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July 21, 2015

VIA E-MAIL
VIA U.S. MAIL

Katherine Collier, Esq.
Executive Secretary
Mississippi Public Service Commission
501 North West Street, Suite 201A
Jackson, MS 39201

**Re: Notice of Intent of Mississippi Power Company for a Change in Rates Related to the
Kemper County IGCC Project
2013-UN-014**

Dear Katherine:

I have enclosed for filing in the above-referenced docket, the original and twelve (12) copies of Mississippi Power Company's Kemper Refund Plan in compliance with the Mississippi Public Service Commission's Order on Remand issued on July 7, 2015. I have also included a copy of the first page of the filing, which I appreciate you file-stamping and returning to me in the enclosed, self-addressed, stamped envelope.

Thank you for your assistance in this matter.

Very truly yours,



Ben H. Stone

BHS:hr

Attachments

cc: All Parties of Record
Shawn Shurden, Esq.
Mr. Virden Jones
Chad Reynolds, Esq.
Mr. Billy Thornton
Mr. Stephen Stiglets
Mr. Ben Vance

MISSISSIPPI POWER COMPANY
DOCKET NO. 2013-UN-14

KEMPER REFUND PLAN

Mississippi Power Company (MPC or the Company) hereby submits this Kemper Refund Plan (Refund Plan) in compliance with the Mississippi Public Service Commission's (Commission) Order on Remand issued on July 7, 2015, in Docket No. 2013-UN-14 (Order on Remand). The Commission's Order on Remand directed that the Refund Plan address or provide for, at minimum, the following:

1. A full refund of the amount owed to each customer.
2. The option of receiving a refund check within the 90 day period or taking a refund via bill credits over a longer period of time with interest accruing at MPC's weighted average cost of capital.
3. An audit, conducted by a third-party auditor accountable to the Commission, of the refund program.

EXECUTIVE SUMMARY

MPC's Refund Plan is intended to be comprehensive, accurate and in compliance with the Commission's stated goals and directives to return to customers the money collected related to the Kemper Project since 2013. As of June 30, 2015,¹ MPC had collected approximately \$331 million pursuant to the Mirror CWIP Order and accrued an additional \$22 million of carrying costs.² Over this time period, MPC estimates that in excess of 300,000 unique customer accounts were charged Kemper rates and will be affected by the Refund Plan; a significant number of these accounts represent Final Accounts³ that no longer receive electric service from MPC.

MPC has already begun developing and programming the Customer Refund Database necessary to calculate each unique customer refund amount (including interest and taxes), but until the total Kemper Rate Factor (KRF) collections is known (i.e. after close of July books), the refund calculations and testing cannot commence. MPC estimates that it will take approximately sixty days from the date of Commission approval of the Refund Plan to complete all necessary calculations and verifications. MPC will file a Notice of Completion with the Commission to notify the public when the refund calculations and verifications are complete; at this point, MPC will be ready to begin to issue customer refunds.

¹ MPC has not yet closed its books for July 2015 so the final total figure cannot be provided at this time.

² The carrying costs on the Mirror CWIP regulatory liability will be calculated using the 2015 cost of capital filed in the Company's 2015 ECO filing, adjusted for income taxes, with annual compounding of interest.

³ A Final Account is an account in which a final meter reading and final bill has been completed, and electric service is no longer being provided under the customer account.

Many customers have expressed an interest in being provided options from which to choose with respect to the timing and method of their refunds. This filing proposes two alternative Refund Plans for the Commission's consideration: (1) Bill Credit/Check Option; or (2) Check-Only Option. The Bill Credit/Check Option is consistent with MPC's existing customer service capabilities, and, can therefore, provide for a full refund to customers within the 90-day period specified by the Commission. However, the Bill Credit/Check Option does require that customers contact the Company should a check be more desirable than a bill credit. The Check-only Option provides less optionality for customers and will require 120 days to implement and complete, but requires no input from customers. For the many reasons detailed below, MPC believes the Bill Credit/Check Option is the overall best option for customers, and since it is the only alternative that provides customers with a choice, it seems to be the best alternative available to meet the customers' expressed interests.

Regardless of the alternative selected by the Commission, MPC intends to consider on a case-by-case basis requests for an extended bill credit or deferral from larger customers that have assigned account managers. While a customer-wide roll out of a delayed credit option is not supported by MPC's existing billing system, the Company believes the expected number of affected accounts is small enough so as to be manageable manually and outside MPC's billing system.

BACKGROUND

On March 5, 2013, the Commission issued its Mirror CWIP Order authorizing an increase in rates equal to \$125 million for 2013 and escalating to \$156 million in 2014. The 2013 rate—the Kemper Rate Factor (KRF)—went into effect with the first billing cycle of April 2013. The 2014 increase in rates was effective with the first billing cycle of January 2014. The Commission's Order on Remand provides that the KRF rates be terminated with the first billing cycle of August 2015, which occurred on July 20, 2015.⁴ Therefore, the KRF rates were in effect for 28 consecutive months.

The Commission's Mirror CWIP Order provided "that the Company is hereby authorized to establish a regulatory liability account for the purpose of deferring the monies collected through the 2013 Kemper CWIP rate adjustment approved herein for use in mitigating future Kemper rate impacts."⁵ As the Commission correctly points out in its Order on Remand, this directive did not require that MPC "escrow" or otherwise segregate or restrict the funds collected pursuant to the approved KRF rate.⁶ As a result, MPC will be required to acquire the funds necessary to complete the ordered refund.

⁴ MPC's notes that on July 10, 2015, in Docket No. 2015-UN-80 the Company filed its First Supplement Filing wherein it requested, among other things, that the Commission implement interim rates equal to the KRF rates such that no rate decrease would occur on July 20, 2015. The Commission issued a Notice of Hearing on July 14, 2015, scheduling a hearing of the interim rate request on August 6, 2015.

⁵ Mirror CWIP Order, MPSC Docket No. 2013-UN-14 p. 26 (Mar. 5, 2013).

⁶ Order on Remand, MPSC Docket No. 2013-UN-14 p. 3 (July 7, 2015).

REFUND PLAN

The Commission has acknowledged that several issues require resolution in order to design a complete Refund Plan. MPC's Refund Plan is intended to be comprehensive and in compliance with the Commission's stated goals and directives, as well as to provide for the time necessary to ensure accuracy. The Refund Plan is separated below into four sections: (1) Calculation of Refund; (2) Proposed Refund Options; (3) Communications Plan; and (4) Special Considerations.

Calculation of Refund

It will be necessary to calculate how much of the KRF funds recorded to the regulatory liability account correspond to each customer account in order to determine the total refund applicable to each existing and former customer. MPC is developing the necessary programming and Customer Refund Database that will be used to calculate the total refund applicable to each account. The program is being designed to perform the following functions and calculations:

1. Query MPC's Customer Service System (CSS)⁷ for the necessary customer account information, including but not limited to, customer name, address, relevant billing history, delinquency status, etc.;
2. Populate the Customer Refund Database with the CSS customer data;
3. Calculate the total refund for each customer account (see below); and
4. Transfer the refund amounts into CSS.

Because customers are billed under different rates and have different terms of service, determining each customer's specific refund will require several calculations. Because MPC pays sales tax on revenue collected from certain customer accounts, the refund for these customers will be grossed up for sales tax.⁸ For all customers, interest will be applied to customers' accounts such that the total amount matches the interest accrued on MPC's books for the Mirror CWIP regulatory liability account. These calculations must be performed monthly for every month of service and summed to formulate the total refund for each customer account, including interest and taxes.

Although work has already commenced, MPC estimates that it will take approximately sixty days from the date of Commission approval of the Refund Plan to complete all necessary calculations and verifications. This extended time period is driven in part by the fact that testing of the new programming and database cannot commence until the total KRF collections are known (i.e. after close of July books). As explained below, this process will enable the Company to meet the Commission's directive to complete refunds within ninety days of

⁷ The CSS is the billing and customer service system used by all the Southern operating companies, including MPC.

⁸ MPC intends to apply a credit to the 2015 fourth quarter sales tax disbursement equal to the total sales tax figure being refunded pursuant to the Refund Plan.

approval for the overwhelming majority of customer accounts. In addition, the Company is designing the Customer Refund Database in such a way as to facilitate third-party auditing.

MPC will file a Notice of Completion with the Commission to notify the public when the refund calculations and verifications are complete and when MPC is ready to begin to issue customer refunds.

Proposed Refund Options

Once the Customer Refund Database is populated and fully tested and the Notice of Completion has issued, MPC will be ready to begin customer refunds. In response to the Commission's directives, MPC proposes the following alternative Refund Plans for the Commission's consideration.

Bill Credit/Check Option

Consistent with current practice and procedure, any refund or overpayment due to an Active Account⁹ is credited to the account through the CSS. By default, a bill credit will first be applied to any amounts billed or past due and any remainder would be credited to future monthly billings until exhausted. Given the expected size of the refund for Active Accounts, the bill credit option will allow some customers the option to spread their refund over multiple bills to provide some temporary rate relief. Because customers have an option to receive a check immediately, once the credit has been applied to customer bills, interest will no longer accrue.

In lieu of carrying forward a bill credit, customers may request to receive any refund due and owing via **check only** (no cash refunds or electronic transfers) pursuant to the procedure provided below. Checks will be made out to the customer name on each service account, without exception. All checks will be mailed to the billing address of the customer account, without exception. MPC expects it to take 7-10 days after the customer's request is communicated to the Company to issue and mail the refund check.

Because a customer's refund amount will not be known until after the Customer Refund Database has been completed, MPC will not be in a position to field customer communications concerning their nomination for a bill credit or refund check until after the Notice of Completion has been filed. Any time after MPC has submitted the Notice of Completion, customers may request a check through one of the following means:

1. Visiting an MPC local office and speaking with a customer service representative;
2. Online via MPC's website; or
3. Calling MPC's customer service number at any time, 24 hours a day, seven days a week. To minimize wait time, MPC intends to temporarily mobilize additional customer service representatives in anticipation of the increased call volume.

⁹ An Active Account is any customer account in which electric service is being provided to the account at the time of billing.

A credit to the customer account is the default option for all **Active Accounts**, unless the Company is properly notified consistent with the above procedure. All **Final Accounts** will receive any required refund via check only. A default option is necessary to prevent a requirement that all 188,000 of MPC's customers contact the Company prior to receiving a refund in any form. Such a requirement would unnecessarily burden customers and create prohibitively long wait times at MPC's local offices and on the customer service phone line. Requiring customers to contact the Company before for a check refund will issue is in the best interest of customers, because the Company can confirm the correct account information is recorded before checks are issued. This will minimize errors in check issuance and ultimately the amount of funds that go unclaimed.

Check Only Option

This option would provide no optionality for the customer and would instead require that all refunds be administered through check only. Given the volume of checks required, MPC would be required to engage a third-party vendor to print and mail the refund checks. Also, MPC's current CSS does not support *en masse* refunds via check; additional programming would be required before checks could be issued and mailed.¹⁰ The required programming alone is expected to extend beyond the 90-day period specified in the Commission's Order on Remand. In addition, to ensure accuracy and auditability, check issuances would be executed in "batches" further extending the wait before customers receive their refund. Combined these constraints are expected to delay the issuance of refund checks to at least some customers as much as 30 days after the Commission's suggested 90-day period.¹¹ The increased volume of checks also increases the opportunity for fraud and unclaimed property due to lost or stolen checks. The prospect of a highly publicized mass mailing of checks could also pose a security risk to customers from criminal efforts to steal the refunds. Nevertheless, the Check Only Option requires no input from the customer to receive a check.

Company Preference

The Bill Credit/Check Option is the alternative that can ensure customer refunds commence and are completed for the vast majority of customers within the 90-day period specified in the Commission's Order on Remand. This option also minimizes to the greatest extent the potential for fraud, the possibility of unclaimed property and the burden to the customer. For these reasons, MPC believes the Bill Credit/Check Option is the overall best

¹⁰ The additional programming would be required to ensure MPC's customer service representatives will have the customer account information necessary to address customer questions about their account, refund amount and status of their check. This information is also necessary to ensure MPC has a complete billing history for customer accounts moving forward.

¹¹ If directed in the Commission-approved Refund Plan, the Company could comply with a strict 90-day deadline by foregoing the required CSS programming and managing the check issuance completely outside MPC's billing system. While this would allow for refund checks to mail prior to the 90-day deadline, MPC's billing system would have no record of the refund: (1) increasing the risk of error; (2) making a third-party audit more difficult; and (3) leaving MPC's customer service organization with no customer account information available to address customer questions and concerns. MPC strongly believes that this expedited approach is not in the best interest of customers, given the increased issues expected.

option because it meets the Commission's goals and directives and satisfies customer expectations for having a choice in determining the form and timing of their refund.

Communication Plan

MPC intends to educate customers of the approved Refund Plan through direct mail, bill inserts, the Company's website, customer service representatives at the Company's local offices and automated messages on the customer service phone line.

Special Considerations

The following special considerations should apply to either Refund Plan alternative selected by the Commission:

1. Delayed Credit Option - Under a delayed credit option, customers could choose to defer the refund and apply monthly credits to future bills in order to dampen the expected future rate impacts of the Kemper Project. MPC's existing CSS system will not accommodate a deferral option made available to the entire customer base.¹² However, the Commission's Order on Remand and MPC's larger customers have expressed interest in a delayed credit option. Thus, regardless of the alternative selected by the Commission, MPC intends to consider on a case-by-case basis requests for a delayed bill credit from larger customers that have assigned account managers. Although these requests would be managed manually outside MPC's billing system, the Company believes the expected number of affected accounts is small enough so as to be manageable.
2. Customer's Bankruptcy – Coordination with the bankruptcy court and trustee may be required, and will be handled on a case-by-case basis. Any refund payable to an account associated with a customer or individual that is involved in a pending bankruptcy case could be delayed beyond the 90-day period following Commission approval.
3. Charged Off Account – Any Final Account with an outstanding balance will first be credited to the extent necessary to extinguish any past due amount owed to the Company for electric service.
4. Customer Verification – MPC will follow existing procedures for verifying the identity of customers electing for a refund check. Any time MPC issues a check to a customer or makes other changes to a customer account, verification of identification is required by providing the last four digits of the customer's social security

¹² Significant programming and testing to the CSS system would be required to incorporate a customer-wide deferral option. Approximately 2,300 man-hours will be required to re-program the CSS system, which MPC estimates will take until the end of the first quarter of 2016 and which will cost in excess of \$500,000 to complete. For this reason, the bill credits under the deferral option would be delayed until MPC's CSS system has been modified to accommodate the necessary calculations and functionality, delaying bill credits until, at minimum, April 1, 2016.

number/tax identification number proof and one of the following: customer name, address, or account number.

5. Unclaimed Property – Checks will be voided 180 days after being drafted. Checks that convert to unclaimed property status after 180 days will be specifically identified and recorded to a separate general ledger account on MPC's books. MPC reviews the unclaimed property account monthly to match old checks/accounts with new customer accounts that return to MPC's service territory. If a positive match occurs, the unclaimed amounts are applied to the new Active Account. MPC retains all unclaimed amounts for a period of five years before remitting to the Mississippi State Treasurer's Office under the state escheatment process.
6. Refund Report – Individual refund reports providing a calculation of the customer's refund will be provided only upon request.
7. Customer Dispute – Customers may dispute their refund amount or method by contacting a MPC customer service representative. MPC will open and conduct an investigation into the refund calculation and work with the customer to resolve any misunderstandings or mistakes. The customer shall be entitled to a Refund Report detailing the calculation of the refund as well as prior billing history. If after 30 days, the dispute has not been resolved, the customer may file a request with the Commission to review and resolve the refund dispute.
8. Aggregate Bills – Customers with more than one Active Account that are currently aggregated for billing purposes will not receive an aggregate refund credit/check due to existing CSS system constraints. Each and every Active Account will be processed separately.
9. Municipal Accounts – The refund will require repayments by the municipalities for franchise fees previously paid by MPC based upon KRF collections. MPC proposes to net the refund due by MPC to the municipality against the franchise fees due from the municipality to MPC.
10. Bill Timing – Any billings that are completed and billed after the Notice of Completion and prior to a customer election to receive a refund check will first be satisfied by the refund credit prior to the issuance of a refund check.
11. Miscellaneous – It is expected that some customer refunds could take longer than the estimated time to process because of unique circumstances concerning the customer account. For example, the customer could be deceased with no estate, subject to a guardianship, or a party to bankruptcy, divorce or other legal proceedings. For business accounts the company could be dissolved, in bankruptcy or a party to legal proceedings that may impact the legal claim to the refund. MPC will address each circumstance on a case-by-case basis and reserves the right to interplead the refund amount in the case of a dispute between two or more persons concerning a legal claim to the refund.

AUDIT PROPOSAL

Upon the filing of the Notice of Completion, MPC will be prepared to submit its Customer Refund Database and other necessary information to a third-party auditor to be selected by the Commission. MPC is developing internal controls to ensure the accuracy of the Customer Refund Database and refund transactions. The Database will also be designed to facilitate the audit. The specific audit plan and schedule will be developed by the selected third-party auditor.

ADMINISTRATIVE COSTS

The Refund Plan ultimately approved will require incremental costs to design and administer, including but not limited to programming costs, postage, printing, call-center supplemental labor, and third-party vendor fees. Additional costs will be incurred for the required third-party audit. Pursuant to the Commission's accounting order dated June 7, 2011, in Docket No. 2009-UA-14, MPC intends defer in a regulatory asset all refund-related costs until such time as the Commission directs the method of cost recovery for these costs.