

News Release

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South Mississippi Electric Signs Letter of Intent to Explore Ownership Stake in Mississippi Power's Kemper County IGCC Project

South Mississippi Electric Power Association has signed a Letter of Intent to explore the acquisition of an interest in Mississippi Power's proposed Kemper County Integrated Gasification Combined Cycle (IGCC) Project, the companies jointly announced today. The companies are negotiating a combination of a joint ownership arrangement and a purchase power agreement which would provide South Mississippi Electric with up to 20 percent of the capacity and associated energy output from the plant.

Mississippi Power has proposed building a state-of-the-art electric power plant in Kemper County, Mississippi, that will capture 65 percent of carbon dioxide (CO₂) emissions. The plant will use Mississippi lignite to fuel the technology.

"We are continually looking for additional generating capacity to meet the growing demand for electricity for our Member distribution cooperatives and their consumers," said Jim Compton, general manager and chief executive officer, South Mississippi Electric. "As we look to a future with volatile fuel prices and new environmental regulations, it is clear to us that Mississippi Power's proposed Kemper County IGCC project -- using low-cost Mississippi lignite -- is a viable alternative to help meet our long-term generation resource needs. Any option that combines a stable, low-cost fuel source with the environmentally-friendly aspects of this project is worth pursuing further."

"South Mississippi Electric is one of our largest customers and like us, is responsible for providing affordable, reliable electric service to thousands of its members in our state," said Anthony Topazi, president and chief executive officer, Mississippi Power. "We welcome the opportunity to further our partnership through the value that our proposed Kemper County IGCC Project provides in meeting our collective needs."

Pending Mississippi Public Service Commission approval, construction would begin in 2010. The proposed generation station is a 582-megawatt power plant that would begin commercial operation in 2014. South Mississippi Electric will also need regulatory approval from the Rural Utilities Service.

Also known as gasification, IGCC is a process that converts coal into a synthesis gas that can generate electricity with fewer emissions than existing pulverized coal-fired power plants.

The plant will capture 65 percent of carbon dioxide emissions and the carbon dioxide will be used in the enhanced oil recovery industry. With carbon capture technology, the Kemper County IGCC facility will be equivalent to a new natural gas combined cycle generation resource with respect to CO₂ emissions.

Mississippi Power's investment will be approximately \$2.2 billion. Approximately 260 permanent jobs, plus 1,000 jobs during peak construction, will be created.

South Mississippi Electric, a generation and transmission cooperative headquartered in Hattiesburg, provides wholesale power to its eleven member-owner electric power associations. The overall system delivers reliable, not-for-profit electric service to more than 400,000 homes and businesses in 56 of the state's 82 counties.

Mississippi Power, headquartered in Gulfport, provides retail and wholesale electric service to approximately 200,000 customers in 23 counties from the Gulf Coast to Meridian. The company owns or has significant ownership interests in six generating facilities with net dependable generating capacity of 3,166 megawatts. Electricity is sent across 8,371 miles of transmission and distribution lines to retail customers principally in Gulfport, Biloxi, Hattiesburg, Meridian, Pascagoula, Columbia, Laurel, Waveland, Lucedale and Picayune.

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