



MISSISSIPPI
PUBLIC UTILITIES STAFF

Virden C. Jones, Executive Director

Annual Report

Ending June 30, 2020

PUBLIC UTILITIES STAFF

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PUBLIC UTILITIES STAFF

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CHRISTOPHER GARBACZ, DIRECTOR
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SALLY BURCHFIELD DOTY
EXECUTIVE DIRECTOR

KYLE BROWN, DEPUTY DIRECTOR
ADMINISTRATIVE SERVICES DIVISION

BRANDI MYRICK, DIRECTOR
ELECTRIC & GAS DIVISION

ANGEL STENMARK, DIRECTOR
COMMUNICATIONS DIVISION

To: The Honorable Governor and Members of the
Legislature of the State of Mississippi
State Capitol
Jackson, Mississippi

Re: Mississippi Public Utilities Staff
2020 Fiscal Year Annual Report

The Mississippi Public Utilities Staff (MPUS) submits this Annual Report to Governor Reeves and members of the Mississippi Legislature in compliance with Mississippi Code Ann. §27-101-1. The report provides a review of the Staff's activities from July 1, 2019, through June 30, 2020, all of which occurred before my appointment as Executive Director of the MPUS on July 15, 2020.

I take this opportunity to congratulate the prior Executive Director, Virden C. Jones, on his retirement and thank him for his service to the state of Mississippi. I also thank Governor Tate Reeves for his trust and confidence in appointing me as the MPUS Executive Director.

Respectfully submitted,

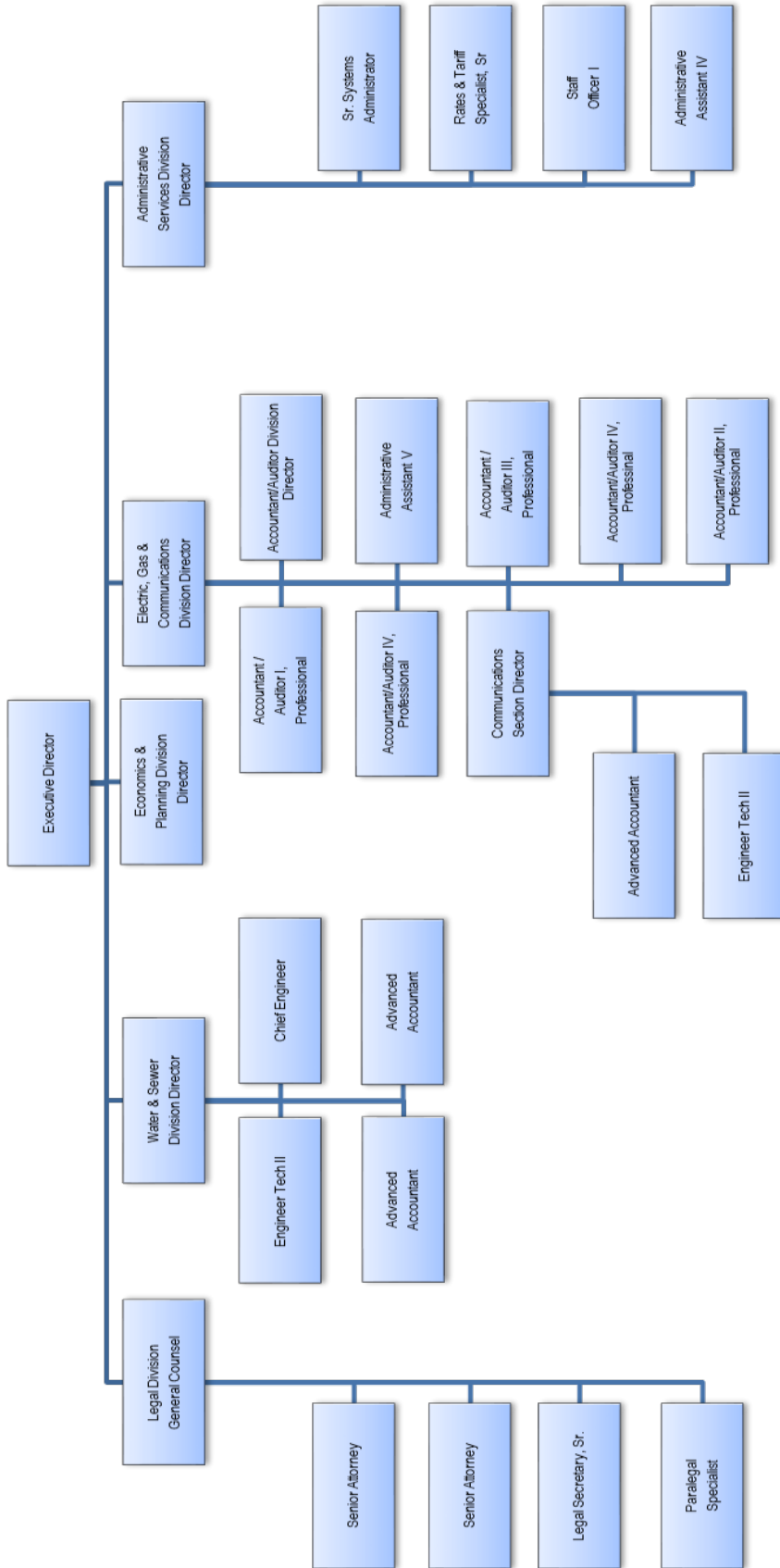
Sally Burchfield Doty
Executive Director

COMPOSITION AND FUNCTIONS

The Legislature established the Public Utilities Staff in 1990 as a separate and independent agency to serve in an advisory and investigatory role in support of the Public Service Commission. The Staff is charged with representing “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.” Miss. Code Ann. §77-2-1. 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 that is subject to the Commission’s rate jurisdiction.
- 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.
- D. Acting as an adviser to the Commission and (or) as a party litigant in contested matters.

The Staff consists of the Executive Director and five divisions: Legal; Administrative Services; Water and Sewer; Electric, Gas and Communications; Economics and Planning. Additional information concerning the composition of and services provided by the Staff, along with information related to each division, can be found at <http://www.mpus.ms.gov>.



EXECUTIVE DIRECTOR



*retired as of June 30, 2020

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.

Virden 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. As of June 30, 2020, Jones retired from the Staff.

DIVISIONS OF THE STAFF

ADMINISTRATIVE SERVICES



L to R: Randy Tew (retired), Elane Williams, Janie Keyes, 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. 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



(L to R) Bill Hammett, Vicki Munn, Cherish Woods, Brandi Myrick, Donna Chandler (retired), Tera Agee, Angel Stenmark, Kendra 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 their 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 the earnings fall within a reasonable range, as determined by formulary rate plans that have been approved by the Commission. The purpose of the formulary rate 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 these 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 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 purchase costs 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 (retired), David Boackle

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. For example, he was heavily involved in the evaluation of Mississippi Power Company's (MPCo) Kemper generation plant, which attempted to use gasified lignite as fuel and remove 65% of carbon or more in the process.

Analyzing rate of return on investments, financing, and rate structures falls within his division. He has developed formulas used in the yearly Return on Equity (ROE) calculations for electric and gas utilities. The Director testifies in Commission hearings regarding the Staff's findings and also makes economic and financial presentations before the legislature and 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, financial markets and other areas across the nation are examined for their potential impact on Mississippi.

Dr. Garbacz is Vice Chairman of the NARUC Staff Committee On Nuclear Issues. He was formerly a professor of Economics and has authored more than fifty academic articles and other publications. His research has been presented at a number of national and international conferences. He reviews article submissions for international scholarly journals.

LEGAL



L to R: Sam Mabry, Cassandra Lowe, Patricia Trantham Smith, Tad Campbell

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. The division also 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, enters into stipulated agreements with the utilities regarding their regulated activities, and assists 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 2020, the Public Utilities Staff participated in 215 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 1,411 certificated utilities of record.

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

ELECTRIC

There are two, major investor-owned electric utilities in the State that are subject to the Commission's rate and service quality jurisdiction: Entergy Mississippi, LLC ("EML"), a subsidiary of Entergy Corporation, and Mississippi Power Company ("MPC"), a subsidiary of Southern Company. EML is headquartered in Jackson and MPC is headquartered in Gulfport. Each of these utilities makes numerous regulatory filings during the year. The most significant filings are discussed below. FUEL AUDITS – Miss. Code Ann. 77-3-42 authorizes the direct pass-through and recovery of the actual cost of fuel burned and the cost of purchased energy delivered

to customers using a fuel adjustment clause rider. The statute prescribes the exact costs which may be included in the rider and provides for mandatory annual financial audits and procurement reviews. Based on Mississippi Attorney General (“AG”) Opinion No. 2010-00554,¹ the Staff no longer conducts financial audits or procurement reviews of electric utility fuel adjustments clause activities but it has maintained its continuous monitoring programs and other 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 by executing its “Contract for Fuel Audit Services” with both London Economics International LLC (“LEI”) and Carr, Riggs & Ingram CPAs and Advisors (“CRI”) to perform respectively a management review and a financial audit of Mississippi Power Company (“MPC”) for audit years 2019 through 2020. The Commission also signed a “Contract for Fuel Audit Services” with The Liberty Consulting Group (“Liberty”) and with Horne LLP CPAs & Business Advisors (“Horne”) to perform respectively a management review and a financial audit of Entergy Mississippi, LLC (“EML”) for audit years 2019 and 2020.

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

- 1) “Management Review Audit of Mississippi Power Company Fuel and Electricity Procurement,” filed with the Commission on December 6, 2019, prepared by LEI, and
- 2) “Mississippi Power Company Audit of Fuel Adjustment Schedules For the Period October 1, 2018 through September 30, 2019,” filed with the

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 rather than the Staff 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.

Commission on December 6, 2019, prepared by CRI.

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

- 1) “Audit and Management Review of Entergy Mississippi, LLC” for the period October 1, 2018 through September 30, 2019, filed with the Commission on December 6, 2019, prepared by Liberty, and
- 2) The “Entergy Mississippi, LLC, Fuel Adjustment Audit for the Period October 1, 2018 through September 30, 2019,” filed with the Commission on December 6, 2019, prepared by Horne.

In addition, on January 10, 2020, the Staff filed its Summary and Comments of the Staff’s Certified Public Accountant letters which addressed the filed reports for MPC and EML. 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, 2020, the Commission certified all of the reports to the Legislature.

In connection with the annual fuel audits, each company annually files new fuel rates for the next fiscal year, which are reviewed by the Staff and are subject to approval by the Commission. These fuel filings are discussed in more detail later in this report.

FORMULARY PLANS – The non-fuel portions of rates for both EML and MPC are regulated primarily through formulary rate plans, which are Commission-approved tariffs that are updated annually with new information to determine if any rate action is warranted. Such plans are authorized under Miss Code Ann. 77-3-2 (3) and have significantly reduced the frequency of and the costs associated with general rate cases. These tariffs provide a formula approach to determining rates based on each company’s rate base, annual operating results and allowed return on investment. Generally, allowed 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 on rate base. Once the benchmark is determined, the expected return on rate base based on current 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. The Staff's review of the formulary rate plans is discussed later in this report.

IRP RULE – On May 8, 2018, in Docket No. 2018-AD-064, the Commission established a docket to investigate and consider the development of a rule defining an Integrated Resource Planning (IRP) process for regulated electric utilities in the state. IRP is a long-range planning process that requires a utility to forecast its future energy demand and evaluate how that demand can most efficiently and cost-effectively be met. Comprehensive IRP considers and incorporates a full range of resources, including supply-side resources, demand-side resources, and transmission, to determine which mix of resources most effectively minimizes future energy system costs while ensuring safe and reliable operation of the system for both the company and the rate payers. On June 11, 2019, the Commission issued a proposed rule. All regulated electric and gas utilities in Mississippi were invited to submit written testimony or comments, by October 1, 2019. On November 4, 2019, the Commission issued a Proposed Final Rule. Interested parties were given until November 18, 2019, to file written comments. On November 22, 2019, the

Commission held a hearing and issued an order adopting the Proposed Final Rule. The Rule was transmitted to the Secretary of State's Office and went in to effect on December 25, 2019.

Entergy Mississippi, LLC Recurring Annual Filings

FRP-7 – On March 2, 2020, in Docket No. 2018-UN-205, EML filed its annual Formula Rate Plan (“FRP-7”) Evaluation Report (“2020 Evaluation Report”) for the twelve months ending December 31, 2020. FRP-7 requires EML to make an annual filing for the current year along with a look-back filing of the previous twelve months ended December 31, where historic figures are adjusted for certain forward-looking known and measurable changes. The 2019 Look-back indicated an allowed Benchmark Return on Rate Base of 7.24%, which established a FRP bandwidth from 6.74% to 7.74%. The company's expected Earned Return on Rate Base for the Look-back was 6.72%, which was below the lower limit of the FRP Range of No Change, indicating the necessity of an Interim Adjustment of \$7,348,425. The 2020 Evaluation Report indicated an allowed Earned Return of 6.82%, which established a FRP bandwidth from 6.32% to 7.32%. The company's filed expected Earned Return on Rate Base for the Evaluation period was 5.89%, which fell below the lower limit of the FRP Range of No Change, indicating the necessity of a revenue adjustment of \$24,576,460.

Staff reviewed the 2020 Evaluation Report and the 2019 Look-back. Additionally, Staff, with the assistance of Bates White Economic Consulting, conducted a review of EML's Transmission and Distribution Plan filed in conjunction with the 2020 Evaluation Report. Staff recommended adjustments to certain rate base items and operations and maintenance expenses. On June 4, 2020, Staff and EML entered into a joint stipulation resulting in (1) a 2019 Look-back Earned Return of 6.75%, which fell within the range of No Change; and (2) a 2020 Evaluation Report Earned Return of 5.91%, which resulted in a stipulated revenue adjustment of \$23,827,342. Overall, the net revenue requirement increased \$23,827,342. On June 9, 2020, the Commission issued an order adopting the joint stipulation.

ANNUAL FUEL RATE (ECR-4) – On November 7, 2019, in Docket No. 2013-UN-178, EML filed its annual proposed Energy Cost Recovery Rider (“ECR-4”) factors to be applied to customer bills. The ECR-4 Rider is EML’s fuel adjustment clause through which it is allowed to recover the actual cost of fuel burned and purchased energy pursuant to Miss. Code Ann. § 77-3-42.

EML’s filing indicated a decrease in the ECR-4 factor consisting of a Net Energy Cost Factor of (\$0.018230) per kilowatt-hour, or approximately (\$10.61) on the average 1,000 kWh residential customer bill. The primary driver of the decrease in the ECR factor was an over recovery of \$39.6 million of fuel costs for the period resulting from lower than projected natural gas prices for the prior period and a payment (\$36 million) from Entergy Arkansas, LLC associated with a settlement in FERC Docket No. EL-09-61-000. Additionally, the factor reflected lower projected fuel costs expected to result from forecasted energy production of the Choctaw Generating Station and lower forecasted natural gas prices for the period. On January 13, 2020, the Commission issued an order approving the ECR-4 factor.

On May 4, 2020, in Docket No. 2013-UN-178, EML filed an Interim Adjustment to its annual ECR-4 schedule to be billed to customers beginning June 2020 through September 2020. Due to historically low natural gas prices that have impacted the forecasted costs of generation and energy market prices, the Company’s deferred fuel over recovery balance continued to grow instead of decreasing as projected. Due to the economic hardships caused by the impacts of COVID-19, EML believed it was appropriate and timely to return a portion of the deferred fuel over recovery to customers in the higher usage months where it was the most beneficial to customers. The Company filed an Interim Adjustment to return to customers \$50 million of the deferred fuel over recovery balance over the four-month period. The proposed Interim Adjustment factor of (\$0.009712) per kWh was combined with the current Energy Cost Factor of (\$0.018230) per kWh resulting in a total fuel adjustment factor of (\$0.027942) per kWh for the billing months of June 2020 through September 2020. The Interim Adjustment decreased a 1,000 kWh residential bill by

\$9.71 per month. However, beginning with October 2020 billing after the Interim Adjustment rolls off, customer bills will increase by the same amount. On May 12, 2020, the Commission issued an order approving the Interim Adjustment.

MISO COST AND REVENUE (MISO-2) – EML successfully integrated into the Midcontinent (formerly Midwest) Independent System Operator (“MISO”) on December 18, 2013, thereby transferring functional control of EML’s transmission facilities to MISO. In the first five (5) years of MISO membership, EML rate payers have seen approximately \$207 million in savings. Cost and revenues associated with MISO membership are recovered or credited to ratepayers through the company’s ECR-4 Energy Cost Rider and the MISO Cost and Revenue Rider Schedule MISO-2, which are reviewed annually by the Staff.

The Staff and Commission participate daily in the MISO stakeholder process. Staff focuses on the following MISO stakeholder forums in particular: (a) Advisory Committee; (b) Competitive Retail Solution Task Team; (c) Economic Planning Users Group; (d) Loss of Load Expectation Working Group; (e) Market Subcommittee; (f) Planning Advisory Committee; (g) Planning Subcommittee; (h) Regional Expansion Criteria and Benefits Working Group; and (i) Resource Adequacy Subcommittee. The Staff and Commission also participate in the Organization of MISO States (“OMS”) and the Entergy Regional State Committee (“ERSC”), which are both non-profit, self-governing organizations of representatives from each state with regulatory jurisdiction over entities in MISO. Staff participates in several OMS Working Groups, including: (a) Markets and Tariffs; (b) Transmission Cost Allocation; (c) Transmission Planning; (d) Resources; and (e) Governance and Budget. Each of these OMS Working Groups monitors the

aforementioned MISO stakeholder forum(s) which relate to its scope of work (e.g., the OMS Transmission Cost Allocation Working Group monitors the Regional Expansion Criteria and Benefits Working Group).

The MISO-2 Rider was approved in 2017 for EML to recover/credit the costs/revenues associated with MISO membership that cannot be flowed through the

fuel adjustment clause (ECR-4). The MISO factor decreased to (2.81338%) for 2020. The monetary amount associated with the change resulted in a \$1.64 decrease on an average residential customer's bill. The decrease was driven by higher credits for network transmission service. In addition, the Company moved from an under recovered position to a slight over recovered position for the prior period which was driven partially by higher than expected sales and tax reform. On January 13, 2020, the Commission issued an order approving the MISO-2 factor.

MISCELLANEOUS OTHER ANNUAL RIDER FILINGS – In addition to the rate schedules discussed above, EML uses special rider schedules to recover other prudently incurred costs including: the Power Management Rider “PMR-12” (hedging costs, short-term capacity costs, carrying costs, consulting fees); the Middle South Energy Rider Schedules 3 and 4 “MSE-3 and MSE-4” (FERC-approved, Grand Gulf non-fuel costs); the Storm Damage Rider “SD-9” (extraordinary incremental storm damage costs); the Energy Efficiency Rider “EE-2” (energy efficiency program costs); the Grid Modernization Rider “GMR-1” (fiber optic infrastructure in rural areas of Mississippi in support of broadband expansion); and the Ad Valorem Tax Rider “ATA-3”, among others. All of these rider schedule filings are reviewed annually by the Staff prior to being recommended for approval by the Commission.

Entergy Mississippi, LLC Nonrecurring Filings

NEW TECHNOLOGIES PILOT – On July 31, 2018, in Docket No. 2018-UN-133, EML filed a report of its efforts to modernize customer service offerings and improve system efficiency. One of the options EML introduced in the filing was to utilize customer-sited, backup generators. On November 16, 2018, EML made its first supplemental filing that outlined plans to offer a utility-owned, natural gas-fired backup generator (up to 500 kW) pilot program called New Technologies Pilot (“Pilot”). On February 20, 2019, EML made a second supplemental filing that provided a Customer Agreement to be executed for the Pilot. The Pilot is offered to qualifying commercial customers. EML plans to install up to 20 backup generators over a three-year period, beginning in 2020, on customer-owned property. The

generators are available to the customer to serve their power needs during an outage, but would also be available to EML during times of peak demand. Through the Pilot, EML expects to gain valuable experience in terms of what technologies work well, clarity on the grid value of equipment, and whether the cost-sharing proportions work as intended. The budget for the Pilot was \$3.5 million.

Participating customers are responsible for paying for 45% of the installation costs of the equipment, offset by the grid value provided by the asset, via a fixed monthly charge that will be included in the Customer Agreement. The monthly charge included a percentage of the operation and maintenance cost of the equipment. The monthly charge is expected to change over time, however it will never exceed the amount initially established in the Customer Agreement. The Customer Agreement has a term of 20 years, same as the life of the generator, that begins when the equipment is ready for service. Per the Agreement, the customer would still be responsible for its financial obligation if it decided to terminate the agreement early. On December 11, 2019, the Commission issued an order approving the New Technologies Pilot.

CATLETT ROAD SUBSTATION & FACILITIES – On May 14, 2019, in Docket No. 2019-UA-069, EML filed a Petition for a certificate of public convenience and necessity to construct a new 230 kilovolt (“kV”) substation and associated transmission facilities between Flora and Canton in Madison County (the

“Facilities”). The primary purpose of the Facilities was to enhance electrical supply reliability for existing customer load and projected new load growth in the Madison and Canton areas, and to reduce the likelihood of customer interruptions in the area during planned and unplanned overlapping outage events. An outage of this extent could result in the inability to serve up to approximately 17,000 EML customers until the failed equipment or elements were restored back to service. The potential low voltage was projected across a wide geographic area ranging from Canton, to just south of Greenwood, as well as areas west, including Yazoo City.

Additionally, the Company proposed that the Facilities would provide greater operational flexibility and increase reliability for the distribution and transmission facilities in the area. Adding a new delivery point in the area would reduce the amount of load served from the existing South Canton and Yandell Road Substations, thereby increasing distribution reliability. The Facilities were also designed to promote economic development by adding significant load serving capability in Madison County near the Nissan Plant and the proposed Madison County Mega-Site. The Company planned to locate the Catlett Road Substation on land acquired from the Madison County Mega-Site. EML proposed to equip the Catlett Road Substation with an extra power transformer and four additional feeder bays that could provide additional load serving capability to the Mega-Site and surrounding area. The total cost of the Facilities is projected to be \$57.7 million, resulting in an approximately \$0.61 rate impact on a typical customer's monthly bill. On October 1, 2019, the Commission issued an order approving the Catlett Road Substation and Facilities.

MILL STREET SUBSTATION & FACILITIES – On May 15, 2019, in Docket No. 2019-UA-071, EML filed a petition for a certificate of public convenience and necessity to construct a 115 kV substation and related transmission lines and other facilities and rights-of-way in Hinds County. The purpose for the filing was to (1) construct a new substation near the University of Mississippi Medical Center (“UMMC”) Campus in Jackson, (2) connect the new substation the existing Rex Brown Substation, Monument Street Substation and Fondren Substation, and (3) perform necessary transmission line upgrades in the area (the “Proposed Facilities”). The Proposed Facilities were required to maintain compliance with NERC requirements, and to continue to deliver reliable electrical service to customers in central Mississippi. The projected cost of the Proposed Facilities was estimated to be \$43.9 million, resulting in a rate impact of approximately \$0.49 on a typical customer's monthly bill. On September 10, 2019, the Commission issued an order approving the Mill Street Substation and Facilities.

MARKET VALUED DEMAND RESPONSE RIDER – On May 24, 2019, in Docket No. 2019-UN-082, EML filed a notice of intent to change rates by filing the Market Valued Demand Response Rider Schedule MVDR-1 (“MVDR-1”). In filing the new rider schedule, EML proposed to “define the parameters under which the Company’s end-use customers can participate in the Midcontinent Independent System Operator Inc.’s (“MISO”) demand response (“DR”) markets as well as how Aggregators of Retail Customers (“ARCs”)² should operate in those same MISO DR markets if they wish to engage with Mississippi customers.” EML believed MVDR-1 would benefit all retail customers by ensuring that proper Commission jurisdiction was maintained, costs and benefits were properly allocated, and EML’s long-term planning and reliability were not adversely impacted by customer participation and ARCs representing customers in MISO’s DR markets.

The MVDR-1 schedule outlined which customers were eligible to participate in the tariff, defined technical terms, and described how the tariff would work for participants, which included both end-use customers as well as ARCs that aggregate one or more end-use retail customers of EML. MVDR-1 limited which retail customers could participate by requiring a minimum load curtailment. Schedule MVDR-1 would not be available to customers that already participated as interruptible or curtailable service because those resources were already registered by the Company in MISO’s markets. The MVDR-1 schedule would be voluntary in that the customers do not have to participate. However, end-use retail customers or ARCs would not be able to participate as a DR resource in MISO wholesale markets except through Schedule MVDR-1 or other EML demand response efforts. It was the Company’s intent to be the sole MP in MISO for all DR resources within EML’s service territory, thereby protecting all of their customers and ensuring that proper

² ARCs facilitate retail customer’s participation in the wholesale markets by (1) registering the curtailment amounts of one or more electric retail customers’ that have Demand Response Resources (“DRRs”), Load Modifying Resources (“LMRs”), and/or Emergency Demand Response (“EDRs”), (2) acting as the Market Participant (“MP”) by transacting with MISO on behalf of the retail customer, and (3) sharing any money received from MISO markets as a result of those transactions with the retail customer, presumably according to whatever contract terms, if any, exist between the retail customer and the ARC.

Commission jurisdiction is maintained. On September 10, 2019, the Commission issued an order approving the Market Valued Demand Response Rider Schedule MVDR-1.

NATCHEZ SES – RED GUM TRANSMISSION INFRASTRUCTURE – On July 25, 2019, in Docket No. 2019-UA-119, EML filed a petition for a certificate of public convenience and necessity to make reliability improvements to and modernize its transmission infrastructure in Adams County. The Company was seeking to rebuild a 5.5-mile section of the 11.4-mile-long Natchez SES – Red Gum 115 kilovolt (“kV”) transmission line to achieve a 259 megavolt-ampere (“MVA”) through rating (the “Proposed Facilities”). The line would be rebuilt to 230 kV design specifications, but would initially continue to be operated at 115 kV. The Natchez SES - Red Gum 115 kV transmission line spans from the Natchez SES Substation in Adams County, MS to the Red Gum Substation in Concordia Parish, LA. EML’s 5.5-mile section of the Natchez SES - Red Gum 115 kV transmission line spans from the Natchez SES Substation in Adams County, to the midpoint of the transmission line’s 6,100 foot Mississippi River crossing. Entergy Louisiana, LLC’s (“ELL”) section of the Natchez SES - Red Gum line extends from the midpoint of the transmission line’s 6,100 foot Mississippi River crossing to the Red Gum Substation in Concordia Parish. The rebuild of ELL’s section of the Natchez SES - Red Gum 115 kV transmission line will be performed by ELL as a separate project.

The Proposed Facilities were required in order to maintain compliance with the NERC mandatory reliability standards and to continue delivery of reliable electrical service to customers in the southern region of EML’s service area. Both sides of the project, MS & LA, are scheduled to be placed in service June 2021. The estimated cost of the Proposed Facilities was \$27.6 million, resulting in an estimated rate impact of \$0.29 on a typical customer’s monthly bill. On November 7, 2019, the Commission issued an order approving the infrastructure improvements.

REVISIONS TO THE FORMULA RATE PLAN – On October 12, 2018, Entergy filed a notice of intent to change rates, specifically to Schedule FRP in Docket No.

2018-UN-205. The Company's present rate structure and its FRP-6 do not provide a reasonable opportunity for the immediate recovery of the Annual Capacity Cost("ACC") of the Choctaw Facility after closing. The ACC is the sum of the annual operating and maintenance expenses, depreciation expense, taxes other than income (excluding property or ad-valorem taxes), return on investment, and income taxes. However, with the forward-looking features of its FRP Test Year, EML is pursuing an alternative method for cost recovery through FRP-7. FRP-7 will allow Interim Capacity Rate Recovery Rate Adjustments for the ACC in a manner that is consistent with the rationale behind the Commission's approval of Hinds and Attala cost recovery through the Power Management Rider, but that also retains cost recovery through EML's base rates rather than a separate cost recovery rider schedule. Additionally, EML proposed other modifications to its FRP.

On October 1, 2019, the Commission issued an order in Docket 2018-UA-204 authorizing EML to acquire the Choctaw Facility and ordered the Staff and the Company to work to implement revisions to the Company's FRP to allow the Company to recover the Additional Capacity Costs of the Choctaw Facility upon its acquisition closing and in-service date and to present such revisions for the Commission's consideration in December 2019.

Staff hired Larkin & Associates, PLLC to assist with the review of the interim capacity rate recovery. On December 9, 2019, Staff and EML entered into a Joint Stipulation agreeing to the following: 1) an Interim Capacity Adjustment mechanism for FRP-7 that provides for recovery of an existing generating facility acquired by EML such as the Choctaw facility, but has certain limitations and safeguards for ratepayers, 2) the approval of the Interim Capacity Adjustment related to the Choctaw facility, 3) the temporary implementation of the FRP-7 Net Rate Adjustments in April billing limited to two-percent (2%) of the Evaluation Period revenues, (4) a Staff review of FRP-7 no later than five (5) years after FRP-7 becomes effective, and (5) the implementation of a Vegetation Management Rider for cost recovery outside of FRP-7. The Commission issued an order approving the Joint Stipulation on December 11, 2019.

SUNFLOWER SOLAR FACILITY – On December 20, 2018, EML made a joint petition with Sunflower County Solar Project, LLC (“SCSP”) in Docket No. 2018-UA-267 seeking CPCNs authorizing SCSP to construct and EML to acquire, own, and operate the Sunflower Solar Facility (“Facility”), to be located near the City of Ruleville in Sunflower County. The Facility will produce approximately 100 MW of energy, be located on roughly 1,000 acres, and would be the first large-scale, utility-owned solar projected constructed in Mississippi. The Facility would add diversity to EML’s generation portfolio and is an emission-free renewable resource that was obtained through a competitive solicitation. It would also be capable of supporting a moderately-sized community solar program in the future. Staff hired Bates White, LLC to assist with the review of the project. On August 15, 2019, Staff filed testimony and a report prepared by Bates White stating their findings. EML filed rebuttal testimony on August 29, 2019 and filed supplemental rebuttal testimony on March 4, 2020. In its supplemental rebuttal testimony, EML proposed an alternative ownership structure for the Facility. Bates White filed its supplemental reply testimony on March 12, 2020. A telephonic hearing was held on March 17, 2020, due to the COVID-19 pandemic. On April 14, 2020, the Commission issued an order approving the alternative ownership structure of the Facility along with the

estimated investment to acquire the Facility of \$136 million and cost recovery through the Interim Capacity Adjustment mechanism of the FRP-7.

COMMUNITY SOLAR – On December 20, 2018, in Docket No. 2018-UN-268, Entergy filed a notice of intent to begin offering community solar to customers in response to growing customer interest in solar and renewable offerings, as well as Commission interest. EML is proposing a three-year pilot for residential and small commercial customers that is supplied by solar energy from the Company’s current Bright Future Solar projects. Depending on the results of the pilot, the Company could expand its community solar offerings to allow for additional customer participation through the Sunflower Solar Facility. Staff evaluated EML’s proposal and requested EML gauge

interest of its customers. EML is currently soliciting customer interest in the project. This case is ongoing.

ENTERGY SMART SERVICES – In an attempt to modernize customer service offerings and improve system efficiency, in Docket No. 2018-UN-133, Entergy is proposing to offer Smart Services. Smart Services are intended to give customers more personalized control over how they access and use energy, while ensuring that everyone who uses the energy grid shares in the costs to further modernize and integrate new technologies that provide widespread benefit. Smart Service options include the following:

Billing Convenience

Offerings:

- Pre-pay billing option
- Fixed bill option

Demand-Side Management Offerings:

- Energy Efficiency
- Demand Response

Renewable Power Offerings:

- Green Pricing
- Community Solar
- Net Metering

New Technologies:

- Backup Generation

Several of the services proposed in this filing are contingent upon other filings (i.e., Community Solar, IRP, etc.).

In an order issued December 11, 2019, the Commission approved a portion of EML’s request in a New Technologies Pilot where EML can invest up to \$3.5 million over three (3) years for up to 20 commercial backup generators for commercial customers. The remaining Smart Services options are being evaluated by Staff. This case is ongoing.

Mississippi Power Company Annual Recurring Filings

PEP-5A – Annually under Rate Schedule PEP-5A, MPC files its annual Performance Evaluation Plan (“PEP”) projected evaluation for the upcoming rate period and, later a PEP Lookback evaluation to review the actual results for the previous year. The purpose of the annual, projected PEP-5A filing is to determine whether the company’s

revenues should be increased, decreased or remain the same, based on the company's projected investments, revenues and expenses for the rate period. The purpose of the Lookback filing is to review the actual results of the previous year to insure that the company does not exceed its earning limits. If the company's actual earnings fall outside the allowed range, PEP provides for a refund or surcharge to address the issue.

By order dated August 7, 2018, the Commission adopted a joint stipulation agreed to by the Company and Staff. As part of the joint stipulation, the PEP rate schedule was suspended until after the conclusion of the general rate case filed by MPC in November 2019. Therefore, MPC will not file any PEP filings (projected or lookback filings) for regulatory years 2018, 2019 and 2020. The stipulated revenue requirement remained in effect until the Commission rules on the Company's general rate case in 2020.

RATE CASE – On November 26, 2019, in Docket No. 2019-UN-219, MPC filed its notice of intent to change rates (“2019 Rate Case”) in compliance with the Commission's directives in the following Commission Orders: (1) the 2018 PEP-5A Order in Docket No. 2003-UN-898 dated August 7, 2018; (2) the 2018 ECO Order in

Docket No. 1992-UN-059 dated August 7, 2018; and the Kemper Order in Docket No. 2017-AD-112 dated February 6, 2018. In the August 7, 2018 Orders, the Commission suspended PEP-5A and ECO for regulatory years 2018, 2019, and 2020 and directed the Company to file a general rate case to address the following issues:

- Move the Kemper plant into the Company's PEP base rates,
- Reset rates after the Company's modernization program,
- Resolve the effects of the Tax Cuts and Jobs Act (“TCJA”), and,
- Resolve other deferred issues from the three proceedings.

The revenue requirement calculations and rates presented in the 2019 Rate Case were based upon a projected 12-month test period ending December 31, 2020, and on the entirety of the Company's business, including components that have traditionally

been filed in separate proceedings (i.e., PEP, ECO, FCR, KRF, SRR, RTR and ATA)³. MPC's 2019 Rate Case total base rate revenue requirement for the test year was approximately \$655 million, which was a proposed incremental revenue requirement decrease of \$5.8 million (0.64% of retail rates) for 2020. The proposed revenue requirement would result in a decrease in an average residential bill for 1,000 kWh of \$0.68 per month.

On December 10, 2019, the Commission suspended the filing pending an investigation by the Staff. Staff hired outside consultants and conducted a thorough review of the Company's filing. Staff reviewed all outstanding issues from the Commission's orders in Docket Nos. 2017-AD-112, 2003-UN-898, and 1992-UN-059. Staff confirmed that each outstanding issue had been addressed by the Company. Staff reviewed the Company's Depreciation Study and Cost of Service Study filed in the 2019 Rate Case, and Staff submitted pre-filed testimony and exhibits of six witnesses to the Commission on February 15, 2020, regarding its findings. Staff's testimony proposed adjustments resulting in a revised requirement of \$46.145 million, which was a decrease of \$40.345 million to the Company's filed revenue requirement.

Staff and the Company entered into negotiations in an attempt to settle the rate filing, and on February 25, 2020, Staff and the Company entered into a Stipulation that resulted in an overall decrease of approximately \$16.68 million in total retail revenues for 2020. The monthly bill impact for a typical customer's bill using 1,000 kWh was a decrease of \$2.48 per month. This was an incremental decrease of almost \$11 million in annual revenue requirement from the Company's original filing. On March 17, 2020, the Commission conducted a hearing and issued an order approving the Stipulation.

FCR-2/ECM-2 – On November 26, 2019, in Docket No. 2019-UN-220, MPC filed its annual proposed Fuel Cost Recovery (“FCR-2”) and Energy Cost Management (“ECM-

³ FCR – Fuel Cost Recovery; KRF – Kemper Rate Factor; SRR – Storm Restoration Rider; RTR – Regulatory Tax Recovery; and ATA – Ad Valorem Tax Adjustment.

2”) factors to be applied to customer bills. The FCR-2 rider is MPC’s fuel adjustment clause through which it is allowed to recover the actual cost of fuel burned and purchased energy pursuant to Miss. Code Ann. § 77-3-42. The ECM-2 rider is designed to recover the company’s natural gas hedging costs, carrying costs, and certain Commission approved consulting costs that are excluded from recovery in the FCR-2.

MPC’s filing indicated a decrease in the FCR-2 factor of \$0.003621 and an increase in the ECM-2 of \$0.000766, resulting in a net decrease in the factor of \$0.002855 or approximately \$2.86 on the average 1,000 kWh residential customer’s bill. The decrease in the proposed FCR-2 factor was driven largely by the current over recovery balance used in the calculation to offset fuel expense, and the projected low price of natural gas for the February 2020 – January 2021 period. The 2020 fuel factors reflect a net \$19.96 million over recovery resulting from the Company’s fuel over recovery balance in the amount of \$20.7 million, offset by an under recovery balance in the ECM of \$750 thousand.

During its review Staff disputed certain costs related to incentive compensation, aircraft charges, stock options and business meals and entertainment in the amount of \$71,775, and requested that the company remove the costs from its filing. On January 13, 2020, the Commission issued an order approving the FCR-2 and ECM-2 factors.

ECO-2 – On August 7, 2018, the Commission suspended the ECO-2 rate schedule until after the conclusion of the general rate case filed by MPC in November 2019. Therefore, MPC will not file any ECO filings for regulatory years 2018, 2019, and 2020. A cumulative true-up for 2018 and 2019 was to be included in the Company’s 2019 general rate case filing.

Mississippi Power Company Nonrecurring Filings

FIBER OPTIC TELECOMMUNICATIONS FACILITIES – On July 30, 2019, in Docket No. 2019-UA-121, MPC filed a petition for a certificate of public convenience

and necessity authorizing the construction of fiber optic telecommunication facilities in Hancock, Harrison, and Jackson Counties in MS and Mobile County in AL. MPC requested to install 120 miles of 144-fiber underground fiber optic cable along the length of the Company's transmission right-of-way between Plant Barry, in Alabama, and MPC's Logtown West Substation near the Louisiana-Mississippi border; the same route as the current overhead fiber cable. MPC deemed locating the new fiber underground would provide numerous benefits resulting in increased reliability and operational flexibility. Once completed, MPC would retain ownership of all facilities built as well as all easements and connected land ownership. At the time of the filing, MPC did not have any contracts or agreements to lease the unused or "dark" fibers with any third-parties; however, the Company stated that it was exploring leasing options.

MPC's 144-fiber project was estimated to cost \$153,553 per mile or \$18,426,384 for the 120-mile project. Staff was unable to verify the Company's estimated cost of the project with a comparable project for which public data was available. Therefore, Staff recommended that upon completion of the project the Company file

a report with the Staff and the Commission summarizing the final total costs of the project and provide a detailed analysis of the budgeted versus actual costs incurred. In addition, Staff recommended the Company provide, in an electronic format, a transaction list of all costs incurred for the project. Staff would review the transactions to determine reasonableness and prudence of the costs. On March 17, 2020, the Commission issued an order approving the Fiber Optic Telecommunication Facilities.

TRANSMISSION AND FACILITIES UPGRADES IN JASPER AND CLARKE COUNTIES – On August 28, 2019, in Docket No. 2019-UA-139, MPC filed a petition requesting a certificate of public convenience and necessity to construct approximately 14.2 miles of transmission facilities on the Laurel North Amaranth St - Pachuta 115kV Transmission Line ("The Project"). During routine planning

activities, the Company identified that upgrades were necessary to the transmission facilities due to potential capacity constraints and age and deterioration of equipment. The identified facilities were initially built in 1926, and the Company determined that upgrades were necessary to provide reliability to the transmission system in the area.

MPC determined that three existing 4/0 ACSR conductors needed to be retired and replaced with the following: (a) three 397.5 26/7 ACSS-HS conductors from the Heidelberg Denbury Tap to Heidelberg Substation, and (b) three 795 26/7ACSR conductors from the Heidelberg Substation to Pachuta Substation. The existing 3/8” seven strand shield wires would also be replaced with like kind material due to deterioration. The new conductors would allow the Company to double its existing capacity. The additional transmission capacity on MPC’s 115 kV transmission system was needed to relieve line overloads and for compliance with NERC standard TOP-001-4 Category P3-2. The total estimated cost of the project was \$13.8 million, which would increase an average bill by approximately \$0.13 per month. On December 11, 2019, the Commission issued an order approving the upgrades.

SPECIAL CONTRACT/LUCEDALE EVANSTON ROAD PROJECT – On December 13, 2019, in Docket No. 2019-UA-225, MPC filed a notice of Special Contract between MPC and Enviva Pellets Lucedale, LLC (“Enviva”) and a request for a certificate of public convenience and necessity authorizing the construction of certain transmission facilities in George County. Enviva is a company specializing in biomass products and currently has facilities located throughout Florida, North Carolina, Virginia, Alabama, and Mississippi. Enviva plans to construct a wood pellet facility in Lucedale, which would require MPC to supply it up to 18,000 kilo-volt-ampere (“kVa”) of electric power per month. The Lucedale wood pellet facility plans to produce 700,000 metric tons of pellets per year, making it the largest pellet manufacturing facility in the United States. In conjunction with the Lucedale facility, Enviva is locating a terminal facility at the Port of Pascagoula. Overall, Enviva plans to invest \$200 million in capital and create 120 jobs. In order to serve the Lucedale facility,

MPC requested authority to upgrade its facilities in the area, and MPC proposed to provide service to Enviva under a special contract rate (“Special Contract”). The proposed contract qualifies as a special contract pursuant to Miss. Code Ann § 77-3-35(1) of the Mississippi Code of 1972 and RP 27.100 of the Mississippi Public Service Commission’s Public Utilities Rules of Practice and Procedure.

In order to provide capacity to reliably serve the Enviva facility and additional residential, commercial, and industrial customers in the East Lucedale area, MPC requested authority to proceed with the engineering and construction of the Lucedale Evanston Rd 115-12.47 kV Project in George County (the “Project”). MPC further proposed to construct approximately 5.2 miles of new 115 kV transmission line connected and looped from MPC’s existing Lucedale-Plant Barry 115 kV line. The proposed Project would provide greater reliability and resiliency for the distribution facilities in the area by providing another point of delivery. This would allow MPC to reduce the amount of load on the existing Lucedale Substation, and

allow for a self-healing network to be installed between both the existing and new substations, reducing the likelihood of customer interruptions in the area during planned maintenance outages or unplanned outages. Due to the project being entirely in the Southern District, the filing was referred to Commission Chairman Dane Maxwell. Chairman Maxwell filed a Recommended Order on February 7, 2020 to approve the Special Contract and the Project. No exceptions were made and the Recommended Order became an Order of the Commission on February 22, 2020.

RESERVE MARGIN PLAN –On August 6, 2018, in Docket No. 2018-AD-145, in compliance with the Commission’s February 6, 2018 Order Approving Second Amended and Restated Stipulation, MPC filed its Reserve Margin Plan (“RMP”). The RMP should include: forecasting customer load and energy requirements; evaluating the resources available to meet the energy and capacity needs while satisfying strategic considerations; developing, evaluating and implementing demand side management and energy efficiency programs; and assessing the planning for existing and anticipated environmental laws and regulations. MPC’s Plan should also

contain: (i) discrete alternatives that the Company proposes to address its current reserve margin; (ii) the timeframe over which each alternative can be implemented; (iii) a preliminary estimate of the costs of implementing each alternative, including any incremental transmission capital investment and any costs associated with retiring any undepreciated assets; and (iv) any other impacts (financial or otherwise) not specifically prescribed herein that would have a material impact upon the service provided by MPC or the cost to customers.

MPC developed multiple alternatives by evaluating the economics of each unit in its fleet, the opportunities currently available in the wholesale market, and the operational constraints of the Southern Electric System. MPC has had limited success in finding reasonable opportunities to market MPC's capacity above current reserve requirements. The remaining alternatives available to address MPC's current reserve margin are associated with the Company's generating units that have lower long-term economic benefit to customers. The Company's analysis indicates that ceasing operations of Units 4 and 5 at Plant Watson and Units 1 and 2 at Plant Greene County prior to their current depreciation dates, subject to joint owner approval, is the most economical alternative for MPC's customers. Staff hired Bates White, LLC to assist with the review of the RMP. This case is ongoing.

FEDERAL ENERGY REGULATORY COMMISSION – The Staff currently participates in FERC matters generally categorized as follows: (1) cases related to the rates paid Entergy retail operating companies including Entergy Mississippi to Entergy's subsidiary System Energy Resources, Inc. ("SERI"), (2) cases related to the Return on Equity allowed by FERC to SERI, Midcontinent ISO and Mississippi Power & Light and (3) remaining litigation related to the "bandwidth" production cost rough equalization under the former Entergy System Agreement.

- **Dockets EL-17-41, EL18-142, and EL18-204 (SERI Return on Equity and Capital Structure)**: In 2017, the MPSC and the Arkansas PCS jointly filed a complaint under Federal Power Act Section 206 (16 U.S.C. § 824(e)), alleging that SERI's 10.94% allowed return on equity, which was adopted

based on a 1996 record, was excessive for current financial market conditions. Under Section 206, FERC can both reduce a rate prospectively and provide 15 months of refunds per complaint. FERC precedent allows successive ROE complaints provided the additional complaint, for an updated study period, presents new evidence that the existing ROE is excessive. In April 2018, the Louisiana PSC filed such a complaint. Later in 2018, the Louisiana PSC filed a further complaint concerning SERI's "ratemaking capital structure," i.e., the extent to which SERI's total return on capital is based on a relatively high allowed ROE rather than the relatively low return on its long-term debt. All three of these complaints have been consolidated for trial, before FERC Administrative Law Judge Philip Baten. The procedural schedule provides for multiple rounds of pre-filed testimony. Trial is scheduled for September, 2020. Once the trial concludes, initial and reply briefs will follow, leading to a decision in early 2021.

- **Grand Gulf Sale/Leaseback—Docket EL18-152:** Several decades ago, as what FERC's Chief Accountant determined to be a financing mechanism (roughly similar to a home mortgage), SERI sold and leased back 11% of Grand Gulf. In 2016, when that lease expired, SERI entered into a further sale/leaseback. The Louisiana Public Service Commission ("LPSC") filed a complaint challenging numerous aspects of the way Entergy has accounted for, and flowed through its FERC-jurisdictional formula rate, the sale/leaseback cash flows and the facility additions associated with that 11% share. This proceeding has given rise to a significant money issue regarding SERI's claim of certain federal income tax deductions over the past decade. For accounting purposes (such as annual reports to the Securities & Exchange Commission ("SEC")), Entergy's auditors cannot certify that the IRS will accept these tax deductions. These tax deductions are called FIN 48 (for Financial Accounting Standards Board Interpretation No. 48) deductions. For SEC-oriented accounting and reporting, FIN 48 deductions generally are not recognized unless and until the IRS validates them. However, FERC's

view is generally that deductions should be recognized for ratemaking purposes upon being claimed, even if they are unlikely to be validated by the IRS and are therefore classified as FIN 48 deductions. In particular, general FERC policy would recognize these deductions in quantifying Accumulated Deferred Income Tax (“ADIT”). ADIT is a way of recognizing that because utilities collect a tax allowance regardless of their actual tax payments, the difference between the tax allowance tax rate and the actual taxes paid represents financing provided by ratepayers rather than shareholders, and as such, should be deducted from the rate base that earns a return.

Another significant issue, with unquantifiable financial benefits to Mississippi ratepayers, is the addition of “formula rate protocols” to the SERI formula rate. These protocols will enable state regulators to audit SERI’s annually updated calculation of the rate charged to the Entergy Operating Companies that are obliged to purchase Grand Gulf energy, including Entergy Mississippi. (Historically, SERI has used an annually updated formula rate to set the rates charged to the Entergy operating companies. The operating companies have had no incentive to actively audit the charges. State regulators have had no ability to audit the rates.) SERI has conceded that formula rate protocols should be added to the SERI formula rate. The regulators are continuing to negotiate acceptable protocols. The MPSC and the APSC jointly sponsored testimony supporting the complaint. SERI filed testimony disputing the complaint. Hearing was held in November, 2019. On April 6, 2020, the trial judge issued an initial decision finding for the MPSC and FERC Trial Staff on all points of substance. In other words, the judge found that SERI’s lease extension has effectively double-billed rate payers for the leased portion of Grand Gulf as well as the substantial costs of the uprate. The amount of excess charges was not quantified. The judge found that SERI’s accounting for its nuclear decommissioning tax deduction has resulted in overcharges to customers of \$334 million plus interest. FERC Commissioners must issue an order on this recommendation by the trial

judge, but before that can happen both parties have a right to file exceptions explaining why they think the judge got it wrong. SERI, the LPSC and FERC Trial Staff filed exceptions. Because of the active 2020 hurricane season, deadlines for briefs opposing exceptions has been extended until October 22, 2020. In the interim, the IRS has issued a ruling on certain tax positions at issue in both this proceeding and the ER18-1182 proceeding. This ruling will not moot the trial judge's findings but will have a prospective impact. Staff's best estimate is that a ruling on this matter should not be expected until at least the second half of 2021.

- **ADIT Associated with Tax Cut and Jobs Act—Docket No. EL18-1182:** SERI's position is that there is no ADIT because they are most likely to have to pay the taxes, and there is no excess ADIT because if/when they have to pay the tax, it will be at the 35% rate and not the reduced 21% rate enacted by the 2017 Tax Cuts and Jobs Act. However, the state regulators argue that if SERI wins FIN 48 tax deductions, there will certainly be excess ADIT, especially given FERC's view that a FIN 48 deduction is no different from any other deduction. As a result, unless and until the IRS conclusively rejects the deduction, there is an argument that there is excess ADIT to refund to customers. If the dollars are refunded, and if the IRS rejects the deduction, customers will have to return the refunds, likely with interest charged by the IRS.

The case went to hearing before Judge Satten on March 3, 2020. As in the EL18-152 case, the MPSC and Staff worked with the Arkansas Public Service Commission and jointly submitted briefs post trial. (On July 9, Judge Satten issued his initial decision finding in favor of the state regulators and the Commission Trial Staff. Essentially, Judge Satten agreed that FERC's regulations required SERI to treat the ADIT associated with the uncertain tax position as to the decommissioning deduction as all other ADIT. The next

step in the proceeding is to submit briefs on exceptions and opposing briefs. Our brief opposing SERI's exception brief is due December 4, 2020.)

- **Midcontinent ISO Transmission ROE—Docket Nos. EL14-12, EL15-45, and Related OMS ROE Working Group**: As established through litigation in the early 2000s, FERC-jurisdictional electric transmission returns on equity (“ROE”) for transmission owners participating in the Midcontinent ISO (“MISO,” which now includes Entergy Mississippi) were generally set at a region-wide 12.38%. Under MISO’s pricing structure, Entergy Mississippi does not pay MISO rates for the right to use its owned facilities to provide service to its own retail loads; rather, it has that right by ownership, and the transmission component of bundled retail service to Entergy Mississippi’s retail ratepayers is therefore rate-regulated by the MPSC. However, a significant and growing share (currently about one-fifth) of MISO transmission charges relate to new projects that are deemed regionally significant, and therefore have their costs spread region-wide. Where, for example, new transmission assets located in Missouri and owned by Ameren are deemed beneficial to a broader area that includes the Entergy Mississippi zone, Entergy Mississippi must pay the associated rates under MISO’s FERC-jurisdictional tariff. Under the federal supremacy doctrine discussed above (again, *see Miss. Power & Light co. v. Miss. ex rel. Moore*, 487 U.S. 354 (1988)), the MPSC must allow those charges to flow through retail rates. Other state regulators participating in the Organization of MISO States (“OMS”) are similarly situated. Consequently, when multiple large transmission customers filed two successive Federal Power Act Section 206 complaints seeking to reduce the former 12.38% MISO transmission ROE, OMS intervened in support of those efforts, as did several of its individual members, including the MPSC. In Opinion No. 551, *Ass’n of Businesses Advocating Tariff Equity*, Opinion No. 551, 156 FERC ¶ 61,234 (2016), FERC granted in part the first of those complaints and reduced MISO’s transmission ROE to 10.32%. Rehearing remains pending, as does

Commission review of the ALJ recommendation of 9.7% in the second complaint.

- **Mississippi Power & Light et al. Transmission ROE—Docket EL18-147**: Municipal and cooperative transmission customers of the Southern Companies, including Mississippi’s Cooperative Energy, filed a Federal Power Act Section 206 complaint seeking to reduce Southern’s 11.25% transmission ROE. They then agreed to withdraw their complaint in exchange for a settled reduction to 10.6%. The MPSC participated in the settlement process with a view to insuring that the 10.6% would not be formally or effectively precedential elsewhere. That goal is complicated by the fact that FERC’s proposed new four-method approach to setting ROEs includes a “risk premium” method, under which ROEs allowed in prior cases (including ROEs resulting from settlements) form an input to subsequent ROEs. The MPSC agreed to not oppose the settlement in exchange for strong no-precedent assurances, including a filed comment by Southern Companies to the effect that the 10.6% should not be used as a risk premium input. FERC accepted the settlement in this case on August 19, 2019.

GAS

FORMULARY PLANS – The three largest, investor-owned natural gas local distribution companies (“LDCs”) in the state, Atmos Energy Corporation, (“Atmos Energy”), CenterPoint Energy, Inc. (“CenterPoint”) and Spire Mississippi Inc. (“Spire”) all operate under formulary plans similar to those of the state’s investor-owned electric utilities. Each LDC files an evaluation report annually, which is reviewed by the Staff to determine if an adjustment to rates is necessary. Investments, revenues, and expenses are reviewed and those 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 may be argued in memorandum briefs filed with the Commission for resolution in accordance with the plans. The Staff also periodically reviews and makes recommendations to the Commission regarding natural gas rate filings from smaller utilities and municipalities (serving customers located greater than one mile outside the city limits who fall under the Commission's jurisdiction.)

PURCHASED GAS ADJUSTMENTS – The Staff continued monitoring the purchased gas adjustments (“PGA”) of the three major LDCs in the state – Atmos

Energy and CenterPoint were reviewed monthly, and Spire 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 pricing. Atmos Energy 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 each 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. Atmos Energy, CenterPoint, and Spire all received clean audit opinions. The CRI audits for the twelve-month period ended September 30, 2019, were submitted to the Commission on July 15, 2020.

Atmos Energy

STABLE/RATE – On July 1, 2019, in Docket No. 2005-UN-503, Atmos Energy filed its annual Stable/Rate Adjustment (“SRA”) Evaluation for the twelve-month period ended March 31, 2019, indicating the need for a revenue increase of \$11,447,573. During its review, Staff recommended certain adjustments to the Company's filing. The subsequent stipulation between Staff and the company reflect a Performance

Based Benchmark Return of 10.60%, and a need for a revenue increase of \$6,886,198. The rate base increase resulted primarily from increased capital spending. Notable capital projects included in the SRA filing include: system improvement projects system-wide, projects related to growth services in Southaven and the southern area of the system, construction of a pipeline interconnection in the Golden Triangle area and the Company's wireless meter reading project. The

SRA rate impact for an Atmos average residential customer, using 5 Mcf per month, was an increase of \$1.75 per month. The Commission adopted the Stipulation by order dated October 24, 2019.

SYSTEM INTEGRITY PLAN – By order dated August 20, 2015, in Docket No. 2015-UN-049, the Commission approved Atmos Energy's proposed System Integrity Plan ("SIR") to recover the system integrity portion of its capital budget and timely recover the depreciation and property taxes associated with system integrity spending. Due to increasingly stringent federal safety regulations issued by the Pipeline and Hazardous Materials Safety Administration ("PHMSA"), the company has begun upgrading its transmission and distribution system to systematically address risk factors that exist throughout its aging system.

On March 1, 2019, Atmos Energy filed its annual Comprehensive Review of Atmos' Proposed Capital Budget for Fiscal Year 2020. As required by tariff, the company made a SIR Compliance Filing on July 1, 2019, in combination with their annual Stable/Rate filing. The purpose of the SIR Compliance filing is to update the March filing, including the approved SIR projects and the expected rate impact updated for the latest Stable Rate inputs. The new SIR rates can then be reviewed and approved along with the Stable/Rate factors.

Staff retained both Accufacts Inc. ("Accufacts") and Larkin and Associates, PLLC ("Larkin") to assist with its review of the March 2019 filing including the system integrity budget and projects. These consultants reviewed several sets of data request responses and reports from both consultants were filed with the Commission on October 21, 2019. Overall, Larkin and Accufacts' review concluded that the \$66.265

million of system integrity spending proposed by Atmos Energy for FY2020 is justified and should be approved.

The March 1st filing total revenue requirement was \$26,559,940. Once all adjustments were taken into account, the Compliance filing total revenue requirement was \$26,696,184. The Company and Staff executed a Joint Stipulation on October 21, 2019, with a final total revenue requirement of \$25,713,418, which resulted in an incremental revenue requirement of \$7.6 million. The SIR rate impact for an Atmos Energy average residential customer, using 5 Mcf per month, resulted in an increase of \$1.82 per month. On October 24, 2019, the Commission issued an order approving the company's 2020 SIR filing along with Atmos Energy's 2020 overall capital budget.

SUPPLEMENTAL GROWTH RIDER - On September 5, 2019, Atmos Energy filed a petition for authorization to exceed \$5 million spend in Supplemental Growth Rider Projects for Fiscal Year 2020. In Docket 2013-UN-023, the Commission approved the Supplemental Growth Rider ("SGR") in an order dated July 11, 2013. The SGR was designed to encourage industrial development and job creation in Mississippi by providing Atmos Energy with an incentive to extend gas service to potential industrial sites which were not otherwise economically feasible for the Company to fund. In the July 11, 2013 Order, the Commission authorized Atmos Energy to fund up to \$5 million annually on such projects. Atmos Energy was further authorized to spend above that amount in any fiscal year with Commission approval. In its filing, the Company pursued authorization to make the following economic development investments in fiscal 2020.

Lucedale Project \$6.2 million

Continental Tire Project \$0.5 million

The Company expected to spend approximately \$6.2 million on the Lucedale Project in George County. The Lucedale Project included the construction of approximately seven miles of a 6-inch steel pipeline to serve the Enviva Wood Pellet

Plant. Enviva produces wood pellets for customers desiring an alternative to fossil fuels, particularly, coal-burning electrical power plants. There was limited natural gas capacity available to serve the pellet plant; therefore, a new interconnect was needed to access Gulf South Pipeline. Boardwalk Pipeline reimbursed \$1.2 million toward the cost of the extension.

Also, in fiscal year 2020 the Company planned to spend \$500 thousand on the Continental Tire Project to install a new regulator station with flow control to ensure the customer's gas load requirements were met. On October 24, 2019, the Commission issued an order approving the request for the additional \$6.7 million.

TOWN OF RALEIGH - On January 28, 2020, in Docket No. 2020-UA-011, Atmos Energy and the Town of Raleigh ("Town") filed a joint application for a certificate of public convenience and necessity to provide natural gas service to the Town and for related matters. On January 22, 2020, the Town and Atmos Energy entered into a Letter of Intent to allow Atmos Energy to take over the natural gas distribution system, which serves approximately 320 customers. Due to the lack of technical expertise and financial concerns, the Town agreed to transfer its natural gas system to Atmos Energy at no cost to the Company.

Atmos Energy and the Town executed a Franchise Agreement which gave the Company the rights to use the present and future infrastructure of the Town (i.e., streets, roads, public way, alleys, and bridges) for purposes of providing natural gas distribution services to customers. Under the Franchise Agreement, Atmos Energy pays to the Town a franchise fee equal to two percent (2%) of Atmos Energy's gross receipts from sales to residential and commercial customers located within the Town. Atmos Energy will continue to provide service and charge rates pursuant to its general tariffs. This resulted in a small increase of approximately \$1.06 in a typical winter bill for the Town's current residential customers. On March 3, 2020, the Commission issued an order approving the Certificate of Public Convenience and Necessity.

CenterPoint

RATE REGULATION ADJUSTMENT – CenterPoint filed its annual Rate Regulation Adjustment (“RSA”) Rider and Weather Normalization Adjustment Rider evaluation on May 1, 2019, in Docket No. 2012-UN-139, with an earned return of 7.26% which fell below the allowed return of 9.264% and outside the range of no change of 8.264% to 10.264%, indicating the need for a revenue increase of \$2,047,470 million. The Staff’s review of the filing resulted in a stipulation with CenterPoint on October 31, 2019, whereby several adjustments were made that reduced rate base by \$0.2 million and operating and maintenance expenses by \$0.7 million. The net effect of these adjustments increased the earned return to 7.710%, which resulted in a revenue requirement increase of \$1,588,884 million. The resulting rate impact was an increase of \$0.80 per month on an average residential customer’s bill. The Commission issued an order adopting the stipulation on November 7, 2019.

DEPRECIATION STUDY - On August 23, 2019, in Docket No. 2019-UN-130, CenterPoint MS made a notice filing of change in estimated useful lives of its system corporate assets as of January 1, 2018. CenterPoint Energy Resources Corp. (“CenterPoint Corp.” or “Company”) has several gas operating divisions, including divisions in Louisiana, Mississippi, and Texas which operate the assets formerly known as Entex, Inc. CenterPoint Corp. conducted a depreciation study based on its depreciable investment in certain corporate assets, including corporate assets shared by all of the Entex divisions. These shared corporate assets are allocated to the Entex divisions which includes CenterPoint MS. In its filing, CenterPoint MS requested Commission approval to use its latest corporate depreciation rates to determine depreciation expense related to only the corporate assets in connection with all rate matters after January 1, 2018.

CenterPoint Corp. engaged a consulting firm to conduct the depreciation study of the Company’s natural gas depreciable assets. Based on the statewide depreciation study, service lives for several asset accounts changed since the last studies were performed. A hearing was held on November 7, 2019, to discuss and review the

revised depreciation rates. Following the November 7th hearing, the Commission approved the filing of change in estimated useful lives of its system corporate assets as of January 1, 2018.

ASSET MANAGEMENT AGREEMENT - On September 13, 2019, in Docket No. 2019-UA-148, CenterPoint filed an application seeking approval to extend through April 30, 2023, its Asset Management Program (“AMA”). The current AMA was set to expire on March 30, 2020. In Docket No. 2009-UA-395, CenterPoint and BP Energy Company (“BP”) entered into an AMA where CenterPoint would release to BP certain no notice service for gas transportation and storage capacity on the Gulf South pipeline system, and would purchase certain supplies of gas from BP. In return, BP would, among other things, provide to CenterPoint fixed monthly payments. This monthly amount received by CenterPoint was shared with CenterPoint’s customers. Customers received 55% of the monthly payment through CenterPoint’s Purchased Gas Adjustment (“PGA”), and CenterPoint received the remaining 45%. The Commission approved the AMA by order dated October 29, 2009.

Since 2009, the original agreement has been amended three times. In the fourth amendment, CenterPoint and BP agreed to extend the agreement an additional three years, as well as, updating the fixed monthly payment. Customers continue to receive 55% of the payment through CenterPoint’s PGA. On December 11, 2019, the Commission approved the fourth amendment to the AMA.

Spire

RATE STABILIZATION ADJUSTMENT – On August 30, 2019, Spire submitted its annual Rate Stabilization Adjustment (“RSA”) filing in Docket No. 2015-UN-109 for the twelve months ending June 30, 2019. The filing reflected an allowed return on equity of 9.73% and an earned return of 7.24% on a rate base. Because the earned return fell outside the range of no change of 8.73% to 10.73%, an upward revenue adjustment of \$362,638 was indicated.

During its review, the Staff made adjustments to correct errors and reflect routine disallowances. On December 4, 2019, the Staff and Spire entered into a stipulation resulting in an adjusted earned return on equity of 7.95%. Because the adjusted earned return of 7.95% falls below the band of 8.79% to 10.79%, a revenue requirement increase of \$267,479 was necessary. This revenue requirement will be collected over the remaining rate period of December 2019 to November 2020, resulting in an increase of \$0.58 in an average monthly bill of 37 therms for a residential customer. On December 11, 2019, the Commission entered an order adopting the stipulation.

ASSET MANAGEMENT AGREEMENT - On May 17, 2019, in Docket No. 2013-UA-054, Spire made a filing requesting Commission approval of its Fifth Amendment and Extension of its Confidential Asset Management Agreement (“Agreement”) with BP Energy Company (“BP”). The original Agreement resulted from a RFP issued by Spire requesting an Asset Manager to optimize its no notice service (“NNS”) for gas transportation and storage capacity on Gulf South Pipeline, LP’s (“Gulf South”) facilities. The Agreement was approved by the Commission on July 11, 2013. Since 2013, the Agreement has been amended four times. The primary changes reflected by the Fifth Amendment to the Agreement were as follows: (1) The addition of firm transportation capacity held by Spire under contract with Tennessee Gas Pipeline (“TGP”) was added to the Agreement; (2) With the addition of TGP capacity to the Agreement, the Natural Gas Purchase and Sale Agreement between Spire and BP was no longer needed and therefore was terminated; and (3) The term of the Agreement extended to March 31, 2021. In addition, the Spire continues to receive a monthly payment for Spire’s capacity release to BP of certain NNS for gas transportation and storage capacity on the Gulf South pipeline system. Spire retains 45% of the amended Agreement’s proceeds below the line and the remaining 55% of the amended Agreement’s proceeds are credited to its customers through its purchased gas adjustment clause (“PGA”). On August 8, 2019, the Commission approved the Fifth Amendment to the AMA.

TELECOMMUNICATIONS

COMPETITION - The impact of competition and migration to different technologies in the local Mississippi telecommunications market is continuing its unabated advance. The FCC in its Voice Telephone Services Report as of December 31, 2018, which was released by the Industry Analysis and Technology Division of the Wireline Competition Bureau in March 2020 (<https://www.fcc.gov/wireline-competition/voice-telephone-services-report>) (“FCC Report”) indicates that Mississippi incumbent local exchange services which includes BellSouth d/b/a AT&T Mississippi and the rural local exchange companies (“RLECs”) served 314,000 traditional wireline customers. This reflects a decrease of more than 609,000 subscribers since 2009 for traditional landline phone service.

Wireless telephone companies and cable companies, utilizing Voice over Internet Protocol (“VoIP”), are becoming increasingly formidable in their competition with wireline companies. The FCC Report stated that over 379,000 residential and business customers in Mississippi received voice services using interconnected VoIP telephony. The FCC Report also indicates that Mississippi’s wireless subscribers for December 2018 were over 2.7 million. The National Center for Health Statistics released its National Health Interview Survey Early Release Program Report in June 2020 for its December 2018 survey results which indicated that 61.3% of American homes did not have a landline telephone but did have at least one wireless telephone.

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 to the Federal Communications Commission and the Universal Service Administrative Company (“USAC”) for ETC’s is required for High Cost support. The Commission has the primary responsibility to provide this annual certification which must affirm 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. 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 introduced many changes and clarifications to the CAF Order including transitioning residential local service rates to the rate floor of \$20.46. On May 18, 2017, the FCC stopped the rate floor transition pending review of the rate floor policy and froze the current minimum rate for local voice services at

\$18.00. Subsequently, on April 12, 2019, in the FCC Report and Order FCC 19-32, the FCC eliminated the rate floor for local voice services.

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 2019, Mississippi received over \$167.0 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 its telecommunications infrastructure 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 35 ETCs designated in Mississippi and ten of those are low income only. These are comprised of local exchange carriers, competitive local exchange carriers, 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 reviews yearly submissions for annual recertification. 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 (“ROFR”) of Connect America Fund Phase II support to the four price cap companies serving in Mississippi – AT&T, CenturyTel, Frontier, and Windstream. CenturyTel, whose offer was significantly lower than its frozen support, was the only price cap company that did not accept the ROFR. Carriers who accepted ROFR had six years

to build out broadband service to the unserved and underserved funded locations of 10 Mbps downstream/1 Mbps upstream. Over 139,000 locations in Mississippi will experience improved broadband services, of which about 134,000 will be in the

AT&T service area, when the ROFR obligations are completed by year end 2020. In 2019, the price cap companies reported that over 167,000 locations had been served with broadband utilizing this support. This represents 120.22% of buildout locations and exceeds the third milestone of 80% by the end of 2019.

On May 26, 2016, the FCC released its Report and Order and Further Notice of Proposed Rulemaking (FCC 16-64) which adopted rules to implement a competitive bidding process in Phase II of the Connect America Fund. In FCC Public Notice DA 16-908, released on August 10, 2016, a preliminary list of census tracts classified in extremely high cost areas was provided. Connect America Phase II Auction 903 commenced on July 24, 2018 and concluded on August 21, 2018. Pursuant to this auction, Aristotle Unified Communications, LLC (“Aristotle”) was awarded funding of \$277,905 over ten years for 80 locations in Tunica County and Viasat Carrier Services, Inc. (“Viasat”) was awarded funding of \$5.21 million over ten years for 13,819 locations in Mississippi. Aristotle was designated by the MPSC as an ETC on February 5, 2019, in Docket 2018-UA-224, and was subsequently authorized by the FCC to receive support on June 7, 2019. Viasat was designated by the MPSC as an ETC on July 7, 2020, in Docket 2018-UA-188, and was subsequently authorized by the FCC to receive support on September 2, 2020.

Additionally, on August 3, 2016, most of the RLECs were offered Alternative Connect America Cost Model (“ACAM”) which is model-based CAF support to fund the deployment of voice and broadband-capable networks in its service territories. Carriers had to select the ACAM offer by November 1 on a state-wide basis or remain on a modified legacy support. This ACAM offer included deployment obligations over a 10-year term for over 30,000 funded locations in census blocks that are eligible for support. The first milestone will be 40% deployment of the

funded locations by year end 2020.

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.

On April 27, 2016, the FCC released its Third Report and Order, Further Report and Order, and Order on Reconsideration FCC 16-38 (“Modernization Order”). The Commission reopened Docket 2007-AD-487 on June 17, 2016, to align the changes from the Modernization Order that affect the Lifeline-eligible consumers in Mississippi. Many of the changes were effective on December 2, 2016. The strengthening of the integrity of the Lifeline program to reduce waste fraud and abuse continues under this order as it implements the National Verifier and yearly recertification requirements.

Lifeline provides discounts, currently \$9.25 per month per household, 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. Currently in Mississippi, consumers qualify for Lifeline if they are eligible for Supplemental Security Income (“SSI”), Supplemental Nutrition Assistance Program (“SNAP”), Medicaid, Federal Public Housing Assistance, Veterans and Survivors Pension Benefit, 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. In 2019, Mississippi providers received \$7.12 Million from the Lifeline program.

The Modernization Order established the creation of a National Verifier to help protect against and reduce waste, fraud, and abuse. The Lifeline National Eligibility Verifier (“National Verifier”) is a centralized system that determines whether subscribers are eligible for Lifeline. USAC manages the National Verifier and its customer service department, the Lifeline Support Center. Mississippi was selected, along with five other states, to participate in the initial launch of the National Verifier. This soft launch occurred June 18, 2018, and the full launch was effective on November 2, 2018. As of December 2019, all states and territories have implemented the National Verifier except California, Oregon, and Texas. USAC and the FCC have computer matching agreements enabling access to 19 state/territory databases and two federal, nationwide databases (CMS and HUD), allowing providers and consumers to certify Lifeline eligibility automatically in many cases. All other eligibility determinations continue to be done manually by USAC.

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 28 years pursuant to Docket 1990-UA-156. 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 December 1, 2017 from \$.10/month to \$.25/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 assists the Commission in filing comments. Past comments filed include comments regarding the CAF Order, call completion concerns, cramming, and Lifeline issues.

SERVING ON FEDERAL AND STATE COMMITTEES – Members of the Staff serve on various committees and subcommittees in different agencies to share and gain knowledge of the telecommunications’ changing environment. Currently, Staff members serve on the Telecommunications Subcommittee, and State Regulation Subgroup of the National Association of Regulatory Utility Commissioners (NARUC). In addition to NARUC participation, Staff serves on the Universal Service Federal-State Joint Board and Mississippi Communications Technology Alliance. These appointments and participation also are vital in the implementation of changes by the FCC and allows for the recognition of Mississippi’s involvement in national and state telecommunications issues.

WATER & SEWER

CURRENT NUMBER OF WATER & SEWER UTILITIES - The Mississippi Public Service Commission regulates 942 water and sewer utilities as follows:

Sewer Associations	42
Sewer Companies	111
Sewer Districts	39
Sewer Municipalities	37
Water Associations	492
Water Companies	34
Water Districts	43
Water Municipalities	138

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	2
Sewer Companies	7
Sewer Districts	0
Sewer Municipalities	1
Water Associations	9
Water Companies	1
Water Districts	0
Water Municipalities	2

There were 11 rate filings. The filings by type of utility were as follows:

Sewer Districts	0
Sewer Companies	1
Sewer Municipalities	2
Water Companies	1
Water Municipalities	7
Water Districts	0

The Water and Sewer Division actively investigated all aspects of the 30 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 21 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 Division continued to monitor utility systems and various construction projects throughout the reporting period.

UTILITIES SUMMARIES

ELECTRIC, GAS & TELEPHONE UTILITY SUMMARIES 2019

ELECTRIC UTILITIES SUMMARY 2019

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	376,602	5,659,407,000	\$ 1,493	15,028	\$ 0.0993		\$ 562,218,675	
COMMERCIAL	64,878	4,697,635,000	\$ 6,846	72,407	\$ 0.0946		\$ 444,172,746	
INDUSTRIAL	3,740	2,442,520,000	\$ 43,982	653,080	\$ 0.0673		\$ 164,491,105	
OTHER	5,157	435,958,000	\$ 8,590	84,537	\$ 0.1016		\$ 44,299,553	
TOTAL	450,377	13,235,520,000	\$ 2,698	293,388	\$ 0.0918	\$ 5,762,005,677	\$ 1,215,182,079	21%
MISSISSIPPI POWER COMPANY								
RESIDENTIAL	154,014	2,062,382,000	\$ 1,795	13,391	\$ 0.1340		\$ 276,379,213	
COMMERCIAL	33,774	2,714,560,000	\$ 8,487	80,374	\$ 0.1056		\$ 286,650,090	
INDUSTRIAL	447	4,795,021,000	\$ 675,163	10,727,116	\$ 0.0629		\$ 301,798,017	
OTHER	107	36,316,000	\$ 78,157	339,402	\$ 0.2303		\$ 8,362,816	
TOTAL	188,342	9,608,279,000	\$ 4,636	51,015	\$ 0.0909	\$ 4,987,321,454	\$ 873,190,136	18%
Source: FERC FORM 1 - YE 12/31/2019								

GAS UTILITIES SUMMARY 2019
(SOURCE: COMPANY ANNUAL REPORTS)

	<u>Atmos</u>	<u>CenterPoint</u>	<u>MS River Gas</u>	<u>Burnsville/ Counce Gas Co.</u>	<u>Southeast Utilities</u>	<u>Spire</u>	<u>TOTALS</u>
As of December 31, 2019							
Number of companies reporting: 6							
Plant (Intrastate Only)							
Plant in Service	808,673,493	328,515,519	3,396,348	293,500	862,452	61,041,209	1,202,782,521
Construction Work in Progress	23,190,055	9,863,783	0	0	0	5,155,716	38,209,554
Plant Acquisition Adjustment	9,112,319	0	0	0	0	0	9,112,319
Plant Held for Future Use	6,955,671	0	0	0	0	0	6,955,671
Materials and Supplies	260,532	3,467,074	40,839	0	15,139	517,619	4,301,203
Less:							
Depreciation and Amortization Reserves	160,675,762	97,858,533	2,208,585	293,500	656,067	28,227,864	289,920,311
Contributions in Aid of Construction	0	0	413,912	0	0	0	413,912
NET BOOK COSTS	687,516,308	243,987,843	814,690	0	221,524	38,486,680	971,027,045
Revenues and Expenses (Intrastate Only)							
Operating Revenues	239,296,884	100,262,891	2,259,229	1,211,234	437,579	21,481,784	364,949,601
Depreciation and Amortization Expenses	21,112,605	10,257,481	245,294	18,665	11,950	904,914	32,550,908
Income Taxes	8,536,848	2,073,272	0	50,508	0	476,795	11,137,423
Other Taxes	21,102,958	6,663,110	96,462	9,074	0	800,649	28,672,253
Other Operating Expenses	147,883,100	70,490,283	1,820,333	1,144,946	409,249	17,566,920	239,314,831
Total Operating Expenses	198,635,511	89,484,146	2,162,089	1,223,193	421,199	19,749,278	311,675,415
Net Operating Income	40,661,373	10,778,745	97,141	(11,959)	16,380	1,732,507	53,274,186
Other Income	1,370,676	412,003	32,010	0	0	79,392	1,894,081
Other Deductions	(14,240,077)	(2,617,985)	(13,533)	0	(9,888)	(397,733)	(17,279,216)
NET INCOME	27,791,972	8,572,763	115,618	(11,959)	6,492	1,414,166	37,889,052
Customers (Intrastate Only)							
Year-End Average:							
Residential	231,050	117,585	2,614	153	383	15,308	367,093
Commercial	22,707	12,792	269	56	151	2,867	38,842
Industrial	307	18	0	3	0	30	358
Others	2,762	0	27	0	0	0	2,789
Total Number of Customers	256,826	130,395	2,910	212	534	18,205	409,082
Other Statistics (Intrastate Only)							
Average Annual Residential Use (MCF)	56.57	45.31	40.61	31.27	30.67	43.27	41.28
Average Residential Cost per MCF (\$)	10.53	11.29	13.98	11.54	14.70	10.57	12.10
Average Residential Monthly Bill	49.65	42.64	47.30	30.08	37.57	38.10	40.89
Gross Plant Investment per Customer	3,302.59	2,621.62	1,181.16	1,384.43	1,643.43	3,664.63	2,299.65

MISSISSIPPI TELEPHONE UTILITIES SUMMARY 2019									
COMPANY	NUMBER OF MS EXCHANGES	ACCESS LINES 2019	ACCESS LINES 2018	ACCESS LINE GROWTH FROM PREV. YEAR	GROSS PLANT IN SERVICE	OPERATING REVENUE	OPERATING EXPENSES		
BPM (NOXAPATER)	1	563	572	(9)	\$3,441,918	\$1,451,335	\$2,097,638		(\$646,303)
BAY SPRINGS	12	5,231	5,748	(517)	\$75,370,842	\$9,321,596	\$10,366,392		(\$1,044,796)
BELLSOUTH**	172			--					--
BRUCE	4	1,428	1,623	(195)	\$23,627,830	\$3,345,434	\$2,490,051		\$855,383
CALHOUN CITY (TDS)	3	1,691	1,819	(128)	\$15,487,012	\$2,380,922	\$1,521,080		\$859,842
CENTURYTEL OF ADAMS VILLE**	1			--					--
CENTURYTEL OF NORTH MS**	3			--					--
DECATUR	1	989	1,025	(36)	\$10,978,129	\$1,735,529	\$1,565,719		\$169,810
FRANKLIN	17	7,550	7,694	(144)	\$107,944,418	\$14,761,545	\$11,507,639		\$3,253,906
FRONTIER**	4								
FULTON	4	4,700	5,194	(494)	\$32,166,818	\$3,181,325	\$3,530,705		(\$349,380)
GEORGETOWN	1	171	182	(11)	\$4,139,401	\$701,680	\$592,176		\$109,504
LAKESIDE	1	230	154	76	\$4,475,245	\$1,041,953	\$989,672		\$52,281
MOUND BAYOU	1	405	419	(14)	\$3,477,996	\$705,762	\$484,978		\$220,784
MYRTLE (TDS)	1	290	331	(41)	\$4,411,287	\$456,546	\$367,337		\$89,209
SLEDGE	1	348	222	126	\$6,210,203	\$1,120,273	\$1,171,349		(\$51,076)
SMITHVILLE	1	302	307	(5)	\$869,111	\$714,665	\$811,645		(\$96,980)
SOUTHEAST MS (TDS)	4	2,220	2,294	(74)	\$25,179,628	\$4,228,193	\$1,828,124		\$2,400,069
WINDSTREAM	3	7,236	7,267	(31)	\$56,720,064	\$8,102,592	\$6,041,776		\$2,060,816

**Deregulated companies are no longer reporting line counts after 2012 HB 825 was passed

AGENCY FINANCIAL REPORTS

MISSISSIPPI PUBLIC UTILITIES STAFF
COMBINED STATEMENTS OF RECEIPTS AND DISBURSEMENTS
JULY 1, 2019 – JUNE 30, 2020

DISBURSEMENTS:

Salaries & Fringe Benefits	\$1,987,636
Travel	14,199
Contractual Services	71,894
Commodities	4,381
Capital Outlay Equipment	0
Subsidies, Loans, Grants	<u>0</u>
TOTAL OPERATING EXPENSES	\$2,078,110
Transfers	<u>0</u>
TOTAL DISBURSEMENTS	\$2,078,110

RECEIPTS:

General Fund Appropriation	\$2,269,187
Mandated 2019 Budget Reductions	0
Adjusted General Fund Appropriation	\$2,269,187
TOTAL RECEIPTS:	\$2,269,187

**MISSISSIPPI PUBLIC UTILITIES STAFF
OUT OF STATE TRAVEL
FISCAL YEAR 2020**

<u>Employee's Name</u>	<u>Destination</u>	<u>Purpose</u>	<u>Costs</u>
Donna Chandler	San Antonio, TX	NARUC	1,683.00
Chris Garbacz	Washington, DC	NARUC	1,898.00
	San Antonio, TX	NARUC	1,383.00
	Indianapolis, IN	NARUC	1,574.00
Chad Reynolds	Destin, FL	MS Bar Convention	2,034.00
Angel Stenmark	Washington, DC	NARUC	1,987.00