

MISSISSIPPI

PUBLIC SERVICE COMMISSION

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

PUBLIC UTILITIES STAFF

Robert G. Waites, Executive Director

Annual Report

Ending June 30, 2009

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, 2008, and ending June 30, 2009.

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,

Lynn Posey, Chairman

Brandon Presley, Vice Chairman

Leonard L. Bentz, Commissioner

ATTESTED:

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.

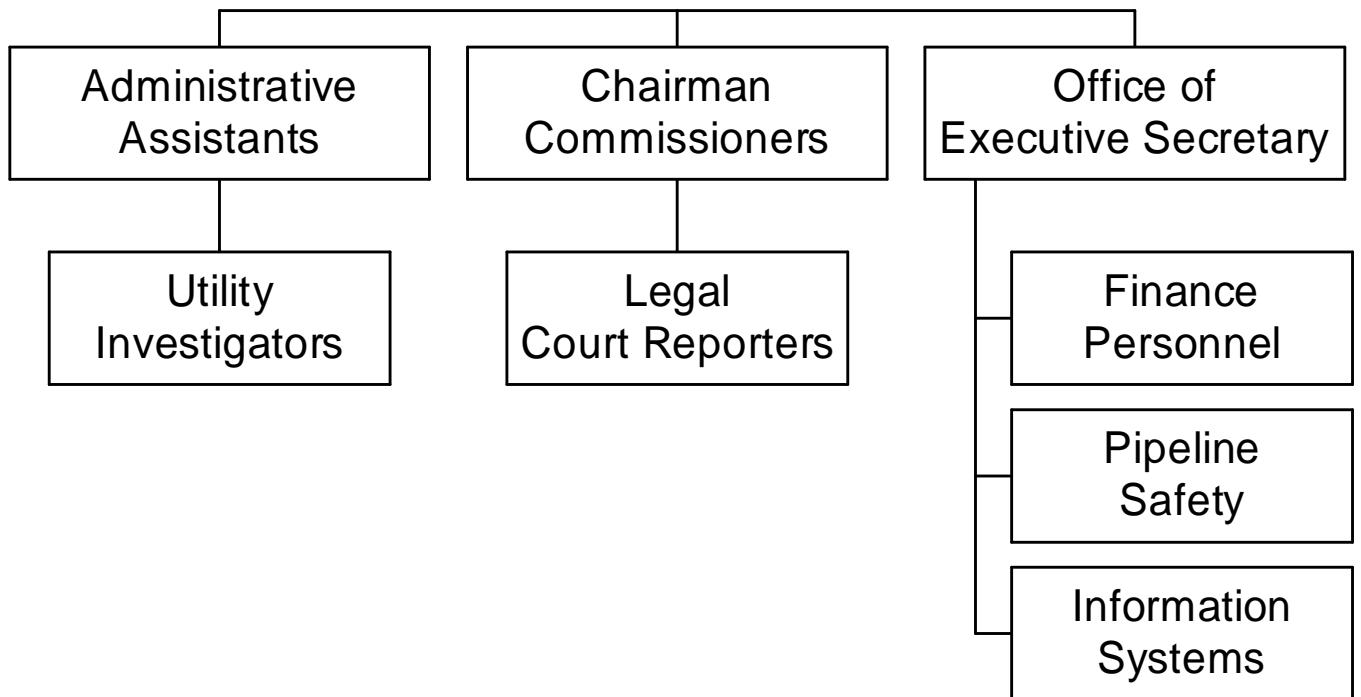
During fiscal year 2009 the Commission received 6008 consumer complaints. The Commission registered 173 telemarketers and placed an additional 18,958 Mississippi consumers on our "No Call" list. Also during this reporting

period, the Commission issued 44 complaints against telemarketers for violating the Mississippi Telephone Solicitation Act and assessed \$190,000 in fines and penalties.

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

The following Organizational Chart depicts the Commissioners and their staff for the 2009 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)

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

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 previously served as Chairman of the Commission in 2008.

Commissioner Bentz, 37, 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.

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 116th 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 17, and Hunter, age 12. 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 Chairman of the Commission.

Commissioner Posey, 54, 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 have two children, Hunter age 23 and Kaitlyn age 20, attending Mississippi State University. The Posey's belong to the Union Church Baptist Church.

BRANDON PRESLEY

Commissioner Brandon Presley was elected Northern District Public Service Commissioner for the State of Mississippi in November, 2007. Prior to being elected to the Public Service Commission, he served as Mayor of Nettleton from 2001 to 2007, having been elected at age 23 making him one of the youngest mayors in Mississippi history.

Commissioner Presley serves on the Board of Directors of the National Regulatory Research Institute (NRRRI) along with the National Association of Regulatory Utility Commissioners (NARUC) committees on Consumer Affairs and Water. Commissioner Presley previously served on NARUC's ad hoc Committee on Wireless Consumer Protections Standards

Commissioner Presley is past Chairman of the Board of Trustees at Itawamba Community College and 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.

Commissioner Presley, 32, is 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	29	15	0
Water	48	506	120	45
Sewer	137	35	31	32
Gas				
Distribution	7	0	33	4
Intrastate Pipeline	3			
Communication				
Local Exchange Companies	20			
Interexchange Carriers	8			
Resellers	235			
Institutional Service Providers	17			
Alternate Operator Service Providers	4			
Competitive Local Exchange Carriers	<u>113</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals by Category	604	570	199	81
GRAND TOTAL	1454			

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 2009, the Commission and staff took action on an average of 63 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 2009 fiscal year:

UTILITY DOCKET

JULY 1, 2008 - JUNE 30, 2009

	<u>Communication</u>	<u>Electric</u>	<u>Gas</u>	<u>Water</u>	<u>Sewer</u>
Utility Rate/Tariff Revisions Approved.	237	21	19	15	6
Utility Rate Matters Denied	0	0	0	0	1
Utility Certificates of C. & N. Approved.	13	12	2	18	11
Sale of Stock/Transfer of Certificate	12	1	0	9	6
Service Matters	139	13	6	14	3
Utility Refunds Granted	0	0	0	0	0
Applications Retired to Files	3	0	0	6	3
Cases Dismissed/Withdrawn	22	0	3	4	5
Cases Not Yet Decided	12	13	1	9	14
Commission's Own Motion	74	11	0	5	0
Certificates Cancelled	<u>17</u>	<u>0</u>	<u>0</u>	<u>2</u>	<u>3</u>
TOTALS	529	71	31	82	51

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 2nd or 3rd 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 ([Desktop Authority](#)) for help desk, remote control, cloning, and pushing [software updates](#). New security measures were implemented to reduce SPAM, Internet pop-ups, and spyware.

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 (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 16,309 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:

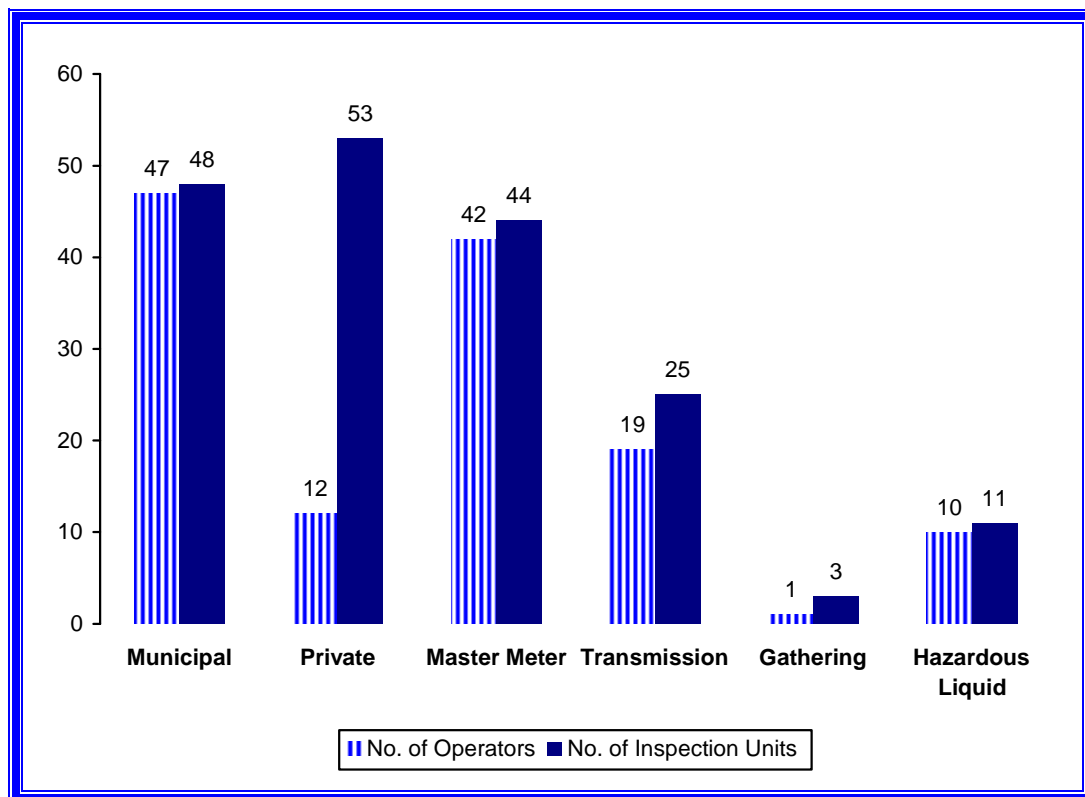
Electric	5563
Gas	720
Water	450
Sewer	124
Telegraph	0
Telephone:	
Consumer Complaints	2724
No Call Complaints	6008
Miscellaneous Other	720
TOTAL	16309

PIPELINE SAFETY DIVISION

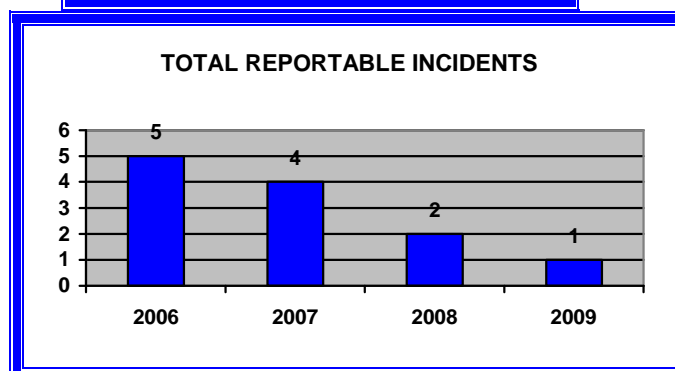
The Pipeline Safety Division conducts and carries out safety inspections (i.e. operation, maintenance, emergency procedures, operator qualification, construction, integrity management, incident investigations and drug and alcohol) involved in the regulation of intrastate natural gas and hazardous liquid 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 06/30/09



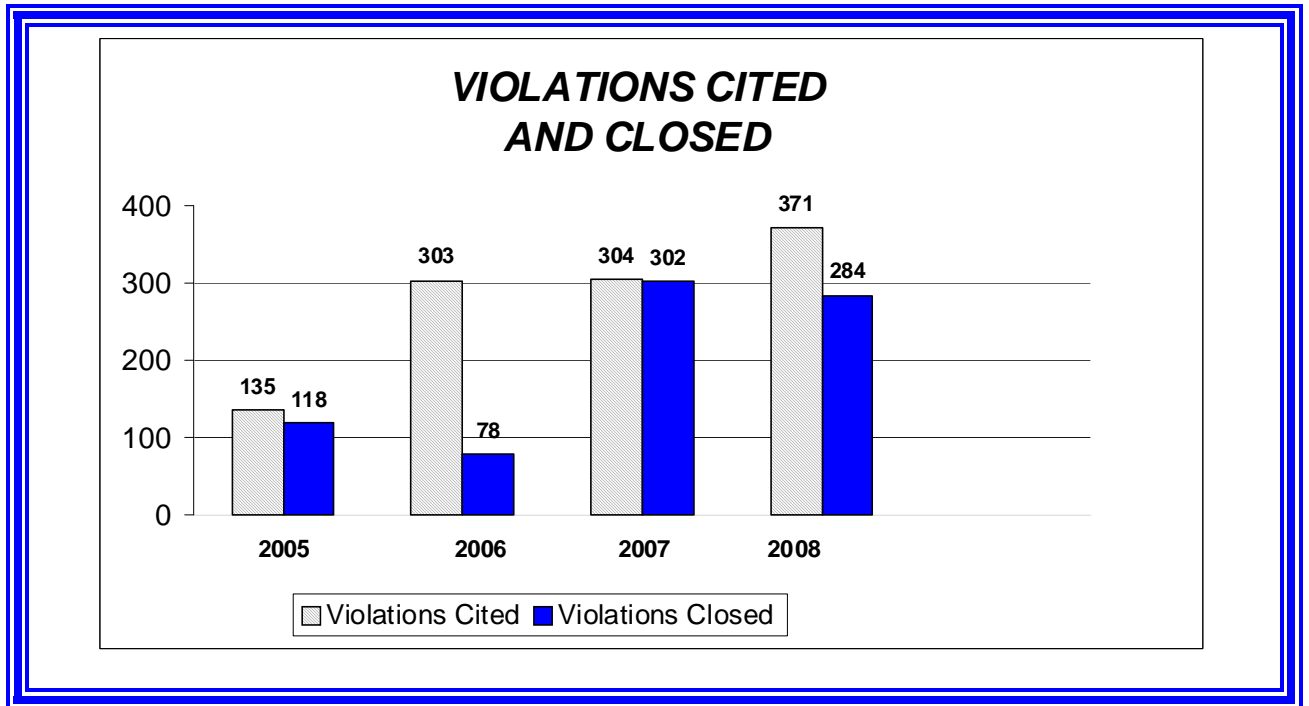
Number of Inspections Performed 7/1/2008 thru 6/30/2009	
<i>Inspections</i>	2008-2009
Standard	406
Special/On-Site/Operator Qualification	130
Follow-up	63
Construction	77
Reportable Incident	12
Other	0
TOTAL	688



- **Standard:** 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.
- **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 688 inspections in FY 2009 resulting in 371 violations. As of June 30, 2009, 284 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 eight 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, 2008 TO JUNE 30, 2009

Of the 715 cases coming before the Commission in the period from July 1, 2008 to June 30, 2009, two final orders of the Commission were appealed to a higher court.

COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS
JULY 1, 2008 – JUNE 30, 2009
REGULATORY FUND 3811

DISBURSEMENTS:

Salaries & Fringe Benefits	\$3,653,077
Travel	416,750
Contractual Services	895,138
Commodities	118,171
Capital Outlay Equipment	118,502
Subsidies, Loans, Grants	<u>0</u>
TOTAL OPERATING EXPENSES	\$5,201,638
Transfers	<u>0</u>
TOTAL DISBURSEMENTS	\$5,201,638

RECEIPTS:

Utility Regulatory Tax	5,774,254
Miscellaneous Federal Grants	263,770
Miscellaneous Receipts	<u>295,222</u>
TOTAL RECEIPTS:	\$6,333,246

**OUT OF STATE TRAVEL
FISCAL YEAR 2009**

<u>Employee's Name</u>	<u>Destination</u>	<u>Purpose</u>	<u>Costs</u>
Thomas Adams	Chattanooga, TN	TVA Tour	\$ 172
Ilicia Boaler	Orlando, FL	Pipeline Conf	834
	Orange Beach, AL	NAPES	1,143
	Athens, AL	APGA	204
Lynn Carlisle	Portland, OR	NARUC	1,836
	San Destin, FL	MS Bar	1,192
	Houston, TX	Entergy Audit	520
	Albuquerque, NM	Utility Rate Training	1,139
	Little Rock, AR	NRRI Seminar	598
Lyla Carnley	Orange Beach, AL	MNGA	926
	Boise, ID	NAPSR	1,733
	Oklahoma City, OK	Pipeline Training	579
Lewis Davis	Oklahoma City, OK	Pipeline Training	448
George Haynie	San Destin, FL	AMTA	1,702
Samantha Hebert	Portland, OR	NARUC	742
Clyde Magee	Washington, DC	NARUC	1,842
Mark McCarver	New Orleans, LA	Pipeline Training	516
	Monterey, Ca	APGA	1,473
	Athens, AL	APGA	807
	Orlando, FA	NAPSR	899
	Orange Beach, AL	NAPSR	937
Jay McKnight	Orange Beach, AL	MNGA	698
Sharamie Posada	Charlotte, NC	NIGP	1,851
Lynn Posey	Portland, OR	NARUC	1,152
	New York City, NY	American Gas	207
	Savannah, GA	SEARUC	1,914
	New Orleans, LA	NARUC	954
	Washington, DC	NARUC	39
	Charlotte, SC	SEARUC	1,522
	San Destin, FL	AMTA	2,044

**OUT OF STATE TRAVEL
FISCAL YEAR 2009**

Brandon Presley	Portland, OR	NARUC	1,938
	Chattanooga, TN	TVA Tour	501
	Tampa, FL	NARUC	1,222
	New Orleans, LA	NARUC	1,054
	Washington, DC	NARUC	1,331
	Charleston, SC	SEARUC	1,700
Michael Sharp	Orange Beach, AL	MNGA	937
	Boise, ID	NAPSR	1,350
	Montgomery, AL	Pipeline Training	1,090
George Underwood	New Orleans, LA	NARUC	903
Olivia Vest	Portland, OR	NARUC	914
	New Orleans, LA	NARUC	405
Wiley Walker	New Orleans, LA	Pipeline	863
	Athens, AL	APGA Workshop	387
	Oklahoma City, OK	Pipeline Training	1,517
	Athens, AL	Pipeline Training	2,038
	Cleveland, OH	Pipeline Training	928
Bill Ward	Orange Beach, AL	MNGA	996
Thomas Adams	Charleston, SC	SEARUC	615
TOTAL			\$ 50,198

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:

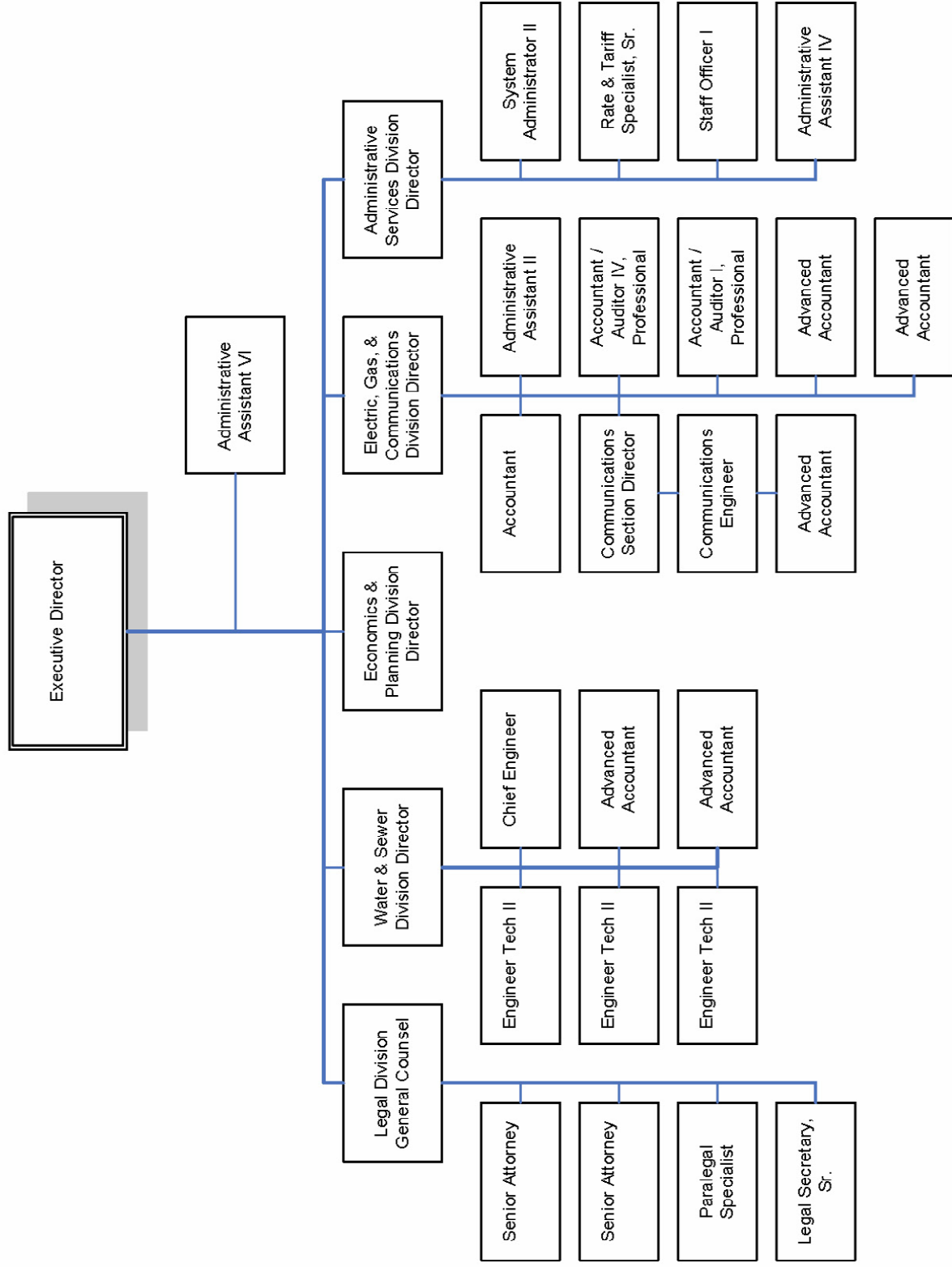
A. Reviewing, investigating and making recommendations with respect to the reasonableness of rates charged or proposed to be charged by any public utility.

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 2009 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) 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 the wholesale rates of Entergy and the Southern Company, its opinions directly impact the ratepayers of Mississippi.

The Legal Division 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 2009, the Public Utilities Staff participated in 563 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 1454 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 customers, Entergy Mississippi, Inc. (“EMI”) and Mississippi Power Company (“MPCo”). State statute permits the direct pass-through of certain fuel and purchased power costs to ratepayers. The Staff audits and reviews all fuel and purchased power expenditures to assure that they are properly includable in the fuel adjustment and that they are 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 15th each year. The Staff also reviews the Commission-approved fuel hedging programs implemented by both companies to reduce fluctuations in fuel costs arising primarily from the volatility of natural gas prices.

On July 1, 2008, the Commission opened a docket to investigate and review EMI’s fuel adjustment charges.

The purpose of the docket was to inquire, investigate and hear sworn testimony to determine the reasonableness and prudence of an approximately 28% increase in residential customer bills resulting from higher fuel charges being passed through to EMI's customers pursuant to its third quarter fuel factor adjustment. A hearing was held on July 7, 2008, during which representatives of EMI, its procurement affiliate, Entergy Services, Inc. ("ESI") and the Staff provided testimony. The company's witnesses cited extraordinarily high natural gas prices and the effect of over/under recoveries from previous quarters as the primary reasons for the increase. The Staff's witness concurred with the company's assessment and suggested that an annual rather than quarterly fuel factor should be considered. Subsequently, on August 6, 2008, in response to falling natural gas prices, EMI was ordered to file a reduced fuel factor effective for September billings.

On December 2, 2008, the Attorney General of Mississippi filed a Complaint in the Chancery Court of Hinds County, Mississippi, First Judicial District (G-2008-2086 T/1) alleging that EMI *et al* improperly

included certain costs in the fuel adjustment clause. On December 29, 2008, EMI filed an Answer, Affirmative Defenses and Counterclaims to the Complaint and a Notice of Removal in the United States District Court, Southern District of Mississippi, and Jackson Division (3:08 cv 780 HTW-LRA). EMI requested a Declaratory Judgment to the effect that all fuel adjustment clause issues are jurisdictional to the Federal Energy Regulatory Commission, or in the alternative, that the fuel adjustment clause issues are jurisdictional to the Mississippi Public Service Commission. It is possible that a resolution of this lawsuit could impact EMI's fuel adjustment clause costs; however, the probability or extent of any impact cannot be ascertained until this litigation is resolved. To date, the litigation is still pending.

On December 29, 2008, a hearing was held by the Commission in Gulfport, Mississippi, to consider the reasonableness and prudence of the proposed fuel adjustment net factors of Mississippi Power Company for 2009. The proposed increase in the net factor would result in approximately a 9.2% increase on a typical 1000 kWh residential bill. Company and Staff

witnesses participated in the hearing. Testimony revealed that the increase was due to rising coal and natural gas prices. The company's factors were eventually conditionally approved by order dated March 3, 2009, subject to possible further review.

On January 12, 2009, the Staff filed the annual fuel audits for the twelve month period ended September 30, 2008, and accompanying Staff CPA letter for EMI and MPCo with the Commission. The Staff retained the accounting firm of BKD, LLP, to assist in the implementation of the new risk assessment suite of auditing standards and preparation of the audit reports. EMI reported net allowable fuel and purchased energy costs of \$720,139,056, a credit flowed through to ratepayers for over recovered costs from the previous year of \$39,429,788 and total collections of \$631,973,562. This resulted in an under recovery (debit) of \$48,735,707 to be collected from ratepayers in the next fiscal year. MPCo reported recoverable fuel and purchased energy costs applicable to retail customers of \$370,272,663, a debit flowed through to retail customers for under recovered costs from the previous year of \$15,867,178 and total retail collections of \$354,403,431. This resulted in a cumulative under recovery of

\$31,736,410. Generally, over or under recoveries are included in the calculation of the new fuel factor used for billing in subsequent fiscal periods.

The Commission considered the fuel audits filed by the Staff, but by separate orders dated January 15, 2009, it directed its Executive Secretary to file the Staff's audit reports with the Mississippi Legislature without certification pending further review and requested an extension until January 15, 2010, to submit additional, independent audit reports to comply with an interpretation of the Attorney General's office that an outside, independent audit was required by Miss. Code Ann. Section 77-3-42. It also requested additional monies from the Legislature to fund independent audits in addition to the audits performed by the Staff. Further, it recommended that the Legislature consider reorganizing the Commission and the Staff. Subsequently, the Commission-sponsored legislation to this effect was not enacted. (See PEER Committee Report issued December 8, 2009, which found no need for changing the regulatory structure in Mississippi.) Lastly, the Commission expressed its intent to open a rule-making proceeding to further define what elements

constitute efficient and economical procurement and use of fuel and purchased energy and to establish guidelines for making the required review of fuel adjustment expenses. To date, the Commission has taken no action in this regard.

The Staff maintains that the audits that it submitted to the Commission are in compliance with Miss. Code Ann. Section 77-3-42 as interpreted and applied for over 25 years. Since 1981, staff auditors have carried out the fuel audits of both companies and all of these audits have been accepted and certified to the Legislature by previous commissions without qualifications. In this timeframe no position was taken that such audits must be conducted by an independent third party other than the Staff.

The Staff is in agreement with the Commission, however, that a rule-making proceeding to further define what elements constitute efficient and economical procurement and use of fuel and to provide guidelines for making the required review would be helpful to all parties concerned. The Staff continues to monitor fuel and energy purchases and will continue to provide annual fuel audits to the Commission.

FORMULARY PLANS – The non-fuel portions of rates of both EMI and MPCo are regulated primarily through formulary rate plans which are Commission-approved tariffs. These tariffs provide a formula approach to determining rates based on each company's operating results and allowed return on investment. Generally, benchmark rates of return adjusted for performance are calculated using pre-established formulas. Performance adjustments are made for scores received on customer satisfaction, price and reliability. Once the benchmark is determined, the expected return based on present rates is calculated to determine if such rates reasonably provide the company the 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. 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.

By order dated January 8, 2009, the Commission elected not to adopt the

joint stipulation between EMI and the Staff regarding the company's Formula Rate Plan Evaluation for the twelve months ended December 31, 2007. The company had originally filed for an annual rate increase of \$10,145,000, and the joint stipulation reduced this amount to \$ 3,775,000.

On January 22, 2009, EMI filed a Notice of Direct Appeal with the Supreme Court of Mississippi pursuant to Miss. Code Ann. Section 77-3-72 contesting the Commission's denial of the rate increase. This appeal was pending before the Court when on June 30, 2009, EMI filed a motion for voluntary dismissal of the appeal as part of a global settlement discussed further below.

On March 13, 2009, EMI filed its annual Formula Rate Plan Evaluation for the twelve months ended December 31, 2008. The company reported a benchmark rate of return on rate base of 9.51% and an expected earned return of 6.75% based on the rates currently in effect. The indicated revenue adjustment necessary to achieve the allowed return was calculated to be \$27,026,000; however, the Plan limits annual increases to \$14,500,000. The company also provided pre-filed testimony in support of the filing. On June 5, 2009,

the Staff filed a Memorandum Brief disputing the entire 2008 Evaluation Report, placing all of the issues before the Commission but recommending certain adjustments to the data in the report. The adjustments proposed by the Staff had the effect of increasing the company's expected return under current rates to 7.71%. The proposed adjustments increased operating revenues by \$1,736,000, reduced operating expenses by \$11,549,000, reduced total rate base by \$8,856,000 and resulted in an increase of \$13,285,000 in operating income. However, even after these adjustments, the Company's expected return was well below its allowed return of 9.01% indicating the need for a rate increase of \$15,451,000, which is capped at \$14,500,000, as noted earlier.

On June 12, 2009, EMI filed a Rebuttal to Memorandum Brief disagreeing with certain adjustments proposed by the Staff, but also expressing a willingness to agree to certain proposed adjustments. The company's calculations, which incorporated some but not all of the Staff's proposed adjustments, resulted in an earned return of 7.01% indicating a need for a rate increase of \$23,792,000 (capped at \$14,500,000). The company noted that even if the

Commission were to accept all adjustments proposed by the Staff, it would still be entitled under the plan to the \$14,500,000 increase. By order dated June 30, 2009, the Commission approved the \$14,500,000 increase as part of a global settlement which also provided for the company to drop its Supreme Court appeal regarding the 2008 Formula Rate Plan Evaluation, and for the employment of independent certified public accountants to be paid by the Company (with recovery through rates to be determined at a later date) to audit its fuel clause expenses for the twelve month periods ending September 30, 2008, and September 30, 2009. The Staff facilitated the resolution of these matters in the settlement.

MPCo's PEP-4A Performance Evaluation Plan (the "Plan") provides for two annual filings by the company. On December 1st of each year, the Plan provides for the filing of the PEP-4A Performance Evaluation for the next test year beginning January 1st. This projected filing is used to evaluate the company's current rates based on projections of its investments, revenues and cost of service in the following period. If the company's expected return using current rates falls below its allowed

return and range of no change, as determined from formulas within the Plan, it is allowed to increase its rates. Subsequently, on March 15th of the year following the projected test year, the Plan provides for the filing of a Review And Adjustment For Prior Years Actual Results (the "Look Back") to evaluate the company's actual results for the previously projected period. The company's actual investments, revenues and costs are verified against its books and records, non-allowable costs are removed and its actual earned return is determined. If the actual earned return is above or below the range of no change established for that regulatory year, the Plan provides for a refund if the return is too high or a surcharge if the return is too low before the end of the current year.

By order dated December 2, 2008, the Commission granted a request by MPCo to postpone the filing date of its annual PEP-4A Performance Evaluation for the projected test year ending December 31, 2009. Later, by order dated January 6, 2009, the company was granted a further extension until on or before March 9, 2009, or such other date as approved by the Commission. Finally, on February 23, 2009, MPCo petitioned the Commission to suspend the filing

of the PEP-4A Performance Evaluation for the 2009 projected test year, the Review And Adjustment For Prior Years Actual Results for 2008 (the “2008 Look Back”) and the Review And Adjustment For Prior Years Actual Results for 2009 (the “2009 Look Back”). By order dated March 2, 2009, the Commission suspended the projected filing for 2009, as requested, but ordered the company to file its projected Performance Evaluation for 2010 by December 1, 2009. In addition, the Commission denied MPCo’s request to suspend the Look Back filings for 2008 and 2009, ordering the Company instead to make the filings as provided in the Plan.

On March 16, 2009, MPCo filed its 2008 Look-Back evaluation with the Commission. The company reported an Actual Retail Return on Investment (ARRI) of 9.993% which was within the range of no change (9.277% to 10.277%) indicating no need for a surcharge or refund. The Staff propounded numerous formal and informal data requests as part of its extensive investigation of the company’s results. The Staff proposed adjustments that included a pre-tax O&M reduction of \$3,543,505 for items including awards, variable pay, stock options, system aircraft and various other expenses. The Staff also

proposed a reduction of \$430,200 for variable pay compensation that was capitalized by the company. The resulting ARRI calculated by the Staff was 10.273% confirming that no rate action was required. By joint stipulation dated August 31, 2009, MPCo and the Staff agreed to no change.

OTHER MATTERS - On January 16, 2009, MPCo filed a petition for a certificate of public convenience and necessity to construct and operate a new electric generating facility, associated transmission facilities, associated pipeline facilities and associated rights-of-way in Kemper, Lauderdale, Clarke and Jasper counties. The proposed new plant would include a lignite coal-fueled integrated gasification combined-cycle (IGCC) baseload facility, environmental equipment for reduction of various emissions, approximately 60 miles of transmission lines, three new transmission substations, approximately 5 miles of natural gas transportation facilities and other related facilities. The company’s targeted in service date for the new plant is 2014.

The new baseload plant proposed by MPCo would be based on Transport

Integrated Gasification (TRIG™) technology developed in a partnership between Southern Company Services and Kellogg Brown & Root, an international technology-based engineering and construction contractor. An IGCC plant differs from a conventional coal-fired power plant which burns coal to produce heat that converts water into steam to drive a steam turbine generator. The proposed 582 megawatt (MW) IGCC plant would turn coal into synthesis gas which would then be used to fuel a combined cycle generation unit. Lignite coal is a plentiful Mississippi resource in the area and would be procured through long term contracts insuring stable prices in the future and dramatically reducing transportation costs. A major by-product of the IGCC process will be CO₂, a majority of which will be captured, compressed and delivered to a third party for sequestration via Enhanced Oil Recovery, according to the filing. The company is seeking clean coal technology incentives including Investment Tax Credits and Department of Energy loan guarantees made available pursuant to the Energy Policy Act of 2005.

In addition to its certificate request, MPCo is also requesting that the Commission find that the proposed

project is a “generating facility” pursuant to Miss. Code Ann. Section 77-3-10 *et seq.* (Baseload Act) and that its pre-construction activities and related costs incurred or to be incurred are reasonable, necessary, prudent and in the public interest. Previous Commission orders had authorized the company to establish a regulatory asset for cost incurred from its generation resource planning, evaluation and screening activities in anticipation of its need for a new generation resource by 2013. The company estimated that through May 2009 it would incur a total of \$61 million for such activities. By order dated April 6, 2009, the Commission directed the company to continue charging such costs to the regulatory asset previously authorized and to transfer and merge the generation screening docket (under which the costs were submitted for approval) with the company’s certificate filing for the new plant since the screening activities had led to the choice of the proposed new IGCC generating facility.

MPCo is further requesting pursuant to the Baseload Act, that the Commission (i) allow it to include in its rate base and rates, as used and useful components of providing electric service all prudently incurred preconstruction, construction,

operating and related costs incurred or to be incurred in connection with the project; (ii) approve its proposed ratemaking treatment for the project and (iii) approve the recovery mechanism proposed by the Company including periodic prudence reviews on a quarterly basis. This matter is still pending before the Commission.

On May 22, 2009, System Energy Resources, Inc. (“SERI”), an affiliate of EMI, and South Mississippi Electric Power Association (“SMEPA”) jointly filed for a certificate of public need and necessity to construct, own, operate and maintain an extended power uprate (“EPU”) at the Grand Gulf Nuclear Station in Claiborne County. The proposed EPU involves making certain modifications to the plant to increase the thermal output of the reactor from 3898 MW to 4408 MW in order to achieve an increase in steam flow sufficient to produce an additional 178 MW in baseload capacity. The total cost of the EPU is estimated to be \$510 million not including transmission system upgrades. Present plans call for the EPU to be accomplished during Grand Gulf’s refueling outage in 2012.

SERI owns 90% of Grand Gulf and SMEPA owns 10%. Power produced from the EPU is prorated to the two

entities based on their ownership interests. The capacity and energy from SERI’s 90% interest is sold by SERI at wholesale to Entergy Arkansas, EMI, Entergy Louisiana and Entergy New Orleans pursuant to the terms of the Unit Power Sales Agreement (“UPSA”), a wholesale power purchase tariff that was approved by the Federal Energy Regulatory Commission. EMI’s allocation of EPU capacity and energy under the UPSA will be 33% or approximately 52.9 MW. The Commission recently heard this matter and issued an order approving it on November 11, 2009.

FEDERAL ENERGY REGULATORY COMMISSION

– 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 ER07-956-000 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. The ALJ issued an Initial Decision upholding the \$40 million of

rough production cost equalization payments for EMI ratepayers.

- 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. The ALJ has

issued its Initial Decision denying the LPSC's complaint thereby saving EMI ratepayers \$600,000 in rough production equalization costs.

- Docket ER08-1056-000 is the second annual Bandwidth filing required under Opinion No. 480. This proceeding was heard before an ALJ in June 2009. An Initial Decision has not yet been given.

GAS

FORMULARY PLANS — The three largest natural gas local distribution companies (“LDCs”) in the state all operate under formulary plans similar to those of the investor-owned electric utilities. However, only the plan of Atmos Energy Corporation provides for performance adjustments to the company's allowed return on equity. Each LDC files an evaluation report annually which is reviewed by the Staff. Investments, revenues and expenses not properly includable in rates are disallowed and removed from the calculation of each company's revenue requirement. Typically, the Staff and the LDCs agree to certain

adjustments in a joint stipulation which is then submitted to the Commission for approval. If some issues remain in dispute at the end of the Staff's review, they are argued in memorandum briefs filed with the Commission for resolution.

On September 5, 2008, Atmos Energy Corporation (“Atmos”) filed its annual Stable/Rate Evaluation for the twelve month period ended June 30, 2008. In its filing, the company reported an expected return on equity of 8.42% which fell below the range of no change (9.71% to 11.71%) indicating the need for a rate increase of

\$3,493,012. During its investigation, the Staff issued 89 formal data requests and met with company representatives on several occasions to discuss issues identified during the course of the investigation and obtain additional information. The Staff proposed several substantial adjustments which were unacceptable to the company. Ultimately, rather than taking the matter before the Commission, the company elected to withdraw its filing by letter dated January 16, 2009.

On September 15, 2008, Willmut Gas & Oil Company (“Willmut”) made its annual Rate Stabilization Adjustment (RSA) filing for the twelve months ended June 30, 2008. The report reflected an earned return on equity of 7.12% and an allowed return of 10.48% indicating the need for a revenue adjustment of \$398,812. The Staff determined that certain adjustments were appropriate which resulted in an adjusted earned return on equity of 10.74% indicating that no revenue adjustment was necessary. The Staff and the company stipulated to the proposed adjustments and the Commission approved the joint stipulation by order dated January 20, 2009.

On January 5, 2009, CenterPoint Energy Entex (“CenterPoint”) made its annual Rate Regulation Adjustment (RRA) filing for the twelve months ended September 30, 2008. The company reported an expected return on equity of 1.62% which was below the range of no change (9.22% to 11.22%) indicating the need for a revenue adjustment of \$4,666,876. However, the Staff determined during its review that certain adjustments were appropriate. The proposed adjustments would have reduced rate base by \$4,874,479, reduced operating and maintenance expenses by \$3,934,617 and resulted in an adjusted expected return of 9.77% which was within the range of no change indicating that no rate increase was necessary. The Staff’s adjustments were unacceptable to the company; however, both parties agreed to no change in rates in a joint stipulation that was approved by Commission order dated August 31, 2009.

PURCHASED GAS ADJUSTMENTS

The Staff continued monitoring the purchased gas adjustments of the three major LDCs in the state. Atmos and CenterPoint are reviewed monthly and Willmut is reviewed on a bimonthly schedule. All natural gas purchases are verified against pipeline invoices and other supporting

documentation to determine that they are in conformity with underlying procurement contracts and price indices reflecting current market prices. Atmos and CenterPoint both employ Commission-approved hedging programs to help reduce the volatility of natural gas purchase prices. Hedging gains and losses and related expenses are also reviewed by the Staff and, if prudent, allowed for recovery through the purchased gas adjustment.

Also, in 2006, the Commission approved an asset management agreement (AMA) between Atmos and its affiliate, Trans Louisiana Gas Pipeline, Inc. (TLGP). Under this agreement, TLGP, an aggregator on the Gulf South Pipeline, manages the storage assets of Atmos and attempts to extract additional value from them through capacity release transactions,

physical and financial purchase and sales transactions and other means. Savings are calculated by establishing a benchmark against which actual results are compared. Seventy-five percent of such savings and one hundred percent of capacity release revenues are passed through to Atmos' PGA customers and any remaining savings are retained by TLGP. This pilot program was initially approved in 2006 and has subsequently been extended for two additional one year periods. On January 7, 2009, the Company petitioned the Commission for a three year extension of the asset management plan. After hearing and upon the Staff's recommendation, the plan was extended for an additional three years by order dated April 14, 2009, with the Staff to complete a thorough review of the plan within one year.

TELECOMMUNICATIONS

COMPETITION – Mississippi continues to witness the impact of competition in the local telecommunications market. At the end of 2008, 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 79,492 access line decrease over the previous year. AT&T's total line decrease has approached 400,000 since competition in the local market became a reality.

Not immune to competition was Mississippi's Independent Rural ILECs. Rural ILECs saw a 4,912 decrease in lines across the state. Competition from wireless and cable companies are the likely source of competition facing Mississippi's rural companies. Only two Rural ILECs saw an increase in their customer base.

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 2.2 million customers at year end 2008.

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 seven million Americans. Lifeline support lowers the cost of basic, monthly local telephone service. Link-Up support 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 local telephone company. These companies are then reimbursed through the Low Income Program of the Universal Service Fund for the revenue they forgo by providing discounted service to eligible consumers. In Mississippi, consumers qualify for Lifeline and Link-Up if they are eligible for Temporary Assistance to Needy Families, Supplemental

Security Income, Food Stamps, Medicaid, Federal Public Housing Assistance (Section 8) and the Low Income Home Energy Assistance Programs. In February of 2009, the Commission expanded the eligibility threshold to include the National School Lunch Program's Free Lunch Initiative, all Federal Public Housing Assistance and an income-based criterion. The income-based criterion allows a consumer to be eligible for Lifeline/Link-Up if the consumer's household income is at or below 135% of the Federal Poverty Guidelines.

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 fourth quarter 2012. In September 2008, the Commission initiated a mechanism to forestall the area code relief planning process by requesting the Federal Communications Commission (“FCC”) to approve a Petition for Delegated Authority to implement number conservation measures. Such delegated authority would allow the Commission to mandate 1,000 block number pooling and assignment. In early 2009, the Commission reiterated to the FCC the necessity for approval

of its Petition request. 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 mid-to-late 2015.

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 program and the Low Income program. 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 and Link-Up, provides discounts that make basic, local telephone service affordable for more than seven million 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.

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

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 2008, Mississippi received \$289,126,000 in High Cost universal service funding. These monies were utilized by ETCs to improve the wireless and wireline network infrastructure in high cost areas of our state. Mississippi would be unable to maintain basic telephone rates in rural areas at rates comparable to those in more urban areas of the state without federal universal service support. In addition, universal service funding ensures that Mississippians in all areas of the state

are provided services, functionalities and features comparable to those offered in urban areas. Other than High Cost support, Mississippi received an additional \$7,920,000 in low-income support.

Currently there are 38 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.

AMENDMENT OF PRICE REGULATION FOR RURAL ILECS TO ACCOMMODATE UPDATED SERVICE QUALITY MEASUREMENTS - On June 14, 2007, the Commission adopted the Mississippi Rural ILEC (“RLECs”) Price Regulation Plan (“Plan”). This Plan resulted from the collaborative efforts of the Staff and key RLECs’ leadership and their legal representation in agreeing on a stipulation that encompassed all the critical elements of the Plan. The Plan

currently caps basic service rates at 2007 levels while also placing a cap on optional service rates.

Under the terms of the Plan's mechanism, the Commission, Staff and RLECs are required to review the Plan at twenty-four (24) and forty-eight (48) months after its inception. Such a review began during first quarter 2009 between the Staff and RLECs. This review resulted in the RLECs agreeing to the development of better-focused and more challenging service quality measurements and associated penalties. On September 1, 2009, the Commission entered an Order to adopt a stipulation and agreement to modify the quality of service standards and prescribed penalties contained in the RLECs' Plan. The Plan becomes effective on January 1, 2010.

STAFF RECOMMENDATION FOR DENIAL OF AT&T MISSISSIPPI PROPOSED RATE INCREASE - In May 2008, AT&T Mississippi filed a request for a rate change associated with single line flat rate business and residential service. The proposed rate adjustment would have changed the rate for these services by the

percentage increase in the Consumer Price Index for all Urban Consumers in 2007. The Staff reviewed AT&T Mississippi's rationale for this proposed increase and subsequently propounded five sets of data requests on the Company.

The Commission held a hearing for this case on November 7, 2008. The Staff advised the Commission that it disagreed with AT&T Mississippi's interpretation of Miss. Code Ann. § 77-3-35(4)(a) regarding the Commission's limited role in determining the appropriateness of a proposed rate increase. After the hearing, the Staff drafted an Order for the Commission denying the annual increase of \$312,000. On December 31, 2008, the Commission signed the Staff's Order denying the proposed rate increase.

AT&T Mississippi subsequently filed a Notice of Appeal to the Supreme Court of Mississippi in early 2009. The Staff drafted its Brief in reply to AT&T Mississippi's Appeal on March 30, 2009. The Court issued its Opinion affirming the Commission's Order on August 30, 2009, by a 9-0 vote.

WATER AND SEWER

The Water and Sewer Division investigated over 70 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 45 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 2008

ELECTRIC UTILITIES SUMMARY 2008

COMPANY	NUMBER OF CUSTOMERS	KWH SOLD	AVERAGE REVENUE PER CUSTOMER	AVERAGE KWH PER CUSTOMER	AVERAGE REVENUE PER KWH
ENERGY MISSISSIPPI, INC.					
RESIDENTIAL	363,382	5,353,565,000	\$ 1,530	14,733	\$ 0.1038
COMMERCIAL	63,128	4,841,271,000	\$ 7,633	76,690	\$ 0.0995
INDUSTRIAL	3,044	2,565,095,000	\$ 65,523	842,672	\$ 0.0778
OTHER	4,166	411,376,000	\$ 10,642	98,746	\$ 0.1078
TOTAL	433,720	13,171,307,000	\$ 2,955	30,368	\$ 0.0973
MISSISSIPPI POWER COMPANY					
RESIDENTIAL	151,611	2,121,388,000	\$ 1,640	13,992	\$ 0.1172
COMMERCIAL	33,716	2,856,744,000	\$ 8,051	84,730	\$ 0.0950
INDUSTRIAL	517	4,187,102,000	\$ 499,667	8,098,843	\$ 0.0617
OTHER	105	38,886,000	\$ 66,300	370,343	\$ 0.1790

GAS UTILITIES SUMMARY 2008
(SOURCE: COMPANY ANNUAL REPORTS)

As of December 31, 2008

Number of companies reporting: 6

	<u>Atmos</u>	<u>CenterPoint</u>	<u>MS River Gas</u>	<u>Tumlinson</u>
Plant (Intrastate Only) (000 Omitted)				
Plant in Service	355,754,280	150,137,423	2,357,604	293,500
Construction Work in Progress	3,196,635	1,530,849	0	0
Plant Acquisition Adjustment	7,977,971	0	0	0
Plant Held for Future Use	6,955,672	0	0	0
Materials and Supplies	774,829	127,906	27,111	0
Less:				
Depreciation and Amortization Reserves	157,109,534	74,900,160	1,298,922	293,500
Contributions in Aid of Construction	0	0	209,115	0
NET BOOK COSTS	217,549,853	76,896,018	876,678	0
Revenues and Expenses (Intrastate Only) (000 Omitted)				
Operating Revenues	382,887,102	149,422,213	4,402,356	1,401,417
Depreciation and Amortization Expenses	12,013,800	4,437,038	203,223	2,812
Income Taxes	(228,525)	(867,103)	0	3,861
Other Taxes	18,599,542	7,013,332	89,311	12,211
Other Operating Expenses	335,837,944	133,838,851	3,987,151	1,324,445
Total Operating Expenses	366,222,761	144,422,118	4,279,685	1,343,329
Net Operating Income	16,664,341	5,000,095	122,671	58,088
Other Income	942,787	631,746	11,553	0
Other Deductions	(11,436,296)	(3,365,920)	(71,358)	0

MISSISSIPPI TELEPHONE UTILITIES SUMMARY 2008

COMPANY	NUMBER OF MS EXCHANGES	ACCESS LINES 2008	ACCESS LINES 2007	ACCESS LINE GROWTH FROM PREV. YEAR	GROSS PLANT IN SERVICE	OPERATING REVENUE	OPERATING EXPENSES	NET REVENUE
BPM (NOXAPATER)	1	849	901	(52)	\$3,770,119	\$1,881,449	\$1,882,303	(\$854)
BAY SPRINGS	12	10,083	10,842	(759)	\$66,591,651	\$18,224,241	\$14,486,692	\$3,737,549
BELLSOUTH	172	923,850	1,003,342	(79,492)	\$4,278,875	\$981,898,000	\$738,822,000	\$243,076,000
BRUCE	1	2,549	2,721	(172)	\$14,971,617	\$3,810,434	\$3,066,168	\$744,266
CALHOUN CITY (TDS)	3	3,143	3,446	(303)	\$13,796,955	\$3,429,723	\$2,071,220	\$1,358,503
CENTURYTEL OF ADAMSVILLE	1	137	147	(10)	\$37,192,483	\$6,723,893	\$4,799,129	\$1,924,764
CENTURYTEL OF NORTH MS	3	20,480	22,083	(1,603)	\$94,763,860	\$23,577,236	\$14,441,553	\$9,135,683
DECATUR	1	2,125	1,831	294	\$6,890,700	\$1,707,360	\$1,759,369	(\$52,009)
DELTA	7	3,488	3,658	(170)	\$22,348,790	\$5,459,673	\$4,059,516	\$1,400,157
FRANKLIN	10	7,633	8,055	(422)	\$65,316,178	\$13,334,927	\$10,422,606	\$2,912,321
FRONTIER	4	5,106	5,368	(262)	\$28,167,970	\$5,153,969	\$4,000,301	\$1,153,668
FULTON	4	7,159	7,436	(277)	\$27,453,406	\$7,039,348	\$5,764,235	\$1,275,113
GEORGETOWN	1	330	371	(41)	\$4,300,645	\$1,792,052	\$1,088,585	\$703,467
LAKESIDE	1	325	341	(16)	\$2,986,875	\$1,059,785	\$1,071,174	(\$11,389)
MOUND BAYOU	1	769	838	(69)	\$3,637,498	\$1,057,240	\$911,431	\$145,809
MYRTLE (TDS)	1	669	746	(77)	\$3,396,530	\$792,077	\$590,716	\$201,361
SLEDGE	1	551	510	41	\$5,725,332	\$1,388,688	\$1,276,075	\$112,613
SMITHVILLE	1	835	875	(40)	\$3,702,775	\$674,782	\$845,148	(\$170,366)
SOUTHEAST MS (TDS)	4	3,437	3,725	(288)	\$20,225,267	\$5,927,035	\$2,831,023	\$3,096,012
WINDSTREAM	3	10,924	11,275	(351)	\$38,788,874	\$12,518,692	\$6,106,677	\$6,412,015

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	52	30	44	27,200
KY	46	35	46	18,400
LA	54	23	50	28,000
MS	82	42	21	39,800
TN	61	28	62	25,500

**COMBINED STATEMENT OF RECEIPTS AND
DISBURSEMENTS
JULY 1, 2008 - JUNE 30, 2009**

DISBURSEMENTS:

Salaries & Fringe Benefits	\$1,925,525
Travel	71,759
Contractual Services	157,349
Commodities	10,336
Capital Outlay Equipment	0
Subsidies, Loans, Grants	<u>0</u>
TOTAL OPERATING EXPENSES	\$2,164,969
Transfers	<u>0</u>
TOTAL DISBURSEMENTS	\$2,164,969

RECEIPTS:

Utility Regulatory Tax	\$2,437,229
Miscellaneous Receipts	<u>0</u>
TOTAL RECEIPTS:	\$2,437,229

**OUT OF STATE TRAVEL
FISCAL YEAR 2009**

<u>Employee's Name</u>	<u>Destination</u>	<u>Purpose</u>	<u>Costs</u>
Ron Brewer	Baton Rouge, LA	Audit	462.00
George Fleming	Washington, DC	FERC	846.00
	San Destin, FL	Mississippi Bar	2321.00
	Washington, DC	FERC	1360.00
	Washington, DC	FERC	5590.00
Chris Garbacz	Portland, OR	NARUC	630.00
	New Orleans, LA	ICT Summit	442.00
	New Orleans, LA	NARUC	1022.00
	Little Rock, AR	NARUC	288.00
Hugh Green	Houston, TX	Utility Rate Training	844.00
Larry Greer	New Orleans, LA	NARUC	1751.00
	San Destin, FL	AMTA	1315.00
Vicki Helfrich	Portland, OR	NARUC	1770.00
	New Orleans, LA	NARUC	201.00
	San Destin, FL	AMTA	1392.00
	Seattle, WA	NARUC	680.00
Kimberly Houston	Houston, TX	Utility Rate Training	1762.00
	Woodlands, TX	Entergy Inspection	770.00
Viriden Jones	Los Angeles, CA	NARUC	513.00
	Charleston, SC	SEARUC	1730.00
Mike McCool	Baton Rouge, LA	Audit	681.00

Chad Reynolds	Washington, DC	FERC	943.00
	Washington, DC	FERC	2536.00
	Washington, DC	FERC	6113.00
Randy Tew	San Destin, FL	AMTA	1446.00
Patricia Trantham	Baton Rouge, LA	Audit	447.00
	Washington, DC	FERC	1000.00
Bobby Waites	San Destin, FL	Mississippi Bar	2346.00
	New Orleans, LA	NARUC	1184.00
	San Destin, FL	AMTA	1419.00