

FILED

SEP 30 2019

MISS. PUBLIC SERVICE  
COMMISSION

BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE  
STATE OF MISSISSIPPI

ENTERGY MISSISSIPPI, LLC

EC123008200

2018-UA-204

IN RE: PROPOSED MODERNIZATION OF THE  
GENERATING FACILITIES OF ENTERGY  
MISSISSIPPI, INC. WITH THE  
ACQUISITION OF THE CHOCTAW  
GENERATING STATION IN CHOCTAW  
COUNTY, MISSISSIPPI

**JOINT STIPULATION**

This Joint Stipulation is entered into by and between the Mississippi Public Utilities Staff (the "Public Utilities Staff" or the "Staff") and Entergy Mississippi, LLC ("Entergy Mississippi", "EML", or the "Company") pursuant to the Mississippi Public Utilities Act of 1956, Section 77-3-1, *et seq.*, of the Mississippi Code of 1972, as amended, (the Act") and the Mississippi Public Service Commission's ("MPSC" or the "Commission") Public Utilities Rules of Practice and Procedure (the "Procedural Rules").

**BACKGROUND**

1. On October 12, 2018, Entergy Mississippi filed its Petition for a Certificate of Public Convenience and Necessity ("Certificate" or "CCN") seeking authorization from the Commission for the Company to acquire, own, operate, improve and maintain the Choctaw Generating Station ("Choctaw Facility" or "Facility"), an electric generating facility in Choctaw County, Mississippi.

2. The Company is proposing to acquire the Choctaw Facility, an 810 MW combined cycle gas turbine ("CCGT") located near French Camp, Mississippi, at an acquisition price of \$314

million.<sup>1</sup> Entergy Mississippi has provided testimony that the acquisition of the Choctaw Facility presents Entergy Mississippi with a unique opportunity to acquire a modern facility at an attractive and known cost and that the Choctaw Facility acquisition will help provide needed capacity and energy to EML's customers at a cost that is less than EML constructing a new, comparably-sized CCGT for approximately \$1 billion. EML's 2018 Integrated Resource Plan shows an immediate need for capacity that can be met by the Choctaw Facility, allowing EML to continue providing reliable service. The Company has provided testimony that the Choctaw Facility is expected to result in lower costs to EML's customers than the addition of a new CCGT, and that the addition of capacity in 2019 also mitigates customer exposure to higher near-term capacity prices in the event of (1) changes to generation availability, (2) reduced import capability, and (3) load growth in Local Resource Zone 10, where EML is located.

3. Contemporaneous to the filing of the Petition in this proceeding, Entergy Mississippi filed a Notice of Intent in Docket No. 2018-UN-205 proposing revisions to the Company's Formula Rate Plan to allow Interim Capacity Rate Adjustments to recover the non-fuel costs of additional capacity acquired by the Company ("Annual Capacity Costs"), such as the non-fuel annual ownership costs of the Choctaw Facility. In the past, the Commission has allowed Entergy Mississippi to recover the annual ownership costs of the Attala and Hinds generating facilities, which were purchased at favorable prices from other entities by EML, through the Company's Power Management Rider ("PMR") after the Company completed those acquisitions. The Interim Capacity Rate Adjustments are intended to recover through the FRP the same types of costs recovered by EML through the PMR with respect to Attala and Hinds.

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<sup>1</sup> The total investment in the plant, including transaction and other costs, is estimated to be \$401.4 million, as described in the Direct Testimony of Rene Broussard, which is ATTACHMENT B to the Company's Petition.

4. The Staff has engaged the services of Bates White, LLC (“Bates White”), an economic consulting firm, to review and assist the Staff in its investigation of the Company’s Petition to acquire the Choctaw Facility. Bates White, in turn, contracted with Consolidated Asset Management Services, LLC (“CAMS”) to provide an independent technical assessment of the Choctaw Facility and the Company’s due diligence efforts. The Company responded to data requests propounded by the Staff. Bates White and CAMS personnel conducted a site visit at the Choctaw Facility on July 11, 2019, and Entergy Mississippi provided additional responsive documentation to Bates White and CAMS in the weeks following that meeting.

5. On September 6, 2019, Bates White filed its direct testimony and exhibits in this proceeding. Bates Whites testified that Entergy Mississippi performed extensive due diligence for the transaction and that the Company’s Due Diligence Report was thorough and well developed. Furthermore, the independent technical review report of maintenance schedules and inspection reports prepared by CAMS generally concluded that the Choctaw Facility is in good condition, with appropriate procedures in place to ensure proper operations and maintenance.

6. The Public Utilities Staff, along with Bates White, have had the benefit of data and information supplied by the Company and of thorough discovery pertaining to the Company’s Petition. Based upon the Public Utilities Staff’s review, Entergy Mississippi and the Public Utilities Staff have entered into this Joint Stipulation.

#### STIPULATION

7. It is hereby stipulated and agreed between the Staff and Entergy Mississippi as follows:

(a) The Staff and Company stipulate and agree that the Commission has jurisdiction over the parties and subject matter of this proceeding.

(b) The Staff and Company stipulate and agree that the Choctaw Facility will help the Company meet its long-term resource needs. The Staff and Company further agree that the Choctaw Facility is a prudent, long-term acquisition that will further modernize Entergy Mississippi's generation portfolio, provide generation in close proximity to load, and yield fuel cost savings for customers.

(c) The Staff and Company stipulate and agree that Entergy Mississippi performed extensive and thorough due diligence on the Choctaw facility with respect to the proposed acquisition. The Staff and Company further stipulate and agree that the independent technical review of maintenance schedules and inspection reports generally concluded that the Choctaw Facility is in good condition, with appropriate procedures in place to ensure proper operations and maintenance. As a result of this due diligence, the Company identified a mechanical issue that was subsequently corrected by the current owner of the Choctaw Facility, NRG Wholesale, which is a subsidiary of GenOn Energy, Inc., and the original equipment manufacturer, General Electric International, Inc. ("GEII"), and that issue has a very low likelihood of reoccurring. Entergy Mississippi's Long-Term Service Agreement ("LTSA") coverage from GEII for the maintenance of the Choctaw Facility, discussed below, will protect customers from costs in the unlikely event the mechanical issue were to reoccur.

(d) Entergy Mississippi has entered into a LTSA with GEII under which GEII will provide major maintenance, parts and service for the combustion and steam turbines at the Choctaw Facility. The Staff and the Company stipulate and agree that the LTSA is an economically attractive alternative to Entergy Mississippi providing its own long-term maintenance services on the Choctaw Facility's combustion and steam turbines, and allows Entergy Mississippi to obtain the benefits of GEII's extensive experience, expertise, and advice

with respect to CCGT technology. The Staff and Entergy Mississippi stipulate and agree that the Company's use of an LTSA for major maintenance, parts and service for the combustion and steam turbines at the Choctaw Facility is reasonable and consistent with good utility practice.

(e) Entergy Mississippi's due diligence identified plant upgrades totaling \$56.6 million to be made after acquisition of the Choctaw Facility in order to support the overall performance and reliability of the plant. The Staff and Entergy Mississippi stipulate and agree that the plant upgrades identified by the Company are appropriate and the cost estimate appears reasonable. The Staff and the Company further stipulate and agree that Entergy Mississippi shall provide semi-annual updates to the Staff addressing: the upgrades identified in the Company's Direct Testimony, including an explanation of material variances between the estimated and actual costs of the upgrades performed; identification of any major additional upgrade, repair or remediation in excess of \$1 million not specified in the Company's filing, with associated costs, and an explanation of the need for such expenditure; and, operating data by unit for each of the prior 12 months, including run hours, forced outage hours, availability factor, net capacity factor, and net heat rate. Such semi-annual reports shall continue for five years, or until the upgrades identified in the Company's filing are complete, whichever is longer. The Staff and the Company stipulate and agree that, if the Staff believes the use of consultants is necessary or helpful in its review of EML's reports, the Commission should allow the use of such consultants and require EML to pay for the cost of such consultants and allow EML to recover said costs in rates.

(f) Entergy Mississippi also intends to purchase capital spares, in the amount of \$21 million, to facilitate future planned major maintenance. The Staff and Entergy Mississippi stipulate and agree that the purchase of the capital spares in connection with the acquisition of the Choctaw Facility is reasonable and appropriate.

(g) The Staff and Company stipulate and agree that Entergy Mississippi's total investment to acquire and improve the Choctaw Facility, including the acquisition adjustment and transaction and other costs, estimated to be \$401.4 million, is reasonable and should be approved by the Commission and, to the extent that actual costs of the planned upgrade, transaction costs, and any use of contingency funds, are prudently incurred, allowed to be recovered through the Company's rates. The total acquisition cost of \$401.4 million consists of the following: (1) purchase price of \$314 million, including an acquisition adjustment estimated to be \$36.5 million, (2) plant upgrades of \$56.6 million, (3) transaction costs of \$4 million, (4) contingency of \$5.8 million, and (5) capital spares of \$21 million.

(h) The Staff and the Company stipulate and agree that the Commission should approve the Company's Petition and should grant to the Company a certificate that the public convenience and necessity requires and will require the acquisition, ownership, operation, improvement, and maintenance of the Choctaw Facility.

(i) The Staff and Company stipulate and agree that the circumstances of this particular transaction are such that the Company should be allowed to recover the costs associated with this acquisition through Interim Capacity Rate Adjustments to the Formula Rate Plan in a manner to be determined by mutual agreement of the parties in Docket No. 2018-UN-205. The Staff and Company stipulate and agree to work in good faith to implement revisions to the Company's Formula Rate Plan to allow the Company to begin to recover the Annual Capacity Costs<sup>1</sup> of the Choctaw Facility upon transaction closing and its in-service date. The Staff and the Company

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<sup>1</sup> For clarity, Annual Capacity Costs refers to the sum of the annual operating and maintenance expenses, depreciation expense, taxes other than income (excluding property or ad-valorem taxes recovered through Schedule ATA-3), return on investment (applied to the Company's plant investment, less any associated accumulated depreciation, accumulated amortization and accumulated deferred income taxes), and income taxes and shall include the portion of the Annual Capacity Costs that corresponds with the period of time between the transaction closing date and the effective date of the Interim Capacity Rate Adjustments.

stipulate and agree that they will use reasonable best efforts to present such revisions to the Commission for consideration by December 2019 or as soon as practical thereafter. To the extent that the transaction closing and in-service date for Choctaw occurs prior to such FRP revisions being approved by the Commission and implemented by EML, the Staff and the Company stipulate and agree to work together in good faith to develop a method to allow the Company to recover all of its costs incurred upon and after the in-service date, including the costs incurred before the effective date of the Interim Capacity Rate Adjustments.

(j) The Staff and the Company stipulate and agree that the Commission should approve an interim annual depreciation rate of 4.545% as the rate of depreciation for the Choctaw Facility at this time. The Staff and the Company further stipulate and agree that the Company will either confirm the interim rate or may propose a different depreciation rate for the Choctaw Facility in the future based upon its next properly conducted depreciation study which is scheduled to be filed in 2022 and approved after a public hearing by the Commission.

(k) The Staff and Company agree that the stipulations contained herein are just and reasonable and consistent with applicable law and the rules of this Commission.

#### OTHER PROVISIONS

8. The agreements herein between Entergy Mississippi and the Public Utilities Staff shall be without prejudice to all of Entergy Mississippi's and the Public Utilities Staff's rights and responsibilities under Mississippi and/or other applicable law in this and future filings at the Commission.

9. It is agreed that the Staff and the Company shall not be considered as necessarily agreeing with or conceding the applicability of any principle, or any method of ratemaking or cost of service determination, or design of rate schedules, or terms or conditions of service, or the



applicability of any rule or interpretation of law, that may underlie, or be thought to underlie, this Joint Stipulation.

10. The Staff and the Company understand and expressly agree that, except as previously stated, the stipulations made herein are for the purpose of this proceeding only and Docket 2018-UN-205 and shall not apply to or be used as precedent in any other proceeding of Entergy Mississippi or any utility. Nothing herein shall operate to prevent the Company or the Staff from making any filing or proposing any change in rates. Both the Staff and the Company fully reserve their respective rights under state and federal law, and the Company fully reserves its rights under state or federal law with regard to the recovery of costs through retail rates. Nothing in this Joint Stipulation shall constitute a waiver by Entergy Mississippi of its rights with respect to matters within the jurisdiction of the Federal Energy Regulatory Commission, the Securities and Exchange Commission, or any other agency or governmental body having jurisdiction over Entergy Mississippi.

11. It is agreed that this Joint Stipulation is expressly conditioned upon acceptance by the Commission of all of the Joint Stipulation's provisions. It is also specifically understood and agreed that this Joint Stipulation is interdependent, non-separable, and cannot be severed. If the Commission does not accept this Joint Stipulation in its entirety, it is agreed that neither the Staff nor Entergy Mississippi will be thereafter bound by any of its provisions.

12. The Staff and Company stipulate and agree that the matters set out in this Joint Stipulation are just, reasonable, and in the best interest of the customers, the Company, and the general public.

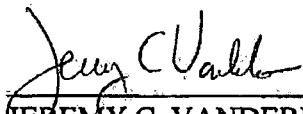
SO STIPULATED this the 30th day of September 2019.



MISSISSIPPI PUBLIC UTILITIES STAFF

BY:   
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Executive Director

ENTERGY MISSISSIPPI, LLC

BY:   
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