

**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 reports to the Commission on December 9, 2019 and December 6, 2019, respectively. On January 9, 2020, LEI also filed an Addendum to its report in order to address additional energy transactions. Those reports, including the LEI Addendum, were adopted and certified to the Legislature by Commission Order on January 13, 2020.

LEI’s report, entitled “Management Review Audit of Mississippi Power Company Fuel & Electricity Procurement,” contained a total of eight (8) recommendations to the Commission. MPCo served written response to those recommendations on January 17, 2020. Having duly considered LEI’s recommendations and MPCo’s written response thereto, the Commission hereby orders as follows:

1. In Chapter 4 of its Report, with respect to Plant Operations, LEI recommended that MPCo examine the specific reasons for recurrent maintenance cost overruns and underruns to discover whether there are systematic biases in planning that can be corrected. As noted by MPCo in its written response to this recommendation, operation and maintenance costs are not included or charged to customers through the Fuel Cost Recovery (FCR) clause which is at issue in the annual fuel audits. Instead, such costs are submitted and reviewed by Staff and the Commission via the Company's annual PEP filings and other rate based filings. Accordingly, the Commission requires that no further action is required in response to LEI Recommendation 2019-2 at this time.

2. LEI also made four (4) 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 2020 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 2020 fuel audits:

- a. Recommendation 2019-1 – With regard to the organizational changes made to the MPCo Fuel Service Group, LEI recommended that SCS and MPCo document process improvements noted as operational experience grows, together with challenges associated with the reorganization and mitigation measures, if applicable to MPCo.
- b. Recommendation 2019-3 – With regard to Plant Operations, LEI recommended a follow-up in the next audit period of the

performance indicators for Sweatt Unit A, Watson Unit A, and Ratcliffe.

- c. Recommendation 2019-6 – With regard to Natural Gas Procurement and Supply Management, LEI recommended that MPCo perform an analysis of the historical availability and constraints for pipelines serving MPCo's gas plants to determine if the FT requirements established in the SCS Fossil Fuel Policy are appropriate.
- d. Recommendation 2019-8 – With regard to Fleet Operations, LEI recommended that MPCo determine the extent to which its generating assets are providing ancillary services to the Pool, versus the services provided by other Pool assets.

3. Finally, the Commission directs MPCo to develop, file, and implement a plan of action addressing the remaining three (3) recommendations itemized below within thirty (30) days of the date of this Order. The Company's plan of action should incorporate the recommendations set forth in the Summary and Comments filed by the Staff and may include a discussion of any efforts MPCo plans to take or has already undertaken with respect to the following:

- a. Recommendation 2019-4 – With regard to Coal Procurement, LEI recommended that SCS identify major drivers for coal burn forecast errors and implement action plans to improve forecasting.
- b. Recommendation 2019-5 – With regard to Natural Gas Procurement and Supply Management, LEI recommended that SCS identify major drivers for natural gas burn forecast errors and implement action plans to improve forecasting.
- c. Recommendation 2019-7 – With regard to Fleet Operations, LEI recommended that SCS examine the benefits versus costs of upgrading its load forecasting software.

IT IS, THEREFORE, ORDERED that Mississippi Power Company file an action plan addressing the matters set forth above within thirty (30) days of the date of this Order.

SO ORDERED, this the 4th day of August, 2020.

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, 4th day of August, 2020.