



ANDREW W. TUNNELL
t: (205) 226-3439
f: (205) 488-5858
e: atunnell@balch.com

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BY ELECTRONIC FILING

Ms. Kimberly D. Bose, Secretary
Mr. Nathaniel J. Davis, Sr., Deputy Secretary
Federal Energy Regulatory Commission
888 First Street, N.E.
Washington, DC 20426

**Re: Filing to Amend Southern Companies' OATT
Docket No. ER18-_____**

Dear Secretary Bose:

Pursuant to Section 205 of the Federal Power Act ("FPA") and Part 35 of the Federal Energy Regulatory Commission's ("Commission" or "FERC") regulations, Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, Mississippi Power Company, and Gulf Power Company ("Gulf Power"), hereby tender to the Commission certain amendments to the Southern Companies' Open Access Transmission Tariff (Tariff Volume No. 5) ("Southern Companies' OATT").¹ These amendments are being filed pursuant to, and contingent upon, the sale by The Southern Company² of Gulf Power to 700 Universe, LLC ("700 Universe"), a wholly owned subsidiary of NextEra Energy, Inc. ("NextEra Energy," together with 700 Universe "NextEra") (the "Proposed Transaction"). NextEra and Gulf Power

¹ Southern Companies' OATT is filed in Alabama Power's Tariff database (OATT and Associated Service Agreements, Tariff Volume No. 5, Southern Companies OATT). This is because Alabama Power is the designated filer for the OATT and related service agreements, including any amendments thereto. Georgia Power and Mississippi Power each filed certificates of concurrence providing that they incorporated the OATT and associated service agreements and all future amendments thereto into their respective databases. Because Georgia Power's and Mississippi Power's certificates of concurrence incorporated all service agreements associated with the OATT, no separate filing will be made on behalf of those companies.

² The Southern Company is an electric and gas utility holding company with its corporate headquarters in Atlanta, Georgia. In addition to Gulf Power, The Southern Company's operating companies prior to the Proposed Transaction include Georgia Power Company ("Georgia Power"), Alabama Power Company ("Alabama Power"), and Mississippi Power Company ("Mississippi Power") (collectively, the "Southern Companies"; for the period following the Proposed Transaction, "Southern Companies" as used herein excludes Gulf Power). Southern Company Services, Inc. ("SCS") is the centralized service company of the Southern Companies.

are contemporaneously filing an application seeking Commission authorization of the Proposed Transaction under FPA Section 203 (“Section 203 Application”). Southern Companies and Gulf Power are also filing a series of FPA Section 205 filings to effectuate the Proposed Transaction upon closing.

As the removal of Gulf Power’s data inputs from the calculation of charges under that formula rate is forecasted to result in an overall reduction in revenues collected under Southern Companies’ OATT,³ this filing is being made pursuant to the Commission’s abbreviated filing requirements.⁴

I. Background

Southern Companies, along with Gulf Power, are currently transmission-owning operating company subsidiaries of The Southern Company. As part of a single holding company system, Southern Companies and Gulf Power have historically provided open access transmission service under their single, system-wide Southern Companies’ OATT. Likewise, they currently operate their respective generating resources and conduct their integrated system operations in a common generation pool in accordance with the Intercompany Interchange Contract, dated May 1, 2007 (Alabama Power Company, Cost Based Rate Tariffs, Rate Schedule No. 138) (the “IIC”).⁵ Accordingly, Gulf Power is currently a fully integrated member of Southern Companies’ electric system, including being a transmission provider under Southern Companies’ OATT and being a participant in Southern Companies’ coordinated power pool operations under the IIC.

On May 21, 2018, Southern Companies announced the Proposed Transaction.⁶ To effectuate that sale, contemporaneous with this filing, Gulf Power, and certain other affiliates of Southern Companies, and NextEra are filing their Section 203 Application seeking approval for the Proposed Transaction. As discussed in that filing, as of closing of the Proposed Transaction, Gulf Power will be a separate transmission provider and will provide transmission service under its own OATT separate from the Southern Companies’ OATT. Accordingly, Gulf Power is contemporaneously filing to establish its stand-alone OATT (the “Gulf Power OATT”), and Southern Companies are hereby filing the instant submittal to amend the Southern Companies’ OATT to remove Gulf Power as a transmission provider.

II. Description of Filing

While the removal of Gulf Power as a transmission provider from Southern Companies’ OATT is significant, the OATT amendments necessary to effectuate that removal are simple.

³ See Exhibit A, Statement Comparing OATT Revenues.

⁴ 18 C.F.R. § 35.13(a)(2)(iii).

⁵ Southern Companies’ IIC generation pooling arrangement utilizes centralized unit commitment and economic dispatch for energy interchanges and reserve sharing among the Southern Companies on a cost basis.

⁶ See <https://www.southerncompany.com/newsroom/2018/may-2018/gulf-power.html>.

Indeed, these changes are ministerial in nature and consist of removing references to Gulf Power as a transmission provider in Southern Companies' OATT. In addition, while the removal of Gulf Power as a transmission provider will ultimately affect the calculation of charges under the formula rate, removing Gulf Power does not actually require a "rate" revision under Southern Companies' OATT. Under Southern Companies' OATT, the formula rate provided at Attachment M is the rate,⁷ and removing Gulf Power as a transmission provider does not result in a change to that formula rate. Instead, that removal will occur automatically in the annual update and true-up procedures that are used to update the data inputs that are used to derive OATT charges.

In this regard, Attachment N to Southern Companies' OATT provides the annual update and true-up procedures for the data inputs used to derive charges under the formula rate. The transmission charges are updated for each January 1 through December 31 for a rate year based on a projection performed by the preceding November 1, and the charges are then true-up based on actual data through the issuance of refunds or surcharges by July 1 following each rate year. Post-closing, Gulf Power's data inputs will no longer be included in those annual update and true-up filings since Gulf Power will no longer be a transmission provider under Southern Companies' OATT. Importantly, should the closing of the Proposed Transaction occur mid-year, with the closing currently expected to occur in the first half of 2019, the appropriate OATT customers would receive the benefits associated with the removal of Gulf Power's data inputs, calculated back to closing, plus interest, when their charges for that rate year are true-up in accordance with these Attachment N procedures.

While the amendments necessary to remove Gulf Power from Southern Companies' OATT are not extensive, Southern Companies and Gulf Power have also adopted protections in their OATTs that seek to maintain the transmission status quo for Southern Companies, Gulf Power, and their existing OATT customers. These protections are set forth in a new Attachment V, described further below, to both Southern Companies' OATT and the new Gulf Power OATT. Included in Attachment V are protections to avoid the "rate pancaking" that would otherwise occur due to the splitting of the previous single Southern Companies' OATT into two OATTs (*i.e.*, a new Gulf Power OATT and the Southern Companies' OATT for the remainder of Southern Companies' transmission system). Attachment V also provides for a transition period for the orderly separation of Gulf Power from Southern Companies' integrated operations. During this transition period, currently estimated to be for five years following closing, Gulf Power will remain a participant in the IIC for purposes of pool transactions ("Transition Period").⁸

⁷ See *e.g.*, *United States Department of Energy*, 66 FERC ¶ 61,091, 61,128 n.10 (1994) ("Indeed, under the FPA, while rates must be submitted to the Commission for review, for formula rates the formula *is* the rate.") (emphasis in original).

⁸ The Transition Period will end once Gulf Power is no longer a participant in the IIC. NextEra is provided the option of extending this Transition Period an additional two years and also may terminate the Transition Period before five years upon 180 days prior notice, if certain conditions are met.

A. Ministerial Changes to Remove Gulf Power as a Transmission Provider from Southern Companies' OATT

Southern Companies are, contingent upon the closing of the Proposed Transaction, removing Gulf Power as a transmission provider under Southern Companies' OATT. Accordingly, as shown in the redline comparison contained in this filing, all references to Gulf Power as a transmission provider under Southern Companies are being removed.⁹

B. Attachment V

As discussed above, Southern Companies and Gulf Power are adopting parallel Attachment V provisions to provide protections so as to maintain the status quo for existing uses of Southern Companies' and Gulf Power's transmission systems, including protections against the rate pancaking that otherwise would occur by the establishment of a stand-alone Gulf Power OATT. To summarize these rate pancaking protections, they generally prevent rate pancaking by adopting a license plate approach¹⁰ for the pricing of transmission delivery charges from generation/sources in one transmission provider's system to load/sinks in the other's footprint *except* in circumstances where either Southern Companies or Gulf Power seek to designate a *new* resource on the other's transmission system. This exception is consistent with the general theme of maintaining the status quo, as the designation of such a new resource would not be an existing use. These protections generally prevent rate-pancaking *except* in circumstances where either the Southern Companies or Gulf Power seek to designate a *new* network resource on the other's transmission system (aside from the protections provided to the Santa Rosa facility, discussed below).

Specifically, Attachment V provides for the following:

1. Rate Cap Under the Gulf Power OATT

To maintain the status quo to transmission rates, for a period of five years, Attachment V provides that Gulf Power will cap its OATT transmission rates at the lower of the Gulf Power formula rate or the Southern Companies transmission rate. For purposes of the rate cap, the Southern Companies transmission rate is the higher of: (i) Southern Companies' transmission rates for particular OATT services that were in effect as of the day prior to closing of the

⁹ The only reference to Gulf Power that would remain in the Southern Companies' OATT is that Gulf Power will remain enrolled in the Southeastern Regional Transmission Planning process ("SERTP") for the foreseeable future. Accordingly, Gulf Power will remain identified in the list of enrollees in the SERTP that is provided at Exhibit K-9 to the Southern Companies' OATT.

¹⁰ In accordance with general principals regarding license plate pricing, no transmission charge is made by the "source" transmission provider but instead a transmission charge is only applicable from the transmission provider where the transaction "sinks." See e.g. *Indicated SPP Transmission Owners v. Sw.t Power Pool, Inc.*, 162 FERC ¶ 61,213, P 2 (2018) (noting that under license plate rates, customers pay a rate based on the embedded costs of the transmission facilities where the load is located); *Midwest Indep. Transmission Sys. Operator, Inc.*, 109 FERC ¶ 61,168, P 10 n.14 (same), *order on clarification*, 109 FERC ¶ 61,243 (2004), *reh'g denied*, 131 FERC ¶ 61,174 (2010).

Proposed Transaction or (ii) such Southern Companies' rates as they may change from time to time after the closing of the Proposed Transaction.¹¹

2. Facilitating Third-Party Transmission Service

In order to protect against rate pancaking for service over both transmission systems to serve third-party load in either of Southern Companies' or Gulf Power's footprints, Attachment V provides for a license plate rate approach of indefinite duration. Under this license plate approach, transmission service that is sourced in one transmission provider's transmission system and that sinks in the other's system will only bear a single transmission rate consisting of the sink transmission provider's rate.¹² As discussed in Section II.A.5 of this transmittal letter, *infra*, Attachment V also includes provisions limiting the ancillary service charges that customers will be subject to following the Transition Period. In addition, during the Transition Period, such transmission customers will only bear a single rate for each applicable ancillary service equal to that of Southern Companies' ancillary service rate. To further protect third parties having load on Gulf Power's system, they will also be able to import power having a point of receipt on a Southern Companies' interface (*i.e.*, a resource from a neighboring region outside of Southern Companies Balancing Authority Area) without bearing the cost of a transmission wheel under Southern Companies' OATT to serve that load.

3. Facilitating Pool Transactions

During the Transition Period, Gulf Power and Southern Companies will continue to participate in IIC pool transactions without having to bear the costs of a wholesale transmission wheel for the use of the other's transmission system.¹³ This is necessary to maintain the economic efficiencies of the pool for Gulf Power and its customers. This provision is limited to the Transition Period.

4. Facilitating Delivery of Gulf Power's Resources and of the Santa Rosa Facility

To maintain the status quo for Gulf Power, Attachment V¹⁴ also allows for the continued delivery to it without an extra wheeling charges under Southern Companies' OATT of (i) the output of certain generating facilities – Plants Daniel and Scherer Unit 3 – that are owned in part by Gulf Power but located outside of Gulf Power's transmission system and within the Southern

¹¹ Attachment V, § 7.

¹² The ancillary service rates reflected in the Gulf Power OATT are those currently in effect under Southern Companies' OATT for the same services. Attachment V stipulates that "[a]fter the Transition Period, Gulf shall establish its own rates for Ancillary Services, which shall be stated in the Ancillary Service schedules to this Tariff." *Id.* § 8.2.

¹³ *Id.*, § 2.

¹⁴ *Id.*, §§ 2.1.2(a), 2.2.2.

Companies' system; and, (ii) of the output of certain power purchase agreements ("PPAs").¹⁵ This protection ensures that Gulf Power and its customers continue to get the benefit of its existing resources that are interconnected to the Southern Companies.

Attachment V also includes a specific protection to accommodate the Santa Rosa facility, an existing independent power producer located in Gulf Power's service territory that often has been a short-term resource to Southern Companies. As mentioned above, Attachment V generally provides a license plate approach for the pricing of transmission delivery charges over Southern Companies' and Gulf Power's combined footprint *except* where either Southern Companies or Gulf Power designate a *new* resource on the other's transmission system.¹⁶ Absent a specific exemption, the Santa Rosa facility would, in the future, be subject to a pancaked rate should it again be a resource for Southern Companies. If Southern Companies were forced to pay a pancaked rate for purchases from Santa Rosa, that could put Santa Rosa at a competitive disadvantage in its efforts to sell to Southern Companies. To maintain the *status quo* for the Santa Rosa facility, Attachment V provides that Gulf Power will not charge for a wheel of the output of the Santa Rosa facility to Southern Companies should that facility again be made a Southern Companies resource.¹⁷ In addition, Attachment V also provides that Gulf Power will not charge a wheel should the Santa Rosa facility's output be delivered to a point of delivery on a Southern Companies' interface so as to serve load in an external region.

5. Transmission and Ancillary Services After the Transition Period

Except for IIC deliveries during the Transition Period, the remaining protections against rate pancaking will last indefinitely. Specifically, any customer delivering energy from a source in Gulf Power's or the Southern Companies' footprint to serve third-party load located in the other transmission provider's footprint will not pay an OATT charge on the source transmission provider's system.¹⁸ In addition, Gulf Power will continue to be able to receive power from the Gulf Grandfathered Resources without an additional wheeling charge under Southern Companies' OATT.¹⁹ Likewise, there will similarly be no charge for a wheel under the Gulf Power OATT for deliveries from the Santa Rosa facility if it is designated to be a resource to serve Southern Companies' native load, or delivered to a point of delivery on the Southern Companies' system interface so as to serve load in an external region. Under these provisions of Attachment V, third party customers utilizing the transmission systems of both Gulf Power and

¹⁵ Collectively, Plants Daniel and Scherer Unit 3 and those Gulf Power PPAs are referred to herein as the "Gulf Grandfathered Resources". Attachment V also provides for license plate pricing for the delivery to Gulf Power of the Gulf Grandfathered Resources until the underlying PPAs terminate or for the life of the plant (or until Gulf Power's ownership interests in any such plant terminates), as the case may be.

¹⁶ *Id.*, § 5.

¹⁷ *Id.*, §§ 3, 6.2.1. As discussed above, Attachment V also provides for licensing plate pricing for deliveries from generation sourced within the combined footprint to serve third-party load in that footprint. *See Id.*, § 6. This provision means that the Santa Rosa facility also will not be subject to a charge from Gulf Power for a wheel to serve third-party load on Southern Companies' system.

¹⁸ *Id.*, § 6.

¹⁹ *Id.*, § 2.2.2.

Southern Companies will enjoy protections from rate pancaking after the Transition Period that extend to the designation of new resources and are therefore superior to those afforded to Gulf Power and the Southern Companies, which protections are limited to certain existing resources (including the Santa Rosa facility, as discussed above).

With regard to ancillary services, and except for scheduling service and generator imbalance service, deliveries will only bear the rate for each applicable ancillary service of the sink transmission provider. As applied to scheduling service, the transmission customer would bear each transmission provider's charge for scheduling and the rules of general applicability for generator imbalance service would likewise apply.²⁰

6. Other Attachment V Provisions

In addition to the rate cap and license plate rate provisions described above, Attachment V also provides for the following:

- Derivation of Transmission Load for Purposes of the Calculation of OATT Charges. So as to provide consistency between: i) the license plate rate protections afforded by Attachment V, under which the charges are waived to \$0 for certain transmission wheels, and ii) the calculation of OATT charges, Attachment V also provides that the calculation of such charges will not include in the divisor load or reservations where the transmission charges are waived to \$0.²¹
- The Processing of Pending Interconnection Requests. So as to provide for the orderly processing of pending interconnection requests to Gulf Power's transmission system, Attachment V provides that Southern Companies will perform all of the transmission provider's duties up to, and including, the finalization of the requisite interconnection studies. After that juncture, Gulf Power will have sole responsibility for finalizing the transmission provider's remaining interconnection duties for such requests.²²
- Allocation of Ancillary Service Revenues During the Transition Period. Attachment V provides that for transmission deliveries over both of the combined Gulf Power and Southern Companies transmission systems during the Transition

²⁰ *Id.*, § 8.2.

²¹ *Id.*, § 9. To address potential conflicts between Attachment V and other OATT provisions, Attachment V clarifies that its provisions govern. It bears noting that LG&E/KU's OATT, which also contains a license plate rate approach (so as to protect its existing customers from the rate pancaking that otherwise would have occurred from its withdrawal from MISO), similarly excludes such load and reservations from the calculation of its OATT charges. See LG&E/KU OATT, Attachment O, "Rate Formulae for Network and Point-to-Point Transmission Service" available at: https://www.oasis.oati.com/LGEE/LGEEdocs/LGE-KU_Complete_OATT_Operational_as_of_20180515.pdf.

²² Attachment V, § 10.

Period, Southern Companies and Gulf Power will only charge a single charge for each applicable ancillary service, with that single charge to consist of Southern Companies' charge for that service.²³ Attachment V also provides the methodology for the allocation of such revenues between Southern Companies and Gulf Power for each such ancillary service.²⁴

III. Communications

Persons to whom correspondence and communications concerning this proceeding should be addressed are as follows:

Christopher H. Demko
Associate General Counsel
– Energy Regulation
Southern Company Services, Inc.
30 Ivan Allen Jr, Blvd NW
Atlanta, GA 30308
(404) 506-0241
chdemko@southernco.com

Andrew W. Tunnell
BALCH & BINGHAM LLP
1710 Sixth Avenue North
Birmingham, Alabama 35203
(205) 251-8100 (telephone)
atunnell@balch.com

IV. Effective Date, Notice Requirement and Requested FERC Action

Southern Companies respectfully request that these amendments to the Southern Companies' OATT be made effective as of, and contingent upon, the closing of the Proposed Transaction. As the Proposed Transaction is currently estimated to close in the first half of 2019, and could close before the end of 2018,²⁵ Southern Companies are seeking Commission acceptance of this filing prior to its becoming effective. Accordingly, Southern Companies are filing these OATT amendments in eTariff with metadata providing an effective date of 12/31/9998, which is the date that the FERC Implementation Guide for eTariff Filings states is to be used if the specific effective date is not known at the time of filing.²⁶ Should the Commission accept this filing and the Proposed Transaction close, then Southern Companies will make a filing with the Commission to replace that 12/31/9998 effective date with the closing date.²⁷ Should the closing not occur, then Southern Companies will file to withdraw this filing, and these amendments to the Southern Companies' OATT will be void *ab initio*.

²³ *Id.*, § 8.1.

²⁴ *Id.*, § 10.

²⁵ NextEra and Gulf Power have requested Commission action on the Section 203 Application within the statutory time period of 180 days.

²⁶ See Federal Energy Regulatory Commission, "Implementation Guide for Electronic Filing of Parts 35, 154, 284, 300, and 341 Tariff Filings," at p. 10 (November 14, 2016), available at: <https://www.ferc.gov/docs-filing/etariff/implementation-guide.pdf>.

²⁷ Southern Companies will also update the list of pending interconnection requests provided at Exhibit 3 to Attachment V.

As this filing is being made more than one hundred twenty days before the proposed effective date, Southern Companies respectfully request waiver of the Commission's prior notice requirements.²⁸ Good cause exists for this requested waiver²⁹ because Commission acceptance is a condition for the closing of the Proposed Transaction.

Likewise, even though the Commission does not have to act upon a filing under FPA Section 205 until the later of sixty days after the filing or the requested effective date of the underlying rate schedule/tariff,³⁰ Southern Companies request that the Commission issue its order addressing this filing by the date that it is otherwise prepared to issue its order addressing the Section 203 Application. The Commission's acceptance of this FPA Section 205 filing of the amendments to Southern Companies' OATT is a condition to the closing of the Proposed Transaction. Therefore, Southern Companies request that the Commission accept the amendments to Southern Companies' OATT for filing contemporaneously with the Commission's approval of the Section 203 Application.

V. Request for Waiver of Filing Requirements

This filing is being made pursuant to the Commission's abbreviated filing requirements as a rate schedule change other than a rate increase.³¹ Specifically, as shown in Exhibit A, Statement Comparing OATT Revenues, removing Gulf Power's data inputs from the operation of Southern Companies' OATT formula rate for rate year 2018 based upon projected data³² results in an estimated cost savings to OATT customers of over \$2.7 million.³³ To the extent that Exhibit A, Statement Comparing OATT Revenues, may not satisfy the Commission's rate comparison provision provided at 18 C.F.R. § 35.13(c), Southern Companies respectfully request waiver.

²⁸ See 18 C.F.R. § 35.3(a)(1).

²⁹ See 18 C.F.R. § 35.11 (permitting waiver of the notice requirement for good cause).

³⁰ *Southern Co. Servs. Inc.*, 60 FERC ¶ 61,297, fn. 11 (1992) ("If the filing public utility, for example, proposes an effective date later than 60 days after the date of filing, the Commission need only act by the proposed effective date." (citing *National Fuel Gas Supply Corp. v. FERC*, 899 F.2d 1244, 1248-49 (D.C. Cir. 1990))).

³¹ 18 C.F.R. § 35.13(a)(2)(iii).

³² Southern Companies' OATT charges for rate year 2018 based upon projected data were provided to the Commission in an informational filing submitted on January 31, 2018 in Docket No. ER10-203 and adopt the lower corporate tax rate established in the *Law to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018*, Pub. L. No. 115-97.

³³ As shown in Exhibit A, Statement Comparing OATT Revenues, removing Gulf Power's data inputs is projected to result in a 2.9% reduction in Southern Companies' charges for the use of their bulk transmission facilities (*i.e.*, those rated higher than 44/46 kV). While removing Gulf Power's data inputs are also projected to result in an increase of 6.73% for Southern Companies' charges for the use of their subtransmission facilities (*i.e.*, those rated at 44/46 kV), the fact that Southern Companies have significantly more load served from their bulk transmission facilities than their subtransmission facilities results in an overall projected reduction of over \$2.7 million in OATT revenues, as shown in Exhibit A. Moreover, this increase in sub-transmission charges should not be considered an adverse impact on rates given the overall savings provided by the rate cap proposal.

However, to the extent necessary, Southern Companies respectfully request a waiver of any portion of the Commission's regulations that are not satisfied by the enclosed information.³⁴

VI. List of Documents

The following is a list of documents submitted with this filing:

1. The amended Southern Companies' OATT tariff records in RTF format with metadata attached;³⁵
2. A clean copy of the amended Southern Companies' OATT tariff records in PDF format for posting in eLibrary;
3. A redline copy of the amended Southern Companies' OATT tariff records in PDF format, marked to show changes from the existing Southern Companies' OATT tariff records for posting in eLibrary; and
4. Exhibit A, Statement Comparing OATT Revenues.

VII. Miscellaneous

A copy of this filing will be provided electronically to Southern Companies' current OATT customers, and a copy will be posted on Southern Companies' OASIS.

Prior to closing of the Proposed Transaction, SCS is authorized under the Southern Companies' OATT to act as agent for Alabama Power, Georgia Power, Gulf Power, and Mississippi Power, and post-closing is the authorized agent for Alabama Power, Georgia Power, and Mississippi Power.

If you have any questions or if additional information is required concerning this filing, please contact the undersigned attorney at the earliest possible date so that such information can be supplied expeditiously.

Sincerely,

/s/ Andrew W. Tunnell
Andrew W. Tunnell

³⁴ See 18 C.F.R. § 35.11.

³⁵ Because the Attachment V tariff record contains a table, it is being submitted in PDF, rather than RTF, format to ensure it is viewable in FERC's eTariff Viewer.

Ms. Kimberly D. Bose, Secretary

July 3, 2018

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OF COUNSEL:

Andrew W. Tunnell

Kevin A. McNamee

Balch & Bingham LLP

1710 Sixth Avenue North

Birmingham, Alabama 35203

(205) 226-3439 (telephone)

(205) 488-5858 (fax)

atunnell@balch.com

kmcnamee@balch.com

OPEN ACCESS TRANSMISSION TARIFF

OF

ALABAMA POWER COMPANY

GEORGIA POWER COMPANY

AND

MISSISSIPPI POWER COMPANY

(SOUTHERN COMPANIES)

TARIFF VOLUME NO. 5

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3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. The Transmission Provider is required to provide (or offer to arrange with the local Control Area operator as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services (i) Scheduling, System Control and Dispatch, and (ii) Reactive Supply and Voltage Control from Generation or Other Sources.

The Transmission Provider is required to offer to provide (or offer to arrange with the local Control Area operator as discussed below) the following Ancillary Services only to the Transmission Customer serving load within the Transmission Provider's Control Area (i) Regulation and Frequency Response, (ii) Energy Imbalance, (iii) Operating Reserve - Spinning, and (iv) Operating Reserve – Supplemental. The Transmission Customer serving load within the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply.

The Transmission Provider is required to provide (or offer to arrange with the local Control Area Operator as discussed below), to the extent it is physically feasible to do so from its resources or from resources available to it, Generator Imbalance Service when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer using Transmission Service to deliver energy from a generator located within the Transmission Provider's Control Area is required to acquire Generator Imbalance Service, whether from the Transmission Provider, from a third party, or by self-supply.

The Transmission Customer may not decline the Transmission Provider's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Transmission Provider. A Transmission Customer that exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or an Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved is required to pay for all of the Ancillary Services identified in this section that were provided by the Transmission Provider associated with the unreserved service. The Transmission Customer or Eligible Customer will pay for Ancillary Services based on the amount of transmission service it used but did not reserve.

If the Transmission Provider is a public utility providing transmission service but is not a Control Area operator, it may be unable to provide some or all of the Ancillary Services. In this case, the Transmission Provider can fulfill its obligation to provide Ancillary Services by acting as the Transmission Customer's agent to secure these Ancillary Services from the Control Area operator. The Transmission Customer may elect to (i) have the Transmission Provider act as its agent, (ii) secure the Ancillary Services directly from the Control Area operator, or (iii) secure the Ancillary Services (discussed in Schedules 3, 4, 5, 6 and 10) from a third party or by self-supply when technically feasible.

In the event of an unauthorized use of Ancillary Services by the Transmission Customer, the total bill for such unauthorized use (derived through application of the

governing rates and charges) shall be multiplied by 200 percent to produce the total amount due.

The specific Ancillary Services, prices and/or compensation methods are described on the Schedules that are attached to and made a part of the Tariff. Attachment V contains additional provisions related to the provision of Ancillary Services. Three principal requirements apply to discounts for Ancillary Services provided by the Transmission Provider in conjunction with its provision of transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. A discount agreed upon for an Ancillary Service must be offered for the same period to all Eligible Customers on the Transmission Provider's system. Sections 3.1 through 3.7 below list the seven Ancillary Services.

- 3.1 Scheduling, System Control and Dispatch Service:** The rates and/or methodology are described in Schedule 1.
- 3.2 Reactive Supply and Voltage Control from Generation or Other Sources Service:** The rates and/or methodology are described in Schedule 2.
- 3.3 Regulation and Frequency Response Service:** Where applicable the rates and/or methodology are described in Schedule 3.

- 3.4 Energy Imbalance Service:** Where applicable the rates and/or methodology are described in Schedule 4.
- 3.5 Operating Reserve - Spinning Reserve Service:** Where applicable the rates and/or methodology are described in Schedule 5.
- 3.6 Operating Reserve - Supplemental Reserve Service:** Where applicable the rates and/or methodology are described in Schedule 6.
- 3.7 Generator Imbalance Service:** Where applicable the rates and/or methodology are described in Schedule 10.

25 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff (subject to Attachment V): Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service (Schedule 7A); Recallable Long-Term Firm Point-To-Point Transmission Service (Schedule 7B); and Non-Firm Point-To-Point Transmission Service (Schedule 8). The Transmission Provider shall use Part II of the Tariff to make its Third-Party Sales. The Transmission Provider shall account for such use at the applicable Tariff rates, pursuant to Section 8.

34 Rates and Charges

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, consistent with Commission policy. The Network Customer shall also pay the following (subject to Attachment V):

34.1 Monthly Demand Charge: The Network Customer shall pay the Monthly Demand Charge(s) determined in accordance with Attachment H for the applicable month.

34.2 Determination of Network Customer's Monthly Network Load: The Network Customer's monthly Network Load is its hourly load (including its designated Network Load not physically interconnected with the Transmission Provider under Section 31.3) coincident with the Transmission Provider's Monthly Transmission System Peak.

34.3 Determination of Transmission Provider's Monthly Transmission System Load: The Transmission Provider's monthly Transmission System load is the Transmission Provider's Monthly Transmission System Peak minus the coincident peak usage of all Firm Point-To-Point Transmission Service customers pursuant to Part II of this Tariff plus the Reserved Capacity of all Firm Point-To-Point Transmission Service customers.

34.4 Redispatch Charge: The Network Customer shall pay a Load Ratio Share of any redispatch costs allocated between the Network Customer and the Transmission Provider pursuant to Section 33. To the extent that the Transmission Provider incurs an obligation to the Network Customer for

redispatch costs in accordance with Section 33, such amounts shall be credited against the Network Customer's bill for the applicable month.

34.5 Stranded Cost Recovery: The Transmission Provider may seek to recover stranded costs from the Network Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Provider must separately file any proposal to recover stranded costs under Section 205 of the Federal Power Act.

SCHEDULE 1

Scheduling, System Control and Dispatch Service

This service is required to schedule the movement of power through, out of, within, or into a Control Area. This service can be provided only by the operator of the Control Area in which the transmission facilities used for transmission service are located. Scheduling, System Control and Dispatch Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Control Area operator. The charges for Scheduling, System Control and Dispatch Service are to be based on the rates set forth below (subject to Attachment V). To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

The rates for Scheduling, System Control and Dispatch Service are as follows:

\$0.9672/kW-year
\$0.0806/kW-month
\$0.0186/kW-week
\$0.0027/kW-day
0.17 mills/kW-hour (on-peak rate)
0.11 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level.

- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.
- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the "on-peak" hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the "off-peak" hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 2

Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the Control Area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Control Area operator. The charges for such service will be based on the rates set forth below (subject to Attachment V). To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Control Area operator.

The Transmission Customer reserves all rights to self-supply or make comparable alternative arrangements in lieu of purchasing all or a portion of this service from the Transmission Provider to the extent permitted by Order No. 888 or succeeding orders.

The rates for Reactive Supply and Voltage Control from Generation or Other Sources Service are as follows:

\$1.3200/kW-year
\$0.1100/kW-month
\$0.0254/kW-week
\$0.0036/kW-day
0.23 mills/kW-hour (on-peak rate)
0.15 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted

to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.

- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the “on-peak” hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the “off-peak” hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 3

Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The amount of and charges for Regulation and Frequency Response Service are set forth below (subject to Attachment V). To the extent the Control Area operator performs this

service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Regulation and Frequency Response Service will be required to purchase an amount of service equal to 1.15 percent of the Transmission Customer's demand at the point of output from the bulk transmission service level for Point-To-Point Transmission Service or 1.15 percent of the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) for Network Integration Transmission Service. The billing determinants for this purchase will be reduced by any portion of the 1.15 percent purchase obligation that a Transmission Customer obtains from third parties or supplies itself, as contemplated by Section 3.

The rates for Regulation and Frequency Response Service are as follows:

\$50.40/kW-year
\$ 4.20/kW-month
\$ 0.9692/kW-week
\$ 0.1385/kW-day
8.65 mills/kW-hour (on-peak rate)
5.77 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the

point of output from the bulk transmission service level times the percent purchase obligation.

- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available times the percent purchase obligation.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.
- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the "on-peak" hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the "off-peak" hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 4

Energy Imbalance Service

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Energy Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly energy imbalances under this Schedule or a penalty for hourly generator imbalances under Schedule 10 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

Derivations Within The Bandwidth

The Transmission Provider shall establish, subject to Attachment V, charges for energy imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of incremental or decremental cost; (ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance

that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 125 percent of incremental cost or 75 percent of decremental cost.

For purposes of this Schedule, incremental cost and decremental cost represent the actual variable dispatch cost used by the Transmission Provider in the economic dispatch of its bulk power system to serve its system obligations and unit commitment costs incurred as a result of the provision of service under this Schedule. The components of variable dispatch cost are calculated in accordance with the Allocation Methodology and Periodic Rate Computation Procedure Manual, which is provided for in (and is part of) the Southern Company System Intercompany Interchange Contract ("IIC"), as updated from time to time and maintained on file with the Federal Energy Regulatory Commission. Under the IIC, centralized economic dispatch is accomplished on the Transmission Providers' bulk power system by dispatching system generating resources and purchases to meet its system obligations and to supply energy for sales to others. System generating resources are dispatched based on marginal replacement fuel cost, variable operations and maintenance expenses, in-plant fuel handling expenses, emission allowance replacement costs, and compensation for transmission losses. A purchase is recognized in economic dispatch on the basis of its energy cost.

SCHEDULE 5

Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The amount of and charges for Spinning Reserve Service are set forth below, subject to Attachment V. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Operating Reserve-Spinning Reserve Service will be required to purchase an amount of service equal to 2.0 percent of the Transmission Customer's demand at the point of output from the bulk transmission service level for Point-To-Point Transmission Service or 2.0 percent of the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) for Network Integration Transmission Service. The billing determinants for this purchase will be reduced by any portion of the 2.0 percent purchase obligation that a Transmission Customer obtains from third parties or supplies itself, as contemplated by Section 3.

The rates for Operating Reserve-Spinning Reserve Service are as follows:

\$50.40/kW-year

\$ 4.20/kW-month

\$ 0.9692/kW-week

\$ 0.1385/kW-day

8.65 mills/kW-hour (on-peak rate)

5.77 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available times the percent purchase obligation.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted

to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.

- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the “on-peak” hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the “off-peak” hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 6

Operating Reserve - Supplemental Reserve Service

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The amount of and charges for Supplemental Reserve Service are set forth below, subject to Attachment V. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Operating Reserve-Supplemental Reserve Service will be required to purchase an amount of service equal to 2.0 percent of the Transmission Customer's demand at the point of output from the bulk transmission service level for Point-To-Point Transmission Service or 2.0 percent of the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) for Network Integration Transmission Service. The billing determinants for this purchase will be reduced by any portion of the 2.0 percent purchase obligation that a Transmission Customer obtains from third parties or supplies itself, as contemplated by Section 3.

The rates for Operating Reserve-Supplemental Reserve Service are as follows:

\$50.40/kW-year
\$ 4.20/kW-month
\$ 0.9692/kW-week
\$ 0.1385/kW-day
8.65 mills/kW-hour (on-peak rate)
5.77 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available times the percent purchase obligation.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted

to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.

- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the “on-peak” hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the “off-peak” hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 7A

Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service

A. **Bulk Firm Point-To-Point Transmission Service:** For Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's bulk transmission facilities (voltage levels above 44/46 kV), the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, subject to Attachment V. The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

B. **Firm Point-To-Point Transmission Service on 44/46 kV Facilities:** For Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's 44/46 kV facilities, the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M. The applicable charges are set forth in Informational Schedules A and D and on the OASIS, subject to Attachment V. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

C. **Discounts:** Three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all

Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

D. Miscellaneous: When deliveries for a Transmission Customer require the use of the Transmission Provider's 44/46 kV facilities, both sets of the foregoing Point-To-Point Transmission Service charges (the charges for the use of the bulk facilities and the 44/46 kV facilities) shall apply. An example of transmission loss calculations is set forth on Schedule 9.

The costs associated with generator step-up transformers (GSUs) are considered to be production related, and thus are not included in any of the rates set forth in this Schedule 7A.

E. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

SCHEDULE 7B

Recallable Long-Term Firm Point-To-Point Transmission Service

A. Bulk Firm Point-To-Point Transmission Service: For Recallable Long-Term Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's bulk transmission facilities (voltage levels above 44/46 kV), the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, subject to Attachment V. The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

B. Recall Features: The Transmission Provider will reserve the right, upon thirty (30) calendar days written notice to Transmission Customer, to recall all or a specified portion of the transmission capacity reserved by each request under this Schedule 7B in the event that the Transmission Provider receives a request for Long-Term Firm Point-To-Point Transmission Service at the Tariff charge for Long-Term Firm Point-To-Point Transmission Service that the Transmission Provider is unable to accommodate because of an existing transmission capacity reservation under this Schedule 7B. The Transmission Customer may retain all of the recalled capacity by agreeing, within fifteen (15) calendar days of the date of the Transmission Provider's written recall notice, to pay (from the date of the Transmission Customer's written notification through the remainder of the term of the Recallable Long-Term firm Point-To-Point Transmission Service Agreement) the Tariff charge for Long-Term Firm Point-To-Point

Transmission Service in effect at the time service is rendered for the recalled capacity. The Transmission Customer's failure to provide the Transmission Provider with written notice of its agreement to retain and pay for the recalled capacity within fifteen (15) calendar days after the date of the Transmission Provider's written recall notice will result in the Transmission Customer's release of the recalled portion of the reserved capacity.

C. Firm Point-To-Point Transmission Service on 44/46 kV Facilities: For Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's 44/46 kV facilities, the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, subject to Attachment V. The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

D. Discounts: In addition to the recall feature identified in paragraph B above, three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to

the same point(s) of delivery on the Transmission System. The discount may be based on a percentage of the charge for Long-Term Firm Point-To-Point Transmission Service or may contain a fixed component for the reservation plus a variable component to be applied to scheduled service. Ancillary charges will not be discounted.

E. Miscellaneous: When deliveries for a Transmission Customer require the use of the Transmission Provider's 44/46 kV facilities, both sets of the foregoing Point-To-Point Transmission Service charges (the charges for the use of the bulk facilities and the 44/46 kV facilities) shall apply. An example of transmission loss calculations is set forth on Schedule 9.

The costs associated with generator step-up transformers (GSUs) are considered to be production related, and thus are not included in any of the rates set forth in this Schedule 7B.

F. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

SCHEDULE 8

Non-Firm Point-To-Point Transmission Service

A. **Bulk Non-Firm Point-To-Point Transmission Service:** For Non-Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's bulk transmission facilities (voltage levels above 44/46 kV), the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity up to the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, subject to Attachment V. The applicable charges are set forth in Informational Schedules B and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

B. **Non-Firm Point-To-Point Transmission Service on 44/46/kV Transmission Facilities:** For Non-Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's 44/46 kV facilities, the Transmission Customer shall compensate the Transmission Provider up to the sum of the applicable derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, subject to Attachment V. The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

C. **Discounts:** Three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for

discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

D. Miscellaneous: When deliveries for a Transmission Customer require the use of the Transmission Provider's 44/46 kV facilities, both sets of the foregoing Point-To-Point Transmission Service charges (the charges for the use of the bulk facilities and the 44/46 kV facilities) shall apply. An example of transmission loss calculations is set forth on Schedule 9.

The costs associated with generator step-up transformers (GSUs) are considered to be production related, and thus are not included in any of the rates set forth in this Schedule 8.

E. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

SCHEDULE 10

Generator Imbalance Service

Generator Imbalance Service is provided when a difference occurs between the output of a generator located in the Transmission Provider's Control Area and a delivery schedule from that generator to (1) another Control Area or (2) a load within the Transmission Provider's Control Area over a single hour. The Transmission Provider must offer this service, to the extent it is physically feasible to do so from its resources or from resources available to it, when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Generator Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly generator imbalances under this Schedule or a penalty for hourly energy imbalances under Schedule 4 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

The Transmission Provider shall establish, subject to Attachment V, charges for generator imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of each month, at 100 percent of incremental or decremental cost, (ii) deviations greater than +/- 1.5 percent up

to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled at 125 percent of incremental cost or 75 percent of decremental cost, except that an intermittent resource will be exempt from this deviation band and will pay the deviation band charges for all deviations greater than the larger of 1.5 percent or 2 MW. An intermittent resource, for the limited purpose of this Schedule is an electric generator that is not dispatchable and cannot store its fuel source and therefore cannot respond to changes in system demand or respond to transmission security constraints.

Notwithstanding the foregoing, deviations from scheduled transactions in order to respond to directives by the Transmission Provider, a balancing authority, or a reliability coordinator shall not be subject to the deviation bands identified above and, instead, shall be settled financially, at the end of the month, at 100 percent of incremental and decremental cost. Such directives may include instructions to correct frequency decay, respond to a reserve sharing event, or change output to relieve congestion.

For purposes of this Schedule, incremental cost and decremental cost represent the actual variable dispatch cost used by the Transmission Provider in the economic dispatch of its bulk power system to serve its system obligations and unit commitment costs incurred as a result of the provision of service under this Schedule. The components of variable dispatch cost are calculated in accordance with the Allocation Methodology and Periodic Rate Computation

Procedure Manual, which is provided for in (and is part of) the Southern Company System Intercompany Interchange Contract (“IIC”), as updated from time to time and maintained on file with the Federal Energy Regulatory Commission. Under the IIC, centralized economic dispatch is accomplished on the Transmission Providers’ bulk power system by dispatching system generating resources and purchases to meet its system obligations and to supply energy for sales to others. System generating resources are dispatched based on marginal replacement fuel cost, variable operations and maintenance expenses, in-plant fuel handling expenses, emission allowance replacement costs, and compensation for transmission losses. A purchase is recognized in economic dispatch on the basis of its energy cost.

ATTACHMENT F

Form of Service Agreement For Network Integration Transmission Service (OASIS Reference No. _____)

- 1.0 This Service Agreement, dated as of _____, is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, and Mississippi Power Company (“Transmission Provider”), and _____ (“Transmission Customer”).
- 2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Network Integration Transmission Service under Southern Companies’ Open Access Transmission Tariff (“Tariff”).
- 3.0 Service under this Service Agreement shall commence on the latter of: (1) the requested service commencement date, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the parties.
- 4.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of the Tariff and this Service Agreement, as they may be amended from time to time.
- 5.0 Any notice or request made to or by either party regarding this Service Agreement shall be made to the representative of the other party as indicated below.

Transmission Provider:

Southern Company Services, Inc.
Manager, Transmission Services
600 North 18th Street
13N-8183
Birmingham, AL 35203

Transmission Customer:

6.0 The Tariff, Specifications for Network Integration Transmission Service, and the Network Operating Agreement are incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the parties have caused this Service Agreement to be executed by their respective authorized officials.

Transmission Provider:

By: _____ Title: _____ Date: _____
Name

Transmission Customer:

By: _____ Title: _____ Date: _____
Name

SPECIFICATIONS FOR NETWORK INTEGRATION TRANSMISSION SERVICE

1. Term of Service: _____
Start Date: _____
Termination Date: _____
2. Description of capacity and/or energy to be transmitted by the Transmission Provider (including identification of electric control area in which the transaction originates).
3. Network Resources
 - (1) Generation Owned by Transmission Customer:

<u>Resource</u>	<u>Capacity</u>	<u>Capacity Designated as Network Resource</u>
-----------------	-----------------	--
 - (2) Generation Purchased by Transmission Customer:

<u>Source</u>	<u>Capacity</u>
---------------	-----------------
4. Network Load

<u>Transmission Customer Network Load</u>	<u>Transmission Voltage Level</u>
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5. Designation of any party subject to reciprocal service obligation:
6. Network Integration Transmission Service is subject to some combination of the charges detailed below. The appropriate charges will be determined in accordance with the terms and conditions of the Tariff.
 - 6.1 Network Integration Transmission Service Charge(s). _____
 - 6.2 System Impact and/or Facilities Study Charge(s). _____
 - 6.3 Direct Assignment Facilities Charge(s). _____
 - 6.4 Ancillary Services Charge(s). _____
 - 6.5 Redispatch Charge(s). _____
 - 6.6 Distribution Facilities Charge(s). _____

ATTACHMENT G

Form of Network Operating Agreement

Preamble

This Network Operating Agreement (“NOA”), dated as of _____ (“Effective Date”) is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, and Mississippi Power Company (“Transmission Provider”), and _____ (“Transmission Customer”) (Transmission Provider and Transmission Customer are referred to collectively as the “Parties” and individually as a “Party”). The Parties agree that the provisions of this NOA, the Service Agreement for Network Integration Transmission Service between the Transmission Provider and Transmission Customer dated as of _____ (including the Specifications attached to such agreement) (“Service Agreement”), and Southern Companies’ Open Access Transmission Tariff (“Tariff”), as it may be amended from time to time, govern the Transmission Provider’s provision of Network Integration Transmission Service. Unless specified herein, capitalized terms shall refer to the terms defined in the Tariff.

1.0 Balancing Authority Requirements. _____

2.0 Redispatch Procedures. _____

3.0 Metering; Balancing Authority and Data Equipment. _____

4.0 Operating Requirements. _____

4.____ The Transmission Customer will manually shed Network Load, as necessary, whenever the Transmission Customer is unable to deliver power to its Network Load due to a power supply emergency affecting the Transmission Customer. In addition, the Transmission Customer will manually shed Network Load in accordance with Section 33 of the Tariff (proportionately with all of the Transmission Provider's other firm transmission commitments affecting or affected by the constraint) when necessary to assure the continued reliability of the Transmission System. In the event the Transmission Customer fails to manually shed Network Load as required hereunder, the Transmission Customer shall pay an additional amount equal to the sum of: (a) twenty five percent (25%) of the charge(s) for firm point to point transmission service provided by the

Transmission Provider applied on a monthly basis to the amount of load at those delivery points that the Transmission Provider requested to be shed; and (b) any other costs and/or damages incurred by the Transmission Provider due to the Transmission Customer's failure to shed Network Load. Load(s) at the delivery points determined pursuant to (a) above shall not be excluded from the amount of Network Load used to calculate the Transmission Customer's billing determinants. In the event of a failure by the Transmission Customer to manually shed load, the Transmission Provider-Transmission Customer Network Operating Committee will review the circumstances surrounding such failure and will adopt such remedial measures and procedures as it deems appropriate to avoid a similar failure in the future.

5.0 Scheduling. _____

5.____ There may be instances when a Transmission Customer self-supplies energy imbalance service or obtains such service from an entity other than the Transmission Provider and such Transmission Customer block schedules the delivery of a total amount of energy to serve its hourly Network Load that is less than or equal to the Transmission Customer's related OASIS reservation(s) for such block schedules, but which is more energy than the Transmission Customer's hourly Network Load. In such instances, the following charges shall apply:

- 5.__.1 The Transmission Customer shall pay the applicable network integration transmission service charges for its Network Load, as set forth in the Service Agreement.
- 5.__.2 The Transmission Customer shall pay the appropriate (*i.e.*, on-peak or off-peak) non-firm hourly point-to-point transmission rate multiplied by the amount of Level 1 Hourly Energy occurring during any hour of a calendar day. The term “Level 1 Hourly Energy” shall mean the amount of the energy block scheduled in an hour that is in excess of the Transmission Customer’s actual Network Load for that hour but such amount shall not exceed the greater of either (i) 10 percent of the Transmission Customer’s actual Network Load for that hour or (ii) 25 megawatts. Such charge will be calculated and assessed for each hour during a calendar day during which Level 1 Hourly Energy occurs.
- 5.__.3 The Transmission Customer shall pay 125 percent of the appropriate (*i.e.*, on-peak or off-peak) daily firm point-to-point transmission rate multiplied by the greatest amount of Level 2 Hourly Energy occurring during any hour of a calendar day. The term “Level 2 Hourly Energy” shall mean the energy block scheduled in an hour that is in excess of the greater of either (i) 110 percent of the Transmission Customer’s actual Network Load for that hour or (ii) the Transmission Customer’s actual Network Load plus 25 megawatts during that hour. The Transmission Provider

shall assess only one charge for transmission usage for Level 2
Hourly Energy under this section per calendar day.

5.4 It is understood and agreed that the above provisions are not
intended to be used by the Transmission Customer as a means of
avoiding compliance with otherwise applicable Tariff provisions.

6.0 Operational Information. _____

7.0 Network Planning. _____

8.0 Character of Service. _____

9.0 Transfer of Power and Energy Through Other Systems. _____

10.0 Notice. _____

11.0 Incorporation. _____

12.0 Term. _____

13.0 Transmission Provider – Transmission Customer Network Operating Committee.

14.0 Miscellaneous. _____

IN WITNESS WHEREOF, the parties have caused this NOA to be executed by their respective authorized officials.

Transmission Provider:

By: _____ Title: _____ Date: _____
Name

Transmission Customer:

By: _____ Title: _____ Date: _____
Name

ATTACHMENT M

Formula Rate Manual

Section 0.1 Description and Purpose: This Formula Rate Manual (“Manual”) establishes, subject to Attachment V, the procedures and methodology for deriving the charges (“Bulk Transmission Charges”) for the following services provided under the Tariff on the Transmission Provider’s bulk transmission facilities (those above 44/46 kV and excluding generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, and the facilities set forth in Sections 2.1.a and 2.1.b) (“Bulk Transmission Facilities”): Firm Point-To-Point Transmission Service; Non-Firm Point-To-Point Transmission Service; and Network Integration Transmission Service. This Manual also establishes, subject to Attachment V, the procedures and methodology for deriving the charges (“Subtransmission Charges”) for the following services provided under the Tariff on the Transmission Provider’s subtransmission lines (those at 44/46 kV, excluding generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, and those facilities set forth in Sections 3.1.a and 3.1.b) (“Subtransmission Facilities”): Firm Point-To-Point Transmission Service; Non-Firm Point-To-Point Transmission Service; and Network Integration Transmission Service. The Manual is divided into articles as follows:

Article I - Procedures Governing Operation of Formula Rate

Article II - Derivation of Annual Revenue Requirement for the Bulk Transmission Facilities

Article III- Derivation of Annual Revenue Requirement for the Subtransmission Facilities

Article IV - Derivation of Bulk Transmission Load

Article V - Derivation of Subtransmission Load

Article VI- Calculation of Bulk Transmission Charges, Subtransmission Charges, and FERC Annual Charge

Article VII - Updated Analysis of Losses

Section 0.2 Uniform System of Accounts: The FERC Accounts set forth in this Manual are prescribed in the “Uniform System of Accounts Prescribed for Public Utilities and Licensees” (18 C.F.R. Part 101) effective as of December 31, 2002. Changes to these FERC Accounts may be addressed in the manner provided in Attachment N of the Tariff, or through a filing pursuant to Section 205 of the Federal Power Act.

ARTICLE I

PROCEDURES GOVERNING OPERATION OF FORMULA RATE

Section 1.1 Rate Year for Transmission Charges: The charges for the use of the Transmission Provider’s Bulk Transmission Facilities and Subtransmission Facilities shall be effective for the period of January 1 through December 31 (“Rate Year”). The only exceptions to this January 1 to December 31 application are (1) a delay in filing the Annual Informational Filing until after December 31 in accordance with Attachment N, footnote 3; and (2) the recovery of the cost component for the FERC Annual Charge, which will be effective from October 1 of one Rate Year through September 30 of the following Rate Year.

Section 1.2 Basis for Annually Updated Bulk Transmission Charges and Subtransmission Charges: On or before November 1 preceding each Rate Year, the Transmission Provider shall follow the methodology and procedures set forth in this Manual and in Attachment N to the Tariff to calculate updated Bulk Transmission Charges and updated Subtransmission Charges for the Rate Year (“Annual Informational Filing”). This Annual Informational Filing will be based upon projected data drawn from the most recent information that is being used to prepare the corporate budgets of the Transmission Provider for the Rate Year, together with other necessary data developed in a manner consistent with the Transmission Provider’s customary practices and procedures. Where applicable (i.e., investment components), data inputs shall be based upon a simple average of (i) the balance for December 31 of the year immediately prior to the Rate Year and (ii) the balance for December 31 of the Rate Year. The Annual Informational Filings made pursuant to the Settlement in Docket No. ER02-851 shall not constitute rate change filings under Section 205 of the Federal Power Act.

Section 1.3 Basis for Annual True-Up Informational Filing for Bulk Transmission Charges and Subtransmission Charges: On or before May 1 of the year immediately subsequent to each Rate Year, the Transmission Provider shall follow the methodology and procedures set forth in this Manual and in Attachment N to the Tariff to make a True-Up Informational Filing with the Commission that calculates actual charges for the Rate Year (“True-Up Filing”). This True-Up Filing will be based on actual costs, loads, and other inputs for the Rate Year, and, to the extent available, applicable data will be drawn from the FERC Form No. 1 filings of the Transmission Provider and otherwise from their books and records. Where applicable, (i.e., investment components) data inputs shall be based upon a simple average of (i) the balance for December 31 of the year immediately prior to the Rate Year

and (ii) the balance for December 31 of the Rate Year. The True-Up Filings made pursuant to the Settlement in Docket No. ER02-851 shall not constitute rate change filings under Section 205 of the Federal Power Act.

Section 1.4 Basis for FERC Annual Charge: The cost component that recovers the FERC Annual Charge (18 C.F.R. Part 382) will be updated to be effective October 1 of each year to reflect the most recently received FERC invoices for that charge.

Section 1.5 Informational Schedules: The updated charges associated with the Annual Informational Filing and the charges associated with the True-Up Filing shall be set forth on the Informational Schedules described in Article VI of this Manual. A copy of the updated Informational Schedules shall be provided to customers taking Network Integration Transmission Service, customers taking Long-Term Firm Point-to-Point Transmission Service, and other interested parties upon request and shall also be made available on the Transmission Provider's OASIS.

Section 1.6 Revisions to Manual: The Transmission Provider shall have the right to make revisions to this Manual as provided in Section 9 of the Tariff.

ARTICLE IIA

DERIVATION OF ANNUAL REVENUE REQUIREMENT FOR THE BULK TRANSMISSION FACILITIES FOR NETWORK INTEGRATION TRANSMISSION SERVICE AND NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 2.1 Overview: This article of the Manual establishes the formula methodology and procedures for deriving the annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service. When used in this Manual, the capitalized terms set forth in Sections 2.1.a through 2.1.c have the meanings specified below:

Section 2.1.a Bulk Retail Radial Facility: A physically radial bulk transmission facility above 44/46 kV used exclusively to serve the Transmission Provider's retail load that is placed into service in Rate Year 2011 and thereafter.

Section 2.1.b Rehabilitated Bulk Radial Facility: A physically radial bulk transmission facility above 44/46 kV that is the subject of a capital replacement, repair, re-conductoring, or some other rehabilitation occurring in Rate Year 2011 and thereafter.

Section 2.1.c Bulk Fixed Rate Base Adjustment: A fixed adjustment to the Transmission Provider's Gross Plant in Service in the amount of \$139,300,000 related to investment in those bulk retail radial facilities rated above 44/46 kV used exclusively to serve the Transmission Provider's retail load that were placed into service in Rate Years 2003 through 2010.

Section 2.2 Formula for Deriving Annual Revenue Requirement for the Bulk Transmission Facilities for Purposes of Calculating Charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service: The derivation of the annual revenue requirement for the Bulk Transmission Facilities is based on the Transmission Provider's investment and expenses related to the Bulk Transmission Facilities and the associated cost of capital and income taxes. The derivation of the Transmission Provider's total annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service is expressed in the following formula:

$$\begin{aligned} RR_{B1} &= \text{Annual revenue requirement for the Bulk Transmission Facilities (\$).} \\ &= \Sigma CRR_B - RC_{B1} \end{aligned}$$

Where:

$$\begin{aligned} CRR_B &= \text{Individual operating company revenue requirement for its Bulk Transmission Facilities (\$).} \\ &= (RB_B \times R) + IT_B + E_B \\ RB_B &= \text{Rate base (The beginning and end of year average transmission investment for Bulk Transmission Facilities) (\$).} \\ R &= \text{The composite rate of return (\%).} \\ IT_B &= \text{Income taxes associated with Bulk Transmission Facilities (\$).} \\ &= (RB_B \times R) \times CIT - ITC_B \\ CIT &= \text{Income tax requirement associated with the preferred stock and common equity weighted cost of capital (\%).} \\ ITC_B &= \text{Investment tax credit adjustment for Bulk Transmission Facilities (\$).} \\ E_B &= \text{Annual expenses for Bulk Transmission Facilities (\$).} \\ RC_{B1} &= \text{Revenue credits associated with Bulk Transmission Facilities (\$) for purposes of calculating charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service.} \end{aligned}$$

The sources of the Transmission Provider's investment and expense data that are incorporated in the above formula (including FERC Account numbers, description of allocation procedures, and calculation of the cost of capital) are as follows:

RATE BASE ("RB_B") COMPONENTS

Section 2.2.1 Gross Plant in Service includes Gross Transmission Investment associated with the Bulk Transmission Facilities and allocated General and Intangible Investment. Gross Transmission Investment associated with the Bulk Transmission Facilities is

the summation of FERC Accounts 350 through 359 multiplied by the Transmission Plant (TP_B) allocator described in Section 2.2.16.a to remove investment associated with generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, the Bulk Fixed Rate Base Adjustment, and Subtransmission Facilities, with the resulting amount then being adjusted further to remove amounts associated with investment in Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. Allocated General and Intangible Investment is the summation of FERC Accounts 301 through 303 and 389 through 399, excluding fuel supply/handling facilities and equipment and items that are solely retail-related (e.g., retail conservation and load management systems and retail customer service and information systems),¹ multiplied by the Wages and Salaries (W/S_B) allocator described in Section 2.2.16. c.

Section 2.2.2 Accumulated Depreciation is the depreciation recorded in FERC Account 108 associated with the Gross Plant in Service defined above. The accumulated depreciation associated with transmission is multiplied by the TP_B allocator, with the resulting amount then being adjusted further to remove the accumulated depreciation associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. Accumulated depreciation associated with general plant is allocated to bulk transmission based on the W/S_B allocator.

Section 2.2.3 Net Plant in Service is the difference between Section 2.2.1 (Gross Plant in Service) and Section 2.2.2 (Accumulated Depreciation).

¹Only with respect to Alabama Power Company, production-related expenses of these types may be recorded in Account 399 and thus are excluded from that account.

Section 2.2.4 Adjustments to Rate Base include portions of the following accounts that are added to Rate Base: FERC Accounts 181, 182.3, 189, and 190. Portions of the following accounts are deducted from Rate Base: FERC Accounts 254, 257, 282, and 283. FERC Accounts 190, 282, and 283 are allocated based on the Gross Plant (GP_B) allocator described in Section 2.2.16.d. The allocated portion of FERC Account 282 is adjusted to remove the accumulated deferred income tax amounts associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. The portions of Accounts 182.3 and 254 that are subject to Financial Accounting Standards Board Standard 109 are also allocated using the GP_B allocator. FERC Accounts 181, 189, and 257 are allocated to the Bulk Transmission Facilities based on the Net Plant (NP_B) allocator described in Section 2.2.16.e.

Section 2.2.5 Land Held For Future Use is the portion of FERC Account 105 associated with transmission multiplied by the TP_B allocator.

Section 2.2.6 Working Capital is the summation of cash working capital, materials and supplies, and prepayments. The working capital for the Bulk Transmission Facilities consists of the following components: (1) cash working capital, which is one-eighth (45/360) of the O&M expenses, developed as explained in Section 2.2.8; (2) materials and supplies (M&S), consisting of materials and operating supplies recorded in FERC Account 154 that are related to the Bulk Transmission Facilities as determined by multiplying M&S - Transmission by the TP_B allocator and adjusting the resulting amount to remove materials and supplies associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities; (3) M&S identified with Construction, Other, and Undistributed Stores, allocated to the Bulk Transmission Facilities by multiplying the balance of those three components by the W/S_B allocator; (4) prepayments as reported in FERC Account 165, allocated to the Bulk Transmission Facilities on the basis of the GP_B allocator; and,

(5) the jurisdictional portion of prepaid pensions accrued in FERC Account 128 since May 1, 2003, allocated to the Bulk Transmission Facilities on the basis of the GP_B allocator; provided however, the reversal of prepaid pension amounts accrued in FERC Account 128 (as reflected by charges to FERC Account 926) is limited to the jurisdictional portion of the prepaid pension asset accrued after May 1, 2003; and, any amounts associated with “Other Postretirement Benefits” otherwise recorded in FERC Account 128 are specifically excluded from this formula rate component.

Section 2.2.7 Rate Base represents the direct and allocated investments that are associated with the Bulk Transmission Facilities and is the summation of Section 2.2.3 (Net Plant in Service) through Section 2.2.6 (Working Capital). This is the value for “ RB_B ” in the formula in Section 2.2.

EXPENSE (“ E_B ”) COMPONENTS

Section 2.2.8 Bulk Transmission Operation and Maintenance (O&M) Expenses include Transmission O&M associated with the Bulk Transmission Facilities and allocated Administrative & General (A&G) expenses. Bulk Transmission O&M expenses are derived by summing FERC Accounts 560 through 574, excluding Account 561 (Load Dispatching), Account 565 (Transmission of Electricity by Others), the amount of Electric Power Research Institute (“EPRI”) membership dues that are booked to transmission accounts, and the amount of EPRI-related research, development, and demonstration expenses that are booked to transmission accounts. The resulting figure is then multiplied by the TP_B allocator, with the resulting amount then being adjusted further to remove the O&M expense amounts associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities.

A&G expenses include FERC Accounts 920 through 935, but exclude the portion of Account 923 associated with Southern Nuclear Operating Company’s performance of services,

the portion of Account 924 associated with nuclear property insurance reimbursements, Account 927, Account 928, Account 930.1, and the portions of Account 930.2 associated with EEI and EPRI dues. A&G Expenses in Account 924 are allocated based on the GP_B allocator. The remainder of A&G Expenses is allocated based on the W/S_B allocator.

Section 2.2.9 Depreciation Expense includes FERC Accounts 403 through 405. The depreciation expense for transmission plant is derived for the Bulk Transmission Facilities by multiplying transmission depreciation expense by the TP_B allocator, with the resulting amount then being adjusted further to remove depreciation expenses associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. The depreciation expense associated with general plant is allocated to the Bulk Transmission Facilities based on the W/S_B allocator.

Section 2.2.10 Taxes Other than Income Taxes include amounts recorded in FERC Account 408.1--Electric, excluding taxes and fees associated solely with retail service, fuel-related taxes, and energy-use-related taxes, and are developed as follows: Payroll taxes are allocated to the Bulk Transmission Facilities based on the W/S_B allocator. Property taxes are allocated to the Bulk Transmission Facilities based on the GP_B allocator (which such allocator also reflects the exclusion of property taxes associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities). The taxes based on retail gross receipts are not allocated to the Bulk Transmission Facilities. The remaining taxes recorded in Account 408.1 not specified above are allocated to the Bulk Transmission Facilities based on the NP_B allocator.

Section 2.2.11 Other Expenses include the portions of the net of Amortization of Loss on Reacquired Debt (Account 428.1), Amortization of Premium on Debt (Account 429), and Amortization of Gain on Reacquired Debt (Account 429.1) associated with the Bulk Transmission Facilities, as allocated using the NP_B allocator.

Section 2.2.12 Total Bulk Transmission Expenses represent the direct and allocated fixed expenses associated with the Bulk Transmission Facilities considered herein and are the summation of Section 2.2.8 (Bulk Transmission Operation and Maintenance Expenses) through Section 2.2.11 (Other Expenses). These costs are represented by the value for “E_B” in the formula in Section 2.2.

Section 2.2.13 The Rate of Return (“R”) is computed in the following manner:

$$R = [(DR \times i) + (PR \times p) + (ER \times c)]$$

Where: $DR + PR + ER = 1.0$

DR = Ratio of Long-Term Debt (includes FERC Accounts 221 through 224).

PR = Ratio of Preferred Stock (Account 204).

ER = Ratio of common equity (Proprietary Capital less Preferred Stock and Unappropriated Undistributed Subsidiary Earnings (Account 216.1)).

i = Long-Term Interest (Accounts 427 and 428) divided by Long-Term Debt (%).

p = Preferred Dividends (Account 437) divided by Preferred Stock (%).

c = Return on Common Equity (11.25%).

INCOME TAX (“IT”) COMPONENT

2.2.14 The Composite Income Taxes (“CIT”) Associated with Preferred Stock and Common Equity Weighted Cost of Capital are computed in the following manner:

$$\text{CIT} = \frac{T}{1-T} \times [1 - \text{WCLTD}/R]$$

Where:

For Alabama Power and SEGCo

$$T = \frac{\text{FIT} + \text{SIT} - (2 \times \text{FIT} \times \text{SIT})}{1 - \text{FIT} \times \text{SIT}}$$

Where:

For all other companies

$$T = 1 - [(1 - \text{FIT}) \times (1 - \text{SIT})]$$

$$\text{WCLTD} = \text{Weighted Cost of Long Term Debt (\%)}$$

$$R = \text{Rate of Return (\%)}$$

$$\text{FIT} = \text{Federal Income Tax Rate (\%)}$$

$$\text{SIT} = \text{State Income Tax Rate (\%)}$$

Section 2.2.15 Income Taxes are calculated as the composite income tax rate (“CIT”) times R times RB_B , and reduced by amortization of the Investment Tax Credit (“ ITC_B ”). ITC_B is an adjustment for the amount of amortized investment tax credits in Account 411.4 (Investment Tax Credit Adjustments, Utility Operations) associated with the Bulk Transmission Facilities on the basis of the NP_B allocator.

ALLOCATORS

Section 2.2.16 Allocators used in the formula are as follows:

Section 2.2.16.a The Transmission Plant (TP_B) Allocator is derived by adjusting the total transmission plant to exclude facilities that are not considered Bulk Transmission Facilities

(which exclusions include generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, Subtransmission Facilities (including Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities), the Bulk Fixed Rate Base Adjustment, and the Subtransmission Fixed Rate Base Adjustment) and then dividing that result by the total transmission plant.

Section 2.2.16.b The Transmission Expense (TE_B) Allocator is derived by reducing the Transmission O&M expenses by Account 561 and then multiplying that result by the TP_B allocator. The product is then divided by the Transmission O&M expenses.

Section 2.2.16.c The Wages and Salaries (W/S_B) Allocator is derived by multiplying the Wages and Salaries expenses associated with the transmission function by the TE_B allocator described above, and then reducing the resulting number by the Wages and Salaries expense associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities to derive the portion of Wages and Salaries expenses associated with the Bulk Transmission Facilities. This amount then is divided by the Wages and Salaries expenses for all functions except A&G to produce the W/S_B allocator.

Section 2.2.16.d The Gross Plant (GP_B) Allocator is derived by dividing the Gross Plant in Service associated with the Bulk Transmission Facilities by the total company gross plant.

Section 2.2.16.e The Net Plant (NP_B) Allocator is derived by dividing the Net Plant in Service associated with the Bulk Transmission Facilities by the total company net plant.

OTHER COMPONENTS

Section 2.2.17 Revenue Credits (RC_{B1}) for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service reflect the following items: (i) rental payments and reimbursements received for use or rental of specific Bulk Transmission Facilities, but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (ii) all transmission-related other revenues associated with the use or rental of Bulk Transmission Facilities (e.g., rental payments by telecommunications companies for use of transmission facilities; transmission plant rental fees; right-of-way use charges), but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (iii) a proportional share of the income associated with the portion of General Plant that is included in the formula rate (e.g., facilities rental income and payments for use of telecommunications facilities and equipment); and (iv) revenues received for non-firm and short-term firm point-to-point transmission service provided on the Bulk Transmission Facilities under the Tariff.

ARTICLE IIB

DERIVATION OF ANNUAL REVENUE REQUIREMENT FOR THE BULK TRANSMISSION FACILITIES FOR FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 2.2.21 Overview: This article of the Manual establishes the formula methodology and procedures for deriving the annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service.

Section 2.2.22 Formula for Deriving Annual Revenue Requirement for the Bulk Transmission Facilities for Firm Point-to-Point Transmission Service: The derivation of the

annual revenue requirement for the Bulk Transmission Facilities is based on the Transmission Provider's investment and expenses related to the Bulk Transmission Facilities and the associated cost of capital and income taxes. The derivation of the Transmission Provider's total annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service is expressed in the following formula:

$$\begin{aligned} RR_{B2} &= \text{Revenue Requirement associated with Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service.} \\ &= \Sigma CRR_B - RC_{B2} \end{aligned}$$

Where:

$$\begin{aligned} CRR_B &= \text{Individual operating company revenue requirement for its Bulk Transmission Facilities (\$).} \\ &= (RB_B \times R) + IT_B + E_B \end{aligned}$$

Section 2.2.23 CRR_B shall have the same meaning as in Section 2.2.

Section 2.2.24 Revenue Credits (RC_{B2}) for Firm Point-to-Point Transmission Service reflect the following items: (i) rental payments and reimbursements received for use or rental of specific Bulk Transmission Facilities, but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (ii) all transmission-related other revenues associated with the use or rental of Bulk Transmission Facilities (e.g., rental payments by telecommunications companies for use of transmission facilities; transmission plant rental fees; right-of-way use charges), but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (iii) a proportional share of the income associated with the portion of General Plant that is included in the formula rate (e.g., facilities rental income and payment for use of telecommunications facilities and equipment); and (iv) revenues received for non-firm and short-term firm point-to-point transmission service provided on the Bulk Transmission Facilities under the Tariff except that revenues associated with non-

firm use of transmission capacity set aside as Capacity Benefit Margin shall not be included in these revenue credits (RC_{B2}).

ARTICLE III

DERIVATION OF ANNUAL REVENUE REQUIREMENT FOR THE SUBTRANSMISSION FACILITIES

Section 3.1 Overview: This article of the Manual establishes the formula methodology and procedures for deriving the annual revenue requirement for the Subtransmission Facilities. When used in this Manual, the capitalized terms set forth in Sections 3.1.a through 3.1.c have the meanings specified below:

Section 3.1.a Subtransmission Retail Radial Facility: A physically radial Subtransmission Facility used exclusively to serve the Transmission Provider's retail load that is placed into service in Rate Year 2011 and thereafter.

Section 3.1.b Rehabilitated Subtransmission Radial Facility: A physically radial Subtransmission Facility that is the subject of a capital replacement, repair, re-conductoring, or some other rehabilitation occurring in Rate Year 2011 and thereafter.

Section 3.1.c Subtransmission Fixed Rate Base Adjustment: A fixed adjustment to the Transmission Provider's Gross Plant in Service in the amount of \$36,100,000 related to investment in those subtransmission retail radial facilities used exclusively to serve the Transmission Provider's retail load that were placed into service in Rate Years 2003 through 2010.

Section 3.2 Formula for Deriving Annual Revenue Requirement for the Subtransmission Facilities: The derivation of the annual revenue requirement for the Subtransmission Facilities is based on the Transmission Provider's investment and expenses related to the Subtransmission Facilities and the associated cost of capital and income taxes. The

derivation of the Transmission Provider's total annual revenue requirement for the Subtransmission Facilities is expressed in the following formula:

$$\begin{aligned} RR_S &= \text{Annual revenue requirement for the Subtransmission Facilities (\$).} \\ &= \Sigma CRR_S - RC_S \end{aligned}$$

Where:

$$\begin{aligned} CRR_S &= \text{Individual operating company revenue requirement for its Subtransmission Facilities (\$).} \\ &= (RB_S \times R) + IT_S + E_S \\ RB_S &= \text{Rate base (The beginning and end of year average transmission investment for Subtransmission Facilities) (\$).} \\ R &= \text{The composite rate of return (\%).} \\ IT_S &= \text{Income taxes associated with Subtransmission Facilities (\$).} \\ &= (RB_S \times R) \times CIT - ITC_S \\ CIT &= \text{Income tax requirement associated with the preferred stock and common equity weighted cost of capital (\%).} \\ ITC_S &= \text{Investment tax credit adjustment for Subtransmission Facilities (\$).} \\ E_S &= \text{Annual expenses for Subtransmission Facilities (\$).} \\ RC_S &= \text{Revenue credits associated with Subtransmission Facilities (\$).} \end{aligned}$$

The sources of the Transmission Provider's investment and expense data that are incorporated in the above formula (including FERC Account numbers, description of allocation procedures, and calculation of the cost of capital) are as follows:

RATE BASE (“RB_S”) COMPONENTS

Section 3.2.1 Gross Plant in Service includes Gross Transmission Investment associated with the Subtransmission Facilities and allocated General and Intangible Investment. Gross Transmission Investment associated with the Subtransmission Facilities is the summation of FERC Accounts 350 through 359 multiplied by the Transmission Plant (TP_S) allocator described in Section 3.2.16.a to remove investment associated with generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, the Subtransmission Fixed Rate Base Adjustment, and Bulk Transmission Facilities, with the resulting amount then being adjusted further to remove amounts associated with investment in Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities. Allocated General and Intangible Investment is the summation of FERC Accounts 301 through 303 and 389 through 399, excluding fuel supply/handling facilities and equipment and items that are solely retail-related (e.g., retail conservation and load management systems and retail customer service and information systems), multiplied by the Wages and Salaries (W/S_S) allocator described in Section 3.2.16.c.

Section 3.2.2 Accumulated Depreciation is the depreciation recorded in FERC Account 108 associated with the Gross Plant in Service defined above. The accumulated depreciation associated with transmission is multiplied by the TP_S allocator, with the resulting amount then being adjusted further to remove the accumulated depreciation associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities.

Accumulated depreciation associated with general plant is allocated to subtransmission based on the W/S_S allocator.

Section 3.2.3 Net Plant in Service is the difference between Section 3.2.1 (Gross Plant in Service) and Section 3.2.2 (Accumulated Depreciation).

Section 3.2.4 Adjustments to Rate Base include portions of the following accounts that are added to Rate Base: FERC Accounts 181, 182.3, 189, and 190. Portions of the following accounts are deducted from Rate Base: FERC Accounts 254, 257, 282, and 283. FERC Accounts 190, 282, and 283 are allocated based on the Gross Plant (GP_S) allocator described in Section 3.2.16.d. The allocated portion of FERC Account No. 282 is adjusted to remove the accumulated deferred income tax amounts associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities. The portions of Accounts 182.3 and 254 that are subject to Financial Accounting Standards Board Standard 109 are also allocated using the GP_S allocator. FERC Accounts 181, 189, and 257 are allocated to the Subtransmission Facilities based on the Net Plant (NP_S) allocator described in Section 3.2.16.e.

Section 3.2.5 Land Held For Future Use is the portion of FERC Account 105 associated with transmission multiplied by the TP_S allocator.

Section 3.2.6 Working Capital is the summation of cash working capital, materials and supplies, and prepayments. The working capital for the Subtransmission Facilities consists of the following components: (1) cash working capital, which is one-eighth (45/360) of the O&M expenses, developed as explained in Section 3.2.8; (2) materials and supplies (M&S), consisting of materials and operating supplies recorded in FERC Account 154 that are related to the Subtransmission Facilities as determined by multiplying M&S - Transmission by the TP_S allocator and adjusting the resulting amount to remove materials and supplies associated with

Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities; (3) M&S identified with Construction, Other, and Undistributed Stores, allocated to the Subtransmission Facilities by multiplying the balance of those three components by the W/S_S allocator; (4) prepayments as reported in FERC Account 165, allocated to the Subtransmission Facilities on the basis of the GP_S allocator; and, (5) the jurisdictional portion of prepaid pensions accrued in FERC Account 128 since May 1, 2003, allocated to the Subtransmission Facilities on the basis of the GP_S allocator; provided however, the reversal of prepaid pension amounts accrued in FERC Account 128 (as reflected by charges to FERC Account 926) is limited to the jurisdictional portion of the prepaid pension asset accrued after May 1, 2003; and, any amounts associated with “Other Postretirement Benefits” otherwise recorded in FERC Account 128 are specifically excluded from this formula rate component.

Section 3.2.7 Rate Base represents the direct and allocated investments that are associated with the Subtransmission Facilities and is the summation of Section 3.2.3 (Net Plant in Service) through Section 3.2.6 (Working Capital). This is the value for “ RB_S ” in the formula in Section 3.2.

EXPENSE (“ E_S ”) COMPONENTS

Section 3.2.8 Subtransmission Operation and Maintenance (O&M) Expenses include Transmission O&M associated with the Subtransmission Facilities and allocated Administrative & General (A&G) expenses. Subtransmission O&M expenses are derived by summing FERC Accounts 560 through 574, excluding Account 561 (Load Dispatching), Account 565 (Transmission of Electricity by Others), the amount of Electric Power Research Institute (“EPRI”) membership dues that are booked to transmission accounts, and the amount of EPRI-related research, development, and demonstration expenses that are booked to transmission

accounts. The resulting figure is then multiplied by the TP_S allocator, with the resulting amount then being adjusted further to remove the O&M expense amounts associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities.

A&G expenses include FERC Accounts 920 through 935, but exclude the portion of Account 923 associated with Southern Nuclear Operating Company's performance of services, the portion of Account 924 associated with nuclear property insurance reimbursements, Account 927, Account 928, Account 930.1, and the portions of Account 930.2 associated with EEI and EPRI dues. A&G Expenses in Account 924 are allocated based on the GP_S allocator. The remainder of A&G Expenses is allocated based on the W/S_S allocator.

Section 3.2.9 Depreciation Expense includes FERC Accounts 403 through 405. The depreciation expense for transmission plant is derived for the Subtransmission Facilities by multiplying transmission depreciation expense by the TP_S allocator, with the resulting amount then being adjusted further to remove depreciation expenses associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities. The depreciation expense associated with general plant is allocated to the Subtransmission Facilities based on the W/S_S allocator.

Section 3.2.10 Taxes Other than Income Taxes include amounts recorded in FERC Account 408.1--Electric, excluding taxes and fees associated solely with retail service, fuel-related taxes, and energy-use-related taxes, and are developed as follows: Payroll taxes are allocated to the Subtransmission Facilities based on the W/S_S allocator. Property taxes are allocated to the Subtransmission Facilities based on the GP_S allocator (which such allocator also reflects the exclusion of property taxes associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities). The taxes based on retail gross receipts are

not allocated to the Subtransmission Facilities. The remaining taxes recorded in Account 408.1 not specified above are allocated to the Subtransmission Facilities based on the NP_S allocator.

Section 3.2.11 Other Expenses include the portions of the net of Amortization of Loss on Reacquired Debt (Account 428.1), Amortization of Premium on Debt (Account 429), and Amortization of Gain on Reacquired Debt (Account 429.1) associated with the Subtransmission Facilities, as allocated using the NP_S allocator.

Section 3.2.12 Total Subtransmission Expenses represent the direct and allocated fixed expenses associated with the Subtransmission Facilities considered herein and are the summation of Section 3.2.8 (Subtransmission Operation and Maintenance Expenses) through Section 3.2.11 (Other Expenses). These costs are represented by the value for “E_S” in the formula in Section 3.2.

Section 3.2.13 The Rate of Return (“R”) is computed in the following manner:

$$R = [(DR \times i) + (PR \times p) + (ER \times c)]$$

Where: $DR + PR + ER = 1.0$

DR = Ratio of Long-Term Debt (includes FERC Accounts 221 through 224).

PR = Ratio of Preferred Stock (Account 204).

ER = Ratio of common equity (Proprietary Capital less Preferred Stock and Unappropriated Undistributed Subsidiary Earnings (Account 216.1)).

i = Long-Term Interest (Accounts 427 and 428) divided by Long-Term Debt (%).

p = Preferred Dividends (Account 437) divided by Preferred Stock (%).

c = Return on Common Equity (11.25%).

INCOME TAX (“IT”) COMPONENT

3.2.14 The Composite Income Taxes (“CIT”) Associated with Preferred Stock and Common Equity Weighted Cost of Capital are computed in the following manner:

$$\text{CIT} = \frac{T}{1-T} \times [1 - \text{WCLTD}/R]$$

Where:

For Alabama Power and SEGCo

$$T = \frac{\text{FIT} + \text{SIT} - (2 \times \text{FIT} \times \text{SIT})}{1 - \text{FIT} \times \text{SIT}}$$

Where:

For all other companies

$$T = 1 - [(1 - \text{FIT}) \times (1 - \text{SIT})]$$

$$\text{WCLTD} = \text{Weighted Cost of Long Term Debt (\%)}$$

$$R = \text{Rate of Return (\%)}$$

$$\text{FIT} = \text{Federal Income Tax Rate (\%)}$$

$$\text{SIT} = \text{State Income Tax Rate (\%)}$$

Section 3.2.15 Income Taxes are calculated as the composite income tax rate (“CIT”) times R times RB_S , and reduced by amortization of the Investment Tax Credit (“ITC”). ITC is an adjustment for the amount of amortized investment tax credits in Account 411.4 (Investment Tax Credit Adjustments, Utility Operations) associated with the Subtransmission Facilities on the basis of the NP_S allocator.

ALLOCATORS

Section 3.2.16 Allocators used in the formula are as follows:

Section 3.2.16.a The Transmission Plant (TP_S) Allocator is derived by adjusting the total transmission plant to exclude facilities, including the Subtransmission Fixed Rate Base

Adjustment, that are not considered Subtransmission Facilities and then dividing that result by the total transmission plant.

Section 3.2.16.b The Transmission Expense (TE_S) Allocator is derived by reducing the Transmission O&M expenses by Account 561 and then multiplying that result by the TP_S allocator. The product is then divided by the Transmission O&M expenses.

Section 3.2.16.c The Wages and Salaries (W/S_S) Allocator is derived by multiplying the Wages and Salaries expenses associated with the transmission function by the TE_S allocator described above, and then reducing the resulting number by the Wages and Salaries expense associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities to derive the portion of Wages and Salaries expenses associated with the Subtransmission Facilities. This amount then is divided by the Wages and Salaries expenses for all functions except A&G to produce the W/S_S allocator.

Section 3.2.16.d The Gross Plant (GP_S) Allocator is derived by dividing the Gross Plant in Service associated with the Subtransmission Facilities by the total company gross plant.

Section 3.2.16.e The Net Plant (NP_S) Allocator is derived by dividing the Net Plant in Service associated with the Subtransmission Facilities by the total company net plant.

OTHER COMPONENTS

Section 3.2.17 Revenue Credits reflect the following items: (i) rental payments and reimbursements received for use or rental of specific Subtransmission Facilities, but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (ii) all transmission-related other revenues associated with the use or rental of Subtransmission Facilities (e.g., rental payments by telecommunications companies for use of transmission facilities; transmission plant rental fees; right-of-way use charges), but only to the

extent the costs of such facilities are included in the development of charges under the formula rate; (iii) a proportional share of the income associated with the portion of General Plant that is included in the formula rate (e.g., facilities rental income and payments for use of telecommunications facilities and equipment); and (iv) revenues received for non-firm and short-term firm point-to-point transmission service provided on the Subtransmission Facilities under the Tariff.

ARTICLE IVA

DERIVATION OF BULK TRANSMISSION LOAD FOR NETWORK INTEGRATION TRANSMISSION SERVICE AND NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 4.1 Overview: This article establishes the methodology to determine the Load (“ L_{B1} ”) used to derive the Bulk Transmission Charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service.

Section 4.2 Twelve Month Average Coincident Peak Methodology: The Load (“ L_{B1} ”) used to derive the charges under Sections 6.3 (for Non-Firm Point-to-Point Transmission Service provided on the Bulk Transmission Facilities) and 6.4 (for Network Integration Transmission Service provided on the Bulk Transmission Facilities) of this Manual for purposes of the Annual Informational Filing is the average of the twelve monthly coincident peak (CP) loads (kW) on the Bulk Transmission System for the Rate Year, as forecasted by the Transmission Provider. The Load used to derive the charges under Sections 6.3 and 6.4 of this Manual for purposes of the True-Up Filing is the average of the actual 12 CP loads (kW) on the Bulk Transmission System for the Rate Year. Subject to Attachment V, adjustments made to the 12 CP load calculation are as follows: (1) the load of the City of Dalton is removed because it is a transmission owner of the Georgia Integrated Transmission System; (2) losses in the Bulk

Transmission System are removed; and (3) loads for Network Customers that are not already included in the Transmission Provider's territorial load calculation and long-term firm point-to-point reservations are added to the 12 CP load calculation.

ARTICLE IVB

DERIVATION OF BULK TRANSMISSION LOAD FOR FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 4.3 Overview: This article establishes the methodology to determine the Load ("L_{B2}") used to derive the Bulk Transmission Charges for Firm Point-to-Point Transmission Service.

Section 4.4 Twelve Month Average Coincident Peak Methodology: The Load ("L_{B2}") used to derive the charges under Sections 6.2 (for Firm Point-to-Point Transmission Service provided on the Bulk Transmission Facilities) of this Manual for purposes of the Annual Informational Filing is the average of the twelve monthly coincident peak (CP) loads (kW) on the Bulk Transmission System for the Rate Year, as forecasted by the Transmission Provider. The Load used to derive the charges under Sections 6.2 of this Manual for purposes of the True-Up Filing is the average of the actual 12 CP loads (kW) on the Bulk Transmission System for the Rate Year. Subject to Attachment V, adjustments made to the 12 CP load calculation are as follows: (1) the load of the City of Dalton is removed because it is a transmission owner of the Georgia Integrated Transmission System; (2) losses in the Bulk Transmission System are removed; (3) loads for Network Customers that are not already included in the Transmission Provider's territorial load calculation and long-term firm point-to-point reservations are added to the 12 CP load calculation; and (4) the amount (kW) of capacity on the Bulk Transmission

Facilities set aside by the Transmission Provider and/or Network Customer(s) for Capacity Benefit Margin use are added to the 12 CP load calculation.

ARTICLE V

DERIVATION OF SUBTRANSMISSION LOAD

Section 5.1 Overview: This article establishes the methodology to determine the Load (“L_S”) used to derive the Subtransmission Charges.

Section 5.2 Twelve Month Average Coincident Peak Methodology: The Load (“L_S”) used to derive the charges under Sections 6.5, 6.6, and 6.7 of this Manual is the average of the 12 CP territorial loads (kW) at Level 2 (i.e., native load excluding bulk transmission losses) on the Transmission System for the Rate Year as forecasted by the Transmission Provider, in an Annual Informational Filing or the actual load in a True-Up Filing, multiplied by the ratio of subtransmission load to territorial load on the Transmission System that is set forth in the Transmission Provider’s most recent cost-of-service load flow study and adjusted, subject to Attachment V, to the subtransmission output level as follows: (1) losses on the Subtransmission System are removed; (2) the loads for Network Customers at the subtransmission level that are not included in the Transmission Provider’s territorial load calculation are added; and (3) the loads for subtransmission level long-term firm point-to-point reservations are added.

ARTICLE VI

CALCULATION OF BULK TRANSMISSION CHARGES, SUBTRANSMISSION CHARGES, AND FERC ANNUAL CHARGE

Section 6.1 Overview: This article shows the derivation of the specific Bulk Transmission Charges, and Subtransmission Charges, including the cost component to recover the FERC Annual Charge.

Section 6.2 Charges for Firm Point-To-Point Transmission Service Provided on

the Bulk Transmission Facilities: The derivation of charges for Firm Point-To-Point Transmission Service provided on the Bulk Transmission Facilities is expressed in the following formula:

$$B2R_{YF} = \frac{RR_{B2}}{L_{B2}}$$

$$B2R_{MF} = \frac{RR_{B2}}{L_{B2} \times 12}$$

$$B2R_{WF} = \frac{RR_{B2}}{L_{B2} \times 52}$$

$$B2R_{DF, \text{ on-peak}} = \frac{B2R_{WF}}{5}$$

$$B2R_{DF, \text{ off-peak}} = \frac{B2R_{WF}}{7}$$

Where:

RR_{B2} = The annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service derived under Article IIB of this Manual (\$).

L_{B2} = The Load derived under Article IVB of this Manual (kW).

$B2R_{YF}$ = The bulk transmission charge for yearly Firm Point-To-Point Transmission Service (\$/kW-year).

$B2R_{MF}$ = The bulk transmission charge for monthly Firm Point-To-Point Transmission Service (\$/kW-month).

$B2R_{WF}$ = The bulk transmission charge for weekly Firm Point-To-Point Transmission Service (\$/kW-week).

$B2R_{DF, \text{ on-peak}}$ = The bulk transmission charge for on-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

$B2R_{DF, \text{ off-peak}}$ = The bulk transmission charge for off-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

These charges will be updated to become effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule A, the form of which is Exhibit A to the Tariff.

Section 6.3 Charges for Non-Firm Point-To-Point Transmission Service Provided on the Bulk Transmission Facilities: The derivation of the charges for Non-Firm Point-To-Point Transmission Service provided on the Bulk Transmission Facilities is expressed in the following formula:

$$B1R_M = \frac{RR_{B1}}{L_{B1} \times 12}$$

$$B1R_W = \frac{RR_{B1}}{L_{B1} \times 52}$$

$$B1R_{D, on-peak} = \frac{B1R_W}{5}$$

$$B1R_{D, off-peak} = \frac{B1R_W}{7}$$

$$B1R_{H, on-peak} = \frac{B1R_{D, on-peak}}{16} \times 1000$$

$$B1R_{H, off-peak} = \frac{B1R_{D, off-peak}}{24} \times 1000$$

Where:

RR_{B1} = The annual revenue requirement for the Bulk Transmission Facilities for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service derived under Article IIA of this Manual (\$).

L_{B1} = The Load derived under Article IVA of this Manual (kW).

$B1R_M$ = The bulk transmission charge for monthly Non-Firm Point-To-Point Transmission Service (\$/kW-month).

$B1R_W$ = The bulk transmission charge for weekly Non-Firm Point-To-Point Transmission Service (\$/kW-week).

$B1R_{D, \text{on-peak}}$	=	The bulk transmission charge for on-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$B1R_{D, \text{off-peak}}$	=	The bulk transmission charge for off-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$B1R_{H, \text{on-peak}}$	=	The bulk transmission charge for on-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).
$B1R_{H, \text{off-peak}}$	=	The bulk transmission charge for off-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule B, the form of which is Exhibit B to the Tariff.

Section 6.4 Charges for Network Integration Transmission Service Provided on the Bulk Transmission Facilities: The derivation of the charges for Network Integration Transmission Service provided on the Bulk Transmission Facilities is expressed in the following formula:

$$B1R_Y = \frac{RR_{B1}}{L_{B1}}$$

$$B1R_M = \frac{RR_{B1}}{L_{B1} \times 12}$$

Where:

RR_{B1}	=	The annual revenue requirement for the Bulk Transmission Facilities for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service derived under Article IIA of this Manual (\$).
L_{B1}	=	The Load derived under Article IVA of this Manual (kW).
$B1R_Y$	=	The bulk transmission charge for yearly Network Integration Transmission Service (\$/kW-year).
$B1R_M$	=	The bulk transmission charge for monthly Network Integration Transmission Service (\$/kW-month).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule C, the form of which is Exhibit C to the Tariff.

Section 6.5 Charges for Firm Point-To-Point Transmission Service Provided on the Subtransmission Facilities: The derivation of charges for Firm Point-To-Point Transmission Service provided on the Subtransmission Facilities is expressed in the following formula:

$$SR_{SY} = \frac{RR_S}{L_S}$$

$$SR_M = \frac{RR_S}{L_S \times 12}$$

$$SR_W = \frac{RR_S}{L_S \times 52}$$

$$SR_{D, \text{ on-peak}} = \frac{SR_W}{5}$$

$$SR_{D, \text{ off-peak}} = \frac{SR_W}{7}$$

Where:

RR_S = The annual revenue requirement for the Subtransmission Facilities derived under Article II of this Manual (\$).

L_S = The Load derived under Article V of this Manual (kW).

SR_Y = The subtransmission charge for yearly Firm Point-To-Point Transmission Service (\$/kW-year).

SR_M = The subtransmission charge for monthly Firm Point-To-Point Transmission Service (\$/kW-month).

SR_W = The subtransmission charge for weekly Firm Point-To-Point Transmission Service (\$/kW-week).

$SR_{D, \text{on-peak}}$ = The subtransmission charge for on-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

$SR_{D, \text{off-peak}}$ = The subtransmission charge for off-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

These charges will be updated to become effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule A, the form of which is Exhibit A to the Tariff.

Section 6.6 Charges for Non-Firm Point-To-Point Transmission Service Provided on the Subtransmission Facilities: The derivation of the charges for Non-Firm Point-To-Point Transmission Service provided on the Subtransmission Facilities is expressed in the following formula:

$$SR_M = \frac{RR_S}{L_S \times 12}$$

$$SR_W = \frac{RR_S}{L_S \times 52}$$

$$SR_{D, \text{on-peak}} = \frac{SR_W}{5}$$

$$SR_{D, \text{off-peak}} = \frac{SR_W}{7}$$

$$SR_{H, \text{on-peak}} = \frac{SR_{D, \text{on-peak}}}{16} \times 1000$$

$$SR_{H, \text{off-peak}} = \frac{SR_{D, \text{off-peak}}}{24} \times 1000$$

Where:

RR_S = The annual revenue requirement for the Subtransmission Facilities derived under Article III of this Manual (\$).

L_S = The Load derived under Article V of this Manual (kW).

SR_M	=	The subtransmission charge for monthly Non-Firm Point-To-Point Transmission Service (\$/kW-month).
SR_W	=	The subtransmission charge for weekly Non-Firm Point-To-Point Transmission Service (\$/kW-week).
$SR_{D, \text{on-peak}}$	=	The subtransmission charge for on-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$SR_{D, \text{off-peak}}$	=	The subtransmission charge for off-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$SR_{H, \text{on-peak}}$	=	The subtransmission charge for on-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).
$SR_{H, \text{off-peak}}$	=	The subtransmission charge for off-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule B, the form of which is Exhibit B to the Tariff.

Section 6.7 Charges for Network Integration Transmission Service Provided on the Subtransmission Facilities: The derivation of the charges for Network Integration Transmission Service provided on the Subtransmission Facilities is expressed in the following formula:

$$SR_Y = \frac{RR_S}{L_S}$$

$$SR_M = \frac{RR_S}{L_S \times 12}$$

Where:

RR_S	=	The annual revenue requirement for the Subtransmission Facilities derived under Article III of this Manual (\$).
L_S	=	The Load derived under Article V of this Manual (kW).
SR_Y	=	The subtransmission charge for yearly Network Integration Transmission Service (\$/kW-year).

SR_M = The subtransmission charge for monthly Network Integration Transmission Service (\$/kW-month).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule C, the form of which is Exhibit C to the Tariff.

Section 6.8 FERC Annual Charge and Attachment K Costs: The cost components to recover the FERC Annual Charge (18 C.F.R. Part 382) and the Transmission Provider's costs incurred in implementing its requirements, duties, and activities under Attachment K, the Southeastern Regional Transmission Planning Process, are in addition to the applicable charges specified above in Sections 6.2 through 6.7. The cost component for the FERC Annual Charge shall consist of the Charge Factor(s) shown on the Commission's invoices submitted to the Transmission Provider on or about August 1 of each calendar year. If more than one Charge Factor is shown on such invoices, then the appropriate Charge Factor will be applied to the corresponding type of service. The cost component for the recovery of the Transmission Provider's costs incurred in implementing its requirements, duties, and activities under Attachment K, the Southeastern Regional Transmission Planning Process, shall consist of a charge factor comprised by those total costs incurred for the prior calendar year divided by, subject to Attachment V, the total amount (MWh) of metered Network Integration Transmission Service and Point-to-Point Transmission Service taken under the Tariff the prior calendar year. These components will be set forth on Informational Schedule D, the form of which is attached as Exhibit D of the Tariff, will be updated to be effective on October 1 of each year, and is assessed on the basis of megawatt hours associated with a Transmission Customer's deliveries of energy.

ARTICLE VII

Updated Analysis of Losses and CBM Usage

Section 7.1 Updated Information Relating to Losses on the Transmission System and the Usage of Capacity Benefit Margin to Meet Generation Deficits:

At two year intervals after August 1, 2004, the Transmission Provider will make available an updated analysis of losses for the Transmission System based on the following data: (i) power flow simulations using the Summer Peak Base Cases for the Bulk Transmission Facilities (i.e., those above 44/46 kV) adjusted to simulate the average 12 CP loads and the average annual load on the Bulk Transmission Facilities; (ii) power flow simulations on the Subtransmission Facilities (i.e., those at 44/46 kV) adjusted to simulate the average 12 CP loads and the average annual load on the Subtransmission Facilities; and (iii) the most recent cost-of-service load flow study. In addition, the Transmission Provider will also make available the instances (if any) over the prior two calendar years that transmission capacity set aside as CBM has been called upon to meet emergency generation deficits, including OASIS reference numbers, duration and amount of transmission capacity. A copy of the updated analysis of losses and CBM usage will be provided to customers taking Network Integration Transmission Service, customers taking Long-Term Firm Point-to-Point Transmission Service, and other interested parties upon request and shall also be made available on the Transmission Provider's OASIS.

EXHIBIT A

FORM OF INFORMATIONAL SCHEDULE A

Charges For Long-Term and Short-Term Firm Point-To-Point Transmission Service

A. Charges for Bulk Transmission Service: For Firm Point-to-Point Transmission service provided during the period January 1, ____ through December 31, ____, the Transmission Customer shall, subject to Attachment V, compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Bulk Transmission Facilities (voltage levels above 44/46 kV) at the sum of the applicable charges set forth below:

Bulk Transmission
(voltage levels above 44/46 kV)

- (1) **Yearly delivery:** \$____ /kW of Reserved Capacity per year.
- (2) **Monthly delivery:** \$____ /kW of Reserved Capacity per month.
- (3) **Weekly delivery:** \$____ /kW of Reserved Capacity per week.
- (4) **On-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (5) **Off-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.

B. Charges for Subtransmission Service: For Firm Point-to-Point Transmission service provided during the period January 1, ____ through December 31, ____, the Transmission Customer shall, subject to Attachment V, compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Subtransmission Facilities (voltage levels at 44/46 kV) at the sum of the applicable charges set forth below:

Subtransmission
(voltage levels at 44/46 kV)

- (1) **Yearly delivery:** \$____ /kW of Reserved Capacity per year.
- (2) **Monthly delivery:** \$____ /kW of Reserved Capacity per month.
- (3) **Weekly delivery:** \$____ /kW of Reserved Capacity per week.
- (4) **On-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (5) **Off-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.

C. Description of On-Peak and Off-Peak Daily delivery periods: The on-peak daily delivery charge is applicable to daily service provided on a Monday through Friday of any given week, except for the six (6) holidays recognized by NERC. The off-peak daily delivery charge is applicable to service provided on a Saturday, Sunday, and any of the six (6) holidays recognized by NERC. For service at the bulk transmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Bulk Transmission table above times the highest amount in kilowatts of Reserved Capacity at the bulk transmission service level on any given day during such week. In addition, for service at the subtransmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Subtransmission table above times the highest amount in kilowatts of Reserved Capacity at the subtransmission service level on any given day during such week.

D. Discounts: Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by any customer's wholesale merchant or an affiliate) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be

immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

EXHIBIT B

FORM OF INFORMATIONAL SCHEDULE B

Charges For Bulk Non-Firm Point-To-Point Transmission Service

A. Charges for Bulk Transmission Service: For Non-Firm Point-To-Point Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, subject to Attachment V, compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Bulk Transmission Facilities (voltage levels above 44/46 kV) at the sum of the applicable bulk charges set forth below:

Bulk Transmission
(voltage levels above 44/46 kV)

- (1) **Monthly delivery:** \$_____/kW of Reserved Capacity per month.
- (2) **Weekly delivery:** \$_____/kW of Reserved Capacity per week.
- (3) **On-Peak Daily delivery:** \$_____/kW of Reserved Capacity per day.
- (4) **Off-Peak Daily delivery:** \$_____/kW of Reserved Capacity per day.
- (5) **On-Peak Hourly delivery:** \$_____/kW of Reserved Capacity per hour.
- (6) **Off-Peak Hourly delivery:** \$_____/kW of Reserved Capacity per hour.

B. Charges for Subtransmission Service: For Non-Firm Point-To-Point Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, subject to Attachment V, compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Subtransmission Facilities (voltage levels at 44/46 kV) at the sum of the applicable bulk charges set forth below:

Subtransmission
(voltage levels at 44/46 kV)

- (1) **Monthly delivery:** \$____ /kW of Reserved Capacity per month.
- (2) **Weekly delivery:** \$____ /kW of Reserved Capacity per week.
- (3) **On-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (4) **Off-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (5) **On-Peak Hourly delivery:** \$____ /kW of Reserved Capacity per hour.
- (6) **Off-Peak Hourly delivery:** \$____ /kW of Reserved Capacity per hour.

C. Description of On-Peak and Off-Peak Daily delivery periods: The on-peak daily delivery charge is applicable to daily service provided on a Monday through Friday of any given week, except for the six (6) holidays recognized by NERC. The off-peak daily delivery charge is applicable to service provided on a Saturday, Sunday, and any of the six (6) holidays recognized by NERC. For service at the bulk transmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Bulk Transmission table above times the highest amount in kilowatts of Reserved Capacity at the bulk transmission service level on any given day during such week. In addition, for service at the subtransmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Subtransmission table above times the highest amount in kilowatts of Reserved Capacity at the subtransmission service level on any given day during such week.

D. Description of On-Peak and Off-Peak Hourly delivery periods: The on-peak hourly delivery charge is applicable to hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (Prevailing Central Time), on a Monday through Friday, except on the

six (6) holidays recognized by NERC. The off-peak hourly charge is applicable to service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (Prevailing Central Time) and during all hours of a Saturday, Sunday, and any of the six (6) holidays recognized by NERC. For service at the bulk transmission level, the total demand charge in any day, pursuant to reservation(s) for hourly service, shall not exceed the on-peak daily delivery charge specified in the Bulk Transmission table above times the highest amount in kilowatts of Reserved Capacity at the bulk transmission service level in any given hour during such day and shall not exceed the on-peak daily delivery charge specified in the Bulk Transmission table for Firm Point-to-Point Transmission Service in Informational Schedule A times the highest amount in kilowatts of Reserved Capacity at the bulk transmission level on any given hour during such day. In addition, for service at the subtransmission level, the total demand charge in any day, pursuant to reservation(s) for hourly service, shall not exceed the on-peak daily delivery charge specified in the Subtransmission table above times the highest amount in kilowatts of Reserved Capacity at the subtransmission service level in any given hour during such day and shall not exceed the on-peak daily delivery charge specified in the Subtransmission table for Firm Point-to-Point Transmission Service in Informational Schedule A times the highest amount in kilowatts of Reserved Capacity at the subtransmission level on any given hour during such day.

E. Discounts: Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by any customer's wholesale merchant or an affiliate) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from

point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

EXHIBIT C

FORM OF INFORMATIONAL SCHEDULE C

Charges for Bulk Network Integration Transmission Service

A. Charges for Bulk Transmission Service: For Network Integration Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, subject to Attachment V, compensate the Transmission Provider each month for the use of the Transmission Provider's Bulk Transmission Facilities (voltage levels above 44/46 kV) at the applicable charges set forth below:

- 1) **Yearly delivery:** \$_____/kW-year.
- 2) **Monthly delivery:** \$_____/kW-month.

B. Charges for Subtransmission Service: For Network Integration Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall compensate the Transmission Provider each month for the use of the Transmission Provider's Subtransmission Facilities (voltage levels at 44/46 kV) at the applicable charges set forth below:

- 1) **Yearly delivery:** \$_____/kW-year.
- 2) **Monthly delivery:** \$_____/kW-month.

EXHIBIT D

FORM OF INFORMATIONAL SCHEDULE D

Charges for Recovery of the FERC Annual Charge and Attachment K Costs

For service provided during the period October 1, _____ through September 30, _____, the Transmission Customer shall compensate the Transmission Provider each month for: (i) the FERC Annual Charge at the following Charge Factor(s) provided by the Federal Energy Regulatory Commission in its invoices to the Transmission Provider:

Charge Factor: \$_____/MWh for energy deliveries per month;

Charge Factor (if more
than one Charge Factor
is set forth on the invoices
from FERC): \$_____/MWh for energy deliveries per
month;

and (ii) the Transmission Provider's costs for the prior calendar year in implementing its requirements, duties, and activities under Attachment K, the Southeastern Regional Transmission Planning Process:

Charge Factor: \$_____/MWh for energy deliveries per month.

ATTACHMENT R

Form of Service Agreement For Tariff Schedule 10 - Generator Imbalance Service

- 1.0 This Service Agreement, dated as of _____ (“Effective Date”), is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, and Mississippi Power Company (collectively, “Transmission Provider”), and _____, a _____ (“Generator Imbalance Service Customer”) (collectively, the “Parties” and individually a “Party”), pursuant to Southern Companies’ Open Access Transmission Tariff (“Tariff”).
- 2.0 The Generator Imbalance Service Customer owns, operates and/or controls or is authorized to schedule the output of that certain electric generating facility located at or in _____ (the “Facility”) and such Facility is owned, operated and/or controlled by _____.
- 3.0 The Transmission Provider has determined that the Generator Imbalance Service Customer has completed an Application for Tariff Schedule 10 - Generator Imbalance Service.
- 4.0 Service under this Service Agreement shall commence on the later of (1) the requested service commencement date (“Start Date”), or (2) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the Parties (“Termination Date”).
- 5.0 The Transmission Provider agrees to provide and the Generator Imbalance Service Customer agrees to take and pay for Schedule 10 – Generator Imbalance Service in accordance with the provisions of Schedule 10 of the Tariff and this Service Agreement.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

Generator Imbalance Service Customer:

7.0 The Tariff is incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Transmission Provider:

By: _____
Name Title Date

Generator Imbalance Service Customer:

By: _____
Name Title Date

Specifications for Schedule 10 - Generator Imbalance Service

1.0 Term of Service:

Start Date: _____

Termination Date: _____

2.0 Reservation Quantity: _____

The reasonably determined capability of the Facility, in megawatt hours per hour (MWH/hr), elected by the Generator Imbalance Service Customer as the maximum quantity of energy that may be scheduled from the Facility to be delivered to the Transmission System at the Point of Interconnection in any given hour. For Facilities with capability that varies by season, the Reservation Quantity may be the maximum annual capability of the Facility. The Reservation Quantity may be increased or decreased by providing thirty (30) days prior written notice to Transmission Provider in accordance with this Service Agreement.

Tariff record deleted

ATTACHMENT V

TRANSMISSION SERVICE COORDINATION BETWEEN SOUTHERN COMPANIES AND GULF

The Gulf Power Company (“Gulf”) Transmission System and electric generating facilities historically were operated as an integrated system with that of Southern Companies. Transmission service over the Gulf Transmission System was offered under Southern Companies’ Tariff. Upon closing of the sale of Gulf to a wholly owned subsidiary of NextEra Energy, Inc. (“NextEra”), Gulf will offer transmission service on a stand-alone basis under the terms and conditions of this Tariff. To ensure the orderly separation of the Gulf system from Southern Companies, Gulf and Southern Companies implemented the terms and conditions set forth in this Attachment V in order to provide for the orderly transition of electric transmission matters and to protect the Transmission Customers of Gulf and Southern Companies from certain transmission rate change impacts that might otherwise result from the sale of Gulf to NextEra.

As of the Closing Date, Southern Companies and Gulf will provide transmission service over their respective Transmission Systems, and associated Ancillary Services, pursuant to the terms and conditions of their respective Tariffs. The rates, terms, and conditions provided elsewhere in this Tariff shall be subject to the provisions of this Attachment V, including the transmission Service Agreements being adopted in accordance with this Attachment V, and any conflict between the rates, terms, and conditions provided for elsewhere in this Tariff and the provisions of this Attachment V shall be resolved in favor of this Attachment V.

1. DEFINITIONS.

All capitalized terms used herein and not otherwise defined in Section 1 or Attachment J of this Tariff, and/or Gulf’s Tariff depending on context, whether singular or plural, shall have the respective meanings set forth below.

“Closing Date” means the date of the closing of the Transaction, which is _____ [DATE TO BE ADDED].

“Generator Supplied Ancillary Services” shall mean the following Ancillary Services provided under the Gulf and Southern Companies’ Tariffs: Reactive Supply and Voltage Control from Generation or Other Sources Services; Regulation and Frequency Response; Energy Imbalance Service; Operating Reserve – Spinning Reserve Service; and Operating Reserve – Supplemental Reserve Service.

“Gulf Grandfathered Resource” means any generating resource in which Gulf has an ownership interest or associated power purchase agreement as of the Closing Date that is identified in Exhibit 1 hereto.

“Gulf System” means the Gulf electric system located within the boundaries of Gulf’s service territory as that territory exists as of the Closing Date.

“IIC” means the Southern Company System Intercompany Interchange Contract, Dated May 1, 2007 including Appendix A thereto which is to become effective as of the Closing Date.

“Interconnected Generation” means a generation facility located within the boundaries of Gulf’s or Southern Companies’ service territory as that territory exists on the Closing Date.

“Kingfisher I EPA” means the Energy Purchase Agreement between Morgan Stanley Capital Group Inc. and Gulf Power Company dated as of December 18, 2014, as amended.

“Kingfisher II EPA” means the Energy Purchase Agreement between Morgan Stanley Capital Group Inc. and Gulf Power Company dated as of June 10, 2016.

“Other Grandfathered Resource” means a generating resource identified in Exhibit 2 hereto.

“Pending Interconnection Requests” shall mean those Interconnection Requests as of the Closing Date identified in Exhibit 3 hereto.

“Post-Transition Period” means the period of time as set forth in Section 2.2.1 below.

“Rollover Rights” shall mean the right of an existing long-term Transmission Customer taking Tariff service having at least a five (5) year term to continue taking service at the end of that term subject to certain requirements and conditions, as provided in Section 2.2 of the Commission’s *pro forma* OATT, this Tariff, and Gulf’s Tariff.

“Southern Companies” means Alabama Power Company, Georgia Power Company, and Mississippi Power Company.

“Tariff” shall mean a Commission-regulated, Open Access Transmission Tariff.

“Third Party Load” means the load of an entity other than Gulf or Southern Companies.

“Transaction” means the sale by Southern Company of all of the common stock of Gulf to 700 Universe LLC, a wholly-owned subsidiary of NextEra.

“Transition Period” means the period of time as set forth in Section 2.1.1 below.

2. TRANSMISSION SERVICE FOR GULF AND SOUTHERN COMPANIES ON THE OTHER'S TRANSMISSION SYSTEM DURING THE TRANSITION AND POST-TRANSITION PERIODS.

2.1. TRANSITION PERIOD.

2.1.1. Term. The term of the Transition Period shall be from the Closing Date until Gulf's participation in the IIC is terminated in accordance with Appendix A to the IIC.

2.1.2. Service Agreements. Concurrent with the Closing Date, Gulf and Southern Companies will enter into Service Agreements for Network Integration Transmission Service under the other's Tariff providing for energy receipts and deliveries associated with their participation in the IIC consistent with the terms of this Attachment V.

(a) Each such Service Agreement shall reflect the designation of the IIC as a Network Resource, and the Gulf Grandfathered Resources will be designated by Gulf as Network Resources pursuant to its Service Agreement with Southern Companies. Except as set forth in Section 3 below related to an Other Grandfathered Resource, no other Network Resources may be added to these Service Agreements, and secondary service shall not be available under these Service Agreements. A party seeking transmission service with respect to an additional resource must request transmission service as set forth in Section 5 below.

(b) The Network Load of each party under its respective Service Agreement shall be, (i) in the case of Gulf, the Gulf load and (ii) in the case of Southern Companies, equal to Gulf-owned Interconnected Generation located on Gulf's System.

(c) Each such Service Agreement shall terminate at the end of the Transition Period.

(d) The charge for transmission service is as set forth in Section 4 below.

(e) The charge for Ancillary Service is as set forth in Section 8 below.

(f) Such Service Agreements will not have Rollover Rights and no party may resell, reassign, assign or otherwise convey of any or all of their rights and obligations under or related to their Service Agreement.

2.1.3. During the Transition Period, Gulf shall remain a part of Southern Companies' Balancing Authority Area for generating dispatch and bulk transmission operations.

2.2. POST-TRANSITION PERIOD.

2.2.1. Term. The Post-Transition Period shall commence promptly upon Gulf no longer being a participant to the IIC in accordance with Appendix A to the IIC.

2.2.2. Service Agreements. In order to enable the delivery of the output from the Gulf Grandfathered Resources to the Gulf Transmission System after the Transition Period, concurrent with the Closing Date, Gulf will enter into Service Agreements for Firm Point-To-Point Transmission Service under Southern Companies' Tariff.

(a) Gulf has entered into two energy purchase agreements: (i) the Kingfisher I EPA and (ii) the Kingfisher II EPA (collectively, the "Kingfisher EPAs"). Gulf will enter into a Service Agreement for Long-Term Firm Point-To-Point Transmission Service under Southern Companies' Tariff for each of these energy purchase agreements. Consistent with the Kingfisher I EPA and the Kingfisher II EPA, the Point of Receipt under each of these Service Agreements must be redirected to a specific and valid Point of Receipt/source combination on a short-term basis only, but the Point of Delivery may not be redirected. The maximum amount of capacity and energy to be transmitted under each of the Service Agreements shall be equal to the hourly energy profile set forth in Appendix A to the associated power purchase agreement (*i.e.*, either the Kingfisher I EPA or the Kingfisher II EPA, as the case may be).

(b) Gulf will enter into two Service Agreements for Long-Term Firm Point-To-Point Transmission Service under Southern Companies' Tariff with respect to its ownership interest in Plant Daniel, Unit 1 and Unit 2 and Plant Scherer, Unit 3.

(c) The charge for transmission service under these Service Agreements is as set forth in Section 4 below.

(e) The charge for each Ancillary Service is as set forth in Section 8 below.

(f) Such Service Agreements will not have Rollover Rights and no party may redirect, except as provided in Section 2.2.2(a) above, such transmission service or resell, reassign, assign or otherwise convey of any or all of their rights and obligations under or related to any such Service Agreement.

2.2.3. After the Transition Period, Gulf will need to form its own Balancing Authority Area, unless Gulf makes other arrangements for the balancing of its

system in accordance with applicable requirements. Gulf and Southern Companies shall engage in good faith negotiations and coordination with regard to Gulf's establishment of a separate Balancing Authority Area arrangement and any associated impacts and costs imposed upon Southern Companies.

3. OTHER GRANDFATHERED RESOURCE.

Southern Companies have the right to designate an Other Grandfathered Resource as a resource during the Transition Period or the Post-Transition Period, subject to the pricing terms set forth in Section 4 below. A Transmission Customer shall have the right to take transmission service from an Other Grandfathered Resource so as to deliver its power to a Point of Delivery at an interface on Southern Companies' Transmission System to serve load located outside of Southern Companies' Balancing Authority Area, subject to the pricing terms set forth in Section 4 below.

4. TRANSMISSION CHARGES FOR GULF AND SOUTHERN COMPANIES USING THE OTHER'S TRANSMISSION SYSTEM TO SERVE THEIR RESPECTIVE LOADS.

- 4.1. Transition Period. Neither Gulf nor Southern Companies will receive payment for Network Integration Transmission Service provided under the Service Agreements set forth in Section 2.1.2 because the Transmission Provider under each such agreement will waive its charges to \$0 for such Network Integration Transmission Service for Interconnected Generation that serves load in the other's system.
- 4.2. Post-Transition Period. Southern Companies will not receive payment for the Point-To-Point Transmission Service under the Service Agreements set forth in Section 2.2.2 because Southern Companies will waive to \$0 their charges for such transmission service.
- 4.3. Other Grandfathered Resource. With regard to rates for point-to-point transmission service for power that is sourced from an Other Grandfathered Resource on the Gulf System should it (i) become a Southern Companies resource as contemplated in Section 3, or (ii) take transmission service from both Gulf and Southern Companies with a Point of Delivery at an interface on Southern Companies' Transmission System to serve load located outside of Southern Companies' Balancing Authority Area, Gulf will waive to \$0 its charges for such transmission service.

5. NEW TRANSMISSION SERVICE FOR GULF OR SOUTHERN COMPANIES ON THE OTHER'S TRANSMISSION SYSTEM.

- 5.1 Any Interconnected Generation on Southern Companies' Transmission System, or any generation resource located outside of Southern Companies' Balancing

Authority Area whose output is delivered under Southern Companies' Tariff, that becomes a new Gulf resource (i.e., not a resource under the IIC during the Transition Period or a Gulf Grandfathered Resource) after the Closing Date, shall be subject to the terms, conditions, and pricing of Southern Companies' Tariff, without regard to the waiver to \$0 of charges (e.g., transmission or ancillary) as set forth in this Attachment V.

- 5.2 Any Interconnected Generation on the Gulf System that becomes a new Southern Companies resource (i.e., not a resource subject to the IIC during the Transition Period) (with the exception of an Other Grandfathered Resource) after the Closing Date, shall be subject to the terms, conditions, and pricing of Gulf's Tariff, without regard to the waiver to \$0 of charges (e.g., transmission or ancillary) as set forth in this Attachment V.

6. TRANSMISSION SERVICE ASSOCIATED WITH THIRD PARTIES.

- 6.1 As of the Closing Date, a third party Transmission Customer that takes transmission service under Gulf's Tariff, including such Transmission Customers taking such service as of the Closing Date, shall execute, or have filed on an unexecuted basis, Service Agreement(s) with Gulf.
- 6.2 Beginning on the Closing Date, Gulf and Southern Companies' respective transmission charges shall be as set forth below so as to provide relief to their Transmission Customers from certain transmission rate changes that might otherwise result from the Transaction. Such rates shall apply to Transmission Customers as set forth below.
- 6.2.1. With regard to rates for transmission service for power that is sourced (i) from Interconnected Generation on the Gulf System and that serves Third Party Load in Southern Companies' system, (ii) from an Other Grandfathered Resource on the Gulf System that becomes a Southern Companies resource, or (iii) from an Other Grandfathered Resource on the Gulf System having a Point of Delivery at an interface on Southern Companies' Transmission System to serve load located outside of Southern Companies' Balancing Authority Area, the transmission customer will pay Southern Companies' applicable transmission service rate, and Gulf shall waive to \$0 its charges for transmission service under Gulf's Tariff; provided, however, that responsibility for the cost of Network Upgrades, Direct Assignment Facilities or other incremental costs necessary to provide the requested service on the Gulf System will be recovered from the Transmission Customer. Any crediting or "higher of" pricing determinations will be made in accordance with applicable Commission policies. Specifically, for purposes of any transmission credits to offset the cost of customer-funded upgrades or incremental costs on the Gulf System, the rate/charges against which any credits will be

applied shall be the waived to \$0 rate/charges specified in this Attachment V. For purposes of any “higher of” comparison for transmission service on the Gulf System, Gulf’s embedded cost rate shall be the waived to \$0 rate/charges specified in this Attachment V.

- 6.2.2. For rates for transmission service for power that (i) is sourced from Interconnected Generation on Southern Companies’ Transmission System and that serves Third Party Load in the Gulf System or (ii) has a Point of Receipt at an interface on Southern Companies Transmission System from a generation resource located outside of Southern Companies’ Balancing Authority Area and that serves Third Party Load in the Gulf System, the Transmission Customer will pay the applicable Gulf Tariff rate, and Southern Companies shall waive to \$0 its charges for transmission service under Southern Companies’ Tariff; provided, however, that responsibility for the cost of Network Upgrades, Direct Assignment Facilities or other incremental costs necessary to provide the requested service on Southern Companies’ system will be recovered from the Transmission Customer. Any crediting or “higher of” pricing determinations will be made in accordance with applicable Commission policies. Specifically, for purposes of any transmission credits to offset the cost of customer-funded upgrades or incremental costs on Southern Companies’ transmission system, the rate against which any credits will be applied shall be the waived to \$0 rate/charges specified in this Attachment V. For purposes of any “higher of” comparison for transmission service on Southern Companies’ transmission system, Southern Companies’ embedded cost rate shall be the waived to \$0 rate/charges as specified in this Attachment V.
- 6.2.3. Third party Network Customers with Network Load on both the Gulf System and Southern Companies system will continue to be permitted to use designated Network Resources on either such system and take secondary service from resources on either such system to serve Network Load on either such system. Each such Network Customer shall pay Gulf for such transmission service at a rate equal to Gulf’s rate for Network Integration Transmission Service, subject to Section 7, for the amount of Network Load on the Gulf System, and shall pay Southern Companies for such transmission service at a rate equal to Southern Companies’ rate for Network Integration Transmission Service for the amount of Network Load on Southern Companies’ Transmission System. As applicable, Gulf or Southern Companies will waive to \$0 its charges for transmission service for the transmission of power from resources on its Transmission System to the other’s Transmission System for purposes of serving such Network Load on the other Transmission System; provided, however, that responsibility for the cost of Network Upgrades, Direct Assignment Facilities, or other incremental costs necessary to provide requested

service, whether on the Gulf System or Southern Companies Transmission System, will be determined consistent with sections 6.2.1 and 6.2.2 of this Attachment V.

7. GULF RATE CAP

For a period of five (5) years from the Closing Date, Gulf will cap its transmission rates at the lower of the rate produced by the Gulf formula rate or the Southern Companies transmission rate. For purposes of the rate cap, the Southern Companies transmission rate is the higher of: (i) Southern Companies' transmission rates for particular services (*i.e.*, Firm Point-to-Point Transmission Service, Non-Firm Point-to-Point Transmission Service, Network Integration Transmission Service) that were in effect as of the day prior to the Closing Date or (ii) such Southern Companies rates as they may change from time to time after the Closing Date.

8. ANCILLARY CHARGES.

8.1. Transition Period. During the Transition Period, Gulf and Southern Companies will continue to provide Ancillary Services to support deliveries on both Gulf's Transmission System and Southern Companies' Transmission System from the combined resources of both Gulf and Southern Companies. Therefore, Gulf and Southern Companies will use Southern Companies' then-applicable rate as a single rate for each applicable Ancillary Service during the Transition Period. Such rates shall apply to all applicable Transmission Customers; provided, however, such rates shall not be applied to Gulf or Southern Companies because both Gulf and Southern Companies are self-supplying each of the Generator Supplied Ancillary Services and Generator Imbalance Service, and are already bearing the costs for Scheduling, System Control and Dispatch Service.

8.2. Post Transition Period. After the Transition Period, Gulf shall establish its own rates for Ancillary Services, which shall be stated in the Ancillary Service schedules to this Tariff.

8.2.1. For transmission service for power that is sourced (i) from Interconnected Generation on the Gulf System that serves Third Party Load on Southern Companies' Transmission System, or (ii) from an Other Grandfathered Resource on the Gulf System that becomes a Southern Companies' resource, the Transmission Customer will pay (barring self-supply through alternative comparable arrangements): (a) to Southern Companies, Southern Companies rates for Generator Supplied Ancillary Services; to Gulf, the Gulf rate for Generator Imbalance Service; and, Gulf's rates for Generator-Supplied Ancillary Services shall be waived to \$0; and, (b) to both Southern Companies and Gulf, each company's respective rate for Scheduling, System Control and Dispatch Service.

- 8.2.2. For transmission service for power that is sourced (i) from Interconnected Generation on Southern Companies' Transmission System that serves Third Party Load on the Gulf System, or (ii) from any generation resource located outside of Southern Companies' Balancing Authority Area whose output is delivered under Southern Companies' Tariff that serves Third Party Load on the Gulf System, the Transmission Customer will pay (barring self-supply through alternative comparable arrangements): (a) to Gulf, the Gulf rates for Generator Supplied Ancillary Services; to Southern Companies, Southern Companies' rate for Generator Imbalance Service if applicable; and, Southern Companies' rates for Generator-Supplied Ancillary Services shall be waived to \$0; and, (b) to both Gulf and Southern Companies, each company's respective rate for Scheduling, System Control and Dispatch Service.
- 8.2.3. For transmission service for power that is sourced from Gulf Grandfathered Resources, Gulf will pay to Southern Companies, Southern Companies' rate for Generator Imbalance Service and Scheduling, System Control, and Dispatch Service, and Southern Companies' rate for the other pertinent Generator Supplied Ancillary Services shall be waived to \$0.
- 8.2.4. For Network Customers with Network Load on both the Gulf System and Southern Companies' Transmission System, each such Network Customer will pay (barring self-supply through alternative comparable arrangements) (i) to Southern Companies, Southern Companies' rates for Generator Supplied Ancillary Services for the amount of Network Load on Southern Companies' Transmission System, and Southern Companies' rate for Generator Imbalance Service for the generation on Southern Companies' Transmission System; (ii) to Gulf, the Gulf rates for Generator Supplied Ancillary Services for the amount of Network Load on the Gulf System, and the Gulf rate for Generator Imbalance Service for the amount of generation on the Gulf System; and, (iii) to both Gulf and Southern Companies, each company's respective rate for Scheduling, System Control and Dispatch Service.
- 8.3. Treatment of Certain Ancillary Charges as between Gulf and Southern Companies.
- 8.3.1. In recognition of Commission policies with respect to compensation for reactive power capability for third-party generation, Southern Companies' rate for Reactive Supply and Voltage Control from Generation or Other Sources Services charged to Gulf for transmission service for power that is sourced from the Gulf Grandfathered Resources will be waived to \$0, and Gulf will not to seek compensation from Southern Companies with respect to reactive power.

8.3.2 In addition, the provisions of Section 8.2 will not apply to power sourced from a generating resource, including a Gulf Grandfathered Resource or Other Grandfathered Resource, physically located in Southern Companies system or the Gulf System but is dynamically scheduled or pseudo-tied into the other's Balancing Authority Area. For such deliveries of power, the rates for Generator Supplied Ancillary Services and Generator Imbalance Service of neither the source Transmission Provider nor the Transmission Provider into whose Balancing Authority Area the generation is dynamically scheduled or pseudo-tied will apply, with the exception that each Transmission Provider shall apply its rate for Scheduling, System Control and Dispatch Service.

9. DERIVATION OF TRANSMISSION LOAD FOR PURPOSES OF THE CALCULATION OF OATT CHARGES

9.1 The determination of load for purposes of calculating charges under Southern Companies' and Gulf's Tariffs shall be adjusted as provided herein. The purpose of this adjustment is to provide consistency between the calculation of such charges and the rate protections provided in this Attachment V to Transmission Customers.

9.2. Specifically, in deriving the load to be used in calculating any of the rates or charges under Southern Companies' or Gulf's Tariffs, the following will ***not*** be included in deriving the load for purposes of any such calculation: i) loads for Network Customers where the charges for any such load is the waived to the \$0 rate/charges provided in this Attachment V or ii) long-term firm point-to-point reservations where the charges for any such reservation is waived to the \$0 rate/charges provided in this Attachment V. Without limiting the generality of the foregoing, this exclusion shall apply to the following: the derivation of bulk transmission loads for purposes of Attachment M, Sections 4.2 and 4.4, the derivation of subtransmission loads for purposes of Attachment M Section 5.2, and the derivation of the denominator in the calculation of the Attachment K charge factor for purposes of Attachment M, Section 6.8.

9.3 The FERC Annual Charge Factor addressed at Attachment M is determined independently by the Commission as it is specified on the Commission's invoices to the Transmission Provider.

10. PENDING INTERCONNECTION REQUESTS.

10.1. The Interconnection Requests identified at Exhibit 3 ("Pending Interconnection Requests") are those submitted prior to the Closing Date for generator interconnection requests to the Gulf System and are under study pursuant to the State of Florida statutes and regulations regarding Public Utility Regulatory Policies Act ("PURPA") projects, or under either Southern Companies' Large

Generation Interconnection Procedures (“LGIP”) or Small Generator Interconnection Procedures (“SGIP”) as the case may be, that are provided at Attachment J and Attachment J-2, respectfully, of Southern Companies’ Tariff.

- 10.2. So as to provide for an orderly processing of the Pending Interconnection Requests in accordance with Gulf’s and Southern Companies’ Tariff obligations, Southern Companies will finalize the pertinent Interconnection Studies for all Pending Interconnection Requests (i.e., those submitted prior to the Closing Date). Specifically, Southern Companies will perform all aspects of the Transmission Provider’s requirements under the LGIP and SGIP, as the case may be, up to and including preparation of a final Interconnection Facilities Study report, which shall be provided to Gulf for its review and approval prior to issuance. Gulf will provide any cost information, interconnection details, and other support as needed for Southern Companies to perform this service consistent with all requirements of Southern Companies’ Tariff.
- 10.3. After the issuance of the final Interconnection Facilities Study report for each Pending Interconnection Request, Southern Companies will no longer have any responsibilities for that specific Interconnection Request, and Gulf will assume full responsibility for all of the Transmission Provider’s remaining responsibilities under the State of Florida statutes and regulations regarding PURPA projects or under the LGIP and SGIP, as the case may be, for that Interconnection Request. For purposes of clarification, this transfer of responsibilities means that Gulf, and not Southern Companies, will tender an appropriate draft generator interconnection agreement (*e.g.*, Large Generator Interconnection Agreement or Small Generator Interconnection Agreement) to the Interconnection Customer, with Gulf (and not Southern Companies) then to execute or otherwise be a party to any resulting generator interconnection agreement.

11. ALLOCATION OF ANCILLARY SERVICES REVENUE BETWEEN GULF AND SOUTHERN COMPANIES DURING THE TRANSITION PERIOD.

As set forth in Section 8.1, Gulf and Southern Companies will use Southern Companies’ then-applicable rate as a single rate for each applicable Ancillary Service during the Transition Period for transmission service that uses both of their respective Transmission Systems. The Ancillary Services revenues received shall be allocated between Gulf and Southern Companies as provided as provided below:

- (a) *Scheduling, System Control and Dispatch Service:*

For Network, Long-Term Firm Point-to-Point, Non-Firm and Short-Term Firm Point-to-Point service, the revenues are allocated using transmission usage ratios for Gulf and Southern Companies;

(b) *Reactive Supply and Voltage Control from Generation or Other Sources Service:*

For Network and Long-Term Firm Point-to-Point service, the revenues are allocated using MW-mile ratios for Gulf and Southern Companies for the transaction;

(c) *Reactive Supply and Voltage Control from Generation or Other Sources Service:*

For Non-Firm and Short-Term Firm Point-to-Point service, the revenues are allocated on a peak period load ratio basis;

(d) *Other Ancillary Services (i.e., Generator Imbalance Service, Operating Reserve – Spinning Reserve Service, Operating Reserve – Supplemental Reserve Service, Regulation and Frequency Response Service, Energy Imbalance Service typically in connection with Network Service):*

The revenues are allocated on a peak period load ratio basis.

EXHIBIT 1

GULF GRANDFATHERED RESOURCES

1. Plant Daniel

Gulf owns 50% of Units 1 and 2 of Plant Daniel. The Transmission Customer's portion of these two steam generating units currently totals approximately ~500 MW. Plant Daniel is connected to Southern Companies' Transmission System and is located near Escatawpa, Mississippi.

2. Plant Scherer

Gulf owns 25% of Unit 3 of Plant Scherer. The Transmission Customer's portion of this steam generating unit currently totals 220 MW. Plant Scherer is connected to Southern Companies' Transmission System and is located in Juliette, Georgia.

3. The firm purchase from Central Alabama for 885 MW that will terminate on May 31, 2023.

4. The firm purchase from Kingfisher I EPA for up to 127 MW that will terminate on December 31, 2035.

5. The firm purchase from Kingfisher II EPA for up to 67 MW that will terminate on December 31, 2035.

EXHIBIT 2

OTHER GRANDFATHERED RESOURCES

1. The Santa Rosa Energy Center, LLC's 255 MW generating facility located at 5001 Sterling Way, Pace, Florida 32571.

EXHIBIT 3

PENDING INTERCONNECTION REQUESTS

Request #	Facility Name	Location	Point of Interconnection	Voltage
IC-712	Calhoun County Solar	Calhoun County, FL	Smith-Sinai Cemetery 230 kV Line	230 kV
IC-710	Bear Creek Solar Farm	Bay County, FL	Marianna - Bay County 115 kV Line	115 kV
IC-708	Greenwood Solar	Jackson County, FL	Caverns Substation 115 kV Bus	115 kV
IC-687	Jay II Solar	Santa Rosa County, FL	Exxon-Blackjack (Radial) 115 kV Line	115 kV
IC-686	Jay I Solar	Santa Rosa County, FL	Exxon-Blackjack (Radial) 115 kV Line	115 kV
IC-680	Jones Solar Center	Santa Rosa County, FL	Crist-South Crestview #2 115 kV Line	115 kV
IC-669	Altha Solar	Calhoun County, FL	Calaway – Sinai 115 kV Line	115 kV
IC-668	West Grand Ridge Solar PO12	Jackson County, FL	Sinai – West Grand Ridge 115 kV Line	115 kV
IC-667	Santa Rosa Solar	Santa Rosa County, FL	Exxon-Blackjack (Radial) 115 kV Line	115 kV
IC-658	West Grand Ridge Solar	Jackson County, FL	Marianna – West Grand Ridge 115 kV Line	115 kV
IC-657	Horus Florida 1	Bay County, FL	Marianna – Bay County 115 kV Line	115 kV
IC-654	Sable Solar	Okaloosa County, FL	Crist – South Crestview #1 115 kV Line	115 kV
IC-643	RMS Timber	Escambia County, FL	Champion – Flomaton 115 kV Line	115 kV
IC-631	IS 78	Calhoun County, FL	Smith – Sinai Cemetery 230 kV Line	230 kV
IC-621	Hatcher Solar	Jackson County, FL	Marianna – West Grand Ridge 115 kV Line	115 kV
IC-482	Mason Solar	Jackson County, FL	Marianna – Holmes Creek 115 kV Line	115 kV
IC-442	Panhandle Solar Project	Jackson County, FL	Sinai Cemetery – Farley 230 kV Line	230 kV

OPEN ACCESS TRANSMISSION TARIFF

OF

ALABAMA POWER COMPANY

GEORGIA POWER COMPANY

~~GULF POWER COMPANY~~

AND

MISSISSIPPI POWER COMPANY

(SOUTHERN COMPANIES)

TARIFF VOLUME NO. 5

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3 Ancillary Services

Ancillary Services are needed with transmission service to maintain reliability within and among the Control Areas affected by the transmission service. The Transmission Provider is required to provide (or offer to arrange with the local Control Area operator as discussed below), and the Transmission Customer is required to purchase, the following Ancillary Services (i) Scheduling, System Control and Dispatch, and (ii) Reactive Supply and Voltage Control from Generation or Other Sources.

The Transmission Provider is required to offer to provide (or offer to arrange with the local Control Area operator as discussed below) the following Ancillary Services only to the Transmission Customer serving load within the Transmission Provider's Control Area (i) Regulation and Frequency Response, (ii) Energy Imbalance, (iii) Operating Reserve - Spinning, and (iv) Operating Reserve – Supplemental. The Transmission Customer serving load within the Transmission Provider's Control Area is required to acquire these Ancillary Services, whether from the Transmission Provider, from a third party, or by self-supply.

The Transmission Provider is required to provide (or offer to arrange with the local Control Area Operator as discussed below), to the extent it is physically feasible to do so from its resources or from resources available to it, Generator Imbalance Service when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer using Transmission Service to deliver energy from a generator located within the Transmission Provider's Control Area is required to acquire Generator Imbalance Service, whether from the Transmission Provider, from a third party, or by self-supply.

The Transmission Customer may not decline the Transmission Provider's offer of Ancillary Services unless it demonstrates that it has acquired the Ancillary Services from another source. The Transmission Customer must list in its Application which Ancillary Services it will purchase from the Transmission Provider. A Transmission Customer that exceeds its firm reserved capacity at any Point of Receipt or Point of Delivery or an Eligible Customer that uses Transmission Service at a Point of Receipt or Point of Delivery that it has not reserved is required to pay for all of the Ancillary Services identified in this section that were provided by the Transmission Provider associated with the unreserved service. The Transmission Customer or Eligible Customer will pay for Ancillary Services based on the amount of transmission service it used but did not reserve.

If the Transmission Provider is a public utility providing transmission service but is not a Control Area operator, it may be unable to provide some or all of the Ancillary Services. In this case, the Transmission Provider can fulfill its obligation to provide Ancillary Services by acting as the Transmission Customer's agent to secure these Ancillary Services from the Control Area operator. The Transmission Customer may elect to (i) have the Transmission Provider act as its agent, (ii) secure the Ancillary Services directly from the Control Area operator, or (iii) secure the Ancillary Services (discussed in Schedules 3, 4, 5, 6 and 10) from a third party or by self-supply when technically feasible.

In the event of an unauthorized use of Ancillary Services by the Transmission Customer, the total bill for such unauthorized use (derived through application of the

governing rates and charges) shall be multiplied by 200 percent to produce the total amount due.

The specific Ancillary Services, prices and/or compensation methods are described on the Schedules that are attached to and made a part of the Tariff. [Attachment V contains additional provisions related to the provision of Ancillary Services.](#) Three principal requirements apply to discounts for Ancillary Services provided by the Transmission Provider in conjunction with its provision of transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. A discount agreed upon for an Ancillary Service must be offered for the same period to all Eligible Customers on the Transmission Provider's system. Sections 3.1 through 3.7 below list the seven Ancillary Services.

- 3.1 Scheduling, System Control and Dispatch Service:** The rates and/or methodology are described in Schedule 1.
- 3.2 Reactive Supply and Voltage Control from Generation or Other Sources Service:** The rates and/or methodology are described in Schedule 2.
- 3.3 Regulation and Frequency Response Service:** Where applicable the rates and/or methodology are described in Schedule 3.

- 3.4 Energy Imbalance Service:** Where applicable the rates and/or methodology are described in Schedule 4.
- 3.5 Operating Reserve - Spinning Reserve Service:** Where applicable the rates and/or methodology are described in Schedule 5.
- 3.6 Operating Reserve - Supplemental Reserve Service:** Where applicable the rates and/or methodology are described in Schedule 6.
- 3.7 Generator Imbalance Service:** Where applicable the rates and/or methodology are described in Schedule 10.

25 Compensation for Transmission Service

Rates for Firm and Non-Firm Point-To-Point Transmission Service are provided in the Schedules appended to the Tariff [\(subject to Attachment V\)](#): Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service (Schedule 7A); Recallable Long-Term Firm Point-To-Point Transmission Service (Schedule 7B); and Non-Firm Point-To-Point Transmission Service (Schedule 8). The Transmission Provider shall use Part II of the Tariff to make its Third-Party Sales. The Transmission Provider shall account for such use at the applicable Tariff rates, pursuant to Section 8.

34 Rates and Charges

The Network Customer shall pay the Transmission Provider for any Direct Assignment Facilities, Ancillary Services, and applicable study costs, consistent with Commission policy. The Network Customer shall also pay, ~~along with~~ the following (subject to Attachment V):

34.1 Monthly Demand Charge: The Network Customer shall pay the Monthly Demand Charge(s) determined in accordance with Attachment H for the applicable month.

34.2 Determination of Network Customer's Monthly Network Load: The Network Customer's monthly Network Load is its hourly load (including its designated Network Load not physically interconnected with the Transmission Provider under Section 31.3) coincident with the Transmission Provider's Monthly Transmission System Peak.

34.3 Determination of Transmission Provider's Monthly Transmission System Load: The Transmission Provider's monthly Transmission System load is the Transmission Provider's Monthly Transmission System Peak minus the coincident peak usage of all Firm Point-To-Point Transmission Service customers pursuant to Part II of this Tariff plus the Reserved Capacity of all Firm Point-To-Point Transmission Service customers.

34.4 Redispatch Charge: The Network Customer shall pay a Load Ratio Share of any redispatch costs allocated between the Network Customer and the Transmission Provider pursuant to Section 33. To the extent that the Transmission Provider incurs an obligation to the Network Customer for

redispatch costs in accordance with Section 33, such amounts shall be credited against the Network Customer's bill for the applicable month.

34.5 Stranded Cost Recovery: The Transmission Provider may seek to recover stranded costs from the Network Customer pursuant to this Tariff in accordance with the terms, conditions and procedures set forth in FERC Order No. 888. However, the Transmission Provider must separately file any proposal to recover stranded costs under Section 205 of the Federal Power Act.

SCHEDULE 1

Scheduling, System Control and Dispatch Service

This service is required to schedule the movement of power through, out of, within, or into a Control Area. This service can be provided only by the operator of the Control Area in which the transmission facilities used for transmission service are located. Scheduling, System Control and Dispatch Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Control Area operator. The charges for Scheduling, System Control and Dispatch Service are to be based on the rates set forth below [\(subject to Attachment V\)](#). To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

The rates for Scheduling, System Control and Dispatch Service are as follows:

\$0.9672/kW-year
\$0.0806/kW-month
\$0.0186/kW-week
\$0.0027/kW-day
0.17 mills/kW-hour (on-peak rate)
0.11 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level.

- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.
- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the "on-peak" hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the "off-peak" hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 2

Reactive Supply and Voltage Control from Generation or Other Sources Service

In order to maintain transmission voltages on the Transmission Provider's transmission facilities within acceptable limits, generation facilities and non-generation resources capable of providing this service that are under the control of the Control Area operator are operated to produce (or absorb) reactive power. Thus, Reactive Supply and Voltage Control from Generation or Other Sources Service must be provided for each transaction on the Transmission Provider's transmission facilities. The amount of Reactive Supply and Voltage Control from Generation or Other Sources Service that must be supplied with respect to the Transmission Customer's transaction will be determined based on the reactive power support necessary to maintain transmission voltages within limits that are generally accepted in the region and consistently adhered to by the Transmission Provider.

Reactive Supply and Voltage Control from Generation or Other Sources Service is to be provided directly by the Transmission Provider (if the Transmission Provider is the Control Area operator) or indirectly by the Transmission Provider making arrangements with the Control Area operator that performs this service for the Transmission Provider's Transmission System. The Transmission Customer must purchase this service from the Transmission Provider or the Control Area operator. The charges for such service will be based on the rates set forth below [\(subject to Attachment V\)](#). To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by the Control Area operator.

The Transmission Customer reserves all rights to self-supply or make comparable alternative arrangements in lieu of purchasing all or a portion of this service from the Transmission Provider to the extent permitted by Order No. 888 or succeeding orders.

The rates for Reactive Supply and Voltage Control from Generation or Other Sources Service are as follows:

\$1.3200/kW-year
\$0.1100/kW-month
\$0.0254/kW-week
\$0.0036/kW-day
0.23 mills/kW-hour (on-peak rate)
0.15 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted

to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.

- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the “on-peak” hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the “off-peak” hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 3

Regulation and Frequency Response Service

Regulation and Frequency Response Service is necessary to provide for the continuous balancing of resources (generation and interchange) with load and for maintaining scheduled Interconnection frequency at sixty cycles per second (60 Hz). Regulation and Frequency Response Service is accomplished by committing on-line generation whose output is raised or lowered (predominantly through the use of automatic generating control equipment) and by other non-generation resources capable of providing this service as necessary to follow the moment-by-moment changes in load. The obligation to maintain this balance between resources and load lies with the Transmission Provider (or the Control Area operator that performs this function for the Transmission Provider). The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Regulation and Frequency Response Service obligation. The Transmission Provider will take into account the speed and accuracy of regulation resources in its determination of Regulation and Frequency Response reserve requirements, including as it reviews whether a self-supplying Transmission Customer has made alternative comparable arrangements. Upon request by the self-supplying Transmission Customer, the Transmission Provider will share with the Transmission Customer its reasoning and any related data used to make the determination of whether the Transmission Customer has made alternative comparable arrangements. The amount of and charges for Regulation and Frequency Response Service are set forth below [\(subject to Attachment V\)](#). To the extent the Control Area operator performs this

service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Regulation and Frequency Response Service will be required to purchase an amount of service equal to 1.15 percent of the Transmission Customer's demand at the point of output from the bulk transmission service level for Point-To-Point Transmission Service or 1.15 percent of the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) for Network Integration Transmission Service. The billing determinants for this purchase will be reduced by any portion of the 1.15 percent purchase obligation that a Transmission Customer obtains from third parties or supplies itself, as contemplated by Section 3.

The rates for Regulation and Frequency Response Service are as follows:

\$50.40/kW-year
\$ 4.20/kW-month
\$ 0.9692/kW-week
\$ 0.1385/kW-day
8.65 mills/kW-hour (on-peak rate)
5.77 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the

point of output from the bulk transmission service level times the percent purchase obligation.

- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available times the percent purchase obligation.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.
- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the "on-peak" hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the "off-peak" hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 4

Energy Imbalance Service

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within a Control Area over a single hour. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Energy Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly energy imbalances under this Schedule or a penalty for hourly generator imbalances under Schedule 10 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

Derivations Within The Bandwidth

The Transmission Provider shall establish, [subject to Attachment V](#), charges for energy imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of incremental or decremental cost; (ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance

that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 125 percent of incremental cost or 75 percent of decremental cost.

For purposes of this Schedule, incremental cost and decremental cost represent the actual variable dispatch cost used by the Transmission Provider in the economic dispatch of its bulk power system to serve its system obligations and unit commitment costs incurred as a result of the provision of service under this Schedule. The components of variable dispatch cost are calculated in accordance with the Allocation Methodology and Periodic Rate Computation Procedure Manual, which is provided for in (and is part of) the Southern Company System Intercompany Interchange Contract ("IIC"), as updated from time to time and maintained on file with the Federal Energy Regulatory Commission. Under the IIC, centralized economic dispatch is accomplished on the Transmission Providers' bulk power system by dispatching system generating resources and purchases to meet its system obligations and to supply energy for sales to others. System generating resources are dispatched based on marginal replacement fuel cost, variable operations and maintenance expenses, in-plant fuel handling expenses, emission allowance replacement costs, and compensation for transmission losses. A purchase is recognized in economic dispatch on the basis of its energy cost.

SCHEDULE 5

Operating Reserve - Spinning Reserve Service

Spinning Reserve Service is needed to serve load immediately in the event of a system contingency. Spinning Reserve Service may be provided by generating units that are on-line and loaded at less than maximum output and by non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Spinning Reserve Service obligation. The amount of and charges for Spinning Reserve Service are set forth below, [subject to Attachment V](#). To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Operating Reserve-Spinning Reserve Service will be required to purchase an amount of service equal to 2.0 percent of the Transmission Customer's demand at the point of output from the bulk transmission service level for Point-To-Point Transmission Service or 2.0 percent of the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) for Network Integration Transmission Service. The billing determinants for this purchase will be reduced by any portion of the 2.0 percent purchase obligation that a Transmission Customer obtains from third parties or supplies itself, as contemplated by Section 3.

The rates for Operating Reserve-Spinning Reserve Service are as follows:

\$50.40/kW-year

\$ 4.20/kW-month

\$ 0.9692/kW-week

\$ 0.1385/kW-day

8.65 mills/kW-hour (on-peak rate)

5.77 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available times the percent purchase obligation.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted

to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.

- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the “on-peak” hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the “off-peak” hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 6

Operating Reserve - Supplemental Reserve Service

Supplemental Reserve Service is needed to serve load in the event of a system contingency; however, it is not available immediately to serve load but rather within a short period of time. Supplemental Reserve Service may be provided by generating units that are on-line but unloaded, by quick-start generation or by interruptible load or other non-generation resources capable of providing this service. The Transmission Provider must offer this service when the transmission service is used to serve load within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements to satisfy its Supplemental Reserve Service obligation. The amount of and charges for Supplemental Reserve Service are set forth below, [subject to Attachment V](#). To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator.

A Transmission Customer purchasing Operating Reserve-Supplemental Reserve Service will be required to purchase an amount of service equal to 2.0 percent of the Transmission Customer's demand at the point of output from the bulk transmission service level for Point-To-Point Transmission Service or 2.0 percent of the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) for Network Integration Transmission Service. The billing determinants for this purchase will be reduced by any portion of the 2.0 percent purchase obligation that a Transmission Customer obtains from third parties or supplies itself, as contemplated by Section 3.

The rates for Operating Reserve-Supplemental Reserve Service are as follows:

\$50.40/kW-year
\$ 4.20/kW-month
\$ 0.9692/kW-week
\$ 0.1385/kW-day
8.65 mills/kW-hour (on-peak rate)
5.77 mills/kW-hour (off-peak rate)

The charge for this service shall be determined as follows:

- For Firm Point-To-Point Transmission Service, the applicable rate (yearly, monthly, weekly or daily) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Non-Firm Point-To-Point Transmission Service, the applicable rate (monthly, weekly, daily or hourly) will be multiplied by the demand at the point of output from the bulk transmission service level times the percent purchase obligation.
- For Network Integration Transmission Service, the applicable rate will be multiplied by the Transmission Customer's 12 CP demand at the point of output from the bulk transmission service level (calculated as an average on a rolling basis) as of the most recent date available times the percent purchase obligation.
- The rates for this ancillary service are applicable at the bulk transmission service level (voltage levels above 44/46 kV). When these rates are applied to demands at the 44/46 kV level, such demands must be adjusted

to the bulk transmission service level to reflect the Real Power Loss factor (demand) for the 44/46 kV service level in accordance with Schedule 9.

- For hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (prevailing Central Time), the “on-peak” hourly rate is applicable.
- For hourly service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (prevailing Central Time), the “off-peak” hourly rate is applicable.
- The total demand charge in any day, pursuant to a reservation for hourly delivery, shall not exceed the daily rate specified above times the highest billing demand in kilowatts in any hour during such day.

SCHEDULE 7A

Long-Term Firm and Short-Term Firm Point-To-Point Transmission Service

A. **Bulk Firm Point-To-Point Transmission Service:** For Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's bulk transmission facilities (voltage levels above 44/46 kV), the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, [subject to Attachment V](#). The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

B. **Firm Point-To-Point Transmission Service on 44/46 kV Facilities:** For Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's 44/46 kV facilities, the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M. The applicable charges are set forth in Informational Schedules A and D and on the OASIS, [subject to Attachment V](#). For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

C. **Discounts:** Three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all

Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

D. Miscellaneous: When deliveries for a Transmission Customer require the use of the Transmission Provider's 44/46 kV facilities, both sets of the foregoing Point-To-Point Transmission Service charges (the charges for the use of the bulk facilities and the 44/46 kV facilities) shall apply. An example of transmission loss calculations is set forth on Schedule 9.

The costs associated with generator step-up transformers (GSUs) are considered to be production related, and thus are not included in any of the rates set forth in this Schedule 7A.

E. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

SCHEDULE 7B

Recallable Long-Term Firm Point-To-Point Transmission Service

A. **Bulk Firm Point-To-Point Transmission Service:** For Recallable Long-Term Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's bulk transmission facilities (voltage levels above 44/46 kV), the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, [subject to Attachment V](#). The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

B. **Recall Features:** The Transmission Provider will reserve the right, upon thirty (30) calendar days written notice to Transmission Customer, to recall all or a specified portion of the transmission capacity reserved by each request under this Schedule 7B in the event that the Transmission Provider receives a request for Long-Term Firm Point-To-Point Transmission Service at the Tariff charge for Long-Term Firm Point-To-Point Transmission Service that the Transmission Provider is unable to accommodate because of an existing transmission capacity reservation under this Schedule 7B. The Transmission Customer may retain all of the recalled capacity by agreeing, within fifteen (15) calendar days of the date of the Transmission Provider's written recall notice, to pay (from the date of the Transmission Customer's written notification through the remainder of the term of the Recallable Long-Term firm Point-To-Point Transmission Service Agreement) the Tariff charge for Long-Term Firm Point-To-Point

Transmission Service in effect at the time service is rendered for the recalled capacity. The Transmission Customer's failure to provide the Transmission Provider with written notice of its agreement to retain and pay for the recalled capacity within fifteen (15) calendar days after the date of the Transmission Provider's written recall notice will result in the Transmission Customer's release of the recalled portion of the reserved capacity.

C. Firm Point-To-Point Transmission Service on 44/46 kV Facilities: For Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's 44/46 kV facilities, the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity at the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, [subject to Attachment V](#). The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

D. Discounts: In addition to the recall feature identified in paragraph B above, three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to

the same point(s) of delivery on the Transmission System. The discount may be based on a percentage of the charge for Long-Term Firm Point-To-Point Transmission Service or may contain a fixed component for the reservation plus a variable component to be applied to scheduled service. Ancillary charges will not be discounted.

E. Miscellaneous: When deliveries for a Transmission Customer require the use of the Transmission Provider's 44/46 kV facilities, both sets of the foregoing Point-To-Point Transmission Service charges (the charges for the use of the bulk facilities and the 44/46 kV facilities) shall apply. An example of transmission loss calculations is set forth on Schedule 9.

The costs associated with generator step-up transformers (GSUs) are considered to be production related, and thus are not included in any of the rates set forth in this Schedule 7B.

F. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

SCHEDULE 8

Non-Firm Point-To-Point Transmission Service

A. **Bulk Non-Firm Point-To-Point Transmission Service:** For Non-Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's bulk transmission facilities (voltage levels above 44/46 kV), the Transmission Customer shall compensate the Transmission Provider each month for Reserved Capacity up to the sum of the applicable charges derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, [subject to Attachment V](#). The applicable charges are set forth in Informational Schedules B and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

B. **Non-Firm Point-To-Point Transmission Service on 44/46/kV Transmission Facilities:** For Non-Firm Point-To-Point Transmission Service requiring the use of the Transmission Provider's 44/46 kV facilities, the Transmission Customer shall compensate the Transmission Provider up to the sum of the applicable derived annually in accordance with the Formula Rate Manual attached hereto as Attachment M, [subject to Attachment V](#). The applicable charges are set forth in Informational Schedules A and D and on the OASIS. For purposes of applying the charge(s) set forth on Informational Schedule D, the Charge Factor(s) shall be applied to the Transmission Customer's deliveries of energy associated with the Reserved Capacity.

C. **Discounts:** Three principal requirements apply to discounts for transmission service as follows (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for

discounts (including requests for use by one's wholesale merchant or an Affiliate's use) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

D. Miscellaneous: When deliveries for a Transmission Customer require the use of the Transmission Provider's 44/46 kV facilities, both sets of the foregoing Point-To-Point Transmission Service charges (the charges for the use of the bulk facilities and the 44/46 kV facilities) shall apply. An example of transmission loss calculations is set forth on Schedule 9.

The costs associated with generator step-up transformers (GSUs) are considered to be production related, and thus are not included in any of the rates set forth in this Schedule 8.

E. Resales: The rates and rules governing charges and discounts stated above shall not apply to resales of transmission service, compensation for which shall be governed by Section 23.1 of the Tariff.

SCHEDULE 10

Generator Imbalance Service

Generator Imbalance Service is provided when a difference occurs between the output of a generator located in the Transmission Provider's Control Area and a delivery schedule from that generator to (1) another Control Area or (2) a load within the Transmission Provider's Control Area over a single hour. The Transmission Provider must offer this service, to the extent it is physically feasible to do so from its resources or from resources available to it, when Transmission Service is used to deliver energy from a generator located within its Control Area. The Transmission Customer must either purchase this service from the Transmission Provider or make alternative comparable arrangements, which may include use of non-generation resources capable of providing this service, to satisfy its Generator Imbalance Service obligation. To the extent the Control Area operator performs this service for the Transmission Provider, charges to the Transmission Customer are to reflect only a pass-through of the costs charged to the Transmission Provider by that Control Area operator. The Transmission Provider may charge a Transmission Customer a penalty for either hourly generator imbalances under this Schedule or a penalty for hourly energy imbalances under Schedule 4 for imbalances occurring during the same hour, but not both unless the imbalances aggravate rather than offset each other.

The Transmission Provider shall establish, [subject to Attachment V](#), charges for generator imbalance based on the deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of each month, at 100 percent of incremental or decremental cost, (ii) deviations greater than +/- 1.5 percent up

to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost or 90 percent of decremental cost, and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the Transmission Customer's scheduled transaction(s) will be settled at 125 percent of incremental cost or 75 percent of decremental cost, except that an intermittent resource will be exempt from this deviation band and will pay the deviation band charges for all deviations greater than the larger of 1.5 percent or 2 MW. An intermittent resource, for the limited purpose of this Schedule is an electric generator that is not dispatchable and cannot store its fuel source and therefore cannot respond to changes in system demand or respond to transmission security constraints.

Notwithstanding the foregoing, deviations from scheduled transactions in order to respond to directives by the Transmission Provider, a balancing authority, or a reliability coordinator shall not be subject to the deviation bands identified above and, instead, shall be settled financially, at the end of the month, at 100 percent of incremental and decremental cost. Such directives may include instructions to correct frequency decay, respond to a reserve sharing event, or change output to relieve congestion.

For purposes of this Schedule, incremental cost and decremental cost represent the actual variable dispatch cost used by the Transmission Provider in the economic dispatch of its bulk power system to serve its system obligations and unit commitment costs incurred as a result of the provision of service under this Schedule. The components of variable dispatch cost are calculated in accordance with the Allocation Methodology and Periodic Rate Computation

Procedure Manual, which is provided for in (and is part of) the Southern Company System Intercompany Interchange Contract (“IIC”), as updated from time to time and maintained on file with the Federal Energy Regulatory Commission. Under the IIC, centralized economic dispatch is accomplished on the Transmission Providers’ bulk power system by dispatching system generating resources and purchases to meet its system obligations and to supply energy for sales to others. System generating resources are dispatched based on marginal replacement fuel cost, variable operations and maintenance expenses, in-plant fuel handling expenses, emission allowance replacement costs, and compensation for transmission losses. A purchase is recognized in economic dispatch on the basis of its energy cost.

ATTACHMENT F

Form of Service Agreement For Network Integration Transmission Service (OASIS Reference No. _____)

- 1.0 This Service Agreement, dated as of _____, is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, ~~Gulf Power Company~~ and Mississippi Power Company (“Transmission Provider”), and _____ (“Transmission Customer”).
- 2.0 The Transmission Customer has been determined by the Transmission Provider to have a Completed Application for Network Integration Transmission Service under Southern Companies’ Open Access Transmission Tariff (“Tariff”).
- 3.0 Service under this Service Agreement shall commence on the latter of: (1) the requested service commencement date, or (2) the date on which construction of any Direct Assignment Facilities and/or Network Upgrades are completed, or (3) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the parties.
- 4.0 The Transmission Provider agrees to provide and the Transmission Customer agrees to take and pay for Network Integration Transmission Service in accordance with the provisions of the Tariff and this Service Agreement, as they may be amended from time to time.
- 5.0 Any notice or request made to or by either party regarding this Service Agreement shall be made to the representative of the other party as indicated below.

Transmission Provider:

Southern Company Services, Inc.
Manager, Transmission Services
600 North 18th Street
13N-8183
Birmingham, AL 35203

Transmission Customer:

6.0 The Tariff, Specifications for Network Integration Transmission Service, and the Network Operating Agreement are incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the parties have caused this Service Agreement to be executed by their respective authorized officials.

Transmission Provider:

By: _____ Title: _____ Date: _____
Name

Transmission Customer:

By: _____ Title: _____ Date: _____
Name

SPECIFICATIONS FOR NETWORK INTEGRATION TRANSMISSION SERVICE

1. Term of Service: _____
Start Date: _____
Termination Date: _____
2. Description of capacity and/or energy to be transmitted by the Transmission Provider (including identification of electric control area in which the transaction originates).
3. Network Resources
 - (1) Generation Owned by Transmission Customer:

<u>Resource</u>	<u>Capacity</u>	<u>Capacity Designated as Network Resource</u>
-----------------	-----------------	--
 - (2) Generation Purchased by Transmission Customer:

<u>Source</u>	<u>Capacity</u>
---------------	-----------------
4. Network Load

<u>Transmission Customer Network Load</u>	<u>Transmission Voltage Level</u>
---	-----------------------------------
5. Designation of any party subject to reciprocal service obligation:
6. Network Integration Transmission Service is subject to some combination of the charges detailed below. The appropriate charges will be determined in accordance with the terms and conditions of the Tariff.
 - 6.1 Network Integration Transmission Service Charge(s). _____
 - 6.2 System Impact and/or Facilities Study Charge(s). _____
 - 6.3 Direct Assignment Facilities Charge(s). _____
 - 6.4 Ancillary Services Charge(s). _____
 - 6.5 Redispatch Charge(s). _____
 - 6.6 Distribution Facilities Charge(s). _____

ATTACHMENT G

Form of Network Operating Agreement

Preamble

This Network Operating Agreement (“NOA”), dated as of _____ (“Effective Date”) is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, ~~Gulf Power Company~~ and Mississippi Power Company (“Transmission Provider”), and _____ (“Transmission Customer”) (Transmission Provider and Transmission Customer are referred to collectively as the “Parties” and individually as a “Party”). The Parties agree that the provisions of this NOA, the Service Agreement for Network Integration Transmission Service between the Transmission Provider and Transmission Customer dated as of _____ (including the Specifications attached to such agreement) (“Service Agreement”), and Southern Companies’ Open Access Transmission Tariff (“Tariff”), as it may be amended from time to time, govern the Transmission Provider’s provision of Network Integration Transmission Service. Unless specified herein, capitalized terms shall refer to the terms defined in the Tariff.

1.0 Balancing Authority Requirements. _____

2.0 Redispatch Procedures. _____

3.0 Metering; Balancing Authority and Data Equipment. _____

4.0 Operating Requirements. _____

4.____ The Transmission Customer will manually shed Network Load, as necessary, whenever the Transmission Customer is unable to deliver power to its Network Load due to a power supply emergency affecting the Transmission Customer. In addition, the Transmission Customer will manually shed Network Load in accordance with Section 33 of the Tariff (proportionately with all of the Transmission Provider's other firm transmission commitments affecting or affected by the constraint) when necessary to assure the continued reliability of the Transmission System. In the event the Transmission Customer fails to manually shed Network Load as required hereunder, the Transmission Customer shall pay an additional amount equal to the sum of: (a) twenty five percent (25%) of the charge(s) for firm point to point transmission service provided by the

Transmission Provider applied on a monthly basis to the amount of load at those delivery points that the Transmission Provider requested to be shed; and (b) any other costs and/or damages incurred by the Transmission Provider due to the Transmission Customer's failure to shed Network Load. Load(s) at the delivery points determined pursuant to (a) above shall not be excluded from the amount of Network Load used to calculate the Transmission Customer's billing determinants. In the event of a failure by the Transmission Customer to manually shed load, the Transmission Provider-Transmission Customer Network Operating Committee will review the circumstances surrounding such failure and will adopt such remedial measures and procedures as it deems appropriate to avoid a similar failure in the future.

5.0 Scheduling. _____

5.____ There may be instances when a Transmission Customer self-supplies energy imbalance service or obtains such service from an entity other than the Transmission Provider and such Transmission Customer block schedules the delivery of a total amount of energy to serve its hourly Network Load that is less than or equal to the Transmission Customer's related OASIS reservation(s) for such block schedules, but which is more energy than the Transmission Customer's hourly Network Load. In such instances, the following charges shall apply:

- 5.__.1 The Transmission Customer shall pay the applicable network integration transmission service charges for its Network Load, as set forth in the Service Agreement.
- 5.__.2 The Transmission Customer shall pay the appropriate (*i.e.*, on-peak or off-peak) non-firm hourly point-to-point transmission rate multiplied by the amount of Level 1 Hourly Energy occurring during any hour of a calendar day. The term “Level 1 Hourly Energy” shall mean the amount of the energy block scheduled in an hour that is in excess of the Transmission Customer’s actual Network Load for that hour but such amount shall not exceed the greater of either (i) 10 percent of the Transmission Customer’s actual Network Load for that hour or (ii) 25 megawatts. Such charge will be calculated and assessed for each hour during a calendar day during which Level 1 Hourly Energy occurs.
- 5.__.3 The Transmission Customer shall pay 125 percent of the appropriate (*i.e.*, on-peak or off-peak) daily firm point-to-point transmission rate multiplied by the greatest amount of Level 2 Hourly Energy occurring during any hour of a calendar day. The term “Level 2 Hourly Energy” shall mean the energy block scheduled in an hour that is in excess of the greater of either (i) 110 percent of the Transmission Customer’s actual Network Load for that hour or (ii) the Transmission Customer’s actual Network Load plus 25 megawatts during that hour. The Transmission Provider

shall assess only one charge for transmission usage for Level 2

Hourly Energy under this section per calendar day.

5.4 It is understood and agreed that the above provisions are not intended to be used by the Transmission Customer as a means of avoiding compliance with otherwise applicable Tariff provisions.

6.0 Operational Information. _____

7.0 Network Planning. _____

8.0 Character of Service. _____

9.0 Transfer of Power and Energy Through Other Systems. _____

10.0 Notice. _____

11.0 Incorporation. _____

12.0 Term. _____

13.0 Transmission Provider – Transmission Customer Network Operating Committee.

14.0 Miscellaneous. _____

IN WITNESS WHEREOF, the parties have caused this NOA to be executed by their respective authorized officials.

Transmission Provider:

By: _____ Title: _____ Date: _____
Name

Transmission Customer:

By: _____ Title: _____ Date: _____
Name

ATTACHMENT M

Formula Rate Manual

Section 0.1 Description and Purpose: This Formula Rate Manual (“Manual”) establishes, [subject to Attachment V](#), the procedures and methodology for deriving the charges (“Bulk Transmission Charges”) for the following services provided under the Tariff on the Transmission Provider’s bulk transmission facilities (those above 44/46 kV and excluding generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, and the facilities set forth in Sections 2.1.a and 2.1.b) (“Bulk Transmission Facilities”): Firm Point-To-Point Transmission Service; Non-Firm Point-To-Point Transmission Service; and Network Integration Transmission Service. This Manual also establishes, [subject to Attachment V](#), the procedures and methodology for deriving the charges (“Subtransmission Charges”) for the following services provided under the Tariff on the Transmission Provider’s subtransmission lines (those at 44/46 kV, excluding generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, and those facilities set forth in Sections 3.1.a and 3.1.b) (“Subtransmission Facilities”): Firm Point-To-Point Transmission Service; Non-Firm Point-To-Point Transmission Service; and Network Integration Transmission Service. The Manual is divided into articles as follows:

Article I - Procedures Governing Operation of Formula Rate

Article II - Derivation of Annual Revenue Requirement for the Bulk Transmission Facilities

Article III- Derivation of Annual Revenue Requirement for the Subtransmission Facilities

Article IV - Derivation of Bulk Transmission Load

Article V - Derivation of Subtransmission Load

Article VI- Calculation of Bulk Transmission Charges, Subtransmission Charges, and FERC Annual Charge

Article VII - Updated Analysis of Losses

Section 0.2 Uniform System of Accounts: The FERC Accounts set forth in this Manual are prescribed in the “Uniform System of Accounts Prescribed for Public Utilities and Licensees” (18 C.F.R. Part 101) effective as of December 31, 2002. Changes to these FERC Accounts may be addressed in the manner provided in Attachment N of the Tariff, or through a filing pursuant to Section 205 of the Federal Power Act.

ARTICLE I

PROCEDURES GOVERNING OPERATION OF FORMULA RATE

Section 1.1 Rate Year for Transmission Charges: The charges for the use of the Transmission Provider’s Bulk Transmission Facilities and Subtransmission Facilities shall be effective for the period of January 1 through December 31 (“Rate Year”). The only exceptions to this January 1 to December 31 application are (1) a delay in filing the Annual Informational Filing until after December 31 in accordance with Attachment N, footnote 3; and (2) the recovery of the cost component for the FERC Annual Charge, which will be effective from October 1 of one Rate Year through September 30 of the following Rate Year.

Section 1.2 Basis for Annually Updated Bulk Transmission Charges and Subtransmission Charges: On or before November 1 preceding each Rate Year, the Transmission Provider shall follow the methodology and procedures set forth in this Manual and in Attachment N to the Tariff to calculate updated Bulk Transmission Charges and updated Subtransmission Charges for the Rate Year (“Annual Informational Filing”). This Annual Informational Filing will be based upon projected data drawn from the most recent information that is being used to prepare the corporate budgets of the Transmission Provider for the Rate Year, together with other necessary data developed in a manner consistent with the Transmission Provider’s customary practices and procedures. Where applicable (i.e., investment components), data inputs shall be based upon a simple average of (i) the balance for December 31 of the year immediately prior to the Rate Year and (ii) the balance for December 31 of the Rate Year. The Annual Informational Filings made pursuant to the Settlement in Docket No. ER02-851 shall not constitute rate change filings under Section 205 of the Federal Power Act.

Section 1.3 Basis for Annual True-Up Informational Filing for Bulk Transmission Charges and Subtransmission Charges: On or before May 1 of the year immediately subsequent to each Rate Year, the Transmission Provider shall follow the methodology and procedures set forth in this Manual and in Attachment N to the Tariff to make a True-Up Informational Filing with the Commission that calculates actual charges for the Rate Year (“True-Up Filing”). This True-Up Filing will be based on actual costs, loads, and other inputs for the Rate Year, and, to the extent available, applicable data will be drawn from the FERC Form No. 1 filings of the Transmission Provider and otherwise from their books and records. Where applicable, (i.e., investment components) data inputs shall be based upon a simple average of (i) the balance for December 31 of the year immediately prior to the Rate Year

and (ii) the balance for December 31 of the Rate Year. The True-Up Filings made pursuant to the Settlement in Docket No. ER02-851 shall not constitute rate change filings under Section 205 of the Federal Power Act.

Section 1.4 Basis for FERC Annual Charge: The cost component that recovers the FERC Annual Charge (18 C.F.R. Part 382) will be updated to be effective October 1 of each year to reflect the most recently received FERC invoices for that charge.

Section 1.5 Informational Schedules: The updated charges associated with the Annual Informational Filing and the charges associated with the True-Up Filing shall be set forth on the Informational Schedules described in Article VI of this Manual. A copy of the updated Informational Schedules shall be provided to customers taking Network Integration Transmission Service, customers taking Long-Term Firm Point-to-Point Transmission Service, and other interested parties upon request and shall also be made available on the Transmission Provider's OASIS.

Section 1.6 Revisions to Manual: The Transmission Provider shall have the right to make revisions to this Manual as provided in Section 9 of the Tariff.

ARTICLE IIA

DERIVATION OF ANNUAL REVENUE REQUIREMENT FOR THE BULK TRANSMISSION FACILITIES FOR NETWORK INTEGRATION TRANSMISSION SERVICE AND NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 2.1 Overview: This article of the Manual establishes the formula methodology and procedures for deriving the annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service. When used in this Manual, the capitalized terms set forth in Sections 2.1.a through 2.1.c have the meanings specified below:

Section 2.1.a Bulk Retail Radial Facility: A physically radial bulk transmission facility above 44/46 kV used exclusively to serve the Transmission Provider's retail load that is placed into service in Rate Year 2011 and thereafter.

Section 2.1.b Rehabilitated Bulk Radial Facility: A physically radial bulk transmission facility above 44/46 kV that is the subject of a capital replacement, repair, re-conductoring, or some other rehabilitation occurring in Rate Year 2011 and thereafter.

Section 2.1.c Bulk Fixed Rate Base Adjustment: A fixed adjustment to the Transmission Provider's Gross Plant in Service in the amount of \$139,300,000 related to investment in those bulk retail radial facilities rated above 44/46 kV used exclusively to serve the Transmission Provider's retail load that were placed into service in Rate Years 2003 through 2010.

Section 2.2 Formula for Deriving Annual Revenue Requirement for the Bulk Transmission Facilities for Purposes of Calculating Charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service: The derivation of the annual revenue requirement for the Bulk Transmission Facilities is based on the Transmission Provider's investment and expenses related to the Bulk Transmission Facilities and the associated cost of capital and income taxes. The derivation of the Transmission Provider's total annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service is expressed in the following formula:

$$\begin{aligned} RR_{B1} &= \text{Annual revenue requirement for the Bulk Transmission Facilities (\$).} \\ &= \Sigma CRR_B - RC_{B1} \end{aligned}$$

Where:

$$\begin{aligned} CRR_B &= \text{Individual operating company revenue requirement for its Bulk Transmission Facilities (\$).} \\ &= (RB_B \times R) + IT_B + E_B \\ RB_B &= \text{Rate base (The beginning and end of year average transmission investment for Bulk Transmission Facilities) (\$).} \\ R &= \text{The composite rate of return (\%).} \\ IT_B &= \text{Income taxes associated with Bulk Transmission Facilities (\$).} \\ &= (RB_B \times R) \times CIT - ITC_B \\ CIT &= \text{Income tax requirement associated with the preferred stock and common equity weighted cost of capital (\%).} \\ ITC_B &= \text{Investment tax credit adjustment for Bulk Transmission Facilities (\$).} \\ E_B &= \text{Annual expenses for Bulk Transmission Facilities (\$).} \\ RC_{B1} &= \text{Revenue credits associated with Bulk Transmission Facilities (\$) for purposes of calculating charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service.} \end{aligned}$$

The sources of the Transmission Provider's investment and expense data that are incorporated in the above formula (including FERC Account numbers, description of allocation procedures, and calculation of the cost of capital) are as follows:

RATE BASE ("RB_B") COMPONENTS

Section 2.2.1 Gross Plant in Service includes Gross Transmission Investment associated with the Bulk Transmission Facilities and allocated General and Intangible Investment. Gross Transmission Investment associated with the Bulk Transmission Facilities is

the summation of FERC Accounts 350 through 359 multiplied by the Transmission Plant (TP_B) allocator described in Section 2.2.16.a to remove investment associated with generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, the Bulk Fixed Rate Base Adjustment, and Subtransmission Facilities, with the resulting amount then being adjusted further to remove amounts associated with investment in Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. Allocated General and Intangible Investment is the summation of FERC Accounts 301 through 303 and 389 through 399, excluding fuel supply/handling facilities and equipment and items that are solely retail-related (e.g., retail conservation and load management systems and retail customer service and information systems),¹ multiplied by the Wages and Salaries (W/S_B) allocator described in Section 2.2.16. c.

Section 2.2.2 Accumulated Depreciation is the depreciation recorded in FERC Account 108 associated with the Gross Plant in Service defined above. The accumulated depreciation associated with transmission is multiplied by the TP_B allocator, with the resulting amount then being adjusted further to remove the accumulated depreciation associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. Accumulated depreciation associated with general plant is allocated to bulk transmission based on the W/S_B allocator.

Section 2.2.3 Net Plant in Service is the difference between Section 2.2.1 (Gross Plant in Service) and Section 2.2.2 (Accumulated Depreciation).

¹Only with respect to Alabama Power Company, production-related expenses of these types may be recorded in Account 399 and thus are excluded from that account.

Section 2.2.4 Adjustments to Rate Base include portions of the following accounts that are added to Rate Base: FERC Accounts 181, 182.3, 189, and 190. Portions of the following accounts are deducted from Rate Base: FERC Accounts 254, 257, 282, and 283. FERC Accounts 190, 282, and 283 are allocated based on the Gross Plant (GP_B) allocator described in Section 2.2.16.d. The allocated portion of FERC Account 282 is adjusted to remove the accumulated deferred income tax amounts associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. The portions of Accounts 182.3 and 254 that are subject to Financial Accounting Standards Board Standard 109 are also allocated using the GP_B allocator. FERC Accounts 181, 189, and 257 are allocated to the Bulk Transmission Facilities based on the Net Plant (NP_B) allocator described in Section 2.2.16.e.

Section 2.2.5 Land Held For Future Use is the portion of FERC Account 105 associated with transmission multiplied by the TP_B allocator.

Section 2.2.6 Working Capital is the summation of cash working capital, materials and supplies, and prepayments. The working capital for the Bulk Transmission Facilities consists of the following components: (1) cash working capital, which is one-eighth (45/360) of the O&M expenses, developed as explained in Section 2.2.8; (2) materials and supplies (M&S), consisting of materials and operating supplies recorded in FERC Account 154 that are related to the Bulk Transmission Facilities as determined by multiplying M&S - Transmission by the TP_B allocator and adjusting the resulting amount to remove materials and supplies associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities; (3) M&S identified with Construction, Other, and Undistributed Stores, allocated to the Bulk Transmission Facilities by multiplying the balance of those three components by the W/S_B allocator; (4) prepayments as reported in FERC Account 165, allocated to the Bulk Transmission Facilities on the basis of the GP_B allocator; and,

(5) the jurisdictional portion of prepaid pensions accrued in FERC Account 128 since May 1, 2003, allocated to the Bulk Transmission Facilities on the basis of the GP_B allocator; provided however, the reversal of prepaid pension amounts accrued in FERC Account 128 (as reflected by charges to FERC Account 926) is limited to the jurisdictional portion of the prepaid pension asset accrued after May 1, 2003; and, any amounts associated with “Other Postretirement Benefits” otherwise recorded in FERC Account 128 are specifically excluded from this formula rate component.

Section 2.2.7 Rate Base represents the direct and allocated investments that are associated with the Bulk Transmission Facilities and is the summation of Section 2.2.3 (Net Plant in Service) through Section 2.2.6 (Working Capital). This is the value for “ RB_B ” in the formula in Section 2.2.

EXPENSE (“ E_B ”) COMPONENTS

Section 2.2.8 Bulk Transmission Operation and Maintenance (O&M) Expenses include Transmission O&M associated with the Bulk Transmission Facilities and allocated Administrative & General (A&G) expenses. Bulk Transmission O&M expenses are derived by summing FERC Accounts 560 through 574, excluding Account 561 (Load Dispatching), Account 565 (Transmission of Electricity by Others), the amount of Electric Power Research Institute (“EPRI”) membership dues that are booked to transmission accounts, and the amount of EPRI-related research, development, and demonstration expenses that are booked to transmission accounts. The resulting figure is then multiplied by the TP_B allocator, with the resulting amount then being adjusted further to remove the O&M expense amounts associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities.

A&G expenses include FERC Accounts 920 through 935, but exclude the portion of Account 923 associated with Southern Nuclear Operating Company’s performance of services,

the portion of Account 924 associated with nuclear property insurance reimbursements, Account 927, Account 928, Account 930.1, and the portions of Account 930.2 associated with EEI and EPRI dues. A&G Expenses in Account 924 are allocated based on the GP_B allocator. The remainder of A&G Expenses is allocated based on the W/S_B allocator.

Section 2.2.9 Depreciation Expense includes FERC Accounts 403 through 405. The depreciation expense for transmission plant is derived for the Bulk Transmission Facilities by multiplying transmission depreciation expense by the TP_B allocator, with the resulting amount then being adjusted further to remove depreciation expenses associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities. The depreciation expense associated with general plant is allocated to the Bulk Transmission Facilities based on the W/S_B allocator.

Section 2.2.10 Taxes Other than Income Taxes include amounts recorded in FERC Account 408.1--Electric, excluding taxes and fees associated solely with retail service, fuel-related taxes, and energy-use-related taxes, and are developed as follows: Payroll taxes are allocated to the Bulk Transmission Facilities based on the W/S_B allocator. Property taxes are allocated to the Bulk Transmission Facilities based on the GP_B allocator (which such allocator also reflects the exclusion of property taxes associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities). The taxes based on retail gross receipts are not allocated to the Bulk Transmission Facilities. The remaining taxes recorded in Account 408.1 not specified above are allocated to the Bulk Transmission Facilities based on the NP_B allocator.

Section 2.2.11 Other Expenses include the portions of the net of Amortization of Loss on Reacquired Debt (Account 428.1), Amortization of Premium on Debt (Account 429), and Amortization of Gain on Reacquired Debt (Account 429.1) associated with the Bulk Transmission Facilities, as allocated using the NP_B allocator.

Section 2.2.12 Total Bulk Transmission Expenses represent the direct and allocated fixed expenses associated with the Bulk Transmission Facilities considered herein and are the summation of Section 2.2.8 (Bulk Transmission Operation and Maintenance Expenses) through Section 2.2.11 (Other Expenses). These costs are represented by the value for “E_B” in the formula in Section 2.2.

Section 2.2.13 The Rate of Return (“R”) is computed in the following manner:

$$R = [(DR \times i) + (PR \times p) + (ER \times c)]$$

Where: $DR + PR + ER = 1.0$

DR = Ratio of Long-Term Debt (includes FERC Accounts 221 through 224).

PR = Ratio of Preferred Stock (Account 204).

ER = Ratio of common equity (Proprietary Capital less Preferred Stock and Unappropriated Undistributed Subsidiary Earnings (Account 216.1)).

i = Long-Term Interest (Accounts 427 and 428) divided by Long-Term Debt (%).

p = Preferred Dividends (Account 437) divided by Preferred Stock (%).

c = Return on Common Equity (11.25%).

INCOME TAX (“IT”) COMPONENT

2.2.14 The Composite Income Taxes (“CIT”) Associated with Preferred Stock and

Common Equity Weighted Cost of Capital are computed in the following manner:

$$\text{CIT} = \frac{T}{1-T} \times [1 - \text{WCLTD}/R]$$

Where:

For Alabama Power and SEGCo

$$T = \frac{\text{FIT} + \text{SIT} - (2 \times \text{FIT} \times \text{SIT})}{1 - \text{FIT} \times \text{SIT}}$$

Where:

For all other companies

$$T = 1 - [(1 - \text{FIT}) \times (1 - \text{SIT})]$$

$$\text{WCLTD} = \text{Weighted Cost of Long Term Debt (\%)}$$

$$R = \text{Rate of Return (\%)}$$

$$\text{FIT} = \text{Federal Income Tax Rate (\%)}$$

$$\text{SIT} = \text{State Income Tax Rate (\%)}$$

Section 2.2.15 Income Taxes are calculated as the composite income tax rate (“CIT”) times R times RB_B , and reduced by amortization of the Investment Tax Credit (“ ITC_B ”). ITC_B is an adjustment for the amount of amortized investment tax credits in Account 411.4 (Investment Tax Credit Adjustments, Utility Operations) associated with the Bulk Transmission Facilities on the basis of the NP_B allocator.

ALLOCATORS

Section 2.2.16 Allocators used in the formula are as follows:

Section 2.2.16.a The Transmission Plant (TP_B) Allocator is derived by adjusting the total transmission plant to exclude facilities that are not considered Bulk Transmission Facilities

(which exclusions include generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, Subtransmission Facilities (including Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities), the Bulk Fixed Rate Base Adjustment, and the Subtransmission Fixed Rate Base Adjustment) and then dividing that result by the total transmission plant.

Section 2.2.16.b The Transmission Expense (TE_B) Allocator is derived by reducing the Transmission O&M expenses by Account 561 and then multiplying that result by the TP_B allocator. The product is then divided by the Transmission O&M expenses.

Section 2.2.16.c The Wages and Salaries (W/S_B) Allocator is derived by multiplying the Wages and Salaries expenses associated with the transmission function by the TE_B allocator described above, and then reducing the resulting number by the Wages and Salaries expense associated with Bulk Retail Radial Facilities and Rehabilitated Bulk Radial Facilities to derive the portion of Wages and Salaries expenses associated with the Bulk Transmission Facilities. This amount then is divided by the Wages and Salaries expenses for all functions except A&G to produce the W/S_B allocator.

Section 2.2.16.d The Gross Plant (GP_B) Allocator is derived by dividing the Gross Plant in Service associated with the Bulk Transmission Facilities by the total company gross plant.

Section 2.2.16.e The Net Plant (NP_B) Allocator is derived by dividing the Net Plant in Service associated with the Bulk Transmission Facilities by the total company net plant.

OTHER COMPONENTS

Section 2.2.17 Revenue Credits (RC_{B1}) for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service reflect the following items: (i) rental payments and reimbursements received for use or rental of specific Bulk Transmission Facilities, but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (ii) all transmission-related other revenues associated with the use or rental of Bulk Transmission Facilities (e.g., rental payments by telecommunications companies for use of transmission facilities; transmission plant rental fees; right-of-way use charges), but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (iii) a proportional share of the income associated with the portion of General Plant that is included in the formula rate (e.g., facilities rental income and payments for use of telecommunications facilities and equipment); and (iv) revenues received for non-firm and short-term firm point-to-point transmission service provided on the Bulk Transmission Facilities under the Tariff.

ARTICLE IIB

DERIVATION OF ANNUAL REVENUE REQUIREMENT FOR THE BULK TRANSMISSION FACILITIES FOR FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 2.2.21 Overview: This article of the Manual establishes the formula methodology and procedures for deriving the annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service.

Section 2.2.22 Formula for Deriving Annual Revenue Requirement for the Bulk Transmission Facilities for Firm Point-to-Point Transmission Service: The derivation of the

annual revenue requirement for the Bulk Transmission Facilities is based on the Transmission Provider's investment and expenses related to the Bulk Transmission Facilities and the associated cost of capital and income taxes. The derivation of the Transmission Provider's total annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service is expressed in the following formula:

$$\begin{aligned} RR_{B2} &= \text{Revenue Requirement associated with Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service.} \\ &= \Sigma CRR_B - RC_{B2} \end{aligned}$$

Where:

$$\begin{aligned} CRR_B &= \text{Individual operating company revenue requirement for its Bulk Transmission Facilities (\$).} \\ &= (RB_B \times R) + IT_B + E_B \end{aligned}$$

Section 2.2.23 CRR_B shall have the same meaning as in Section 2.2.

Section 2.2.24 Revenue Credits (RC_{B2}) for Firm Point-to-Point Transmission Service reflect the following items: (i) rental payments and reimbursements received for use or rental of specific Bulk Transmission Facilities, but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (ii) all transmission-related other revenues associated with the use or rental of Bulk Transmission Facilities (e.g., rental payments by telecommunications companies for use of transmission facilities; transmission plant rental fees; right-of-way use charges), but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (iii) a proportional share of the income associated with the portion of General Plant that is included in the formula rate (e.g., facilities rental income and payment for use of telecommunications facilities and equipment); and (iv) revenues received for non-firm and short-term firm point-to-point transmission service provided on the Bulk Transmission Facilities under the Tariff except that revenues associated with non-

firm use of transmission capacity set aside as Capacity Benefit Margin shall not be included in these revenue credits (RC_{B2}).

ARTICLE III

DERIVATION OF ANNUAL REVENUE REQUIREMENT FOR THE SUBTRANSMISSION FACILITIES

Section 3.1 Overview: This article of the Manual establishes the formula methodology and procedures for deriving the annual revenue requirement for the Subtransmission Facilities. When used in this Manual, the capitalized terms set forth in Sections 3.1.a through 3.1.c have the meanings specified below:

Section 3.1.a Subtransmission Retail Radial Facility: A physically radial Subtransmission Facility used exclusively to serve the Transmission Provider's retail load that is placed into service in Rate Year 2011 and thereafter.

Section 3.1.b Rehabilitated Subtransmission Radial Facility: A physically radial Subtransmission Facility that is the subject of a capital replacement, repair, re-conductoring, or some other rehabilitation occurring in Rate Year 2011 and thereafter.

Section 3.1.c Subtransmission Fixed Rate Base Adjustment: A fixed adjustment to the Transmission Provider's Gross Plant in Service in the amount of \$36,100,000 related to investment in those subtransmission retail radial facilities used exclusively to serve the Transmission Provider's retail load that were placed into service in Rate Years 2003 through 2010.

Section 3.2 Formula for Deriving Annual Revenue Requirement for the Subtransmission Facilities: The derivation of the annual revenue requirement for the Subtransmission Facilities is based on the Transmission Provider's investment and expenses related to the Subtransmission Facilities and the associated cost of capital and income taxes. The

derivation of the Transmission Provider's total annual revenue requirement for the Subtransmission Facilities is expressed in the following formula:

$$\begin{aligned} RR_S &= \text{Annual revenue requirement for the Subtransmission Facilities (\$).} \\ &= \Sigma CRR_S - RC_S \end{aligned}$$

Where:

$$\begin{aligned} CRR_S &= \text{Individual operating company revenue requirement for its Subtransmission Facilities (\$).} \\ &= (RB_S \times R) + IT_S + E_S \\ RB_S &= \text{Rate base (The beginning and end of year average transmission investment for Subtransmission Facilities) (\$).} \\ R &= \text{The composite rate of return (\%).} \\ IT_S &= \text{Income taxes associated with Subtransmission Facilities (\$).} \\ &= (RB_S \times R) \times CIT - ITC_S \\ CIT &= \text{Income tax requirement associated with the preferred stock and common equity weighted cost of capital (\%).} \\ ITC_S &= \text{Investment tax credit adjustment for Subtransmission Facilities (\$).} \\ E_S &= \text{Annual expenses for Subtransmission Facilities (\$).} \\ RC_S &= \text{Revenue credits associated with Subtransmission Facilities (\$).} \end{aligned}$$

The sources of the Transmission Provider's investment and expense data that are incorporated in the above formula (including FERC Account numbers, description of allocation procedures, and calculation of the cost of capital) are as follows:

RATE BASE (“RB_S”) COMPONENTS

Section 3.2.1 Gross Plant in Service includes Gross Transmission Investment associated with the Subtransmission Facilities and allocated General and Intangible Investment. Gross Transmission Investment associated with the Subtransmission Facilities is the summation of FERC Accounts 350 through 359 multiplied by the Transmission Plant (TP_S) allocator described in Section 3.2.16.a to remove investment associated with generator step-up transformers, interconnection facilities constructed by the Transmission Provider (after March 15, 2000) for the purpose of interconnecting a generating facility owned by the Transmission Provider, the portion of any customer-funded network upgrade for which the Transmission Provider is obligated to provide transmission service credits or otherwise repay, the Subtransmission Fixed Rate Base Adjustment, and Bulk Transmission Facilities, with the resulting amount then being adjusted further to remove amounts associated with investment in Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities. Allocated General and Intangible Investment is the summation of FERC Accounts 301 through 303 and 389 through 399, excluding fuel supply/handling facilities and equipment and items that are solely retail-related (e.g., retail conservation and load management systems and retail customer service and information systems), multiplied by the Wages and Salaries (W/S_S) allocator described in Section 3.2.16.c.

Section 3.2.2 Accumulated Depreciation is the depreciation recorded in FERC Account 108 associated with the Gross Plant in Service defined above. The accumulated depreciation associated with transmission is multiplied by the TP_S allocator, with the resulting amount then being adjusted further to remove the accumulated depreciation associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities.

Accumulated depreciation associated with general plant is allocated to subtransmission based on the W/S_S allocator.

Section 3.2.3 Net Plant in Service is the difference between Section 3.2.1 (Gross Plant in Service) and Section 3.2.2 (Accumulated Depreciation).

Section 3.2.4 Adjustments to Rate Base include portions of the following accounts that are added to Rate Base: FERC Accounts 181, 182.3, 189, and 190. Portions of the following accounts are deducted from Rate Base: FERC Accounts 254, 257, 282, and 283. FERC Accounts 190, 282, and 283 are allocated based on the Gross Plant (GP_S) allocator described in Section 3.2.16.d. The allocated portion of FERC Account No. 282 is adjusted to remove the accumulated deferred income tax amounts associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities. The portions of Accounts 182.3 and 254 that are subject to Financial Accounting Standards Board Standard 109 are also allocated using the GP_S allocator. FERC Accounts 181, 189, and 257 are allocated to the Subtransmission Facilities based on the Net Plant (NP_S) allocator described in Section 3.2.16.e.

Section 3.2.5 Land Held For Future Use is the portion of FERC Account 105 associated with transmission multiplied by the TP_S allocator.

Section 3.2.6 Working Capital is the summation of cash working capital, materials and supplies, and prepayments. The working capital for the Subtransmission Facilities consists of the following components: (1) cash working capital, which is one-eighth (45/360) of the O&M expenses, developed as explained in Section 3.2.8; (2) materials and supplies (M&S), consisting of materials and operating supplies recorded in FERC Account 154 that are related to the Subtransmission Facilities as determined by multiplying M&S - Transmission by the TP_S allocator and adjusting the resulting amount to remove materials and supplies associated with

Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities; (3) M&S identified with Construction, Other, and Undistributed Stores, allocated to the Subtransmission Facilities by multiplying the balance of those three components by the W/S_S allocator; (4) prepayments as reported in FERC Account 165, allocated to the Subtransmission Facilities on the basis of the GP_S allocator; and, (5) the jurisdictional portion of prepaid pensions accrued in FERC Account 128 since May 1, 2003, allocated to the Subtransmission Facilities on the basis of the GP_S allocator; provided however, the reversal of prepaid pension amounts accrued in FERC Account 128 (as reflected by charges to FERC Account 926) is limited to the jurisdictional portion of the prepaid pension asset accrued after May 1, 2003; and, any amounts associated with “Other Postretirement Benefits” otherwise recorded in FERC Account 128 are specifically excluded from this formula rate component.

Section 3.2.7 Rate Base represents the direct and allocated investments that are associated with the Subtransmission Facilities and is the summation of Section 3.2.3 (Net Plant in Service) through Section 3.2.6 (Working Capital). This is the value for “ RB_S ” in the formula in Section 3.2.

EXPENSE (“ E_S ”) COMPONENTS

Section 3.2.8 Subtransmission Operation and Maintenance (O&M) Expenses include Transmission O&M associated with the Subtransmission Facilities and allocated Administrative & General (A&G) expenses. Subtransmission O&M expenses are derived by summing FERC Accounts 560 through 574, excluding Account 561 (Load Dispatching), Account 565 (Transmission of Electricity by Others), the amount of Electric Power Research Institute (“EPRI”) membership dues that are booked to transmission accounts, and the amount of EPRI-related research, development, and demonstration expenses that are booked to transmission

accounts. The resulting figure is then multiplied by the TP_S allocator, with the resulting amount then being adjusted further to remove the O&M expense amounts associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities.

A&G expenses include FERC Accounts 920 through 935, but exclude the portion of Account 923 associated with Southern Nuclear Operating Company's performance of services, the portion of Account 924 associated with nuclear property insurance reimbursements, Account 927, Account 928, Account 930.1, and the portions of Account 930.2 associated with EEI and EPRI dues. A&G Expenses in Account 924 are allocated based on the GP_S allocator. The remainder of A&G Expenses is allocated based on the W/S_S allocator.

Section 3.2.9 Depreciation Expense includes FERC Accounts 403 through 405. The depreciation expense for transmission plant is derived for the Subtransmission Facilities by multiplying transmission depreciation expense by the TP_S allocator, with the resulting amount then being adjusted further to remove depreciation expenses associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities. The depreciation expense associated with general plant is allocated to the Subtransmission Facilities based on the W/S_S allocator.

Section 3.2.10 Taxes Other than Income Taxes include amounts recorded in FERC Account 408.1--Electric, excluding taxes and fees associated solely with retail service, fuel-related taxes, and energy-use-related taxes, and are developed as follows: Payroll taxes are allocated to the Subtransmission Facilities based on the W/S_S allocator. Property taxes are allocated to the Subtransmission Facilities based on the GP_S allocator (which such allocator also reflects the exclusion of property taxes associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities). The taxes based on retail gross receipts are

not allocated to the Subtransmission Facilities. The remaining taxes recorded in Account 408.1 not specified above are allocated to the Subtransmission Facilities based on the NP_S allocator.

Section 3.2.11 Other Expenses include the portions of the net of Amortization of Loss on Reacquired Debt (Account 428.1), Amortization of Premium on Debt (Account 429), and Amortization of Gain on Reacquired Debt (Account 429.1) associated with the Subtransmission Facilities, as allocated using the NP_S allocator.

Section 3.2.12 Total Subtransmission Expenses represent the direct and allocated fixed expenses associated with the Subtransmission Facilities considered herein and are the summation of Section 3.2.8 (Subtransmission Operation and Maintenance Expenses) through Section 3.2.11 (Other Expenses). These costs are represented by the value for “E_S” in the formula in Section 3.2.

Section 3.2.13 The Rate of Return (“R”) is computed in the following manner:

$$R = [(DR \times i) + (PR \times p) + (ER \times c)]$$

Where: $DR + PR + ER = 1.0$

DR = Ratio of Long-Term Debt (includes FERC Accounts 221 through 224).

PR = Ratio of Preferred Stock (Account 204).

ER = Ratio of common equity (Proprietary Capital less Preferred Stock and Unappropriated Undistributed Subsidiary Earnings (Account 216.1)).

i = Long-Term Interest (Accounts 427 and 428) divided by Long-Term Debt (%).

p = Preferred Dividends (Account 437) divided by Preferred Stock (%).

c = Return on Common Equity (11.25%).

INCOME TAX (“IT”) COMPONENT

3.2.14 The Composite Income Taxes (“CIT”) Associated with Preferred Stock and Common Equity Weighted Cost of Capital are computed in the following manner:

$$\text{CIT} = \frac{T}{1-T} \times [1 - \text{WCLTD}/R]$$

Where:

For Alabama Power and SEGCo

$$T = \frac{\text{FIT} + \text{SIT} - (2 \times \text{FIT} \times \text{SIT})}{1 - \text{FIT} \times \text{SIT}}$$

Where:

For all other companies

$$T = 1 - [(1 - \text{FIT}) \times (1 - \text{SIT})]$$

$$\text{WCLTD} = \text{Weighted Cost of Long Term Debt (\%)}$$

$$R = \text{Rate of Return (\%)}$$

$$\text{FIT} = \text{Federal Income Tax Rate (\%)}$$

$$\text{SIT} = \text{State Income Tax Rate (\%)}$$

Section 3.2.15 Income Taxes are calculated as the composite income tax rate (“CIT”) times R times RB_S , and reduced by amortization of the Investment Tax Credit (“ITC”). ITC is an adjustment for the amount of amortized investment tax credits in Account 411.4 (Investment Tax Credit Adjustments, Utility Operations) associated with the Subtransmission Facilities on the basis of the NP_S allocator.

ALLOCATORS

Section 3.2.16 Allocators used in the formula are as follows:

Section 3.2.16.a The Transmission Plant (TP_S) Allocator is derived by adjusting the total transmission plant to exclude facilities, including the Subtransmission Fixed Rate Base

Adjustment, that are not considered Subtransmission Facilities and then dividing that result by the total transmission plant.

Section 3.2.16.b The Transmission Expense (TE_S) Allocator is derived by reducing the Transmission O&M expenses by Account 561 and then multiplying that result by the TP_S allocator. The product is then divided by the Transmission O&M expenses.

Section 3.2.16.c The Wages and Salaries (W/S_S) Allocator is derived by multiplying the Wages and Salaries expenses associated with the transmission function by the TE_S allocator described above, and then reducing the resulting number by the Wages and Salaries expense associated with Subtransmission Retail Radial Facilities and Rehabilitated Subtransmission Radial Facilities to derive the portion of Wages and Salaries expenses associated with the Subtransmission Facilities. This amount then is divided by the Wages and Salaries expenses for all functions except A&G to produce the W/S_S allocator.

Section 3.2.16.d The Gross Plant (GP_S) Allocator is derived by dividing the Gross Plant in Service associated with the Subtransmission Facilities by the total company gross plant.

Section 3.2.16.e The Net Plant (NP_S) Allocator is derived by dividing the Net Plant in Service associated with the Subtransmission Facilities by the total company net plant.

OTHER COMPONENTS

Section 3.2.17 Revenue Credits reflect the following items: (i) rental payments and reimbursements received for use or rental of specific Subtransmission Facilities, but only to the extent the costs of such facilities are included in the development of charges under the formula rate; (ii) all transmission-related other revenues associated with the use or rental of Subtransmission Facilities (e.g., rental payments by telecommunications companies for use of transmission facilities; transmission plant rental fees; right-of-way use charges), but only to the

extent the costs of such facilities are included in the development of charges under the formula rate; (iii) a proportional share of the income associated with the portion of General Plant that is included in the formula rate (e.g., facilities rental income and payments for use of telecommunications facilities and equipment); and (iv) revenues received for non-firm and short-term firm point-to-point transmission service provided on the Subtransmission Facilities under the Tariff.

ARTICLE IVA

DERIVATION OF BULK TRANSMISSION LOAD FOR NETWORK INTEGRATION TRANSMISSION SERVICE AND NON-FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 4.1 Overview: This article establishes the methodology to determine the Load (“ L_{B1} ”) used to derive the Bulk Transmission Charges for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service.

Section 4.2 Twelve Month Average Coincident Peak Methodology: The Load (“ L_{B1} ”) used to derive the charges under Sections 6.3 (for Non-Firm Point-to-Point Transmission Service provided on the Bulk Transmission Facilities) and 6.4 (for Network Integration Transmission Service provided on the Bulk Transmission Facilities) of this Manual for purposes of the Annual Informational Filing is the average of the twelve monthly coincident peak (CP) loads (kW) on the Bulk Transmission System for the Rate Year, as forecasted by the Transmission Provider. The Load used to derive the charges under Sections 6.3 and 6.4 of this Manual for purposes of the True-Up Filing is the average of the actual 12 CP loads (kW) on the Bulk Transmission System for the Rate Year. [Subject to Attachment V, a](#) Adjustments made to the 12 CP load calculation are as follows: (1) the load of the City of Dalton is removed because it is a transmission owner of the Georgia Integrated Transmission System; (2) losses in the Bulk

Transmission System are removed; and (3) loads for Network Customers that are not already included in the Transmission Provider's territorial load calculation and long-term firm point-to-point reservations are added to the 12 CP load calculation.

ARTICLE IVB

DERIVATION OF BULK TRANSMISSION LOAD FOR FIRM POINT-TO-POINT TRANSMISSION SERVICE

Section 4.3 Overview: This article establishes the methodology to determine the Load ("L_{B2}") used to derive the Bulk Transmission Charges for Firm Point-to-Point Transmission Service.

Section 4.4 Twelve Month Average Coincident Peak Methodology: The Load ("L_{B2}") used to derive the charges under Sections 6.2 (for Firm Point-to-Point Transmission Service provided on the Bulk Transmission Facilities) of this Manual for purposes of the Annual Informational Filing is the average of the twelve monthly coincident peak (CP) loads (kW) on the Bulk Transmission System for the Rate Year, as forecasted by the Transmission Provider. The Load used to derive the charges under Sections 6.2 of this Manual for purposes of the True-Up Filing is the average of the actual 12 CP loads (kW) on the Bulk Transmission System for the Rate Year. [Subject to Attachment V, a](#) Adjustments made to the 12 CP load calculation are as follows: (1) the load of the City of Dalton is removed because it is a transmission owner of the Georgia Integrated Transmission System; (2) losses in the Bulk Transmission System are removed; (3) loads for Network Customers that are not already included in the Transmission Provider's territorial load calculation and long-term firm point-to-point reservations are added to the 12 CP load calculation; and (4) the amount (kW) of capacity on the Bulk Transmission

Facilities set aside by the Transmission Provider and/or Network Customer(s) for Capacity Benefit Margin use are added to the 12 CP load calculation.

ARTICLE V

DERIVATION OF SUBTRANSMISSION LOAD

Section 5.1 Overview: This article establishes the methodology to determine the Load (“L_S”) used to derive the Subtransmission Charges.

Section 5.2 Twelve Month Average Coincident Peak Methodology: The Load (“L_S”) used to derive the charges under Sections 6.5, 6.6, and 6.7 of this Manual is the average of the 12 CP territorial loads (kW) at Level 2 (i.e., native load excluding bulk transmission losses) on the Transmission System for the Rate Year as forecasted by the Transmission Provider, in an Annual Informational Filing or the actual load in a True-Up Filing, multiplied by the ratio of subtransmission load to territorial load on the Transmission System that is set forth in the Transmission Provider’s most recent cost-of-service load flow study and adjusted, [subject to Attachment V](#), to the subtransmission output level as follows: (1) losses on the Subtransmission System are removed; (2) the loads for Network Customers at the subtransmission level that are not included in the Transmission Provider’s territorial load calculation are added; and (3) the loads for subtransmission level long-term firm point-to-point reservations are added.

ARTICLE VI

CALCULATION OF BULK TRANSMISSION CHARGES, SUBTRANSMISSION CHARGES, AND FERC ANNUAL CHARGE

Section 6.1 Overview: This article shows the derivation of the specific Bulk Transmission Charges, and Subtransmission Charges, including the cost component to recover the FERC Annual Charge.

Section 6.2 Charges for Firm Point-To-Point Transmission Service Provided on

the Bulk Transmission Facilities: The derivation of charges for Firm Point-To-Point Transmission Service provided on the Bulk Transmission Facilities is expressed in the following formula:

$$\begin{aligned} B2R_{YF} &= \frac{RR_{B2}}{L_{B2}} \\ B2R_{MF} &= \frac{RR_{B2}}{L_{B2} \times 12} \\ B2R_{WF} &= \frac{RR_{B2}}{L_{B2} \times 52} \\ B2R_{DF, \text{ on-peak}} &= \frac{B2R_{WF}}{5} \\ B2R_{DF, \text{ off-peak}} &= \frac{B2R_{WF}}{7} \end{aligned}$$

Where:

RR_{B2}	=	The annual revenue requirement for the Bulk Transmission Facilities for purposes of calculating charges for Firm Point-to-Point Transmission Service derived under Article IIB of this Manual (\$).
L_{B2}	=	The Load derived under Article IVB of this Manual (kW).
$B2R_{YF}$	=	The bulk transmission charge for yearly Firm Point-To-Point Transmission Service (\$/kW-year).
$B2R_{MF}$	=	The bulk transmission charge for monthly Firm Point-To-Point Transmission Service (\$/kW-month).
$B2R_{WF}$	=	The bulk transmission charge for weekly Firm Point-To-Point Transmission Service (\$/kW-week).
$B2R_{DF, \text{ on-peak}}$	=	The bulk transmission charge for on-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).
$B2R_{DF, \text{ off-peak}}$	=	The bulk transmission charge for off-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

These charges will be updated to become effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule A, the form of which is Exhibit A to the Tariff.

Section 6.3 Charges for Non-Firm Point-To-Point Transmission Service Provided on the Bulk Transmission Facilities: The derivation of the charges for Non-Firm Point-To-Point Transmission Service provided on the Bulk Transmission Facilities is expressed in the following formula:

$$B1R_M = \frac{RR_{B1}}{L_{B1} \times 12}$$

$$B1R_W = \frac{RR_{B1}}{L_{B1} \times 52}$$

$$B1R_{D, on-peak} = \frac{B1R_W}{5}$$

$$B1R_{D, off-peak} = \frac{B1R_W}{7}$$

$$B1R_{H, on-peak} = \frac{B1R_{D, on-peak}}{16} \times 1000$$

$$B1R_{H, off-peak} = \frac{B1R_{D, off-peak}}{24} \times 1000$$

Where:

RR_{B1} = The annual revenue requirement for the Bulk Transmission Facilities for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service derived under Article IIA of this Manual (\$).

L_{B1} = The Load derived under Article IVA of this Manual (kW).

$B1R_M$ = The bulk transmission charge for monthly Non-Firm Point-To-Point Transmission Service (\$/kW-month).

$B1R_W$ = The bulk transmission charge for weekly Non-Firm Point-To-Point Transmission Service (\$/kW-week).

$B1R_{D, \text{on-peak}}$	=	The bulk transmission charge for on-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$B1R_{D, \text{off-peak}}$	=	The bulk transmission charge for off-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$B1R_{H, \text{on-peak}}$	=	The bulk transmission charge for on-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).
$B1R_{H, \text{off-peak}}$	=	The bulk transmission charge for off-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule B, the form of which is Exhibit B to the Tariff.

Section 6.4 Charges for Network Integration Transmission Service Provided on the Bulk Transmission Facilities: The derivation of the charges for Network Integration Transmission Service provided on the Bulk Transmission Facilities is expressed in the following formula:

$$B1R_Y = \frac{RR_{B1}}{L_{B1}}$$

$$B1R_M = \frac{RR_{B1}}{L_{B1} \times 12}$$

Where:

RR_{B1}	=	The annual revenue requirement for the Bulk Transmission Facilities for Network Integration Transmission Service and Non-Firm Point-to-Point Transmission Service derived under Article IIA of this Manual (\$).
L_{B1}	=	The Load derived under Article IVA of this Manual (kW).
$B1R_Y$	=	The bulk transmission charge for yearly Network Integration Transmission Service (\$/kW-year).
$B1R_M$	=	The bulk transmission charge for monthly Network Integration Transmission Service (\$/kW-month).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule C, the form of which is Exhibit C to the Tariff.

Section 6.5 Charges for Firm Point-To-Point Transmission Service Provided on the Subtransmission Facilities: The derivation of charges for Firm Point-To-Point Transmission Service provided on the Subtransmission Facilities is expressed in the following formula:

$$SR_{SY} = \frac{RR_S}{L_S}$$

$$SR_M = \frac{RR_S}{L_S \times 12}$$

$$SR_W = \frac{RR_S}{L_S \times 52}$$

$$SR_{D, \text{ on-peak}} = \frac{SR_W}{5}$$

$$SR_{D, \text{ off-peak}} = \frac{SR_W}{7}$$

Where:

RR_S = The annual revenue requirement for the Subtransmission Facilities derived under Article II of this Manual (\$).

L_S = The Load derived under Article V of this Manual (kW).

SR_Y = The subtransmission charge for yearly Firm Point-To-Point Transmission Service (\$/kW-year).

SR_M = The subtransmission charge for monthly Firm Point-To-Point Transmission Service (\$/kW-month).

SR_W = The subtransmission charge for weekly Firm Point-To-Point Transmission Service (\$/kW-week).

$SR_{D, \text{on-peak}}$ = The subtransmission charge for on-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

$SR_{D, \text{off-peak}}$ = The subtransmission charge for off-peak daily Firm Point-To-Point Transmission Service (\$/kW-day).

These charges will be updated to become effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule A, the form of which is Exhibit A to the Tariff.

Section 6.6 Charges for Non-Firm Point-To-Point Transmission Service Provided on the Subtransmission Facilities: The derivation of the charges for Non-Firm Point-To-Point Transmission Service provided on the Subtransmission Facilities is expressed in the following formula:

$$SR_M = \frac{RR_S}{L_S \times 12}$$

$$SR_W = \frac{RR_S}{L_S \times 52}$$

$$SR_{D, \text{on-peak}} = \frac{SR_W}{5}$$

$$SR_{D, \text{off-peak}} = \frac{SR_W}{7}$$

$$SR_{H, \text{on-peak}} = \frac{SR_{D, \text{on-peak}}}{16} \times 1000$$

$$SR_{H, \text{off-peak}} = \frac{SR_{D, \text{off-peak}}}{24} \times 1000$$

Where:

RR_S = The annual revenue requirement for the Subtransmission Facilities derived under Article III of this Manual (\$).

L_S = The Load derived under Article V of this Manual (kW).

SR_M	=	The subtransmission charge for monthly Non-Firm Point-To-Point Transmission Service (\$/kW-month).
SR_W	=	The subtransmission charge for weekly Non-Firm Point-To-Point Transmission Service (\$/kW-week).
$SR_{D, \text{on-peak}}$	=	The subtransmission charge for on-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$SR_{D, \text{off-peak}}$	=	The subtransmission charge for off-peak daily Non-Firm Point-To-Point Transmission Service (\$/kW-day).
$SR_{H, \text{on-peak}}$	=	The subtransmission charge for on-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).
$SR_{H, \text{off-peak}}$	=	The subtransmission charge for off-peak hourly Non-Firm Point-To-Point Transmission Service (mills/kWh).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule B, the form of which is Exhibit B to the Tariff.

Section 6.7 Charges for Network Integration Transmission Service Provided on the Subtransmission Facilities: The derivation of the charges for Network Integration Transmission Service provided on the Subtransmission Facilities is expressed in the following formula:

$$SR_Y = \frac{RR_S}{L_S}$$

$$SR_M = \frac{RR_S}{L_S \times 12}$$

Where:

RR_S	=	The annual revenue requirement for the Subtransmission Facilities derived under Article III of this Manual (\$).
L_S	=	The Load derived under Article V of this Manual (kW).
SR_Y	=	The subtransmission charge for yearly Network Integration Transmission Service (\$/kW-year).

SR_M = The subtransmission charge for monthly Network Integration Transmission Service (\$/kW-month).

These charges will be updated to be effective on January 1 of each Rate Year (subject to Attachment N, footnote 3) based on the formula and will be set forth on Informational Schedule C, the form of which is Exhibit C to the Tariff.

Section 6.8 FERC Annual Charge and Attachment K Costs: The cost components to recover the FERC Annual Charge (18 C.F.R. Part 382) and the Transmission Provider's costs incurred in implementing its requirements, duties, and activities under Attachment K, the Southeastern Regional Transmission Planning Process, are in addition to the applicable charges specified above in Sections 6.2 through 6.7. The cost component for the FERC Annual Charge shall consist of the Charge Factor(s) shown on the Commission's invoices submitted to the Transmission Provider on or about August 1 of each calendar year. If more than one Charge Factor is shown on such invoices, then the appropriate Charge Factor will be applied to the corresponding type of service. The cost component for the recovery of the Transmission Provider's costs incurred in implementing its requirements, duties, and activities under Attachment K, the Southeastern Regional Transmission Planning Process, shall consist of a charge factor comprised by those total costs incurred for the prior calendar year divided by [subject to Attachment V](#), the total amount (MWh) of metered Network Integration Transmission Service and Point-to-Point Transmission Service taken under the Tariff the prior calendar year. These components will be set forth on Informational Schedule D, the form of which is attached as Exhibit D of the Tariff, will be updated to be effective on October 1 of each year, and is assessed on the basis of megawatt hours associated with a Transmission Customer's deliveries of energy.

ARTICLE VII

Updated Analysis of Losses and CBM Usage

Section 7.1 Updated Information Relating to Losses on the Transmission System and the Usage of Capacity Benefit Margin to Meet Generation Deficits:

At two year intervals after August 1, 2004, the Transmission Provider will make available an updated analysis of losses for the Transmission System based on the following data: (i) power flow simulations using the Summer Peak Base Cases for the Bulk Transmission Facilities (i.e., those above 44/46 kV) adjusted to simulate the average 12 CP loads and the average annual load on the Bulk Transmission Facilities; (ii) power flow simulations on the Subtransmission Facilities (i.e., those at 44/46 kV) adjusted to simulate the average 12 CP loads and the average annual load on the Subtransmission Facilities; and (iii) the most recent cost-of-service load flow study. In addition, the Transmission Provider will also make available the instances (if any) over the prior two calendar years that transmission capacity set aside as CBM has been called upon to meet emergency generation deficits, including OASIS reference numbers, duration and amount of transmission capacity. A copy of the updated analysis of losses and CBM usage will be provided to customers taking Network Integration Transmission Service, customers taking Long-Term Firm Point-to-Point Transmission Service, and other interested parties upon request and shall also be made available on the Transmission Provider's OASIS.

EXHIBIT A

FORM OF INFORMATIONAL SCHEDULE A

Charges For Long-Term and Short-Term Firm Point-To-Point Transmission Service

A. Charges for Bulk Transmission Service: For Firm Point-to-Point Transmission service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, [subject to Attachment V](#), compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Bulk Transmission Facilities (voltage levels above 44/46 kV) at the sum of the applicable charges set forth below:

Bulk Transmission (voltage levels above 44/46 kV)

- (1) **Yearly delivery:** \$_____/kW of Reserved Capacity per year.
- (2) **Monthly delivery:** \$_____/kW of Reserved Capacity per month.
- (3) **Weekly delivery:** \$_____/kW of Reserved Capacity per week.
- (4) **On-Peak Daily delivery:** \$_____/kW of Reserved Capacity per day.
- (5) **Off-Peak Daily delivery:** \$_____/kW of Reserved Capacity per day.

B. Charges for Subtransmission Service: For Firm Point-to-Point Transmission service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, [subject to Attachment V](#), compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Subtransmission Facilities (voltage levels at 44/46 kV) at the sum of the applicable charges set forth below:

Subtransmission
(voltage levels at 44/46 kV)

- (1) **Yearly delivery:** \$____ /kW of Reserved Capacity per year.
- (2) **Monthly delivery:** \$____ /kW of Reserved Capacity per month.
- (3) **Weekly delivery:** \$____ /kW of Reserved Capacity per week.
- (4) **On-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (5) **Off-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.

C. Description of On-Peak and Off-Peak Daily delivery periods: The on-peak daily delivery charge is applicable to daily service provided on a Monday through Friday of any given week, except for the six (6) holidays recognized by NERC. The off-peak daily delivery charge is applicable to service provided on a Saturday, Sunday, and any of the six (6) holidays recognized by NERC. For service at the bulk transmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Bulk Transmission table above times the highest amount in kilowatts of Reserved Capacity at the bulk transmission service level on any given day during such week. In addition, for service at the subtransmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Subtransmission table above times the highest amount in kilowatts of Reserved Capacity at the subtransmission service level on any given day during such week.

D. Discounts: Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by any customer's wholesale merchant or an affiliate) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be

immediately posted on the OASIS. For any discount agreed upon for service on a path, from point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

EXHIBIT B

FORM OF INFORMATIONAL SCHEDULE B

Charges For Bulk Non-Firm Point-To-Point Transmission Service

A. Charges for Bulk Transmission Service: For Non-Firm Point-To-Point Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, [subject to Attachment V](#), compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Bulk Transmission Facilities (voltage levels above 44/46 kV) at the sum of the applicable bulk charges set forth below:

Bulk Transmission (voltage levels above 44/46 kV)

- (1) **Monthly delivery:** \$_____/kW of Reserved Capacity per month.
- (2) **Weekly delivery:** \$_____/kW of Reserved Capacity per week.
- (3) **On-Peak Daily delivery:** \$_____/kW of Reserved Capacity per day.
- (4) **Off-Peak Daily delivery:** \$_____/kW of Reserved Capacity per day.
- (5) **On-Peak Hourly delivery:** \$_____/kW of Reserved Capacity per hour.
- (6) **Off-Peak Hourly delivery:** \$_____/kW of Reserved Capacity per hour.

B. Charges for Subtransmission Service: For Non-Firm Point-To-Point Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, [subject to Attachment V](#), compensate the Transmission Provider each month for Reserved Capacity for the use of the Transmission Provider's Subtransmission Facilities (voltage levels at 44/46 kV) at the sum of the applicable bulk charges set forth below:

Subtransmission
(voltage levels at 44/46 kV)

- (1) **Monthly delivery:** \$____ /kW of Reserved Capacity per month.
- (2) **Weekly delivery:** \$____ /kW of Reserved Capacity per week.
- (3) **On-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (4) **Off-Peak Daily delivery:** \$____ /kW of Reserved Capacity per day.
- (5) **On-Peak Hourly delivery:** \$____ /kW of Reserved Capacity per hour.
- (6) **Off-Peak Hourly delivery:** \$____ /kW of Reserved Capacity per hour.

C. Description of On-Peak and Off-Peak Daily delivery periods: The on-peak daily delivery charge is applicable to daily service provided on a Monday through Friday of any given week, except for the six (6) holidays recognized by NERC. The off-peak daily delivery charge is applicable to service provided on a Saturday, Sunday, and any of the six (6) holidays recognized by NERC. For service at the bulk transmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Bulk Transmission table above times the highest amount in kilowatts of Reserved Capacity at the bulk transmission service level on any given day during such week. In addition, for service at the subtransmission level, the total demand charge in any week, pursuant to reservation(s) for daily service, shall not exceed the weekly delivery charge specified in the Subtransmission table above times the highest amount in kilowatts of Reserved Capacity at the subtransmission service level on any given day during such week.

D. Description of On-Peak and Off-Peak Hourly delivery periods: The on-peak hourly delivery charge is applicable to hourly service provided during the sixteen (16) hour period from 6:00 a.m. to 10:00 p.m. (Prevailing Central Time), on a Monday through Friday, except on the

six (6) holidays recognized by NERC. The off-peak hourly charge is applicable to service provided during the eight (8) hour period from 10:00 p.m. to 6:00 a.m. (Prevailing Central Time) and during all hours of a Saturday, Sunday, and any of the six (6) holidays recognized by NERC. For service at the bulk transmission level, the total demand charge in any day, pursuant to reservation(s) for hourly service, shall not exceed the on-peak daily delivery charge specified in the Bulk Transmission table above times the highest amount in kilowatts of Reserved Capacity at the bulk transmission service level in any given hour during such day and shall not exceed the on-peak daily delivery charge specified in the Bulk Transmission table for Firm Point-to-Point Transmission Service in Informational Schedule A times the highest amount in kilowatts of Reserved Capacity at the bulk transmission level on any given hour during such day. In addition, for service at the subtransmission level, the total demand charge in any day, pursuant to reservation(s) for hourly service, shall not exceed the on-peak daily delivery charge specified in the Subtransmission table above times the highest amount in kilowatts of Reserved Capacity at the subtransmission service level in any given hour during such day and shall not exceed the on-peak daily delivery charge specified in the Subtransmission table for Firm Point-to-Point Transmission Service in Informational Schedule A times the highest amount in kilowatts of Reserved Capacity at the subtransmission level on any given hour during such day.

E. Discounts: Three principal requirements apply to discounts for transmission service as follows: (1) any offer of a discount made by the Transmission Provider must be announced to all Eligible Customers solely by posting on the OASIS, (2) any customer-initiated requests for discounts (including requests for use by any customer's wholesale merchant or an affiliate) must occur solely by posting on the OASIS, and (3) once a discount is negotiated, details must be immediately posted on the OASIS. For any discount agreed upon for service on a path, from

point(s) of receipt to point(s) of delivery, the Transmission Provider must offer the same discounted transmission service rate for the same time period to all Eligible Customers on all unconstrained transmission paths that go to the same point(s) of delivery on the Transmission System.

EXHIBIT C

FORM OF INFORMATIONAL SCHEDULE C

Charges for Bulk Network Integration Transmission Service

A. Charges for Bulk Transmission Service: For Network Integration Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall, [subject to Attachment V](#), compensate the Transmission Provider each month for the use of the Transmission Provider's Bulk Transmission Facilities (voltage levels above 44/46 kV) at the applicable charges set forth below:

- 1) **Yearly delivery:** \$_____/kW-year.
- 2) **Monthly delivery:** \$_____/kW-month.

B. Charges for Subtransmission Service: For Network Integration Transmission Service provided during the period January 1, _____ through December 31, _____, the Transmission Customer shall compensate the Transmission Provider each month for the use of the Transmission Provider's Subtransmission Facilities (voltage levels at 44/46 kV) at the applicable charges set forth below:

- 1) **Yearly delivery:** \$_____/kW-year.
- 2) **Monthly delivery:** \$_____/kW-month.

EXHIBIT D

FORM OF INFORMATIONAL SCHEDULE D

Charges for Recovery of the FERC Annual Charge and Attachment K Costs

For service provided during the period October 1, _____ through September 30, _____, the Transmission Customer shall compensate the Transmission Provider each month for: (i) the FERC Annual Charge at the following Charge Factor(s) provided by the Federal Energy Regulatory Commission in its invoices to the Transmission Provider:

Charge Factor: \$_____/MWh for energy deliveries per month;

Charge Factor (if more
than one Charge Factor
is set forth on the invoices
from FERC): \$_____/MWh for energy deliveries per
month;

and (ii) the Transmission Provider's costs for the prior calendar year in implementing its requirements, duties, and activities under Attachment K, the Southeastern Regional Transmission Planning Process:

Charge Factor: \$_____/MWh for energy deliveries per month.

ATTACHMENT R

Form of Service Agreement For Tariff Schedule 10 - Generator Imbalance Service

- 1.0 This Service Agreement, dated as of _____ (“Effective Date”), is entered into by and between Southern Company Services, Inc., as agent for Alabama Power Company, Georgia Power Company, ~~Gulf Power Company~~ and Mississippi Power Company (collectively, “Transmission Provider”), and _____, a _____ (“Generator Imbalance Service Customer”) (collectively, the “Parties” and individually a “Party”), pursuant to Southern Companies’ Open Access Transmission Tariff (“Tariff”).
- 2.0 The Generator Imbalance Service Customer owns, operates and/or controls or is authorized to schedule the output of that certain electric generating facility located at or in _____ (the “Facility”) and such Facility is owned, operated and/or controlled by _____.
- 3.0 The Transmission Provider has determined that the Generator Imbalance Service Customer has completed an Application for Tariff Schedule 10 - Generator Imbalance Service.
- 4.0 Service under this Service Agreement shall commence on the later of (1) the requested service commencement date (“Start Date”), or (2) such other date as it is permitted to become effective by the Commission. Service under this Service Agreement shall terminate on such date as mutually agreed upon by the Parties (“Termination Date”).
- 5.0 The Transmission Provider agrees to provide and the Generator Imbalance Service Customer agrees to take and pay for Schedule 10 – Generator Imbalance Service in accordance with the provisions of Schedule 10 of the Tariff and this Service Agreement.
- 6.0 Any notice or request made to or by either Party regarding this Service Agreement shall be made to the representative of the other Party as indicated below.

Transmission Provider:

Generator Imbalance Service Customer:

7.0 The Tariff is incorporated herein and made a part hereof.

IN WITNESS WHEREOF, the Parties have caused this Service Agreement to be executed by their respective authorized officials.

Transmission Provider:

By: _____
Name Title Date

Generator Imbalance Service Customer:

By: _____
Name Title Date

Specifications for Schedule 10 - Generator Imbalance Service

1.0 Term of Service:

Start Date: _____

Termination Date: _____

2.0 Reservation Quantity: _____

The reasonably determined capability of the Facility, in megawatt hours per hour (MWH/hr), elected by the Generator Imbalance Service Customer as the maximum quantity of energy that may be scheduled from the Facility to be delivered to the Transmission System at the Point of Interconnection in any given hour. For Facilities with capability that varies by season, the Reservation Quantity may be the maximum annual capability of the Facility. The Reservation Quantity may be increased or decreased by providing thirty (30) days prior written notice to Transmission Provider in accordance with this Service Agreement.

Tariff record deleted **Gulf Power Company**

Category/ FERC Account No.	Rate of Depreciation (%)
---------------------------------------	---------------------------------

Steam Production Plant

Plant Daniel	3.00%
Plant Crist	4.00%
Plant Scholz	0.00%
Plant Smith	N/A
Plant Scherer	2.20%
Plant Daniel Easements	1.40%
Plant Crist Easements	N/A
Plant Daniel Rail Tracks	1.60%

Smith Other Production

341	6.30%
342	6.30%
343	6.30%
344	6.30%
345	6.30%
346	6.30%

Pace (Pea Ridge) Other Production

343	11.50%
344	11.50%
345	11.50%
346	11.50%

Smith #3 Other Production

341	4.70%
342	4.70%
343	4.70%
344	4.70%
345	4.70%
346	4.70%

Perdido Landfill Other Production

341	7.30%
342	7.30%
343	7.30%
344	7.30%
345	7.30%

	346	7.30%
	Transmission Plant	
	350.2	1.50%
	352	1.70%
	353	2.80%
	354	2.00%
	355	4.60%
	356	2.60%
	358	1.50%
	359	1.90%
	Distribution Plant	
	360	1.80%
	361	1.90%
	362	3.10%
	364	4.30%
	365	3.00%
	366	1.10%
	367	2.40%
	368	3.40%
	369.1	3.20%
	369.2	2.60%
	369.3	N/A
	370	7.90%
	370 AMI	4.80%
	373	4.10%
	General & Intangible Plant	
	390	2.00%
	392.1	8.20%
	392.2	17.60%
	392.3	9.00%
	392.4	3.70%
	396	1.40%
	397	5.20%
	303	7-yr amort
	391	5-yr amort
	391	7-yr amort
	392.8	5-yr amort
	393	7-yr amort
	394	7-yr amort

|
|
|

395
397
398

~~7-yr amort~~
~~7-yr amort~~
~~7-yr amort~~

ATTACHMENT V

TRANSMISSION SERVICE COORDINATION BETWEEN SOUTHERN COMPANIES AND GULF

The Gulf Power Company (“Gulf”) Transmission System and electric generating facilities historically were operated as an integrated system with that of Southern Companies. Transmission service over the Gulf Transmission System was offered under Southern Companies’ Tariff. Upon closing of the sale of Gulf to a wholly owned subsidiary of NextEra Energy, Inc. (“NextEra”), Gulf will offer transmission service on a stand-alone basis under the terms and conditions of this Tariff. To ensure the orderly separation of the Gulf system from Southern Companies, Gulf and Southern Companies implemented the terms and conditions set forth in this Attachment V in order to provide for the orderly transition of electric transmission matters and to protect the Transmission Customers of Gulf and Southern Companies from certain transmission rate change impacts that might otherwise result from the sale of Gulf to NextEra.

As of the Closing Date, Southern Companies and Gulf will provide transmission service over their respective Transmission Systems, and associated Ancillary Services, pursuant to the terms and conditions of their respective Tariffs. The rates, terms, and conditions provided elsewhere in this Tariff shall be subject to the provisions of this Attachment V, including the transmission Service Agreements being adopted in accordance with this Attachment V, and any conflict between the rates, terms, and conditions provided for elsewhere in this Tariff and the provisions of this Attachment V shall be resolved in favor of this Attachment V.

1. DEFINITIONS.

All capitalized terms used herein and not otherwise defined in Section 1 or Attachment J of this Tariff, and/or Gulf’s Tariff depending on context, whether singular or plural, shall have the respective meanings set forth below.

“Closing Date” means the date of the closing of the Transaction, which is [DATE TO BE ADDED].

“Generator Supplied Ancillary Services” shall mean the following Ancillary Services provided under the Gulf and Southern Companies’ Tariffs: Reactive Supply and Voltage Control from Generation or Other Sources Services; Regulation and Frequency Response; Energy Imbalance Service; Operating Reserve – Spinning Reserve Service; and Operating Reserve – Supplemental Reserve Service.

“Gulf Grandfathered Resource” means any generating resource in which Gulf has an ownership interest or associated power purchase agreement as of the Closing Date that is identified in Exhibit 1 hereto.

“Gulf System” means the Gulf electric system located within the boundaries of Gulf’s service territory as that territory exists as of the Closing Date.

“IIC” means the Southern Company System Intercompany Interchange Contract, Dated May 1, 2007 including Appendix A thereto which is to become effective as of the Closing Date.

“Interconnected Generation” means a generation facility located within the boundaries of Gulf’s or Southern Companies’ service territory as that territory exists on the Closing Date.

“Kingfisher I EPA” means the Energy Purchase Agreement between Morgan Stanley Capital Group Inc. and Gulf Power Company dated as of December 18, 2014, as amended.

“Kingfisher II EPA” means the Energy Purchase Agreement between Morgan Stanley Capital Group Inc. and Gulf Power Company dated as of June 10, 2016.

“Other Grandfathered Resource” means a generating resource identified in Exhibit 2 hereto.

“Pending Interconnection Requests” shall mean those Interconnection Requests as of the Closing Date identified in Exhibit 3 hereto.

“Post-Transition Period” means the period of time as set forth in Section 2.2.1 below.

“Rollover Rights” shall mean the right of an existing long-term Transmission Customer taking Tariff service having at least a five (5) year term to continue taking service at the end of that term subject to certain requirements and conditions, as provided in Section 2.2 of the Commission’s *pro forma* OATT, this Tariff, and Gulf’s Tariff.

“Southern Companies” means Alabama Power Company, Georgia Power Company, and Mississippi Power Company.

“Tariff” shall mean a Commission-regulated, Open Access Transmission Tariff.

“Third Party Load” means the load of an entity other than Gulf or Southern Companies.

“Transaction” means the sale by Southern Company of all of the common stock of Gulf to 700 Universe LLC, a wholly-owned subsidiary of NextEra.

“Transition Period” means the period of time as set forth in Section 2.1.1 below.

2. TRANSMISSION SERVICE FOR GULF AND SOUTHERN COMPANIES ON THE OTHER'S TRANSMISSION SYSTEM DURING THE TRANSITION AND POST-TRANSITION PERIODS.

2.1. TRANSITION PERIOD.

2.1.1. Term. The term of the Transition Period shall be from the Closing Date until Gulf's participation in the IIC is terminated in accordance with Appendix A to the IIC.

2.1.2. Service Agreements. Concurrent with the Closing Date, Gulf and Southern Companies will enter into Service Agreements for Network Integration Transmission Service under the other's Tariff providing for energy receipts and deliveries associated with their participation in the IIC consistent with the terms of this Attachment V.

(a) Each such Service Agreement shall reflect the designation of the IIC as a Network Resource, and the Gulf Grandfathered Resources will be designated by Gulf as Network Resources pursuant to its Service Agreement with Southern Companies. Except as set forth in Section 3 below related to an Other Grandfathered Resource, no other Network Resources may be added to these Service Agreements, and secondary service shall not be available under these Service Agreements. A party seeking transmission service with respect to an additional resource must request transmission service as set forth in Section 5 below.

(b) The Network Load of each party under its respective Service Agreement shall be, (i) in the case of Gulf, the Gulf load and (ii) in the case of Southern Companies, equal to Gulf-owned Interconnected Generation located on Gulf's System.

(c) Each such Service Agreement shall terminate at the end of the Transition Period.

(d) The charge for transmission service is as set forth in Section 4 below.

(e) The charge for Ancillary Service is as set forth in Section 8 below.

(f) Such Service Agreements will not have Rollover Rights and no party may resell, reassign, assign or otherwise convey of any or all of their rights and obligations under or related to their Service Agreement.

2.1.3. During the Transition Period, Gulf shall remain a part of Southern Companies' Balancing Authority Area for generating dispatch and bulk transmission operations.

2.2. POST-TRANSITION PERIOD.

2.2.1. Term. The Post-Transition Period shall commence promptly upon Gulf no longer being a participant to the IIC in accordance with Appendix A to the IIC.

2.2.2. Service Agreements. In order to enable the delivery of the output from the Gulf Grandfathered Resources to the Gulf Transmission System after the Transition Period, concurrent with the Closing Date, Gulf will enter into Service Agreements for Firm Point-To-Point Transmission Service under Southern Companies' Tariff.

(a) Gulf has entered into two energy purchase agreements: (i) the Kingfisher I EPA and (ii) the Kingfisher II EPA (collectively, the "Kingfisher EPAs"). Gulf will enter into a Service Agreement for Long-Term Firm Point-To-Point Transmission Service under Southern Companies' Tariff for each of these energy purchase agreements. Consistent with the Kingfisher I EPA and the Kingfisher II EPA, the Point of Receipt under each of these Service Agreements must be redirected to a specific and valid Point of Receipt/source combination on a short-term basis only, but the Point of Delivery may not be redirected. The maximum amount of capacity and energy to be transmitted under each of the Service Agreements shall be equal to the hourly energy profile set forth in Appendix A to the associated power purchase agreement (i.e., either the Kingfisher I EPA or the Kingfisher II EPA, as the case may be).

(b) Gulf will enter into two Service Agreements for Long-Term Firm Point-To-Point Transmission Service under Southern Companies' Tariff with respect to its ownership interest in Plant Daniel, Unit 1 and Unit 2 and Plant Scherer, Unit 3.

(c) The charge for transmission service under these Service Agreements is as set forth in Section 4 below.

(e) The charge for each Ancillary Service is as set forth in Section 8 below.

(f) Such Service Agreements will not have Rollover Rights and no party may redirect, except as provided in Section 2.2.2(a) above, such transmission service or resell, reassign, assign or otherwise convey of any or all of their rights and obligations under or related to any such Service Agreement.

2.2.3. After the Transition Period, Gulf will need to form its own Balancing Authority Area, unless Gulf makes other arrangements for the balancing of its

system in accordance with applicable requirements. Gulf and Southern Companies shall engage in good faith negotiations and coordination with regard to Gulf's establishment of a separate Balancing Authority Area arrangement and any associated impacts and costs imposed upon Southern Companies.

3. OTHER GRANDFATHERED RESOURCE.

Southern Companies have the right to designate an Other Grandfathered Resource as a resource during the Transition Period or the Post-Transition Period, subject to the pricing terms set forth in Section 4 below. A Transmission Customer shall have the right to take transmission service from an Other Grandfathered Resource so as to deliver its power to a Point of Delivery at an interface on Southern Companies' Transmission System to serve load located outside of Southern Companies' Balancing Authority Area, subject to the pricing terms set forth in Section 4 below.

4. TRANSMISSION CHARGES FOR GULF AND SOUTHERN COMPANIES USING THE OTHER'S TRANSMISSION SYSTEM TO SERVE THEIR RESPECTIVE LOADS.

4.1. Transition Period. Neither Gulf nor Southern Companies will receive payment for Network Integration Transmission Service provided under the Service Agreements set forth in Section 2.1.2 because the Transmission Provider under each such agreement will waive its charges to \$0 for such Network Integration Transmission Service for Interconnected Generation that serves load in the other's system.

4.2. Post-Transition Period. Southern Companies will not receive payment for the Point-To-Point Transmission Service under the Service Agreements set forth in Section 2.2.2 because Southern Companies will waive to \$0 their charges for such transmission service.

4.3. Other Grandfathered Resource. With regard to rates for point-to-point transmission service for power that is sourced from an Other Grandfathered Resource on the Gulf System should it (i) become a Southern Companies resource as contemplated in Section 3, or (ii) take transmission service from both Gulf and Southern Companies with a Point of Delivery at an interface on Southern Companies' Transmission System to serve load located outside of Southern Companies' Balancing Authority Area, Gulf will waive to \$0 its charges for such transmission service.

5. NEW TRANSMISSION SERVICE FOR GULF OR SOUTHERN COMPANIES ON THE OTHER'S TRANSMISSION SYSTEM.

5.1 Any Interconnected Generation on Southern Companies' Transmission System, or any generation resource located outside of Southern Companies' Balancing

Authority Area whose output is delivered under Southern Companies' Tariff, that becomes a new Gulf resource (i.e., not a resource under the IIC during the Transition Period or a Gulf Grandfathered Resource) after the Closing Date, shall be subject to the terms, conditions, and pricing of Southern Companies' Tariff, without regard to the waiver to \$0 of charges (e.g., transmission or ancillary) as set forth in this Attachment V.

5.2 Any Interconnected Generation on the Gulf System that becomes a new Southern Companies resource (i.e., not a resource subject to the IIC during the Transition Period) (with the exception of an Other Grandfathered Resource) after the Closing Date, shall be subject to the terms, conditions, and pricing of Gulf's Tariff, without regard to the waiver to \$0 of charges (e.g., transmission or ancillary) as set forth in this Attachment V.

6. TRANSMISSION SERVICE ASSOCIATED WITH THIRD PARTIES.

6.1 As of the Closing Date, a third party Transmission Customer that takes transmission service under Gulf's Tariff, including such Transmission Customers taking such service as of the Closing Date, shall execute, or have filed on an unexecuted basis, Service Agreement(s) with Gulf.

6.2 Beginning on the Closing Date, Gulf and Southern Companies' respective transmission charges shall be as set forth below so as to provide relief to their Transmission Customers from certain transmission rate changes that might otherwise result from the Transaction. Such rates shall apply to Transmission Customers as set forth below.

6.2.1. With regard to rates for transmission service for power that is sourced (i) from Interconnected Generation on the Gulf System and that serves Third Party Load in Southern Companies' system, (ii) from an Other Grandfathered Resource on the Gulf System that becomes a Southern Companies resource, or (iii) from an Other Grandfathered Resource on the Gulf System having a Point of Delivery at an interface on Southern Companies' Transmission System to serve load located outside of Southern Companies' Balancing Authority Area, the transmission customer will pay Southern Companies' applicable transmission service rate, and Gulf shall waive to \$0 its charges for transmission service under Gulf's Tariff; provided, however, that responsibility for the cost of Network Upgrades, Direct Assignment Facilities or other incremental costs necessary to provide the requested service on the Gulf System will be recovered from the Transmission Customer. Any crediting or "higher of" pricing determinations will be made in accordance with applicable Commission policies. Specifically, for purposes of any transmission credits to offset the cost of customer-funded upgrades or incremental costs on the Gulf System, the rate/charges against which any credits will be

applied shall be the waived to \$0 rate/charges specified in this Attachment V. For purposes of any “higher of” comparison for transmission service on the Gulf System, Gulf’s embedded cost rate shall be the waived to \$0 rate/charges specified in this Attachment V.

6.2.2. For rates for transmission service for power that (i) is sourced from Interconnected Generation on Southern Companies’ Transmission System and that serves Third Party Load in the Gulf System or (ii) has a Point of Receipt at an interface on Southern Companies Transmission System from a generation resource located outside of Southern Companies’ Balancing Authority Area and that serves Third Party Load in the Gulf System, the Transmission Customer will pay the applicable Gulf Tariff rate, and Southern Companies shall waive to \$0 its charges for transmission service under Southern Companies’ Tariff; provided, however, that responsibility for the cost of Network Upgrades, Direct Assignment Facilities or other incremental costs necessary to provide the requested service on Southern Companies’ system will be recovered from the Transmission Customer. Any crediting or “higher of” pricing determinations will be made in accordance with applicable Commission policies. Specifically, for purposes of any transmission credits to offset the cost of customer-funded upgrades or incremental costs on Southern Companies’ transmission system, the rate against which any credits will be applied shall be the waived to \$0 rate/charges specified in this Attachment V. For purposes of any “higher of” comparison for transmission service on Southern Companies’ transmission system, Southern Companies’ embedded cost rate shall be the waived to \$0 rate/charges as specified in this Attachment V.

6.2.3. Third party Network Customers with Network Load on both the Gulf System and Southern Companies system will continue to be permitted to use designated Network Resources on either such system and take secondary service from resources on either such system to serve Network Load on either such system. Each such Network Customer shall pay Gulf for such transmission service at a rate equal to Gulf’s rate for Network Integration Transmission Service, subject to Section 7, for the amount of Network Load on the Gulf System, and shall pay Southern Companies for such transmission service at a rate equal to Southern Companies’ rate for Network Integration Transmission Service for the amount of Network Load on Southern Companies’ Transmission System. As applicable, Gulf or Southern Companies will waive to \$0 its charges for transmission service for the transmission of power from resources on its Transmission System to the other’s Transmission System for purposes of serving such Network Load on the other Transmission System; provided, however, that responsibility for the cost of Network Upgrades, Direct Assignment Facilities, or other incremental costs necessary to provide requested

service, whether on the Gulf System or Southern Companies Transmission System, will be determined consistent with sections 6.2.1 and 6.2.2 of this Attachment V.

7. GULF RATE CAP

For a period of five (5) years from the Closing Date, Gulf will cap its transmission rates at the lower of the rate produced by the Gulf formula rate or the Southern Companies transmission rate. For purposes of the rate cap, the Southern Companies transmission rate is the higher of: (i) Southern Companies' transmission rates for particular services (i.e., Firm Point-to-Point Transmission Service, Non-Firm Point-to-Point Transmission Service, Network Integration Transmission Service) that were in effect as of the day prior to the Closing Date or (ii) such Southern Companies rates as they may change from time to time after the Closing Date.

8. ANCILLARY CHARGES.

8.1. Transition Period. During the Transition Period, Gulf and Southern Companies will continue to provide Ancillary Services to support deliveries on both Gulf's Transmission System and Southern Companies' Transmission System from the combined resources of both Gulf and Southern Companies. Therefore, Gulf and Southern Companies will use Southern Companies' then-applicable rate as a single rate for each applicable Ancillary Service during the Transition Period. Such rates shall apply to all applicable Transmission Customers; provided, however, such rates shall not be applied to Gulf or Southern Companies because both Gulf and Southern Companies are self-supplying each of the Generator Supplied Ancillary Services and Generator Imbalance Service, and are already bearing the costs for Scheduling, System Control and Dispatch Service.

8.2. Post Transition Period. After the Transition Period, Gulf shall establish its own rates for Ancillary Services, which shall be stated in the Ancillary Service schedules to this Tariff.

8.2.1. For transmission service for power that is sourced (i) from Interconnected Generation on the Gulf System that serves Third Party Load on Southern Companies' Transmission System, or (ii) from an Other Grandfathered Resource on the Gulf System that becomes a Southern Companies' resource, the Transmission Customer will pay (barring self-supply through alternative comparable arrangements): (a) to Southern Companies, Southern Companies rates for Generator Supplied Ancillary Services; to Gulf, the Gulf rate for Generator Imbalance Service; and, Gulf's rates for Generator-Supplied Ancillary Services shall be waived to \$0; and, (b) to both Southern Companies and Gulf, each company's respective rate for Scheduling, System Control and Dispatch Service.

8.2.2. For transmission service for power that is sourced (i) from Interconnected Generation on Southern Companies' Transmission System that serves Third Party Load on the Gulf System, or (ii) from any generation resource located outside of Southern Companies' Balancing Authority Area whose output is delivered under Southern Companies' Tariff that serves Third Party Load on the Gulf System, the Transmission Customer will pay (barring self-supply through alternative comparable arrangements): (a) to Gulf, the Gulf rates for Generator Supplied Ancillary Services; to Southern Companies, Southern Companies' rate for Generator Imbalance Service if applicable; and, Southern Companies' rates for Generator-Supplied Ancillary Services shall be waived to \$0; and, (b) to both Gulf and Southern Companies, each company's respective rate for Scheduling, System Control and Dispatch Service.

8.2.3. For transmission service for power that is sourced from Gulf Grandfathered Resources, Gulf will pay to Southern Companies, Southern Companies' rate for Generator Imbalance Service and Scheduling, System Control, and Dispatch Service, and Southern Companies' rate for the other pertinent Generator Supplied Ancillary Services shall be waived to \$0.

8.2.4. For Network Customers with Network Load on both the Gulf System and Southern Companies' Transmission System, each such Network Customer will pay (barring self-supply through alternative comparable arrangements) (i) to Southern Companies, Southern Companies' rates for Generator Supplied Ancillary Services for the amount of Network Load on Southern Companies' Transmission System, and Southern Companies' rate for Generator Imbalance Service for the generation on Southern Companies' Transmission System; (ii) to Gulf, the Gulf rates for Generator Supplied Ancillary Services for the amount of Network Load on the Gulf System, and the Gulf rate for Generator Imbalance Service for the amount of generation on the Gulf System; and, (iii) to both Gulf and Southern Companies, each company's respective rate for Scheduling, System Control and Dispatch Service.

8.3. Treatment of Certain Ancillary Charges as between Gulf and Southern Companies.

8.3.1. In recognition of Commission policies with respect to compensation for reactive power capability for third-party generation, Southern Companies' rate for Reactive Supply and Voltage Control from Generation or Other Sources Services charged to Gulf for transmission service for power that is sourced from the Gulf Grandfathered Resources will be waived to \$0, and Gulf will not to seek compensation from Southern Companies with respect to reactive power.

8.3.2 In addition, the provisions of Section 8.2 will not apply to power sourced from a generating resource, including a Gulf Grandfathered Resource or Other Grandfathered Resource, physically located in Southern Companies system or the Gulf System but is dynamically scheduled or pseudo-tied into the other's Balancing Authority Area. For such deliveries of power, the rates for Generator Supplied Ancillary Services and Generator Imbalance Service of neither the source Transmission Provider nor the Transmission Provider into whose Balancing Authority Area the generation is dynamically scheduled or pseudo-tied will apply, with the exception that each Transmission Provider shall apply its rate for Scheduling, System Control and Dispatch Service.

9. DERIVATION OF TRANSMISSION LOAD FOR PURPOSES OF THE CALCULATION OF OATT CHARGES

9.1 The determination of load for purposes of calculating charges under Southern Companies' and Gulf's Tariffs shall be adjusted as provided herein. The purpose of this adjustment is to provide consistency between the calculation of such charges and the rate protections provided in this Attachment V to Transmission Customers.

9.2. Specifically, in deriving the load to be used in calculating any of the rates or charges under Southern Companies' or Gulf's Tariffs, the following will **not** be included in deriving the load for purposes of any such calculation: i) loads for Network Customers where the charges for any such load is the waived to the \$0 rate/charges provided in this Attachment V or ii) long-term firm point-to-point reservations where the charges for any such reservation is waived to the \$0 rate/charges provided in this Attachment V. Without limiting the generality of the foregoing, this exclusion shall apply to the following: the derivation of bulk transmission loads for purposes of Attachment M, Sections 4.2 and 4.4, the derivation of subtransmission loads for purposes of Attachment M Section 5.2, and the derivation of the denominator in the calculation of the Attachment K charge factor for purposes of Attachment M, Section 6.8.

9.3 The FERC Annual Charge Factor addressed at Attachment M is determined independently by the Commission as it is specified on the Commission's invoices to the Transmission Provider.

10. PENDING INTERCONNECTION REQUESTS.

10.1. The Interconnection Requests identified at Exhibit 3 ("Pending Interconnection Requests") are those submitted prior to the Closing Date for generator interconnection requests to the Gulf System and are under study pursuant to the State of Florida statutes and regulations regarding Public Utility Regulatory Policies Act ("PURPA") projects, or under either Southern Companies' Large

Generation Interconnection Procedures (“LGIP”) or Small Generator Interconnection Procedures (“SGIP”) as the case may be, that are provided at Attachment J and Attachment J-2, respectively, of Southern Companies’ Tariff.

10.2. So as to provide for an orderly processing of the Pending Interconnection Requests in accordance with Gulf’s and Southern Companies’ Tariff obligations, Southern Companies will finalize the pertinent Interconnection Studies for all Pending Interconnection Requests (i.e., those submitted prior to the Closing Date). Specifically, Southern Companies will perform all aspects of the Transmission Provider’s requirements under the LGIP and SGIP, as the case may be, up to and including preparation of a final Interconnection Facilities Study report, which shall be provided to Gulf for its review and approval prior to issuance. Gulf will provide any cost information, interconnection details, and other support as needed for Southern Companies to perform this service consistent with all requirements of Southern Companies’ Tariff.

10.3. After the issuance of the final Interconnection Facilities Study report for each Pending Interconnection Request, Southern Companies will no longer have any responsibilities for that specific Interconnection Request, and Gulf will assume full responsibility for all of the Transmission Provider’s remaining responsibilities under the State of Florida statutes and regulations regarding PURPA projects or under the LGIP and SGIP, as the case may be, for that Interconnection Request. For purposes of clarification, this transfer of responsibilities means that Gulf, and not Southern Companies, will tender an appropriate draft generator interconnection agreement (e.g., Large Generator Interconnection Agreement or Small Generator Interconnection Agreement) to the Interconnection Customer, with Gulf (and not Southern Companies) then to execute or otherwise be a party to any resulting generator interconnection agreement.

11. ALLOCATION OF ANCILLARY SERVICES REVENUE BETWEEN GULF AND SOUTHERN COMPANIES DURING THE TRANSITION PERIOD.

As set forth in Section 8.1, Gulf and Southern Companies will use Southern Companies’ then-applicable rate as a single rate for each applicable Ancillary Service during the Transition Period for transmission service that uses both of their respective Transmission Systems. The Ancillary Services revenues received shall be allocated between Gulf and Southern Companies as provided as provided below:

(a) *Scheduling, System Control and Dispatch Service:*

For Network, Long-Term Firm Point-to-Point, Non-Firm and Short-Term Firm Point-to-Point service, the revenues are allocated using transmission usage ratios for Gulf and Southern Companies;

(b) *Reactive Supply and Voltage Control from Generation or Other Sources Service:*

For Network and Long-Term Firm Point-to-Point service, the revenues are allocated using MW-mile ratios for Gulf and Southern Companies for the transaction;

(c) *Reactive Supply and Voltage Control from Generation or Other Sources Service:*

For Non-Firm and Short-Term Firm Point-to-Point service, the revenues are allocated on a peak period load ratio basis;

(d) *Other Ancillary Services (i.e., Generator Imbalance Service, Operating Reserve – Spinning Reserve Service, Operating Reserve – Supplemental Reserve Service, Regulation and Frequency Response Service, Energy Imbalance Service typically in connection with Network Service):*

The revenues are allocated on a peak period load ratio basis.

EXHIBIT 1

GULF GRANDFATHERED RESOURCES

1. Plant Daniel

Gulf owns 50% of Units 1 and 2 of Plant Daniel. The Transmission Customer's portion of these two steam generating units currently totals approximately ~500 MW. Plant Daniel is connected to Southern Companies' Transmission System and is located near Escatawpa, Mississippi.

2. Plant Scherer

Gulf owns 25% of Unit 3 of Plant Scherer. The Transmission Customer's portion of this steam generating unit currently totals 220 MW. Plant Scherer is connected to Southern Companies' Transmission System and is located in Juliette, Georgia.

3. The firm purchase from Central Alabama for 885 MW that will terminate on May 31, 2023.

4. The firm purchase from Kingfisher I EPA for up to 127 MW that will terminate on December 31, 2035.

5. The firm purchase from Kingfisher II EPA for up to 67 MW that will terminate on December 31, 2035.

EXHIBIT 2

OTHER GRANDFATHERED RESOURCES

1. The Santa Rosa Energy Center, LLC's 255 MW generating facility located at 5001 Sterling Way, Pace, Florida 32571.

EXHIBIT 3

PENDING INTERCONNECTION REQUESTS

<u>Request #</u>	<u>Facility Name</u>	<u>Location</u>	<u>Point of Interconnection</u>	<u>Voltage</u>
<u>IC-712</u>	<u>Calhoun County Solar</u>	<u>Calhoun County, FL</u>	<u>Smith-Sinai Cemetery 230 kV Line</u>	<u>230 kV</u>
<u>IC-710</u>	<u>Bear Creek Solar Farm</u>	<u>Bay County, FL</u>	<u>Marianna - Bay County 115 kV Line</u>	<u>115 kV</u>
<u>IC-708</u>	<u>Greenwood Solar</u>	<u>Jackson County, FL</u>	<u>Caverns Substation 115 kV Bus</u>	<u>115 kV</u>
<u>IC-687</u>	<u>Jay II Solar</u>	<u>Santa Rosa County, FL</u>	<u>Exxon-Blackjack (Radial) 115 kV Line</u>	<u>115 kV</u>
<u>IC-686</u>	<u>Jay I Solar</u>	<u>Santa Rosa County, FL</u>	<u>Exxon-Blackjack (Radial) 115 kV Line</u>	<u>115 kV</u>
<u>IC-680</u>	<u>Jones Solar Center</u>	<u>Santa Rosa County, FL</u>	<u>Crist-South Crestview #2 115 kV Line</u>	<u>115 kV</u>
<u>IC-669</u>	<u>Altha Solar</u>	<u>Calhoun County, FL</u>	<u>Calaway – Sinai 115 kV Line</u>	<u>115 kV</u>
<u>IC-668</u>	<u>West Grand Ridge Solar PO12</u>	<u>Jackson County, FL</u>	<u>Sinai – West Grand Ridge 115 kV Line</u>	<u>115 kV</u>
<u>IC-667</u>	<u>Santa Rosa Solar</u>	<u>Santa Rosa County, FL</u>	<u>Exxon-Blackjack (Radial) 115 kV Line</u>	<u>115 kV</u>
<u>IC-658</u>	<u>West Grand Ridge Solar</u>	<u>Jackson County, FL</u>	<u>Marianna – West Grand Ridge 115 kV Line</u>	<u>115 kV</u>
<u>IC-657</u>	<u>Horus Florida 1</u>	<u>Bay County, FL</u>	<u>Marianna – Bay County 115 kV Line</u>	<u>115 kV</u>
<u>IC-654</u>	<u>Sable Solar</u>	<u>Okaloosa County, FL</u>	<u>Crist – South Crestview #1 115 kV Line</u>	<u>115 kV</u>
<u>IC-643</u>	<u>RMS Timber</u>	<u>Escambia County, FL</u>	<u>Champion – Flomaton 115 kV Line</u>	<u>115 kV</u>
<u>IC-631</u>	<u>IS 78</u>	<u>Calhoun County, FL</u>	<u>Smith – Sinai Cemetery 230 kV Line</u>	<u>230 kV</u>
<u>IC-621</u>	<u>Hatcher Solar</u>	<u>Jackson County, FL</u>	<u>Marianna – West Grand Ridge 115 kV Line</u>	<u>115 kV</u>
<u>IC-482</u>	<u>Mason Solar</u>	<u>Jackson County, FL</u>	<u>Marianna – Holmes Creek 115 kV Line</u>	<u>115 kV</u>
<u>IC-442</u>	<u>Panhandle Solar Project</u>	<u>Jackson County, FL</u>	<u>Sinai Cemetery – Farley 230 kV Line</u>	<u>230 kV</u>

EXHIBIT A

Statement Comparing OATT Revenues

Southern Company Open Access Transmission Tariff - 2018 Informational Filing
Analysis of Exclusion of Gulf Power on Rates and Total Revenues

	Bulk - Non-Firm and Network			Bulk - Firm Point-to-Point			Subtransmission Lines		
	2018 Informational Rate <i>(after Tax Reform)</i>	2018 Informational Rate <i>(excluding Gulf)</i>	Change in Rate	2018 Informational Rate <i>(after Tax Reform)</i>	2018 Informational Rate <i>(excluding Gulf)</i>	Change in Rate	2018 Informational Rate <i>(after Tax Reform)</i>	2018 Informational Rate <i>(excluding Gulf)</i>	Change in Rate
Load (kW)	30,865,148	28,554,367		31,915,148	29,525,757		3,306,516	3,058,967	
<u>Annual Transmission Requirement</u>									
Return	509,692,019	469,438,125		509,692,019	469,438,125		40,956,481	40,528,255	
Total Income Taxes	123,572,797	113,057,787		123,572,797	113,057,787		9,670,192	9,557,950	
Transmission Expense	498,265,318	442,407,112		498,265,318	442,407,112		40,154,185	39,560,200	
Total Company Revenue Requirement	1,131,530,134	1,024,903,024		1,131,530,134	1,024,903,024		90,780,858	89,646,405	
<u>Revenue Credits</u>									
OPCO Specific Revenue Credit	(24,500,048)	(23,757,085)		(24,500,048)	(23,757,085)		(819,435)	(817,129)	
OATT Revenue Credits	(19,691,333)	(18,217,102)		(19,492,652)	(18,033,296)		-	-	
	(44,191,381)	(41,974,187)		(43,992,700)	(41,790,381)		(819,435)	(817,129)	
Total Bulk Transmission Revenue Requirements	1,087,338,753	982,928,837		1,087,537,434	983,112,643		89,961,423	88,829,276	
Rate	\$ 2.93572	\$ 2.86859	\$ (0.06713) -2.29%	2.83966	2.77473	\$ (0.06493) -2.29%	2.26728	2.41991	\$ 0.15263 6.73%

OATT Customer Revenue Impact Analysis
(Based on 2018 Revenues from 2018 Informational Filing)

2018 Projected Revenue (after Tax Reform adjustments)	\$ 178,875,111
2018 Projected Revenue (excluding Gulf Power)	\$ 176,094,850
Variance (savings to OATT Customers)	\$ (2,780,261)