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December 1, 2022

Alabama Public Service Commission
RSA Union Building
100 North Union Street, Suite 950
Montgomery, Alabama 36104



Attention: Mr. Walter L. Thomas, Jr.
Secretary

Re: Filing of Rate CNP, Subpart D Factors, Calculations and Information
for Cost Year 2023
Docket Nos. 18117 and 18416

Dear Commissioners:

On November 21, 2022, Alabama Power filed a proposed revision to Rate CNP (Adjustment for Commercial Operation of Certificated New Plant) to include a new dedicated recovery mechanism for changes in certain depreciation expenses associated with the effectiveness of updated depreciation rates ("Subpart D"). In anticipation of Commission action on the Company's request, and in accordance with the provisions of the proposed Subpart D, we are submitting the factors, calculations and other related information associated with the described changes in the Company's depreciation expense for cost year 2023. Subject to approval of Subpart D by the Commission, the factors developed on these attachments will be applicable to billings under the Company's rate schedules beginning with January 2023 billings.

By means of this letter, we are providing the enclosed information to the Commission Staff and the Office of the Attorney General. If further information is needed, please do not hesitate to contact the undersigned. The Company is available to meet with the Commission or its Staff to discuss the enclosed materials.

Sincerely,

Enclosures

Alabama Public Service Commission

December 1, 2022

Page 2

cc: Commissioner Twinkle Andress Cavanaugh
Commissioner Jeremy H. Oden
Commissioner Chris "Chip" Beeker, Jr.

Secretary of the Alabama Public Service Commission
Mr. Walter L. Thomas, Jr. (11)

Executive Director and Chief Administrative Law Judge
The Honorable John A. Garner

Director, Electricity Policy Division
Mr. John D. Free (5)

Office of the Attorney General
Ms. Olivia W. Martin

Alabama Power Company
Rate CNP Factor for Changes in Depreciation Expense
Cost Year 2023

- (1) Depreciation expense arising from the application of updated depreciation rates to projected plant in service for the Depreciation Adjustment Factor Year, less (i) depreciation expense associated with the capitalization of asset retirement costs and (ii) depreciation expense recovered in Subparts A and C of Rate CNP for the year 2023.

\$ 926,349,889 [See Appendix 1]

- (2) Depreciation expense documented in the December 1, 2021 Rate RSE filing (FERC Account 403), less (i) depreciation expense associated with the capitalization of asset retirement costs and (ii) depreciation expense recovered in Subparts A and C of Rate CNP.

\$ 595,492,300 [See Appendix 2]

- (3) The retail revenue requirement for changes in depreciation expense for year 2023 calculated by subtracting Item (2) from Item (1) and multiplying by the retail electric service expense factor (96.18%) from the most recent cost of service study (Jurisdictional Allocation Study) filed with the Commission on April 29, 2022.

\$ 330,857,589 [Item (1) - Item (2)]
96.18% [See Appendix 3]
\$ 318,218,829

- (4) The retail revenue requirement for changes in depreciation expense for the year 2023 allocated to each of the respective rate schedules that are subject to Rate CNP and the CNP Depreciation Adjustment Factor for each such rate schedule.

[See Appendix 4]

Alabama Power Company
Rate CNP Factor for Changes in Depreciation Expense
Cost Year 2023

| | | <u>Depreciation Expense*</u> |
|-----------|------|------------------------------|
| January | 2023 | \$ 76,259,663 |
| February | 2023 | 76,402,435 |
| March | 2023 | 76,538,586 |
| April | 2023 | 76,975,118 |
| May | 2023 | 77,067,896 |
| June | 2023 | 76,270,674 |
| July | 2023 | 77,056,989 |
| August | 2023 | 77,179,468 |
| September | 2023 | 77,092,263 |
| October | 2023 | 77,473,714 |
| November | 2023 | 77,573,523 |
| December | 2023 | 80,459,560 |
| | | <u>\$ 926,349,889</u> |

* Excludes depreciation expense associated with the capitalization of asset retirement costs and depreciation expense recoved in Subparts A and C of Rate CNP.

Alabama Power Company
Rate CNP Factor for Changes in Depreciation Expense
Cost Year 2023

Depreciation Expense documented in the December 1, 2021 Rate RSE filing

| | | <u>Depreciation Expense*</u> |
|-----------|------|-------------------------------------|
| January | 2022 | \$ 48,838,728 |
| February | 2022 | 48,968,770 |
| March | 2022 | 49,050,129 |
| April | 2022 | 49,193,099 |
| May | 2022 | 49,344,224 |
| June | 2022 | 49,582,121 |
| July | 2022 | 49,699,473 |
| August | 2022 | 49,838,083 |
| September | 2022 | 49,943,707 |
| October | 2022 | 50,135,419 |
| November | 2022 | 50,243,582 |
| December | 2022 | 50,654,965 |
| | | <u>\$ 595,492,300</u> |

* Excludes depreciation expense associated with the capitalization of asset retirement costs and depreciation expense recovered in Subparts A and C of Rate CNP.

| LINE (1) | LINE DESCRIPTION (2) | TOTAL ELECTRIC SYSTEM (3) | RESIDENTIAL (4) | NON- RESIDENTIAL (5) | TOTAL DIRECT SERVICE (6) | TOTAL ALL OTHER SERVICE (7) |
|--|---------------------------------------|------------------------------------|--------------------|----------------------------|-----------------------------------|--------------------------------------|
| NET INVESTMENT | | | | | | |
| 1 | ELECTRIC GROSS PLANT | \$32,878,739,938 | \$16,487,300,546 | \$15,258,056,660 | \$31,745,357,206 | \$1,133,382,732 |
| 2 | PROVISION FOR ACCUM DEPR & AMORT | 10,622,221,634 | 5,312,726,016 | 4,943,015,246 | 10,255,741,262 | 366,480,372 |
| 3 | NET PLANT | \$22,256,518,304 | \$11,174,574,530 | \$10,315,041,414 | \$21,489,615,944 | \$766,902,360 |
| ADD: | | | | | | |
| 4 | PLANT HELD FOR FUTURE USE | 49,722,096 | 22,813,384 | 24,753,915 | 47,567,299 | 2,154,797 |
| 5 | MATERIALS AND SUPPLIES | 709,612,944 | 313,609,019 | 365,865,598 | 679,474,617 | 30,138,327 |
| 6 | UNAMORTIZED LEASEHOLD IMPROVEMENTS | 0 | 0 | 0 | 0 | 0 |
| 7 | CONSTRUCTION WORK IN PROGRESS | 1,199,104,669 | 577,209,042 | 575,964,497 | 1,153,173,539 | 45,931,130 |
| 8 | AVERAGE DAILY BANK BALANCES | 105,049,040 | 43,299,147 | 57,147,613 | 100,446,760 | 4,602,280 |
| 9 | ELECTRIC PLANT ACQUISITION ADJUSTMENT | 249,636,310 | 107,497,172 | 129,858,431 | 237,355,603 | 12,280,707 |
| 10 | NUCLEAR FUEL | 246,662,353 | 79,764,336 | 153,263,695 | 233,028,031 | 13,634,322 |
| DEDUCT: | | | | | | |
| 11 | SEGC0/AEC DEPOSIT | 23,057,656 | 7,456,260 | 14,326,879 | 21,783,139 | 1,274,517 |
| 12 | CUSTOMER ADVANCES FOR CONSTRUCTION | 400,196 | 5,261 | 394,935 | 400,196 | 0 |
| 13 | CUSTOMER DEPOSITS | 105,989,835 | 49,016,277 | 56,973,558 | 105,989,835 | 0 |
| 14 | TOTAL NET INVESTMENT | \$24,686,858,030 | \$12,262,288,832 | \$11,550,199,792 | \$23,812,488,624 | \$874,369,406 |
| RETAIL ELECTRIC INVESTMENT FACTOR | | 100.00% | 49.67% | 46.79% | 96.46% | 3.54% |
| EXPENSES | | | | | | |
| 16 | OPERATION AND MAINTENANCE EXPENSES | \$3,148,795,430 | \$1,297,871,536 | \$1,712,972,724 | \$3,010,844,260 | \$137,951,170 |
| 17 | DEPRECIATION AND AMORTIZATION EXPENSE | 811,663,830 | 405,332,717 | 378,629,434 | 783,962,151 | 27,701,679 |
| 18 | OTHER AMORTIZATION AND ACCRETION | 54,061,869 | 23,303,506 | 28,110,908 | 51,414,414 | 2,647,455 |
| 19 | TAXES OTHER THAN INCOME TAXES | 405,794,875 | 192,727,621 | 207,577,020 | 400,304,641 | 5,490,234 |
| 20 | SALES TO NON-ASSOCIATED COMPANIES | (371,962,146) | (130,578,797) | (221,401,855) | (351,980,652) | (19,981,494) |
| 21 | OTHER ELECTRIC REVENUES | (215,888,668) | (115,406,105) | (92,975,353) | (208,381,458) | (7,507,210) |
| 22 | TOTAL EXPENSES | \$3,892,465,191 | \$1,673,250,479 | \$2,012,912,878 | \$3,686,163,357 | \$146,301,834 |
| PERCENT OF TOTAL ELECTRIC SYSTEM | | 100.00% | 43.66% | 52.52% | 96.18% | 3.82% |
| RETAIL EXPENSE ALLOCATION FACTOR | | | | | 96.18% | |
| ALLOWANCE FOR FUNDS USED DURING CONSTRUCTION | | | | | | |
| 24 | TOTAL AFUDC | \$67,537,723 | \$32,369,880 | \$32,591,136 | \$64,961,016 | \$2,576,707 |
| PERCENT OF TOTAL ELECTRIC SYSTEM | | 100.00% | 47.93% | 48.26% | 96.18% | 3.82% |
| RETAIL ELECTRIC AFUDC ALLOCATION FACTOR | | | | | 96.18% | |

Alabama Power Company
 Rate CNP Factor for Changes in Depreciation Expense
 Cost Year 2023

Appendix 3

Alabama Power Company
Rate CNP Factor for Changes in Depreciation Expense
(affected rate schedules)
Effective for January 2023 Billings

| (A) | (B) | (C) | (D) | (E) | (F) |
|------------------|---|-----------------------------------|---|------------------------------|---|
| Rate Schedule | Forecasted Base Rate Revenue Excluding Fuel & Tax YE 2023 | Ratio BRs/BRt (B)/Total (B) | Effective Base Rate Revenue Adjustment (C) X Total (D) | Forecasted kWh YE 2023 | CNP Depreciation Adjustment Factor \$/kWh (D)/(E) |
| ASL | \$ 2,686,786 | 0.00060 | \$ 190,931 | 27,631,766 | 0.006910 |
| BEVT | 703,365 | 0.00016 | 50,915 | 6,160,437 | 0.008265 |
| BTA | 45,281,835 | 0.01012 | 3,220,375 | 468,670,332 | 0.006871 |
| BTAL | 106,194,629 | 0.02374 | 7,554,515 | 2,169,138,890 | 0.003483 |
| CFTU | 1,386,955 | 0.00031 | 98,648 | 25,546,554 | 0.003861 |
| FCR | 196,868,347 | 0.04401 | 14,004,811 | 6,907,042,708 | 0.002028 |
| FD | 2,068,900,394 | 0.46251 | 147,179,391 | 17,551,957,251 | 0.008385 |
| FDD | 177,123 | 0.00004 | 12,729 | 1,323,174 | 0.009620 |
| XFDE | 16,170,367 | 0.00361 | 1,148,770 | 173,652,222 | 0.006615 |
| XFDT | 311,876 | 0.00007 | 22,275 | 3,409,576 | 0.006533 |
| FIRTU | 265,535 | 0.00006 | 19,093 | 3,509,617 | 0.005440 |
| FMTU | 25,197,379 | 0.00563 | 1,791,572 | 378,626,112 | 0.004732 |
| FPL | 67,907,272 | 0.01518 | 4,830,562 | 298,744,825 | 0.016170 |
| XFSTU | 12,512,935 | 0.00280 | 891,013 | 148,581,900 | 0.005997 |
| XGRTU | 12,488,932 | 0.00279 | 887,831 | 176,302,919 | 0.005036 |
| HLF | 68,381,935 | 0.01529 | 4,865,566 | 1,611,746,733 | 0.003019 |
| XHLTU | 1,946,159 | 0.00043 | 136,834 | 27,617,886 | 0.004955 |
| XHMTU | 3,153,717 | 0.00071 | 225,935 | 36,498,032 | 0.006190 |
| LAF | 3,826,597 | 0.00085 | 270,486 | 18,952,247 | 0.014272 |
| LFS | 9,530,448 | 0.00213 | 677,806 | 78,091,908 | 0.008680 |
| XLLTU | 617,661 | 0.00014 | 44,551 | 8,553,986 | 0.005208 |
| XLMTU | 2,636,803 | 0.00059 | 187,749 | 30,933,485 | 0.006069 |
| XLPLE | 41,591,175 | 0.00930 | 2,959,435 | 700,213,017 | 0.004226 |
| XLPME | 171,343,036 | 0.03830 | 12,187,781 | 1,758,922,027 | 0.006929 |
| XLPSE | 198,806,934 | 0.04444 | 14,141,645 | 1,458,308,706 | 0.009697 |
| LPL | 143,675,040 | 0.03212 | 10,221,189 | 2,557,388,486 | 0.003997 |
| LPLM | 327,159,036 | 0.07314 | 23,274,525 | 6,637,245,880 | 0.003507 |
| LPM | 531,735,325 | 0.11887 | 37,826,672 | 4,078,373,045 | 0.009275 |
| LPS | 94,946,722 | 0.02123 | 6,755,786 | 403,166,160 | 0.016757 |
| XLPTL | 81,424,136 | 0.01820 | 5,791,583 | 1,427,905,333 | 0.004056 |
| XLPTM | 6,742,883 | 0.00151 | 480,510 | 65,466,260 | 0.007340 |
| XLPTS | 13,049,874 | 0.00292 | 929,199 | 117,077,073 | 0.007937 |
| LTU | 2,221,398 | 0.00050 | 159,109 | 25,984,508 | 0.006123 |
| MTU | 17,207,224 | 0.00385 | 1,225,142 | 356,364,678 | 0.003438 |
| ODL | 6,030,909 | 0.00135 | 429,595 | 146,134,550 | 0.002940 |
| OFP | 1,213,798 | 0.00027 | 85,919 | 15,027,071 | 0.005718 |
| PG | 1,066,394 | 0.00024 | 76,372 | 6,992,777 | 0.010922 |
| PMTU | 33,079,295 | 0.00740 | 2,354,819 | 654,663,473 | 0.003597 |
| PTU | 2,533,100 | 0.00057 | 181,385 | 42,643,295 | 0.004254 |
| XRLTU | 1,125,323 | 0.00025 | 79,555 | 14,869,324 | 0.005350 |
| XRMTU | 10,935,170 | 0.00244 | 776,454 | 132,094,038 | 0.005878 |
| RTA | 173,944 | 0.00004 | 12,729 | 1,419,947 | 0.008964 |
| RTAE | 3,352,594 | 0.00075 | 238,664 | 29,916,101 | 0.007978 |
| RTP | 64,597,104 | 0.01444 | 4,595,080 | 1,101,965,113 | 0.004170 |
| XRTPD | 11,623,660 | 0.00260 | 827,369 | 312,614,391 | 0.002647 |
| SCGTU | 7,771,603 | 0.00174 | 553,701 | 139,588,847 | 0.003967 |
| SCH | 41,562,997 | 0.00929 | 2,956,253 | 413,329,497 | 0.007152 |
| SLM | 7,728,304 | 0.00173 | 550,519 | 59,024,146 | 0.009327 |
| TS | 1,165,960 | 0.00026 | 82,737 | 17,067,699 | 0.004848 |
| TSTU | 210,125 | 0.00005 | 15,911 | 2,984,487 | 0.005331 |
| TXTU | 1,802,217 | 0.00040 | 127,287 | 26,764,168 | 0.004756 |
| XTP | 91,914 | 0.00002 | 6,364 | 753,388 | 0.008448 |
| XWP | 61,026 | 0.00001 | 3,182 | 811,003 | 0.003924 |
| Total | \$ 4,473,175,270 | | \$ 318,218,829 | 52,857,771,048 | |