



Monday, November 30, 2020

Submitted via e-mail

Alabama Public Service Commission
Commission President Twinkle Andress Cavanaugh
Commissioner Jeremy H. Oden, Place 1
Commissioner Chris "Chip" Beeker, Place 2
Executive Director and Administrative Law Judge John Garner
100 North Union Street
P.O. Box 304260
Montgomery, AL 36130

Dear Commissioners and Executive Director and Judge Garner:

On December 1, 2020, Alabama Power is required to submit information regarding their Rate Stabilization and Equalization (RSE) requirements for 2021 and, on December 8, 2020, there will be an informal meeting at the Public Service Commission (PSC) offices in Montgomery to consider the company's RSE submission. In the past, interested parties have been allowed to ask questions. Due to the pandemic, attendance in person is discouraged, as it should be, yet the Commission has not provided a pathway for interested citizens to submit questions virtually. Commissions across the country have adapted but here in Alabama we have chosen not to. In other words, the PSC still lacks transparency.

There are major questions about the workings and results of the RSE formula which should be answered by a report required by your 2013 order authorizing the rate.¹ This formula, which is used by no other electric utility regulatory body in the country, continues to over-reward the utility at the expense of its customers. Allowing a monopoly utility to retain profits that are far above those necessary to provide mandated services is not equitable nor economical for customers. The long overdue report should provide the important information necessary for all stakeholders to discuss the unique formula and the profits it supports.

COVID-19, and the economic hardships it created, have further exacerbated the excess profit Alabama Power has pocketed and makes the Commission's refusal to release the report even more inexplicable. If customers are being required by the PSC to over-reward Alabama Power and its parent Southern Company's stockholders, that wrong should be righted. Publicly available data shows that Alabama customers are overburdened by the PSC's formula, which

¹ See: <https://www.alabamapower.com/content/dam/alabamapower/Rates/SPRSECNP.pdf>

hides the usual measure of return on equity (ROE) used by other utility regulators. However, the 'hidden' ROE can still be calculated from other sources. Such a comparison from 2014 through 2018 shows that Alabama Power customers paid more than \$1 billion in excess profits than they would have if the Commission had instead awarded Alabama Power the national average ROE.²

Thanks to the Commission, Alabama Power is one of the most profitable utilities in the country. Yet, Alabama is the sixth poorest state in the nation. Alabama Power is entitled to a fair return on its investments. It is not entitled to abuse Alabamians for profit. If ever there was a time to balance the books it is now.

You have the responsibility to regulate transparently and equitably, especially under these unique circumstances. I look forward to your release of the required report and the December 8th opportunity for interested parties to discuss it publicly, whether remotely or in person.

Regards,



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cc: Tina Hammonds, Office of the Attorney General

² See: <https://www.energyandpolicy.org/alabama-power-earned-1-billion-in-profits-over-industry-average-on-the-backs-of-customers-since-2014/>