

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSISSIPPI

MISSISSIPPI POWER COMPANY
EC-120-0097-00

DOCKET NO. 2019-AD-25

IN RE: REPORT OF APPLICATION OF THE FUEL ADJUSTMENT
 RIDER OF MISSISSIPPI POWER COMPANY, AS REQUIRED
 BY MISS. CODE ANN. § 77-3-42

ORDER IMPLEMENTING RECOMMENDATIONS OF
INDEPENDENT AUDITOR

On May 20, 2019, this Commission entered into a contract with London Economics International, LLC ("LEI") and Carr, Riggs & Ingram, LLC ("CRI") to carry out audits related to the fuel adjustment clause of Mississippi Power Company ("MPCo" 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. In accordance with the Contract, LEI and CRI submitted their respective reports to the Commission on December 11, 2020 and those reports were adopted and certified to the Legislature by Commission Order on March 2, 2021.

LEI's report, entitled "Management Review Audit of Mississippi Power Company Fuel and Electricity Procurement," contained a total of eight (8) recommendations to the Commission. MPCo served written response to those recommendations on January 12, 2021. Having duly considered LEI's recommendations and MPCo's written response thereto, the Commission hereby orders as follows:

1. In Chapter 8 of its Report, with respect to Fleet Operations, LEI recommended that MPCo investigate whether its customers would benefit from a

mechanism where commitment costs for its owned resources, when committed to serve Pool load, would be shared across all OpCos' load customers benefitting from the energy produced by the committed resources (Recommendation 2020-7). LEI also recommended that MPCo, in partnership with the other OpCos, review the historical provision of ancillary services by Pool participants, determine whether certain OpCos provide ancillary services to the benefit of the other OpCos, and if so, explore mechanisms for providing appropriate compensation for any such ancillary services, in a manner similar to how energy and capacity costs are shared (Recommendation 2020-8).

As noted by MPCo in its written response, the timing of these two recommendations is unsuitable at present due to the upcoming planned departure of Pool participant Gulf Power in 2022. Any cost/benefit assessments performed at this time would not accurately represent Pool configuration going forward, and any value gained from such studies at this time would be lost upon Gulf Power's exit. Accordingly, the Commission requires that no further action is required in response to LEI Recommendations 2020-7 and 2020-8 at this time; however, future auditors may wish to revisit the issue following Gulf Power's exit from the Pool in 2022.

2. LEI also made six (6) recommendations that the Commission does not believe warrant any additional action at this time; however, as recommended by the Staff in its Summary and Comments and as agreed upon by MPCo in its response to the audit recommendations, the Commission directs MPCo to continue to discuss these areas with LEI during the performance of the 2021 fiscal year fuel audits.

Thus, the Commission does not adopt these recommendations at this time but rather defers action on the following pending the results of the 2021 fuel audits:

a. Recommendation 2020-1 –

Monitor in subsequent audit periods the number of unplanned outage hours for MPC's generation fleet (and more specifically for units feature higher EFORs and lower average EAF for the current Audit Period) to ensure a reversal of the trend observed in recent years, with the ultimate goal of significantly reducing unplanned outage hours.

b. Recommendation 2020-2 –

Follow up in the next audit period to ensure that sliding pressure operation is successfully implemented at Watson Unit 5.

c. Recommendation 2020-3 –

LEI recommends that MPC and SCS benchmark coal transportation costs against industry averages in an effort to lower transportation costs and keep exploring alternative coal supply options that can deliver a lower total cost (commodity + transportation) for Plant Daniel.

d. Recommendation 2020-4 –

LEI recommends that SCS continue its efforts to identify major drivers for coal burn forecast errors and implement an action plan to improve forecasting accuracy. Forecast accuracy is important for long-term resource planning and to prevent undersupply/oversupply of fuel that can generate additional costs to customers.

e. Recommendation 2020-5 –

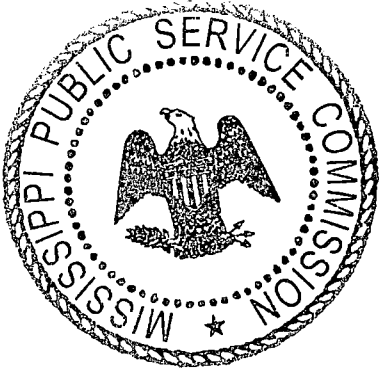
LEI recommends that MPC re-evaluate the current target inventory level for bituminous coal at Plant Daniel in light of recent historical bituminous coal usage, in an effort to reduce the need for higher-priced bituminous coal inventory.

f. Recommendation 2020-6 –

LEI recommends that SCS continue its efforts to identify the major drivers of natural gas burn forecast errors and implement an action

plan to improve forecasting, so as to ensure that the procurement of natural gas through long-term contracts is consistent with MPC's baseload requirements.

Chairman Dane Maxwell voted aye; Vice Chairman Brent Bailey voted aye; and Commissioner Brandon Presley voted aye.
SO ORDERED, this the 3rd day of August, 2021



MISSISSIPPI PUBLIC SERVICE COMMISSION

Dane Maxwell
DANE MAXWELL, CHAIRMAN

Brent Bailey
BRENT BAILEY, COMMISSIONER

Brandon Presley
BRANDON PRESLEY, COMMISSIONER

ATTEST: A True Copy

Katherine Collier
KATHERINE COLLIER,
Executive Secretary

Effective this, 3rd day of August, 2021.