



## News Release

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### **South Mississippi Electric Agrees to Pursue Minority Ownership in Mississippi Power Company's Kemper County IGCC Project**

South Mississippi Electric Power Association (SME) and Mississippi Power Company (MPCo) have agreed to an Asset Purchase Agreement allowing for SME to purchase a 17.5% interest in MPCo's Kemper County Integrated Gasification Combined Cycle (IGCC) Project, which was recently granted approval by the Mississippi Public Service Commission.

With the agreement, approved today by the Association's Board of Directors, South Mississippi Electric intends to purchase 103.5 megawatts of the 582-megawatt power plant slated to begin commercial operation in 2014. The transaction will become final after the two organizations complete an ownership and operating agreement over the course of the next year. SME must also successfully secure financing for its share of the project and receive approval from its primary lender, the Rural Utilities Service.

The state-of-the-art electric power plant, to be located in Kemper County, Mississippi, will convert Mississippi lignite into synthetic gas to power a combined-cycle generating unit. The plant's technology will capture 65 percent or more of carbon dioxide (CO<sub>2</sub>) emissions.

"Our organizations have a close working relationship and we have followed the planning for this facility very closely," said Jim Compton, South Mississippi Electric's general manager and chief executive officer. "We need new generating capacity to meet the growing power demand of our Member distribution cooperatives and their consumers, and this is an excellent fit for our system."

SME signed a Letter of Intent in September to explore the acquisition of an interest in the project, and subsequent investigation and due diligence indicated potential long-term savings for the Association by owning a portion of the facility.

“As we make plans to meet future needs and are faced with fluctuating fuel prices and possible new environmental regulations, we believe it is vital to maintain a diverse mix of generation options,” said Compton. “The combination of a stable, low-cost fuel source, support from the Department of Energy, close proximity and the cutting-edge environmental technology associated with this project were significant considerations in our Board of Directors’ decision.”

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. With its carbon capture technology, the Kemper County IGCC facility will be equivalent to a new natural gas combined-cycle generation resource with respect to CO<sub>2</sub> emissions. The carbon dioxide by-product will be marketed to the enhanced oil recovery industry.

“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 of Mississippi Power. “We welcome the opportunity to further our partnership through the value that this facility provides in meeting our collective needs.”

South Mississippi Electric, a generation and transmission cooperative headquartered in Hattiesburg, provides wholesale power to its eleven member-owner electric power associations, which serve more than 406,000 homes and businesses in 56 of the state’s 82 counties. SME owns more than 1,200 megawatts of generation capacity, including a 10% interest in Grand Gulf Nuclear Station in Port Gibson, Miss.

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