPC has targeted and achieved, with the Commission's approval, a 50% equity ratio. Consistent with this practice, the Company and the Staff have agreed to a stipulated revenue requirement (which will remain in effect until the Commission rules on the Company's general rate case in 2020) based upon a 50% simple average equity ratio. However, recent events beyond MPC's control have resulted in an actual equity ratio as low as 39%. Both parties agree that MPC's currently low equity ratio requires upward adjustment. To address its current low actual ratio, MPC has committed to seek equity contributions sufficient to restore its equity ratio to its historical targeted level and to continue targeting an equity ratio of 50% thereafter until MPC files its general rate case in the fourth quarter of 2019. MPC's commitment to target a 50% equity ratio notwithstanding, the parties recognized that the Company's actual ratio may vary to some degree from the target equity ratio from month to month, and that such normal, short-term variations are a function of typical financing efforts. However, despite these potential variations, MPC has agreed that its actual ratio at the time of filing its general rate case in the fourth quarter of 2019 shall not exceed 51%.

Because the stipulated revenue requirement is based on a 50% simple average equity ratio, MPC will submit a calculation of the Company's actual simple average equity ratio for 2018 to the Staff on or before the end of February 2019, the purpose of this calculation is for the Commission and Staff to evaluate the Company's progress in meeting the obligations of the Stipulation regarding the Company's equity ratio. In the event that MPC's actual simple average equity ratio for 2018 (as calculated under PEP) is greater than 1% higher or lower than the targeted 50% simple average ratio (upon which the approved revenue requirement was based), MPC shall calculate the revenue requirement difference between the stipulated revenue requirement approved herein based on a 50% simple average ratio and the revenue requirement (based on the same projections) calculated using the actual 2018 simple average equity ratio. The Company will book this calculated difference to a regulatory asset or liability account as of December 31, 2018, and will accrue carrying costs on the simple average balance at the Company's PEP weighted-average cost of capital, from January 1, 2019, until such time as the Commission ultimately decides on the appropriate rate treatment and adjusts rates accordingly. The Commission finds that these stipulations and reporting requirements concerning the equity ratio are reasonable. During the general rate case, the Commission will evaluate the Company's progress in compliance with these requirements, and will evaluate the reasonableness of MPC's actions, including the timing and amounts of equity contribution received during the second half of 2018, when disposing of any regulatory asset or liability created pursuant to the foregoing commitments.

(d) Modernization Program. Pursuant to a system-wide modernization program previously announced by Southern Company in order to reduce O&M expenses, the Company anticipates incurring extraordinary charges in 2018 related to an internal reorganization and restructuring and the closing of certain local offices. The Company has agreed that such charges will not be deferred to a future period for recovery from ratepayers but rather will be expensed as incurred during the period.

(e) PEP Suspension. As noted above, MPC, the Staff, and the Commission have recognized the appropriateness of resolving certain important issues as part of forthcoming general rate case. To that end, and consistent with the Stipulation, the Commission orders that MPC shall not file any PEP filings (projected or lookback filings) for regulatory years 2018, 2019, and 2020. The Commission notes, however, that nothing in this paragraph is intended in any way to diminish the Staff's authority to request such information. This approach, which will allow the Commission to consider significant issues in the appropriate context, is in the public interest.

16. The Commission further finds, based upon all of the evidence in the record, the Commission's evidentiary hearing, and the Stipulation, which is hereby adopted in full, that rates designed consistent with Exhibit____(MHF-2 Stipulation), included as an attachment to the Stipulation, shall result in rates which are just and reasonable and in the public interest. Exhibit____(MHF-2 Stipulation) sets forth:

a. A Total Projected Net Investment (line 26) for PEP equal to $1,265,580,007;

b. A Total Adjusted Projected Expenses (line 51) for PEP equal to $616,075,215;

c. Total Projected Operating Revenue (line 31) for PEP equal to $716,830,072;

d. A capital structure of 50% average common equity; and

e. A Total Projected Retail Rate of Return on Investment (line 57) as calculated by the formulas in PEP equal to 6.856%.

17. In addition, the Commission finds that, consistent with the Commission-approved PEP-5A rate schedule, MPC shall implement a surcharge designed to collect all costs associated with the Commission's August approval of MPC's 2018 PEP Filing. The amount and calculation of the surcharge has been stipulated between the parties and presented as an exhibit to the Stipulation being approved herein. The Commission finds that in accordance with the Stipulation and consistent with the public interest, the surcharge will be billed over a sixteen (16) month period ending December 31, 2019, rather than a four-month period, as provided in the PEP tariff, in order to mitigate its rate impact. The Company, after consultation with and review by the Staff, shall file a schedule of Proposed Rates consistent with this Stipulation and appropriately allocating the

revenue adjustment to the various retail rates and riders of MPC within seven (7) days following the issuance of this Order in anticipation of the rates becoming effective with the first billing cycle of September.

18. Finally, MPC's testimony described several prior PEP filings that remain pending because MPC and the Staff have not yet permanently resolved the contested expenses such as corporate aircraft and certain components of compensation. Although these issues remain outstanding and are expected to be resolved by the Commission in the future, the Parties agreed, and the Commission finds it is appropriate, to fully resolve any and all PEP filings that remain pending before the Commission. These filings represent in total a net surcharge of approximately $8.5 million requested by the Company, which is disputed by the Staff, and, to that end, the Company has agreed to permanently forgo recovery of this net surcharge from customers. Similarly, the Staff agreed not to seek any refunds that may be associated with any of the prior pending PEP filings. The Commission orders, based upon the evidence in the record and the Stipulation, that the Company shall neither recover nor refund any costs associated with MPC's pending PEP filings submitted prior to 2018.

WHEREFORE, PREMISES CONSIDERED, this Commission orders as follows:

ORDERED, that the Stipulation is adopted by the Commission and incorporated herein in its entirety. It is further,

ORDERED, that the Company shall file a schedule of Proposed Rates consistent with this Stipulation and appropriately allocating the revenue adjustment to the various retail rates and riders of MPC within seven (7) days following the issuance of this Order. It is further,

ORDERED, that the revenue adjustment of $21,558,153 indicated by the 2018 PEP Filing, as Stipulated, is just and reasonable and hereby approved for billing beginning with the first billing cycle of September and continuing until further order of this Commission. It is further,

ORDERED, that the Company shall continue to include the balance of the regulatory liabilities associated with excess unprotected ADITs in rate base. It is further,

ORDERED, that the Company shall be allowed to defer as a regulatory asset for cost recovery purposes and also for accounting purposes, to the extent allowed under generally accepted accounting principles, the costs associated with the contested (and excluded) compensation costs, including carrying costs at the Company's PEP weighted average cost of capital, from January 1, 2018, until such time as the Commission ultimately decides on the appropriate rate treatment and adjusts rates accordingly. It is further,

ORDERED, that the Company shall submit a calculation of the Company's actual simple average equity ratio for 2018 to the Staff on or before the end of February 2019, for purposes of evaluating the Company's progress in meeting its equity ratio obligations under the Stipulation. In the event that MPC's actual simple average equity ratio for 2018 (as calculated under PEP) is greater than 1% higher or lower than the targeted 50% simple average ratio (upon which the approved revenue requirement was based), MPC shall calculate the revenue requirement difference between the stipulated revenue requirement approved herein based on a 50% simple average ratio and the revenue requirement (based on the same projections) calculated using the actual 2018 simple average equity ratio. The Company will book this calculated difference to a regulatory asset or liability account as of December 31, 2018, and will accrue carrying costs on the simple average balance at the Company's PEP weighted-average cost of capital, from January

1, 2019, until such time as the Commission ultimately decides on the appropriate rate treatment and adjusts rates accordingly. It is further,

ORDERED, that MPC shall pay and collect through customer rates the cost of any and all consulting services hired by the Staff in MPC's forthcoming general rate case.

This Order shall be deemed issued on the day it is served upon the parties herein by the Executive Secretary of this Commission who shall note the service date in the file of this Docket.

Chairman Brandon Presley voted aye; Vice Chairman Cecil Brown voted aye; and Commissioner Samuel F. Britton voted aye.

SO ORDERED by this Commission on this the 7th day of August, 2018.

MISSISSIPPI PUBLIC SERVICE COMMISSION

BRANDON PRESLEY, CHAIRMAN

CECIL BROWN, VICE CHAIRMAN

SAMUEL F. BRITTON, COMMISSIONER

ATTEST: A TRUE COPY

KATHERINE COLLIER, EXECUTIVE SECRETARY

Effective this the 7th day of August, 2018.

FILED

JUL 27 2018

MISS. PUBLIC SERVICE COMMISSION

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

MISSISSIPPI POWER COMPANY
EC-120-00097-00

DOCKET NO. 2003-UN-898

IN RE: NOTICE OF INTENT OF MISSISSIPPI POWER COMPANY TO CHANGE RATES FOR ELECTRIC SERVICE PURSUANT TO ITS PERFORMANCE EVALUATION PLAN, RATE SCHEDULE PEP-5A FOR REGULATORY YEAR 2018

STIPULATION

This stipulation ("Stipulation") is entered into by and between the Mississippi Public Utilities Staff ("Staff") and Mississippi Power Company ("MPC" or "Company") pursuant to Section 77-3-39 of the *Mississippi Code of 1972, as amended*, and RP 13 of the Mississippi Public Service Commission's ("MPSC" or "Commission") Public Utilities Rules of Practice and Procedure ("Rules").

The Staff has had the benefit of full discovery as prescribed by Mississippi law and the Rules. The Staff has conducted an extensive investigation of the Company's filing and has had the benefit of substantial amounts of data produced in discovery, including having access to significant amounts of the Company's confidential information related to its operations. In addition, the Staff regularly conducts audits and reviews of the business, rates, and expenses of the Company every twelve (12) months as a part of the MPC rate plan referred to as Performance Evaluation Plan, Rate Schedule PEP-5A ("PEP").

This Stipulation is entered into as a result of the pleadings and testimony filed by the Company in this Docket; the Staff's extensive continuing knowledge and understanding of the books, records, and business of MPC; the discussions and information exchanged between the

Staff, the intervenors and the Company; the research and investigation conducted by the Staff in this proceeding; and the Commission's evidentiary hearing in this matter.

It is hereby stipulated and agreed as follows between the Staff and MPC.

INTRODUCTION AND PROCEDURAL HISTORY

1. Since 1986, the Performance Evaluation Plan, as modified by the Commission from time to time, has served as the base rate mechanism utilized by the Commission to establish MPC's rates for retail electric service.

2. On November 15, 2017, MPC filed its latest notice of intent to change rates pursuant to its PEP-5A rate schedule ("2018 PEP Filing"). The Company's 2018 PEP Filing contained a calculation of the Company's Projected Retail Return on Investment for regulatory year 2018, based upon the projected revenues and expenses for the year, and was made in accordance with and utilizing the appropriate PEP appendices for such calculation. The 2018 PEP Filing indicated that the Company's Projected Retail Return on Investment was below the Range of No Change as defined in the PEP Rate Schedule, resulting in a calculated revenue adjustment equal to $47,042,391. Pursuant to the PEP rate schedule, however, MPC's rate adjustment was limited to 4% of retail revenues equal to $35,892,629.

3. On December 22, 2017, the President signed into law the Tax Cuts and Jobs Act ("TCJA"), which reduced the Company's federal income tax rate from 35% to 21% and included other key provisions related to interest expense deductions, the elimination of bonus depreciation, and the timing of expensing capital. This Stipulation's implementation of the changed tax provisions will directly benefit MPC's customers by lowering the Company's revenue requirement.

4. On January 26, 2018, the Commission issued an order in Docket No. 2018-AD-12

directing regulated utilities in Mississippi, including the Company, to file, within thirty days, a detailed discussion of how the TCJA would be reflected in rates. The Company did so on February 7, 2018, when it submitted, in this Docket, the Supplemental Testimony and Exhibits of Moses H. Feagin, MPC's Vice-President, Treasurer, and Chief Financial Officer. As noted by Mr. Feagin, the net result of the change in tax law was to lower MPC's calculated 2018 PEP revenue requirement from $47,042,391 to $23,385,923.

5. Following the Company's 2018 PEP Filing, the Staff propounded numerous formal and informal data requests as part of its investigation. The Company has fully responded and complied with the Staff's requests and has met with the Staff to furnish additional information. At the time of this Stipulation, no motion has been filed with the Commission by any party as to any discovery period or as to the sufficiency of the responses provided by the Company.

6. On May 8, 2018, the Commission held a public hearing on MPC's requested rate adjustment in this docket. MPC provided oral testimony during that proceeding and the Company's witnesses responded to cross-examination from both the Commission and Staff. Chevron, the only intervener for the 2018 filing, did not participate in the hearing.

7. As discussed *infra*, MPC and the Staff have stipulated to a PEP revenue adjustment of approximately $21.6 million (see stipulated revenue requirement calculation provided as Exhibit "A" to this Stipulation), resulting in a reduction of approximately $1.8 million from MPC's revised 2018 PEP revenue requirement filed in February and represents a reduction of approximately $14.3 million from MPC's original 2018 PEP filing made on November 15, 2017.

JURISDICTION AND SUFFICIENCY OF THE FILING

8. The Staff and the Company agree that the Commission has jurisdiction over the parties and subject matter in this proceeding.

9. The Staff and the Company also agree that the pleadings, data, documentation and exhibits to this Docket filed by MPC with its notice of intent comply with all of the statutory filing requirements and the requirements of the Commission's Rules for major changes in rates in excess of $15 million, except for those waived by the Commission. The Company requested a waiver of the requirements of Section 77-3-37(4) (a)-(e) of the *Mississippi Code of 1972, as amended*, pursuant to its Rate Schedule PEP-5A. The Staff and the Company further agree that the waivers permitted by the PEP rate schedule are appropriate.

2018 PEP FILING

10. Approximately $3.3 million in corporate aircraft costs are included in the Company's revised 2018 PEP revenue requirement filed in February. With respect to corporate aircraft costs, the Commission adopted RP 21.103(3)(f) on December 6, 2011, in Docket No. 2011-AD-196, which limits recovery of corporate aircraft costs to costs which are reasonable and which result in benefits to ratepayers. In addition, the Commission further clarified its intent with respect to corporate aircraft costs at its June 5, 2018, docket call and open meeting. In light of all of the foregoing, the Company and the Staff agree that all corporate aircraft costs will be removed from the stipulated revenue requirement calculation pending approval of a final rule by the Commission addressing such costs.

11. With respect to compensation costs, the Staff has contested certain compensation costs in conjunction with the Company's PEP projected and PEP look back filings since 2010. The Company has testified that, according to its market analyses, MPC's employee compensation is at market and is, therefore, just and reasonable and should be allowed for

recovery. The Staff has consistently disagreed with the Company's recovery of certain compensation costs, however the Commission has not yet ruled on this issue. Therefore, the Company and the Staff agree and stipulate that the revised 2018 PEP retail revenue requirement and resulting rates shall be reduced to exclude $5.5 million in total company contested compensation costs from recovery until the Commission makes its final decisions regarding the matter as detailed in Paragraph 12.

12. The Company and the Staff further agree and stipulate that the Company should be allowed to defer as a regulatory asset for cost recovery purposes and also for accounting purposes, to the extent allowed under generally accepted accounting principles, the costs associated with the contested (and excluded) compensation costs of $5.5 million in 2018 and for similar costs in 2019 including carrying costs on the simple average balance at the Company's PEP weighted average cost of capital, from January 1, 2018, until such time as the Commission ultimately decides on the appropriate rate treatment and adjusts rates accordingly.

13. Pursuant to a system-wide modernization program previously announced by Southern Company in order to reduce O&M expenses, the Company anticipates incurring extraordinary charges in 2018 related to an internal reorganization and restructuring and the closing of certain local offices. The parties agree that such charges will not be deferred to a future period for recovery from ratepayers but rather will be expensed as incurred during the period.

14. With respect to the Company's requested increase in equity ratio to 55% made in response to the negative credit impacts of the TCJA, there is a disagreement between MPC and Staff as to how the Commission should mitigate the effects of tax reform. While opening its docket to consider the effects of the Tax Cuts and Jobs Act, the Commission "acknowledge[d]

the potential impacts on [MPC's] financial health and credit metrics should be considered."[1] MPC has testified to the adverse effect of tax reform on the Company's credit metrics, and the Staff has questioned this analysis. The Company has also testified that targeting an A credit rating is appropriate now, as it has been in the past, to ensure that the Company can readily access capital whenever needed in support of its obligation to serve at a reasonable cost; the Company believes that targeting a 55% equity ratio, rather than the 50% equity ratio targeted prior to the new tax law, is the most economic approach for customers in supporting the targeted A credit rating and is necessary to mitigate the effects of the tax law change. The Staff questions whether any change in equity ratio is appropriate at this time as a result of the change in tax law. The Staff further questions whether the incremental costs associated with targeting an A credit rating is justified by the benefits accruing to obtaining such a rating. The Staff also believes that a decision on whether to allow an equity ratio increase should be made only after the Commission obtains additional information from MPC's excess capacity filing and the forthcoming operations review. In lieu of increasing the Company's equity ratio to mitigate the impact of the TCJA, the Staff has recommended and the parties have agreed that none of the $44 million (PEP portion) in unprotected, excess ADIT resulting from the TCJA should be returned to customers at this time, but rather should be retained in rate base by the Company pending further instructions from the Commission in the next general rate case. The Company had originally proposed to return these funds over an eight year amortization period.

15. The parties hereby agree that after this Stipulation is approved by the Commission, PEP will be suspended until after the conclusion of the general rate case to be filed by MPC in 2019. Therefore, MPC shall not file any PEP filings (projected and lookback filings)

[1] Order Opening Docket, MPSC Docket No. 2018-AD-12 (Jan. 26, 2018).

for regulatory years 2018, 2019 and 2020; provided, however, that nothing contained in this paragraph diminishes the Staff's authority to request such information.

16. MPC stipulates and agrees to pay for any and all consulting services hired by the Staff in MPC's forthcoming general rate case.

17. Deferring a decision on MPC's long-term equity ratio requires that the parties resolve the issue for this proceeding until the Commission makes a final determination in the forthcoming general rate case. Historically, MPC has targeted and achieved, with the Commission's approval, a 50% equity ratio. Consistent with this practice, the parties have agreed to a stipulated revenue requirement (which will remain in effect until the Commission rules on the Company's general rate case in 2020) based upon a 50% simple average equity ratio. However, recent events beyond MPC's control have resulted in an actual equity ratio as low as 39%. Both parties agree that MPC's currently low equity ratio requires upward adjustment.

18. To address the Company's current low actual ratio, MPC hereby commits to seek equity contributions sufficient to restore its equity ratio to its historical target level and to continue targeting an equity ratio of 50% thereafter until MPC files its general rate case in the fourth quarter of 2019. MPC's commitment to target a 50% average equity ratio notwithstanding, the parties recognize that the Company's actual equity ratio may vary to some degree from the target equity ratio from month to month, and that such normal, short-term variations are a function of typical financing efforts. While the parties recognize this potential for variation, the parties nevertheless stipulate that MPC's actual equity ratio at the time of filing its general rate case in the fourth quarter of 2019 shall not exceed 51%.

19. Because the stipulated revenue requirement agreed to herein is based upon a 50% simple average equity ratio, MPC will submit a calculation of the Company's actual simple

average equity ratio for 2018 to the Staff on or before the end of February 2019. The purpose of this calculation is for the Commission and Staff to evaluate the Company's progress in meeting the obligations of this Stipulation regarding the Company's equity ratio. In the event MPC's actual simple average equity ratio for 2018 is greater than 1% higher or lower than the targeted 50% simple average ratio, MPC shall calculate the revenue requirement difference between MPC's actual simple average equity ratio and the targeted 50% simple average equity ratio and book this amount to a regulatory asset or liability account as of December 31, 2018, and will accrue carrying costs on the simple average balance at the Company's PEP weighted average cost of capital, from January 1, 2019, until such time as the Commission ultimately decides on the appropriate rate treatment and adjusts rates accordingly. The Commission will evaluate during the general rate case the reasonableness of MPC's actions, including the timing and amounts of equity contributions received during the second half of 2018, when disposing of any regulatory asset or liability created pursuant to this paragraph.

20. Finally, when disposing of any regulatory asset or liability created under paragraph 18, the parties recommend that the Commission consider and account for issues beyond the control of MPC, such as tax payments, debt reductions and any additional Kemper-related write-offs, as well as any other issues outside of the Company's control.

21. Taking these stipulations into account, the Staff reviewed the projected amounts contained in the 2018 PEP Filing, as modified by this Stipulation. The Staff and the Company, therefore, stipulate with respect to the Company's 2018 PEP Filing as follows, all of which is provided in the revised Exhibit___(MHF-2 Stipulated)(which modifies Exhibit___(MHF-2 Supp.) of Mr. Feagin's pre-filed supplemental direct testimony), attached as Exhibit "B" to this Stipulation and incorporated herein by reference:

a. A Total Projected Net Investment (line 26) for PEP equal to $1,265,580,007;

b. A Total Adjusted Projected Expenses (line 51) for PEP equal to $616,075,215;

c. A Total Projected Operating Revenue (line 31) for PEP equal to $716,830,072;

d. A capital structure of 50% average common equity; and

e. A Total Projected Retail Rate of Return on Investment (line 57) as calculated by the formulas in PEP equal to 6.856%.

22. MPC's testimony described several prior PEP filings that remain pending because MPC and the Staff have not yet permanently resolved the contested expenses such as corporate aircraft and certain components of compensation. Although these issues remain outstanding and are expected to be resolved by the Commission in the future, as part of this Stipulation, the parties agree and stipulate to fully resolve any and all PEP filings, including lookback filings that remain pending before the Commission. These filings represent in total an unaudited net surcharge of approximately $8.5 million requested by the Company, which is disputed by the Staff. To that end, the Company has agreed to permanently forgo recovery of this net surcharge from customers. Similarly, the Staff agrees not to seek any refunds that may be associated with any of the prior pending PEP filings.

23. The Staff and Company further stipulate that the Company's proposed 2018 rates and surcharge have been reduced for a full year of tax reform benefits. For the rate collection period from January 2018 until the end of the month prior to the effective date of the PEP-5A rates stipulated herein, the Company's surcharge, as provided for in the PEP-5A rate schedule,

shall account for (and reflect a reduction equal to) the lowered tax expenses associated with the Company's actual corporate tax rate (21%) during that time period. Therefore, any 2018 PEP rate recovery attributable only to the higher, historic corporate tax rate (35%) will be settled as part of MPC's PEP-5A surcharge for 2018. The parties further agree that the surcharge in the amount of $14,718,237 as calculated in Exhibit "C" will be billed over a sixteen (16) month period ending December 31, 2019, rather than a four month period, as provided in the PEP tariff, in order to mitigate its rate impact.

24. The Company shall file a schedule of Proposed Rates consistent with this Stipulation and appropriately allocating the revenue adjustment to the various retail rates and riders of MPC within seven days following approval of this Stipulation.

OTHER PROVISIONS

25. The Staff and the Company 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.

26. It is agreed that this stipulation is expressly conditioned upon acceptance by the Commission of all of its provisions. 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, neither the Staff nor MPC will be thereafter bound by any of its provisions.

27. Both the Staff and Company agree that the changes proposed in this stipulation are just, reasonable, and will result in rates that are in the best interest of the customers, the Company and the general public.

28. Any party to this proceeding wishing to join in this stipulation, in whole or in

part, and without change to any part hereof, may join by addendum hereto.

SO STIPULATED, this the 27th day of July, 2018.

MISSISSIPPI PUBLIC UTILITIES STAFF

By: Virden Jones
Virden Jones, Executive Director

MISSISSIPPI POWER COMPANY

By: ______________________
Ben H. Stone, Counsel for
Mississippi Power Company

MISSISSIPPI POWER COMPANY
APPENDIX A AS FILED
CALCULATION OF PROJECTED RETAIL RETURN ON INVESTMENT
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

	Total Jurisdictional Electric System Average Balance	ECO Service Average Balance	SRR Service Average Balance	Kemper Service Average Balance	EECR Service Average Balance	Total Jurisdictional Base Average Balance	Allocation Per Current Cost-Of-Service Study	Total Retail Service Average Balance
PROJECTED INVESTMENT								
1. Gross Electric Plant	4,936,133,188							
2. Less: Leased	(63,275,684)							
3. Adjusted Gross Electric Plant	4,872,857,523	700,053,766	0	1,169,959,623	0	3,002,844,144	Functional Assignment	2,498,278,963
4. Accumulated Depreciation & Amortization	(1,530,839,251)							
5. Less: Leased Accumulated Depreciation	49,519,973							
6. Adjusted Accumulated Depreciation	(1,481,319,278)	(127,180,238)	0	(88,784,619)	0	(1,265,344,424)	Functional Assignment	(1,045,530,459)
7. Net Electric Plant In Service	3,391,538,245	572,883,520	0	1,081,175,004	0	1,737,499,720		1,450,748,504
8. Plant Held for Future Use (D)	1,613,788	0	0	0	0	1,613,788	85.803758%	1,384,700
9. Unamortized Leasehold Improvements & Other Deferred Debits	0	0	0	0	0	0	0.000000%	0
10. Unamortized Cost of Reacquired Debt	6,312,698	0	0	0	0	6,312,698	75.749541%	4,781,839
11. Fuel Stock (E)	20,902,333	0	0	0	0	20,902,333	73.720437%	15,409,292
12. Materials & Supplies	47,075,640	1,062,506	0	15,390,834	0	30,622,200	85.727841%	26,251,751
13. Construction Work In Progress (F)	44,383,057	1,399,599	0	0	0	42,983,458	Functional Assignment	34,091,278
14. Cash Working Capital (G)	0	0	0	0	0	0	0.000000%	0
15. Compensating Bank Balances and Working Funds	18,693	0	0	0	0	18,693	85.103299%	15,908
16. Prepayments	142,611,979	63,138	0	4,808,961	0	137,719,880	82.688737%	113,878,829
17. MPSC Assessment and Other Deferred Regulatory Expenses	22,463	0	0	0	0	22,463	100.000000%	22,463
18. Under/Over Recovery of Ad Valorem Taxes	42,860,800	0	0	0	0	42,860,800	100.000000%	42,860,800
Deduct:								
19. Accumulated Deferred Income Taxes (H)	252,855,532	102,868,357	(14,845,592)	(212,690,765)	0	377,523,532	Functional Assignment	315,419,918
20. Pre-1971 Investment Tax Credit	0	0	0	0	0	0	0.000000%	0
21. Customer Advances	8,800	0	0	0	0	8,800	100.000000%	8,800
22. Customer Deposits	18,318,910	0	0	0	0	18,318,910	100.000000%	18,318,910
23. Property Damage Reserve (I)	63,696,438	0	63,696,438	0	0	0	Direct Assignment	0
24. Injuries & Damages Reserve	4,949,676	0	0	0	0	4,949,676	85.103299%	4,212,338
25. Other Operating Reserves (J)	(91,217,152)	(48,983,029)	11,388,762	(134,547,034)	(431,779)	81,357,928	79.521072%	97,905,391
26. Total Projected Net Investment	3,450,727,501	521,523,435	(60,237,609)	1,449,612,697	431,779	1,540,397,199		1,265,580,007

NOTES:
Notes (D) through (U) refer to notes in Appendix A of the Performance Evaluation Plan Rate Schedule "PEP-5" approved by the Mississippi Public Service Commission in Docket No. 2003-UN-0898.

EXHIBIT A

EXHIBIT___(MHF-1 Stipulated)
Page 2 of 8

MISSISSIPPI POWER COMPANY
APPENDIX A AS FILED
CALCULATION OF PROJECTED RETAIL RETURN ON INVESTMENT
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

	Total Jurisdictional Electric System 12 Months Ending 12/31/18	ECO Service 12 Months Ending 12/31/18	SRR Service 12 Months Ending 12/31/18	Kemper Service 12 Months Ending 12/31/18	EECR Average 12/31/18	Jurisdictional Base Service 12 Months Ending 12/31/18	Allocation Per Current Cost-Of-Service Study	Total Retail Service 12 Months Ending 12/31/18
PROJECTED REVENUES								
27. Revenues from Retail Sales (L)	897,315,713	79,091,000	0	123,652,542	4,969,174	689,602,997	100.000000%	689,602,997
28. Revenues from Non Retail Sales	210,509,457	0	0	0	0	210,509,457	0.000000%	0
29. Total Revenues from Sales	1,107,825,170	79,091,000	0	123,652,542	4,969,174	900,112,454		689,602,997
30. Other Operating Revenues	5,669,068	0	0	0	0	5,669,068	99.997448%	5,668,922
31. Total Projected Operating Revenues	1,113,494,238	79,091,000	0	123,652,542	4,969,174	905,781,520		695,271,919
PROJECTED EXPENSES								
32. Operation & Maintenance:								
33. Fuel/ECM (M)	418,976,489	0	0	0	0	418,976,489	Direct Assignment	310,015,433
34. Non-fuel O&M (N)	300,002,985	10,335,325	3,521,730	29,165,289	4,969,174	252,011,467	Functional Assignment	211,174,229
35. Total Operation & Maintenance Expense	718,979,474	10,335,325	3,521,730	29,165,289	4,969,174	670,987,956		521,189,662
36. Contributions (O)	0	0	0	0	0	0	0.000000%	0
37. Non-Territorial Sales:								
38. Demand (P)	(5,873,420)	0	0	0	0	(5,973,420)	71.389876%	(4,264,417)
39. Energy:								
40. Fuel and Emission Revenue (Q)	(68,827,972)	0	0	0	0	(68,827,972)	Direct Assignment	(50,910,285)
41. Other Energy Revenue	(10,548,154)	0	0	0	0	(10,548,154)	73.720437%	(7,774,671)
42. Total Non-Territorial Sales	(65,347,546)	0	0	0	0	(65,347,546)		(62,949,373)
43. Revenue Credits (P)	(10,419,806)	0	0	0	0	(10,419,806)	77.498089%	(8,075,150)
44. Depreciation, Amortization & Accretion	183,041,291	39,021,884	0	39,059,629	0	104,959,799	Functional Assignment	87,543,625
45. Amortization of Retail Rate Plan and Filing Expenses (R)	0	0	0	0	0	0	100.000000%	0
46. Amortization of Investment Tax Credits	(500,465)	0	0	0	0	(500,465)	78.662296%	(393,677)
47. Amortization of Reacquired Debt	636,924	0	0	0	0	636,924	75.749541%	482,467
48. Taxes Other Than Income Taxes	88,242,756	48,743	0	10,445,666	89,094	77,661,253	81.510621%	63,302,169
49. Municipal Franchise Taxes	18,528,000	1,635,602	0	2,557,135	102,763	14,232,501	100.000000%	14,232,501
50. Interest on Customer Deposits	296,991	0	0	0	0	296,891	100.000000%	296,891
51. Total Adjusted Projected Expenses	913,457,620	51,039,534	3,621,730	81,227,719	5,161,031	772,507,607		615,629,215

NOTES:
Notes (D) through (U) refer to notes in Appendix A of the Performance Evaluation Plan Rate Schedule "PEP-5" approved by the Mississippi Public Service Commission in Docket No. 2003-UN-0898.

MISSISSIPPI POWER COMPANY
APPENDIX A AS FILED
CALCULATION OF PROJECTED RETAIL RETURN ON INVESTMENT
PROJECTED TWELVE MONTHS ENDING DECEMBER 2019

	Total Jurisdictional Electric System 12 Months Ending 12/31/18	ECO Service 12 Months Ending 12/31/18	SRR Service 12 Months Ending 12/31/18	Kemper Service 12 Months Ending 12/31/18	EECR Average 12/31/18	Jurisdictional Base Service 12 Months Ending 12/31/18	Allocation Per Current Cost-Of-Service Study	Total Retail Service 12 Months Ending 12/31/18
52. Operating Income Before Income Taxes	200,038,616					133,273,914		79,642,704
53. Income Taxes (S)	25,767,197					25,767,197		9,054,043
54. Net Operating Income	174,269,420					107,506,717		70,588,661
55. AFUDC (T)	339,544	0	0	0	0	339,544	Direct Assignment	339,544
56. Total Projected Operating Income	174,608,963					107,846,261		70,928,205
PROJECTED RETURN								
57. Projected Retail Return on Investment (PRRI) (U)								5.604%

NOTES:
Notes (D) through (U) refer to notes in Appendix A of the Performance Evaluation Plan Rate Schedule "PEP-5" approved by the Mississippi Public Service Commission in Docket No. 2003-UN-0898.

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX B

COMPANY PERFORMANCE REPORT
FOR TWELVE MONTHS ENDING DECEMBER 2018

	PERFORMANCE SCORE		WEIGHT		WEIGHTED SCORE
1. CUSTOMER PRICE	5.48	X	40%	=	2.1920
2. CUSTOMER SATISFACTION	7.61	X	20%	=	1.5220
3. CUSTOMER SERVICE RELIABILITY	9.58	X	40%	=	3.8320
SUM			100%		7.5460
COMPANY PERFORMANCE RATING (CPR)*					7.55

* The CPR shall be between 0.00 and 10.00 (.005 and greater being rounded to .01).

1. Customer Price score calculated from 2016 FERC Form 1 data.
2. Customer Satisfaction score calculated from average of Spring 2017 and Fall 2016 surveys.
3. Customer Service Reliability score is a rolling average of the 36 months, October 2014 - September 2017.

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX C AS FILED

RANGE OF NO CHANGE
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

COST OF CAPITAL (COC):

DESCRIPTION	PROJECTED AVERAGE BALANCE	CAPITAL STRUCTURE RATIOS	EMBEDDED AVERAGE COST	PERFORMANCE ADJUSTMENT	PERFORMANCE ADJUSTED COST OF COMMON EQUITY	PERFORMANCE BASED RETURN ON INVESTMENT (PROI)
DEBT	$1,841,964,894	49.0924%	4.576%			2.246%
PREFERRED STOCK	33,421,000	0.8907%	5.293%			0.047%
COMMON EQUITY	1,876,650,248	50.0168%	8.550%	0.755%	9.305%	4.654%
	$3,752,036,142	100.000%				6.947%

RANGE OF NO CHANGE:

Y_1, the Top of the Range of No Change

Y_1	=	PROI	+	0.50%
	=	0.06947	+	0.00500
	=	7.447%		

Y_2, the Bottom of the Range of No Change

Y_2	=	PROI	-	0.50%
	=	0.06947	-	0.00500
	=	6.447%		

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX D AS FILED

REVENUE ADJUSTMENT WORKSHEET
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

I. Determination of Need for Revenue Adjustment

A. Y_1 - Top of Range of No Change	7.447%
B. Y_2 - Bottom of Range of No Change	6.447%
C. PRRI per Appendix "A", Line 57	5.604%

D. Does comparison of PRRI to the Range of No Change indicate a revenue adjustment is required?

1.__________ No, stop here.

2.____X____ Yes, PRRI is outside the Range of No Change. Make Revenue Adjustment to PRRI per calculation below.

II. Determine the Point of Adjustment

A. CPR	7.55
B. PROI	6.947%
C. Point of Adjustment	6.856%

III. Revenue Adjustment Calculations

Revenue Adjustment for PRRI Outside the Range of No Change

1. Total Retail Projected Net Investment (Appendix "A", Line 26)	$1,265,580,007
2. Point of Adjustment (Line II.C. above)	6.856%
3. Target Net Income (Line 1 * 2)	86,768,165
4. Total Retail Projected Operating Income (Appendix "A", Line 56)	70,928,205
5. Total Retail Net Income Adjustment (Line 3 Less Line 4)	15,839,961
6. Income Tax Adjustment Factor[1]	73.48%
7. Calculated Revenue Adjustment (Line 5/Line 6)	21,558,153
8. Revenues from Retail Sales (Appendix "A", Line 27)	897,315,713
9. Maximum Revenue Adjustment Limit	4.00%
10. Maximum Revenue Adjustment (Line 8 * Line 9)	35,892,629
11. Actual Revenue Adjustment (Lesser of Line 7 or Line 10)[2]	$21,558,153
12. % of Retail Revenues (Line 11/Line 8)	2.403%
13. Add Lost Contribution to Fixed Cost from EECR[3]	0
14. Total PEP Revenue Adjustment (Line 11 + Line 13)	$21,558,153

[1] Represents a composite of Federal and State income tax and municipal franchise taxes.
[2] Due to practical constraints, no adjustments will be made for amounts less than $250,000.
[3] Pursuant to the EECR rate schedule, when the PEP rate is reset, the Lost Contribution to Fixed Cost component from the EECR calculation is transferred to PEP. This adjustment is revenue neutral across rate schedules and therefore not subject to the revenue adjustment tests.

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX E AS FILED

PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

Item No. in Appendix C Schedule 3 of MPSC Public Utility Rules of Practice & Procedure	Statute	Filing Requirement	Applicability to PEP-5A	Filing for the Projected Twelve Months Ending December 31, 2018
1	77-3-37(2)(i) and 77-3-37(4)(f)	All direct testimony to be relied upon including a statement of the proposed changes and the reasons for the changes.	Required for rate changes in excess of two percent (2%)	Provided herewith.
2	77-3-37(2)(b)	Schedule of present rates, fares, tolls, charges or rentals in effect, and the changes proposed to be made.	Required for rate changes in excess of two percent (2%)	To be filed within 30 days of PEP-5A filing.
3	77-3-37(2)(b)	Sample of tariffs implementing the changes.	Required for all rate changes	To be filed within 30 days of PEP-5A filing.
4	77-3-37(2)(c)	Balance sheet for the most recent month available which shall be not later than nine months prior to the filing date. For multi-state utilities, the balance sheet shall be for the company as a whole plus an estimated balance sheet for Mississippi operations and a summary of the basis on which the estimate was prepared.	September Balance Sheet of the Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
5	77-3-37(2)(d)	Operating statement of revenues and expenses [by account number] for twelve months ending as of the date of the balance sheet.	September Income Statement of Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
6	77-3-37(2)(e)	Pro forma operating statement in the same form as the actual operating statement [showing estimated revenues and expenses] beginning with the effective date of the proposed changes (a) without giving effect to changed rates (b) giving effect to changed rates.	Appendix A with proposed rate changes is required for rate changes in excess of two percent (2%)	Provided herewith.
7	77-3-37(2)(f)	Pro forma operating statement in the same form as the actual operating statement for the same period giving effect to the proposed changes in rates and adjusted for known changes in the cost of operations.	Same as item no. 6	Provided herewith.
8	77-3-37(2)(g)	Statement showing (a) number of current customers by classes affected by the proposed changes (b) the actual revenue under the old rates arising from each class and (c) the annual amount of the proposed increase or decrease applicable to each class.	Required for all rate changes in excess of two percent (2%)	To be filed within 30 days of PEP-5A filing, in compliance with PEP-5A rate schedule.
	77-3-37(2)(h)	As to public utilities described in Miss. Code Ann., Section 77-3-3 (d)(iv), description of the utility's property, including a statement of the original cost and the cost to the utility. Provide a listing of all depreciable assets by applicable account number: (a) Description of Asset; (b) In Service Date; (c) Original cost of asset to the utility; (d) Life of Asset; (e) Depreciation accrued to date.	September Balance Sheet and Schedules of Plant in Service of Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.

9		Statement showing the utility's calculation of jurisdictional rate base including, if applicable, gross plant, accumulated depreciation, working capital, material and supplies, other properties and assets, accumulated deferred income taxes, customer deposits and investment tax credits.	Same as item no. 6	Provided herewith.
10		Statement showing utility's calculation of return on rate base with and without the proposed increase.	Same as item no. 6	Provided herewith.
11		Federal Income tax returns and State Income tax returns, with all required attachments and schedules, for prior three years. If a consolidated return, the portion applicable to Mississippi.	Waived	Waived
12	77-3-37(2)(a)	(if corporation) Copy of charter or articles of incorporation.	By reference.	By reference.
13	77-3-37(2)(j) and (k)	(if corporation) The amount and kinds of stock authorized, issued and outstanding.	September Balance Sheet of Company's Operating Report and 10K Statement of Capitalization for prior calendar year by reference	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
14	77-3-37(2)(l)	(if corporation) The number and amount of bonds authorized and the number and amount issued.	September Balance Sheet of Company's Operating Report and 10K Statement of Capitalization for prior calendar year by reference	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference. 10K for 2016 is on file with the Commission and is incorporated herein by reference.
15	77-3-37(2)(m)	(if corporation) The rate and amount of dividends paid during the five previous fiscal years and the amount of capital stock on which dividends were paid each year.	10K Statements of Common Stockholders' Equity by reference for previous calendar years	10K for 2016 is on file with the Commission and is incorporated herein by reference.
16	77-3-37(2)(n)	(if corporation) An analysis of the surplus covering the period from the close of the last calendar year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the notice.	September Statement of Retained Earnings of Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
22		Copy of notice to customers sent pursuant to Rule 9B (1).	Copy of bill stuffer for rate changes in excess of two percent (2%)	Provided herewith.
23		An exhibit listing the names and addresses of all interested persons as defined in Rule 2K of the Commission's Rules of Practice and Procedure together with a certificate that the filing utility has served a notice of the filing upon each.	Required for all rate changes in excess of two percent (2%)	Provided herewith.
24		The year of the last authorized major rate increase, amount of the increase and the docket number of the proceeding.	List year and amount of last major rate increase in Notice.	December 3, 2015, increase of $126,071,501, Docket No. 2015-UN-0080

MISSISSIPPI POWER COMPANY
APPENDIX A AS FILED
CALCULATION OF PROJECTED RETAIL RETURN ON INVESTMENT
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

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4. Accumulated Depreciation & Amortization	(1,530,839,251)							
5. Less: Leased Accumulated Depreciation	49,519,973							
6. Adjusted Accumulated Depreciation	(1,481,319,278)	(127,190,238)	0	(88,784,819)	0	(1,265,344,424)	Functional Assignment	(1,045,530,459)
7. Net Electric Plant In Service	3,391,538,245	572,863,520	0	1,081,175,004	0	1,737,499,720		1,450,748,504
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9. Unamortized Leasehold Improvements & Other Deferred Debits	0	0	0	0	0	0	0.000000%	0
10. Unamortized Cost of Reacquired Debt	6,312,698	0	0	0	0	6,312,698	75.749541%	4,781,839
11. Fuel Stock (E)	20,902,333	0	0	0	0	20,902,333	73.720437%	15,409,282
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14. Cash Working Capital (G)	0	0	0	0	0	0	0.000000%	0
15. Compensating Bank Balances and Working Funds	18,693	0	0	0	0	18,693	85.103289%	15,908
16. Prepayments	142,611,979	63,138	0	4,808,961	0	137,719,880	82.688737%	113,878,829
17. MPSC Assessment and Other Deferred Regulatory Expenses	22,483	0	0	0	0	22,463	100.000000%	22,463
18. Under/Over Recovery of Ad Valorem Taxes	42,860,800	0	0	0	0	42,860,800	100.000000%	42,860,800
Deduct:								
19. Accumulated Deferred Income Taxes (H)	252,855,532	102,658,357	(14,845,592)	(212,690,765)	0	377,523,532	Functional Assignment	316,419,918
20. Pre-1971 Investment Tax Credit	0	0	0	0	0	0	0.000000%	0
21. Customer Advances	8,800	0	0	0	0	8,800	100.000000%	8,800
22. Customer Deposits	16,318,910	0	0	0	0	16,318,910	100.000000%	16,318,910
23. Property Damage Reserve (I)	63,696,438	0	63,696,438	0	0	0	Direct Assignment	0
24. Injuries & Damages Reserve	4,949,676	0	0	0	0	4,949,676	85.103289%	4,212,338
25. Other Operating Reserves (J)	(91,217,152)	(48,983,028)	11,388,762	(134,547,034)	(431,778)	81,357,928	79.521072%	87,905,391
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MISSISSIPPI POWER COMPANY
APPENDIX A AS FILED
CALCULATION OF PROJECTED RETAIL RETURN ON INVESTMENT
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

	Total Jurisdictional Electric System 12 Months Ending 12/31/18	ECO Service 12 Months Ending 12/31/18	SRR Service 12 Months Ending 12/31/18	Kemper Service 12 Months Ending 12/31/18	EECR Average 12/31/18	Jurisdictional Base Service 12 Months Ending 12/31/18	Allocation Per Current Cost-Of-Service Study	Total Retail Service 12 Months Ending 12/31/18
PROJECTED REVENUES								
27. Revenues from Retail Sales (L)	818,873,866	78,091,000	0	123,652,542	4,969,174	711,161,150	100.000000%	711,161,150
28. Revenues from Non Retail Sales	210,509,457	0	0	0	0	210,509,457	0.000000%	0
29. Total Revenues from Sales	1,129,383,323	78,091,000	0	123,652,542	4,969,174	921,670,607		711,161,150
30. Other Operating Revenues	5,669,066	0	0	0	0	5,669,066	99.997448%	5,668,922
31. Total Projected Operating Revenues	1,135,052,389	79,091,000	0	123,652,542	4,969,174	927,339,673		716,830,072
PROJECTED EXPENSES								
32. Operation & Maintenance:								
33. Fuel/ECM (M)	418,976,489	0	0	0	0	418,976,489	Direct Assignment	310,015,433
34. Non-fuel O&M (N)	300,002,985	10,335,325	3,521,730	29,165,289	4,969,174	252,011,467	Functional Assignment	211,174,229
35. Total Operation & Maintenance Expense	718,979,474	10,335,325	3,521,730	29,165,289	4,969,174	670,987,956		521,189,662
36. Contributions (O)	0	0	0	0	0	0	0.000000%	0
37. Non-Territorial Sales:								
38. Demand (P)	(5,973,420)	0	0	0	0	(5,973,420)	71.389876%	(4,264,417)
39. Energy:								
40. Fuel and Emission Revenue (Q)	(68,827,972)	0	0	0	0	(68,827,972)	Direct Assignment	(50,910,285)
41. Other Energy Revenue	(10,546,154)	0	0	0	0	(10,546,154)	73.720437%	(7,774,871)
42. Total Non-Territorial Sales	(85,347,546)	0	0	0	0	(85,347,546)		(62,949,373)
43. Revenue Credits (P)	(10,419,806)	0	0	0	0	(10,419,806)	77.498089%	(8,075,150)
44. Depreciation, Amortization & Accretion	183,041,291	39,021,864	0	39,059,629	0	104,959,799	Functional Assignment	87,543,625
45. Amortization of Retail Rate Plan and Filing Expenses (R)	0	0	0	0	0	0	100.000000%	0
46. Amortization of Investment Tax Credits	(500,465)	0	0	0	0	(500,465)	78.662296%	(393,677)
47. Amortization of Reacquired Debt	636,924	0	0	0	0	636,924	75.749541%	482,467
48. Taxes Other Than Income Taxes	88,242,756	46,743	0	10,445,668	89,094	77,681,253	81.510621%	63,302,169
49. Municipal Franchise Taxes	18,974,000	1,635,602	0	2,557,135	102,763	14,678,501	100.000000%	14,678,501
50. Interest on Customer Deposits	298,991	0	0	0	0	298,991	100.000000%	298,991
51. Total Adjusted Projected Expenses	813,903,620	51,039,534	3,521,730	81,227,719	5,161,031	772,853,607		616,075,215

NOTES:
Notes (D) through (U) refer to notes in Appendix A of the Performance Evaluation Plan Rate Schedule "PEP-5" approved by the Mississippi Public Service Commission in Docket No. 2003-UN-0898.

MISSISSIPPI POWER COMPANY
APPENDIX A AS FILED
CALCULATION OF PROJECTED RETAIL RETURN ON INVESTMENT
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

	Total Jurisdictional Electric System 12 Months Ending 12/31/18	ECO Service 12 Months Ending 12/31/18	SRR Service 12 Months Ending 12/31/18	Kemper Service 12 Months Ending 12/31/18	EECR Average 12/31/18	Jurisdictional Base Service 12 Months Ending 12/31/18	Allocation Per Current Cost-Of-Service Study	Total Retail Service 12 Months Ending 12/31/18
52. Operating Income Before Income Taxes	221,148,769					154,386,067		100,754,857
53. Income Taxes (S)	31,034,679					31,034,679		14,321,525
54. Net Operating Income	190,114,091					123,351,388		86,433,332
55. AFUDC (T)	339,544	0	0	0	0	339,544	Direct Assignment	339,544
56. Total Projected Operating Income	190,453,634					123,690,931		86,772,875
PROJECTED RETURN								
57. Projected Retail Return on Investment (PRRI) (U)								6.856%

NOTES:
Notes (D) through (U) refer to notes in Appendix A of the Performance Evaluation Plan Rate Schedule "PEP-5" approved by the Mississippi Public Service Commission in Docket No. 2003-UN-0898.

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX B

COMPANY PERFORMANCE REPORT
FOR TWELVE MONTHS ENDING DECEMBER 2018

	PERFORMANCE SCORE		WEIGHT		WEIGHTED SCORE
1. CUSTOMER PRICE	5.48	X	40%	=	2.1920
2. CUSTOMER SATISFACTION	7.61	X	20%	=	1.5220
3. CUSTOMER SERVICE RELIABILITY	9.58	X	40%	=	3.8320
SUM			100%		7.5460
COMPANY PERFORMANCE RATING (CPR)*					7.55

* The CPR shall be between 0.00 and 10.00 (.005 and greater being rounded to .01).

1. Customer Price score calculated from 2016 FERC Form 1 data.
2. Customer Satisfaction score calculated from average of Spring 2017 and Fall 2016 surveys.
3. Customer Service Reliability score is a rolling average of the 36 months, October 2014 - September 2017.

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX C AS FILED

RANGE OF NO CHANGE
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

COST OF CAPITAL (COC):

DESCRIPTION	PROJECTED AVERAGE BALANCE	CAPITAL STRUCTURE RATIOS	EMBEDDED AVERAGE COST	PERFORMANCE ADJUSTMENT	PERFORMANCE ADJUSTED COST OF COMMON EQUITY	PERFORMANCE BASED RETURN ON INVESTMENT (PROI)
DEBT	$1,841,964,894	48.9890%	4.576%			2.241%
PREFERRED STOCK	33,421,000	0.8889%	5.293%			0.047%
COMMON EQUITY	1,884,572,584	50.1222%	8.550%	0.755%	9.305%	4.664%
	$3,759,958,478	100.000%				6.952%

RANGE OF NO CHANGE:

Y_1, the Top of the Range of No Change

Y_1	=	PROI	+	0.50%
	=	0.06952	+	0.00500
	=	7.452%		

Y_2, the Bottom of the Range of No Change

Y_2	=	PROI	-	0.50%
	=	0.06952	-	0.00500
	=	6.452%		

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX D AS FILED

REVENUE ADJUSTMENT WORKSHEET
PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

I. Determination of Need for Revenue Adjustment

A. Y_1 - Top of Range of No Change	7.452%
B. Y_2 - Bottom of Range of No Change	6.452%
C. PRRI per Appendix "A", Line 57	6.856%

D. Does comparison of PRRI to the Range of No Change indicate a revenue adjustment is required?

1. ____X____ No, stop here.

2. __________ Yes, PRRI is outside the Range of No Change. Make Revenue Adjustment to PRRI per calculation below.

II. Determine the Point of Adjustment

A. CPR	-
B. PROI	0.000%
C. Point of Adjustment	0.000%

III. Revenue Adjustment Calculations

Revenue Adjustment for PRRI Outside the Range of No Change

1. Total Retail Projected Net Investment (Appendix "A", Line 26)	$0
2. Point of Adjustment (Line II.C. above)	0.000%
3. Target Net Income (Line 1 * 2)	0
4. Total Retail Projected Operating Income (Appendix "A", Line 56)	0
5. Total Retail Net Income Adjustment (Line 3 Less Line 4)	0
6. Income Tax Adjustment Factor[1]	73.48%
7. Calculated Revenue Adjustment (Line 5/Line 6)	0
8. Revenues from Retail Sales (Appendix "A", Line 27)	0
9. Maximum Revenue Adjustment Limit	4.00%
10. Maximum Revenue Adjustment (Line 8 * Line 9)	0
11. Actual Revenue Adjustment (Lesser of Line 7 or Line 10)[2]	$0
12. % of Retail Revenues (Line 11/Line 8)	0.000%
13. Add Lost Contribution to Fixed Cost from EECR[3]	0
14. Total PEP Revenue Adjustment (Line 11 + Line 13)	$0

[1] Represents a composite of Federal and State income tax and municipal franchise taxes.
[2] Due to practical constraints, no adjustments will be made for amounts less than $250,000.
[3] Pursuant to the EECR rate schedule, when the PEP rate is reset, the Lost Contribution to Fixed Cost component from the EECR calculation is transferred to PEP. This adjustment is revenue neutral across rate schedules and therefore not subject to the revenue adjustment tests.

MISSISSIPPI POWER COMPANY
"PEP-5A" EVALUATION
APPENDIX E AS FILED

PROJECTED TWELVE MONTHS ENDING DECEMBER 2018

Item No. in Appendix C Schedule 3 of MPSC Public Utility Rules of Practice & Procedure	Statute	Filing Requirement	Applicability to PEP-5A	Filing for the Projected Twelve Months Ending December 31, 2018
1	77-3-37(2)(i) and 77-3-37(4)(f)	All direct testimony to be relied upon including a statement of the proposed changes and the reasons for the changes.	Required for rate changes in excess of two percent (2%)	Provided herewith.
2	77-3-37(2)(b)	Schedule of present rates, fares, tolls, charges or rentals in effect, and the changes proposed to be made.	Required for rate changes in excess of two percent (2%)	To be filed within 30 days of PEP-5A filing.
3	77-3-37(2)(b)	Sample of tariffs implementing the changes.	Required for all rate changes	To be filed within 30 days of PEP-5A filing.
4	77-3-37(2)(c)	Balance sheet for the most recent month available which shall be not later than nine months prior to the filing date. For multi-state utilities, the balance sheet shall be for the company as a whole plus an estimated balance sheet for Mississippi operations and a summary of the basis on which the estimate was prepared.	September Balance Sheet of the Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
5	77-3-37(2)(d)	Operating statement of revenues and expenses [by account number] for twelve months ending as of the date of the balance sheet.	September Income Statement of Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
6	77-3-37(2)(e)	Pro forma operating statement in the same form as the actual operating statement [showing estimated revenues and expenses] beginning with the effective date of the proposed changes (a) without giving effect to changed rates (b) giving effect to changed rates.	Appendix A with proposed rate changes is required for rate changes in excess of two percent (2%)	Provided herewith.
7	77-3-37(2)(f)	Pro forma operating statement in the same form as the actual operating statement for the same period giving effect to the proposed changes in rates and adjusted for known changes in the cost of operations.	Same as item no. 6	Provided herewith.
8	77-3-37(2)(g)	Statement showing (a) number of current customers by classes affected by the proposed changes (b) the actual revenue under the old rates arising from each class and (c) the annual amount of the proposed increase or decrease applicable to each class.	Required for all rate changes in excess of two percent (2%)	To be filed within 30 days of PEP-5A filing, in compliance with PEP-5A rate schedule.
	77-3-37(2)(h)	As to public utilities described in Miss. Code Ann., Section 77-3-3 (d)(iv), description of the utility's property, including a statement of the original cost and the cost to the utility. Provide a listing of all depreciable assets by applicable account number: (a) Description of Asset; (b) In Service Date; (c) Original cost of asset to the utility; (d) Life of Asset; (e) Depreciation accrued to date.	September Balance Sheet and Schedules of Plant in Service of Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.

9		Statement showing the utility's calculation of jurisdictional rate base including, if applicable, gross plant, accumulated depreciation, working capital, material and supplies, other properties and assets, accumulated deferred income taxes, customer deposits and investment tax credits.	Same as item no. 6	Provided herewith.
10		Statement showing utility's calculation of return on rate base with and without the proposed increase.	Same as item no. 6	Provided herewith.
11		Federal Income tax returns and State Income tax returns, with all required attachments and schedules, for prior three years. If a consolidated return, the portion applicable to Mississippi.	Waived	Waived
12	77-3-37(2)(a)	(if corporation) Copy of charter or articles of incorporation.	By reference.	By reference.
13	77-3-37(2)(j) and (k)	(if corporation) The amount and kinds of stock authorized, issued and outstanding.	September Balance Sheet of Company's Operating Report and 10K Statement of Capitalization for prior calendar year by reference	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
14	77-3-37(2)(l)	(if corporation) The number and amount of bonds authorized and the number and amount issued.	September Balance Sheet of Company's Operating Report and 10K Statement of Capitalization for prior calendar year by reference	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference. 10K for 2016 is on file with the Commission and is incorporated herein by reference.
15	77-3-37(2)(m)	(if corporation) The rate and amount of dividends paid during the five previous fiscal years and the amount of capital stock on which dividends were paid each year.	10K Statements of Common Stockholders' Equity by reference for previous calendar years	10K for 2016 is on file with the Commission and is incorporated herein by reference.
16	77-3-37(2)(n)	(if corporation) An analysis of the surplus covering the period from the close of the last calendar year for which an annual report has been filed with the Commission to the date of the balance sheet attached to the notice.	September Statement of Retained Earnings of Company's Operating Report	September 2017 Operating Report has been provided under separate cover and is incorporated herein by reference.
22		Copy of notice to customers sent pursuant to Rule 9B (1).	Copy of bill stuffer for rate changes in excess of two percent (2%)	Provided herewith.
23		An exhibit listing the names and addresses of all interested persons as defined in Rule 2K of the Commission's Rules of Practice and Procedure together with a certificate that the filing utility has served a notice of the filing upon each.	Required for all rate changes in excess of two percent (2%)	Provided herewith.
24		The year of the last authorized major rate increase, amount of the increase and the docket number of the proceeding.	List year and amount of last major rate increase in Notice.	December 3, 2015, increase of $126,071,501, Docket No. 2015-UN-0080

EXHIBIT C

Line			Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
3	Projected Base Revenues - no Increase / 35%	(1)	30,833,623	29,339,510	29,257,993	29,263,585	33,214,715	37,248,442	39,048,602	39,758,500	38,033,433	31,350,004	27,369,621	29,776,664	392,494,693
4	Monthly Revenue %		0.078558	0.074751	0.074544	0.074558	0.084625	0.094902	0.099488	0.101297	0.091806	0.079874	0.069732	0.075865	1.000000
5	Original Revenue Adjustment (Nov. 15, 2017)		2,819,655	2,683,023	2,675,588	2,676,079	3,037,400	3,406,274	3,570,894	3,635,812	3,295,165	2,866,877	2,502,881	2,722,999	35,892,629
6	Projected Adjusted Revenues		33,653,278	32,022,533	31,933,581	31,939,664	36,252,115	40,654,716	42,619,496	43,394,313	39,328,598	34,216,881	29,872,503	32,499,663	428,387,322
9	Projected Base Revenues - no Increase / 21%		30,833,623	29,339,510	29,257,993	29,263,585	33,214,715	37,248,442	39,048,602	39,758,500	36,033,433	31,350,004	27,369,621	29,776,664	392,494,693
10	Monthly Revenue %		0.078558	0.074751	0.074544	0.074558	0.084625	0.094902	0.099488	0.101297	0.091808	0.079874	0.069732	0.076865	1.000000
11	Stipulated Revenue Adjustment (Jul 26, 2018)		1,693,567	1,611,501	1,607,024	1,607,331	1,824,351	2,045,807	2,144,783	2,183,774	1,979,171	1,721,930	1,503,303	1,635,512	21,558,153
12	Projected Adjusted Revenues	(2)	32,527,190	30,951,012	30,865,017	30,870,916	35,039,065	39,294,349	41,193,385	41,942,275	38,012,605	33,071,934	28,872,924	31,412,176	414,052,846
15	Tax Expense - no increase / 35%		1,281,543	1,219,443	1,216,055	1,216,288	1,380,509	1,548,164	1,622,984	1,652,480					16,313,327
16	Tax Expense - Increase / 21%		1,125,071	1,070,553	1,067,579	1,067,783	1,211,954	1,359,138	1,424,823	1,450,726					14,321,625
17	Over - Collected	(3)	(156,472)	(148,890)	(148,476)	(148,505)	(168,555)	(189,026)	(198,161)	(201,763)					(1,991,802)
20	PEP Rate Billing		30,833,623	29,339,510	29,257,993	29,263,585	33,214,715	37,248,442	39,048,602	39,758,500	38,012,605	33,071,934	28,872,924	31,412,176	399,334,609
21	Tax Refund	(3)	(156,472)	(148,890)	(148,476)	(148,505)	(168,555)	(189,026)	(198,161)	(201,763)					(1,359,848) (a)
22	Subtotal		30,677,151	29,190,621	29,109,517	29,115,080	33,046,159	37,059,417	38,850,442	39,556,737	38,012,605	33,071,834	28,872,924	31,412,176	397,974,761
23	Surcharge	(4)									4,652,292	4,047,612	3,533,703	3,844,478	16,078,085 (b)
24	Total Customer Billed		30,677,151	29,190,621	29,109,617	29,115,080	33,048,159	37,059,417	38,850,442	39,559,737	42,664,896	37,119,546	32,406,628	35,256,654	414,052,846

Net Surcharge => 14,718,237 (a) + (b)

27 FOOTNOTES:
28 (1) This is the revenue collected prior to any rate action. This includes Federal tax rate at 35%.
29 (2) This is the total amount of PEP revenue the Company needs in 2018. This includes a Federal tax rate of 21%.
30 (3) This is the difference attributable to the change in Federal income tax rate.
31 (4) This represents the surcharge needed to ensure that the total revenue need is collected (line 24 equals line 12).