



MISSISSIPPI

PUBLIC SERVICE COMMISSION

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Katherine Collier, Executive Secretary

PUBLIC UTILITIES STAFF

Virden C. Jones, Executive Director

Annual Report

Ending June 30, 2015

PUBLIC UTILITIES STAFF

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COMPOSITION AND FUNCTIONS

The Public Utilities Staff was established by the Legislature in 1990. It is an agency completely separate and independent from the Public Service Commission. The Staff's organization consists of the Executive Director, appointed by the Governor from a list of qualified candidates submitted by the Public Service Commission and confirmed by the Senate, and five divisions: Legal; Administrative Services; Water and Sewer; Electric, Gas and Communications; and Economics and Planning. Each division is headed by a division director. The organizational chart in this report gives the complete staffing structure.

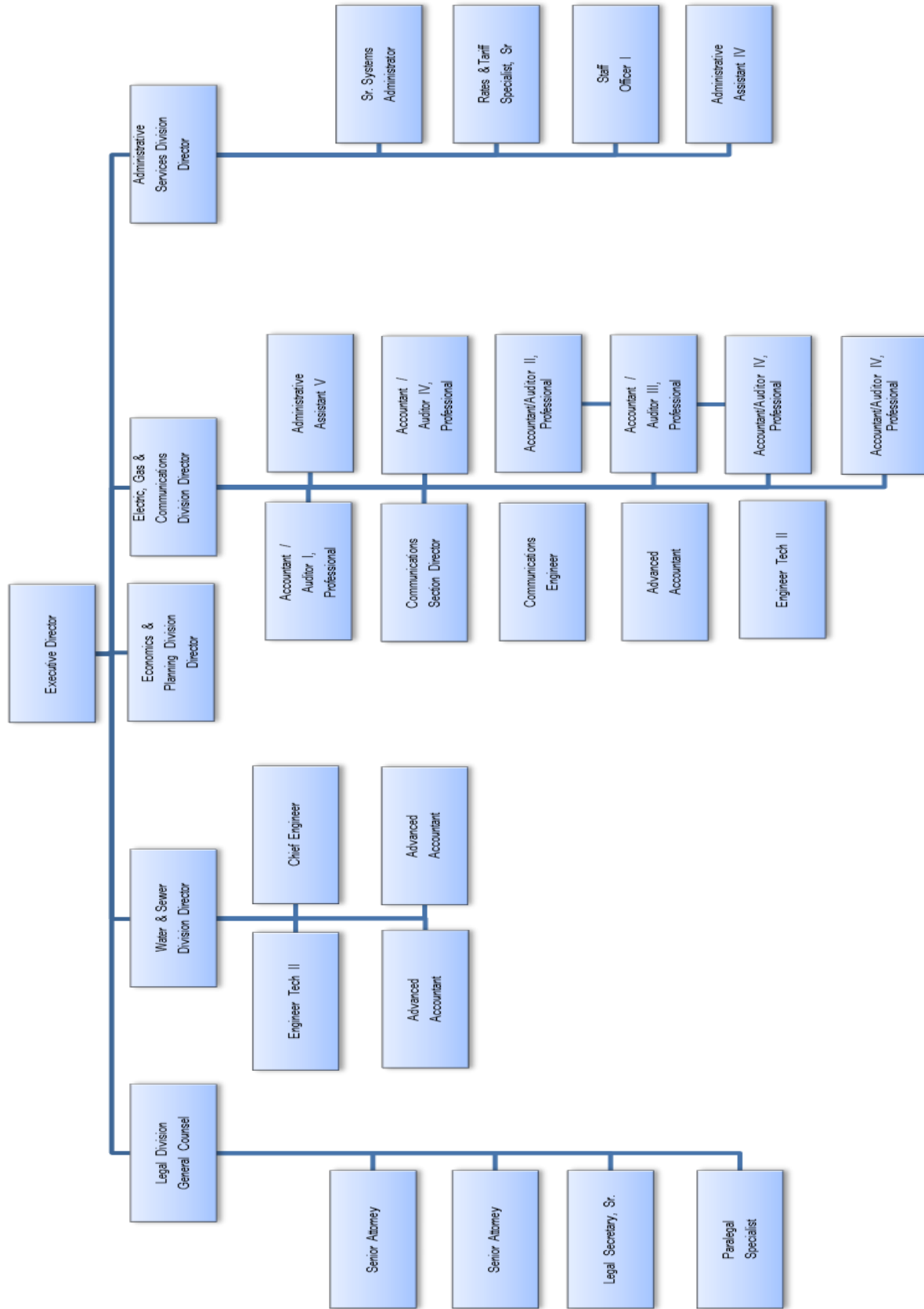
The Staff, by law, represents the broad interests of the State of Mississippi by balancing the respective concerns of residential, commercial and industrial ratepayers; the state, its agencies and departments; and the public utilities.

The primary functions of the Staff are investigative and advisory in nature to the Public Service Commission by and through the Executive Director. This includes, but is not limited to:

- A. Reviewing, investigating and making recommendations with respect to the reasonableness of rates charged or proposed to be charged by any public utility.
- B. Reviewing, investigating and making recommendations with respect to proposed investments and services furnished or proposed to be furnished by jurisdictional utilities.
- C. Making recommendations regarding all Commission proceedings affecting the rates, service or area of any public utility when deemed necessary and in the broad public interest.

The composition of and services provided by the Staff, along with information related to each division, can be found on the Internet at <http://www.psc.state.ms.us>.

The Organizational Chart on the following page depicts the Public Utilities Staff for the 2015 fiscal year.



EXECUTIVE DIRECTOR



The Executive Director is the head of the Public Utilities Staff with general responsibility and charge over the technical and administrative operations of the agency. He coordinates the activities of the divisions and is responsible for the formulation and implementation of policies and procedures.

Viriden Jones was appointed Executive Director of the Public Utilities Staff on August 1, 2011, by Governor Haley Barbour and reappointed by Governor Phil Bryant on March 6, 2014, for a six year term beginning July 1, 2014. Jones is a certified public accountant and a member of the Mississippi Society of Certified Public Accountants. He received an undergraduate degree from Vanderbilt University in Nashville, Tennessee and a Master's degree in Business Administration from Emory University in Atlanta, Georgia.

Jones joined the Staff as a Financial Modeling Manager in 1998 and served in the capacity of Director of the Electric, Gas & Communications Division since 1999. Prior to joining the Staff, Jones worked in the private sector as an entrepreneur, investment advisor and professional accountant. Jones is a native of Greenville, Mississippi and has lived in the state most of his life. He is married to Dr. Libby Spence and currently resides in Madison.

DIVISIONS OF THE STAFF

ADMINISTRATIVE SERVICES



L to R: Randy Tew, Janie Keyes, Candace McQuarter, Jacqueline Leverette, Wayne Wilkinson

Technical and administrative support services are provided to the Staff and the Commission through the Director of Administrative Services and from the direction of the Executive Director. These services include issuing annual reports as required by state statute.

Financial data from all jurisdictional utilities are collected and reviewed. The division serves as a liaison between the Staff and federal and other state agencies, and provides information to the public involving interpretation of agency policy on various utility subject matters.

The Division provides utility mapping services and support utilizing an automated Geographic Information System. A complete and current record of utilities' rates and tariffs is maintained. In addition, a library of utility reference material on current subjects and innovative trends in the utility industry is maintained. The Staff's central filing is kept in accordance with a computer case tracking system. Administrative support services are provided to all Staff divisions, the consuming public and public utilities.

ELECTRIC, GAS & COMMUNICATIONS



(Front Row) Joyce Upton, Cherish Woods, Brandi Myrick, Donna Chandler, Vicki Munn, Tera Agee
(Back Row) Bill Hammett, Chuck Snapka, Michael Douglas

The Electric, Gas & Communications Division provides investigative, audit and advisory services to the Public Service Commission. It also interfaces directly with the regulated utilities subject to the Commission's jurisdiction to facilitate its interaction with the Commission. The Division provides information to applicants seeking certificates of public convenience and necessity to add service areas or facilities, as well as other interested parties, about procedural and other regulatory requirements. General rate cases, special rate requests, service rule revisions and other miscellaneous filings are also reviewed and investigated to determine if proposed changes are necessary and in the public interest. Typically, the Division issues data requests, analyzes the information provided and makes recommendations to the Commission. When necessary, testimony is prepared and presented to the Commission in contested matters.

The Division periodically examines financial records of the utilities to ensure that only allowable, necessary and prudently incurred expenses are included in rates. It regularly monitors the earnings of the regulated companies to verify that these earnings fall within a reasonable range as determined by formulary rate plans approved by the Commission. The purpose of these plans is to provide performance incentives and a mechanism to annually evaluate the rates of each utility in relation to its cost of service and authorized earnings. Use of the formulary rate plans has reduced the frequency of traditional rate cases and enabled the Staff to have an ongoing familiarity with the operations of the companies.

The Staff is also engaged in ongoing year-round audits of the fuel and energy purchases of investor-owned electric utilities and natural gas local distribution companies. Under state law, fuel and energy purchases are a direct pass-through to ratepayers, and utilities are not permitted to profit from their sales. Fuel and energy purchases are reviewed by the Electric, Gas & Communications Division to ensure that only allowable, prudently incurred costs are recovered from ratepayers. Energy prices are market driven and unregulated. Also, the Commission, upon the Staff's recommendation, has approved and encouraged the use of hedging programs to help reduce the volatility of fuel and energy prices.

WATER & SEWER



L to R: Ron Brewer, Mike McCool, David Boackle, Hugh Green, (Not pictured) Maurita Nesmith

The Water and Sewer Division investigates all water and sewer filings before the Public Service Commission and makes recommendations thereon. Filings reviewed include applications for construction of facilities, applications to serve customers, and notices to revise the rates and charges authorized by the Commission. The Division presents testimony in selected cases at hearings before the Commission. In addition, the Division reviews and makes utility viability determinations for Mississippi Development Authority block grant water improvement projects; the Mississippi State Department of Health, regarding new public water systems; and the Mississippi State Department of Environmental Quality, regarding new public sewer systems.

A variety of activities are performed to ensure that utilities comply with all applicable laws and rules. These include auditing water and sewer companies,

making cost studies of construction projects, monitoring construction of new facilities, reviewing operation and maintenance procedures, and examining customer service practices of water and sewer utilities. To aid utilities in compliance, the Division reviews accounting, engineering, and operational matters. Technical assistance is also given to Commission staff in their enforcement duties.

ECONOMICS AND PLANNING



Dr. Christopher Garbacz is Director of the Economics and Planning Division. Dr. Garbacz coordinates strategy for rate hearings with other divisions in order to develop comprehensive technical analyses of issues and to prepare appropriate oral and written testimony. This includes analyzing rate of return on investments,

financing and rate structures. The Director testifies in Commission hearings regarding the Staff's findings and also makes economic and financial presentations in other venues. Routine filings and issues currently before the Commission are examined for the long-term impact on Mississippi ratepayers and utilities. Chief among these issues are the activities of the interstate holding companies and federal regulators.

Research activities on issues not currently before the Commission are performed. New forms of regulation, the changing competitive structure of the utility industry, energy markets, environmental regulation, and similar issues on the national agenda are examined for their potential impact on Mississippi.

LEGAL



(Front Row) Chad Reynolds, Sam Mabry (Back Row) Franna Foord, Cassandra Lowe, Patricia Trantham Smith, Paige Wilkins

The Legal Division provides advisory services to all Staff divisions, the Staff Executive Director, and the Commission. The Legal Division represents the Staff in

hearings held before the Commission, where the Staff may participate in contested matters as either a party litigant, which may be in a public advocacy or prosecutorial capacity, or as an advisor to the Commission. If the Staff operates as a party in a matter set for hearing, the open communication between the Commission and Staff ceases to exist with regard to the contested issue and, for the limited purpose of that contested matter, all participants must act as adversaries to protect the fairness of the proceedings.

On a routine basis, the Legal Division performs legal research for all Staff divisions and for the Commission; prepares cases for hearings, which includes issuing data requests and conducting pre-hearing conferences for negotiation and potential settlement; works with expert consultants pursuant to Staff investigations; develops the Commission hearing record by conducting direct and cross-examination; participates in the preparation and recommendation of the rules and regulations of the Commission; prepares proposed state legislation; interfaces with counsel for utilities, which includes informing utilities of Commission expectations, entering into stipulated agreements with the utilities regarding their regulated activities, and assisting with the preparation of proposed orders; prepares Staff's proposed orders and other legal documents for the consideration of the Commission; alerts the Staff and the Commission of statutory deadlines for which action must be taken; keeps the Staff and the Commission apprised of new laws and recent developments in all areas of public utility matters; and serves as the Commission's counsel in matters before various federal agencies, including the Federal Energy Regulatory Commission ("FERC") and the Federal Communications Commission ("FCC").

An important role of the Legal Division is its continuous involvement with FERC and the dockets heard before that agency. The Legal Division acts as Counsel to the Commission in these dockets. Since FERC regulates wholesale rates of Entergy and the Southern Company, its opinions directly impact the ratepayers of Mississippi. The Legal Division's dual role as advisor and adversary provides a unique

opportunity to work closely with the Commission and its staff, while providing balance to the legal interpretations of questions affecting the broad interests of the State of Mississippi.

ACTIONS OF THE STAFF

UTILITY CASE LOAD

During FY 2015, the Public Utilities Staff participated in 232 utility filings before the Public Service Commission. Staff action involved reviewing and investigating contested and uncontested matters and included making recommendations to the Commission with respect to the reasonableness of rates charged, or proposed to be charged, by the utility. In addition, the Staff continually reviewed, investigated and made recommendations with respect to services furnished, or proposed to be furnished, by jurisdictional utilities. There are 1,480 certificated utilities of record.

Overall, the Staff conducts studies and makes recommendations regarding all Commission proceedings affecting rates, service and area of regulated public utilities in this state.

ELECTRIC

FUEL AUDITS - Based on Mississippi Attorney General (“AG”) Opinion No. 2010-00554,¹ the Staff has maintained its continuous monitoring activities and other

¹ In 2010, the AG issued an opinion at the request of Commissioner Brandon Presley, regarding the requirement that individual purchases of energy be examined by the Commission to determine if they were economical at the time they were made, pursuant to M.C.A. §77-3-42. The AG concluded that the Commission has a mandatory duty to conduct such audits of energy purchases, in accordance with generally accepted auditing standards and the provisions of Section 77-3-42. The AG also concluded that, although individual purchases must be examined by the auditor, an appropriate sample of energy purchases could, depending on the volume of purchases, be examined.

statutory duties related to the fuel adjustment clauses and has continued many of its audit procedures during the course of its monitoring activities.

The Commission fulfilled its mandatory duty to conduct or obtain the fuel audits through its “Contract for Fuel Audit Services” with The Liberty Consulting Group (“Liberty”) and Carr, Riggs & Ingram (“CRI”) to perform the fuel audit and management reviews for Mississippi Power Company (“MPCo”) for audit years 2014 and 2015. The Commission signed a “Contract for Fuel Audit Services” with Boston Pacific Company, Inc. (“BPI”) on May 29, 2012, to perform its management review of Entergy Mississippi, Inc. (“EMI”), and with Horne LLP (“Horne”) on August 17, 2012, to perform its financial audit of EMI, both for the audit years 2012 and 2013. On June 4, 2013, the Commission ordered a temporary suspension of the management review audit of EMI until October 1, 2014, due to the company’s integration into MISO,² at which time a two-year management review audit would be conducted for years 2013 and 2014. On June 5, 2014, the Commission extended the “Contract for Fuel Audit Services” with Horne for the additional fuel audit year of 2014.

The end product of the management review and financial audit for MPCo was two separate reports:

- 1) “A Report on the Management of the Costs Recovered Through Mississippi Power Company’s Fuel Cost Recovery Mechanism” prepared by Liberty;
- 2) The “Mississippi Power Company Fuel Adjustment Audit for the Year Ended September 30, 2014” prepared by CRI; and

The end product of the financial audit for EMI was two separate reports:

- 1) The “Entergy Mississippi, Inc. Fuel Adjustment Audit for the Period from October 1, 2013, through September 30, 2014,” prepared by Horne; and

² See “Integration into MISO” section below.

- 2) The “Independent Auditor’s Report on the Annual Management Review Audit of Entergy Mississippi, Inc. for October 1, 2012 through September 30, 2014,” prepared by BPI.

In addition, on January 12, 2015, the Staff filed its Summary and Comments of the Staff’s Certified Public Accountant which addressed the filed reports for MPCo and EMI. The financial audits of the independent auditors confirmed that there were no material misstatements of allowable fuel and purchased energy expenditures during the audit period. On January 13, 2015, the Commission certified all of the reports to the Legislature.

FORMULARY PLANS – The non-fuel portions of rates for both EMI and MPCo are regulated primarily through formulary rate plans, which are Commission-approved tariffs. These tariffs provide a formula approach to determining rates based on each company’s annual operating results and allowed return on investment. Generally, rates of return on equity (“ROE”) are calculated using pre-established financial formulas. Performance adjustments to the ROEs are made based on customer satisfaction, price and reliability scores that are used to calculate the performance-adjusted ROE. This adjusted ROE is then included in each company’s weighted average cost of capital to determine its benchmark return. Once the benchmark is determined, the expected return based on present rates is calculated to determine if such rates provide the company a reasonable opportunity to earn a return at or near the benchmark. A range of “no change” is established above and below the benchmark. If the company’s expected return is above or below the range of no change, rates are adjusted accordingly. If the expected return is within the range, no adjustment is made. Both companies make evaluation filings annually. The Staff reviews these filings to ensure compliance with Commission rules, the underlying tariffs, generally accepted accounting principles, and accepted ratemaking practices.

ENERGY EFFICIENCY – Pursuant to Rule 29 of the Commission’s Public Utilities Rules of Practice and Procedure, “Conservation and Energy Efficiency Programs,”

each electric and gas utility subject to the jurisdiction of the Commission filed a Quick Start Plan for energy efficiency programs, which was approved by the Commission on June 3, 2014. As required by the Commission's June 3 Order, Energy Efficiency Cost Recovery Riders were filed by EMI, MPCo, Atmos Energy Mississippi Gas, and CenterPoint Energy Mississippi, to establish rates by which the utilities will recover their energy efficiency Quick Start Program costs and, if applicable, lost contribution to fixed cost. The Commission granted approval according to Staff's recommendations of each EECR compliance filing and EECR rate calculations, deferring any performance-incentive mechanisms until the Comprehensive Portfolio Plan phase.

INVESTIGATION OF THE ADOPTION OF A UNIFORM FORMULA RATE PLAN– On June 3, 2014, the Commission issued an order opening a proceeding to investigate and review the adoption of a uniform formula rate plan (“FRP”) for EMI and MPCo. Pursuant to Miss. Code Ann. § 77-3-2, the Commission is authorized, at its discretion, to consider and adopt FRPs. In the past the Commission has adopted FRPs for EMI, MPCo and the three Mississippi gas utilities. On August 7, 2012, the Commission established dockets to investigate whether the formulaic methodologies used in the electric companies’ FRPs to calculate the return on investment (“ROE”) (including performance indicators) were still appropriate. The Staff hired Christensen Associates Energy Consulting (“Christensen Associates”) to assist in its investigation and review. On March 14, 2013, Staff filed a report provided by Christensen Associates which discusses the FRPs of EMI and MPCo. Building upon Staff's report, the Commission consolidated the dockets and expanded the scope of review to include investigation of the merits of adopting a uniform FRP that could be applied, in whole or in part, to both EMI and MPCo in order to achieve greater consistency in the plans. Staff's review is still in progress, and this matter remains pending before the Commission.

Entergy Mississippi, Inc. (“EMI”)

MISO INTEGRATION; CREATION OF LRZ 10 AND EMBA - EMI successfully integrated into the Midcontinent (formerly Midwest) Independent System Operator (“MISO”) on December 18, 2013, thereby transferring functional control of EMI’s transmission facilities to MISO. In 2014, as a MISO stakeholder, the Commission pursued the creation of two critical programs: a Local Resource Zone (“LRZ”) for the State of Mississippi (“LRZ 10”), and, as a prerequisite to LRZ 10, a Local Balancing Authority (“LBA”) operated by EMI (“EMBA”). This action was taken to insulate EMI ratepayers from costs associated with transmission projects showing no benefits to Mississippi.

MISO’s tariff previously defined nine specific geographic regions as LRZs within the MISO footprint. Three of the now ten LRZs are located within the MISO South sub-region, which includes Arkansas, Louisiana, Mississippi, New Orleans and Texas. Two basic functions within MISO utilize LRZs: 1) resource adequacy planning and market design and 2) transmission cost allocation. The zones were developed to ensure sufficient qualified planning resources can be relied upon to meet load within each portion, or LRZ, of the MISO region. Each year, utilities that serve retail load, including investor-owned utilities such as EMI, cooperative power associations (e.g., South Mississippi Electric Power Association), and municipally-owned utilities, must demonstrate that they have sufficient generation capacity to meet load. In addition, MISO uses the LRZ designation to distribute certain transmission expansion costs, in particular those projects designed to reduce transmission congestion.

Once EMI was confirmed as a member of MISO, it needed to either join an existing LRZ in MISO South, or establish a separate LRZ for Mississippi. The Commission informed MISO that it did not have sufficient information to make such a determination at that time, however, the Commission directed EMI and MISO to continually evaluate the prospect of a Mississippi LRZ and to revisit the issue at a later date. In March of 2014, MISO informed the Commission that a

Mississippi LRZ would minimally affect surrounding LRZs and that the Mississippi LRZ would likely have sufficient resources to meet its resource adequacy requirements (“RAR”).

The Commission therefore determined that the creation of LRZ 10 was consistent with the public interest, as well as authorized by MISO’s tariff, Commission precedent, and Mississippi law. The Commission found that the benefits likely to accrue to Mississippi ratepayers should outweigh the potential costs, and that LRZ 10 would protect EMI ratepayers from the threat of litigation with and among the Entergy Corporation, the other Entergy Operating Companies (“EOCs”), and their retail regulators. It was determined that LRZ 10, along with the EMBA, would also improve transparency, particularly regarding transmission planning, avoid a wide range of system support resource (“SSR”) and voltage and local reliability (“VLR”) cost allocation, and essentially reduce Mississippi ratepayers’ current exposure to economic transmission projects that offer Mississippi little to no demonstrable benefit.

On May 22, 2015, MISO filed tariff revisions with the Federal Energy Regulatory Commission (“FERC”) to allow for the creation of LRZ 10. On July 21, 2015, FERC granted conditional approval of the filing, subject to the outcome of a separate ongoing proceeding at FERC. On December 1, 2015, LRZ 10 and the EMBA were implemented and are expected to operate seamlessly within MISO.

SPECIAL CONTRACT - FEUER POWERTRAIN NORTH AMERICA, INC. – Feuer Powertrain North America, Inc. (“Feuer”) is a German-based company engaged in manufacturing automotive components that is locating a facility near Robinsonville in Tunica County, Mississippi. The Staff reviewed the confidential special contract between EMI and Feuer and confirmed that it meets the requirements for a special contract, including recovery of sufficient revenues to meet EMI’s incremental costs of service and that revenues received from the Agreement will provide a contribution margin above its incremental cost of service to benefit EMI’s other

retail customers. The Commission approved the special contract in November 2014 according to Staff's recommendation.

SPECIAL CONTRACT – NUCOR STEEL- JACKSON, INC. – EMI filed an application for approval of an amendment to its agreement with Nucor Steel-Jackson, Inc. (“Nucor”) for electric service to Nucor’s facilities near Flowood, Mississippi. EMI serves Nucor under a special electric service contract dated April 30, 2003, under file with the Commission. The proposed agreement meets the requirements for a special contract, including recovery of sufficient revenues to meet EMI’s incremental costs of service and that revenues received from the Agreement will provide a contribution margin above its incremental cost of service to benefit EMI’s other retail customers. The Commission approved the amendment to the special contract in February 2015 according to Staff’s recommendation.

Mississippi Power Company (“MPCo”)

PEP-5 - On March 15, 2011, MPCo filed its 2010 Look-Back Evaluation under Rate Schedule PEP-5 with the Commission. The purpose of the Look-Back filing is to examine the company’s actual results to determine if a surcharge or refund is indicated. The company reported an Actual Retail Return on Investment (“ARRI”) of 8.026% which was within the range of no change (7.571% to 8.571%), indicating no need for a surcharge or refund. The Staff and company have not yet agreed on certain expense disallowances, therefore, the filing remains open pending a resolution.

On March 15, 2013, MPCo filed its 2012 Look-Back Evaluation under Rate Schedule PEP-5. The company reported an ARRI of 8.210% which was above the range of no change of 6.953% to 7.953%, indicating the need for a revenue adjustment of (\$4,718,252). The Staff and company have not yet agreed on certain expense disallowances, therefore, the filing remains open pending a resolution.

On March 18, 2014, MPCo filed its 2013 Look-Back Evaluation under Rate Schedule PEP-5 with the Commission. The company reported an ARRI of 6.872%

which was within the range of no change (6.509% to 7.509%), indicating no need for a surcharge or refund. The Staff and company have not yet agreed on certain expense disallowances, therefore, the filing remains open pending a resolution.

On March 17, 2015, MPCo filed its 2014 Look-Back Evaluation under Rate Schedule PEP-5 with the Commission. The company reported an ARRI of 6.906% which was within the range of no change (6.453% to 7.453%), indicating no need for a surcharge or refund. The Staff and company have not yet agreed on certain expense disallowances, therefore, the filing remains open pending a resolution.

KEMPER COUNTY PROJECT - *Commission's Final Order on Remand*: On April 24, 2012, the Commission issued a Final Order on Remand Granting a Certificate of Public Convenience and Necessity, Authorizing Application of Baseload Act, and Approving Prudent Pre-Construction Costs ("Final Order on Remand"). The Final Order on Remand was a one-hundred thirty-two (132) page order detailing the Commission's findings and conclusions after full re-examination and re-consideration of the record. The Sierra Club appealed the Commission's order to the Chancery Court of Harrison County. The Chancery Court upheld the Commission's order whereupon the Sierra Club appealed to the Supreme Court. On August 1, 2014, MPCo and the Sierra Club executed a Settlement Agreement. As a result of the Settlement Agreement, the Sierra Club filed motions to withdraw from, and to strike all testimony in, all Kemper Project-related proceedings. On August 4, 2014, Thomas Blanton filed a Motion to Stay Joint Motion to Dismiss, asking that the Certificate Appeal not be dismissed. On September 18, 2014, the Supreme Court granted Sierra Club's motions to withdraw and the Certificate Appeal was dismissed; Thomas Blanton's Motion to Stay was subsequently dismissed as moot.

Petition for Finding of Prudence: Pursuant to the Settlement Agreement between the Commission and MPCo, on June 28, 2013, MPCo filed a request for the Commission to review the prudence of its Kemper Project costs incurred as of March 31, 2013. Thomas Blanton, EMI, Sierra Club, and Queshaun Sudbury

intervened. On July 26, 2013, the Commission issued a scheduling order which directed the company to file testimony no later than August 9, 2013, and expressed its intention to limit any prudence determination made by reserving final judgment of the used and usefulness of the Kemper Project. Accordingly, the company filed costs of \$2,377,297,207 for review on August 9, 2013, with supplemental detail filed on September 17, 2013, at the Staff's request. During that time, the Commission issued several amended schedules and multiple rounds of testimony were filed. On August 4, 2014, as a result of its Settlement Agreement with the company, Sierra Club filed a motion to withdraw its intervention in the docket. On August 5, 2014, the Commission cancelled the prudence hearings, which had been scheduled for September 8, 2014. The hearings will be rescheduled, but will not be conducted until after the plant enters commercial operation.

Petition to Place Combined Cycle Gas Turbine ("CCGT") Portion of Kemper into Service: In discussions with the Staff and Commission, MPCo indicated that it intended to place the CCGT and certain related portions of the Kemper Project into service sometime in the summer of 2014. MPCo claimed that doing so would benefit both MPCo and its customers by allowing MPCo to take advantage of certain time-limited federal tax provisions, specifically bonus depreciation, and that the CCGT would be available for economic dispatch, fueled by natural gas, pending completion of the Kemper Project. On August 5, 2014, the Commission entered an order directing the company to file, in a new docket, its analysis supporting its decision to place the Kemper Project CCGT into service. On August 9, 2014, MPCo declared the CCGT to be in service. On August 18, 2014, MPCo submitted its report and analysis supporting its decision to place the CCGT generating facilities into service. This matter is now concluded with the Commission's Order in 2015-UN-80.

Background Related to Docket No. 2015-UN-80: On or about January 25, 2013, MPC filed its Mirror CWIP (construction work in progress) Rate Case with the Commission in Docket 2013-UN-14. This case was filed pursuant to a Settlement Agreement dated January 24, 2013, reached between MPCo and the Commission in

a prior rate appeal pending before the Mississippi Supreme Court. The Company's Mirror CWIP Rate Case contemplated rate recovery of construction work in progress costs but, under that rate proposal, MPCo would not recognize the funds collected as revenue - instead, MPCo would book the Mirror CWIP collections to a regulatory liability account to be used to mitigate the Kemper Project's future rate impacts. The Commission issued an order granting the Company's request for Mirror CWIP rate relief on March 5, 2013.

The Mirror CWIP case was appealed to the Mississippi Supreme Court, and, in June 2013, was consolidated by the Court with a pending cross appeal concerning a previous MPCo rate matter associated with the Kemper Project (the "Mirror CWIP Appeals"). On February 12, 2015, the Supreme Court published its initial decision in the Mirror CWIP Appeals wherein the Court reversed the Commission's Mirror CWIP Order and directed a refund of all revenue collections under that order, voided the Settlement Agreement reached between MPCo and the Commission, and remanded the case back to the Commission for further proceedings. MPCo and the Commission filed Motions for Rehearing, each of which were denied on June 11, 2015, by a revised opinion which indicated that an order should be entered *confestim* refunding the Mirror CWIP funds to customers. Pursuant to Commission order, MPCo filed its Refund Plan in the Mirror CWIP docket, which the Commission approved, with modifications, such that the refund of the Mirror CWIP collections would be completed no later than December 4, 2015.

Docket No. 2015-UN-80: While the Mirror CWIP motions for rehearing were pending, MPCo filed its initial Notice of Intent in Docket No. 2015-UN-80 on May 15, 2015, proposing a change in rates in three separate proposals, and filed a First Supplemental Filing on July 10, 2015, adding a fourth proposal - the In-Service Asset Proposal, which limited the scope to only those Kemper-related assets that were currently serving customers. Contemporaneous with MPCo's First Supplemental Filing, the Company requested temporary, emergency rate relief which was granted under bond in the Commission's August 13, 2015, Temporary

Rate Order. That interlocutory order found the Company on the brink of bankruptcy and in a state of financial emergency, and the rate request based on used and useful assets that were providing service to MPCo's customers. Having found MPCo to be in a state of financial emergency and its rates insufficient, the Commission authorized interim and emergency relief of \$ 159 million to prevent further injury. The Temporary Rate Order was limited to the Company's request for emergency temporary rates and a ruling on the merits of the four rate proposals was reserved until after a November 10, 2015, hearing, at which time the Commission would issue a separate, final order on the Company's In-Service Asset Proposal and corresponding prudence determinations.

Staff conducted an extensive investigation of MPCo's filing in Docket No. 2015-UN-80 and reached a Stipulation with MPCo which agreed to, among other things, a revenue requirement of approximately \$126 million (a decrease of approximately \$32 million from MPCo's proposal); a credited-refund to ratepayers of the difference between the amount collected under the temporary rates and the amount that would have been collected under the stipulated rates; a return on equity of 9.225%; the acquisition of an additional \$125 million in common equity contributions by MPCo from its parent Southern Company; deferral of prudence and recovery considerations related to costs over the certified estimate; and the filing of a new rate case within 18 months. The Commission adopted the Stipulation on December 3, 2015, noting that the Stipulation balanced the need of MPCo to reasonably finance its ongoing operations and the need to mitigate any potential rate shock that might arise when the entire Kemper Project eventually enters service.

INSTALLATION OF SCRUBBERS ON PLANT DANIEL - On July 2, 2010, MPCo filed a Petition for a Certificate of Public Convenience and Necessity to install flue gas desulfurization equipment ("scrubbers") at Plant Daniel Units 1 & 2 in anticipation of new Environmental Protection Agency ("EPA") regulations barring sulfur emissions and controlling the disposal of coal ash. The Commission authorized the company in its 2011 ECO filing to continue to spend the minimum

amount required to keep the scrubber project viable until the EPA issued its final rule. On December 21, 2011, the EPA released the final Mercury and Air Toxic Standards (“MATS”) rule. On April 3, 2012, the Commission issued an order granting MPCo a Certificate of Public Convenience and Necessity to build the scrubber. On May 3, 2012, the Sierra Club appealed the Commission’s Order to the Chancery Court of Harrison County. On August 1, 2014, MPCo and the Sierra Club executed a Settlement Agreement that resulted in Sierra Club filing a motion to withdraw from the proceeding. On November 30, 2015, MPCo placed the units in commercial operation. MPCo will seek approval to begin recovering scrubber costs in its 2016 ECO filing.

FEDERAL ENERGY REGULATORY COMMISSION – Several proceedings have commenced at FERC that are “spin offs” of the full production cost equalization case addressing the allocation of costs among Entergy Corp. operating companies in Mississippi, Arkansas, Louisiana, and Texas. The following proceedings have either been heard or will be set for hearing:

- Docket ER11-3658 (2011) is the fifth annual Bandwidth Filing required under Opinion No. 480. In this filing, EMI ratepayers received \$40M in rough production cost equalization payments. The Commission has established hearing procedures; however, in order to prevent re-litigation of issues that are subject to other procedures pending before the Commission, the hearing procedures were held in abeyance pending a future Commission order. The FERC has now removed the proceeding from abeyance. A hearing before the ALJ is scheduled to occur in November 2015.

- Docket ER12-1920 (2012) is the sixth annual Bandwidth Filing required under Opinion No. 480. In this filing, EMI ratepayers received no rough production cost equalization payments. The Commission has established hearing procedures. However, in order to prevent re-litigation of issues that are subject to other procedures pending before the Commission, the hearing

procedures have been held in abeyance pending a further Commission order. The FERC has now removed the proceeding from abeyance. A hearing before the ALJ is scheduled to occur in November 2015.

GAS

FORMULARY PLANS - The three largest natural gas local distribution companies (“LDCs”) in the state all operate under formulary plans similar to those of the investor-owned electric utilities. However, only the plan of Atmos Energy Corporation (“Atmos”) provides for performance adjustments to the company’s allowed return on equity. Each LDC files an evaluation report annually which is reviewed by the Staff. Investments, revenues, and expenses not properly includable in rates are disallowed and removed from the calculation of each company’s revenue requirement. Typically, the Staff and the LDCs agree to certain adjustments in a joint stipulation which is then submitted to the Commission for approval. If some issues remain in dispute at the end of the Staff’s review, they are argued in memorandum briefs filed with the Commission for resolution.

PURCHASED GAS ADJUSTMENTS - The Staff continued monitoring the purchased gas adjustments (“PGA”) of the three major LDCs in the state - Atmos, CenterPoint Energy Inc. (“CenterPoint”) and Willmut Gas & Oil Company (“Willmut”). Atmos and CenterPoint were reviewed monthly, and Willmut was reviewed on a bi-monthly schedule. All natural gas purchases were verified against pipeline invoices and other supporting documentation to determine that they were in conformity with underlying procurement contracts and price indices reflecting current market prices. Atmos and CenterPoint both employed Commission-approved hedging programs to help reduce the volatility of natural gas purchase prices.

In addition, the Commission entered an order allowing Staff to contract with Carr, Riggs & Ingram (“CRI”) to provide PGA audit services for the three LDCs.

The focus of each audit was to verify each company's PGA over or under recovery by tracing the amounts included in the calculation of the PGA to the company's accounting records. CRI also included tests to ensure that expenses were properly classified, that they were properly includable in the PGA under the Commission's rules, and that they were supported by adequate documentation. Both Atmos and CenterPoint received clean audit opinions. CRI noted one issue for Willmut that Staff addressed with the Commission by making a recommendation that the prior practice of recovering certain costs through the PGA be allowed; however for the audit period beginning October 1, 2014, the company should recover the questioned fees through its formula rate plan. The Commission approved CRI's audits of the PGA over and under recovery balances for the twelve month period ended September 30, 2014, incorporating Staff's recommendations.

Atmos Energy Corporation (“Atmos”)

STABLE/RATE – On September 5, 2014, Atmos filed its annual Stable/Rate Adjustment (“SRA”) Evaluation for the twelve month period ended June 30, 2014. The company initially filed an allowed return on equity of 10.23% and an Earned Return on Equity of 7.04%, indicating a revenue requirement increase of \$8,922,416. The Staff reviewed the Stable/Rate evaluation in conjunction with the company's System Integrity and Rural Growth filing, and entered into a Stipulation agreeing to the following terms: Staff and Atmos would work together to develop an annual capital review process; Atmos would file a 10-year plan for capital expenditures including system integrity in a separate docket (see Notice to Establish System Integrity Plan, below); the company's request for an incremental \$10 million system integrity investment would be evaluated for prudence by the Commission in the new system integrity docket; in that same docket, Atmos would present its capital structure, accounting treatment of overheads, capitalization policy, and any remaining issues related to its System Integrity and Rural Growth docket; and Staff and Atmos agreed to certain rate base and expense disallowances proposed by Staff. The Stipulation reflects Staff's growing emphasis on capital

stewardship and recommended practice of investment based on a long term master plan, and the company anticipating significant investments due to its aging infrastructure and new federal safety standards.

The stipulated adjustments to the Stable/Rate Evaluation increased the company's Earned Return on Equity from 7.04% to 8.47%, which resulted in a revenue requirement increase of \$4,440,737, due primarily to Atmos' increased rate base related to its capital investment in system integrity, discussed below. The revenue adjustment was applied over the remaining 9 months of the billing period, creating a Stable/Rate Factor of 1.669, which equated to an increase of \$1.45 in an average monthly bill of 5 mcf for a residential customer. The Commission adopted the Stipulation by order dated February 3, 2015.

NOTICE TO ESTABLISH SYSTEM INTEGRITY PLAN AND RURAL DEVELOPMENT PILOT PROGRAM

– On May 30, 2014, Atmos filed a notice of intent to amend its tariff Rider Schedule 327, establish a System Integrity Plan, establish a Rural Development Pilot Program and request approval of a Rural Development Rate Rider. Atmos proposed an incremental investment of \$10 million per year in the System Integrity Plan to proactively replace existing infrastructure in an effort to reduce the potential for system integrity threats. On April 1, 2015, Atmos filed its Notice of Intent in the same docket, proposing a System Integrity Rider (“SIR”) to recover on the system integrity portion of the capital budget and to timely recover the depreciation and property taxes specifically associated with its overall system integrity spending. Staff propounded and received written responses to approximately 300 data requests and completed its review of the filing. The Staff and Atmos agreed that there was substantial evidence in the record to support their August 18, 2015, Joint Stipulation, and to support the reasonableness of the projected ten-year capital spending estimates, as well as the annual approval process for specific projects, the true-up of the projected revenue requirement, the treatment of the timely recovery of ad valorem taxes and depreciation for the entire capital budget, an imputed capital structure for use in setting rates for the SIR rate

periods beginning November 1, 2016, and an imputed capital structure for setting rates for Stable Rate period beginning November 1, 2015, and ending October 31, 2016.

Atmos' gas distribution system is composed of 6,379 miles of distribution mains and 291 miles of transmission mains; these are roughly 60% steel and 40% plastic. There are 303,094 service lines (44% steel and 56% plastic) connected to the distribution mains. Many were constructed prior to the enactment of Federal Pipeline Safety Regulations and technical records are of poor quality or nonexistent. Since acquiring Mississippi Valley Gas in 2002, Atmos represents that it has been diligent in utilizing geographical information system (GIS) technology for the mapping and storage of facility attribute data; however, certain gaps remain. In addition, many of the lines were constructed seventy to eighty years ago and are beyond their anticipated service life. The joining techniques on the pipe, though state of the art at the time of construction, are more prone to leaks than modern joining technology, and many of the older systems were placed into service before the advent of cathodic protection systems that combat corrosion caused by soils.

In recent years, the regulations and directives of PHMSA (Pipeline Hazardous Materials Safety Administration of the U.S. Department of Transportation, the federal authority for oversight of pipeline safety regulations) have become risk based and two new initiatives are encouraging accelerated repair, rehabilitation, and replacement of gas pipeline infrastructure. To comply with these programs, Atmos will substantially increase its capital budget for system integrity infrastructure over the next ten years. For fiscal year 2015, Atmos will spend approximately \$29 million on system integrity infrastructure. Atmos proposed to increase that budget such that the system integrity capital budget will exceed \$82 million by the year 2024. Staff consultant Richard Kuprewicz reviewed the capital budget proposed by Atmos and found the amount to be reasonable in order to modernize Atmos' gas distribution system.

Staff will review and make recommendations to the Commission regarding all capital projects proposed by Atmos on an annual basis. The Staff must also be able to verify the projected level of spending, determine the reasonableness of the same, and verify that the proposed projects were completed within the year and are used and useful in the rendering of gas service. The Commission adopted the Joint Stipulation by order dated August 20, 2015.

CenterPoint Energy Inc. (“CenterPoint”)

RRA – On May 1, 2014, CenterPoint filed its annual Rate Regulation Adjustment Rider and Weather Normalization Adjustment Rider evaluation with an earned return of 2.12% which fell below the allowed return of 9.274% and outside the range of no change of 8.274% to 10.274%, indicating the need for a revenue increase of \$4,066,534. The Staff’s review of the filing resulted in a Joint Stipulation with CenterPoint whereby several adjustments were made that reduced rate base by \$234,660 and operating and maintenance expenses by \$1,258,161. The net effect of these adjustments increased the earned return to 4.36%, which resulted in a revenue requirement increase of \$2,783,300. The Joint Stipulation was approved by the Commission on August 5, 2014.

Willmut Gas and Oil Company (“Willmut”)

RSA – On September 15, 2014, Willmut made its annual Rate Stabilization Adjustment (“RSA”) filing for the twelve months ending June 30, 2014. The filing reflected an earned return on equity of 3.47% and an allowed return of 9.57% on a rate base of \$18,863,772. Because the earned return fell outside the range of no change of 8.57% to 10.57%, an upward revenue adjustment of \$911,175 was indicated. On October 22, 2014, the company filed a revised RSA which indicated an allowed return on equity of 9.58% with an earned return of 3.42% on a rate base of \$18,839,080. The revised filing indicated that a revenue increase of \$919,166 was necessary.

During its review, the Staff identified errors in the calculation of the earned return on equity and gross and net revenue adjustments, in both the original and amended filings. The Staff also noted several concerns with the filing and the current RSA tariff. The company and the Staff reached a Joint Stipulation on May 12, 2015, agreeing to no change in rates, and to review Willmut's RSA Rider in the following months for possible revisions to address various issues, including but not limited to: capital structure, corporate and affiliate allocations, rate of return calculations, and depreciation expense. Willmut agreed to make a filing seeking updates to its RSA Rider by July 1, 2015, and made said filing as agreed.

Southeast Utilities, LLC

RATE CASE – On June 27, 2013, Southeast Utilities, LLC (“Southeast”) filed its notice to change rates for gas service in its certificated area in Walthall County. Jerry Kelly, P. Truly Conerly, and the Town of Tylertown intervened in this proceeding. Staff conducted a full investigation. Southeast took over operations of its certificated area in Walthall County on December 20, 2013; therefore, a full year of audited financial data regarding system operations was not available. Staff was unable to make a final recommendation to the Commission at that time. However, based on its review, Staff did find that the current rate schedule did not provide sufficient funds to operate. Therefore, Staff recommended a temporary rate until Southeast provides sufficient information for Staff to make a final recommendation to the Commission. The Commission appointed a Hearing Examiner in this case. Staff and Southeast agreed to certain adjustments and temporary rates in a Joint Stipulation filed on January 30, 2014. The Hearing Examiner issued an order approving the Joint Stipulation on February 7, 2014, setting temporary rates until final resolution of this case. At this time, the matter remains pending.

TELECOMMUNICATIONS

COMPETITION - The impact of competition and migration to different technologies in the local Mississippi telecommunications market is continuing its unabated advance. Mississippi's largest Incumbent Local Exchange Carrier ("ILEC"), AT&T Mississippi, is no longer required to report access lines to the Commission. The Wireline Competition Bureau's October 2014 Local Competition Report: Status as of December 31, 2013 ("Competition Report") indicated that the total Mississippi access lines for ILECs decreased 256,000 from December, 2009 to December, 2013.

Wireless telephone companies and cable companies, utilizing Voice over Internet Protocol ("VoIP"), are becoming increasingly formidable in their competition with wireline companies. The Competition Report stated that 34.5% of residential customers in Mississippi received interconnected VoIP telephony while the nationwide average was 50.1%. The Cellular Telecommunications Industry Association's December 2014 data reflects that 44.0% of the households in the United States were served by wireless only. According to the National Center for Health Statistics, the Southern United States' wireless only households' percentage continues to rank as the highest region in the United States. The Competition Report also indicates that Mississippi's wireless subscribers for December, 2013 were over 2.6 million.

FCC RULES ON NET NEUTRALITY On February 26, 2015, the FCC adopted its Report and Order on Remand, Declaratory Ruling, and Order that reclassifies broadband Internet access service as a telecommunications service under Title II. This rule applies to fixed and mobile broadband. It also addressed three bright line rules of no blocking, no throttling, and no paid prioritization. The Staff is cognizant of this change and continues to monitor the rules as they are implemented and pertain to Mississippi companies.

SUPPORT OF LIFELINE/LINK-UP PROGRAMS IN MISSISSIPPI- On February 6, 2012, the FCC released FCC 12-11 Report and Order ("Lifeline Order") to

comprehensively reform and begin to modernize the Lifeline Program. The reforms adopted in this Order substantially strengthen protections against waste, fraud, and abuse; improve program administration and accountability; improve enrollment and consumer disclosures; and initiate modernization of the program for broadband.

Lifeline provides discounts that make telephone service more affordable for millions of Americans. The Lifeline Order eliminated Link Up support in non-Tribal areas which reduces the one-time costs associated with initiating telephone service and line extension to the consumer's residence. Consumers apply for the discounts through their telephone provider. These companies are then reimbursed through the Low Income Program of the Universal Service Fund for the revenue they forgo by providing discounted service to eligible consumers. In Mississippi, consumers qualify for Lifeline if they are eligible for Temporary Assistance to Needy Families, Supplemental Security Income, Supplemental Nutrition Assistance Program, Medicaid, all Federal Public Housing Assistance, National School Lunch Program's Free Lunch Initiative, Low Income Home Energy Assistance Programs or an income-based criterion. The income-based criterion allows a consumer to be eligible for Lifeline if the consumer's household income is at or below 135% of the Federal Poverty Guidelines. Each consumer who participates in Lifeline must recertify annually to their service provider of their continued eligibility in either the program-based or the income-based criteria. Mississippi revised its Lifeline guidelines in Docket 2007-AD-487 to reflect the FCC changes. In 2014, Mississippi customers received \$15.2 Million from the Lifeline program which was a decrease from \$19.5 Million from 2013. This decrease can be attributed to the strengthened FCC 12-11, the new recertification requirements, and the implementation of the National Lifeline Accountability Database ("NLAD"). The NLAD was operational in Mississippi on February 27, 2014 and is designed to help carriers identify and resolve duplicate claims for Lifeline Program-supported service and prevent future duplicates. Carriers must confirm with NLAD before approving Lifeline applicant that the customer is not already receiving a Lifeline benefit. The NLAD offers improved accountability of the one-per-household rule.

On June 18, 2015, the FCC adopted its Second Further Notice of Proposed Rulemaking, Order on Reconsideration, Second Report and Order, and Memorandum Opinion and Order that affects the federal Lifeline program. More enhancements to create more accountability are included in this order. The FCC sought comments on proposed reforms to the Lifeline program that would promote the availability of modern services such as broadband for low-income families. The order was effective August 13, 2015. According to the U. S. Census Bureau report Computer and Internet Use in the United States: 2013, Mississippi had the lowest subscription rate for high-speed Internet in the nation of 62.3%.

AREA CODE EXHAUST PLANNING- The 662 Numbering Plan Area (“NPA”) is facing the exhaust of numbers required for assignment to central office codes. In September 2008, the Commission initiated a mechanism to forestall the area code relief planning process by requesting the Federal Communications Commission (“FCC”) to approve a Petition for Delegated Authority to implement number conservation measures. Such delegated authority would allow the Commission to mandate 1,000 block number pooling and assignment. In May 2010, the FCC entered an Order granting the Commission’s Petition. This FCC action will allow the Commission to forgo the need for current relief planning and will defer 662 NPA exhaust, as well as the creation of a new NPA in the 662 area. On May 5, 2011, the Commission approved the implementation of number conservation measures order in NPA 662 in Docket No. 2011-AD-129. Meetings were held between the Pooling Administrator of the North American Numbering Plan Administration (“NANPA”) and the affected carriers to develop an implementation timetable for the mandatory pooling in order to defer and mitigate the effects of the future exhaust of NPA 662. Mandatory pooling of thousands-block in NPA 662 began in September 2011. NANPA’s April 2015 forecast estimates that exhaust of NPA 662 will occur in the second quarter of 2028.

FEDERAL UNIVERSAL SERVICE HIGH-COST SUPPORT- The Universal Service Fund (USF) is one fund with four programs - High Cost, Low Income, Rural Health

Care and Schools & Libraries. The Commission has oversight responsibilities for the High Cost and the Low Income programs. The High Cost program ensures that consumers in all regions of the nation have access to and pay rates for telecommunications services that are reasonably comparable to those in urban areas. The Low Income program, commonly known as Lifeline, provides discounts that make local telephone service affordable to millions of low-income consumers. In order for a carrier to receive funds from either of these programs, they have to be designated as an eligible telecommunications carrier (“ETC”). The Commission has the primary responsibility for designating carriers as ETCs.

Yearly certification for ETC’s is required for High Cost support. The Commission has the primary responsibility to provide this annual certification to the Federal Communications Commission and the Universal Service Administrative Company. Certifications are due annually on or before October 1. The certification must state that all federal High Cost support provided to rural and/or non-rural carriers and competitive ETC’s within the state has been and will be used only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.

On November 18, 2011, the FCC released FCC 11-161 Report and Order (“CAF Order”) which comprehensively reformed the Universal Service Fund and will transition High Cost mechanisms to the Connect America Fund (“CAF”). This reform developed different avenues of support for price-cap carriers, rate of return carriers, competitive local exchange carriers, and mobility fund carriers. The CAF Order accelerates broadband build-out and expands the benefits of high-speed Internet to rural America. Many of the rural local exchange companies have expressed concern regarding the uncertainty and unpredictability of the CAF order. Mississippi’s ETC Docket 2005-AD-662 has been revised to reflect the CAF Order so ETCs can comply with the FCC guidelines and Mississippi requirements. The Seventh Reconsideration Order, FCC 14-54, was released on June 10, 2014 and introduces many changes and clarifications to the CAF Order including

transitioning residential local service rates to the rate floor of \$20.46. Effective January 2, 2015 the rate floor was set at \$16.00.

Mississippi remains one of the largest national beneficiaries of monies allocated from the federal High-Cost support under the federal Universal Service Fund Support program. In 2014, Mississippi received over \$188.6 million in High-Cost Universal Service funding. These monies were utilized by ETCs to improve the wireless and wireline network infrastructure in high cost areas of our state. Mississippi would be unable to maintain basic telephone rates in rural areas at rates comparable to those in more urban areas of the state without federal Universal Service Support. In addition, Universal Service funding ensures that Mississippians in all areas of the state are provided services, functionalities and features comparable to those offered in urban areas. As the transition of USF/CAF shifts to broadband implementation and acceptance, these funds will continue to be vital to Mississippians who are unserved or underserved with access to broadband.

Currently, there are 32 ETCs designated in Mississippi and six of those are low income only. These are comprised of LECs, CLECs and wireless companies. The CAF Order offers other opportunities where providers may seek conditional designation to participate in competitive bidding. The Public Utilities Staff works in conjunction with the Commission to designate ETCs and also reviews and certifies ETC planned Universal Service expenditures. These actions ensure that monies received from federal Universal Service Fund are being used in accordance with the guidelines set forth in the Telecommunications Act of 1996.

On April 29, 2015, the FCC offered the right of first refusal of Connect America Fund Phase II support to the four price cap companies serving in Mississippi – AT&T, CenturyTel, Frontier, and Windstream. Price cap carriers have until August 27, 2015 to accept or decline the offer of support. If accepted, carriers have six years to build out broadband service to the funded locations of 10 Mbps downstream/1 Mbps upstream which 40% must be completed by the end of 2017.

DUAL PARTY RELAY SERVICE – Telecommunications Relay Service (“TRS”) is a telephone service that allows persons with hearing or speech disabilities to place and receive telephone calls. This Commission has been administering the Statute under 77-3-501 for 23 years. With the erosion of landlines, the TRS fund has become dangerously low. With the approval of the Commission, the TRS surcharge for landline services was increased on bills rendered on or after May 1, 2013 from \$.03/month to \$.10/month. The Staff continues to monitor this fund and advises the Commission accordingly.

FILING COMMENTS WITH THE FCC - The Staff monitors events of concern with the FCC and files comments on behalf of the Commission. Past comments filed include comments regarding the CAF Order, call completion concerns, cramming, and in-person distribution for handsets to prospective Lifeline customers.

WATER & SEWER

CURRENT NUMBER OF WATER & SEWER UTILITIES - The Mississippi Public Service Commission regulates 953 water and sewer utilities as follows:

Sewer Associations	40
Sewer Companies	131
Sewer Districts	39
Sewer Municipalities	36
Water Associations	496
Water Companies	41
Water Districts	43
Water Municipalities	127

FILINGS – The Water and Sewer Division is responsible for the investigation of all water and sewer related filings with the Commission for initial certificates, supplemental certificates, facility certificates, sale and transfers, initial rates and rate changes.

During this reporting period, there were 22 filings seeking initial, supplemental, and facility certificates and sale and transfer filings. Of the 22 total filings, the specific breakdown by type of utility was as follows:

Sewer Associations	3
Sewer Companies	5
Sewer Districts	0
Sewer Municipalities	1
Water Associations	6
Water Companies	2
Water Districts	0
Water Municipalities	5

There were 10 rate filings. The filings by type of utility were as follows:

Sewer Districts	1
Sewer Companies	2
Sewer Municipalities	1
Water Companies	0
Water Municipalities	5
Water Districts	1

The Water and Sewer Division actively investigated all aspects of the 32 total filings made with the Commission. This investigation included: propounding data requests, reviewing engineering plans and specifications, reviewing reports and other documentation, conducting prehearing conferences, preparing pre-filed testimony, presenting testimony before the Commission at formal hearings and presenting recommendations to the Commission.

VIABILITY RECOMMENDATIONS - Pursuant to Miss. Code Ann., Section 43-35-504, the Water and Sewer Division reviewed and analyzed 32 water block grant applications as well as made utility viability recommendations to the Mississippi Development Authority. In addition, recommendations were made to the Mississippi State Department of Health and to the Mississippi Department of Environmental Quality.

AUDITS - Annual audits of certain regulated sewer companies that are connected to regional utility authorities for wastewater treatment were performed by the Division to ensure that these sewer companies were assessing the correct monthly charges. The Division also determined the appropriate monthly charge to be assessed for the upcoming year.

INSPECTIONS – The continued monitoring of utility systems and various construction projects were performed by the Division throughout the reporting period.

UTILITIES SUMMARIES

ELECTRIC, GAS & TELEPHONE UTILITY SUMMARIES 2014

ELECTRIC UTILITIES SUMMARY 2014									
COMPANY	NUMBER OF CUSTOMERS	KWH SOLD	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER	AVERAGE REVENUE PER KWH	GROSS PLANT INVESTMENT	GROSS OPERATING REVENUES	RATIO GROSS INVESTMENT	
ENERGY MISSISSIPPI, INC.									
RESIDENTIAL	370,464	5,672,166,000	\$ 1,580	15,311	\$ 0.1032		\$ 585,371,113		
COMMERCIAL	62,726	4,821,290,000	\$ 7,664	76,863	\$ 0.0997		\$ 480,754,479		
INDUSTRIAL	4,020	2,297,098,000	\$ 43,437	571,417	\$ 0.0760		\$ 174,614,927		
OTHER	4,901	414,391,000	\$ 9,562	84,552	\$ 0.1131		\$ 46,863,299		
TOTAL	442,111	13,204,945,000	\$ 2,912	29,868	\$ 0.0975	\$ 4,071,616,903	\$ 1,287,603,818	32%	
MISSISSIPPI POWER COMPANY									
RESIDENTIAL	152,589	2,126,115,000	\$ 1,913	13,934	\$ 0.1373		\$ 291,830,046		
COMMERCIAL	33,368	2,859,617,000	\$ 9,443	85,699	\$ 0.1102		\$ 315,093,893		
INDUSTRIAL	481	4,942,689,000	\$ 726,949	10,275,861	\$ 0.0707		\$ 349,662,229		
OTHER	107	40,595,000	\$ 69,237	379,393	\$ 0.1825		\$ 7,408,334		
TOTAL	186,545	9,969,016,000	\$ 5,168	53,440	\$ 0.0967	\$ 6,517,743,493	\$ 963,994,502	15%	
Source: FERC FORM 1 - YE 12/31/2014									

GAS UTILITIES SUMMARY 2014
(SOURCE: COMPANY ANNUAL REPORTS)

	<u>Atmos</u>	<u>CenterPoint</u>	<u>MS River Gas</u>	<u>Tumlinson</u>	<u>Southeast Utilities</u>	<u>Willmut</u>	<u>TOTALS</u>
As of December 31, 2014							
Number of companies reporting: 6							
Plant (Intrastate Only)							
Plant in Service	489,094,673	200,570,386	3,060,374	293,500	847,280	46,840,812	740,707,025
Construction Work in Progress	9,510,684	7,781,307	0	0	0	525,644	17,817,635
Plant Acquisition Adjustment	8,218,971	0	0	0	0	0	8,218,971
Plant Held for Future Use	6,955,671	0	0	0	0	0	6,955,671
Materials and Supplies	480,412	974,351	30,859	0	11,206	286,749	1,783,578
Less:							
Depreciation and Amortization Reserves	150,798,217	92,235,915	1,710,922	293,500	632,406	25,533,805	271,204,766
Contributions in Aid of Construction	0	0	294,936	0	0	0	294,936
NET BOOK COSTS	363,462,194	117,090,129	1,085,375	0	226,080	22,119,401	503,983,179
Revenues and Expenses (Intrastate Only)							
Operating Revenues	269,357,800	98,184,891	3,231,687	1,305,269	588,568	24,312,365	396,980,580
Depreciation and Amortization Expenses	14,114,336	6,032,234	299,674	91,286	10,606	750,846	21,298,981
Income Taxes	8,561,409	1,955,974	0	22,202	0	650,680	11,190,265
Other Taxes	15,531,510	5,040,234	90,349	22,905	12,798	752,073	21,449,868
Other Operating Expenses	209,358,153	78,479,379	2,607,485	482,560	554,215	21,127,024	312,608,816
Total Operating Expenses	247,565,408	91,507,821	2,997,507	618,953	577,619	23,280,622	366,547,930
Net Operating Income	21,792,392	6,677,070	234,179	686,316	10,949	1,031,743	30,432,650
Other Income	2,548,891	255,317	24,002	0	0	336,889	3,165,099
Other Deductions	(11,174,754)	(2,572,150)	(13,438)	0	(16,079)	(160,225)	(13,936,647)
NET INCOME	13,166,529	4,360,237	244,743	686,316	(5,130)	1,208,408	19,661,102
Customers (Intrastate Only)							
Year-End Average:							
Residential	230,563	110,476	2,833	148	431	16,040	360,491
Commercial	23,649	12,357	289	55	161	2,881	39,392
Industrial	343	20	2	2	0	30	397
Others	2,933	0	25	0	0	0	2,958
Total Number of Customers	257,488	122,853	3,149	205	592	18,951	403,238
Other Statistics (Intrastate Only)							
Average Annual Residential Use (MCF)	68.75	56.92	49.85	42.34	43.44	55.94	52.88
Average Residential Cost per MCF (\$)	9.27	9.08	14.11	10.93	13.16	9.31	10.98
Average Residential Monthly Bill	53.09	43.09	58.61	38.58	47.63	43.40	47.40
Gross Plant Investment per Customer	1,997.22	1,703.87	981.66	1,431.71	1,450.15	2,514.55	1,679.86

MISSISSIPPI TELEPHONE UTILITIES SUMMARY 2014

COMPANY	NUMBER OF MS EXCHANGES	ACCESS LINES 2014	ACCESS LINES 2013	ACCESS LINE GROWTH FROM PREV. YEAR	GROSS PLANT IN SERVICE	OPERATING REVENUE	OPERATING EXPENSES	NET REVENUE
BPM (NOXAPATER)	1	618	660	(42)	\$3,220,168	\$1,473,181	\$2,042,747	(\$569,566)
BAY SPRINGS	12	7,449	7,501	(52)	\$67,398,853	\$11,025,204	\$10,665,462	\$359,742
BELLSOUTH**	172			--				--
BRUCE	3	1,829	1,931	(102)	\$21,241,388	\$3,108,369	\$2,791,236	\$317,133
CALHOUN CITY (TDS)	3	2,242	2,387	(145)	\$15,303,319	\$2,080,014	\$1,678,917	\$401,097
CENTURYTEL OF ADAMSVILLE	1	106	105	1	\$40,384,228	\$5,426,107	\$4,745,557	\$680,550
CENTURYTEL OF NORTH MS	3	15,270	15,477	(207)	\$104,695,937	\$17,927,333	\$12,246,158	\$5,681,175
DECATUR	1	1,263	1,352	(89)	\$9,104,573	\$1,151,925	\$1,599,021	(\$447,096)
DELTA	7	2,371	2,477	(106)	\$26,172,048	\$3,765,848	\$3,350,530	\$415,318
FRANKLIN	10	5,929	6,228	(299)	\$75,883,144	\$9,150,523	\$7,764,569	\$1,385,954
FRONTIER	4	3,101	3,474	(373)	\$22,960,185	\$3,267,846	\$2,684,114	\$583,732
FULTON	4	6,285	6,362	(77)	\$32,010,268	\$4,519,209	\$5,001,096	(\$481,887)
GEORGETOWN	1	189	214	(25)	\$4,135,694	\$984,816	\$762,448	\$222,368
LAKESIDE	1	204	214	(10)	\$4,479,694	\$1,681,649	\$1,288,005	\$393,644
MOUND BAYOU	1	535	556	(21)	\$3,814,722	\$844,973	\$755,164	\$89,809
MYRTLE (TDS)	1	458	510	(52)	\$3,522,311	\$523,833	\$456,281	\$67,552
SLEDGE	1	254	274	(20)	\$6,099,433	\$1,482,999	\$1,282,346	\$200,653
SMITHVILLE	1	478	536	(58)	\$1,243,989	\$466,464	\$610,893	(\$144,429)
SOUTHEAST MS (TDS)	4	2,538	2,624	(86)	\$22,751,914	\$2,786,714	\$2,111,726	\$674,988
WINDSTREAM	3	8,782	9,191	(409)	\$45,849,096	\$7,974,964	\$3,929,357	\$4,045,607

*Bell South no longer required to report access lines. (See 2012 HB826)

AGENCY FINANCIAL REPORTS

MISSISSIPPI PUBLIC UTILITIES STAFF
COMBINED STATEMENTS OF RECEIPTS AND DISBURSEMENTS
JULY 1, 2014 – JUNE 30, 2015

DISBURSEMENTS:

Salaries & Fringe Benefits	\$1,893,257
Travel	36,808
Contractual Services	210,793
Commodities	7,795
Capital Outlay Equipment	0
Subsidies, Loans, Grants	<u>0</u>
TOTAL OPERATING EXPENSES	\$2,148,653
Transfers	<u>0</u>
TOTAL DISBURSEMENTS	\$2,148,653

RECEIPTS:

Utility Regulatory Tax	\$2,412,746
Miscellaneous Receipts	<u>0.00</u>
TOTAL RECEIPTS:	\$2,412,746

**MISSISSIPPI PUBLIC UTILITIES STAFF
OUT OF STATE TRAVEL
FISCAL YEAR 2015**

<u>Employee's Name</u>	<u>Destination</u>	<u>Purpose</u>	<u>Costs</u>
Jennifer Boen	Woodlands, TX	Fuel Audit	743.75
Donna Chandler	Washington, DC	NARUC	1,806.00
	San Destin, FL	TASE	1,602.00
Michael Douglas	Washington, DC	NARUC	2,085.00
	San Destin, FL	TASE	1,579.00
Chris Garbacz	Dallas, TX	NARUC	1,397.00
	San Francisco, CA	NARUC	1,884.00
	Washington, DC	NARUC	253.00
	Nashville, TN	Nicholas Institute	47.00
	Washington, DC	NARUC	1,934.00
	Washington, DC	Climate Change Conf.	1,487.00
Bill Hammett	New Orleans, LA	NARUC	1,073.00
Patti Hentschel	Woodlands, TX	Audit	1,011.00
David Kennedy	New Orleans, LA	Audit	1,088.00

Brandi Myrick	Houston, TX	Fuel Audit	1,102.00
	New Orleans, LA	NARUC	1,175.00
	San Antonio, TX	SEARUC	1,297.00
Chad Reynolds	Woodlands, TX	Audit	1,279.00
Randy Tew	San Destin, FL	TASE	1,695.00
Cherish Woods	New Orleans, LA	NARUC	770.00
	Albuquerque, NM	Utility Rate School	2,039.00