



# **MISSISSIPPI PUBLIC UTILITIES STAFF**

## **EXECUTIVE SUMMARY**

**Annual Report  
For the Fiscal Year  
Ending June 30, 2017**

**Virден C. Jones  
Executive Director**

PUBLIC UTILITIES STAFF

**CHAD J. REYNOLDS**  
GENERAL COUNSEL

**MICHAEL MCCOOL**, DIRECTOR  
WATER & SEWER DIVISION

**CHRISTOPHER GARBACZ**, DIRECTOR  
ECONOMICS & PLANNING DIVISION



**VIRDEN C. JONES**  
EXECUTIVE DIRECTOR

**RANDY TEW**, DIRECTOR  
ADMINISTRATIVE SERVICES DIVISION

**BRANDI MYRICK**, DIRECTOR  
ELECTRIC, GAS & COMMUNICATIONS DIVISION

**DONNA CHANDLER**, DIRECTOR  
COMMUNICATIONS SECTION

December 28, 2017

The Honorable Governor Phil Bryant, Lieutenant Governor Tate Reeves,  
Members of the Legislature and State Elected and Appointed  
Officials of the State of Mississippi  
Jackson, Mississippi

Re: Mississippi Public Utilities Staff  
2017 Fiscal Year Executive Summary

Ladies and Gentlemen:

In accordance with Sections 27-101-1 and 27-101-3, Mississippi Code of 1972,  
we provide you the Mississippi Public Utilities Staff Executive Summary of  
the 2017 Fiscal Year Annual Report. This Summary outlines the Staff's  
various activities, functions and accomplishments during the fiscal year July  
1, 2016, through June 30, 2017.

Respectfully submitted,

A handwritten signature in black ink that reads "Virden Jones". The signature is written in a cursive, flowing style.

Virden C. Jones  
Executive Director

The Public Utilities Staff (Staff) was created in 1990 and charged under Mississippi Code Annotated, §77-2-1, with representing the broad interests of the State of Mississippi by balancing the respective concerns of the residential, commercial and industrial utility customers, the state agencies and the public utilities. The Staff has investigative and advisory authority on matters that include:

- Reviewing and investigating contested matters before the Public Service Commission (Commission) and making recommendations with respect to the reasonableness of rates charged or proposed to be charged by public utilities;
- Reviewing, investigating and making recommendations with respect to services furnished or proposed to be furnished by public utilities;
- Making recommendations to the Commission for public utility rates, service or area when deemed necessary and in the broad public interest.

The Staff is composed of 28 employees with a variety of technical expertise (engineering, accounting, legal, economics, telecommunications and administration). The Staff is under the direction of the Executive Director and is organized into five divisions which are: Legal; Administrative Services; Economics and Planning; Water and Sewer; and Electric, Gas, and Communications.

During FY 2017, the Staff participated in 254 utility filings before the Commission. This 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 utilities. In addition, the Staff continually reviewed, investigated and made recommendations with respect to proposed new investments and to new services furnished or proposed to be furnished by jurisdictional public utilities.

### **ELECTRIC**

During FY 2017, the Staff reviewed formula rate plans for the two electric investor owned utilities, EMI and MPCo, which resulted in no major base rate increases. The Staff also participated in several major electric filings before the Commission including EMI's petition for Hinds Unit 2, EMI's request for Advanced Metering Infrastructure, and MPCo's request for LTE facilities upgrades. The Staff reviewed the annual fuel filings and performed its continuous monitoring activities related to fuel adjustment clauses. Additionally, the Staff prepared its Summary and Comments of the Commission's contracted financial fuel audit and procurement reviews. The audits confirmed there were no material misstatements of allowable fuel and purchased energy expenditures during the audit period and that procurement practices were reasonable.

The Staff continued to participate as a party in the various dockets related to the Kemper County IGCC facility. On August 17, 2016, the Commission issued its Order Establishing Discovery Docket. The Staff, along with other intervenors, issued and reviewed numerous sets of discovery in this case. Discovery in this docket concluded on April 3, 2017.

On June 5, 2017, MPCo made a Compliance Rate Filing in Docket No. 2015-UN-080 requesting modification of its amortization schedules for certain regulatory asset accounts that would allow the Company to continue to collect a revenue requirement at the existing level rather than lowering rates to reflect complete amortization of certain regulatory assets. An Amended Scheduling Order in this case established a procedural schedule with hearings to begin October 5, 2017. Additionally, the Commission issued an Order Opening Docket in Docket No. 2017-AD-112 encouraging stipulation of matters in connection with the Kemper County IGCC Project.

Additional information regarding the cases outlined above as well as other notable filings is included in the body of the Annual Report.

### **TELECOMMUNICATIONS**

The impact of competition and migration to different technologies, such as cable, wireless, and satellite providers in Mississippi continues to affect local exchange companies' access lines. Reports indicate that wireline access lines have decremented over 491,000 lines from December 2009 to June 2016. However, wireless subscribers exceed 2.7 million in June 2016.

Mississippi remains one of the largest national beneficiaries of funds allocated from the federal high-cost support under the federal universal service program. In 2016, Mississippi received over \$180 million in high-cost universal service funding. FCC 11-161 is transitioning the universal service fund from voice telephony to the acceleration of broadband build-out infrastructure. Three price cap companies accepted the FCC offer of the right of first refusal in 2015. The carriers have six years to build out broadband service for more than 139,000 funded locations in their service areas. The Staff is anticipating

the FCC Connect America Fund incentive auction that will provide broadband to an additional 18,000 unserved or underserved locations.

Many needy Mississippians receive discounted phone service through Lifeline programs. The Staff and Commission continue to monitor the reforms of these programs with the FCC and are in full support of the FCC's efforts to modernize the program, eliminate waste, fraud, and abuse, improve program administration and integrity, and streamline eligibility databases. Mississippi received over \$16 million from the Lifeline program in 2016.

On May 5, 2011, the Commission approved Docket No. 2011-AD-129 which implemented mandatory pooling of numbers in the Mississippi 662 Number Plan Area ("NPA"). Mandatory pooling of NPA 662 began in September 2011, and is currently forecasted to exhaust in the third quarter of 2040.

On April 9, 2013, the Commission approved an order increasing the Telecommunications Relay Service ("TRS") surcharge for landline services to \$.10/month. The Commission has been administering this fund under Statute 77-3-501 for 24 years.

The Staff monitors events of concern with the FCC and files comments upon the consent of the Commission. Recent comments filed included call completion concerns; prohibiting the in-person distribution for handsets to prospective Lifeline customers; and cramming.

Members of the Staff serve on various State and Federal committees, subcommittees, and boards. These are vital for implementation of FCC rules and industry changes. It also is important for the recognition of the involvement of Mississippi regarding changing telecommunication issues.

### **GAS**

During FY 2017, the Staff reviewed formula rate plans ("FRP") for the three largest natural gas local distribution companies ("LDCs") in the state – Atmos, CenterPoint and Willmut. The Staff's review of each FRP resulted in a stipulated lower revenue requirement – Atmos (\$1.9 million), CenterPoint (\$0.6 million) and Willmut (\$0.3 million). The lower revenue requirements equate to a combined ratepayer savings of \$2.8 million.

The Staff continued monitoring the purchased gas adjustments ("PGA") of the three major LDCs. The Staff contracted with Carr, Riggs & Ingram ("CRI") to provide PGA audit services and all received clean audit opinions for the twelve-month period ended September 30, 2016.

The Staff reviewed various certificated area expansion filings, facility certificate requests and rate change requests for the three major LDCs and jurisdictional municipalities. Details regarding the cases discussed above as well as other notable filings are included in the body of the Annual Report.

### **WATER & SEWER**

The Staff reviewed 43 water and sewer cases that included applications for construction of facilities, applications to serve customers and applications to revise the rates and charges authorized by the Commission. The Staff audited water and sewer companies, made cost studies of construction projects, monitored construction of new facilities and examined customer service practices of water and sewer utilities. Also, the Staff reviewed over 27 water block grant applications and made recommendations to the Mississippi Development Authority.

### **ECONOMICS & PLANNING**

Issues relating to electricity were reviewed. Kemper Plant construction monitoring by the Independent Monitor was followed and various possibilities for efficiencies were studied over the past eight years. ROE formulas were evaluated and redesigned. Regulatory innovation in other states was monitored. General market conditions are continually reviewed as they relate to utilities. We also assess environmental regulations that may impact costs in Mississippi. The director is on several national committees and is a referee for research articles in academic journals.