

# MISSISSIPPI

## PUBLIC SERVICE COMMISSION

*Leonard Bentz, Chairman*  
*Lynn Posey, Vice Chairman    Brandon Presley, Commissioner*  
*Brian U. Ray, Executive Secretary*

## PUBLIC UTILITIES STAFF

*Robert G. Waites, Executive Director*

*Annual Report*

*Ending June 30, 2008*

# PUBLIC SERVICE COMMISSION

The Honorable Governor and Members of the  
Legislature of the State of Mississippi

Ladies and Gentlemen:

Pursuant to Sections 77-3-90 and 27-101-1 et seq., Mississippi Code of 1972, annotated, the Public Service Commission of the State of Mississippi is privileged to present herein its Annual Report for the period beginning July 1, 2007, and ending June 30, 2008.

It is the desire of the Public Service Commission to outline the numerous services, which we are able to offer to the citizens of Mississippi and to outline the economic growth of the various utilities and transportation systems within the State of Mississippi.

In compiling the Annual Report, we have endeavored to present a comprehensive, informative record of the official acts of this Commission, including opinions and orders. For the sake of economy and brevity, we have compiled and presented herein the formal orders of the Commission in an abbreviated and condensed form.

Respectfully submitted,

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Leonard L. Bentz, Chairman

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Lynn Posey, Vice Chairman

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Brandon Presley, Commissioner

ATTESTED:

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Brian U. Ray, Executive Secretary

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## HISTORY AND COMPOSITION

Governor Robert Lowery signed the Act creating the Mississippi Railroad Commission on March 11, 1884. The Governor appointed the first Commissioners - Stone, Augustus, and McWillie to serve for two years, and then until 1892, the Legislature elected the Commissioners to serve two-year terms.

In the year 1886, by Act of the Legislature, the Commissioners were made the "Board of Control" for the State Penitentiary, and all convicts were immediately leased to the Gulf and Ship Island Railroad Company for a period of six years for construction work.

In 1892, express, telephone and telegraph were placed under Commission jurisdiction, and in 1906, the Commission was relieved of its duty as the Board of Control for the State Penitentiary.

For many years the Commission served as Tax Assessor for the various utilities under its jurisdiction but this function has been delegated to the State Tax Commission.

In 1926, the Commission was given limited authority to regulate motor carriers for hire. In 1938, motor carrier activity had increased and more extensive regulation was necessary. The Legislature then passed the Motor Carrier Regulatory Act, changing the name of the body to the Public Service Commission and placed regulation and supervision of motor carriers under its jurisdiction.

At the 1956 Session of the Legislature, the electric, gas and water utilities were placed under the jurisdiction of the Public Service Commission.

At the 1958 Session of the Legislature, legislation was passed amending the Motor Carrier Regulatory Act of 1938, broadening the scope of exceptions under the Act and providing for the employment of a chief enforcement officer and six inspectors.

The Legislature passed legislation in 1968 to amend the 1956 Utility Act to include the regulation of sewage disposal systems by the Public Service Commission.

The year 1983 brought about several changes that enabled the Public Service Commission to better serve the people of the State. The Public Utilities Reform Act of 1983 was signed on April 6, 1983. Major points of the Act are as follows:

Does not allow rate increases under bond before the Public Service Commission decides on case. Allows rates under bond during the appeal process and direct appeal to the Supreme Court.

Shortens time for Public Service Commission to decide on case from 180 days to 120 days.

Provides for additional staff to handle added duties. Also calls for hiring of hearing examiners.

All contracts over \$1 Million are to be filed with the Public Service Commission. All contracts with affiliates or subsidiaries are to be filed with PSC. Any unreasonable expenses are to be disallowed for ratemaking purposes.

Major construction projects will be monitored. All construction work over \$200,000 is to be awarded to the lowest and best bid.

Public utilities may have no more than one major change in rates in effect under bond at the same time.

The Public Service Commission will monitor fuel adjustment clauses with greater detail.

Management reviews are to be conducted on the utility companies.

Most advertising expenses will not be paid by the ratepayer. Reasonable charitable or civic contributions will be allowed.

Thus, at the present time, communication, electric, gas, water and sewer utilities are under the supervision and regulations of this Commission. The Commission was given certain broad and discretionary powers which have been recognized and sanctioned by the courts. The following delegated powers and prerogatives are generally accepted and sanctioned by the courts:

1. LEGISLATIVE powers and authority, which include the promulgation of rules and regulations, and the prescribing and fixing of just and reasonable rates.
2. QUASI-JUDICIAL powers and authority in the official acts of the Commission in its renditions, opinions, and resultant orders, arising from hearing of all matters coming before the Commission.
3. ADMINISTRATIVE powers and authority which include the enforcement of all rules and regulations, all orders and directives issued by the Commission, and all prescribed rules and laws enacted by the Legislature and assigned to this department for enforcement.

The Public Service Commission of the State of Mississippi is composed of three elected Commissioners, one from each of the Supreme Court Districts, thus giving representation to all sections of the State.

The Commissioners are elected in the general election at the same time all other State and County officials are elected. Their term of office is for four years beginning on January 1, following election.

It is the Commission's responsibility to see that rates and charges for service are just and reasonable, that the approved rate schedules are adhered to, that the service rendered is reasonably adequate, and that the facilities constructed or acquired are required for the convenience and necessity of the public. In carrying out its responsibility, the Commission must answer complaints, make investigations, and conduct both formal and informal hearings.

The Commission is required, by law, to meet at its office on the first Tuesday of each month, with the provision that not more than two meetings can be pretermitted in any one year. The Commission is to have such other meetings at such other times and places that it deems necessary to conduct the business of the people before this Commission.

During the 1990 regular Legislative session, S.B. No. 2679 was passed and mandated a reorganization of the Public Utilities Staff. The Public Utilities Staff, as formerly created in Section 77-3-8 Mississippi Code of 1972, was abolished from and after August 31, 1990. Section 77-2-1 of this Act established a Public Utilities Staff completely separate and independent from the Public Service Commission and its staff. The primary functions of the newly created Public Utilities Staff are investigative and advisory in nature. The first Executive Director of the Public Utilities Staff was appointed by the Governor for a six-year term in July, 1990, and confirmed by the 1991 Senate. All personnel were competitively appointed by the Executive Director.

During the 2004 regular Legislative session, House Bill 1279 mandated the transfer of all Public Service Commission employees, equipment, inventory and resources, employed and used to enforce the Motor Carrier Regulatory Law of 1938, to the Mississippi Department of Transportation effective July 1, 2004.

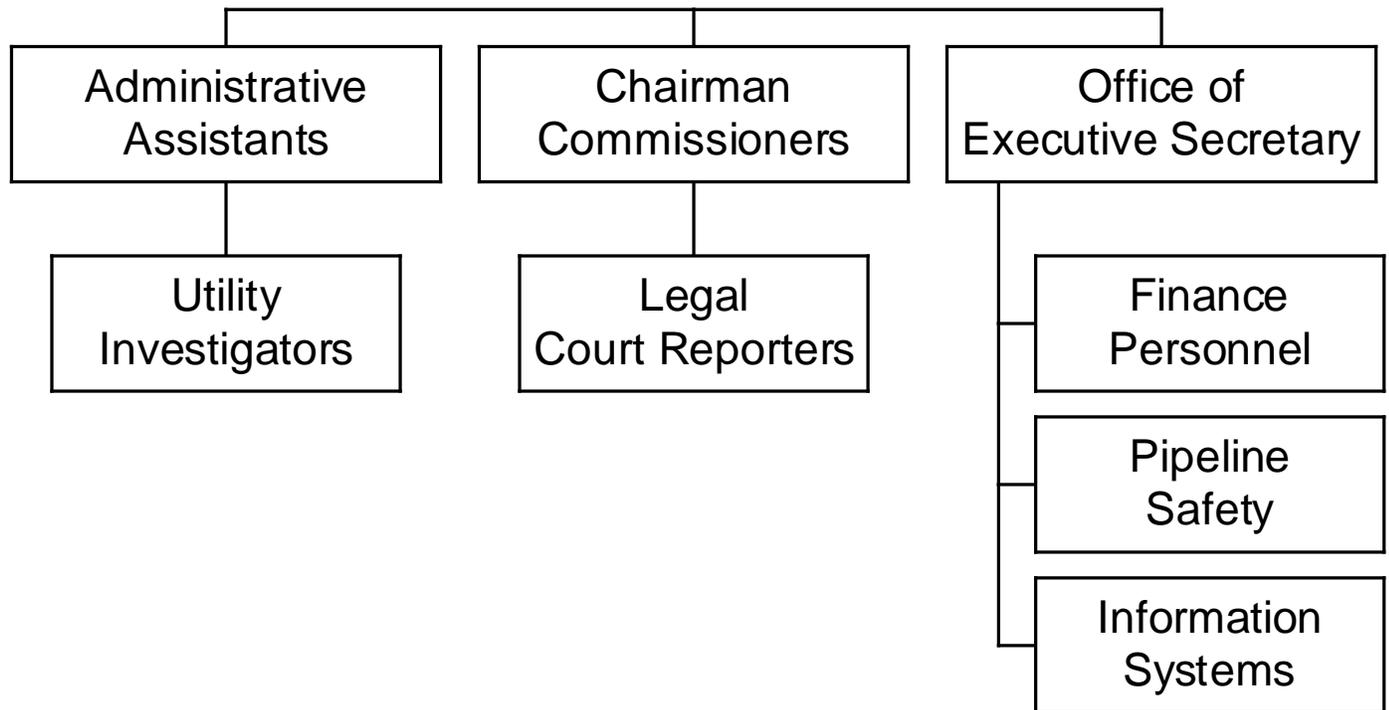
The Legislature passed S.B. No. 2445 authorizing the Commission to enforce the Mississippi Telephone Solicitation Act beginning July 1, 2003. During our first year of enforcement, 211,189 Mississippi consumers requested to have their telephone number placed on our "No Call" list and 114 telemarketers registered and posted a bond with the Commission. The Commission received 1,826 consumer complaints resulting in seven (7) formal complaints and one (1) informal complaint being filed against telemarketers for violating the Mississippi Telephone Solicitation Act. During the first year of enforcement, the Commission assessed over \$188,000 in fines and penalties.

During fiscal year 2008 the Commission received 689 consumer complaints. The Commission registered 167 telemarketers and placed and additional 25,783 Mississippi consumers on our "No Call" list.

This Legislation has greatly reduced the number of unsolicited telemarketing calls for residential consumers.

The Organizational Chart on the following page depicts the Commissioners and their staff ending the 2008 fiscal year.

## MISSISSIPPI PUBLIC SERVICE COMMISSION ORGANIZATIONAL CHART



# MISSISSIPPI PUBLIC SERVICE COMMISSIONERS

1884 - 2008

John M. Stone	1884 - 1886
W. B. Augustus	1884 - 1886
William McWillie	1884 - 1886
J. F. Sessions	1886 - 1896
J. C. Kyle	1886 - 1890
Walter McLaurin	1890 - 1896
J. H. Askew	1890 - 1896
M. M. Evans	1896 - 1900
J. J. Evans	1896 - 1900
John D. McInnis	1896 - 1904
A. Q. May	1900 - 1904
J. C. Kincannon	1900 - 1908
R. L. Bradley	1904 - 1908
S. D. McNair	1904 - 1908
W. R. Scott	1908 - 1912
J. A. Webb	1908 - 1912
F. M. Lee	1908 - 1912
George R. Edwards	1912 - 1924
F. M. Sheppard	1912 - 1919
W. B. Wilson	1912 - 1924
Edwin Langworthy	1919 - 1919
C. M. "Red" Morgan	1920 - 1924
	1927 - 1935
	1940 - 1948
Bryce Alexander	1924 - 1931
Dean Holmes	1924 - 1927
W. F. Lagrone	1924 - 1931
W. R. Scott	1931 - 1931
John L. Smith	1931 - 1931
Carl C. White	1932 - 1935
Dillard W. Brown	1932 - 1940
Homer H. Casteel	1936 - 1952
Gillis Cato	1936 - 1940
Omer J. Bullen	1940 - 1948
Alton Massey	1952 - 1956
I. S. Sanford	1952 - 1956
Howard H. Little	1948 - 1956
Norman A. Johnson, Jr.	1956 - 1983
W. E. "Bucky" Moore	1956 - 1971
Rubel L. Phillips	1956 - 1958
Thomas Hal Phillips	1959 - 1964
D. W. Snyder	1964 - 1989
John L. Dale	1972 - 1979
Lynn Havens	1980 - 1988

## **PUBLIC SERVICE COMMISSIONERS (Continued)**

<b>Nielsen H. Cochran</b>	<b>1984 - 2007</b>
<b>George T. Watson</b>	<b>1988 - 1992</b>
<b>Dorlos "Bo" Robinson</b>	<b>1990 - 2007</b>
<b>Sidney A. Barnett</b>	<b>1992 - 1992</b>
<b>Curt Hebert, Jr.</b>	<b>1992 - 1997</b>
<b>George Byars</b>	<b>1997 - 1999</b>
<b>Michael Callahan</b>	<b>2000 - 2005</b>
<b>Leonard Bentz</b>	<b>2006 - Present</b>
<b>Lynn Posey</b>	<b>2008 - Present</b>
<b>Brandon Presley</b>	<b>2008 - Present</b>

## **PARTICIPATION IN UTILITY ASSOCIATIONS**

The Mississippi Public Service Commission has participated in the activities of the National Association of Regulatory Utility Commissioners for a number of years. This Association is composed of utility regulatory bodies of fifty (50) states, the District of Columbia, Puerto Rico and the Interstate Commerce Commission, Federal Energy Regulatory Commission, Federal Communications Commission, Securities and Exchange Commission, Civil Aeronautics Board, Nuclear Regulatory Commission, and the National Telecommunications and Information Administration.

The objectives of the Association are the promotion of uniformity of utility regulation, coordination of action by the Commissions in the protection of the public interest in the respective state, fostering of cooperation between state and federal bodies and to strengthen regulation generally.

The Commission and members of the Commission's staff, for years, have actively participated in various standing and special committees of the national association.

The Mississippi Commission is also a member of the Southeastern Association of Regulatory Utility Commissioners composed of the 11 Southeastern States. Mississippi Commissioners have served as Presidents of the Association and members of the Commission staff serve on various committees.

The National Association and the Southeastern Association actively participate in congressional and committee hearings representing, particularly, the interest of the states and Commissions in matters of interest to the Associations. Both National and Southeastern Associations appear in rate proceedings and subsequently in court litigation on various cases in which the Commissions are interested.

## **PUBLIC SERVICE COMMISSIONERS**

### **LEONARD L. BENTZ:**

Leonard L. Bentz is currently serving as Southern District Public Service Commissioner. He is currently serving as Chairman of the Commission until December of 2009.

Commissioner Bentz, 34, was born in Gulfport, Mississippi. He graduated from Biloxi High School, attended Mississippi Gulf Coast Community College, and graduated from University of Southern Mississippi Law Enforcement Training Academy.

After college, Commissioner Bentz served as Harrison County Deputy Sheriff until 1999. Upon leaving the Sheriff's Department, Leonard went to work for the Public Service Commission as a Utility Investigator where he investigated utility complaints for the Gulf Coast until 2003 when he resigned to run for, and was elected as, Representative for the 116<sup>th</sup> district representing Harrison County. He served as Representative until becoming Commissioner of the Southern District.

While in office as Representative, Commissioner Bentz served on the Committees for Conservation and Water Resources; Gaming; Juvenile Justice; Marine Resources; and Wildlife, Fisheries, and Parks. Leonard is a member of Knights of Columbus, Rotary Club, Biloxi Chamber, D'Iberville/St. Martin Chamber, and Young Business Leaders.

Commissioner Bentz married the former Amber Fayard of D'Iberville, MS. They reside in Biloxi with their two children, Len, age 13, and Hunter, age 8. The Bentz's belong to St. Mary's Church in Biloxi, MS.

### **LYNN POSEY**

Lynn Posey is currently serving as Central District Public Service Commissioner and is also Vice-Chairman of the Commission.

Commissioner Posey, 53, was born in Brookhaven, Mississippi. He is a graduate of Copiah-Lincoln Community College; as well as Mississippi State University where he earned a B.S. degree and a Masters degree in Public Administration. He is also a graduate of the University of Mississippi School of Banking.

Commissioner Posey served in the Mississippi State Senate from 1988-2007. While in the Senate, Commissioner Posey served 16 years as Chairman of Wildlife, Fisheries, and Parks and was a member of the Public Utility Committee for 16 years. He also served as a sub-committee chairman on Appropriations, Business and Financial Institutions, Economic Development and Forestry. In addition, Posey also served as the Chairman of the PEER Committee, as well as the Founder and Chairman of the Mississippi Sportsman Caucus.

## **PUBLIC SERVICE COMMISSIONERS (contd)**

Commissioner Posey is married to the former Kathy Singletary of Crystal Springs, MS. They reside in Union Church, MS. and their two children, Hunter age 21 and Kaitlyn age 18, attend Mississippi State University. The Posey's belong to the Union Church Baptist Church.

### **BRANDON PRESLEY**

Brandon E. Presley is currently serving as Northern District Public Service Commissioner for the State of Mississippi. Prior to being elected Public Service Commissioner in 2007, he served as Mayor of Nettleton for six and a half years. Having been elected mayor at the age of 23, Presley became one of the youngest mayors in Mississippi's history.

Commissioner Presley was most recently appointed by the National Association of Regulatory Utility Commissioners (NARUC) to serve as a member of the Ad Hoc Committee on National Wireless Consumer Protection Standards, in addition to his service on other NARUC committees devoted to Consumer Affairs and Water issues. Presley is past Chairman of the Board of Trustees at Itawamba Community College and is a member of the Board of Directors of Gilmore Memorial Hospital. He is past Chairman of the Lee County Council of Governments and also served as President of the North Mississippi Mayor's Association.

Presley, 31, was born in Amory, Mississippi and has been a lifelong resident of Nettleton, where he is a member of the Nettleton First Baptist Church. He is past-President and current member of the Nettleton Lions Club and is a member of the Nettleton Civitan Club.

**CLASSIFICATION OF UTILITIES HOLDING CERTIFICATES OF  
PUBLIC CONVENIENCE AND NECESSITY**

	<u>Company</u>	<u>Association</u>	<u>Municipal</u>	<u>District</u>
Electric	2	28	15	0
Water	48	510	121	42
Sewer	135	34	31	31
Gas				
Distribution	7	0	33	4
Intrastate Pipeline	3			
Communication				
Local Exchange Companies	20			
Interexchange Carriers	8			
Resellers	268			
Institutional Service Providers	18			
Alternate Operator Service Providers	4			
Competitive Local Exchange Carriers	<u>147</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals by Category	660	572	200	77
GRAND TOTAL	1509			

## **ACTION OF THE COMMISSION**

All formal actions of the Commission are required to be recorded with docket numbers assigned to each case prior to the initiation of any formal proceeding. The staff of the Commission must examine each application, petition or complaint to determine if such comes under the jurisdiction of the Commission and meets with statutory requirements so as to present clearly the merits of the matter involved.

Formal hearings are held each first Tuesday of the month, as provided by statute; and action is taken on all docketed cases, with full hearings accorded all parties having interest in the matters involved.

Many other matters of interest to the public and the utilities are handled and adjusted informally through correspondence and personal interviews with Commissioners and staff. The Commission finds that through this method of handling matters informally, substantial benefits are secured and amicable relations between the public and the utilities are promoted.

The listing in detail of all of the formal cases before the Commission is omitted in order to avoid heavy printing expense. However, every case before the Commission is fully recorded and such record is open for public inspection by any party desiring information relating to any matters before the Commission.

During FY 2008, the Commission and staff took action on an average of 53 applications a month. Appearing most frequently before the Commission were water and telecommunication cases concerning applications for Certificate of Public Convenience and Necessity for facilities and notice filings involving rate matters.

The following is a list totaling and categorizing all formal action taken by the Commission during the 2008 fiscal year:

**UTILITY DOCKET**

**JULY 1, 2007 - JUNE 30, 2008**

	<u>Communication</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>
Utility Rate/Tariff Revisions Approved.	271	17	10	18	15
Utility Rate Matters Denied	0	0	0	0	1
Utility Certificates of C. & N. Approved.	20	11	2	21	28
Sale of Stock/Transfer of Certificate	18	0	0	10	3
Service Matters	116	14	5	2	2
Utility Refunds Granted	0	0	0	0	0
Applications Retired to Files	3	0	1	0	1
Cases Dismissed/Withdrawn	15	0	2	4	19
Cases Not Yet Decided	14	2	1	72	11
Commission's Own Motion	0	0	0	0	0
Certificates Cancelled	<u>8</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>1</u>
<b>TOTALS</b>	<b>465</b>	<b>44</b>	<b>21</b>	<b>64</b>	<b>81</b>

## **COMMISSION STAFF**

### **OFFICE OF THE EXECUTIVE SECRETARY**

The Office of the Executive Secretary issues all notices, citations, subpoenas and approves orders and documents; serving same on interested parties of record. This office has the duty of assisting the Commission at all formal hearings and to record the minutes of official acts and orders of the Commission.

### **FINANCE AND PERSONNEL**

This department is responsible for coordinating and directing the various fiscal programs and for developing and formulating major fiscal policies for the Commission. The fiscal programs include the accounting operations required by payrolls and related payroll functions (such as insurance, credit union, and retirement), accounts payable, budget preparation and control, and expense accounts.

This Commission operates from a special revenue fund entitled Mississippi Public Service Commission Regulatory Fund.

The Accounting and Personnel Department maintains a continuous review and control of all receipts and disbursements related to the above-mentioned special fund.

In addition to the accounting activities, this department coordinates all personnel functions and performs as liaison between the Commission and the State Personnel Board in maintaining the proper employee personnel files and related personnel activities.

### **LEGAL**

This department is assigned the duty of assisting and advising the Commission in all matters affecting its powers and duties and to perform such duties and services in connection therewith as the Commission may require. In addition to advising the Commission on matters pending before the Commission, this department represents the Commission in all local, state and federal courts as well as the Federal Energy Regulatory Commission.

## INFORMATION SYSTEMS DEPARTMENT

A support department that provides information systems for the Commission and the Public Utilities Staff, the Information Systems department designs, procures, and maintains all computer and telecommunication systems.

The PSC network consists of four networks, the main one in Jackson and three small office networks located in Nettleton, Biloxi and Hattiesburg. The four networks are interconnected via routers and switches that provide secure, seamless connections. A multiplicity of modern servers and other centralized devices are located in the upper basement area of the Woolfolk Building in Jackson. Most network users work on either the 2<sup>nd</sup> or 3<sup>rd</sup> floors of the Woolfolk Building in Jackson. Intranet connectivity is provided for several remote applications including CTS.

Most of the hardware is standardized on Hewlett-Packard equipment. A typical client on this network is a laptop or small form factor running Microsoft Windows. The basic applications are Microsoft Office, CTS (a custom database application that tracks court cases and customer complaints), and No Call (a custom database application that tracks telephone solicitor complaints, telemarketer registrations, and consumers on the No Call list).

The department uses enterprise client management software (Altiris) that replaces all the individual client management tools previously used (primarily help desk, remote control, cloning, and pushing). The Altiris product provides a more powerful and comprehensive client management approach. Telephony is still used as the primary front-end to the Help Desk component of Altiris and is designed to minimize the use of voice mail. New security measures were implemented to reduce SPAM, Internet pop-ups, and spyware. Our security is frequently upgraded.

A document imaging system provides instant access to all case documents from 1956 through the present. These documents are also accessible from the Internet at [www.psc.state.ms.us](http://www.psc.state.ms.us) (click on Case Files). A modern GIS system that tracks the certificated area boundaries of public utilities has recently been upgraded.

## UTILITY INVESTIGATION

It is the responsibility of this office to monitor the quality and adequacy of service provided by the jurisdictional utilities including the application of approved rates and charges.

This office is active in the investigation of consumer complaints of all areas of operation. The office also monitors utility operations from a compliance standpoint to ensure that utilities are operating within the provisions of the Rules and Regulations Governing Public Utility Service adopted by the Commission, pursuant to the Public Utilities Act.

During this annual report period, the department was active in the investigation and handling of 6597 different matters, which pertained to utility rate and service complaints. Most of these inquiries, both logged and not logged, have been settled informally to the satisfaction of the complainant.

The following is a tabulation of type of utility complaints and inquiries received:

Electric	2617
Gas	542
Water	368
Sewer	125
Telegraph	0
Telephone:	
Consumer Complaints	2256
No Call Complaints	689
TOTAL	6597

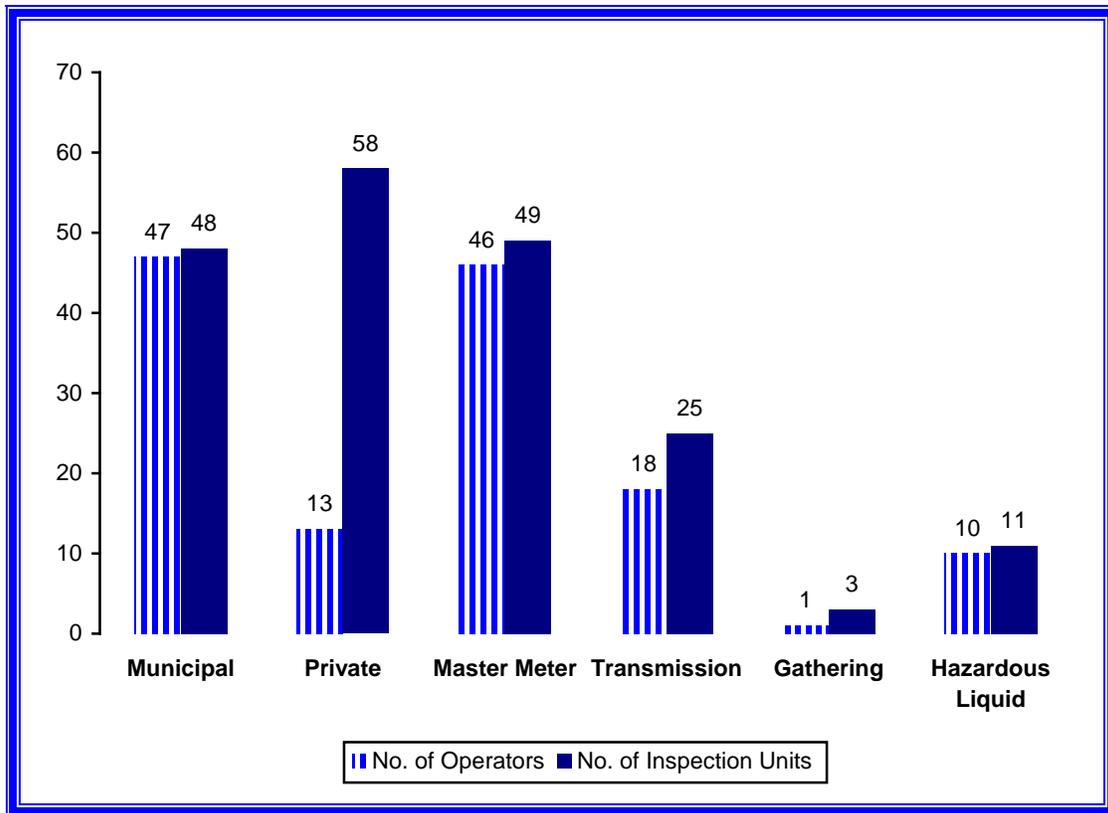
## PIPELINE SAFETY DIVISION

The Pipeline Safety Division conducts and carries out safety inspections (i.e. operation, maintenance, emergency procedures, operator qualification, construction, integrity management, incident investigations and drug and alcohol) involved in the regulation of intrastate natural gas and hazardous liquid pipeline systems, resulting in reducing the risk associated with the transportation of natural gas and hazardous liquids by pipeline.

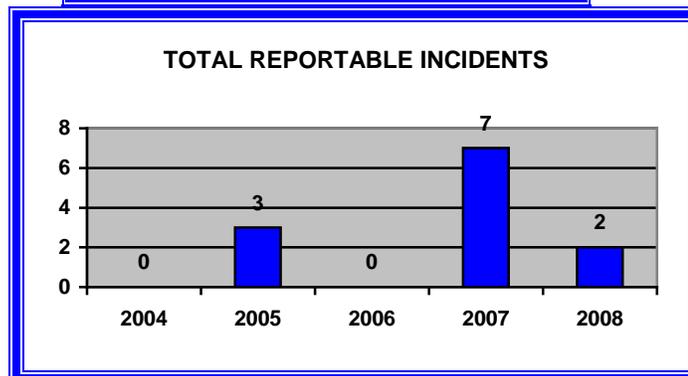
The Pipeline Safety Division's goal is to protect the public and environment from the accidental release of natural gas or other liquid products with a technologically advanced compliance program that promotes educational standards for the industry and contributes to the health and security of Mississippi. The compliance program will insure protection of the public by enforcing the rules and regulations of the Minimum Federal Pipeline Safety Regulations adopted by the U. S. Department of Transportation Pipeline and Hazardous Materials Safety Administration pursuant to the Natural Gas Pipeline Safety Act of 1968.

### Number of Gas & Hazardous Liquid Operators And Number of Inspection Units

As of 06/30/08



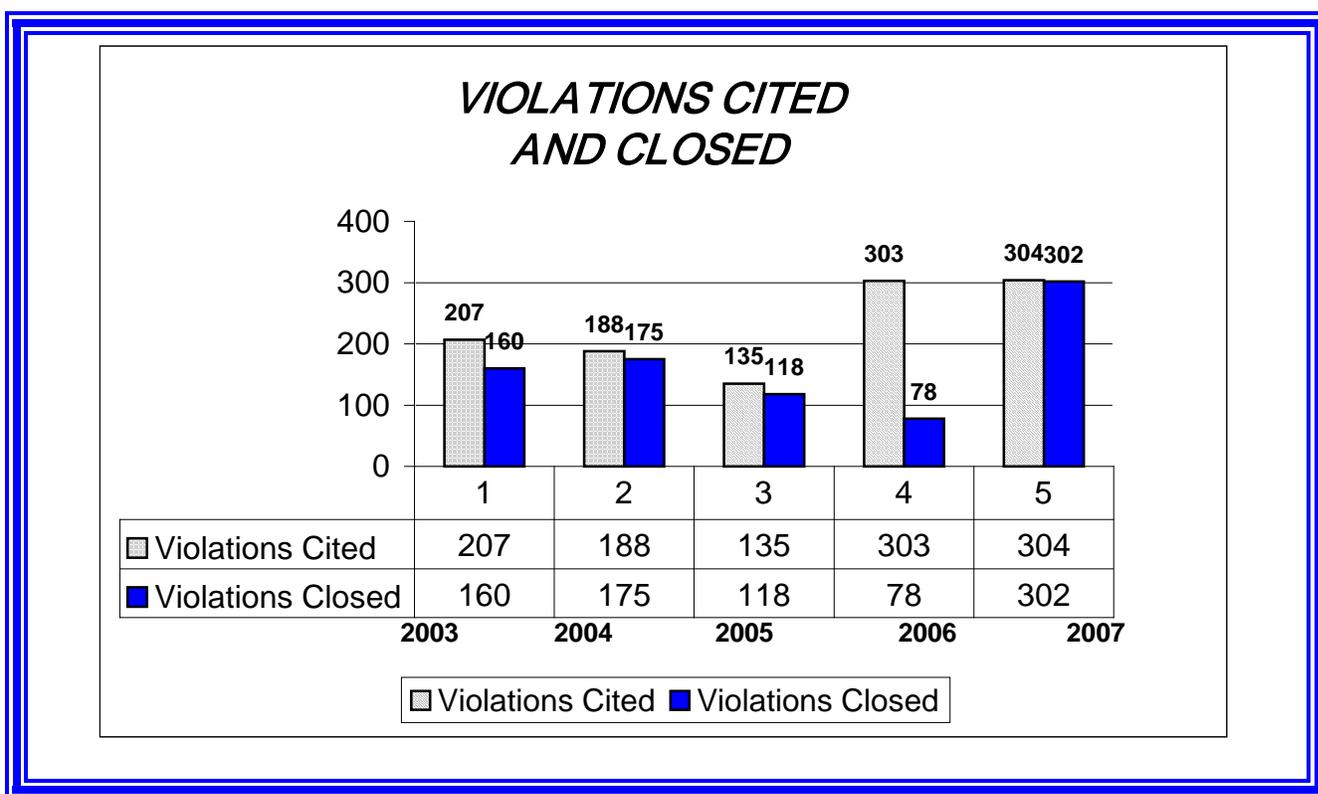
<b>Number of Inspections Performed</b> 7/1/2007 thru 6/30/2008	
<b>Inspections</b>	<b>2007-2008</b>
Comprehensive	124
Special/On-Site/Operator Qualification	477
Follow-up	41
Construction	77
Drug & Alcohol Testing	13
Reportable Incident	7
Other	53
<b>TOTAL</b>	<b>792</b>



- **Comprehensive:** An on site examination and comprehensive review of the natural gas and hazardous liquid operators programs and records including but not limited to review of operations & maintenance procedures, emergency plan, damage prevention program, operator qualification program, integrity management and work in progress.
- **Special/On-Site:** Field verification and operational functions of the gas operator's district regulator stations, emergency valves, cathodic protection, odorization and material usage in construction of mains and services lines.
- **Construction:** Monitor the design, testing and field construction activities of new, relocation, replacement or extension of gas service lines and mains for all intrastate pipelines regulated by the Pipeline Safety Division.
- **Drug & Alcohol Testing:** Monitor the operator's compliance with testing each of his employees for the presence of prohibited drugs and alcohol at the work place and maintaining an employee assistance program.
- **Follow-Up:** Review operator's compliance action to correct a previously cited violation of the Minimum Federal Pipeline Safety Standards.

- **Reportable Incident:** This inspection is performed when an operator notifies the Pipeline Safety Division of an incident, which has occurred on the system where death, personal injury requiring hospitalization, or property damage of \$50,000 or more is involved.
- **Other:** Leak Reports and Complaints.

The violations cited are recorded and filed on an ongoing basis. Each operator receives a notice of the violation and is given 30 working days to correct any deficiencies that may have warranted a citation. The department performed 792 inspections in FY 2008 resulting in 304 violations. As of June 30, 2008, 302 or 99% have been corrected and the remaining violations are being monitored and will be corrected in the near future.



In conjunction with the Mississippi Natural Gas Association and the Pipeline Safety Division, the operators within the State of Mississippi were provided eleven (11) training courses, which will aid in the qualifications of operator personnel concerning the Minimum Federal Pipeline Safety Regulations, Pipeline and Hazardous Material Safety Administration, Code of Federal Regulations Title 49, Part 190 – 199.

**APPEAL RECORDS FROM MPSC JULY 1, 2007 TO JUNE 30, 2008**

Of the 640 cases coming before the Commission in the period from July 1, 2007 to June 30, 2008, no final order of the Commission was appealed to a higher court.

**COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS**  
**JULY 1, 2007 – JUNE 30, 2008**  
**REGULATORY FUND 3811**

**DISBURSEMENTS:**

Salaries & Fringe Benefits	\$3,751,088
Travel	396,053
Contractual Services	752,508
Commodities	89,108
Capital Outlay Equipment	109,590
Subsidies, Loans, Grants	<u>0</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$5,098,347</b>
Transfers	<u>0</u>
<b>TOTAL DISBURSEMENTS</b>	<b>\$5,098,347</b>

**RECEIPTS:**

Utility Regulatory Tax	5,569,549
Miscellaneous Federal Grants	210,990
Miscellaneous Receipts	<u>105,779</u>
<b>TOTAL RECEIPTS:</b>	<b>\$5,886,318</b>

**OUT OF STATE TRAVEL  
FISCAL YEAR 2008**

<u>Employee's Name</u>	<u>Destination</u>	<u>Purpose</u>	<u>Costs</u>
Leonard Bentz	Savannah, GA	SEARUC	\$ 3,319
Ilicia Boaler	Mystic, CT	NAPRS	1,842
	Wilmington, NC	NAPRS	1,378
Shirley Bounds	Savannah, GA	SEARUC	2,455
Lynn Carlisle	Washington, DC	Electric Law	1,283
Lyla Carnley	Orange Beach, AL	MNGA	837
	Oklahoma City, OK	TST Class	1,737
	Oklahoma City, OK	Training Class	1,957
	Oklahoma City, OK	Training Class	1,565
John Eure	Memphis, TN	AT&T	592
George Fleming	Washington, DC	FERC	7,066
George Haynie	Savannah, GA	SEARUC	1,825
Shana Holt	Savannah, GA	SEARUC	362
Cindy Kinard	Savannah, GA	SEARUC	1,568
Mark McCarver	Mystic, CT	NAPSR	1,791
	Athens, AL	MNGA	755
	Wilmington, NC	NAPSR`	1,177
Jay McKnight	Savannah, GA	SEARUC	872
Sharamie Posada	Hartford, CT	NIGP	1,285
Lynn Posey	Washington, DC	NARUC	2,546
	Savannah, GA	SEARUC	1,914
	New York, NY	American Gas	826

**OUT OF STATE TRAVEL  
FISCAL YEAR 2008**

Brandon Presley	Washington, DC	NARUC	2,363
	Savannah, GA	SEARUC	1,158
	Tampa, FL	NARUC	293
Bo Robinson	Panama City, FL	Gas Pipeline	1,005
Michael Sharp	Orange Beach, AL	MNGA	857
	Montgomery, AL	Pipeline Safety	1,230
	Boise, ID	NAPSR	603
Wiley Walker	Oklahoma City, OK	Pipeline Safety	2,261
	Athens, AL	MNGA	940
	Providence, RI	Gas Pipeline	439
	Oklahoma City, OK	Safety Course	1,628
	Tulsa, OK	Safety Course	1,284
	Oklahoma City, OK	Safety Course	1,403
	Oklahoma City, OK	Safety Course	1,374
Larry Williams	Oklahoma City, OK	Safety Course	1,482
	Wilmington, NC	NAPRS	1,217
Samantha Hebert	Portland, OR	NARUC	650
Lynn Posey	Portland, OR	NARUC	738
Olivia Vest	Portland, OR	NARUC	650
TOTAL			\$ 60,527

# PUBLIC UTILITIES STAFF

**PUBLIC UTILITIES STAFF**

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## COMPOSITION AND FUNCTIONS

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

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

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

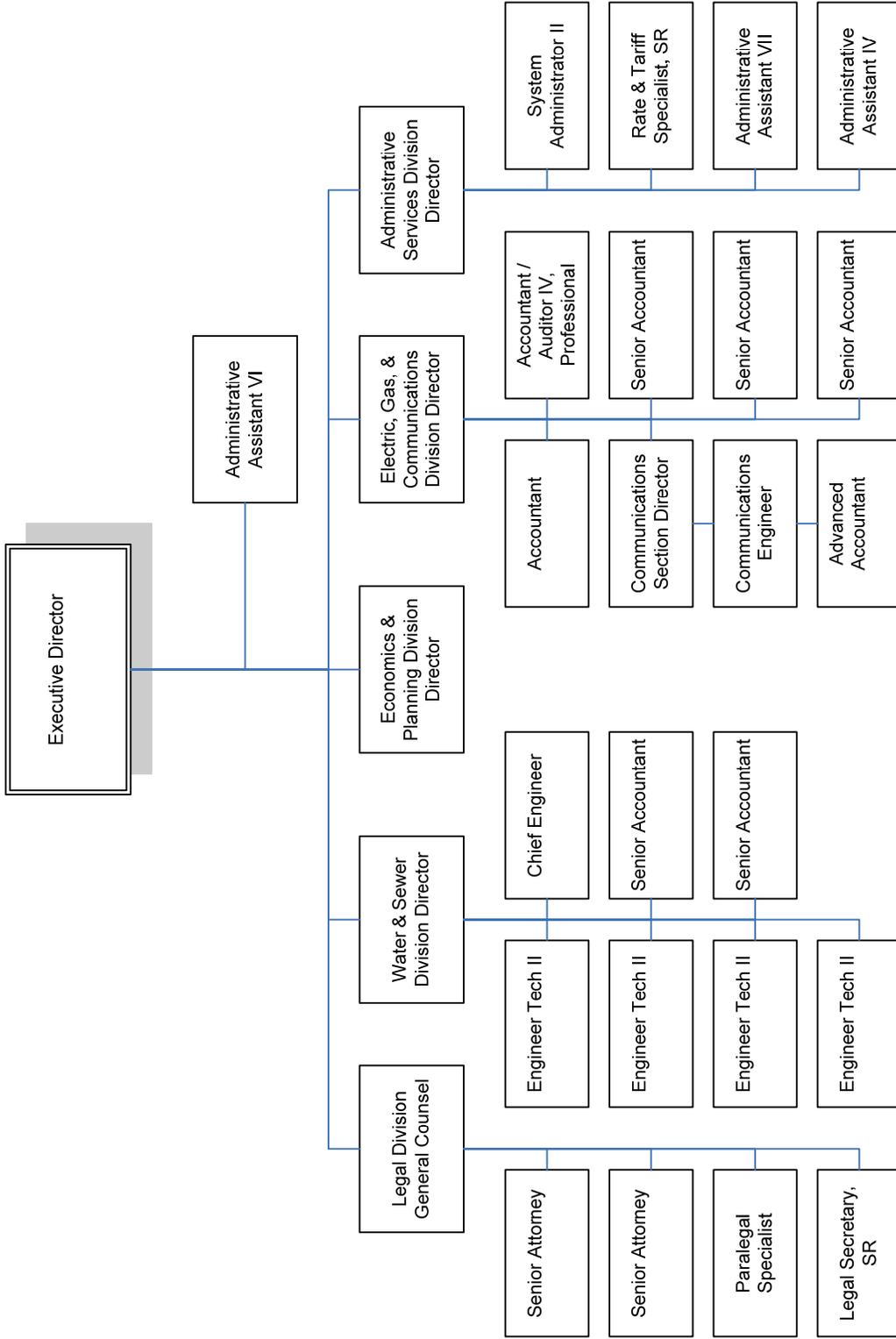
A. Reviewing, investigating and making recommendations with respect to the reasonableness of rates charged or proposed to be charged by any public utility.

B. Reviewing, investigating and making recommendations with respect to services furnished or proposed to be furnished by jurisdictional utilities.

C. Making recommendations regarding all Commission proceedings affecting the rates, service or area of any public utility when deemed necessary and in the broad public interest.

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

The Organizational Chart on the following page depicts the Public Utilities Staff for the 2008 fiscal year.



## EXECUTIVE DIRECTOR



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

Robert G. Waites serves as the Executive Director. He was initially appointed by Governor Kirk Fordice for a six-year term of office which began in July 1996. He was reappointed by Governor Ronnie Musgrove in 2002 and was reappointed by Governor Haley Barbour for a term beginning July 2008.

Waites is a member of the Mississippi State Bar Association and the American Bar Association. He is a graduate of the Mississippi College School of Law, the University of

Southern Mississippi, and Gulfport, MS High School. In law school he was a member of the Honors Council and at Southern Miss was Grand Master of the Kappa Sigma Fraternity and Inter-Fraternity Council Outstanding Greek Athlete. He achieved the rank of Captain in the United States Army.

Waites began state service in 1976 as a staff attorney with the Mississippi House of Representatives and served as Director of Legislative Services and Counsel for the Ways and Means Committee from 1978 to 1989. He was a member of the Fiscal Affairs and Governmental Operations Committee of the Southern Legislative Conference. He then served as staff attorney for the Joint Legislative Environmental Protection Council and the Mississippi Department of Environmental Quality from 1989 to 1990 when he joined the Public Utilities Staff as Deputy Administrator.

Waites and his wife, Gay, who is from Greenville, Mississippi, reside in Brandon, Mississippi, where they attend St. Paul Catholic Church. They have two daughters, two granddaughters and a grandson.

## DIVISIONS OF THE STAFF

### ADMINISTRATIVE SERVICES



Front Row: Mary Nelle Napp, Charlotte Alberta, Mendy Gilliam. Back Row: Randy Tew, 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 direction of the Executive Director. These services include issuing annual reports as required by state statute.

Financial data from all jurisdictional utilities are collected

and reviewed. The division serves as a liaison between the Staff and federal and other state agencies, and provides information to the public involving interpretation of agency policy on various utility subject matters.

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

## ELECTRIC, GAS & COMMUNICATIONS



(L to R): Kim Houston, David Kennedy, Brandi Myrick, Larry Greer, Vicki Helfrich Virden Jones, (not pictured) Ruth Nelson

The Electric, Gas and Communications Division provides investigative and advisory services to the Public Service Commission and to the regulated utilities subject to its jurisdiction. Applicants seeking Certificates of Public Convenience and Necessity, as well as other interested parties, are informed about procedural and other regulatory requirements. General rate cases, special rate requests, service rule revisions and other miscellaneous filings are also reviewed and investigated by the Staff in an effort to determine if proposed rate changes are necessary and in the public interest. Typically, the Staff issues data requests, analyzes the information provided and makes recommendations to the Commission. When necessary, Staff

members prepare testimony and testify in hearings before the Commission.

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

The Staff is also engaged in ongoing, year-round audits of the fuel purchases of investor-owned electric utilities and natural gas distributors. Under state law, fuel and energy purchases are a direct pass-through to

ratepayers, and utilities are not permitted to profit from their sales. The Staff reviews fuel and energy purchases to insure that only allowable, prudently incurred costs are recovered from ratepayers. It is important to note that neither the Staff nor the Commission has any

control over the level of market-driven, energy prices. However, the Commission, upon the Staff's recommendation, has approved and encouraged the use of hedging transactions to help reduce the volatility of fuel and energy prices.

## WATER AND SEWER

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 Staff presents testimony in selected cases at hearings before the Commission. In addition, the Staff 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 insure 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. Construction of new electric generators, transmission systems and substations are also monitored. To aid



L to R: Buddy Hillman, Hugh Green, Ron Brewer, Menton Matthews, Maurita Nesmith, Mike McCool, David Boackle

utilities in compliance, the division reviews accounting, engineering, and operational matters. Technical

assistance is also given to Commission staff in their enforcement duties.

**ECONOMICS AND PLANNING**

Dr. Christopher Garbacz is Director of the Economics and Planning Division. Dr. Garbacz coordinates strategy for rate hearings with other divisions in order to develop comprehensive technical analyses of issues and to prepare appropriate oral and written testimony. This includes analyzing rate of return on investments, financing, rate structures, and cost of service filings. The Director testifies in Commission hearings regarding the Staff's findings and also makes



economic and financial presentations in other venues. Routine filings and issues currently before the Commission are examined for the long-term impact on Mississippi ratepayers and utilities. Chief among these issues are the activities of the interstate holding companies and federal regulators.

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

**LEGAL**

The Legal Division represents the Staff in hearings held before the Commission in which the Staff is either a party litigant or a legal advisor to the Commission in cases where the Staff is not a party.

The legal division performs legal research for the Staff and the Commission; prepares cases for hearings, which include preparing data requests and conducting pre-hearing conferences for negotiation and potential settlement of matters;

conducts direct and cross-examination during hearings before the Commission; participates in the preparation and recommendation of the rules and regulations of the



L to R: Chad Reynolds, Missy Zebert, Cassandra Lowe, Patricia Trantham, George Fleming

Commission; prepares proposed orders and other legal documents for the consideration of the Commission and Staff; alerts the Staff and the Commission of deadlines for which action must be taken; prepares proposed legislation; provides advisory services to the Staff and the Commission; 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), the Federal Communications Commission (FCC), and the Securities and Exchange Commission (SEC).

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 the wholesale rates of Entergy and the Southern Company, its opinions directly impact the ratepayers of Mississippi.

The Legal Division is involved in many of the filings made by the various utility companies with the SEC; is actively involved in advising and in representing the Commission regarding telecommunications issues arising due to the passage of the Telecommunications Act of 1996; and is involved in investigating issues surrounding electric restructuring, including issues involving regional transmission organizations.

## **ACTIONS OF THE STAFF**

### **UTILITY CASE LOAD**

During FY 2008, the Public Utilities Staff participated in 545 utility filings before the Public Service Commission. Staff action involved reviewing and investigating contested matters and 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 1600 certificated utilities of record.

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

### **ELECTRIC**

FUEL AUDITS – The Public Utilities Staff continued its ongoing audits of the two investor-owned electric utilities serving Mississippi ratepayers, Entergy Mississippi, Inc. and Mississippi Power Company. State statute permits the direct pass-through of certain fuel and purchased power costs to ratepayers. In accordance with this statute, the Staff audits and reviews all fuel and purchased power expenditures to assure that they are properly chargeable to ratepayers and that they were prudently incurred. The results

of the audits are reported to the Commission which, in turn, files an annual report to the Legislature on or about January 15<sup>th</sup> each year. The Staff also conducts quarterly reviews of the Commission-approved fuel hedging programs implemented by both companies to reduce fluctuations in fuel costs arising primarily due to the volatility of natural gas and coal prices.

On January 9, 2008, the Staff made its annual report to the Commission on the results of its audits for the

twelve month period ended September 30, 2007. Entergy Mississippi, Inc. reported net fuel and purchased power costs of \$569,818,806. A credit flowed through to ratepayers for over-recovered costs from the previous year of \$108,480,988. Total collections of \$500,767,606 resulted in an over-recovery (credit) of \$39,429,788 to be flowed through to ratepayers in the next fiscal year. Mississippi Power Company reported recoverable fuel and purchased power costs applicable to retail customers of \$314,459,362 of which it collected \$333,641,621 resulting in an over-recovery of \$19,182,259. Generally, over or under-recoveries are included in the calculation of the new fuel factor used for billing in subsequent periods.

FORMULARY PLANS – The non-fuel portions of rates of both Entergy Mississippi, Inc. and Mississippi Power Company are regulated under formulary rate plans which are Commission–approved tariffs. These tariffs provide a formula approach to determining rates based on each company’s operating results and the allowed return on investment. Both companies make evaluation filings annually. The Staff reviews these filings to insure compliance with Commission rules, the underlying tariffs, generally accepted accounting

principles and accepted ratemaking practices.

On March 14, 2008, Entergy Mississippi, Inc. filed its annual Formula Rate Plan Evaluation for the twelve-month period ended December 31, 2007. The company reported a return on rate base of 7.69% which was subsequently adjusted to 8.25% by the Staff. There were several material adjustments to the company’s filed numbers due to the omission of certain investments, revenues and expenses which are recovered through special riders. The company’s failure to include these items in the Evaluation appears to have resulted from a misinterpretation of the Formulary Rate Plan tariff, Rider Schedule FRP-4, by new personnel of the Company assigned to prepare the filing. As a result of these adjustments, rate base was increased by \$82.4 million, which represents the net investment in the new Attala Generating Plant which is temporarily being recovered through the company’s Power Management Rider. In addition, revenues were increased by \$78.9 million and operating expenses were increased by \$73.2 million to properly reflect revenues and expenses associated with the special rider.

The Staff further adjusted the company's rate base reducing it by \$18.4 million primarily to reflect certain accumulated deferred income tax credits related to Hurricane Katrina which were improperly excluded from the filing by the company. In addition, operating expenses were reduced by \$6.4 million, net of taxes. These adjustments increased the company's earned return to 8.25% which is below the range of no change (8.57% to 9.57% ) thereby resulting in a rate increase of \$3,775,000. The Staff and the company agreed to the adjusted figures in a joint stipulation dated June 23, 2008, which was submitted to the Commission where the matter is pending to date.

On November 30, 2007, Mississippi Power Company filed its annual PEP-4 Performance Evaluation for the projected test year ending December 31, 2008. The company reported a Projected Retail Return on Investment (PRRI) of 8.508%, a Performance Based Return on Investment (PROI) of 9.777% and a requested revenue increase of \$15,471,083. Prior to the filing date, company representatives met with the Staff to discuss methods to reduce the projected increase. As a result of these discussions, the company withdrew a recently filed depreciation study that would have

increased depreciation expense by an additional \$1.8 million; deferred the rate impact of 2007 tax credits until 2008 which reduced the projected tax expense by \$1.4 million and postponed until 2009 the planned amortization of generation resource planning and screening costs that would have increased O&M expenses by an additional \$2.6 million in 2008. In addition, in October 2007, the Company filed its 2006 jurisdictional cost of service study which reduced the retail revenue requirement by \$15.7 million. The Staff's review of the Company's PEP-4 filing produced no material adjustments, and in accordance with the tariff, the proposed increase became effective in February 2008.

Rate Schedule PEP-4 also requires the company to submit a Review of Prior Year's Actual Results ("Look-Back") on or before March 15 of each year. On March 14, 2008, the company filed its Look-Back for the regulatory year ended December 31, 2007, showing an Actual Retail Return on Investment of 9.695%, which is within the 2007 range of no change (9.422% to 10.422%). After considerable adjustments by the Staff to the Company's revenue requirements, the Actual Return on Investment remained within the range of no change to rates.

On November 15, 2007, The Commission issued an order adopting a stipulation between the company and the Staff concerning the Look Back for the regulatory year ended December 31, 2006. The company agreed to a disallowance of O&M expense in the amount of \$3,095,144 which resulted in a refund to customers of \$1,149,556.

OTHER MATTERS - On November 7, 2006, Mississippi Power Company filed a Notice Requesting Approval of Accounting Treatment for Generation Resource Planning, Evaluation and Screening Activities. The Company stated that its current generating capacity assessment identified a need for new generation resources to be available for the summer peak season in 2013. The company stated further that it anticipated incurring costs of approximately \$12 million by the third quarter of 2007 to evaluate available generating technologies including Nuclear, Conventional Coal, Circulating Fluidized Bed, Conventional Combined Cycle, Integrated Gasification Combined Cycle and Delayed Retirements. The estimated costs included activities such as environmental permitting; fuel evaluation and sourcing; project development and financing;

engineering and design; evaluating plant site alternatives and other related costs. At the end of the third quarter of 2007, the company stated that it would begin to focus on certain promising alternatives and to eliminate others. It stated further that additional resource planning costs would likely be incurred going forward but they could not yet be estimated.

The company proposed to charge its generation resource planning costs to a regulatory asset until the earlier of June 30, 2008, or the granting of a certificate of public convenience and necessity authorizing the construction of a new generation resource identified through the planning process. The company stated that it would not capitalize or otherwise seek recovery of these costs until they are subjected to a prudence review by the Commission. If a new generation resource is subsequently approved, costs which qualify for capitalization will be included in its cost and recovered through depreciation. If a new generation resource is not later approved or if a new resource is approved but certain costs are not eligible for capitalization, those that were prudently incurred will be amortized over a three year period. By order dated December 21, 2006, the Commission approved the company's

proposed accounting treatment and ordered the company to file quarterly reports with the Staff detailing its expenditures.

On December 11, 2007, Mississippi Power Company filed an Application to Amend Commission Order and Request a Prudence Determination. In its filing, the Company reported that despite its diligent efforts, it had not completed its evaluation of all available generation technologies. The company further stated that it anticipated that its evaluation and screening process would continue beyond the third quarter of 2007 and might extend to or beyond June 2008 at a total estimated cost of \$23.8 million (\$16 million allocable to retail customers) before a prudent and final decision could be made on its next generation resource. The company asked the Commission for permission to continue charging all evaluation and screening costs to a regulatory asset and to defer the disposition of such asset until January 1, 2009. It also requested a prudence determination of all costs incurred through December 31, 2007.

Furthermore, the company notified the Commission of two additional screening activities considered

necessary to determine the feasibility of one of the alternatives being considered, a mine mouth Integrated Gasification Combined Cycle ("IGCC") generation facility utilizing a lignite coal fuel source located in Kemper County, Mississippi. In order to fully explore this option, the company requested permission to purchase a reservation option on a \$60 million refurbished drag line for \$1.5 million (\$1 million retail) and to build a prototype dryer to reduce the moisture content of the fuel source being considered at a cost of \$4.3 million (\$3 million retail). The company asked the Commission to specifically make a determination that the proposed activities and associated costs are prudent and in the public interest.

By order dated December 28, 2007, the Commission directed the company to continue charging all costs incurred to a regulatory asset, including the costs of the reservation option and prototype dryer, and to defer the disposition of the regulatory asset until January 1, 2009. The Commission declined to make any prudency determination on any of the costs incurred or proposed, pending its receipt of a prudency report from the Staff. Through July 2008, the company has reported spending

approximately \$32 million on resource planning and screening costs. To date, no final determination has been made by the company.

On August 29, 2007, Entergy Mississippi, filed with the Commission a proposed revision to its Power Management Rider to allow it to flow through to ratepayers variances from base rates of System Agreement reserve equalization payments or receipts. The revision would have increased rates about \$ 8,000,000 in 2008. The Staff contested the filing at a hearing before the Commission. The Commission adopted the Staff's position and denied the rate increase.

F E D E R A L E N E R G Y  
R E G U L A T O R Y C O M M I S S I O N –

There have been several proceedings commenced at FERC that are “spin offs” of the full production cost equalization case. The following proceedings have either been heard or will be set for hearing :

- Docket ER07-682-000 was to amend the System Agreement to change the method of allocating “Net General and Intangible Plant” from “plant” ratios to “labor”. This proceeding was heard before an Administrative Law Judge

(“ALJ”) in March 2008. The ALJ has issued its Initial Decision approving Entergy's amendments.

- Docket ER07-956-000 was the first annual Bandwidth Filing required under Opinion No. 480 which was calculated using production costs that were recorded in 2006. This proceeding was before an ALJ in June and July 2008. An Initial decision has not yet been given.
- Docket EL08-51-002 is based on a complaint filed by the Louisiana Public Service Commission that Entergy Services, Inc. failed to include the Spindletop Storage Facility costs in Entergy Gulf States, Inc.'s production costs. The FERC issued an order setting it for hearing.
- Docket ER08-1056-000 is the second annual Bandwidth filing required under Opinion No. 480. The FERC issued an order accepting the rates for filing and set them for settlement judge procedures and hearing.

## GAS

On September 5, 2007, Atmos Energy Corporation filed its Stable Rate Annual Evaluation for the twelve-month period ended June 30, 2007. In its filing, the company reported an expected return on equity of 9.23% which fell within the range of no change (8.89% to 10.89%) and thus indicated that no adjustment to rates was necessary. The Staff's review resulted in adjustments to rate base totaling \$6,540,820 and operations and maintenance expense totaling \$1,174,000. These adjustments and miscellaneous smaller adjustments increased the company's expected return on equity by \$1,098,468 and yielded an expected return on equity of 10.74%, confirming that no rate adjustment was necessary.

On September 17, 2007, Willmut Gas & Oil Company made its annual Rate Stabilization Adjustment (RSA) filing for the twelve-month period ended June 30, 2007. The report filed reflected an earned return on equity of 1.98% and an allowed return of 10.08%, indicating the need for a revenue adjustment of \$930,829. The Staff determined that certain adjustments were appropriate which resulted in an adjusted earned return

on equity of 5.63% and a revenue adjustment of \$507,265. The Company stipulated to the Staff's proposed adjustments.

On January 2, 2008, CenterPoint Energy, Inc. made its annual Rate Regulation Adjustment (RRA) filing for the twelve months ended September 30, 2007. The company reported an expected return on equity of 4.82% which was below the range of no change (8.92% to 10.92%), thereby indicating the need for a rate increase of \$2,495,364. However, during its review, the Staff determined that certain adjustments were appropriate. These adjustments reduced rate base by \$1,441,080, increased revenues by \$744,922 and reduced operating and maintenance expenses by \$718,201 resulting in an adjusted expected return of 7.95% and a revenue adjustment of \$863,928. The Staff and the company stipulated to this result on August 22, 2008.

## TELECOMMUNICATIONS

COMPETITION – Mississippi continues to witness the impact of competition in the local telecommunications market. At the end of 2007, competitive alternatives to traditional landline local service gained more access lines.

Mississippi's largest Incumbent Local Exchange Carrier (ILEC), AT&T, experienced the largest decrease in access lines. BellSouth Telecommunications d/b/a AT&T experienced a 32,197 access line decrease over the previous year. AT&T's total line decrease has approached 300,000 since competition in the local market became a reality.

Not immune to competition was Mississippi's Independent Rural ILEC's. Rural ILEC's saw a 3,767 decrease in lines across the state. Wireless companies and cable companies are the likely source of competition facing Mississippi's rural companies.

Wireless telephone companies and cable companies, utilizing Voice over Internet Protocol, are becoming more formidable in competing with

wireline companies. As many as 12% of the households in the U.S. have switched to wireless service only. In Mississippi alone, wireless companies claimed an estimated 2 million customers at year end 2007.

REVISIONS TO THE LIFELINE/ LINK-UP PROGRAMS IN MISSISSIPPI – Lifeline and Link-Up provide discounts that make basic, local telephone service more affordable for more than 7 million Americans. Consumers apply for the discounts through their local telephone company. These companies are then reimbursed through the Low Income Program of the Universal Service Fund for the revenue they forego by providing discounted service to eligible consumers. Consumers qualify for Lifeline and Link-Up if they are eligible for Temporary Assistance to Needy Families, Supplemental Security Income, Food Stamps or Medicaid. In December of 2007, the Commission expanded the eligibility threshold to include Low Income Home Energy Assistance and Federal Public Housing Assistance (Section 8). The Commission also revised its current certification procedures to ensure that

consumers seeking to avail themselves of the benefits of the Lifeline and Link-Up program be allowed to submit written documentation, self-certifying their eligibility for participation in a qualifying program with the caveat that such information be provided subject to penalty of perjury for the submission of false information. Dispute resolution procedures, verification procedures, record keeping procedures for eligible telecommunications carriers (“ETCs”) were also adopted.

AREA CODE EXHAUST PLANNING – The 662 Numbering Plan Area (“NPA”) is facing the exhaust of numbers required for assignment to central office codes as early as second quarter 2012. The Commission initiated an effort to forestall the area code relief planning process through the preparation of a Petition to the Federal Communications Commission (“FCC”) for Delegated Authority to implement number conservation measures. A decision by the FCC to approve the Commission’s Petition will forego the need for current relief planning and will defer 662 NPA exhaust, as well as the creation of a new NPA in the 662 area, until approximately early to mid-2015.

MISSISSIPPI EMERGENCY MANAGEMENT SUPPORT – The Commission and the Staff have undertaken a pivotal interface role between the Mississippi Telecommunications Industry (“Industry”) and the Mississippi Emergency Management Agency (“MEMA”) to assist MEMA in communicating critical, personalized messages to tens of thousands of Mississippians in emergency situations such as tropical storms and hurricanes. The Staff is strategically involved in sharing information with the Industry as to message call timing, message content and call termination locations. Given this advance information, the Industry can observe telecommunications network impacts and, thereby, ensure that such messages experience a higher rate of completion.

FEDERAL UNIVERSAL SERVICE HIGH-COST SUPPORT— 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 2007, Mississippi received \$281,209,066 in high-cost universal service funding. These monies were utilized by Eligible Telecommunications Carriers to improve the wireless and wireline network infrastructure in high cost

areas of our state. Mississippi would be unable to maintain basic telephone rates in rural areas at rates comparable to those in more urban areas of the state without federal universal service support. In addition, universal service funding ensures that Mississippians in all areas of the state are provided services, functionalities and features comparable to those offered in urban areas. Other than high cost support, Mississippi received an additional \$3,846,593 in low-income support, also known as Lifeline and Link-Up. Currently there are 33 ETCs designated in Mississippi. These are comprised of LECs, CLECs and wireless companies. The Public Utilities Staff works in conjunction with the Commission to designate ETCs and also reviews and certifies ETC planned universal service expenditures. These actions ensure that monies received from the federal universal service fund are being used in accordance with the guidelines set forth in the Telecommunications Act of 1996.

In May 2006, Iowa Telecommunications Services, Inc. ("Iowa Telecom") filed a petition requesting the FCC to forebear from certain sections of its rules to the extent necessary to permit Iowa Telecom to be eligible for high-cost

universal service support based on its network's forward-looking economic costs and on the non-rural mechanism. This request would have resulted in Mississippi losing approximately \$5,000,000 in high-cost universal service support. Mississippi would have suffered even larger losses if additional similarly situated carriers applied for and received similar treatment. The Commission, along with six additional state commissions, strongly opposed the approval of this petition and was successful in preventing Iowa Telecom's request.

The Commission has actively participated in the FCC's Notice of Proposed Rulemakings focused on universal service reform. Comments focused on several issues of considerable importance to Mississippi telecommunications consumers. The Commission addressed the potential problems associated with the reverse auction proposals such as stranded costs and facilities, lack of carrier access, carrier of last resort issues and practical implementation problems. The Commission supported the use of federal universal service support to provide broadband and urged the FCC to give ETCs the ability to use current universal service funding to begin deploying broadband in unserved and underserved areas.

## **WATER AND SEWER**

The Water and Sewer Division investigated over 75 utility filings for new and supplemental certificates, sale and transfers, facility certificates and rate changes for the provision of water and sewer service during this reporting period. The division reviewed over 30 water block grant applications and made

utility viability recommendations to the Mississippi Development Authority, the Mississippi State Department of Health and the Mississippi State Department of Environmental Quality. In addition, the division continued monitoring of utility systems and new construction projects.

**UTILITIES SUMMARIES**

**ELECTRIC, GAS & TELEPHONE UTILITY SUMMARIES 2007**

INVESTOR-OWNED ELECTRIC UTILITIES SUMMARY 2007

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
ENTERGY MISSISSIPPI, INC.								
RESIDENTIAL	361,308	5,474,190,000	\$ 1,384	15,151	\$ 0.0914		\$ 500,097,154	
COMMERCIAL	63,517	4,872,205,000	\$ 6,731	76,707	\$ 0.0878		\$ 427,545,046	
INDUSTRIAL	3,163	2,771,322,000	\$ 58,526	876,169	\$ 0.0668		\$ 185,119,291	
OTHER	4,081	420,847,000	\$ 9,904	103,123	\$ 0.0960		\$ 40,416,887	
TOTAL	432,069	13,538,564,000	\$ 2,669	31,334	\$ 0.0852	\$ 2,910,933,468	\$ 1,153,178,378	40%
MISSISSIPPI POWER COMPANY								
RESIDENTIAL	149,358	2,134,882,000	\$ 1,545	14,294	\$ 0.1081		\$ 230,819,350	
COMMERCIAL	33,300	2,876,247,000	\$ 7,434	86,374	\$ 0.0861		\$ 247,539,122	
INDUSTRIAL	508	4,317,656,000	\$ 477,236	8,499,323	\$ 0.0561		\$ 242,435,764	
OTHER	103	38,764,000	\$ 62,325	376,350	\$ 0.1656		\$ 6,419,514	
TOTAL	183,269	9,367,549,000	\$ 3,968	51,114	\$ 0.0776	\$ 2,180,849,955	\$ 727,213,750	33%

**GAS UTILITIES SUMMARY 2007**  
**(SOURCE: COMPANY ANNUAL REPORTS)**

As of December 31, 2007

Number of companies reporting: 6

	<u>Atmos</u>	<u>CenterPoint</u>	<u>MS River Gas</u>	<u>Tumlinson</u>	<u>Walthall</u>	<u>Willmut</u>	<b>TOTALS</b>
<b>Plant (Intrastate Only) (000 Omitted)</b>							
Plant in Service	360,100,769	146,973,309	2,119,710	293,500	791,414	35,679,619	545,958,321
Construction Work in Progress	3,869,732	1,051,815	0	0	0	0	4,921,547
Plant Acquisition Adjustment	7,977,971	0	0	0	0	0	7,977,971
Plant Held for Future Use	6,955,672	0	0	0	0	0	6,955,672
Materials and Supplies	934,859	318,755	27,379	0	8,775	524,210	1,813,978
Less:							
Depreciation and Amortization Reserves	155,305,299	72,635,735	1,109,264	293,500	499,079	20,106,779	249,949,656
Contributions in Aid of Construction	0	0	205,733	0	185,297	0	391,030
<b>NET BOOK COSTS</b>	<b>224,533,704</b>	<b>75,708,144</b>	<b>832,092</b>	<b>0</b>	<b>115,813</b>	<b>16,097,050</b>	<b>317,286,803</b>
<b>Revenues and Expenses (Intrastate Only) (000 Omitted)</b>							
Operating Revenues	346,762,222	136,075,818	3,486,644	1,135,021	787,966	32,018,566	520,266,237
Depreciation and Amortization Expenses	11,063,254	4,832,677	168,703	8,750	18,958	1,051,718	17,144,060
Income Taxes	2,038,316	(205,097)	89,143	10,225	0	132,750	2,065,337
Other Taxes	16,032,090	6,575,520	0	5,717	20,811	1,326,628	23,960,766
Other Operating Expenses	298,914,090	121,491,217	3,124,238	1,047,956	722,902	28,760,822	454,061,225
Total Operating Expenses	328,047,750	132,694,317	3,382,084	1,072,648	762,671	31,271,918	497,231,388
Net Operating Income	18,714,472	3,381,501	104,560	62,373	25,295	746,648	23,034,849
Other Income	914,577	513,619	2,764	0	9,444	293,081	1,733,485
Other Deductions	(11,790,022)	(1,683,994)	(71,962)	0	(2,326)	(286,980)	(13,835,284)
<b>NET INCOME</b>	<b>7,839,027</b>	<b>2,211,126</b>	<b>35,362</b>	<b>62,373</b>	<b>32,413</b>	<b>752,749</b>	<b>10,933,050</b>
<b>Customers (Intrastate Only)</b>							
Year-End Average:							
Residential	230,012	106,918	3,099	159	460	17,282	357,930
Commercial	26,137	12,464	251	44	182	2,671	41,749
Industrial	673	59	4	2	0	5	743
Others	2,864	0	88	0	0	9	2,961
Total Number of Customers	259,686	119,441	3,442	205	642	19,967	403,383
<b>Other Statistics (Intrastate Only)</b>							
Average Annual Residential Use (MCF)	55.79	45.94	33.19	34.26	39.98	49.51	43.11
Average Residential Cost per MCF (\$)	13.00	13.10	16.66	12.75	15.30	12.25	13.84
Average Residential Monthly Bill	60.46	50.17	46.08	36.41	50.98	50.56	49.11
Gross Plant Investment per Customer	1,386.68	1,230.51	615.84	1,431.70	1,232.73	1,786.93	1,280.73

MISSISSIPPI TELEPHONE UTILITIES SUMMARY 2007								
COMPANY	NUMBER OF MS EXCHANGES	ACCESS LINES 2007	ACCESS LINES 2006	ACCESS LINE GROWTH FROM PREV. YEAR	GROSS PLANT IN SERVICE	OPERATING REVENUE	OPERATING EXPENSES	NET REVENUE
WINDSTREAM	3	11,275	11,701	(426)	\$38,099,841	\$11,667,202	\$6,738,094	\$4,929,108
BPM (NOXAPATER)	1	901	965	(64)	\$3,770,992	\$1,896,311	\$1,760,412	\$135,899
BAY SPRINGS	12	10,842	11,330	(488)	\$64,796,544	\$19,579,477	\$14,491,869	\$5,087,608
BELLSOUTH	172	1,003,342	1,035,539	(32,197)	\$4,131,289,000	\$1,015,860,000	\$590,372,000	\$425,488,000
BRUCE	1	2,721	2,946	(225)	\$14,962,076	\$3,897,805	\$3,524,266	\$373,539
CALHOUN CITY (TDS)	3	3,446	3,609	(163)	\$13,600,696	\$3,867,438	\$2,260,413	\$1,607,025
CENTURYTEL OF ADAMSVILLE	1	147	162	(15)	\$36,516,393	\$7,178,353	\$5,031,301	\$2,147,052
CENTURYTEL OF NORTH MS	3	22,083	22,941	(858)	\$93,264,934	\$25,053,855	\$15,922,235	\$9,131,620
DECATUR	1	1,831	1,854	(23)	\$6,854,615	\$1,760,189	\$1,925,563	(\$165,374)
DELTA	7	3,658	3,891	(233)	\$15,723,667	\$4,428,496	\$3,287,899	\$1,140,597
FRANKLIN	10	8,055	8,248	(193)	\$43,016,362	\$10,766,510	\$7,825,281	\$2,941,229
FRONTIER	4	5,368	5,705	(337)	\$27,850,953	\$5,371,741	\$4,477,452	\$894,289
FULTON	4	7,436	7,740	(304)	\$27,528,182	\$7,605,247	\$6,467,539	\$1,137,708
GEORGETOWN	1	371	388	(17)	\$6,269,370	\$2,284,895	\$1,267,279	\$1,017,616
LAKESIDE	1	341	392	(51)	\$2,959,551	\$1,108,769	\$1,104,630	\$4,139
MOUND BAYOU	1	838	882	(44)	\$4,116,222	\$1,323,501	\$1,398,336	(\$74,835)
MYRTLE (TDS)	1	746	821	(75)	\$3,264,871	\$839,307	\$599,716	\$239,591
SLEDGE	1	510	528	(18)	\$4,440,990	\$1,497,907	\$1,402,296	\$95,611
SMITHVILLE	1	875	929	(54)	\$3,642,285	\$743,040	\$903,068	(\$160,028)
SOUTHEAST MS (TDS)	4	3,725	3,904	(179)	\$19,709,105	\$6,545,846	\$2,968,314	\$3,577,532

TELEPHONE DENSITY FOR AT&T SERVICE AREAS IN MS AND NEIGHBORING STATES

<u>STATE</u>	<u>% OF STATE SERVED</u>	<u>% LINES IN RURAL AREA</u>	<u>ACCESS LINES PER SQ. MILE</u>	<u>SQ. MILES SERVED</u>
AL	51	45	73	26,800
KY	45	44	63	18,300
LA	55	27	79	28,100
MS	83	51	30	39,700
TN	61	36	112	25,500

**COMBINED STATEMENT OF RECEIPTS AND  
DISBURSEMENTS  
JULY 1, 2007 - JUNE 30, 2008**

**DISBURSEMENTS:**

Salaries & Fringe Benefits	\$1,926,797
Travel	69,068
Contractual Services	169,332
Commodities	5,769
Capital Outlay Equipment	0
Subsidies, Loans, Grants	<u>0</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,170,966</b>
Transfers	<u>0</u>
<b>TOTAL DISBURSEMENTS</b>	<b>\$2,170,966</b>

**RECEIPTS:**

Utility Regulatory Tax	\$2,377,455
Miscellaneous Receipts	<u>0</u>
<b>TOTAL RECEIPTS:</b>	<b>\$2,377,455</b>

**OUT OF STATE TRAVEL  
FISCAL YEAR 2008**

<u>Employee's Name</u>	<u>Destination</u>	<u>Purpose</u>	<u>Costs</u>
David Boackle	East Lansing, MI	NARUC Course	1594.00
Ron Brewer	Baton Rouge, LA	Audit	194.00
Emmett Davis	Birmingham, AL	MPCO Audit	151.00
George Fleming	San Destin, FL	Mississippi Bar	1406.00
	Washington, DC	FERC	2669.00
	Washington, DC	FERC	380.00
Chris Garbacz	New York, NY	NARUC	1708.00
	New Orleans, LA	ICT Summit	457.00
	Anaheim, CA	NARUC	1371.00
	Washington, DC	NARUC	1537.00
Vicki Helfrich	New York, NY	NARUC	1179.00
	Washington, DC	NARUC	1800.00
	San Destin, FL	AMTA	1353.00
Virden Jones	Birmingham, AL	MPCO Audit	406.00
	Savannah, GA	SEARUC	1394.00
Mike McCool	Baton Rouge, LA	TESI Audit	371.00
Brandi Myrick	Birmingham, AL	MPCO Audit	152.00
Chad Reynolds	East Lansing, MI	NARUC Course	658.00
	Washington, DC	FERC	2616.00
	Washington, DC	FERC	6969.00

<b>Randy Tew</b>	<b>San Destin, FL</b>	<b>AMTA</b>	<b>1352.00</b>
<b>Bobby Waites</b>	<b>San Destin, FL</b>	<b>Mississippi Bar</b>	<b>1381.00</b>
	<b>New York, NY</b>	<b>NARUC</b>	<b>1263.00</b>
	<b>Savannah, GA</b>	<b>SEARUC</b>	<b>1469.00</b>
	<b>San Destin, FL</b>	<b>AMTA</b>	<b>1375.00</b>