Co-Op to Complete Purchase of Kemper Plant Share

JEFF AMY,Associated Press

JACKSON, Miss. (AP) — The South Mississippi Electric Power Association says it will go through with its planned purchase of 15 percent of a Kemper County power plant under construction.

Hattiesburg-based SMEPA says it will pay about $500 million for its share of the $2.8 billion plant, which Mississippi Power Co. is building.

Mississippi Power is a unit of Atlanta-based Southern Co. Hattiesburg-based SMEPA generates and transmits power to 11 cooperatives in southern and western Mississippi. Those cooperatives serve more than 400,000 customers combined.

SMEPA, itself a cooperative entity, hopes to complete the purchase by year's end. The federal Rural Utilities Service needs to approve a loan for SMEPA and the Mississippi Public Service Commission needs to approve the sale.

Earlier this month, SMEPA agreed to buy the bankrupt LSP Energy power plant in Batesville for $286 million. That natural-gas fired power plant has a capacity of 837 megawatts, meaning SMEPA will pay $342,000 per megawatt of generating capacity. By contrast, SMEPA will buy a share of Kemper representing 88.5 megawatts of capacity, paying $5.65 million per megawatt.

General Manager and CEO Jim Compton said that despite the high cost of what Mississippi Power calls Plant Ratcliffe, the math still works to SMEPA's benefit to buy its share.

"Plant Ratcliffe has a high capital cost but will have a very low energy cost," Compton said in a statement. "Because SMEPA currently purchases 28 percent of its energy needs from Mississippi Power Company, our wholesale rates will be impacted regardless of our participation in the project. However, our analysis shows that ownership by SMEPA of a portion of the facility is the best overall option for our customers."

SMEPA officials said that even with lower natural gas prices, their analysis shows that owning a piece of Kemper is an economic positive. Making the same argument that Mississippi Power officials do, the cooperative's leaders say it's important to not rely too much on natural gas, because currently low prices could rise.

When asked how the purchase of the Kemper share would affect rates for customers of the cooperatives that SMEPA Spokeswoman Sara Peterson wrote in an email that, "The purpose of the purchase is to stabilize our rates in the future. We already have had a small rate impact as FERC has allowed early recovery."

SMEPA says that it wants to move from buying electricity from others to owning more of its own generating plants, especially because it can borrow money. Right now, SMEPA has seven power plants, including a coal-fired plant near Purvis and 10 percent of the Grand Gulf nuclear plant near Port Gibson.

SMEPA is also seeking approvals for the Batesville purchase from U.S. Bankruptcy Court in Delaware, the Federal Energy Regulatory Commission and the Rural Utilities Service. That sale is also supposed to close by year's end.

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