Alabama Power

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Alabama Public Service Commission
RSA Union Building
100 North Union Street, Suite 950
Post Office Box 304260
Montgomery, Alabama 36130

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

Re: Informational Filing - Proposal to Address Rate Stability
Docket Nos. 18117 and 18416

Dear Commissioners:

In connection with the Commission's ongoing oversight and monitoring of Alabama Power Company's ("Alabama Power" or "Company") regulated activities and cost recovery mechanisms, including corresponding cost of service and rate reviews required under the Commission rules, the Company has been exploring considerations entering the 2026 cost year that would provide customers with a measure of rate stability. To this end, and following conversations with the Commission and the Attorney General's Office, the Company recently submitted calculations and related information associated with the cost of complying with governmental mandates for cost year 2026. The filing reflects a proposal to keep the current compliance factors under Rate CNP, Part C in effect for cost year 2026, thereby avoiding upward rate pressure associated with that recovery mechanism and promoting the ongoing desire of both the Commission and the Company for stability across electric service rates.

Working with Commission staff, Alabama Power has considered its forecasted and estimated cost of service across cost years 2026 and 2027, respectively, and believes it can offer other commitments to provide customers with additional rate certainty in both 2026 and 2027. Assuming certain Commission directives and authorizations, the Company can commit to the continued effectiveness of the current Rate CNP, Part C factors through cost year 2027. The Company also can agree to delay until 2028 the effectiveness of the Rate CNP, Part A adjustment for the Lindsay Hill acquisition certified by the Commission in Docket No. 33513, and leave in place the factors associated with Rate CNP, Part B through March 2028. In addition, the Company can agree to the current interim ECR factor (which expires at the end of December) remaining in place through 2027.

The Company's commitments would be effectuated through a Commission consent order directing to the Company to:

- Maintain the current Rate CNP, Part C factors through the end of 2027;

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- Delay the effectiveness of the CNP, Part A adjustment for Lindsay Hill until January 2028 billings;
- Maintain the current Rate CNP, Part B factor through March 2028; and
- Maintain the current Rate ECR interim factor through the end of 2027.

To implement these commitments, the Company would rely on internal cost containment measures, but would also need authorization from the Commission to:

- Apply any customer refund amount resulting from Rate RSE's actual result calculation for 2025 to the Natural Disaster Reserve ("NDR") in order to forestall an increase associated with Rate NDR (which currently carries a negative balance) and to better prepare for the costs of future storm events; and
- Use the 2024 nuclear production tax credits ("PTCs"), when monetized, to offset retail cost of service in 2027, with nuclear PTCs from 2025, 2026 and 2027, when monetized, being used to offset future retail cost of service (including any under-recovered balances under Rates CNP and ECR), all being subject to Commission oversight in Docket No. U-5494.

With these Commission directives and authorizations, the Company is confident of its ability to fulfill the associated commitments based on the best information currently available. The Company further contemplates, however, that as part of routine oversight of the Company's regulated activities, the Commission and its staff will monitor weather, natural disasters, changes in fuel markets or other significant unforeseen events that may impact these commitments. Should events of that nature occur, the Company will work with the Commission to determine what responsive steps would be reasonable and appropriate under the circumstances.

If the Commission or staff has any questions, please feel free to contact me.

Moses H. Feagin