

UNITED STATES FEDERAL POWER COMMISSION

DOCKET NO. E-9135

MISSISSIPPI POWER COMPANY

STATE OF GEORGIA )  
                          ) SS:  
COUNTY OF FULTON )

I certify that the attached testimony and exhibits in this docket were prepared by me or under my supervision and that the answers contained in such testimony and exhibits are true and correct to the best of my knowledge and belief.

O. Franklin Rogers  
O. Franklin Rogers

Subscribed and sworn to before me  
this 26th day of June, 1975

Ernest W. Robinson

Notary Public Notary Public, Georgia, State at Large  
My Commission Expires Mar. 23, 1976

My Commission expires Mar. 23, 1976

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MISSISSIPPI POWER COMPANY  
FPC DOCKET NO. E-9135  
DIRECT TESTIMONY OF O. FRANKLIN ROGERS

1 Q. PLEASE STATE YOUR NAME AND ADDRESS.

2

3 A. My name is O. Franklin Rogers. My business address is 1000 Crescent  
4 Avenue, N.E., Atlanta, Georgia 30309.

5

6 Q. BY WHOM ARE YOU EMPLOYED?

7

8 A. I am a member of the firm of Southern Engineering Company of Georgia.

9

10 Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND.

11

12 A. I attended Emory University in Atlanta for two years and Georgia  
13 Institute of Technology for two years, receiving a degree of Bachelor  
14 of Industrial Engineering from Georgia Institute of Technology in 1955.  
15 I also attended Emory University Law School.

16

17 Q. PLEASE STATE YOUR PROFESSIONAL EXPERIENCE.

18

19 A. Upon graduation from Georgia Tech, I served three years as an officer  
20 in the United States Navy, after which I began working for Southern  
21 Engineering Company in 1958. I have, during that time, headed the  
22 Retail and Wholesale Rate Departments in my Company. I have performed  
23 rate studies for over seventy-five rural electric cooperative and  
24 municipal systems in thirteen states during this period of time. I  
25 have participated in wholesale rate and contract negotiations with  
26 thirty-six privately owned investor utilities in nineteen states.  
27 During this period of time, I have prepared or participated in pre-  
28 paring numerous cost of service studies of investor-owned utilities,  
29 rural electric cooperatives and municipal systems.

30

31 Q. MR ROGERS, WITH RESPECT TO ELECTRIC RATE CASE MATTERS, HAVE YOU EVER  
32 GIVEN TESTIMONY BEFORE THIS COMMISSION OR ANY STATE UTILITY REGULATORY  
33 COMMISSION?

34

35 A. Yes, I have.

36

37 Q. WILL YOU PLEASE IDENTIFY THOSE PROCEEDINGS AND THE COMMISSIONS BEFORE  
38 WHICH YOU HAVE TESTIFIED?

39

40 A. I have testified as a rate expert before several State Commissions  
41 including North Carolina, South Carolina, Kentucky and Indiana. I have  
42 previously testified before the Federal Power Commission in the follow-  
43 ing proceedings: Mississippi Power & Light Company, FPC Docket No.  
44 E-7577; Carolina Power & Light Company, FPC Docket No. E-7564; Georgia  
45 Power Company, FPC Docket No. E-7548; Public Service Company of Indiana,  
46 FPC Docket No. E-7645; Alabama Power Company, FPC Docket No. E-7674;  
47 Gulf Power Company, FPC Docket No. E-7625; Florida Power Corporation,  
48 FPC Docket No. E-7679; Duke Power Company, FPC Docket No. E-7720;  
49 Pennsylvania Electric Company, FPC Docket No. E-7718; Public Service  
50 Company of New Hampshire, FPC Docket No. E-7742; Indiana and Michigan

1 Electric Company, FPC Docket No. E-7740; and Virginia Electric and Power  
2 Company, FPC Docket No. E-8026, Carolina Power & Light Company, FPC  
3 Docket No. E-8881. I have also submitted prepared testimony in Consumers  
4 Power Company, FPC Docket No. E-7803; Appalachian Power Company, FPC  
5 Docket No. E-7775; and Toledo Edison Company, FPC Docket No. E-7929;  
6 and Mississippi Power Company, FPC Docket No. E-7625; Carolina Power  
7 and Light Company, FPC Docket No. E-8884; Alabama Power Company, FPC  
8 Docket No. E-8851.

9  
10 The privately owned electric companies with which I have personally  
11 negotiated on behalf of wholesale customers are:

12  
13 Florida Power Corporation (two occasions), Gulf Power Company,  
14 Georgia Power Company (four occasions), Virginia Electric & Power  
15 Company (three occasions), Carolina Power & Light Company, Delmarva  
16 Power & Light Company of Virginia (three occasions), Delmarva Power  
17 & Light Company of Maryland (three occasions), West Penn Power Company,  
18 Pennsylvania Electric Company (three occasions), Metropolitan Edison  
19 Company (three occasions), New Jersey Power & Light Company (two  
20 occasions), Buckeye Power, Inc., Duke Power Company (four occasions),  
21 Public Service Company of Indiana, Northern Indiana Public Service  
22 Company, Detroit Edison Company, Central Illinois Public Service  
23 Company, Illinois Power Company, Kentucky Utilities Company, New York  
24 State Electric & Gas Corporation, Alabama Power Company (two occasions),  
25 Oklahoma Gas and Electric Company, Public Service Company of Oklahoma,  
26 Public Service Company of New Hampshire, Central Illinois Light Company,  
27 Mississippi Power Company, Central Vermont Public Service Corporation  
28 (two occasions), Florida Power & Light Company, Indiana and Michigan  
29 Electric Company, Appalachian Power Company, and Consumers Power  
30 Company.

31  
32 Most of the negotiations involved rate schedules which contained  
33 fuel adjustment clauses. Many negotiations resulted in substan-  
34 tial changes in, or deletion of, the fuel adjustment clauses.

35  
36 Q. HAVE YOU TESTIFIED BEFORE OTHER COMMISSIONS?

37  
38 A. Yes. I have testified before the Atomic Safety and Licensing Board  
39 of the United States Atomic Energy Commission in Consumers Power  
40 Company (Midland Plant, Units 1 and 2), AEC Docket Nos. 50-329A and  
41 50-330A. Additionally, I have submitted testimony before the Atomic  
42 Safety and Licensing Board in the matter of Alabama Power Company  
43 Joseph M. Farley Nuclear Plants, Units 1 and 2, AEC Docket Nos. 50-348A  
44 and 50-364A.

45  
46 Q. MR. ROGERS WILL YOU PLEASE DESCRIBE IN GREATER DETAIL YOUR EXPERIENCE  
47 CONCERNING FUEL ADJUSTMENT CLAUSES?

48  
49 A. I have designed many fuel adjustment clauses and I have analyzed and  
50 negotiated fuel adjustment clauses on behalf of our clients with their

1 wholesale power suppliers.

2  
3 In many, if not most, of the rate cases and negotiations noted above,  
4 a fuel clause was at issue. Additionally, I have testified in the  
5 following proceedings which involved only fuel adjustment clauses.  
6

7 The North Carolina Utilities Commission, Docket No.  
8 E-7, Sub. 114 the result of which was that Duke Power  
9 Company's proposed fuel adjustment clause for retail  
10 customers was disallowed by that Commission;  
11

12 The Federal Power Commission in FPC Docket No. E-7720  
13 Duke Power Company; and The Federal Power Commission in  
14 the rulemaking proceeding concerning fuel adjustment clauses  
15 in wholesale rate schedules, Docket No. R-479, in which I  
16 represented the American Public Power Association, the  
17 National Rural Electric Cooperative Association, many  
18 statewide cooperative organizations, and statewide municipal  
19 organizations, as well as regional and individual organizations.  
20

21 Q. BY WHOM IS YOUR TESTIMONY SPONSORED IN THIS PROCEEDING?

22  
23 A. My testimony is sponsored by Coast EPA, Singing River EPA, and  
24 East Mississippi EPA.  
25

26 Q. WILL YOU OUTLINE BRIEFLY YOUR ASSIGNMENT ON BEHALF OF THE INTERVENOR  
27 IN THIS PROCEEDING?  
28

29 A. My assignment was to determine whether MPCo's proposed fuel cost adjust-  
30 ment, environmental cost adjustment and income tax adjustment for  
31 service to EPA's in this proceeding is reasonable.  
32

33 Q. MR. ROGERS, PLEASE DESCRIBE THE COMPANY'S FUEL COST ADJUSTMENT.  
34

35 A. Mississippi Power Company will add or subtract an amount per kilowatt-  
36 hour used by association calculated in the following manner:  
37

38 Fuel Cost Adjustment  
39

40 To the above charges for electric service, there shall be added or  
41 subtracted an amount per kilowatt-hour used by Association determined  
42 as follows:  
43

44 1. For current month, add total cost of fuel at Company's generating  
45 plants, exclusive of fuel cost at plant on site of specific customer,  
46 and total fuel cost of energy purchased in interchange and subtract  
47 therefrom revenue derived from total fuel cost of energy sold  
48 in interchange.  
49

50 2. From above amount, subtract product of 7.000 mills times territorial

1 energy supply. (Territorial energy supply equals the sum of total  
2 Company generation, exclusive of generation on site of specific  
3 customer, plus total energy received in interchange, less total  
4 energy delivered in interchange during the month of cost determination).  
5  
6 3. Divide difference so obtained by territorial energy supply, less trans-  
7 mission losses and carry to nearest .001 mill.  
8  
9 4. Amount so determined shall be applied to energy consumption during  
10 first billing month following month of cost determination.  
11  
12 Q. DOES THE COMPANY'S FUEL COST ADJUSTMENT CLAUSE CONFORM WITH THE COMMISSION'S  
13 ORDER NO. 517 CONCERNING FUEL ADJUSTMENT CLAUSES IN WHOLESALE RATE SCHEDULE?  
14  
15 A. It does not. The Company's proposal is deficient in the following respects:  
16  
17 1. The use of the total cost of fuel at the Company's generating  
18 plants.  
19  
20 2. The use of current transmission losses in the calculation of the  
21 reduction assigned to the base period.  
22  
23 Q. WHAT FUEL COST DOES ORDER NO. 517 INCLUDE FOR FUEL CONSUMED IN COMPANY  
24 GENERATING PLANTS?  
25  
26 A. The cost of fossil fuel should include no items other than those listed  
27 in Account 151 of the Commission's Uniform System of accounts for Public  
28 Utilities and Licensees. The cost of nuclear fuel shall be that as  
29 shown in Account 518, except that if Account 518 also contains any  
30 expense for fossil fuel which has already been included in the cost  
31 of fossil fuel, it shall be deducted from this account. MPCo has  
32 included fuel costs from Accounts 501 and 547. The handling costs  
33 which are included in this sum should be removed.  
34  
35 Q. ARE THERE ADDITIONAL DEFICIENCIES IN THE COMPANY'S FUEL COST ADJUSTMENT?  
36  
37 A. Yes, Sir. In the Company's calculation it has divided the increase in  
38 fuel cost by the territorial energy supply minus current transmission  
39 losses. This method will recover less than the cost actually expended  
40 when losses in the current period are greater than those in the base  
41 period. Conversely, it will recover more than the cost actually expended  
42 when losses in the current period are less than those in the base period.  
43 This is evident from the following calculation.  
44  
45 Let  
46  $F_c$  = Fuel Cost in Current Month in Dollars.  
47  
48  $F_b$  = Fuel Cost in Base Period in Dollars.  
49  
50

$G_c$  = Territorial Energy Supply Current Month.  
 $G_b$  = Territorial Energy Supply Base Period.  
 $L_c$  = Transmission Losses in Current Month.  
 $L_b$  = Transmission Losses in Base Period.

The Company calculates the adjustment as:

$$(1) \frac{F_c - \$0.007G_c}{G_c - L_c} = \frac{F_c}{G_c - L_c} - \frac{\$0.007 G_c}{G_c - L_c}$$

But  $G_c - L_c$  = Sales, or  $S_c$ , in current period. So the above expression can be rewritten as:

$$(2) \frac{F_c}{S_c} - \frac{0.007G_c}{S_c} \text{ Where } \$0.007 = \frac{F_b}{G_b}$$

$$(3) \frac{F_c}{S_c} - \left(\frac{F_b}{G_b}\right)\left(\frac{G_c}{S_c}\right) = \left(\frac{F_c}{G_c}\right)\left(\frac{G_c}{S_c}\right) - \left(\frac{F_b}{G_b}\right)\left(\frac{G_c}{S_c}\right)$$

However, the cost per kilowatt-hour sold in the base period can be expressed as  $\left(\frac{F_b}{G_b}\right)\left(\frac{G_b}{S_b}\right)$ . When one compares the base period deduction assigned at line (3) with the actual expenditure,  $\left(\frac{F_b}{G_b}\right)\left(\frac{G_b}{S_b}\right)$ , it is obvious that:

(4) If  $\frac{G_c}{S_c} > \frac{G_b}{S_b}$ , Company method will recover less than cost expended.

(5) If  $\frac{G_c}{S_c} < \frac{G_b}{S_b}$ , Company method will recover more than cost expended.

(6) If  $\frac{G_c}{S_c} = \frac{G_b}{S_b}$ , Company will recover cost expended.

Stated another way, this means that as losses increase over the base period MPCo will recover less than the cost actually expended; as losses decrease, MPCo will recover more than the cost actually expended.

Q. MR. ROGERS, HAVE YOU FORMED AN OPINION CONCERNING THE FORM OF AN ACCEPTABLE FUEL ADJUSTMENT CLAUSE?

A. Yes, Sir. An acceptable clause would conform with the Commission's Order No. 517. I have prepared such a clause in Exhibit \_\_\_\_\_ (OFR-1).

Q. MR. ROGERS, DO YOU HAVE ADDITIONAL COMMENTS CONCERNING MPCO'S PROPOSED TARIFF?



1 A. Yes, Sir. The Company has included an Environmental Cost Adjustment  
2 which will be added to EPA's monthly bill whenever the amount by which  
3 the twelve months ending with current month cost to own, operate, and  
4 maintain environmental protection equipment exceeds such costs for the  
5 twelve months ending with December, 1975. Automatic escalator clauses  
6 should be granted only after a need for such a clause has been clearly  
7 established. The Company has submitted nothing to demonstrate the  
8 necessity for such a clause.

9  
10 The Environmental Cost Adjustment should be deleted. These  
11 costs are plant related. The expenses and return associated with  
12 these facilities, therefore, should be reflected in the filing of  
13 rate changes with the proper regulatory authorities; not through  
14 some automatic adjustment clause which gives no consideration to  
15 the justness and reasonableness of such expenses and rate of return.  
16

17 Q. MR. ROGERS, DO YOU HAVE ADDITIONAL COMMENTS CONCERNING THE COMPANY'S  
18 TARIFF?  
19

20 A. The Company has included an Income Tax Adjustment to compensate for  
21 changes in income tax rate of Federal and State Income Taxes. Again,  
22 this is an automatic escalator clause for which no need has been  
23 established. It should be removed from the Tariff.  
24

25 Provision has been made to compensate for changes in the tax  
26 rate but no provision has been made to compensate for other changes  
27 in the tax laws, e.g. the change in allowable deductions. Obviously  
28 these changes in tax laws could occur. As a result of any such change  
29 which might reduce the taxable income but not change the tax rate,  
30 MPCo might recover amounts in excess of those which were actually  
31 expended.  
32

33 Additionally, income tax rates have not been frequently changed.  
34 MPCo is proposing an automatic adjustment for a relatively stable  
35 cost.  
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