MISSISSIPPI

PUBLIC SERVICE COMMISSION

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

PUBLIC UTILITIES STAFF

Robert G. Waites, Executive Director

Annual Report

Ending June 30, 2010

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, 2009, and ending June 30, 2010.

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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Brandon Presley, Chairman

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Lynn Posey, Vice Chairman

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Leonard L. Bentz, 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.

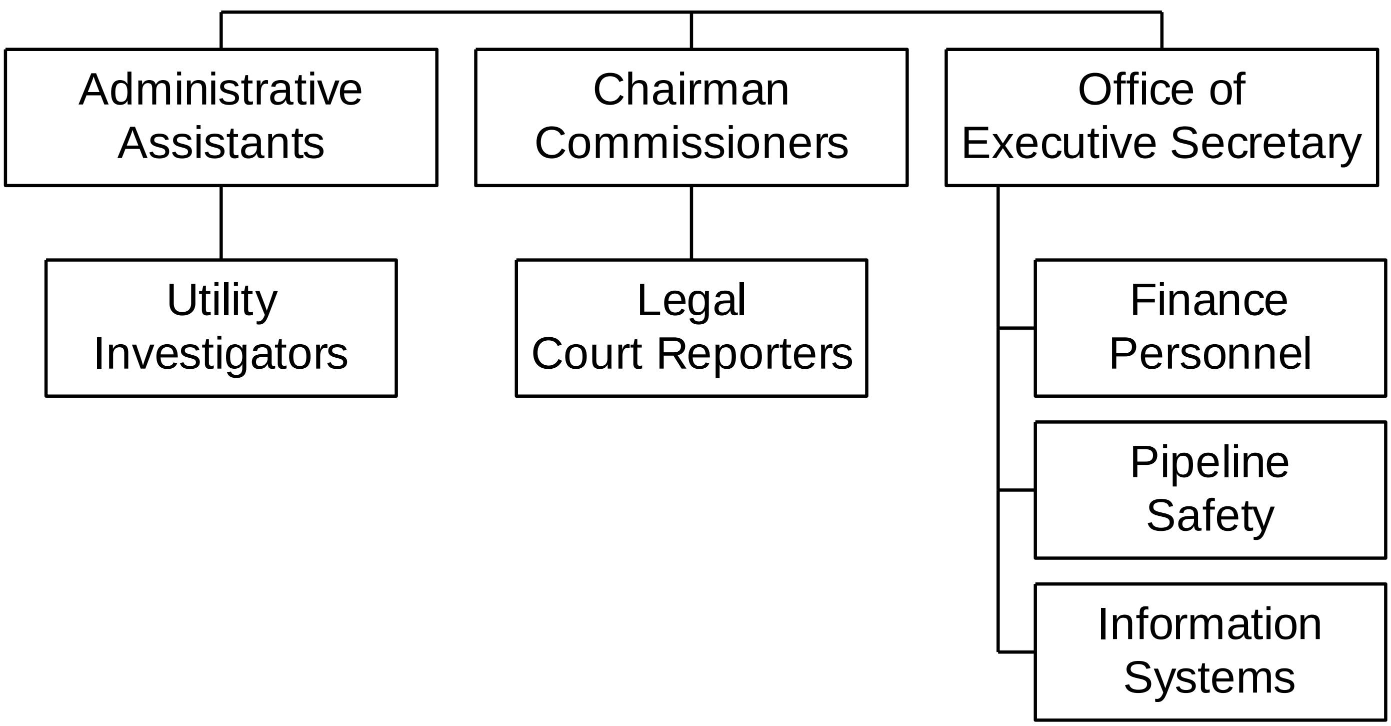
During fiscal year 2010 the Commission received 2521 consumer complaints. The Commission registered 142 telemarketers and placed an additional 23,500 Mississippi consumers on our “No Call” list. Also during this reporting period, the Commission issued 34 complaints against telemarketers for violating the

Mississippi Telephone Solicitation Act and assessed $630,000 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 2010 fiscal year.

MISSISSIPPI PUBLIC SERVICE COMMISSION
ORGANIZATIONAL CHART



MISSISSIPPI PUBLIC SERVICE COMMISSIONERS

1884 - 2010

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	**2009 – Present**
Brandon Presley	**2009 - 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 2009.

Commissioner Bentz, 38, 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 and Kaitlyn. 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 (NRRI) 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, 33, 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

	Company	Association	Municipal	District
Electric	2	28	15	0
Water	47	501	124	44
Sewer	138	36	33	32
Gas				
Distribution	7	0	33	4
Intrastate Pipeline	3			
Communication				
Local Exchange Companies	20			
Interexchange Carriers	7			
Resellers	222			
Institutional Service Providers	18			
Alternate Operator Service Providers	3			
Competitive Local Exchange Carriers	122	0	0	0
Totals by Category	589	565	205	80
GRAND TOTAL	1439			

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 2010, the Commission and staff took action on an average of 41 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 2010 fiscal year:

UTILITY DOCKET **JULY 1, 2009 - JUNE 30, 2010**

	Communication	Electric	Gas	Water	Sewer
Utility Rate/Tariff Revisions Approved.	179	19	12	8	7
Utility Rate Matters Denied	0	0	0	0	0
Utility Certificates of C. & N. Approved.	7	13	0	19	11
Sale of Stock/Transfer of Certificate	11	0	2	8	3
Service Matters	90	9	8	5	0
Utility Refunds Granted	0	0	0	0	0
Applications Retired to Files	3	1	0	0	1
Cases Dismissed/Withdrawn	6	1	1	6	7
Cases Not Yet Decided	28	14	1	13	17
Commission's Own Motion	0	0	0	0	0
Certificates Cancelled	54	0	0	1	0
TOTALS	378	57	24	60	46

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 17,391 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	5663
Gas	562
Water	549
Sewer	96
Telegraph	0
Telephone:	
Consumer Complaints	5501
No Call Complaints	2521
Miscellaneous Other	2499
TOTAL	17391

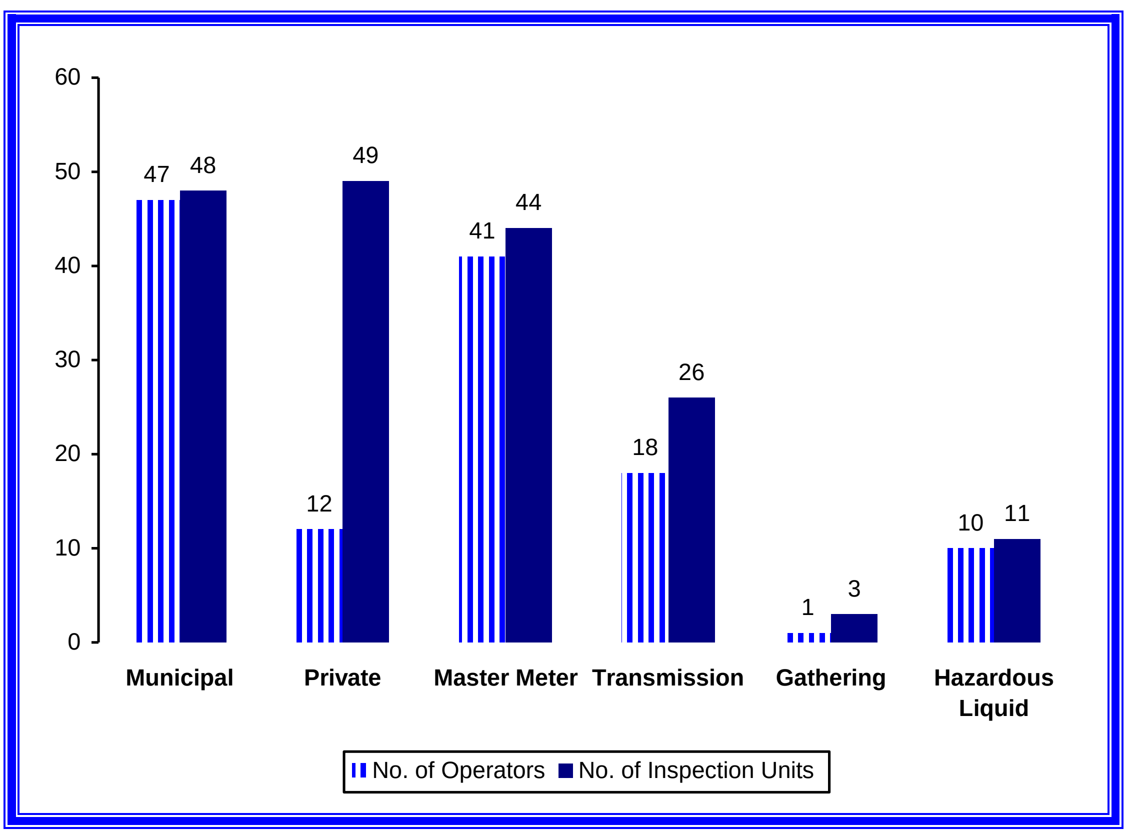
PIPELINE SAFETY DIVISION

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.

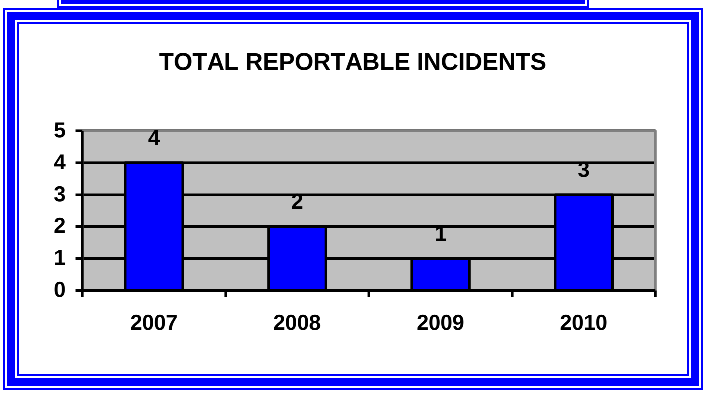
The Pipeline Safety Division's goal is to protect the public and environment from the accidental release of natural gas or other liquid products with a technologically advanced compliance program that promotes educational standards for the industry and contributes to the health and security of Mississippi. 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 06/30/10



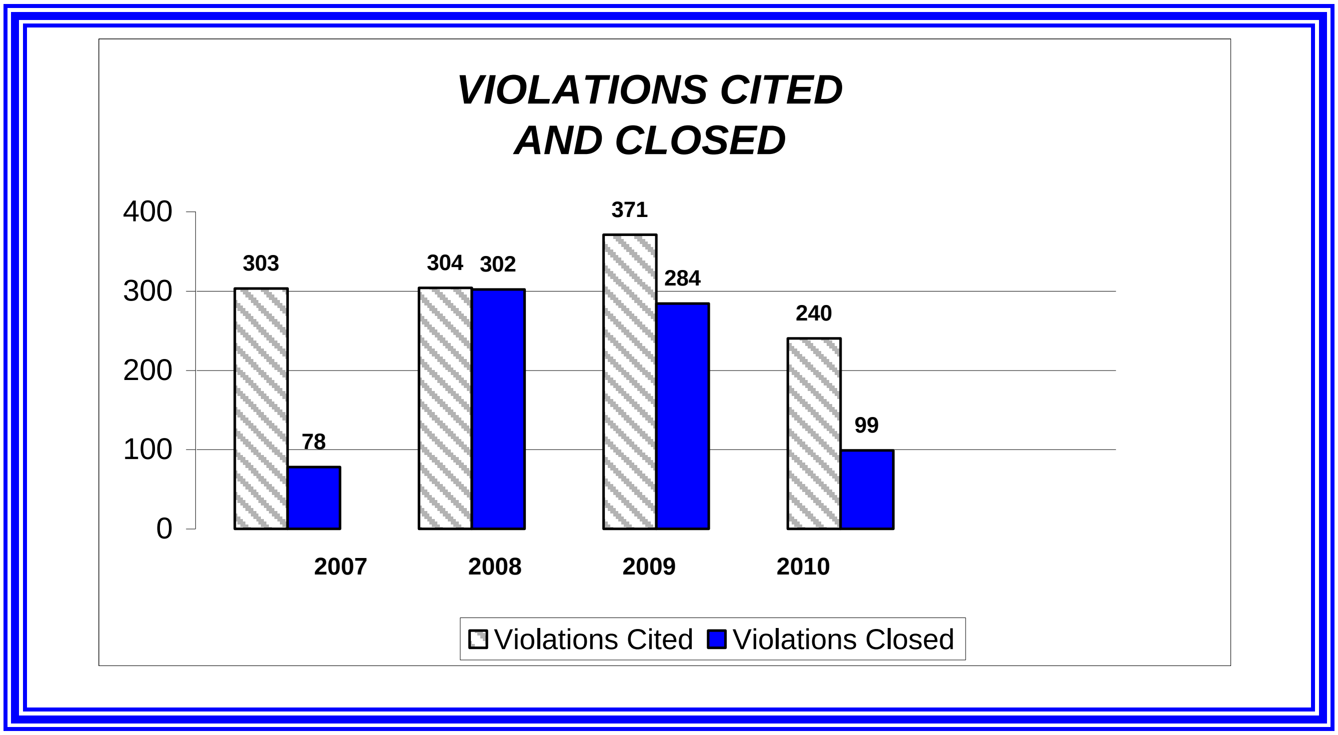
Number of Inspections Performed 7/1/2009 thru 6/30/2010	
Inspections	**2009-2010**
Standard	386
Special/On-Site/Operator Qualification	18
Follow-up	34
Construction	100
Reportable Incident	16
Other	53
TOTAL	**607**



- **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:** Integrity Management, 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 607 inspections in FY 2010 resulting in 240 violations. As of June 30, 2010, 99 violations 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, 2009 TO JUNE 30, 2010

Of the 492 cases coming before the Commission in the period from July 1, 2009 to June 30, 2010, one final order of the Commission was appealed to a higher court.

COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS
JULY 1, 2009 – JUNE 30, 2010
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	0
TOTAL OPERATING EXPENSES	**$5,201,638**
Transfers	0
TOTAL DISBURSEMENTS	**$5,201,638**
RECEIPTS:	
Utility Regulatory Tax	5,774,254
Miscellaneous Federal Grants	263,770
Miscellaneous Receipts	295,222
TOTAL RECEIPTS:	**$6,333,246**

OUT OF STATE TRAVEL
FISCAL YEAR 2010

Employee's Name	Destination	Purpose	Costs
Thomas Adams	Kansas City, MO	Training	$ 491.39
Ilicia Boaler	Orlando, FL	NGA Meeting	855.95
	Indianapolis, IN	NAPSR	1241.50
	Dallas, TX	Pipeline Summit	560.21
Lynn Carlisle	San Destin, FL	MS Bar	1267.49
	Tampa, FL	NARUC	1446.61
Lyla Carnley	Oklahoma City, OK	Gas Pipeline Safety	1158.75
	Athens, AL	NGA	1039.92
	Houston, TX	Pipeline Course	1398.79
	Oklahoma City, OK	Pipeline Course	1926.53
Lewis Davis	Orange Beach, AL	NGA Meeting	986.92
	Oklahoma City, OK	Pipeline Course	1845.16
	Oklahoma City, OK	Pipeline Course	1869.93
Bethanne Dufour	New Orleans, LA	Smartsynch	236.00
Don Gary	Kansas City, MO	Training	1443.41
George Haynie	Destin, FL	Telcom Symposium	1529.64
Cindy Kinard	Orange Beach, AL	NGA	860.27
Mark McCarver	Orange Beach, AL	NGA	762.17
	Indianapolis, IN	NAPSR	1314.51
	Dallas, TX	Pipeline Summit	612.49
Sharamie Posada	St. Louis, MO	NIGP	1464.45
Lynn Posey	San Destin, FL	Telcom Symposium	1375.77
Lynn Posey	Point Clear, FL	SEARUC	898.74
Allan Pratt	Kansas City, MO	Training	554.60

OUT OF STATE TRAVEL
FISCAL YEAR 2010

Brandon Presley	Kansas City, MO	Training	892.56
	Seattle, WA	NARUC	2751.80
	New Orleans, LA	Entergy Summit	789.78
	Washington, DC	NARUC	755.82
	New Orleans, LA	Energy Summit	597.37
	Chicago, IL	NARUC	1036.53
	Little Rock, AR	E-RSC Meeting	705.19
	New Orleans, LA	E-RSC Meeting	554.87
	New Orleans, LA	E-RSC Meeting	673.11
	Baton Rouge, LA	E-RSC Meeting	762.42
	Point Clear, AL	SEARCU	913.60
Michael Sharp	Orange Beach, AL	NGA	908.20
	Atlanta, GA	Pipeline Workshop	1444.36
Ronny Tackett	Kansas City, MO	Training	509.58
Wiley Walker	Oklahoma City, MO	Pipeline Course	1745.99
	Oklahoma City, MO	Pipeline Course	1523.00
	Oklahoma City, OK	Pipeline Course	1382.11
	Oklahoma City, OK	Pipeline Course	1443.36
	Kansas City, MO	Pipeline Course	2015.09
	Kansas City, MO	Pipeline Course	1699.86
	Oklahoma City, OK	Pipeline Course	1564.68
	Oklahoma City, OK	Pipeline Course	231.70
	Oklahoma City, OK	Pipeline Course	1313.81
Bill Ward	Orange Beach, AL	NGA	917.59
	Oklahoma City, OK	Pipeline Course	1804.46
Neill Wood	Athens, AL	NGA	1039.37
	Oklahoma City, OK	Pipeline Course	2089.07
	Oklahoma City, OK	Pipeline Course	1659.13
	Oklahoma City, OK	Pipeline Course	1835.82
	Oklahoma City, OK	Pipeline Course	448.80
TOTAL			$ 63,150.23

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:

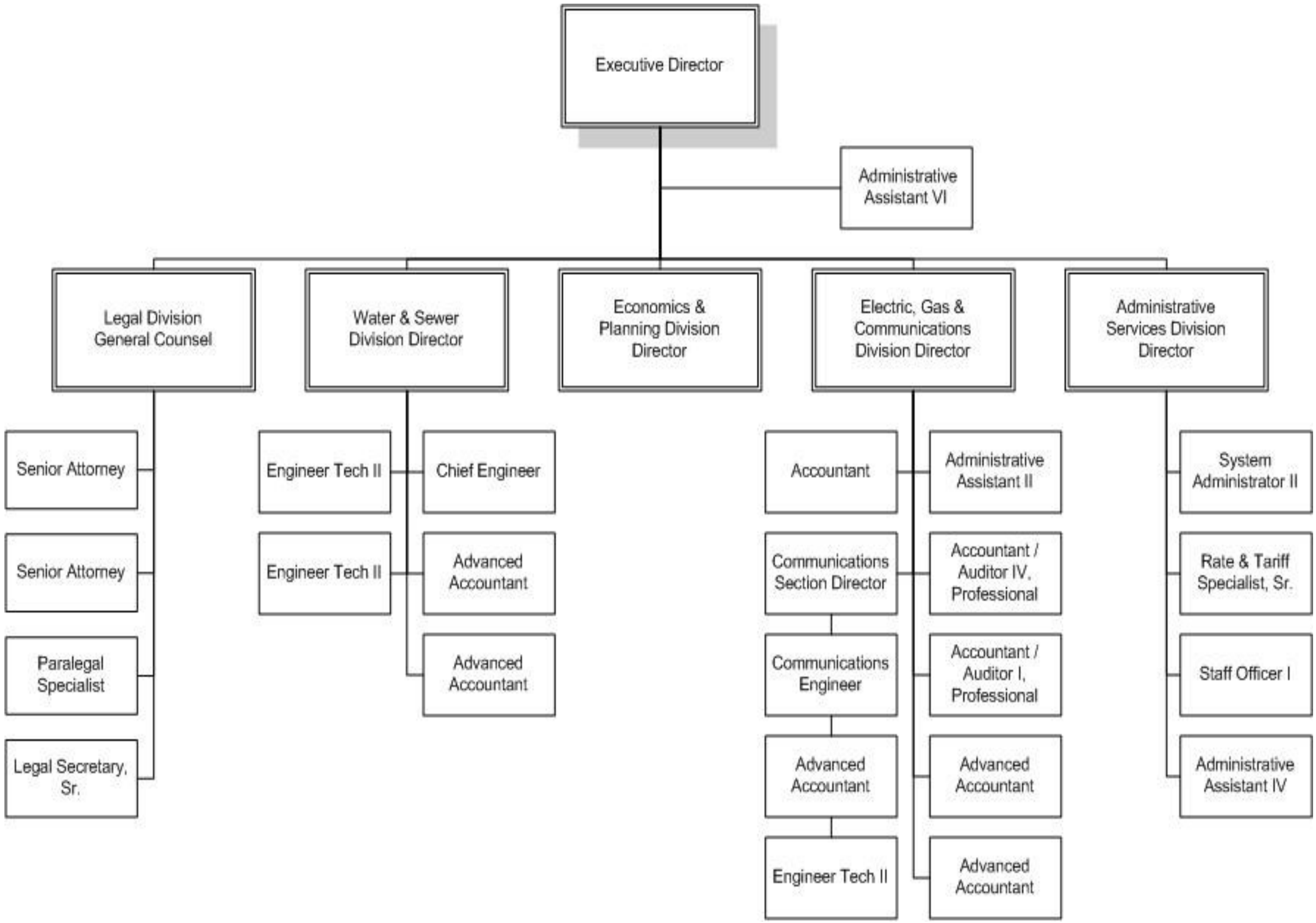
A. Reviewing, investigating and making recommendations with respect to the reasonableness of rates charged or proposed to be charged by any public utility.

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 2010 fiscal year.


Executive Director
Administrative Assistant VI
Legal Division General Counsel
Water & Sewer Division Director
Economics & Planning Division Director
Electric, Gas & Communications Division Director
Administrative Services Division Director
Senior Attorney
Senior Attorney
Paralegal Specialist
Legal Secretary, Sr.
Engineer Tech II
Engineer Tech II
Chief Engineer
Advanced Accountant
Advanced Accountant
Accountant
Communications Section Director
Communications Engineer
Advanced Accountant
Engineer Tech II
Administrative Assistant II
Accountant / Auditor IV, Professional
Accountant / Auditor I, Professional
Advanced Accountant
Advanced Accountant
System Administrator II
Rate & Tariff Specialist, Sr.
Staff Officer I
Administrative Assistant IV

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 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, three granddaughters and a grandson.

DIVISIONS OF THE STAFF

ADMINISTRATIVE SERVICES

Randy Tew, Mary Nelle Napp, Mendy Gilliam, 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

(Front Row) Ruth Nelson, Brandi Myrick, Donna Chandler, Bethany Cole (Back Row) Larry Greer, Charles Lavender, Janie Keyes, Virden Jones, (not pictured) David Kennedy

The Electric, Gas & Communications Division provides investigative, audit and advisory services to the Public Service Commission. It also interfaces directly with the regulated utilities subject to the Commission's jurisdiction to facilitate their interaction with the Commission. Applicants seeking certificates of public convenience and necessity for additional service areas or facilities, 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 to determine if proposed 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, testimony is prepared and presented to the Commission in contested matters.

The Staff periodically examines the financial records of the 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 verify that these earnings fall within a reasonable range as determined by formulary rate plans approved by the Commission. The purpose of these plans is to provide performance incentives and a mechanism to annually evaluate the rates of each utility in relation to its cost of service and authorized earnings. Use of the plans has reduced the frequency of traditional rate cases and enabled the Staff to have an ongoing familiarity with the operations of the companies.

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

WATER 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

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

the rules and regulations of the 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

ACTIONS OF THE STAFF

UTILITY CASE LOAD

During FY 2010, the Public Utilities Staff participated in 498 utility filings before the Public Service Commission. Staff action involved reviewing and investigating contested and uncontested matters and included making recommendations to the Commission with respect to the reasonableness of rates charged, or proposed to be charged, by the utility. In addition, the Staff continually reviewed, investigated and made recommendations with respect to services furnished, or proposed to be furnished, by jurisdictional utilities. There are 1,439 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 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.

However, in January 2009, the Commission elected not to certify the Staff's fuel audits for the 2008 regulatory year. Instead, it directed that the uncertified audit reports be filed with the Mississippi Legislature pending further review and requested an extension until January 15, 2010, to submit additional independent audit reports. This action was taken in response to an interpretation at that time by the Attorney General's office that additional audits by outside, independent CPA firms are contemplated by Miss. Code Ann. Section 77-3-42 (the "fuel statute"); to the Commission's concerns that the Staff's audits did not go far enough in assessing the procurement practices of the utilities; and presumably to bolster the Commission's legislative agenda to reorganize the Commission and Staff. (See PEER Committee Report issued December 8, 2009, which found no need for changing the regulatory structure in Mississippi.)

Accordingly, on August 21, 2009, the Commission executed a "Contract for Fuel Audit Services" with Nicholson & Company, PLLC ("Nicholson") and McFadden Consulting Group, Inc. ("McFadden") to conduct independent audits of MPCo's fuel adjustment clause for the twelve month audit periods ended September 30, 2008, and September 30, 2009. On the same date it also executed a contract with Horne LLP ("Horne") to conduct an independent audit of EMI's fuel adjustment clause for the same time periods. MPCo and EMI each agreed to pay for the independent audits ordered by the Commission. Subsequently, the Commission allowed the companies to recover the audit costs from customers through the fuel riders.

In order to insure compliance with the Statute, the Commission interpreted its requirements in each Contract for Fuel Audit Services. Nicholson and McFadden assumed joint responsibility for fulfilling their contract with the former focusing on financial audits of MPCo's fuel adjustment clause and the latter focusing on a management review and assessment of its procurement practices. Initially, Horne contracted to provide both the financial audit of EMI's fuel adjustment clause and the assessment of its procurement practices. However, due to difficulties experienced by Horne and EMI in completing the assessment of procurement practices in a timely manner, the original contract was modified by an "Addendum to Contract for Fuel Audit Services" executed between the Commission and Horne on or about November 21, 2009. The Addendum removed the responsibility and liability of Horne to perform the procurement review and assessment and transferred it to McFadden.

Horne then was responsible only for the financial audits of the audit period. McFadden was given an extended deadline to complete its review by March 31, 2010.

On December 15, 2009, Nicholson, McFadden and Horne each filed preliminary reports for review by the Staff. The Statute provides that the certified public accountant of the Staff is to review the reports and furnish the commissioners with a written summary and comments on each report. The Staff reviewed the reports and issued data requests to the auditors to clarify the work performed and the issues identified. The Staff also sought comments from the audited utilities asking them to respond to the issues raised in the reports. Generally, the issues raised in the reports dealt with interpretations of the Statute and the Commission's rules and with constructive recommendations to improve company operations. No major adjustments were recommended. McFadden found the procurement practices of MPCo to be reasonable.

On January 14, 2010, the final reports of Nicholson, McFadden and Horne were filed with the Commission. (McFadden's report on Entergy was filed March 24, 2010, due to the extension granted by the Commission.) In addition, the Staff filed its annual fuel audit reports on EMI and MPCo for the twelve months ended September 30, 2009, along with the summary and comments of the Staff's certified public accountant which addressed all of the filed reports. The audited figures submitted by Nicholson, Horne and the Staff for both audit periods were identical except for minor rounding differences. However, certain questions were raised by both independent accounting firms concerning the clarity of the Statute and the Commission's rules. After a public hearing on January 14, 2010, the Commission certified all of the reports to the Legislature including the Staff's audit report for the twelve months ended September 30, 2008, which it had previously declined to certify in January 2009. It also announced that it would open a rule-making docket to address certain policy issues regarding allowable fuel costs, the fuel adjustment mechanisms and other related matters. The Staff encouraged the rule-making docket.

On March 24, 2010, McFadden filed its management review report on Entergy's procurement practices; and on March 29, the certified public accountant of the Staff filed a summary and comments on the report. McFadden generally found that Entergy's procurement practices are reasonable but did make certain recommendations for improvement. Also, on March 29, the Commission held a hearing to consider McFadden's report and the Staff's comments and subsequently issued an order certifying McFadden's report to the legislature.

On January 14, 2010, the Staff filed its annual fuel audits for the twelve month period ended September 30, 2009, and accompanying Staff CPA letter for EMI and MPCo with the Commission. EMI reported net allowable fuel and purchased energy costs of $393,842,232, a charge flowed through to ratepayers for under recovered costs from the previous year of $48,735,707 and total fuel revenues of $513,036,113 resulting in an over recovery (credit) of $70,458,175 to be collected from ratepayers in the next fiscal year. MPCo reported recoverable fuel and purchased energy costs applicable to retail customers of $347,026,400, a debit flowed through to retail customers for under recovered costs from the previous year of $31,744,140 and total retail fuel revenues of $422,577,789 resulting in a cumulative over recovery of $43,807,250. Generally, over or under recoveries are included in the calculation of the new fuel factor used for billing in subsequent fiscal periods.

On March 9, 2010, the Commission issued an order seeking comments regarding possible amendments to Rule 17 on fuel adjustment clauses and Rule 19 on fuel procurement and use in the *Public Utilities Rules of Practice and Procedure*. Comments were filed by EMI; MPCo; the Office of the Attorney General; Walmart Stores East, LP and Sam's East, Inc.; Horne CPAs; and Nicholson and Company. Subsequently, on June 3, 2010, the Commission issued an order establishing a rule making docket which included the amendments to the rules proposed by the Commission based on the Staff's recommendations. On July 14, 2010, the Commission held a public hearing in which the proposed amendments were discussed. By order dated August 3, 2010, the Commission's proposed amendments were adopted with minor changes. The new rules address many of the issues raised by the Staff before and during the proceeding and by the independent auditors in their audit reports.

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.

On September 19, 2010, EMI filed a notice of intent to change and modify its Formula Rate Plan, Rider Schedule FRP-4(Revised) by filing a proposed new Formula Rate Plan, Rider Schedule FRP-5. The proposed changes included, among other things, use of a projected test year in calculating the company's revenue requirement, revision of the point of adjustment calculations, changes to the performance indicators, elimination of certain revenue adjustment limitations and the modification of certain tables and references in the return on equity financial formulas of the plan. By order dated March 4, 2010, the Commission, upon the Staff's recommendation, approved Rider FRP-5 (Revised) incorporating some of the changes proposed by EMI but notably retaining a historical rather than projected test year. The Commission also ordered the company to phase out the summer/winter rate differential in residential rates during 2010 and 2011.

On March 15, 2010, EMI filed its annual Formula Rate Plan Evaluation under Rider FRP-5 (Revised) for the twelve months ended December 31, 2009. The company reported a benchmark rate of return on rate base of 8.78% and an expected earned return of 8.22% based on the rates currently in effect. The indicated revenue adjustment necessary to achieve the allowed return was calculated to be $11,844,000.

Pursuant to the provisions of the Rider FRP-5 (Revised), the Staff reviewed the 2009 Evaluation Report, its supporting work papers and additional information obtained through data requests. On April 30, 2010, in accordance with the provisions of Rider FRP-5 (Revised), the Staff sent a letter notifying the company that it disputed the entire requested increase and itemizing proposed adjustments to rate base and certain expense items. On June 22, 2010, the Staff and the company signed a stipulation agreeing to the adjustments proposed by the Staff and no rate increase. It was further agreed that $3.8 million in legal fees related to litigation with the Attorney General concerning the fuel adjustment clause, as well as ongoing expenses, would be deferred and treated as a regulatory asset pending resolution of the suit. The company also agreed to file within 12 months a new comprehensive depreciation study to allow the Commission to review its rates and a proposed adjustment to its plant balance.

On May 24, 2004, the Commission approved a revision of MPCo's Performance Evaluation Plan, Rate Schedule PEP-4. In the same PEP-4 order, the Commission required MPCo and the Staff to conduct a review of the PEP-4 rate plan and to jointly submit a report to the Commission as to the performance of PEP-4 after the third complete filing of the plan. Due to the suspension of the PEP-4 Look Back for 2006, the third complete filing of PEP-4 did not occur until 2009; therefore, the review was delayed. On August 1, 2009, the Staff and MPCo submitted their review of PEP-4 (PEP-4A in its current form) and their joint recommendations regarding certain modifications to the plan. The proposed changes dealt primarily with the methodologies for calculating rate base balances and for calculating the company's allowed return on rate base including performance adjustment metrics and methods. The total impact of the changes was estimated to be a $4.13 million savings to ratepayers based on the values in the company's 2009 informational PEP-4 filing. By order dated November 9, 2009, the Commission approved all of the joint recommendations in Rate Schedule PEP-5.

MPCo's PEP-5 Performance Evaluation Plan (the "Plan") provides for two annual filings by the company. On November 15 of each year, the Plan provides for the filing of the PEP-5 Performance Evaluation for the next test year beginning January 1. 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.

On November 16, 2009, MPCo filed the data and information for the annual Performance Evaluation under Rate Schedule PEP-5 for the twelve months ending December 31, 2010. The company reported a Projected Retail Return on Investment (PRRI) of 7.572% which fell within the Range of No Change indicating that no change in rates was indicated. The Staff reviewed the filing with its supporting documentation, work papers and data responses and proposed adjustments of $372 thousand to projected rate base and $5.85 million to projected operations and maintenance expenses. However, the PRRI remained in the range of no change indicating that no rate action was required.

On March 15, 2010, MPCo filed its 2009 Look-Back evaluation under Rate Schedule PEP-4A with the Commission. The company reported an Actual Retail Return on Investment (ARRI) of 9.363% which was within the range of no change (9.079% to 10.079%) 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 $8,481,027 for items including awards, variable pay, executive compensation, stock options, system aircraft, contributions and various other expenses. The Staff also proposed a reduction of $369,001 for variable pay compensation that was capitalized by the company. The resulting ARRI calculated by the Staff was 9.967% confirming that no rate action was required. By joint stipulation dated October 26, 2010, MPCo and the Staff agreed to no change.

KEMPER COUNTY PROJECT - 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 includes a lignite coal-fueled integrated gasification combined-cycle (IGCC) baseload generation facility, environmental equipment for reduction of various emissions, approximately 60 miles of transmission lines, three new transmission substations, approximately five miles of natural gas transportation facilities and other related facilities. The targeted in service date for the new plant is 2014.

The new plant is 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 that drives a steam turbine generator. The proposed 582 megawatt (MW) IGCC plant will turn coal into synthesis gas which will then be used to fuel a combined cycle generation unit.

Lignite coal is a plentiful Mississippi resource in the area and will be procured through long term mineral leases insuring stable prices in the future and dramatically reducing transportation costs. A major by-product of the IGCC process will be CO_2, 65% of which will be captured, compressed and delivered to a third party for sequestration via Enhanced Oil Recovery. The current estimate of the total cost of the new facilities is $2.4 billion. Support for clean coal technologies at the federal, state and local levels has resulted in incentives, including Investment Tax Credits and Department of Energy (DOE) loan guarantees made available pursuant to the Energy Policy Act of 2005, which are being sought by the company. Federal incentives include $270 million in Clean Coal Power Initiative Round 2 grant funds, $133 million in 48A Phase 1 investment tax credits and $279 million in 48A Phase 2 investment tax credits. In addition, MPCo is currently working through the due diligence process to obtain the DOE loan guarantees. To date, no guarantee has been awarded.

In addition to its certificate request, MPCo requested that the Commission find that the proposed project is a "generating facility" pursuant to Miss. Code Ann. Section 77-3-101 *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 have authorized the company to establish a regulatory asset for costs incurred from its generation resource planning, evaluation and screening activities in anticipation of its need for a new generation resource by 2014. 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 also requested 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.

On June 5, 2009, the Commission issued a scheduling order establishing a two phase procedural schedule. Phase 1 of the proceeding was designed to determine whether and to what extent there exists a need for new resources. If the Phase 1 proceeding determined that there is a need, Phase 2 would be initiated to explore the availability and costs of new resources to satisfy the identified need and to examine MPCo's pre-construction costs. The Order established hearing dates of October 5-9, 2009, for Phase 1 and February 1-5, 2010, for Phase 2, if necessary. In addition, the procedural schedule established deadlines for filing direct and rebuttal testimony and discovery. Intervenors in the case included South Mississippi Electric Power Association, Entergy Mississippi, Inc., The Sierra Club, Entegra Power Group, LLC, Ergon, Inc., Attorney General Jim Hood, Magnolia Energy, L.P., Queshaun Sudbury (individually), Steve McKenna (individually), International Energy Solutions, Inc., KGen Power Management, Inc. and Calpine Corporation. Hundreds of data requests and responses were exchanged among the parties.

Both the Commission and the Staff retained expert consultants to assist them in evaluating MPCo's petition and to participate in the Phase 1 hearing. The Commission retained the National Regulatory Research Institute to participate in an advisory role to the Commission and Boston Pacific to participate as an independent consultant to review the petition and to present written and oral testimony during the Phase 1 hearing. The Staff retained Economic Insight, Inc. to review the load forecasting methodology and results. Certain members of the Staff, led by the Staff's General Counsel, participated in this docket as a party through its Litigation Division. Certain other members of the Staff assigned by the Executive Director of the Staff served as advisors to the Commission. The Executive Director implemented safeguard measures to segregate the functions of the Staff parties from those of the Staff advisors to the Commission.

The Phase 1 hearing was held as scheduled beginning October 5, and ending October 9, 2010. The hearing was divided into 6 distinct issue panels to develop testimony on the key issues that comprise need. Public witnesses were also allowed to address the Commission regarding the petition, and their comments were made part of the record. During the hearing MPCo presented its 2010 Integrated Resource Plan based upon 16 scenarios of gas price forecasts and carbon compliance cost forecasts, and their relative impact on MPCo's expected resources and load, also giving consideration to retirements, energy efficiency programs and demand-side management programs. Based on the evidence presented by MPCo and on the testimony of the expert consultants retained by the Commission and Staff, the Commission found that the company demonstrated a need beginning in 2014 of approximately 304 MW to 1,276 MW and that the need was supported by substantial evidence and primarily driven by the planned retirements of Plant Watson Units 1-3 and Plant Eaton Units 1-3. Therefore, it approved advancing to Phase 2 by order dated November 9, 2009. On this date, the Commission also issued an order providing guidance for the submission of resource options by third parties to the Commission and to MPCo. This guidance included the initiation of a formal bidding process calling for bids from third parties interested in supplying power to MPCo. Dr. Craig Roach of Boston Pacific, the Commission's consultant, was appointed the Independent Evaluator ("IE") of the bids.

On January 27, 2010, the IE filed a report with the Commission listing 3 independent bidders which had filed detailed resource proposals as alternatives to the Kemper IGCC proposal. All of the bids used natural gas to produce electricity in conventional combined cycle generation units. The Commission ordered MPCo and the IE to compare the Kemper proposal with the independent bids under 20 different future scenarios created by combining five different natural gas forecasts with four different likely prices for carbon dioxide emissions. Subsequently, both MPCo and the IE provided the Commission with separate independent evaluation reports reflecting their cost and performance comparisions of the proposals under the 20 scenarios.

The Phase 2 hearing was held on February 1-5, 2010, in accordance with the scheduling order. During the hearing, the Kemper proposals and the 3 proposals submitted by independent power producers were discussed and evaluated. Several different evaluation methodologies were used by the IE and MPCo, and the pros and cons of each were discussed and evaluated. Testimony was also heard regarding the reasonableness of MPCo's construction and operation cost estimates and the potential for cost overruns. During the proceeding a number of risks to customers and to MPCo were identified and discussed including capital cost risk, construction cost risk, operating and performance risk, first of its kind technology risk, project cancellation risk and the risk of potential loss of federal incentives.

In light of the multifaceted risks identified during the proceeding, by order dated February 11, 2010, the Commission requested MPCo and the parties to submit post-hearing briefs incorporating proposed safeguards to protect ratepayers from cost overruns, failure of the plant to perform as represented and any proposed limits on financing costs of the plant to be recovered prior to its in-service date, as permitted by the Baseload Act. On April 29, 2010, after receiving and reviewing the post-hearing briefs and weighing all the benefits and costs, the Commission issued an order denying MPCo's request for a facilities certificate but also listing certain conditions that if agreed to by MPCo would lead to approval of the certificate. The conditions included a construction cost cap which could only be increased under very specific conditions, limits on operating costs of the Kemper project that could be recovered from ratepayers and incentives for under budget construction costs. The order also did not approve early recovery (before the in-service date) of construction financing costs and regularly scheduled prudence reviews requested by MPCo, but it did invite the company to provide more detailed information to establish the timing of and necessity for early recovery of construction financing costs. However, the order did approve a net amount of $46,000,837 of pre-construction costs after giving effect to disallowances of $4,470,098 recommended by Mr. Ralph Smith, of Larkin and Associates, the Staff's consultant.

On May 10, 2010, MPCo filed a motion in response to the Commission's April 29th order, stating that conditions specified by it would make it infeasible for the company to proceed with the project. The company indicated that the Commission's proposed cost cap of $2.4 billion, its proposed operational cost cap, its failure to allow current recovery of financing costs prior to the project's in-service date and its failure to specify a firm schedule for periodic prudence reviews resulted in placing too much risk on the company and its stockholders. The company filed a motion that implored the Commission to reconsider its decision and proposed alternative safeguards that would be acceptable to the company.

On May 26, 2010, the Commission issued a supplemental order which modified its order of April 29th and which addressed the concerns raised by MPCo and set forth four conditions that the company must commit to for the certificate to be issued. Condition #1 addressed risk mitigation for construction and operating costs including (1) a construction cost cap of $2.88 billion, (an amount 20% higher than the estimated cost of the project) which can only be increased under certain specified conditions, (2) an authorization to begin 100% current recovery of construction financing costs in 2012 , 2013 and 2014 subject to certain limitations and conditions, (3) a stipulation that the operational costs of the plant must not exceed the costs associated with the operational assumptions (concerning availability factor, heat rate, lignite heat content and by-product revenues) without Commission approval, (4) an agreement that the Commission will not establish a prudence review schedule but will take into account the benefits of certainty of recovery to the company in scheduling the reviews, (5) an agreement that the Commission and Staff will hire independent consultants with the required expertise (in TRIG gasification technology, carbon capture and sequestration, construction management, engineering and accounting) to monitor the project's progress, review costs and plans and advise the Commission and Staff on questions of prudence and on the wisdom of continuing the project, (6) an agreement by the company to file appropriate rate schedules and tariff changes within 12 months prior to the commencement of commercial operation of the Kemper plant and (7) an encouragement to the company by the Commission to utilize Mississippi labor and resources in completing the project to the extent possible consistent with its legal obligations.

In Condition #2, the Commission stated that should any of the various government incentives (such as loan guarantees, grants and tax credits) become unavailable, it would allow recovery of any resulting increase in Kemper cost if the company demonstrates that it made its best efforts to procure the incentive and if the resulting increase in the cost of the project is in the public interest. Condition # 3 stated that MPCo must exercise due diligence in obtaining and reporting to the Commission the necessary permits and approvals necessary to commence construction of the project. Condition #4 provided that MPCo has a continuing obligation to insure that the Kemper Project remains consistent with the public interest, in light of feasible alternatives. To this end, the Commission ordered the company to file annually beginning May 1, 2011, with each request for a prudency determination and at any other time the facts may require, a report supporting its continuing conclusion that the Kemper project remains consistent with the public convenience and necessity.

By its motion dated May 27, 2010, MPCo accepted all of the above conditions and requested the Commission to enter an order granting the certificate of public convenience and necessity for Kemper. On June 3, 2010, the Commission issued a "Final Certificate Order" authorizing the acquisition, construction, and operation of the Kemper County IGCC Project. However, on June 17, 2010, the Sierra Club filed an appeal in the Chancery Court of Harrision County seeking to overturn the Commission's decision and requested a stay on the grant of the certificate of pubic convenience and necessity. On July 6, 2010, the Sierra Club filed a second appeal with the Mississippi Supreme Court seeking similar relief. On July 16, 2010, MPCo filed a "Motion for Extraordinary Relief" at the Mississippi Supreme Court asking the Court to confirm its exclusive appellate jurisdiction over the Sierra Club's appeal. The appeal in the Chancery Court of Harrison County was subsequently transferred to the First Judicial District of Harrison County where by order dated July 20, 2010, it was stayed pending a decision by the Mississippi Supreme Court. On October 5, 2010, the Supreme Court ruled that the Chancery Court was the proper appellate jurisdiction. The appeal is pending as of December 2010.

GRAND GULF EXTENDED POWER UPRATE- 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 convenience 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 MWt to 4408 MWt 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 which are estimated to cost an additional $65 million. Present plans call for the EPU to be accomplished during Grand Gulf's refueling outage in the spring of 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, and EMI's cost allocation would be $151.4 million. This matter was heard before the Commission on October 29, 2009, during which the Company put on testimony in support of its petition. The Council of the City of New Orleans was the lone intervener, but it did not participate in the hearing or raise any objection to the granting of a certificate. By order dated November 30, 2009, the Commission granted the joint petition and approved the estimated construction cost. Additional approvals may also be required by the Nuclear Regulatory Commission, FERC and various environmental agencies.

<u>FEDERAL ENERGY REGULATORY COMMISSION</u> – 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. The Commission issued FERC Opinion No. 505 on January 11, 2010, affirming in part and reversing in part the ALJ's decision.

- 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. The Commission issued FERC Opinion No. 809 on September

22, 2010, reversing the ALJ's decision.

- 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 was issued on September 10, 2009, upholding $20M of rough production cost equalization payments for EMI ratepayers.

- Docket ER09-1224-000 is the third annual Bandwidth filing under Opinion No. 480. This proceeding was heard before an ALJ in April 2010. An Initial Decision was issued on September 10, 2009, upholding $24M of rough production cost equalization payments for EMI ratepayers.

GAS

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

On September 4, 2009, Atmos filed its annual Stable/Rate Evaluation for the twelve month period ended June 30, 2009. In its filing, the company reported an expected return on equity of 5.60% which fell below the range of no change (10.30% to 12.30%) indicating the need for a rate increase of $10,195,434. The company also proposed to revise and modify the Stable/Rate rider cost of capital component to more appropriately reflect market conditions. The proposed changes were incorporated in the revenue requirement calculations of the Stable/Rate evaluation. During its investigation the Staff issued 68 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. These discussions led to a stipulation between the company and the Staff which was filed on November 30, 2009. In the stipulation, the company agreed to defer consideration of the proposed changes to a later date and to accept certain adjustments proposed by the Staff which decreased its adjusted rate base by $8.73 million; reduced its performance adjusted allowed return from 11.3% to 10.04%; decreased operations and maintenance expense by $1,671,723; increased the expected return on equity from 5.60% to 8.02%; and reduced the requested rate increase from $10,195,434 to $3,183,257. By order dated December 15, 2009, the Commission adopted the joint stipulation.

On September 15, 2009, Willmut Gas & Oil Company ("Willmut") made its annual Rate Stabilization Adjustment (RSA) filing for the twelve months ended June 30, 2009. The filing reflected an earned return on equity of 11.33% and an allowed return of 9.82% indicating the need for a revenue decrease of $120,728. The Staff determined that certain adjustments were appropriate which resulted in an adjusted earned return on equity of 11.69% indicating that a rate decrease of $150,640 was necessary. On November 20, 2009, the Staff and the company stipulated to the proposed adjustments and the Commission approved the joint stipulation by order dated December 15, 2009.

On July 20, 2009, CenterPoint filed a general rate case (Docket No. 2009-UN-334) requesting a rate increase of $6,219,532. On June 30, 2009, CenterPoint issued an RFP to twelve potential bidders for proposals for an asset management plan ("AMP") for its storage assets on the Gulf South Pipeline. Shortly thereafter, the company received, among others, an AMP offer from BP Energy which proposed to pay a fixed sum of $3.78 million for seven years for the right to manage CenterPoint's Gulf South Pipeline storage assets. The Staff had already issued 104 data requests and was in the process of reviewing the company's responses when, on August, 20, 2009, CenterPoint made a proposal to reduce the amount of the requested rate increase to $5,236,275, if the Commission would allow it to use the new AMA revenue to reduce its revenue requirement.

Representatives of the company and the Staff met on several occasions to negotiate a proposal for submission to the Commission. The resulting proposal may be summarized as follows:

CenterPoint would withdraw its pending general rate case and not file a new rate case, Annual RRA Evaluation or any additional rate increase before July 1, 2011, unless required by a catastrophic event or significant tax/regulatory change.

Until a new rate case is filed, CenterPoint would retain 100% of the revenues from the proposed AMA to offset its revenue deficiency.

If the Company files a rate action after July 1, 2011, the rate making treatment of the $3,788,562 AMA revenue will be reevaluated at that time.

This proposal was presented to the Commission during its open meeting on September 9, 2009, and was approved in concept by all three Commissioners. On September 23, 2009, CenterPoint filed an application for approval of the proposed AMA with BP Energy Company. By order dated October 29, 2010, the Commission approved the filing which included the terms described above, which resulted in no rate increase.

PURCHASED GAS ADJUSTMENTS- The Staff continued monitoring the purchased gas adjustments of the three major LDC's 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.

In addition, on April 14, 2009, the Commission approved a three year extension of Atmos's Asset Management Plan managed by 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. Unlike CenterPoint's AMP with BP Energy, 75% of such savings and 100% of capacity release revenues are passed through to Atmos' PGA customers. As required by the Commission's April 14, 2009 order, the Staff conducted a complete review of the AMP and recommended that the Commission require the company to develop a request for proposals (RFP) open to other asset managers on the Gulf South Pipeline. The purpose of the RFP would be to solicit independent competitive bids for the AMP services prior to allowing another renewal in order to insure that ratepayers get the best deal available. To date, the Commission has taken no action on the Staff's recommendation.

TELECOMMUNICATIONS

COMPETITION - Competition in the local Mississippi telecommunications market is continuing its unabated advance. At the end of 2009, competitive alternatives to traditional landline local service gained even more access lines.

Mississippi's largest Incumbent Local Exchange Carrier ("ILEC"), AT&T Mississippi, experienced the largest decrease in access lines. BellSouth Telecommunications d/b/a AT&T Mississippi experienced a 65,353 access line decrease over the previous year. AT&T Mississippi's total line decrease has approached 450,000 since the inception of competition in the local market.

Mississippi's Independent Rural ILECs likewise continued to experience competition's impact. Rural ILECs witnessed a 4,483 decrease in lines across the state. Intermodal competition from wireless, cable and satellite represents a major portion of the telecommunications competition faced by Mississippi's rural companies.

Wireless telephone companies and cable companies, utilizing Voice over Internet Protocol, are becoming increasingly formidable in their competition with wireline companies. Currently, 22.7% of the households in the U.S. have switched to wireless service only. In Mississippi alone, wireless companies claimed an estimated 2.3 million customers by year's end 2009. In addition, 142 thousand Mississippi customers are currently utilizing a total of 413,000 mobile wireless high-speed capable devices (a/k/a Smart Phones).

SUPPORT OF 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 ("USF") 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, all Federal Public Housing Assistance, National School Lunch Program's Free Lunch Initiative, Low Income Home Energy Assistance Programs 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.

Mississippi consumer access to Lifeline is being expanded by the Commission's approval of a Petition filed by TracFone Wireless, Inc. ("TracFone"). Under this initiative, TracFone has been designated as an Eligible Telecommunications Carrier ("ETC") thereby receiving USF low income support as provided for in the Telecommunications Act of 1996. This support will allow TracFone to provide a free 911-compliant cellular phone and at least 125 carry over minutes of use per month. Additional minutes will be available to TracFone Lifeline customers for $.10 per minute.

In addition, free minutes may be used by Mississippi consumers for calls to or from anywhere in the United States, including local or long distance, intrastate or interstate. Also, TracFone Lifeline recipients may use free minutes for calls to more than 100 international destinations while incurring no roaming charges for any calls. At its inception, this offering will provide Mississippi consumers the lowest cost Lifeline prepaid wireless program in the US.

Other than the designation of TracFone as a prepaid wireless ETC for Mississippi Lifeline consumers, the Commission also approved five low income wire line prepaid Competitive Local Exchange Carriers to provide Lifeline and Link-Up service. These companies are: Budget Prepay, Inc. d/b/a Budget Phone, Express Phone Service, Inc., Fast Phones, Inc., Micro-Comm, Inc. and Nexus Communications, Inc.

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 2013. In September 2008, the Commission initiated a mechanism to forestall the area code relief planning process by requesting the Federal Communications Commission ("FCC") to approve a Petition for Delegated Authority to implement number conservation measures. Such delegated authority would allow the Commission to mandate 1,000 block number pooling and assignment. In May 2010, the FCC entered an Order granting the Commission's Petition. This FCC action will allow the Commission to forgo the need for current relief planning and will defer 662 NPA exhaust, as well as the creation of a new NPA in the 662 area, for several additional months beyond the currently anticipated fourth quarter 2013 exhaust of numbers.

FEDERAL UNIVERSAL SERVICE HIGH-COST SUPPORT- The 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 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 1. 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 2009, Mississippi received $281,267,000 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 $9,605,000 in low income support.

Currently there are 40 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.

CITY OF STARKVILLE ALLOCATION OF 311 NUMBER- On January 4, 2010, the City of Starkville filed with the Commission its initial Petition requesting allocation of the 311 dialing code as the general services and non-emergency number for the City of Starkville and surrounding Oktibbeha County area. At the time of this filing, forty other cities in the United States utilized the 311 code as a quick, easy-to-remember access to non-emergency municipal services. Starkville's Petition for the

311 code represented the first such request by a Mississippi municipality for the use of this number. On May 20, 2010, the Commission approved the allocation of the 311 number to the City of Starkville and surrounding Oktibbeha County.

SUPPORT OF MISSISSIPPI BROADBAND TASKFORCE-The Director of Communications for the Staff has served as a member of the Office of Governor Mississippi Broadband Taskforce since mid-2009. In this position, this Staff representative has supported the filing of two National Telecommunications and Information Administration ("NTIA") Broadband Mapping grants as well as the filing of both Round 1 and Round 2 Broadband Technology Opportunities Program ("BTOP") applications. Mississippi has already received a $2 million two-year broadband mapping grant and is currently vying for a five-year broadband mapping grant. In addition, NTIA informed the Governor's Office on Wednesday, August 18, 2010, that Mississippi had been awarded a $70 million Round 2 BTOP award that will provide enhanced public safety and emergency medical care through the broadband utilization of Mississippi's Wireless Information Network cellular towers.

WATER AND SEWER

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

Sewer Associations	36
Sewer Companies	137
Sewer Districts	32
Sewer Municipalities	33
Water Associations	501
Water Companies	46
Water Districts	44
Water Municipalities	124

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

During this reporting period, there were 39 filings seeking initial, supplemental, and facility certificates and sale and transfer filings. Of the

39 total filings, the specific breakdown by type of utility was as follows:

Sewer Associations	1
Sewer Companies	11
Sewer Districts	2
Sewer Municipalities	3
Water Associations	11
Water Companies	2
Water Districts	2
Water Municipalities	7

There were 29 rate filings. The filings by type of utility were as follows:

Sewer Companies	12
Sewer Municipalities	2
Water Companies	2
Water Municipalities	13

The Water and Sewer Division actively investigated all aspects of the 68 total filings made with the Commission. This investigation included: propounding data requests, reviewing engineering plans and specifications, reviewing reports and other documentation, conducting prehearing conferences, preparing prefiled testimony, presenting testimony before the Commission at formal hearings and presenting recommendations to the Commission.

VIABILITY RECOMMENDATIONS - Pursuant to Miss. Code Ann., Section 43-35-504, the Water and Sewer Division reviewed and analyzed 45 water block grant applications and made utility viability recommendations to the Mississippi Development Authority. In addition, recommendations were made to the Mississippi State Department of Health and to the Mississippi Department of Environmental Quality.

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

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

UTILITIES SUMMARIES

ELECTRIC, GAS & TELEPHONE UTILITY SUMMARIES 2009

ELECTRIC UTILITIES SUMMARY 2009

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	365,184	5,357,923,000	$ 1,278	14,672	$ 0.0871		$ 466,631,793	
COMMERCIAL	62,678	4,755,575,000	$ 6,309	75,873	$ 0.0832		$ 395,443,861	
INDUSTRIAL	3,040	2,178,301,000	$ 48,226	716,546	$ 0.0673		$ 146,608,119	
OTHER	4,231	405,603,000	$ 8,920	95,865	$ 0.0930		$ 37,739,824	
TOTAL	435,133	12,697,402,000	$ 2,405	29,181	$ 0.0824	$ 3,139,392,670	$ 1,046,423,597	33%
MISSISSIPPI POWER COMPANY								
RESIDENTIAL	151,999	2,091,825,000	$ 1,614	13,762	$ 0.1173		$ 245,357,312	
COMMERCIAL	33,309	2,851,248,000	$ 8,089	85,600	$ 0.0945		$ 269,423,278	
INDUSTRIAL	514	4,329,924,000	$ 523,596	8,423,977	$ 0.0622		$ 269,128,139	
OTHER	103	38,855,000	$ 68,357	377,233	$ 0.1812		$ 7,040,802	
TOTAL	185,925	9,311,852,000	$ 4,254	50,084	$ 0.0849	$ 2,360,832,948	$ 790,949,531	34%

Source: FERC FORM 1 - Y/E 12/31/2009

GAS UTILITIES SUMMARY 2009
(SOURCE: COMPANY ANNUAL REPORTS)

As of December 31, 2009

Number of companies reporting: 6

	Atmos	CenterPoint	MS River Gas	Tumlinson	Walthall	Willmut	TOTALS
Plant (Intrastate Only) (000 Omited)							
Plant in Service	362,424,287	155,022,983	2,407,062	293,500	797,105	38,225,361	559,170,298
Construction Work in Progress	5,281,268	919,065	0	0	0	0	6,200,333
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	390,734	111,924	34,291	0	6,949	494,347	1,038,245
Less:							
Depreciation and Amortization Reserves	152,085,115	78,053,719	1,331,642	293,500	534,960	21,597,672	253,896,608
Contributions in Aid of Construction	0	0	247,250	0	204,797	0	452,047
NET BOOK COSTS	230,944,817	78,000,253	862,461	0	64,297	17,122,036	326,993,864
Revenues and Expenses (Intrastate Only) (000 Omited)							
Operating Revenues	268,685,372	105,339,249	2,837,682	841,808	658,651	29,317,326	407,680,088
Depreciation and Amortization Expenses	12,472,262	4,650,857	189,373	3,309	16,544	1,179,222	18,511,567
Income Taxes	206,174	(355,932)	0	11,583	0	70,990	(67,185)
Other Taxes	16,952,536	14,055,252	93,748	6,360	29,002	939,672	32,076,570
Other Operating Expenses	220,036,796	93,110,660	2,487,542	742,210	604,543	26,330,294	343,312,045
Total Operating Expenses	249,667,768	111,460,837	2,770,663	763,462	650,089	28,520,178	393,832,997
Net Operating Income	19,017,604	(6,121,588)	67,019	78,346	8,562	797,148	13,847,091
Other Income	585,899	399,201	29,917	0	11,874	49,767	1,076,658
Other Deductions	(11,614,400)	(2,827,137)	(67,895)	0	(341)	(188,413)	(14,698,186)
NET INCOME	7,989,103	(8,549,524)	29,041	78,346	20,095	658,502	225,563
Customers (Intrastate Only)							
Year-End Average:							
Residential	230,448	107,944	3,032	154	441	16,804	358,823
Commercial	24,936	12,445	271	63	174	2,725	40,614
Industrial	498	37	4	2	0	10	551

MISSISSIPPI TELEPHONE UTILITIES SUMMARY 2009								
COMPANY	NUMBER OF MS EXCHANGES	ACCESS LINES 2009	ACCESS LINES 2008	ACCESS LINE GROWTH FROM PREV. YEAR	GROSS PLANT IN SERVICE	OPERATING REVENUE	OPERATING EXPENSES	NET REVENUE
BPM (NOXAPATER)	1	809	849	(40)	$3,799,353	$1,858,110	$1,805,453	$52,657
BAY SPRINGS	12	9,499	10,083	(584)	$65,328,873	$16,918,218	$12,420,963	$4,497,255
BELLSOUTH	172	858,497	923,850	(65,353)	$4,318,945,000	$951,061,000	$757,564,000	$193,497,000
BRUCE	1	2,418	2,549	(131)	$15,996,577	$3,895,303	$3,163,705	$731,598
CALHOUN CITY (TDS)	3	3,014	3,143	(129)	$13,363,070	$3,029,547	$2,039,889	$989,658
CENTURYTEL OF ADAMSVILLE	1	135	137	(2)	$37,664,304	$6,385,834	$5,146,985	$1,238,849
CENTURYTEL OF NORTH MS	3	18,945	20,480	(1,535)	$96,390,290	$22,110,922	$14,220,236	$7,890,686
DECATUR	1	2,020	2,125	(105)	$7,914,782	$1,513,723	$1,732,342	($218,619)
DELTA	7	3,328	3,488	(160)	$22,710,293	$4,795,268	$3,903,670	$891,598
FRANKLIN	10	7,173	7,633	(460)	$61,838,895	$12,875,323	$10,002,001	$2,873,322
FRONTIER	4	4,809	5,106	(297)	$21,427,773	$4,796,752	$3,270,555	$1,526,197
FULTON	4	7,021	7,159	(138)	$30,875,067	$6,685,660	$5,962,025	$723,635
GEORGETOWN	1	330	330	0	$4,431,299	$1,675,142	$1,302,102	$373,040
LAKESIDE	1	297	325	(28)	$3,002,330	$1,002,578	$986,307	$16,271
MOUND BAYOU	1	725	769	(44)	$4,728,084	$1,114,855	$918,751	$196,104
MYRTLE (TDS)	1	633	669	(36)	$3,427,016	$704,302	$597,112	$107,190
SLEDGE	1	388	551	(163)	$7,876,360	$1,361,478	$1,233,220	$128,258
SMITHVILLE	1	754	835	(81)	$3,729,196	$623,030	$799,812	($176,782)
SOUTHEAST MS (TDS)	4	3,291	3,437	(146)	$20,913,417	$5,166,968	$3,031,955	$2,135,013
WINDSTREAM	3	10,520	10,924	(404)	$39,562,850	$11,203,884	$5,912,665	$5,291,219

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

STATE	% OF STATE SERVED	% LINES IN RURAL AREA	ACCESS LINES PER SQ. MILE	SQ. MILES SERVED
AL	52	33	43	26,700
KY	46	37	44	18,000
LA	74	26	29	32,100
MS	85	50	53	39,700
TN	62	30	36	26,100

COMBINED STATEMENT OF RECEIPTS AND DISBURSEMENTS
JULY 1, 2009 - JUNE 30, 2010

DISBURSEMENTS:

Salaries & Fringe Benefits	**$1,944,051**
Travel	**27,566**
Contractual Services	**179,227**
Commodities	**13,202**
Capital Outlay Equipment	**0**
Subsidies, Loans, Grants	**0**
TOTAL OPERATING EXPENSES	**$2,164,046**
Transfers	**0**
TOTAL DISBURSEMENTS	**$2,164,046**

RECEIPTS:

Utility Regulatory Tax	**$2,519,275**
Miscellaneous Receipts	**551**
TOTAL RECEIPTS:	**$2,519,826**

OUT OF STATE TRAVEL
FISCAL YEAR 2010

Employee's Name	Destination	Purpose	Costs
Ron Brewer	Baton Rouge, LA	Audit	178.69
Chris Garbacz	Seattle, WA	NARUC	1278.97
	New Orleans, LA	Entergy Summit	405.97
	New Orleans, LA	Entergy Meeting	426.35
	Chicago, IL	NARUC	1398.05
	Little Rock, AR	E-RSC Meeting	273.00
Vicki Helfrich	Seattle, WA	NARUC	1279.82
Virden Jones	Woodlands, TX	Entergy Audit	920.31
Charlie Lavender	East Lansing, MI	Study Program	1400.70
Mike McCool	Baton Rouge, LA	Test Audit	375.32
Brandi Myrick	Woodlands, TX	Entergy Audit	737.92
Randy Tew	San Destin, FL	AMTA	1785.76
Bobby Waites	San Destin, FL	AMTA	1706.84