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New Report Shows Kemper Coal Plant Spiraling Out of Control

At Less Than 50% Complete, Plant is Delayed and Over Budget

JACKSON, MS – In a [new report released today](#), the Institute for Energy Economics and Financial Analysis reveals that Mississippi Power’s Kemper County coal plant is in far worse shape than indicated in the company’s recent public statements. The analysis reveals that the plant, with its untested gasification technology, is behind schedule in both engineering and construction, and at less than fifty percent complete, is likely to see further delays and cost overruns.

“The evidence shows that Mississippi Power’s plant is more expensive, and is taking substantially longer to complete, than originally planned for by the company and the Public Service Commission,” said David Schlissel, with the Institute for Energy Economics and Financial Analysis. “Looking at a similar plant in Indiana, there’s a strong likelihood that Kemper’s costs will continue to rise and delays will continue. The picture is not nearly as rosy as Mississippi Power spokespeople would have the public believe. The Kemper plant will already be a serious burden for ratepayers, and if trends continue, the financial impacts will be disastrous.”

The report draws strong comparisons between the Kemper project, an Integrated Gasification Combined Cycle plant (IGCC), and Duke Energy’s Edwardsport IGCC in Indiana; the Edwardsport plant is two years farther along schedule than the Kemper plant, is more than one billion dollars over budget and is also significantly behind schedule.

Highlights from the report findings include:

The Kemper project is likely only 40-45% complete, not the “more than 70 percent complete” that Mississippi Power has claimed and its construction is behind schedule;

Direct construction costs are 20% higher than Mississippi Power predicted in 2010, during the certification process at the Public Service Commission;

Mississippi Power's now estimates that it will have to spend nearly \$200 million more in project financing costs than the amount certified by the Commission and this figure could rise much higher;

The most recent review by the Commission's Independent Monitor showed that concrete work at Kemper was 23 percentage points behind schedule at the end of July;

Steel work was 10 percentage points behind schedule; and

Further construction cost increases and delays during plant startup and testing are likely.

"More than two years after the Public Service Commission originally approved this plant, we're looking at a project that has consistently cost more than planned, has taken longer than planned, and shows no signs of correcting the course," said Louie Miller, State Director of the Mississippi Sierra Club. "Sierra Club has fought this dirty, expensive, and unnecessary plant because in the end, Mississippi families and businesses will be forced to shell out, at present, \$3.62 Billion dollars and rising, to build a plant that is already hundreds of millions over budget and is not guaranteed to work on day one. And once Mississippians start to pay, they will be paying for 40 years, even with cheaper, cleaner energy sources available. We knew this was a bad deal for Mississippi Power customers from the beginning. The Public Service Commission needs to step in and pull the plug before customers are made to foot the bill for Mississippi Power's billion-dollar mistake."

The Mississippi Business Journal predicted the Kemper plant would raise customers' electricity rates by more than 45% before the project experienced cost overruns and delays. In June of this year, Mississippi Power sought the first short-term rate increase of approximately 15% for six months for residential customers to pay for construction finance charges. Today's report argues that the new and untested nature of the IGCC technology will likely cause further delays and could incur additional costs, as has happened at the Edwardsport IGCC facility in Indiana.

"We testified to the PSC in 2010 that Mississippi Power was understating the likelihood of delays and cost overruns, and with the plant's construction and engineering less than fifty percent complete, our testimony was right on the money. We only need to look to the Edwardsport IGCC Project in Indiana to see what could happen with Kemper – more delays, more cost overruns, higher and higher costs," said Schlissel with IEEFA.

Miller added, "the evidence is clear: Mississippi Power has already broken their promises, but its captive customer base will be forced to pay the price. The Public Service Commission can fix this disaster now."