

# Electrical cooperative pulls out of Kemper power plant deal

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JACKSON, Miss. (AP) — The entity that procures power for many Mississippi electric cooperatives Wednesday pulled out of a deal to buy 15 percent of the \$6.2 billion [Kemper County power plant](#), blowing a hole in Mississippi Power's financing plan for the project.

South Mississippi Electric Power Association spokeswoman Sara Peterson said SMEPA's board voted to back out of a plan to buy a share of the plant. Peterson said the association's staff did a study which found that electricity from Kemper would cost more than previously planned because of rising construction costs.

"We entered into the purchase agreement in 2010," General Manager and CEO Jim Compton said in a statement. "Since then, there have been multiple changes in the project, and also changes in our power supply needs. The board determined that proceeding to closing was not in SMEPA's best interests, and we needed to let (Mississippi Power) know so that alternate plans could proceed."

Mississippi Power spokesman Jeff Shepard said the company was disappointed to learn of SMEPA's decision.

"We are currently evaluating next steps," Shepard said.

SMEPA is a cooperative that buys and generates power for 11 electrical cooperatives in southern and western Mississippi outside of Tennessee Valley Authority territory. Those 11 retail cooperatives serve more than 400,000 accounts combined. SMEPA had said in 2012 that it expected to pay about \$500 million for its 15 percent share of the Kemper plant, officially known as Plant Ratcliffe.

SMEPA's move comes days after the unit of Atlanta-based Southern Co. ([NYSE: SO](#)) had filed new rate plans with the state to pay for the share of the plant that would be shouldered by Mississippi Power's own 186,000 customers from Meridian to the Gulf Coast. It's common for privately owned utilities to sell shares of their power plants to cooperatives.

SMEPA has traditionally been a big customer of Mississippi Power, and Peterson said that today the association buys 28 percent of its electricity from the company. However, SMEPA has been increasing the share of power that it generates on its own, overhauling two power plants that it owns in south Mississippi and recently purchasing a natural gas fired power plant near Batesville.

SMEPA had said it was buying the share of Kemper to accommodate future growth. However, Peterson said Wednesday that the association now makes or buys enough electricity to cover its current needs.

Customers of at least some SMEPA-served cooperatives had already seen their rates rise in part to pay for Kemper construction.

Ron Barnes, a spokesman for Coast Electric Power Association, said his utilities' rates had gone up because SMEPA had passed on the higher cost of power that it is purchasing from Mississippi Power.

Barnes said that federal wholesale energy regulators had allowed Mississippi Power to pass on part of the cost of construction.

Mississippi Power's own customers are paying rates that are 18 percent higher for Kemper, although the state Supreme Court has ordered a refund claiming the Public Service Commission improperly approved the increase.