

NEWS

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Alabama Public Service Commission Approves \$25.6 Million Refund to Customers of Alabama Gas Corporation

Montgomery – On May 12, 2010, Alagasco filed an application with the Alabama Public Service Commission seeking authority to lower its depreciation expense based on a recent depreciation study performed by independent experts. Because depreciation expense is part of Alagasco's overall rates, the Company is also seeking to pass these savings back to customers beginning immediately.

“This refund is like a stimulus check, personalized for Alabama Gas customers. The best part is that it's not a one-time giveback. Lower depreciation expense will continue to place downward pressure on rates for many years to come,” said President Lucy Baxley.

Alagasco has proposed a \$25.6 million refund to customers in the form of a bill credit during either July or August 2010. This refund is due to the re-estimation of Alagasco's future asset retirement costs. This new estimate is lower than what is currently included in rates and is based on Alagasco's recent asset retirement costs. The lower cost is the result of technology and efficiency improvements the Company has put in place to retire its plant. The refund will be calculated based on customer usage during the period December 1, 2009 through March 31, 2010. The estimated average refund for a residential customer is \$37, including 4% state utility taxes. Commercial and Industrial customers will benefit as well, with actual refunds based on individual usage during the refund period.

Going forward over the next nine years, the Company will pass back additional refunds through a credit to the Company's Tariff rates. The rate credit will decline each year, but Alagasco anticipates that as much as \$100 million in additional refunds could be passed back to customers between 2011 and 2019.

Commissioner Cook says, “Today was a great day for a large number of consumers who are served by Alabama Gas Corporation. There will be a credit in July for eligible customers of Alabama Gas Corporation. This comes at a time when a lot of people are hurting financially and need good news. This should help a lot of Alabamians during a very tough economic time. As a Commissioner, I can assure you that the Alabama Public Service Commission will continue to look for ways to help Alabama ratepayers.”

In addition, Alagasco's customers will benefit from a reduction in the Company's annual depreciation expense of approximately \$16 million. The savings from this cost reduction will be blended in with revenues and other expenses used to calculate rates each year. As a result, the average residential customer will save an estimated \$29 per year, including 4% state utility taxes, compared to what rates would have been absent the Commission's approval to reduce these costs. Commercial and Industrial customers will benefit as well, with actual savings based on individual

usage. The Company's estimated annual residential impact of \$29 is based on current revenues and expenses and today's average residential usage. Actual impacts for individual customers will vary based on their usage.

"We are pleased to order this refund for consumers. I know it will be especially welcome during these tough economic times," said Susan Parker, Public Service Commissioner.

Since January 2009, this Commission has ordered 12 separate rate decreases for gas and electric customers in Alabama. Specifically, the Commission has approved 6 rate decreases for Alagasco customers plus the refund noted above, four rate reductions for Alabama Power customers and two rate reductions for Mobile Gas customers. The combined effect for all rate adjustments since January 1, 2009, has resulted in an annual net decrease for the average residential customer as follows: Alagasco (\$186.73) net decrease plus an additional \$37.00 refund as noted above, Alabama Power Company (\$110.16) net decrease and Mobile Gas Corporation (\$131.71) net decrease.