STATE OF ALABAMA
PUBLIC SERVICE COMMISSION
P.O. BOX 304260
MONTGOMERY, ALABAMA 36130

CYNTHIA LEE ALMOND, PRESIDENT
JEREMY H. ODEN, COMMISSIONER, PLACE 1
CHRIS V. BEEKER, III, COMMISSIONER, PLACE 2

LUKE D. BENTLEY IV, EXECUTIVE DIRECTOR

August 25, 2026

MEMORANDUM

TO: **President Cynthia Lee Almond**
Commissioner Jeremy H. Oden
Commissioner Chris V. Beeker, III

FROM: **Patricia W. Smith, Director** *PWS*
Electricity Policy Division

SUBJECT: **Agenda – September 1, 2026 Commission Meeting**

The Electricity Policy Division will present the following items at the September 1, 2026 Commission Meeting.

ELECTRICITY

ALABAMA POWER COMPANY

Dockets 18117 and 18416; 18148

Division Report on Rate RSE and Rate ECR as of July 31, 2026

The Electricity Policy Division performed the regular monthly examination of the books and records of Alabama Power Company. Below is a table containing selected financial highlights concerning Rate RSE and Rate ECR. Additionally, the Division's calculations and determination of the December 2026 Weighted Return on Average Retail Common Equity (WRRCE), actualized through July 2026, can be found on page 2 of this report.

Rate RSE Forecast		Rate ECR Summary
12 Months Ending DECEMBER 31, 2026 **6.40% WRRCE**		**Energy Cost Over/(Under) Recovered for JULY 2026** **($31,318,219)**

**The authorized Weighted Return on Average Retail Common Equity Range is 5.75% - 6.15%.*

ELECTRICITY POLICY DIVISION

Alabama Power Company
Weighted Return on Average Retail Common Equity Calculation
Forecast - 12 Months Ending December 31, 2026

Common Equity as of July 31, 2026		$14,465,459,965
Add Budgeted Net Income:		
August through December 2026	$618,318,237	
Add Budgeted Capital Contributions:		
August through December 2026	$48,005,680	
Add Other Adjustments:		
August through December 2026	$0	$666,323,917
Deduct Budgeted Stock Dividends:		
August through December 2026	$305,519,354	$305,519,354
Projected Common Equity for December 31, 2026		$14,826,264,528
Projected Average Common Equity For the 12 Months Ending December 31, 2026		$14,475,751,080
Projected Retail Investment Separation Factor		97.849%
Projected Average Retail Common Equity For the 12 Months Ending December 31, 2026		$14,164,443,539
Projected Retail Net Income For the 12 Months Ending December 31, 2026		$1,664,765,051
Projected Common Equity Percentage of Capital Structure For the 12 Months Ending December 31, 2026		54.47%
Projected Weighted Return on Average Retail Common Equity (WRRCE) For the 12 Months Ending December 31, 2026		6.40%

As of July 31, 2026, the Common Equity (Actual) was adjusted using net income, payment of Common Stock and Preferred Stock dividends, Capital Contributions, and Other Adjustments from the Company's 2026 budget. The average common equity is a 12-month average using both actual and budgeted data. The average retail common equity (RCE) was calculated using the retail separation factor of 97.85%. The retail net income (RNI) for average common equity and the common equity percentage (CEP) were calculated using actual data for the seven months ended July 31, 2026, and then adding five months of budget data for August through December 2026. The Other Adjustments, if any, result from the Company adopting FASB Statement 123 (R), which requires reporting stock option expenses.

The Forecast is subject to change due to uncertainties associated with weather, customer usage patterns, and economic conditions across the state.