Miss. Power Plant $366M Over Budget

JACKSON, Miss. (AP) — Mississippi Power Co. has told regulators the power plant it is building in Kemper County is $366 million over budget.

The overrun would push the total cost of the coal-fired power plant being built by the unit of Atlanta-based Southern Co. to $2.76 billion. That's only $110 million short of the $2.87 billion cost cap imposed by the Mississippi Public Service Commission.

The overrun was disclosed May 10 to the firm hired by the PSC to monitor construction. That disclosure, in turn, was passed on to state regulators in the monitor's most recent report. The Associated Press obtained a copy of the report Tuesday.

At least a few other cost issues loom. For example, monitors say it will cost another $4 million not in the budget to relocate power lines to allow shipments of equipment more than 21 feet tall to the site north of Meridian.

What Mississippi Power calls Plant Ratcliffe is supposed to burn a soft form of coal called lignite that will be mined nearby. The plant will convert lignite to a gas to be burned to generate power and capture carbon dioxide to be pumped underground.

So far, the plant is 22 percent complete. It's supposed to start operation in May 2014.

Environmentalists have fought the plant, mainly because they're opposed to mining and burning coal, because it produces more carbon dioxide than natural gas. Carbon dioxide contributes to global warming, scientists say.

The plant could lead to a big rate increase for Mississippi Power's 193,000 customers in the southeastern part of the state. The Public Service Commission is currently scheduled to take up Mississippi Power's request to increase customer rates to pay for construction of the new plant June 22.

Mississippi Power originally projected that it would need to raise rates by a cumulative 33 percent from 2011 to 2014 to finance what it borrows for the plant, and then gradually ease rates as it paid off the debt. It's unclear if the PSC's delay in approving rate increases has affected those projections. Opponents have cited figures showing rates could go up even more.

Mississippi Power would also own the lignite mine, to be operated by Liberty Fuels, a unit of NACCO Industries of Cleveland, Ohio. Monitors say the coal mine, which is not part of the $2.88 billion cap, is also running above original cost projections. The monitor said the current cost is projected to be $244.6 million versus the original

estimate of $214.2 million.

Mississippi Power proposed the huge investment in 2009. Commissioners approved it in 2010, limiting to $2.4 billion what the company could recover from customers. Mississippi Power said it couldn't borrow to build the plant unless it had a margin for error, leading commissioners to raise the cap to $2.88 billion with little explanation of why.

The Sierra Club attacked that lack of explanation in its lawsuit, ultimately winning before the state Supreme Court in March. The PSC, though, quickly issued a temporary order giving Mississippi Power legal protection while construction proceeded, before voting in the utility's favor in April.

The majority commissioners wrote that they favor Kemper because they don't want Mississippi Power to become too dependent on natural gas, because the price of that fuel could rise from its current low level. They noted that independent power generators who offered to sell electricity to Mississippi Power could not offer contracts that fixed the price of natural gas over decades.

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