

2009-UA-14

MISSISSIPPI POWER COMPANY

EC-120-0097-00

DOCKET NO. 2009-UA-_____

PETITION FOR FACILITIES CERTIFICATE FOR THE KEMPER COUNTY IGCC PROJECT

Volume I

PETITION AND EXHIBITS

**DIRECT TESTIMONY
AND NON-CONFIDENTIAL EXHIBITS
OF KIMBERLY D. FLOWERS**

**BEFORE THE
MISSISSIPPI PUBLIC SERVICE COMMISSION**

FILED
01/16/2009
MS Public Service Commission

2009-UA-14

Transmittal Letter



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2009-UA-14

January 16, 2009

BY EMAIL

BY HAND DELIVERY

Mr. Brian U. Ray
Executive Secretary
Mississippi Public Service Commission
501 North West Street
Suite 201A
Jackson, Mississippi 39201

Re: **PETITION OF MISSISSIPPI POWER COMPANY FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY AUTHORIZING THE ACQUISITION, CONSTRUCTION, AND OPERATION OF AN ELECTRIC GENERATING PLANT, ASSOCIATED TRANSMISSION FACILITIES, ASSOCIATED GAS PIPELINE FACILITIES, ASSOCIATED RIGHTS-OF-WAY, AND RELATED FACILITIES IN KEMPER, LAUDERDALE, CLARKE, AND JASPER COUNTIES, MISSISSIPPI DOCKET No. 2009-UA-_____**

Dear Mr. Ray:

On behalf of Mississippi Power Company (MPC or Company), I enclose for filing with the Mississippi Public Service Commission (Commission) the Company's request for a certificate of public convenience and necessity authorizing the acquisition, construction, and operation of an electric generating plant, associated transmission facilities, associated gas pipeline facilities, associated rights-of-way, and related facilities in Kemper, Lauderdale, Clarke, and Jasper Counties, Mississippi.

The Company's filing consists of the following information:

- Volume I. Transmittal Letter;
Petition for Facility Certificate and Accompanying Exhibits; and
Direct Testimony, Non-confidential Exhibits, and Appendices of Kimberly Flowers;
- Volume II. Direct Testimony of F. Sherrell Brazzell;
Direct Testimony and Non-confidential Exhibits of Garey Rozier;
Direct Testimony and Exhibit of James Cochran;
Direct Testimony and Non-confidential Exhibits of Frances Turnage; and
Direct Testimony and Exhibits of Stephen Fetter;

Volume III. Confidential Appendices of Exhibit____(KDF-1) to the Direct Testimony of Kimberly Flowers;
Confidential Appendices of Exhibit____(KDF-2) to the Direct Testimony of Kimberly Flowers;
Confidential Exhibit____(FSB-1) to the Direct Testimony of F. Sherrell Brazzell;
Confidential Exhibit____(GCR-3) and Exhibit____(GCR-4) to the Direct Testimony of Garey Rozier; and
Confidential Exhibit____(FT-5) and Exhibit____(FT-6) to the Direct Testimony of Frances Turnage.

Volume III of the Company's filing contains confidential and proprietary commercial and financial information, which we are clearly designating as such and filing (on blue paper) under separate confidential transmittal letter. We request that the Commission and Staff file and maintain the above referenced confidential information as confidential to the fullest extent permitted by law, and as provided by RP 4.100(3) and 4.101(3) of the Commission's Public Utilities Rules of Practice and Procedure.

Please issue notice by publication as required by law and the Rules.

Very truly yours,

BALCH & BINGHAM LLP



Ben H. Stone

BHS:blw
Enclosures

cc: Robert G. Waites, Esquire
George M. Fleming, Esquire
Lynn Carlisle, Esquire
Mr. Brian D. Useforge

2009-UA-14

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION **2009-UA-14**

MISSISSIPPI POWER COMPANY
EC-120-0097-00

DOCKET NO. 2009-UA-_____

**IN RE: PETITION OF MISSISSIPPI POWER COMPANY FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AUTHORIZING THE ACQUISITION, CONSTRUCTION, AND
OPERATION OF AN ELECTRIC GENERATING PLANT,
ASSOCIATED TRANSMISSION FACILITIES, ASSOCIATED GAS
PIPELINE FACILITIES, ASSOCIATED RIGHTS-OF-WAY, AND
RELATED FACILITIES IN KEMPER, LAUDERDALE, CLARKE,
AND JASPER COUNTIES, MISSISSIPPI**

PETITION FOR FACILITY CERTIFICATE

COMES NOW, Mississippi Power Company (Company or MPC) and pursuant to the Mississippi Public Utility Act¹ (Act) and the Public Utilities Rules of Practice and Procedure (Rules), respectfully petitions the Mississippi Public Service Commission (Commission) for a certificate finding that the present and future public convenience and necessity require or will require the Company's acquisition, construction, extension, operation and maintenance of a new integrated gasification combined cycle baseload electric generating facility,² associated environmental control equipment and facilities, associated new electric transmission facilities, associated new natural gas pipeline facilities, associated rights-of-way, and related facilities in Kemper, Lauderdale, Clarke, and Jasper Counties, Mississippi, as described herein for use in connection with the Company's service to their respective customers in Mississippi. In support of this petition, the Petitioners would show as follows:

¹ Chapter 372, Mississippi Code of 1956 (codified at Section 77-3-1, *et. seq.*, of the *Mississippi Code of 1972, as amended*).

² As the term "generating facility" is defined in Miss. Code Ann. § 77-3-103(a) (West 2009).

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1. This Petition, and the supporting material filed simultaneously herewith, sets forth the information and data necessary to obtain a certificate of public convenience and necessity from the Commission to acquire, construct, operate and maintain a new integrated gasification combined cycle baseload electric generating facility and related facilities and equipment. The Petition is organized into the following subject matters: (1) Introduction; (2) Certificate Request; (3) Rate Treatment and Recovery; (4) Major Third-Party Contracts; and (5) Supporting Information.

INTRODUCTION

2. MPC is a public utility as defined in Section 77-3-3(d)(i) of the *Mississippi Code of 1972, as amended*, and is engaged in the business of providing electric service to and for the public for compensation in twenty-three (23) counties of southeastern Mississippi, having its principal place of business at Gulfport, Mississippi. Petitioner's mailing address is Post Office Box 4079, Gulfport, Mississippi, 39502-4079.

3. MPC holds a Certificate of Public Convenience and Necessity issued in Docket No. U-99, as supplemented from time to time, authorizing its operations in certain areas in the twenty-three (23) counties of southeastern Mississippi and is rendering service in accordance with its service rules and regulations and in accordance with schedules of rates and charges, all of which are a part of its tariff that has been previously approved by order of this Commission.

4. MPC is a Mississippi corporation. A copy of its corporate charter, articles of incorporation, the names and addresses of its board of directors and officers, and the names of all persons owning fifteen percent (15%) or more of its stock are on file with the Commission and are hereby incorporated by reference.

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5. MPC has an obligation under the Act to provide reliable electric service to its customers at the lowest reasonable costs.³ Planning for generation requirements necessary to serve its customers is an essential part of fulfilling that obligation. Currently, MPC serves approximately 186,000 retail customers in 123 municipalities and unincorporated communities in southeastern Mississippi.

6. The Company also provides full-requirements electric service at wholesale to South Mississippi Electric Power Association (SMEPA) at certain wholesale delivery points on behalf of Coast Electric Power Association, Singing River Electric Power Association, Dixie Electric Power Association, Southern Pine Electric Power Association, and Pearl River Valley Electric Power Association. In addition, MPC provides full-requirements electric service at wholesale to East Mississippi Electric Power Association at certain wholesale delivery points, and to the City of Collins, Mississippi.

REQUEST FOR CERTIFICATE TO CONSTRUCT
THE KEMPER COUNTY IGCC PROJECT

A. Project Summary

7. MPC hereby requests authority from the Commission to construct, acquire, operate, and maintain a new electric generating facility in Kemper County, Mississippi, consisting of (i) a lignite-fueled two-on-one (2-on-1) integrated gasification combined-cycle (IGCC) baseload electric generating facility with a net summer output capacity of 582 megawatts (MW)⁴ (Plant); (ii) environmental equipment for the reduction of various emissions from the Plant, including without limitation, equipment and facilities for the capture and sequestration of

³ See Miss. Code Ann. § 77-3-21 (West 2009).

⁴ The Plant will consist of 494 MW of lignite-fueled baseload generating capacity and 88 MW of natural gas-fired duct firing peaking capacity.

approximately 50% of the carbon dioxide (CO₂) emissions from the Plant; (iii) approximately ~~approximately~~ **2009-UA-14** sixty miles of electric transmission lines with voltages varying from 115 kilovolts (kV) to 230 kV; (iv) three new transmission substations; (v) approximately five miles of natural gas transportation facilities to accommodate natural gas deliveries to the Plant; and (vi) the related facilities necessary for the efficient and effective construction, acquisition, operation, repair, and maintenance of the Plant (collectively referred to as the Kemper County IGCC Project or the Project).

8. As part of MPC's continuing efforts to meet the growing electricity needs of its customers and to provide reliable electric service at the lowest reasonable price, it is necessary for the Company to continually assess its current and future generating capacity and transmission and distribution infrastructure. Based upon the Company's detailed screening and evaluation process undertaken in accordance with the Commission's orders in Docket No. 2006-UA-581, the Project is the best generation resource alternative to meet MPC's identified need and is in the overall best interest of customers. As discussed below and in greater detail in the testimony filed in support of this Petition, there is significant uncertainty today about the future of environmental laws and regulations and thus the future of the Company's existing generating fleet. In addition, there is also more potential variability in MPC's load forecast than is typical. Considering all possible outcomes, MPC projects a need between 318 and 601 MW in 2014. Given this range and its obligation to serve, the Company believes it is prudent to take steps now to meet this need so that the Company can ensure that an adequate supply of capacity exists in the future to serve MPC's territorial load. For purposes of the economic analysis and financial projections contained in this filing, the Company has assumed a November 2013 commercial operation date,

which will maximize the federal, state and local benefits available to reduce the cost of the ~~2009-14~~ Project. This in-service date will ensure that the Plant's capacity will be available for the summer peak of 2014. However, the Company is preserving options for a later commercial operation date should it be determined that a later in-service date is in the overall best interest of the Company and its customers.

9. The Company's screening and evaluation analysis clearly indicate that the proposed Kemper County IGCC Project is the best generation resource alternative to meet MPC's identified need and is in the overall best interest of customers. In addition, there are many other significant and quantifiable benefits associated with the proposed Project that bring real value to MPC's customers and all citizens of Mississippi.

(a) First, the Project will enhance the fuel diversity and asset mix of MPC's generating fleet thereby mitigating the supply and price volatility risks associated with the predominant use of any one fuel. Specifically, the proposed TRansport Integrated Gasification (TRIGTM) IGCC technology will allow MPC to use an additional fuel source—lignite, a lower-rank (i.e. lower heating value) fuel whose cost is both lower and less volatile than the cost of natural gas and higher-ranked coals. Further, because of the immense lignite reserves located in the State of Mississippi, the Plant can be located adjacent to nearby lignite reserves in a mine-mouth arrangement that will effectively eliminate fuel transportation costs and insulate the Company from fuel supply and transportation market fluctuations. The long-term lignite supply agreement associated with the Project will provide a lower and more stable fuel price over the life of the Plant. Because of these factors, the Company's analysis indicates that over the life of

the Project the energy benefits provided by the Project far out weight the initial capital costs to construct. 2009-UA-14

(b) Second, the Plant will include state-of-the-art equipment to reduce various emissions from the Plant, including equipment for the capture and sequestration of approximately 50% of the Plant's CO₂ emissions, all of which will ensure compliance with existing environmental laws and regulations and mitigate the future risk associated with the passage of climate change legislation. In addition, the Project's carbon capture and sequestration design is consistent with the Obama administration's stated energy agenda.

(c) Third, support for clean coal technologies, such as that proposed for the Kemper County IGCC Project, has been very strong at the federal, state and local levels. As a result, there are several financial incentives available that help make the Project the best alternative. The Company is actively pursuing a variety of these available incentives that, when obtained, will translate into considerable savings and reduce the overall cost and impact of the Project to customers. These benefits include Investment Tax Credits (ITC) and Department of Energy (DOE) loan guarantees, both of which were created under the Energy Policy Act of 2005, external funding from the DOE's Clean Coal Power Initiative (CCPI), and various other state and local support. Cumulatively, these benefits exceed \$262 million (Total Company)⁵ in construction cost reductions and \$897 million (Total Company) in operations and maintenance (O&M) expense reductions over the life of the Project. Considerable resources and effort from all levels of government have been allocated and expended specifically to support the Project. However, the window of opportunity to take advantage of this support is finite, and significant

⁵ When an amount is noted to be "Total Company" it includes the retail and wholesale jurisdictions. Any amounts noted to be "Retail" are those amounts allocated to the retail jurisdiction in accordance with the methodology of the Company's jurisdictional cost of service study.

delays could jeopardize a portion, if not all, of these incentives and, therefore, the economic viability of the Project. 2009-UA-14

(d) Fourth, the Project is also expected to have a considerable economic development impact at both the state and local levels. Approximately 1,000 jobs will be created at the peak of the construction phase (500 jobs on average) and approximately 260 to 280 permanent, quality jobs will be created in both the power and mine facilities. The Project will also result in increased state and local tax revenues, the infusion of mineral royalties into the area and the opportunity for increased commercial and industrial development both related and unrelated to the operation of the Project.

(e) Fifth, because the Plant will be fueled by Mississippi lignite, the Project is expected to demonstrate the value of lignite and provide the catalyst to expand lignite business opportunities in the State. It is estimated that Mississippi has approximately four billion tons of un-mined lignite, representing significant untapped potential for economic development.

(f) Sixth, the Project also has the opportunity to provide considerable strategic economic development value to the State and the nation. Utilizing Mississippi lignite in a cost-effective, environmentally responsible manner furthers both the State's and the nation's stated goal of increased energy independence, as well as the Obama administration's agenda of developing clean coal technologies and utilizing Enhanced Oil Recovery (EOR) as an effective solution for carbon sequestration and reduction of greenhouse gases.

(g) Seventh, the carbon capture capabilities of the Plant, beyond their potential environmental benefits, will foster the development of EOR projects in the State.

These EOR projects are expected to translate into an increase of domestic oil production of several million barrels a year. 2009-01-14

B. MPC's Integrated Resource Planning Process

10. MPC's integrated resource planning (IRP) process is continuous and includes forecasting customer load and energy requirements; evaluating the capacity available to meet the load; developing, evaluating and implementing demand-side management (DSM) and energy efficiency programs; assessing and planning for existing and anticipated environmental laws and regulations; and, when a need is identified, evaluating the resources, both demand side and supply side, available to reduce or meet such need. These functions are performed regularly, not only when a new generating resource is proposed. When a resource is needed, the information generated from our IRP process forms the foundation used to evaluate resource options and ultimately prepare a certificate filing. On an annual basis, it provides the vital data to set annual budgets and plan fuel purchases, and is a basic ingredient in most other aspects of the Company's business planning. After considering customer load growth, fuel and generation diversity, risk of environmental regulation and the available capacity options, MPC's IRP indicates a need between 318 and 601 MW by the summer peak season of 2014.

11. Given this range and its obligation to serve, the Company believes it is prudent to take steps to meet this need now so that the Company can ensure that an adequate supply of capacity exists to serve MPC's territorial load. Generally, a utility's need is filled from one or a combination of resource alternatives that fit into three categories: (1) demand-side management (DSMs) programs; (2) wholesale capacity and energy purchases; and (3) self-build generation. DSMs are continually evaluated by the Company and the benefits of these programs are already

included in the Company's annual Load and Energy Forecast and generation needs assessment. **2009-UA-14**

Because the benefits of these DSM programs are inadequate to fully meet MPC's needs, the Company evaluated the remaining two categories of alternatives using the factors and considerations listed above to select the alternative that was in the overall best interest of customers.

(a) First, MPC began to select, screen and evaluate the various alternatives available to meet this need in a prudent and cost effective manner. This process was approved by orders of the Commission in Docket No. 2006-UN-0581. To determine the best alternative for meeting the generation needs identified, MPC, with the assistance of Southern Company Services (SCS), began by identifying the types of generation technology that were reasonably available in the relevant time frame. A multitude of qualitative and quantitative factors were utilized to determine whether a new resource or a market solution best fits MPC's need. Comparisons among the various alternatives considered issues such as reserve levels, generation mix, fuel diversity, capital spending, on-going O&M costs, environmental issues, risk management, construction lead times and the availability of financial incentives.

(b) Second, a detailed economic analysis was conducted by the Company to compare the cost of the self-build alternatives identified in the screening process to determine the overall least cost option based upon the net present value of revenue requirements over the life of each alternative. All alternatives were scaled to the same summer peak capacity so that each alternative could be compared on a dollar per kW basis. The forty-year revenue requirements (2013 – 2053) were then discounted at MPC's after-tax weighted average cost of capital to calculate a cumulative net present value for each alternative.

(c) Third, throughout the screening and evaluation process, MPC issued two 2009-UA-14

separate Invitations for Indicative Proposals of Solid Fuel-Fired Generating Capacity Beginning in 2013 to test the wholesale market for viable generation alternatives that could adequately meet MPC's need. The conforming proposals from both invitations were compared to the Company's self-build alternatives then under consideration, and an economic analysis similar to that used to compare the Company's self-build alternatives was performed. MPC concluded that the IGCC self-build alternative under consideration was the most cost-effective solid-fuel option available, and that no wholesale market offerings provided better value.

12. The Company's economic evaluation and analysis clearly indicate that the proposed Project is the best generation resource alternative to meet MPC's identified need and is in the overall best interest of customers. In terms of long-term strategic value, the Project provides a combination of lower and more predictable fuel costs, available financial incentives, favorable environmental benefits and CO₂ capture and sequestration. The Project also presents a unique opportunity to position lignite as another potential fuel source in an apparent carbon-constrained environment by utilizing a relatively untapped Mississippi natural resource.

C. Kemper County IGCC Project

13. The Kemper County IGCC Plant consists of two major system classifications: a gasification island and a combined cycle generating unit. The Plant will incorporate the air-blown TRIG™ technology jointly developed by Southern Company, Kellogg Brown & Root, LLC (KBR), and the DOE. The Plant will be fueled primarily by lignite mined in Kemper County, Mississippi. The lignite will be converted to synthesis gas (syngas) by the TRIG™ gasifier for use in a 2-on-1 combined cycle generating unit.

14. The Plant has a designed net summer peak capacity of 582 MW. Electrical power will be generated at 18 kV by the gas and steam turbine generators. The generators have dedicated step-up transformers to increase voltage to 230 kV. The Plant capacity includes 88 MW of duct-fired peaking capacity fueled by natural gas. This peaking capacity will be separately dispatched and primarily used only during times of peak demand. 2009-UA-14

15. The proposed Kemper County IGCC Project site is located near the unincorporated community of Liberty in Sections 3, 4, 9, 10 and 11 Township 9 North, Range 15 East of Kemper County, Mississippi, and lies wholly within the certificated service area of East Mississippi Electric Power Association.⁶ The site is comprised of approximately 1,650 acres, which includes sufficient land for the Plant and all associated facilities and equipment. MPC currently owns approximately 750 acres of the site and possesses options to purchase the remaining acres from the current landowners.

16. The Project has been designed with technology to reduce emissions that result in full compliance with the Clean Air Act and all applicable regulations promulgated thereunder to date. The syngas cleanup processes planned for this Project are an integral part of the overall gasification process design, and are included as a means to reduce stack emissions. The emission rates expected by utilizing these processes represent the best available air pollution control technologies and will allow MPC to permit the Plant in accordance with all federal and state ambient air quality standards.

17. The Plant will also be designed to capture approximately 50% of its CO₂ output. It can be anticipated that climate change legislation enacted by the Congress—and/or imposed by

⁶ Although the Project will be located within the certificated service area of East Mississippi Electric Power Association, the Project is not intended to be used to serve at retail any customers located within the certificated service areas of any other Mississippi public utility other than MPC.

regulations by the Environmental Protection Agency—could result in explicit or implicit requirements to capture and sequester CO₂ from new coal-fired power plants. In addition, the Company strongly believes that it will be unable to obtain the funding and governmental approvals necessary to construct the Project without some level of carbon capture and sequestration capability. MPC has studied several alternatives for various levels of CO₂ capture, and, based upon this analysis, the Company believes that it would be in the best interest of customers to design, build and operate the Plant with an approximate 50% capture level. 2009-UA-14

18. Fortunately, the Project is being sited in a region of the country that contains a number of EOR projects that are expected to provide a vibrant market for the sale of the Project's captured CO₂. EOR is a process by which a compressed gas (e.g. CO₂), heat or chemical agent is used to increase the productivity of depleted oil fields. MPC has been in preliminary discussions with a firm that has expressed an interest in purchasing the CO₂ produced at the Plant for use in EOR projects.

19. The Project is estimated to cost a net total of \$2.2 billion. For purposes of the economic analysis and financial projections contained in this filing, the Company has assumed a November 2013 commercial operation date, which will maximize the federal, state and local benefits available to reduce the cost of the Project. However, the Company is preserving options for a later commercial operation date should it be determined that a later in-service date is in the overall best interest of the Company and its customers

**REQUEST TO IMPLEMENT
PROPOSED RATE MECHANISM**

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20. In addition to its certificate request, MPC hereby respectfully requests, pursuant to Miss. Code Ann. §§ 77-3-101 *et seq.* (Baseload Act or the Act),⁷ that this Commission specifically find, among other things, that the Project constitutes a “generating facility” as defined in the Baseload Act and that the Company’s pre-construction activities and the costs incurred and to be incurred in connection therewith are reasonable, necessary, prudent, and in the public interest.⁸ Further, pursuant to Miss. Code Ann. § 77-3-105, MPC hereby respectfully requests that the Commission (i) include in MPC’s rate base and rates, as used and useful components of furnishing electric service, all prudently incurred pre-construction, construction, operating, and related costs incurred and to be incurred in connection with the Project; (ii) approve the Company’s proposed ratemaking treatment for the Project, including without limitation, the treatment of various financial and other incentives afforded and provided by the State of Mississippi, Kemper County, the Federal Energy Policy Act of 2005 (2005 EAct) and the CCPI for the construction of the Project, and the treatment of fuel benefits and costs related to the Project; and (iii) approve the recovery mechanism proposed by the Company, including the establishment of periodic prudence reviews for the Project on a quarterly basis.

21. The Kemper County IGCC Project is the best choice to meet customers’ needs for additional generation. In addition, it brings numerous other benefits to MPC’s fleet, the region

⁷ Senate Bill 2793 as passed in the 2008 Regular Session of the Mississippi Legislature and signed into law by Governor Haley Barbour on May 9, 2008, which was later codified as Sections 77-3-101 *et. seq.* of the *Mississippi Code of 1972, as amended*.

⁸ In Docket No. 2006-UN-0581, Mississippi Power Company has pending before this Commission a separate application for approval of its generating screening and evaluation costs incurred in determining the best overall generation alternative, which ultimately culminated in the filing of this proceeding, all as contemplated in the Commission’s Order and Amended Order issued in that Docket.

and the nation. Nevertheless, it is a very large investment for MPC. The Company's goal, with Commission approval, is to construct the Project and place it in service to obtain those benefits for all the various stakeholders, but it must do so in a way that protects MPC's financial strength and sustains the Company's ability to provide the robust, reliable electric service that customers need and expect.

22. To accomplish all of these goals, the Company is proposing and requesting a comprehensive package of regulatory actions, including a schedule for certification, the certification itself, a prudence review process for already incurred and to-be-incurred pre-construction and construction costs, a rate mechanism and a cost recovery path. To successfully complete the Project, approval of each and every one of these measures is necessary.

A. Project Financing Plan

23. In general, the Company plans to use a conventional mix of debt, preferred stock, and common equity to fund the Project. MPC plans to use a capital structure commensurate with maintaining a strong "A" credit rating – 50% debt financing, 5% preferred stock and 45% equity. Maintaining a strong "A" credit rating will sustain the Company's low cost of financing and is in the best interests of our customers and the Company as it will result in the lowest costs to our customers, while providing the Company with critical access to reasonably priced capital. MPC's total assets are approximately \$2.0 billion. The \$2.2 billion projected net cost of this Project emphasizes the importance of a strong financing plan and strong credit ratings.

24. The Company is currently pursuing a variety of federal incentives and state and local support available to advance clean coal technology, which, if approved, will reduce the overall cost of the Project by about \$262 million (Total Company) and will reduce expenses over

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the life of the Project by approximately \$897 million (Total Company). The federal incentives that the Company has been pursuing include funding from the Clean Coal Power Initiative (CCPI), Investment Tax Credits authorized in Section 48A of the 2005 EPAct, and Department of Energy (DOE) loan guarantees authorized in the 2005 EPAct.

25. The Project will provide significant benefits to the State of Mississippi and Kemper County in the form of construction jobs, permanent jobs, state taxes paid, and royalties paid for the lignite. Recognizing these benefits, the Company has been working with the Mississippi Development Authority (MDA) and the Kemper County Board of Supervisors to develop a program of State and local support designed to mitigate the overall cost of the Project, while also recognizing the positive impacts of such a project on local infrastructure and services in Kemper County. These State and local benefits are available by law to any business upon application, if the business or project meets the specific program's criteria. These programs include state industrial bonds issued by the Mississippi Business Finance Corporation (MBFC), the State Jobs Tax Credit, the Advantage Jobs Incentive Program, bonds issued pursuant to the Gulf Opportunity Zone Act of 2005, a manufacturing investment tax credit, a fee in lieu of franchise tax, a fee in lieu of ad valorem property tax, and various other support.

26. Finally, the Baseload Act, grants the Commission the authority to use ratemaking that enables the timely recovery of the financing costs on the construction expenditures during construction. This approach reduces the long-term cost to the customer and allows the Company to maintain the financial strength needed to complete the Project and make the necessary investments required in our ongoing business of providing electric service. The Company will not be able to proceed with this Project unless the Commission, under that authority, allows

appropriate CWIP treatment, provides an expedited prudence review process and establishes a special rate mechanism for this cost recovery. 2009-UA-14

27. Building baseload generating capacity requires significant capital investment and takes several years to complete. Financial markets and credit rating agencies are addressing the uncertainty created by the magnitude of the dollars, the length of construction period and the traditional two-step process to obtain recovery, by requiring increased legislative and regulatory assurances of cost recovery. In passing the Act, the Legislature acknowledged that these difficulties would prohibit the construction of baseload generation without increased certainty of cost recovery. In order to facilitate public utilities' ability to finance and construct baseload generation, the Legislature authorized the MPSC to utilize an alternate method of cost recovery for certain baseload generation when it is in the best interest of customers to do so.

28. The primary purpose of this legislation is to save Mississippi retail customers money. The Company projects that the ability to collect the financing costs of the Project timely during construction would save retail customers up to \$163 million over the life of the Project.

29. In addition, the Act provides the necessary framework to enable the financing and construction of the proposed Project. With this framework, the Company should be able to maintain its current credit quality through improved cash flow and increased certainty of ultimate cost recovery. A credit rating downgrade would increase MPC's cost of capital, not just for this Project, but for the Company's entire rate base, and make access to capital markets more difficult. Therefore, the Act gives the Commission the tools to add certainty, improve recovery, and thereby enable the financing of the Project.

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30. Finally, the construction and operation of electric baseload generating plants are not only necessary to meet future electric demands, but they also generate substantial economic development opportunities for state and local governments. By exercising its authority under the Act, the Commission can make the construction of these plants in the current financial environment a reality. Obviously, many other steps are required to construct any baseload plant, but full implantation of the Act by the Commission will be a significant step in the right direction.

B. Approval of Proposed Rate Treatment of Project Costs

31. In general, once the Plant becomes fully operational, customer rates will be lower than they would otherwise have been had the Company had to rely on a natural gas only alternative. The energy cost savings from using lignite instead of natural gas will offset the capacity cost of the Plant. As contemplated in the Baseload Act, in order to provide appropriate cash flow to protect the Company's credit quality, there will be rate impacts during construction.

32. Under a full implementation of the Act, the customers would bear the financing costs of the Project for four years before they begin to receive energy savings from the lower lignite fuel costs. While this approach represents the overall long-term lowest cost option for MPC's customers, the Company recognizes that full implementation of the Act would represent higher near-term rate impacts to customers. MPC has a proven history of balancing the interests of various stakeholders when making decisions that impact those stakeholders. Concerning the Kemper County IGCC Project, as with all of its business decisions, MPC, with the oversight of the Commission, must once again balance the interests of customers, investors and the communities affected.

33. After careful review of the financial impacts of the Project, the Company is **2009-UA-14** concerned about the near-term effect of these impacts on customers' rates and on the financial strength of the Company. Therefore, MPC has developed a proposal that utilizes current recovery of the Project's financing costs only to the minimum point MPC believes necessary to support financial strength, with the remainder of the financing costs deferred as AFUDC. This proposal does not result in the lowest total life-cycle cost to the customer, but decreases the rate impacts during the construction period, before the customers will receive the energy savings of lower lignite fuel cost. This approach delays retail rate impacts through 2010, followed by annual retail rate increases of 4% in 2011, 5% in 2012, 6% in 2013 and a decrease of 4% in 2014, followed by further reductions in the subsequent years. While this proposal will allow the Company to collect a portion of its financing costs during construction, the actual construction cost of the plant will not be recovered through rates until the plant is completed. Therefore, none of the "bricks and mortar" construction cost incurred will be recovered during construction.

34. The intent of the Baseload Act was to promote and foster the construction of baseload electric generation and to facilitate the public utilities' ability to finance and construct such generation. The provision grants the Commission the authority, when it is in the best interest of the customers, to provide utilities regulatory treatment of costs to finance the construction of the baseload generation. This regulatory treatment of financing costs represents the minimum necessary to maintain a utility's financial strength, as evaluated by the rating agencies, so as to maintain access to the financial markets to finance not only the generation being constructed, but also to meet the capital needs of ongoing operations. As previously

explained, Commission approval of this cost recovery path is essential for the Company to be able to finance and construct the Project. 2009-UA-14

C. Approval of Proposed Cost Recovery Mechanism

35. MPC's proposed cost recovery mechanism has four main components: (1) an annual filing for determination of rates under a proposed new rate schedule, Certified New Plant, Rate Schedule "CNP"; (2) a monthly reporting process; (3) a quarterly prudence review process; and (4) a true-up process.

(a) First, MPC will make an annual CNP rate filing delineating a schedule of activities and expenditures for the projected period, the estimated pre-construction and construction costs for the coming twelve months, and the financing necessary to fund the activities. The Commission and Staff will review and investigate the proposed schedule and expenditures to determine the prudence of these activities and costs. The CNP rates would be established based upon this approved information.

(b) Second, the Company will submit monthly reports of actual progress compared to estimates to facilitate the Commission and Staff's monitoring of the Project schedule and costs. These schedules will include information in such detail as to allow for their review, evaluation as to consistency with projections, and approval for continued inclusion in the calculation of CWIP and the construction financing cost.

(c) Third, based on criteria to be developed with the Commission and Staff, the Company will submit the detailed supporting information for Project activities and expenditures necessary for the Commission and Staff to verify that the activities and

expenditures are consistent with the plans and estimates submitted and the activities deemed prudent in the annual review. 2009-UA-14

(d) Fourth, at the end of the rate recovery period, MPC will calculate a true-up of actual Project expenditures incorporating any Project expenditures found in the course of the year to not be prudent, any differences between revised revenue requirement for the prior evaluation period and the actual revenue collected under the rate plan, and the projections for the coming year.

36. Adoption of and adherence to this process is necessary to enable the construction of the Plant, by preserving MPC's credit quality during this large construction project.

D. Approval of Generation Screening and Evaluation Costs

37. In its December 21, 2006, order in Docket No. 2006-UN-0581, the Commission authorized the Company to charge the costs associated with its generation planning, screening and evaluation of its next potential generation alternative to a regulatory asset. These costs were to be held in the regulatory asset account until the earlier of June 30, 2008, or upon certification of the next generation resource. On December 28, 2007, the Commission amended the order to defer the beginning of the amortization period to January 1, 2009. Most recently, on December 22, 2008, the Company filed an application with the Commission requesting that the Company be allowed to defer the beginning of the amortization period to January 1, 2010.

38. In that docket, the Company was directed to file quarterly reports with the Staff to facilitate the Staff's and Commission's review of these costs and to facilitate future prudence determinations with respect to such costs. MPC has submitted cumulative quarterly reports to the Staff detailing the generation planning, screening and evaluation costs incurred by the

Company to date. The most recent report was filed on December 5, 2008, for the period through September 30, 2008. As indicated in that report, the Company has incurred a total of \$36,299,211 in connection with the evaluation of generating alternatives and in the selection, design and preservation of the Project. 2009-UA-14

39. Much of the generation planning, screening, and evaluation costs deferred in the regulatory asset account are associated with the IGCC alternative. As explained above and in our initial report to the Commission and Staff in that docket, detailed reference plant information was available for most of the alternatives evaluated from existing models. This reference information was relatively easy to update from recent information developed for/by other Southern Company affiliates or from outside vendors. However, detailed reference plant information concerning the IGCC alternative was either not available or not of sufficient depth to provide for an equitable comparison of all of the alternatives. Thus, a great deal of study and pre-engineering work was necessary to develop cost and performance data for the IGCC alternative to allow it to be adequately and fairly compared to the other resource alternatives.

40. The Company conducted a Front-End Engineering and Design (FEED) study to gather the pertinent cost and other data necessary for the evaluation. Additional activities were also required to both verify and preserve the viability of the Kemper County site as well as supply data into the FEED cost estimating process including: (1) drilling test wells, (2) core drilling in the mining area, and (3) constructing a lignite dryer. Currently, MPC is incurring costs to preserve the economic viability of the IGCC alternative. These include: (1) securing commitments of funding from the DOE, (2) securing the ITC tax credits, (3) procuring certain

land rights, (4) securing the rights to a used dragline (resulting in significantly lower fuel costs),
(5) conceptual and detailed design; and (6) procurement activities. 2009-UA-14

41. The Commission and Staff were informed of these activities through the Company's Supplemental Application filed in Docket No. 2006-UN-0581 on December 11, 2007. All of these activities and costs were necessary and prudent for the Company to make an informed resource decision, which is in the best interest of the Company, its customers and the State of Mississippi. Therefore, the Company hereby requests that the Commission review and find prudent the pre-construction costs incurred to date such that they may be appropriately included for recovery in MPC's ratebase and rates.

**APPROVAL OF MATERIAL
THIRD-PARTY CONTRACTS**

42. As is described in more detail in the testimony of Ms. Flowers, the Plant will be fueled primarily by Mississippi lignite mined from a site adjacent to the Plant in Kemper County. Following an evaluation of qualified lignite mining companies, the Company identified and is currently negotiating with the North American Coal Corporation (NAC), a subsidiary of NACCO Industries, Inc., to perform all mining activities associated with securing, mining, and delivering lignite to the Plant. This will include securing all necessary licenses and permits required by law to perform a surface mining operation in Kemper County, Mississippi. NAC has extensive experience in mining lignite and currently is America's largest miner of lignite, operating six surface mines including the Red Hills Mine near Ackerman, Mississippi. The Company is currently negotiating a Lignite Supply Agreement (LSA or Contract) between MPC and Liberty Fuels, LLC (Liberty), a subsidiary of NAC, with the obligations of Liberty guaranteed by NAC. While the Contract is not yet final, the parties have agreed on most terms

and conditions and know the price within a narrow range. Once the LSA is executed, MPC will file it confidentially with the Commission and Staff. Therefore, MPC requests that in connection with the issuance of a certificate of public convenience and necessity this Commission approve as prudent and in the public interest that certain Lignite Supply Agreement between MPC and Liberty.

43. The Company will file with this Commission any other material contracts executed after the date of filing this Petition that require Commission approval under Mississippi law and/or the Commission's Rules.

SUPPORTING DOCUMENTATION AND INFORMATION

44. In support of this Petition, the Company submits the following information on which it will rely at any hearing on this request, all of which is incorporated herein by reference as if fully set forth in this Petition:

(a) The sworn pre-filed direct testimony and exhibits of Ms. Kimberly D. Flowers, Vice President and Senior Production Officer, Mississippi Power Company;

(b) The sworn pre-filed direct testimony and exhibits of Mr. F. Sherrell Brazzell, Project Manager, Retail Generation Department, Southern Company Services;

(c) The sworn pre-filed direct testimony and exhibits of Mr. Garey C. Rozier, Resource Planning Manager, Southern Company Services;

(d) The sworn pre-filed direct testimony and exhibits of Mr. James D. Cochran, General Manager of Transmission Design-Construct West, Southern Company Transmission;

2009-UA-14

(e) The sworn pre-filed direct testimony and exhibits of Ms. Frances Turnage, Vice President, Treasurer, and Chief Financial Officer, Mississippi Power Company;

(f) The sworn pre-filed direct testimony and exhibits of Mr. Steven M. Fetter, President, Regulation UnFettered;

45. The Company further submits that the following information and data pursuant to RP 7.102(2) and in satisfaction of the filing requirements listed in Schedule 3 of Appendix A of the Commission's Rules:

(a) Appendix A to Exhibit____(KDF-2) to Ms. Flowers' testimony which is a detailed description of the Plant;

(b) Appendix B to Exhibit____(KDF-2) to Ms. Flowers' testimony which is an estimate of the capital cost to construct the Project;

(c) Appendix C to Exhibit____(KDF-2) of Ms. Flowers' testimony which is an outline map depicting the general location of the Plant with respect to the Company's existing certificated area;

(d) Exhibit____(JDC-1) to Mr. Cochran's testimony which is an outline map depicting the general location of the proposed transmission facilities with respect to the Company's existing certificated area;

(e) Appendix H to Exhibit____(KDF-2) to Ms. Flowers' testimony which is a copy of the approvals and permits from the health and environmental quality authorities required to commence construction of the Project;

(f) Exhibit____(FT-1) to Ms. Turnage's testimony which is a copy of MPC's Balance Sheet as of September 30, 2008;

(g) Exhibit____(FT-2) to Ms. Turnage's testimony which is a copy of the 2009-14
Income Statement as of September 30, 2008;

(h) Exhibit____(FT-4) to Ms. Turnage's testimony which is a summary of
incentives, support and sources of funding for the Project;;

(i) Exhibit____(FT-6) to Ms. Turnage's testimony which is analysis of
impact of the Project on retail ratebase and rates;

(j) Exhibit____(FT-8) to Ms. Turnage's testimony which a copy of the
proposed Certified New Plant, Rate Schedule "CNP";

(k) Exhibit A to the Petition which is a list of the names and addresses of all
interested persons as defined in RP 2.115;

(l) Exhibit B to the Petition which is a copy of the Notice of Filing to be sent
to all interested persons pursuant to the Commission's Rules; and

(m) Exhibit C to the Petition which is a copy of the Company's Proposed
Scheduling Order that the Company requests the Commission issue pursuant to RP 6.132.

46. Pursuant to Mississippi law and the Rules, MPC is only attaching the non-
confidential portions of the exhibits for filing in the public records of the Commission. Copies
of such exhibits that contain confidential commercial and financial information or information in
the nature of a trade secret have been appropriately marked and are being filed confidentially
under separate cover in accordance with RP 4.100(3) and 4.101(3) of the Commission's Rules.
Petitioners request that the Commission and the Staff maintain this information as confidential
and that to the fullest extent permitted by law it not be disclosed to any third parties. To that end,
the Company intends to file, pursuant to RP 12, a Motion for Protective Order, which will

respectfully request an order from this Commission limiting the public disclosure of certain confidential and trade secret information and providing procedures for handling confidential matters in the context of any public hearings held in this proceeding. 2009-~~UA~~UA-14

47. The name, address and telephone number of the MPC employee responsible for the Project and from whom information may be obtained is:

Ms. Brian D. Useforge
Manager, Regulatory Affairs
Mississippi Power Company
2992 West Beach Boulevard
Post Office Box 4079
Gulfport, MS 39502-4079
Phone: (228) 865-5824
bdusefor@southernco.com

with copy to:

Ben H. Stone, Esq.
Balch & Bingham LLP
1310 25th Ave.
Post Office Box 130
Gulfport, Mississippi 39501
Phone: (228) 864-9900
bstone@balch.com

48. The Company has provided herewith all the information relevant to its petition and, therefore, requests a waiver of each and every other filing requirement that may be prescribed by the Commission's Rules.

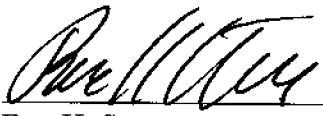
49. The present and future public convenience and necessity require or will require:
(1) the operation of the generating equipment, transmission lines, gas lines and related facilities described above in connection with MPC providing electric utility service to its customers as applicable in southeast Mississippi; and (2) the ratemaking treatment proposed herein.

WHEREFORE, PREMISES CONSIDERED, Mississippi Power Company respectfully requests that this petition be received and filed, that notice be issued as required by law and Rules of this Commission, that this matter be heard at the earliest date permitted by law, and that this Commission: (i) issue pursuant to RP 6.132 the Proposed Scheduling Order; (ii) issue certificates finding that the present and future public convenience and necessity require or will require the acquisition, construction, operation and maintenance of an electric generating plant, associated transmission facilities, associated gas pipeline facilities, associated rights-of-way and related facilities in Kemper, Lauderdale, Clarke and Jasper Counties Mississippi; (iii) find that the Project constitutes a "generating facility" as defined in the Baseload Act; (iv) find that the Company's pre-construction activities and the costs incurred and to be incurred in connection therewith are reasonable, necessary, prudent, and in the public interest; (v) authorize MPC to include in rate base and rates, as used and useful components of furnishing electric service, all prudently incurred pre-construction, construction, operating, and related costs incurred and to be incurred in connection with the Project; (vi) approve the Company's proposed ratemaking treatment for the Project, including without limitation, the treatment of various federal, state and local financial and other incentives for the Project, and the treatment of fuel benefits and costs related to the Project; (vii) approve the recovery mechanism proposed by the Company, including the establishment of periodic prudence reviews for the Project not less frequently than on a quarterly basis; (viii) approve as prudent and in the public interest that certain Lignite Supply Agreement between MPC and Liberty; and (ix) (x) grant such other relief that the Commission deems appropriate.

RESPECTFULLY SUBMITTED, this the 16th day of January, 2009. 2009-UA-14

MISSISSIPPI POWER COMPANY

BY: BALCH & BINGHAM LLP

BY: 
Ben H. Stone

BEN H. STONE
Mississippi Bar No. 7934
TIM A. FORD
Mississippi Bar No. 5415
RICKY J. COX
Mississippi Bar No. 9606
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STATE OF MISSISSIPPI

2009-UA-14

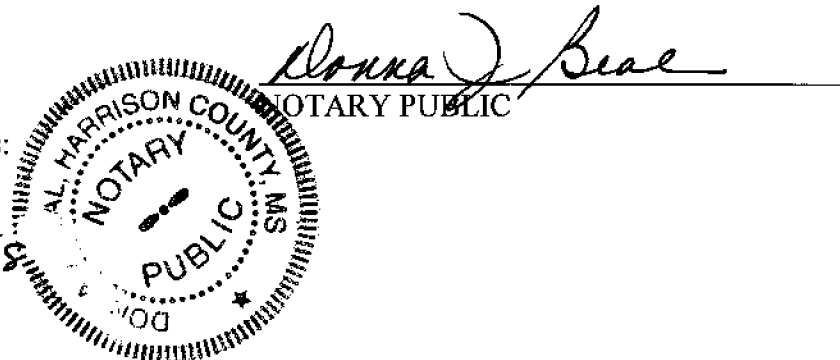
COUNTY OF HARRISON

PERSONALLY appeared before me, the undersigned authority in and for the said County and State, within my jurisdiction, the within named BEN H. STONE, who after being duly sworn on oath acknowledged that he is Attorney for MISSISSIPPI POWER COMPANY and that for and on behalf of the said MISSISSIPPI POWER COMPANY and as its act and deed, he signed and delivered the above and foregoing instrument of writing for the purposes mentioned on the day and year therein mentioned, after first having been duly authorized by said MISSISSIPPI POWER COMPANY so to do, and that the statements contained in the foregoing instrument are true and correct to the best of his knowledge, information and belief.

SWORN TO AND SUBSCRIBED BEFORE ME, this the 16th day of January, 2009.

My Commission Expires:

7/25/11
10# 70498



CERTIFICATE OF SERVICE

2009-UA-14

I, BEN H. STONE, counsel for Mississippi Power Company in the Petition for Facility Certificate (the "Petition") filed with the Mississippi Public Service Commission (the "Commission") of even date herewith do hereby certify that in compliance with Rule 6 of the Commission's Public Utilities Rules of Practice and Procedure (the "Rules"):

(1) An original and twelve (12) copies of the Petition and testimony with three copies of all map exhibits attached thereto have been filed with the Commission by delivery to:

Mr. Brian U. Ray
Executive Secretary
Mississippi Public Service Commission
501 North West Street, Suite 201A
Post Office Box 1174
Jackson, MS 39215-1174

(2) The Petitioner has served via U.S. Mail, postage prepaid, a copy of the Notice of Filing upon each "interested person" listed in Exhibit A to this Petition.

(3) Petitioner has complied with or requested a waiver of all other requirements of the Commission's rules.

THIS, the 16th day of January, 2009.

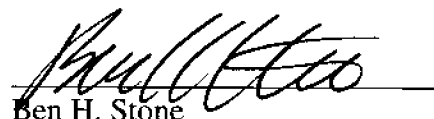

Ben H. Stone

EXHIBIT "A"
RULE 2.115 INTERESTED PERSONS

2009-UA-14

Mr. Paul Long
General Manager
Central Electric Power Association
Post Office Box 477
Carthage, Mississippi 39051

Mr. H. Wayne Henson
General Manager
East Mississippi Electric Power Association
Post Office Box 5517
Meridian, Mississippi 39302-5517

Mr. Alan Bradley
General Manager
Dixie Electric Power Association
Post Office Box 88
Laurel, Mississippi 39441-0088

Mr. James Compton
General Manager/CEO
South Mississippi Electric Power Association
Post Office Box 15849
Hattiesburg, Mississippi 39404

Mr. Donald L. Jordan
General Manager
Southern Pine Electric Power Association
Post Office Box 60
Tylorsville, Mississippi 39168

EXHIBIT "B"
FORM NOTICE OF FILING

2009-UA-14

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION

MISSISSIPPI POWER COMPANY
EC-120-0097-00

DOCKET NO. 2008-UA-_____

**IN RE: PETITION OF MISSISSIPPI POWER COMPANY FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AUTHORIZING THE ACQUISITION, CONSTRUCTION, AND
OPERATION OF A ELECTRIC GENERATING PLANT,
ASSOCIATED TRANSMISSION FACILITIES, ASSOCIATED GAS
PIPELINE FACILITIES, ASSOCIATED RIGHTS-OF-WAY, AND
RELATED FACILITIES IN KEMPER, LAUDERDALE, CLARKE,
AND JASPER COUNTIES, MISSISSIPPI**

NOTICE OF FILING

NOTICE is hereby given on behalf of MISSISSIPPI POWER COMPANY (MPC or Company), that the Company has on the 16th day of January, 2009, filed with the Mississippi Public Service Commission (Commission) a Petition for a Certificate of Public Convenience and Necessity Authorizing the Acquisition, Construction and Operation of an Electric Generating Plant, Associated Transmission Facilities, Associated Gas Pipeline Facilities, Associated Rights-of-Way and Related Facilities in Kemper, Lauderdale, Clarke and Jasper Counties, Mississippi. This Notice is given pursuant to Rule 9.101 of the Mississippi Public Service Commission Rules of Practice and Procedure.

EXHIBIT "C"
PROPOSED SCHEDULING ORDER

2009-UA-14

BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION **2009-UA-14**

MISSISSIPPI POWER COMPANY
EC-120-0097-00

DOCKET NO. 2009-UA-_____

**IN RE: PETITION OF MISSISSIPPI POWER COMPANY FOR A
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY
AUTHORIZING THE ACQUISITION, CONSTRUCTION, AND
OPERATION OF AN ELECTRIC GENERATING PLANT,
ASSOCIATED TRANSMISSION FACILITIES, ASSOCIATED GAS
PIPELINE FACILITIES, ASSOCIATED RIGHTS-OF-WAY, AND
RELATED FACILITIES IN KEMPER, LAUDERDALE, CLARKE,
AND JASPER COUNTIES, MISSISSIPPI**

SCHEDULING ORDER

On January 16, 2009, Mississippi Power Company (MPCo or the Company) filed its Petition for a Certificate of Public Convenience and Necessity in the above referenced docket requesting authority, among other things, to acquire, construct, operate and maintain an electric generating plant and various related facilities in Kemper, Lauderdale, Clarke, and Jasper Counties, Mississippi. In its application, MPCo submits that its proposed Kemper County ICGG Project (as described in MPCo's application) (the Project) qualifies as a new electric public utility baseload generating facility and requests that this Commission exercise the powers and authority vested in this Commission for the evaluation of baseload electric generating facilities in accordance with the provisions of Sections 77-3-101 *et seq.* of the *Mississippi Code of 1972, as amended* (the Baseload Act).

MPCo's Petition presents the first application made to this Commission for the construction of a baseload generating facility in over twenty (20) years. Given the complexities presented by the Company's request for authority to construct a new baseload electric generating and its request for consideration under the Baseload Act, this Commission finds that the adoption

of this procedural Scheduling Order pursuant to RP 6.132 of the Commission's Public Utilities Rules of Practice and Procedure (Rules) is appropriate, will result in the timely, efficient administration of this proceeding, and is in the best interests of the public, all interested parties of record, and the petitioner.

In order to 1) ensure the timely and efficient management of all statutory and regulatory requirements applicable to MPCo's Petition; 2) ensure adequate notice of all deadlines to all parties of record; and 3) to establish an orderly procedure for the resolution of this matter, this Commission issues this Scheduling Order to provide the means to accommodate filings, responses, interventions, data requests and discovery, and a hearing in a timely manner in this docket, as follows:

It is therefore, ORDERED:

1. Interventions. Interventions by interested parties shall be as provided by law and this Commission's Rules.

2. Motions. The Commission shall consider MPCo's Motion for Protective Order filed in this proceeding, and if it deems necessary, shall conduct a hearing on the motion not later than on Tuesday, March 3, 2009 at 10:00 a.m. (CST). An order from this Commission disposing of MPCo's Motion for Protection shall be issued no later March 21, 2009. All other motions filed in this proceeding shall be considered in accordance with the Rules.

3. Discovery. Discovery shall begin as of the date of this Order and shall be conducted in accordance with the Rules. The deadline for conducting all discovery, including but not limited to the submission of all data requests by all parties shall be Friday, April 10, 2009. Responses to all data requests shall be made not later than twenty (20) days from the date of

service, in accordance with RP 6 of the Rules. All parties are encouraged use reasonable efforts to propound and respond in good faith to data requests as quickly and as thoroughly as possible. 2009-UA-14

4. Testimony. MPCo has submitted pre-filed direct testimony with the filing of its Petition. All other parties wishing to be heard at the hearing of this matter, including the Staff, shall file their direct testimony, exhibits, and other information to be relied upon at the hearing of this cause, no later than Friday, April 24, 2009. The Company may file rebuttal testimony not later than Friday, May 29, 2009.

5. Pre-hearing Conference. A pre-hearing conference pursuant to Miss. Code Ann. Section 77-3-39 and RP 13 shall be held on Tuesday, May 5, 2009, at 11:00 a.m. (CST) at a place to be designated by a hearing examiner appointed by this Commission. Notice of the pre-hearing conference shall be given as required by law and the Rules to all parties of record. Public witnesses will be afforded the opportunity at the pre-hearing conference to provide comments on the Company's application as the hearing examiner deems appropriate and in the public interest.

At the pre-hearing conference, the Commission and the parties will consider: (a) the simplification of the issues; (b) the necessity or desirability of providing additional information to the Commission; (c) the possibility of obtaining admissions or stipulations that will avoid unnecessary proof; and (d) such other matters as may aid in the disposition of the case.

After the pre-hearing conference, any or all of the parties are encouraged to enter into stipulations with respect to any issues and/or proof so as to avoid unnecessary proof or litigation at the hearing of this matter. The Commission will consider any agreements or stipulations made between any or all parties and take such action as it deems necessary and consistent with the law. This Scheduling Order shall serve as notice of such pre-hearing conference to all parties of

record, including all parties who timely intervene in this proceeding pursuant to the Rules. The Executive Secretary is hereby instructed to provide copies of this Scheduling Order to all such intervenors at the same time he provides them with any orders granting leave to intervene. 2009-UA-14

All stipulations are subject to the approval of the Commission. Any stipulations reached by all or any of the parties at the pre-hearing conference, or at any time before or after such pre-hearing conference, shall be filed with the Commission at the earliest time possible. The Commission recognizes that stipulations may be reached at any time prior to its decision, but encourages the earliest possible resolution of any such issues.

6. Hearings. Hearings on MPCo's Petition shall be held beginning at 9:00 a.m. (CST) on Monday, June 15, 2009, in the hearing room of the Commission located on the First Floor of the Woolfolk State Office Building in Jackson, Mississippi. At such hearings, witnesses for MPCo will adopt and/or present their testimony and be available for cross-examination thereon. Persons desiring to submit evidence as intervenors or otherwise as parties will then adopt and/or present their testimony and have their witnesses available for cross-examination. The Staff will then adopt and/or present its testimony, if any, and have its witnesses available for cross-examination. The Company will then have the opportunity to offer its rebuttal testimony. Public witnesses shall be afforded an opportunity to provide comments on the Company's application as this Commission deems appropriate and in the public interest. Notice of the hearing shall be published by the Executive Secretary in the Clarion Ledger and in newspapers of general circulation in Kemper, Lauderdale, Clarke and Jasper Counties, Mississippi as required by law and the Rules.

7. Confidential Treatment at Hearings. This Commission is sensitive to the proprietary nature of certain information that may be presented at the hearing of this matter. In the event

confidential information is presented, this Commission will establish a procedure for inspecting such information and taking such testimony regarding confidential information *in camera*. 2009-UA-14

8. Issuance of Order. On or before August 31, 2009, the Commission shall issue its final order in this proceeding rendering findings of fact and conclusions of law in accordance with Miss. Code Ann. § 77-3-59.

It is further,

ORDERED, that this Order, including the deadlines established herein, may be modified only by order of this Commission on its own determination, or upon a showing of good cause by the party requesting such modification. All parties are encouraged to use reasonable efforts to cooperate in the expeditious compliance with all deadlines and requirements imposed by this Scheduling Order to ensure the timely resolution of this matter.

This Order shall be deemed issued on the day it is served upon the parties herein by the Executive Secretary of this Commission who shall note the service date in the file of this Docket.

Chairman Lynn Posey voted _____; Vice-Chairman Brandon Presley voted 2009-UA-14, and
Commissioner Leonard Bentz voted _____.

SO ORDERED by the Commission on this the _____ day of January, 2009.

MISSISSIPPI PUBLIC SERVICE COMMISSION

Lynn Posey, Chairman

Brandon Presley, Vice-Chairman

Leonard Bentz, Commissioner

ATTEST: A True Copy

Brian U. Ray,
Executive Secretary

Effective this the _____ day of _____, 2009.