

**BEFORE THE MISSISSIPPI PUBLIC SERVICE COMMISSION**

**ENTERGY MISSISSIPPI, LLC  
EC-123-0082-00**

**DOCKET NO. 2019-AD-24**

**IN RE:**

**AUDIT OF ENTERGY MISSISSIPPI, LLC,  
PURSUANT TO MISS. CODE ANN.  
SECTION 77-3-42**

**ORDER IMPLEMENTING  
RECOMMENDATIONS OF INDEPENDENT AUDITOR**

In May 2019, the Mississippi Public Service Commission (“Commission”) engaged Liberty Consulting Group (“Liberty”) and Horne LLP (“Horne”) to conduct audits related to the fuel adjustment clause of Entergy Mississippi, LLC (“Entergy Mississippi,” “EML,” or “the Company”) in accordance with Miss. Code Ann. § 77-3-42 and Rules 17 and 19 of the Public Utilities Rules of Practice and Procedure of the Mississippi Public Service Commission.

Liberty and Horne conducted the EML fuel audits for the October 1, 2018 through September 30, 2019 Audit Period (“2018 – 2019 Audit Period”) and submitted audit reports to the Commission in December 2019. The Commission ordered EML to develop, file, and implement a Plan of Action for the 2018 – 2019 Audit Period. On August 6, 2020, EML filed its 2018 – 2019 Plan of Action, and the Company has been implementing that Plan of Action as required.

Liberty and Horne subsequently conducted the EML fuel audits for the October 1, 2019 through September 30, 2020 Audit Period (“2019 – 2020 Audit Period”). In December 2020, Liberty and Horne submitted their reports to the Commission. Liberty’s December 2020 audit report contained several recommendations to the Commission. Horne’s December 2020 audit report made no recommendations for changes or further evaluations. EML filed a written response

to the recommendations in Liberty's report on January 22, 2021. Liberty did not submit a reply.

The December 2020 reports were adopted and certified to the Legislature by Commission Order on March 2, 2021.

The Commission has fully considered Liberty's recommendations and EML's responses to Liberty's recommendations for the 2019 – 2020 Audit Period, and the Commission finds as follows:

1. Entergy Mississippi is instructed to develop, file, and implement an action plan regarding the following two (2) recommendations from Liberty. The action plan, which should be filed within 30 days of the date of this Order, may include a discussion of efforts that EML plans to take or has already undertaken regarding the following:

- a. Chapter VI. "Planning, Dispatch, and MISO Operations"

Recommendation # 1: Reassess the role of Independence in the supply portfolio.

- b. Chapter VI. "Planning, Dispatch, and MISO Operations"

Recommendation # 2: Evaluate the historical dispatch levels of EML units relative to those of other MISO units.

2. Liberty also made five (5) recommendations that the Commission believes do not warrant action at this time; however, as recommended by the Staff in its Summary and Comments, and as agreed upon by EML in discussions with Commission Staff, the Commission directs EML to continue to discuss these areas with Liberty during the performance of the 2021 fuel audits. The Commission does not adopt these recommendations at this time, but defers action on the following pending the results of the 2021 fuel audits:

- a. Chapter III. "Coal Procurement"

Recommendation #1: Perform a more robust and risk-based analysis of forecasted coal requirements and inventory costs incorporating clear comparisons of differences

in expected value to customers resulting from varying levels of contract purchases and levels of inventory maintenance.

b. Chapter V. “Natural Gas and Fuel Oil”

Recommendation #2: Expedite the completion of detailed analysis and, if appropriate, changes to pipeline-capacity contracts as some of them expire.

c. Chapter VII. “Power Plant Operations”

Recommendation #1: Analyze the deteriorating performance of certain generating stations<sup>1</sup> for areas of improvement.

d. Chapter VII. “Power Plant Operations”

Recommendation #2: Analyze the increase in maintenance backlog at certain generating stations and the relatively high backlog at another generating station.<sup>2</sup>

e. Chapter VIII. “Grand Gulf and Capacity Factor”

Recommendation #1: Perform on a schedule aligned with plans for the next major fuel cycle procurement process, a formal review of the effectiveness of the most recent procurement and incorporate the results into coming plans and processes.

3. Finally, Liberty made six (6) recommendations involving matters in which EML has either already taken some action, or where more specific information is needed by the Commission and EML to fully assess the recommendation and determine whether additional action is warranted. Accordingly, the Commission orders EML and Liberty to continue discussions and review of the following recommendations during the 2021 fuel audits. Liberty is specifically instructed to: (1) consider EML’s continued progress/actions for each recommendation; and (2) evaluate whether such progress/action at this later date in time now satisfies the recommendation before carrying it forward into the 2020 – 2021 Audit Period. In the event a recommendation is carried forward,

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<sup>1</sup> Names of generating stations redacted for confidentiality in Liberty’s report and EML’s response. The Commission’s reference to this recommendation applies only to those generating stations specifically referenced in Recommendation #1.

<sup>2</sup> Names of generating stations redacted for confidentiality in Liberty’s report and EML’s response. The Commission’s reference to this recommendation applies only to those generating stations specifically referenced in Recommendation #2.

Liberty is instructed to provide more detail and specificity as to any remaining deficiencies by the Company.

a. Chapter IV. “Coal Supply Management”

Recommendation #1: Commit to regular, ongoing planning of internal audit examination of fuel and energy planning and procurement, incorporating both operational and financial scope elements.

EML/Entergy has agreed that it will continue to request its internal auditors to include fuel and energy planning and procurement topics in the annual Internal Audit review and selection process; however, EML maintains that further action on this recommendation is not appropriate given the importance of maintaining the independence of Entergy’s internal auditors. Liberty is instructed to provide its opinion regarding whether this process satisfies Liberty’s recommendation. If Liberty, in its opinion, finds any remaining deficiencies with EML’s procedures, it should include a specific recommendation as to the procedures that it recommends for improvement.

b. Chapter V. “Natural Gas and Fuel Oil”

Recommendation #1: Study gas trader workloads to determine optimum staffing levels.

Liberty should review this recommendation in the 2020 – 2021 audit and, if it believes it is appropriate to carry forward to the 2021 report, the recommendation should more specifically identify the team(s) for which it believes staffing should be adjusted.

c. Chapter V. “Natural Gas and Fuel Oil”

Recommendation #3: Conduct direct inquiries to major Northeast suppliers about supply relationships.

In its response, EML noted that SPO Fossil Fuel Supply continuously develops and maintains a diverse pool of natural gas suppliers to ensure reliable and economic supply sources are available for EML’s fleet of natural gas plants. Due to the significant changes in natural gas market supply and transportation flows over the past several years, a substantial portion of Entergy’s natural gas suppliers originate gas from the Northeast, which gas ultimately serves the Gulf Coast region and EML’s plants. At this time, given the abundance and availability of competitively priced natural gas supply from EML’s currently approved suppliers in the southeast region, EML does not anticipate that a direct outreach to suppliers in the Northeast would yield overall total benefits to EML customers. Moreover, the recent winter storm event highlights the importance of local gas supply.

The Commission finds EML's response to be reasonable; however, if Liberty believes it is appropriate to carry this recommendation forward to the 2020 - 2021 audit period, the Commission instructs Liberty to provide greater specificity in its reasoning for the recommendation and how compliance with the recommendation would yield greater total benefits to EML customers.

d. Chapter V. "Natural Gas and Fuel Oil"

Recommendation #4: Continue improvements in transaction documentation.

In its response, EML noted that SPO's newly developed gas transaction database is proving to be a significant benefit. Since its original development, SPO has added and increased the information included in the database to better support data tracking and management. Liberty should review the database to determine whether it satisfies Liberty's recommendation and, if so, this recommendation should be considered resolved for the 2020 – 2021 audit period. If Liberty, in its opinion, finds any deficiencies with EML's procedures, it should include a specific recommendation as to the procedures that it recommends for improvement.

e. Chapter VI. "Planning, Dispatch, and MISO Operations"

Recommendation #3: Promptly complete the work to address backcasting.

In its response, EML noted that it has developed and implemented a monthly backcasting report that is currently supporting and providing information to support market operations. The Commission instructs Liberty to evaluate whether it believes this report now satisfies Liberty's recommendation. If Liberty, in its opinion, finds any remaining deficiencies with EML's procedures, it should include a specific recommendation as to the procedures that it recommends for improvement.

f. Chapter VII. "Power Plant Operations"

Recommendation #3: Finalize the heat rate program guideline for each site.

In its response, EML notes the Heat Rate Improvement Guide was rolled out to EML plants during the fall of 2020 and provided to Liberty during the audit. Liberty should review the guide to determine whether it satisfies Liberty's recommendation and, if so, this recommendation should be considered resolved for the 2020 – 2021 audit period. If Liberty, in its opinion, finds any deficiencies with EML's procedures, it should include a specific recommendation as to the procedures that it recommends for improvement.

IT IS, THEREFORE, ORDERED that Entergy Mississippi shall file an action plan within 30 days of this Order addressing the recommendations from Liberty itemized under Section 1 of

this Order. The recommendations from Liberty itemized under Sections 2 and 3 of this Order are deferred until the 2020 – 2021 Audit Period consistent with the Commission's specific directives for each of those recommendations.

Chairman Dane Maxwell voted aye ; Vice Chairman Brent Bailey voted aye ;  
and Commissioner Brandon Presley voted aye.

SO ORDERED, this the 3<sup>rd</sup> day of August, 2021.



MISSISSIPPI PUBLIC SERVICE COMMISSION

Dane Maxwell  
DANE MAXWELL, CHAIRMAN

Brandon Presley  
BRANDON PRESLEY

Brent Bailey  
BRENT BAILEY

ATTEST: A True Copy

Katherine Collier

Katherine Collier

Executive Secretary

Effective the 3<sup>rd</sup> day of August, 2021