

SCANNER

AUGUST 2010 - VOLUME THREE - ISSUE THREE

**PLANT CONSTRUCTION
PROJECTS MOVING FORWARD**

LOOKING BACK AT KATRINA

**JOHN CARLEY SYSTEM
OPERATIONS CENTER DEDICATED**



SCANNER

AUGUST 2010 - VOLUME THREE - ISSUE THREE

TABLE OF CONTENTS

CEO Column - "All Organizations Are Held Accountable" **01**

Plant Projects Moving Forward **02**

Looking Back at Hurricane Katrina **04**

Carley Building Dedicated in May **07**

Energy Challenges Discussed at Directors' Update **08**

Employee News **09**

Recent Graduates **10**

Safety Column: The Personal Toll of Accidents **12**

The Scanner Magazine is published quarterly for employees and retirees of South Mississippi Electric
 Editor: Kurt Brautigam, APR
 Communication Coordinator: Sara Peterson

Cover photo: The Mantis crane was delivered in June and immediately put to work at Dixie Electric's new Lynn Ray Road substation site, where the line crews and heavy equipment operators received training on the machine's capabilities.



LESSON ONE FROM THE GULF TRAGEDY: ALL ORGANIZATIONS ARE HELD ACCOUNTABLE



Jim Compton,
General Manager/CEO

It is extremely difficult to find anything resembling a silver lining in the BP Gulf drilling disaster. This event may well prove to have more negative impacts—environmentally, financially, and psychologically—than any American event short of war. The BP disaster does, however, serve as a reminder that where there are operations that involve some amount of risk or the possibility of a negative outcome, the consequences of bad decisions, combined with bad luck, can be disastrous.

At South Mississippi Electric, we do not drill for oil a mile deep in the Gulf, but we do operate generating plants on Black Creek and Leaf River. We do utilize hazardous materials, operate high-voltage power lines, operate heavy equipment on narrow roads, perform work at greatly elevated spaces, and have to fulfill our functions around the clock. We, too, are at risk if we make bad decisions; and, in this time of government oversight and media saturation, there is no doubt that we will be held accountable.

What happened, or did not happen, on the Deepwater Horizon drilling rig in the days and hours before the April 20 explosion is coming to light. It is clear that BP and its subcontractors were unprepared for what happened and were overwhelmed when the fire occurred. Certainly, it would be challenging to devise emergency procedures that would be relatively effective facing that level of disaster. The key is to prevent this type of event, and in this instance, BP's decision-making leading up to the explosion merits review. *The Wall Street Journal* has published a series of articles examining the BP well blowout. Below, I have condensed some of their investigation and conclusions.

The Macando well was behind schedule and over budget. It cannot be determined today if economic pressures played a role in BP's decision-making, but BP made a number of changes to the plan prior to April 20. A procedure designed to detect and then remove gas in the well was apparently cut short. BP also skipped a quality test of the cement which was placed around the pipe, and then started removing the drilling mud after questionable interpretations of test data had been received. BP now admits that removing the mud was a "fundamental mistake," as the mud ultimately was the last barrier preventing underground gas from rising up the well.

In reviewing the decisions made immediately prior to, and on, April 20, a pattern emerges of trying to work within a plan while facing a rapidly changing scenario without clear leadership and consensus between BP, Transocean, and Halliburton. More than twenty "anomalies" occurred in

the two days before the fire, involving missed warning signs, variations from standard operating procedures, and breakdowns in communications between contractors.

Numerous permit changes were applied for and granted in the days before April 20. Ultimately, there were so many changes to the plan that it is doubtful that BP still had a plan. Unfortunately, this combination of decisions left the rig's defenses vulnerable to the ultimate gas escape. Once the gas found an ignition source, the well fire rapidly grew beyond control and the resulting crude oil escape would continue for nearly three months.

Here at SMEPA, we face work projects of varying complexities and risks. It is essential that we have sound plans for carrying out projects, including managing safety and environmental issues. These safety and environmental issues are to be reviewed with all participants in "tailgate" and "Take2" sessions prior to any work starting. Sometimes though, as we work the plan, we see conditions change, and the plan does not quite fit. What we do next is a telltale sign of the type of leaders we have and type of organization we are.

Do we march on with the same plan, making changes on the fly, with the ultimate goal to remain on schedule? No one likes projects taking longer or costing more than planned. We have to keep the lights on, and sometimes there is pressure to complete work to get units back on line or transmission facilities restored to service. But whenever a project leader recognizes that the plan is not matching the work conditions, a pause to assess risks is needed, and senior management needs to be informed of all the issues. A senior management contact should always be designated and available.

We should always be asking what can go wrong with a project, and what would be the expected economic, environmental and social consequences of any failure. Unexpected conditions in high risk areas may well merit stopping the work, making another safety and environmental review and then revising and restarting the plan. Schedules are less important than adhering to the safety and environmental compliance responsibilities that we have as an organization.

Because of the BP rig disaster, we can look for greatly increased regulation and oversight due to the hazardous nature of our work. Let us ensure that we do everything within our power to properly manage change in our work, and to always maintain our commitment to meeting the responsibilities that our Members and their members place in our hands each and every day.

Moselle Repower Project Nears Groundbreaking

Design and procurement work has been well underway on the repower project at Plant Moselle for more than a year. South Mississippi Electric's Board approved the project in late 2008, with an expected completion date of late 2012.

Plant Manager Chris Rhodes provided an update on the project at the All Directors' Meeting in June (*see separate article in this issue*).

To date, just over half of the project's estimated total cost of \$267 million has been committed in contracts. Contracts have been awarded for the major components, and the purchase of the remaining balance of plant equipment is nearing completion.

Two new GE Frame 7EA combustion turbines, similar to the plant's existing Units 4 and 5, will be installed behind the boilers that currently fire Units 1 and 2. The 7EAs are simple cycle units with a summer capacity of 75 megawatts each. The turbines were manufactured at GE's Greenville, S.C., facility while the generators were manufactured in Austria. The turbines and generators arrived via rail at the Moselle rail siding in late June and early July and were then transported by Barnhart to the plant, where they will be stored until needed for installation.

In the new configuration, exhaust heat from the new 7EAs will be connected to two heat recovery steam generators (HRSGs), which are designed to provide steam for the plant's existing 59-megawatt turbine-generator Units 1 and 2, creating the combined cycle system. Vogt Power

International received the bid to supply the HRSGs. The bypass system, which allows the 7EAs to operate in simple cycle mode, has already been delivered to the plant. The HRSG modules and steam drums, which are being manufactured at a facility in Korea, are scheduled to be delivered sometime in October.

"We are getting a little crowded at the plant but have been able to make room for everything that has arrived so far," said Rhodes. "Our crews have done an excellent job receiving the components that have arrived and in storing them out of the way until needed. The environmental permitting necessary to begin construction has been slightly delayed but is expected to be completed by early August. Then we can get things rolling."

The site preparation, foundations and underground construction contract was awarded to James Construction Group, which mobilized on July 26. Three other major construction contracts—for installing the combustion turbines and generators; installing the HRSGs and the balance of plant equipment; and for all electrical construction—will be developed and issued for bid. Barnhart was awarded the contract to transport the larger components from the Moselle rail siding to the plant; and other contracts for final painting, paving, landscaping and cleanup will be issued for bid at a later date.

"This project is a process," said Rhodes. "Obviously, there was a great deal of effort and attention to detail required to design the project and develop the specifications needed to bid the equipment and construction

contracts. As we move into the construction phase, we will be developing the construction plans and sequences and monitoring progress as we go along. It will be exciting to finally see the system coming out of the ground."

Two preliminary steps not requiring permits have already been completed. In June, SME line crews moved a segment of Line 17A to the perimeter of the plant property in order to make room for the construction area. Prior to that, the one-million gallon No. 2 fuel oil tank, which was built during the original plant construction in the late 1960s, and five-million gallon No. 6 fuel oil tank added in 1974, were demolished (*photo below*) and removed from the site.



"When you think about how far this facility has evolved—from three original 59-megawatt steam units to what will be nearly 500 megawatts of capacity when the repower project is complete—it really is a perfect reflection of how far we have come as an organization," noted Rhodes. "And like everything else that has occurred over the years, this project would not be happening without the teamwork of so many SMEPA employees, all of whom are dedicated to finding ways to better serve our Members."

The generator step-up transformers (GSUs) for each combustion turbine were delivered in October 2009.



Plant Morrow Scrubber Upgrade Kicks Off

Field activity associated with Plant Morrow's scrubber upgrade project finally began in June, as contractor crews completed preparations for the site and broke ground on the initial foundation work.

In order to meet existing Clean Air Act regulations, the plant's original scrubbers were designed to treat about 60 percent of each unit's flue gas in order to remove sulfur dioxide (SO₂). Options to meet new regulations that require additional reductions were considered several years ago, but estimates at the time for replacing the scrubbers and installing other air pollution control equipment were cost-prohibitive—in the range of \$400 million.

"When we learned that, we elected to explore other options," said Greg Chancellor, senior project manager. A team from Plant Morrow and headquarters began to investigate the possibility of redesigning and upgrading the existing scrubber units and hired URS Corporation, an engineering firm that specializes in such projects, in 2007. After extensive modeling and design, the team determined that the units actually could be effectively modified to scrub 100 percent of the plant's flue gas.

"With the new plan, we can capture 98 percent of the SO₂," Chancellor said. "We also developed some additional upgrades that will improve the plant's overall reliability, including the installation of a new limestone ball mill and improving the slurry recycling system. That solution will cost a fraction of the original estimates, thus reducing a major capital cost for our Members."

While URS and Black and Veatch, another consulting firm, have been finalizing the project's remaining design issues, project team members have also been completing all major equipment procurement, and many of the components have been delivered to the site. Final construction permits were received in May, which allowed several contractors to proceed with their respective portions of the project.

After the equipment lay-down area was completed and underground utilities were moved, G.A. West, the foundation subcontractor, broke ground. G.A. West was also awarded the contract for electrical and instrumentation construction work. The contract for mechanical construction was awarded to TIC (The Industrial Company), which has also begun mobilizing for its work.

A Kick-Off ceremony for the project is scheduled for early August. Fourth District Congressman Gene Taylor, who has expressed an interest in the project, is among the invited guests. Completion of the \$62 million project is scheduled for 2012.

Looking Back at Katrina: Five Years Later

114 current employees have been hired since the disaster

“The whole system is down” was Vic Miller’s statement over the radio on the evening of Monday, August 29, 2005, confirming that South Mississippi Electric served no load in the on-system area and that the transmission system had been devastated by Hurricane Katrina. A control system operator with 30 years of experience at the time, Vic said what everyone knew to be true—that this was the first time the entire system had ever been so affected.

The Coastal Weather Service hurricane model for Katrina at noon on Friday, August 26, placed Mississippi’s coast in the low-risk category, instead predicting a direct hit on Destin, Florida. At 2:35 p.m. on the same day, the weather service released an emergency notice that the storm was steering westward and that the Mississippi Gulf Coast was the target. New Orleans was still a low-risk threat at that time.

With the updated forecast, earnest preparations began. Securing contract construction and tree-trimming crews, booking hotel rooms, purchasing food items, staffing the command center and control center, and purchasing fuel and other materials were among the many preparations made that weekend at headquarters. Plant Moselle and Plant Morrow began procedures to secure the plant facilities, check fuel supplies and schedule staff.

Hurricane Katrina made landfall near Bay St. Louis early Monday morning, August 29, bringing 100-130 mile per hour winds, rogue tornadoes and driving rain squalls to all of south Mississippi. As the storm continued northward, Katrina unleashed hurricane force winds on most of the state.



Most of South Mississippi Electric’s facilities were manned during the storm. The control rooms at the plants and the control center at headquarters had additional personnel available to monitor operations around the clock. As the storm churned up the heart of the Association’s service area, portions of the transmission system and hundreds of miles of Member systems’ distribution lines were brought down by falling trees and snapping poles, rapidly decreasing load. Both units at Plant Morrow tripped due to transmission outages and the loss of significant load in the Hattiesburg area. As the day progressed, combustion turbine units were started to meet demand and then later shut down because the load continually dropped or tripped due to transmission outages.

At Plant Moselle, employees were able to keep the plant operational—even though there was no load to serve—by activating as much plant auxiliary equipment as possible. This crucial decision allowed the plant to remain on-line, which was instrumental in the restoration and recovery process to follow. Producing a mere six megawatts and serving only its own station service, the plant was the only “light” for miles across south Mississippi on the night of August 29. The Paulding CT was still on-line and, although Sylvarena Unit 3 had tripped due to transmission outages, it had been restarted using the diesel generator.

Tuesday, August 30, was a day no one could have ever imagined or anticipated. Construction crews began assessing damage that morning, and three planes flew the transmission lines to survey the effects of the storm.

Assessment was hindered by the loss of communication. Downed phone systems and the crippled radio system limited communication with the

Message to Employees from Jim Compton in the September/October 2005 Scanner

The numbers are staggering: 240,000 out of 280,000 SMEPA system retail consumers lost power due to Hurricane Katrina; 198 out of 240 substations we serve were de-energized; all 1,616 miles of SMEPA transmission lines were de-energized; and we were isolated from the rest of the electric grid. Aerial surveillance showed more than 600 trouble locations—broken poles, crossarms, or trees on lines—causing 1,147 miles of transmission lines to be unusable without repair. Plant Morrow units were off-line, as was Benndale. Fortunately, Plant Moselle Unit 1 was still on due to quick thinking by the Moselle operators. Most communications were lost.

Fortunately, we had totally revised our Emergency Response Plan (ERP) this spring and, even before Katrina hit, we began mobilizing to repair the damage. Tuesday morning, three planes were in the air securing line trouble information so that crews could be dispatched more efficiently, and a crew was repairing the towers. Materials had already been ordered, and additional orders developed from the aerial information. The number of contractors and saw crews grew quickly, and the

outside world. At the time, the Association owned five satellite phones, which proved to be key in securing additional construction crews and obtaining much-needed supplies.

Generators at Plant Moselle, Sylvarena and Paulding were available and operating but were not serving any load. All three facilities were functioning as transmission islands, no longer tied into the transmission grid. All of South Mississippi Electric’s Member systems experienced outages; Coast, Dixie, Magnolia, Pearl River Valley, Southwest and Singing River’s entire systems were without service.

Significant damage occurred at the headquarters facility and throughout the transmission system. Moselle Unit 3 and the cooling towers at Plant Morrow were also damaged.

More than 1,100 miles of 1,600 miles of transmission line were either damaged by the storm or could not be energized due to a lack of an energized connection. Crews from Alabama Electric Cooperative (AEC, now PowerSouth Energy Cooperative) and other contractors—totaling 135 additional personnel—assisted the transmission crews in restoration efforts; ultimately 88 broken poles and 376 broken crossarm braces were replaced.

SMEPA’s generation and transmission system was restored in pieces, with specific generation units operating as islands, meaning that frequency was controlled from a generator connected to the island, as opposed to being provided from the grid. During the height of restoration, four generation islands had been established including Plant Moselle, Moselle Unit 4, Sylvarena, and Benndale GT. Having been isolated from the transmission grid after the storm, the Association’s Waynesboro interconnection with AEC, the Waynesboro to Hintonville 161kV line, and the Hintonville to Moselle 161kV

(photo, opposite page) SME’s line crews assisted Members with distribution restoration.

(photos to right) Damage from the storm was widespread, including downed trees at the Headquarters campus (top) and siding ripped from one of the boilers at Moselle (bottom).

SMEPA line crews were broken up so they could lead contract crews. Repair work proceeded on the plants, and soon Plant Morrow was back on line. At the height of the restoration, Human Resources was feeding almost 300 people and arranging housing and laundry service for the outside workers.

Looking back to what I saw on August 30, I never thought that we could have the SMEPA system operational and serving all substations in less than two to three weeks. The challenges and stresses encountered were tremendous and were the ultimate test of SMEPA as an organization and us as individuals. I saw many, many employees working hard and working together. I saw our people showing that they had the brains, heart, and guts to take a system that was flat on its back and get service back to all our stations only nine days later.

Without question, you faced the ultimate test and passed with flying colors. When the history of SMEPA is finally written, there is no doubt this will be its finest hour.

line were reestablished by September 3. This transmission path was utilized to synchronize Plant Moselle to the transmission grid the same day.

Other major milestones included restoring the Benndale interconnection (with AEC) on September 3, the Magee interconnection (with Entergy) on September 4, and the Purvis Bulk interconnection (with MPCo) and Plant Morrow Unit 1 on September 5.

The first of 198 affected substations—Pearl River Valley’s East Lake Serene—was energized at 9:39 p.m. on August 30, providing much-needed service to Wesley Medical Center. Finally, on Wednesday, September 7, the Association reached its ultimate goal: all Member systems’ substations were energized, nine days after the storm.

[Editor’s note: These accounts are taken from the September/October 2005 Scanner and other sources.]



Restoring Electricity to Colonial Pipeline: Answering a National Priority

Restoring power to the Colonial Pipeline facilities near Collins, served by Southern Pine EPA, became a national issue during the first days after Hurricane Katrina.

Due to the threat of the storm, gasoline supplies had been tightening and prices rising throughout the eastern U.S. in the days leading up to August 29, 2005. When it became apparent that the Gulf's offshore drilling and refining capabilities had been severely damaged, prices increased dramatically and lines formed at gas stations across the South. Fuel for the trucking and airline industries also began to run low. Colonial was a primary supplier of gasoline and diesel fuel from locations in Texas and Louisiana to the Northeast; with its pipelines shut down, the possibility of a continued reduction in the country's fuel supply quickly became a very real economic threat.

Don Jordan, manager of Southern Pine, received two calls from Vice President Dick Cheney's office shortly after the storm struck, saying the Collins-area substations that served Colonial Pipeline needed power restored immediately. Mississippi Public Service Commissioner Mike Callahan (now executive vice-president/CEO at Statewide) also received a call from the U.S. Department of Energy on Aug. 31 indicating that restoring service to the fuel pipeline was a national priority, as it was instrumental in supplying much-needed gasoline to the eastern half of the country.

From SME's perspective, early recovery efforts had focused on restoring service to critical loads such as regional medical centers and rural hospitals, as well as to other facilities vital to public safety and public service, including rural water systems. At the time, Colonial had not been considered a critical load because the pipelines are designed to maintain pressure during the loss of any single pumping station. As a result of damage from Katrina, however, seven pumping stations along the pipeline were out of service. The two Collins pumping stations are the largest of the seven and were located in the middle of the pipeline, so were critical to its overall operation.

Due to communications issues, Callahan had to drive to Jim Compton's office to tell him about the call from the Department of Energy, noting that he would support whatever decision SME made. Compton also called the Department of Energy to confirm the directive of restoring service to the substations that served Colonial facilities.

"The information we were receiving suggested that the pipelines being shut down was creating a national emergency, and I understood it to be a presidential directive to get them operating again," said Compton. "The decision to make was how to balance what was most important to people in South Mississippi with a potential national crisis."

Once the pipelines became a priority, the ensuing team effort necessary to complete the restoration resulted in an amazing operations, engineering and transmission feat.

Employees in the control center and at Plant Moselle had to determine how best to restore service to the large (5000-horsepower) pump motors at the Colonial facilities. The major areas of concern included the capability of a generation source to handle the starting current required by the large motors and the voltage drop across the transmission lines feeding the Colonial facility. After numerous conversations with GE and engineers at Southern Company Services, the decision was made to use Moselle's Unit 4 as the generation source, with the Moselle to Station Creek 161kV line, the Station Creek 161/69kV substation, and the Station Creek to Colonial 69kV line as the transmission path. Unit 4 could also be isolated from the rest of the system so that the existing restored load, including Wesley Medical Center, would not be jeopardized.

At the same time, line crews working on September 1 to restore service at various locations were re-assigned to work on the pipeline restoration. Matt Ready's crew had started at 6 a.m. that morning and was re-directed at about 10 a.m. to the Collins project. Work continued until the job was completed at 2 a.m. the next day. After 16 hours, more than 36 miles of transmission lines were repaired between Plant Moselle and Collins, much of the job accomplished in the dark.

Once the line crews released the transmission lines for operation, a coordinated effort between the control center and the Colonial Pipeline control center in Atlanta began. By 2:30 a.m., SPEPA's Colonial Collins substation was energized. Colonial then tried to start the first 5000-horsepower motor, but the attempt failed due to low voltage.

At that point, the decision was made to increase the voltage at the facility by adjusting the load tap changer at Station Creek. Colonial personnel reset the protective devices on the equipment and at 2:34 a.m., initiated a second attempt. The pump started successfully and the process of building pressure on the pipeline began.

Colonial began starting motors in a sequence from both the Colonial Collins and Colonial Kola facilities, allowing time between starts to build pipeline pressure. By 6:00 a.m., the pipeline was operating at 80% capacity, which was the maximum capability of the pipeline with other pumping stations out of service. The operation had been a success.

On Tuesday, September 13, three cabinet members from President Bush's administration visited the Colonial Pipeline site. Energy Secretary Samuel Bodman, Interior Secretary Gale Norton and Transportation Secretary Norman Mineta personally thanked South Mississippi Electric personnel for their swift restoration efforts regarding the pipeline and for averting the potential economic disaster.

Portions excerpted from a Hattiesburg American story, 9/11/05.

Carley Building Dedicated in Ceremony

On a bright, clear day in May, nearly 80 people, including employees, retirees, family, and friends, gathered to dedicate the John Carley System Operations Center.

During a short ceremony, several long-time co-workers spoke about John's continued dedication and service to South Mississippi Electric. They mentioned many of the special qualities that he has long been known for, including his leadership, sacrifice, spirit, care for his fellow employees, and good nature.

"Whether I worked for John as one of his employees or whether I work side by side with John in his current role as a consultant to SMEPA, he has always been a cheerful man dedicated to his job, dedicated to his family and dedicated to his faith," said Curt Holland, hired by Carley thirteen years ago. "Winston Churchill once said, 'Attitude is a little thing that makes a big difference.' Thank you, John, for having an attitude that is filled with faith, devotion, kindness, and caring."

"John hired me as a lean kid in a blue suit, blue shirt, and white tie in 1974," said Tommy Clark. "Within a month I had met his wife, Peggy, and his children and had been accepted as one of the family. John has many accomplishments at SMEPA that will be remembered for many years to come. But perhaps the greatest accomplishment from those years is his and Peggy's choice to invest in the lives of those around them."

"I am one of those lives. When I think of John and Peggy, I immediately think of Christ. They had to earn that right. Their lives have been a constant walk with their Lord, sacrificing for Him, by touching the lives of family, and extended family, like those of us here at SMEPA."

Nathan Brown, chief operating officer, commented on John's contributions to the success of South Mississippi Electric and his continued support of the Association and its Members.

"In addition to his life-long impact on his family, friends, and co-workers, during his career John has made significant contributions that have helped shape SMEPA into what it is today," said Brown. "He has participated in the negotiations of some very significant contracts for SMEPA, including the 1979 Interconnection Agreement between SMEPA and Entergy Mississippi, the Ownership and Operating Agreement for Grand Gulf, the Batesville Unit 3 Power Purchase Agreement, the Big Cajun 75MW Power Purchase Agreement, and in many amendments to the Interconnection Agreement with Mississippi Power Company, including the addition of Protective Capacity (Pro Cap). All of these continue to be excellent contracts for SMEPA."

"Since returning as a consultant, John has continued to be instrumental in the negotiations of additional contracts, including the buyout of the Aquila Contract for Batesville Unit 3, the Plum Point Power Purchase Agreement, and the Power Supply Agreement between SMEPA and Mississippi Power Company. He is currently working on the development of an Asset Purchase Agreement for the purchase of 17.5% of the Kemper IGCC facility."

"John has and continues to be a huge benefit to me as a co-worker, as a role model, and as a friend," Brown noted. "I am proud to work in the System Operations Center that has been named in his honor."

"This event honoring John is a great reflection of his work ethic and character," said General Manager/CEO Jim Compton in his remarks. "He has been a tremendous asset to the Association throughout his years of service as an employee and now as a consultant. We appreciate all that he has done, and we are honored to name this state-of-the-art building—which is so important to our overall operations—after him."

Compton unveiled a framed portrait and copy of the Board of Directors' resolution that approved the building name, which now hangs in the building's conference room as a permanent reminder of John's numerous contributions to the organization.



John, his wife, Peggy, and their children helped cut the ceremonial ribbon for the building named in his honor.

All Directors' Update Meeting Focuses on Energy Challenges



National and world economic policies. Nuclear options and challenges. The state of the G&T. Overcoming the generation gap in the work place.

All of the above topics and several others were the focus of South Mississippi Electric's fourth annual Directors' Update Meeting, held June 30 at the Hattiesburg Lake Terrace Convention Center. More than 160 people attended the update, including directors from all eleven Member systems and other invited employees and guests.

The theme for this year's meeting was "Energy for Our Future."

"It is essential for everyone involved with our system and its Members to be aware of these many issues," said Jim Compton, general manager/CEO. "The factors that influence our ability to ensure a reliable and economical power supply seem to be constantly growing; so now more than ever, it is vital that we all understand the issues and challenges before us and the potential these have to impact our consumers."

Compton updated meeting participants about power supply needs, including an overview of how the Kemper County IGCC project will fit into the Association's future generation resource portfolio. He noted that even though SME has 368 megawatts of new generation coming on line in the next few years (Plum Point, the Moselle repower project, and the Grand Gulf Extended Power Uprate), we will require an additional 500-700 megawatts of capacity by 2021 to meet growing system needs.

"Our power requirements studies show load increasing by approximately two percent annually, which equates to forty or fifty megawatts per year," he noted. "We also have power purchase agreements that will be expiring and will need to be replaced, either with new purchases or by building our own resources. Our Board of Directors has established a goal to own more of our energy sources in order to lower overall rates."

In addition to the Kemper project, in which the Board authorized the purchase of a 17.5% minority ownership interest at its meeting that same day, the Association will be exploring options for building other facilities.

"We cannot afford to repeat the 1990s when we relied too heavily on the open market to meet load growth," Compton said. "We must have a plan to keep rates stable and affordable, and that requires us to be as self-sufficient as possible. The best way to do that is through a combination of owning more resources and maintaining our flexibility with fuel options."

Chris Rhodes, plant manager at Moselle, briefed the audience on the status of the repowering project (*see separate article in this issue*), and Brad Edwards, nuclear specialist at Grand Gulf, provided an update on the nuclear side of the industry.

Edwards reviewed the nuclear projects currently getting underway in the U.S., including two units that Georgia Power is constructing at Plant Vogtle. Edwards suggested that numerous challenges remain to be faced by the industry before many more units can be started, including proving the new designs and financing the costly projects. Adding any new nuclear options for SME will not be likely until at least 2021 or 2022.

The meeting attendees also heard from economist Dr. Loren Scott, who discussed trends he saw developing in the Southeast and nationally. He believes that economic indicators suggest that the national recession began easing late in 2009 and that Mississippi's future has several bright spots, including Toyota's recent announcement to move forward with its plant near Tupelo.

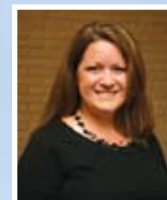
However, Scott said, congressional proposals that promote higher taxes (including energy taxes or cap-and-trade regulations), pro-union or anti-free trade initiatives, and extreme environmental regulations have the potential to kill jobs and weaken the national economy. Scott also suggested that the new health care legislation recently passed by Congress will be a bureaucratic "nightmare" that will negatively impact the quality of health care for Americans and drive costs up for businesses.

Motivational humorist Jack McCall was the event's final speaker. His topic, "The Challenge of Change," pointed out that the pace of life for everyone seems to be increasing and that it will take some effort for older members of the workforce to accept the new perspectives that younger workers are bringing to their jobs.

"Generations X, Y and Z do not place the same value on experience that we older folks do, not when they believe they can find the answer to virtually everything on the Web," he said. "Young people have grown up with the world at their fingertips, even though it is a virtual world in many cases. They are used to things happening fast. Understanding expectations and perceptions from both sides of the generation gap is something we all will have to work through."

(photo above) Chris Rhodes, plant manager at Moselle, was one of the day's speakers.

New Employees



Sara Peterson joined SME as communication coordinator at Headquarters on July 19. She graduated from the University of Southern Mississippi with a bachelor's degree in journalism and public relations and a master's degree in mass communication. Before joining SME, Sara served as the marketing manager at Anderson Retail, Inc. Sara and her husband, Pat, reside in Sumrall with their two children, Natalie and Chance.



Jim McNicol began working as director of generation resources on June 21. A native of Great Falls, Montana, Jim holds a mechanical engineering degree from Montana State University and a Masters in Business Administration from the University of Montana. Jim has 14 years of experience as a plant manager of large generation facilities and prior work experience with generation and transmission electric cooperatives, including Utah Power, Basin Electric, Old Dominion, Grand Island Utilities, and Tri-State G&T. Most recently, Jim worked as the plant director for the Public Service Company of New Mexico. He enjoys playing the guitar, spending time outdoors, and visiting local festivals, antique shops, and art galleries. He and his wife, Cindy, have two children, Sheila and Michael.



Ross Mills was hired as an electronics tech III at Headquarters on June 14. He is a graduate of Purvis High School and Pearl River Community College with an associate's degree in applied science. Ross previously worked as an electronics tech at Stennis Space Center. He enjoys motocross, racing 4-wheelers and fishing.



Jonathan Williams began working as an electronics tech III at Headquarters on June 9. A Hattiesburg native, Jonathan graduated from Oak Grove High School and Jones County Junior College. He was previously employed with Dornier Med Tech as a field service engineer covering Mississippi, Louisiana, Alabama, and the Florida panhandle. Jonathan enjoys traveling overseas and throughout the United States, hunting, fishing, and golf.



Jay Fairchild was hired as a laborer at Plant Moselle on June 7 after working as a foreman for Munn Enterprises. Jay is a native of Hattiesburg and currently lives in Seminary with his wife, Jennifer, and three children, Cody, Rachel, and Garrett. His family attends Mount Horeb Baptist Church and he enjoys hunting and fishing.



Database Administrator **Will Berry** began working at Headquarters on June 7. He holds a bachelor's degree in business information systems from Mississippi State University. Prior to joining SME, Will worked as a database administrator at the University of Southern Mississippi. He currently lives in Sumrall with his wife, Jodi, and sons Ethan and Nathan. He enjoys hunting and fishing and spending time with his church family at Temple Baptist Church in Hattiesburg.



Patsy Horan began working as safety and training coordinator on June 1. She is a graduate of the University of Southern Mississippi with a degree in education and earned a Master's in Education degree in educational leadership from the University of Mississippi. Most recently, Patsy worked as the regional safety manager for Georgia Pacific sawmills in Alabama, Mississippi, and Arkansas. She is married to Mark and has two young daughters, Alayna and Audra.



Laborer **Scottie Smith** began working at Plant Morrow on May 27. A native of Purvis, Scottie previously worked as the head grader for Purvis Forrest Products. He is also a skilled bricklayer and worked in construction for several years. Scottie and his wife, Deborah, attend Pine Grove Baptist Church. He enjoys hunting, woodworking, gardening, and spending time with his family – daughter Misty, son-in-law Christopher, and granddaughters Shelby and Hartley.



Ronny Bradley was hired as a laborer at Headquarters on May 26 after previously working as an equipment operator at Commercial Stationery Company in Hattiesburg. Ronny has several years' management experience and also worked as a truck driver. He enjoys fishing, hunting, and is a talented drawer. Ronny and his wife, Rita, live in Petal with their children, Cody, Kyle, Harden, and Hunter.

New Directors Join Board

Three new members were added to South Mississippi Electric's Board of Directors during the Annual Meeting in June.

Donald Gregory (Greg) Kitchens

is Southwest Mississippi EPA's new representative, replacing Russ Miller. Kitchens is president / owner of two companies, Kitchens Brothers Manufacturing Company and Cherrybark Flooring.

Frank Ely has replaced Travis Baxter as Singing River EPA's representative. A former SME Board member during the 1980s, Ely retired from the Mississippi Highway Patrol and is also a retired state legislator.

Billy (Mickey) Berry is Southern Pine EPA's new Board representative, replacing Dr. Harlan B. Rogers. Berry, a timber producer and buyer, is also serving his third term as a Simpson County Supervisor.

Dr. Rogers was honored upon his retirement with a special resolution acknowledging his 24 years of service as a SME Board member. He served as president of the Board for three years and as vice-president for ten years.

The Board also voted to retain the same slate of officers for the upcoming year: Henry C. Waterer, Jr. as president, William H. (Billy) Hardin as vice-president, Mack J. Mauldin as secretary-treasurer. Donald Jordan was reappointed as acting secretary-treasurer.

2010 • Congratulations Recent Graduates!



Kyle Dyllon Bradley, son of Ronny and Rita Bradley, graduated from Petal High School. He plans to attend Jones County Junior College and possibly pursue a career in culinary arts.



Jordan Denson DeFatta, son of Gary and Donna DeFatta, graduated with honors from Forrest County Agricultural High School. Jordan was inducted into his school's Hall of Fame and received several academic awards and scholarships. He plans to attend the University of Southern Mississippi and major in pre-medical sciences with plans to become a physician's assistant.



Kyle Logan McAlpin, the son of Regina and Rickey McAlpin, received a Business Administration degree with an emphasis in Management from the University of Southern Mississippi. Kyle is employed as a manager at Fastenal Company in Laurel and is engaged to Lindsey Hodges, with a wedding planned for December.



Rebecca Elizabeth (Becky) Smith, daughter of Roger and Ellen Smith, graduated with a Master of Arts degree in History from the University of Texas in San Antonio. Becky plans to pursue a Ph.D. in History beginning this fall at the University of Houston.



William Joseph Bradshaw, the son of Joey and Melinda Bradshaw, graduated magna cum laude from South Jones High School. William received several awards and recognitions and also attended the EPA Youth Leadership Tour in Washington, D.C. William plans to attend Jones County Junior College to obtain a horticulture degree before pursuing a landscape contracting degree from Mississippi State University.



James Ryan Evans is the son of James and April Evans. He is a graduate of George County High School and plans to attend Mississippi Gulf Coast Community College in the fall.



Ryan Wilson Powell, son of Randy and Sandy Powell, graduated from Purvis High School. He received numerous academic awards and scholarships, including the Millington and Provost Scholarships, and will attend the University of Mississippi as an Academic Excellence Scholar pursuing a degree in pre-pharmacy.

Photo not available

Randy Vinson, son of Bobby and Sherry Vinson, graduated from the University of Southern Mississippi with a Bachelor of Arts degree in Administration of Justice. He was the recipient of the Mississippi Eminent Scholars Award and the PTK scholarship. Randy served with the U.S. Marines in Iraq in 2007-2008 and continues to serve as a Marine Reservist. He is also scheduled to attend the State Law Enforcement Training Academy.



Jason Brown, son of Louis and Debbie Brown, received his Master's degree in occupational therapy from Barry University in Miami, Florida. Jason is now employed by HCR Manor Care Health Services in Naples, Florida.



Elizabeth Catherine Jones is the daughter of Tim Jones. She graduated with high honors as the Valedictorian from Poplarville High School. Elizabeth received a Presidential Scholarship to Mississippi College, where she plans to major in biology/pre-medical sciences and pursue a career in the medical field.



Lisa Rittenhouse is the daughter of Keith Rittenhouse. She graduated from Mississippi State University with a Bachelor of Arts degree in Communication, with an emphasis in Public Relations.



Lewis Anthony Waits is the son of Barry and Anne Marie Waits, and grandson of John Carley. Lewis graduated summa cum laude from William Carey University with a degree in pre-med/psychology. He is currently employed at Forrest General Hospital and will soon begin applying for medical school.



Shawn Clinton, son of Kenny Clinton, received a Doctor of Philosophy in Molecular Sciences from the University of Tennessee Health Sciences Center in Memphis. Shawn accepted a post-doctoral position in clinical chemistry at the Associated Regional and University Pathologists Laboratories at the University of Utah.



David Earl Lawrence, III, son of David and Sherry Lawrence, graduated from Sacred Heart High School. He was active on the soccer and baseball teams and was named the 2010 Most Outstanding Player on the tennis team. David will attend Jones County Junior College on a tennis scholarship and plans to become a physical therapist.



Alex Roberts, daughter of Tracy and Stacey Stiglets, graduated from Oak Grove High School with special honors. She will attend the Honors College program at the University of Southern Mississippi in the fall on an Academic Excellence Scholarship. Alex plans to earn a degree in biology and pursue a career in the medical field.



Laurie Anne Waits is the daughter of Barry and Anne Marie Waits, and granddaughter of John Carley. She is a recent home-school graduate and plans to attend Mississippi College in the fall on a Presidential Scholarship. Laurie Ann is pursuing a degree in art.



Destin Gerald Crawford, son of Crystal and David Crawford, graduated from Petal High School. Destin plans to attend Jones County Junior College and pursue a career in electrical technology.



Christopher Edward Lee, M.D., is the son of Terry and Martha Lee. Christopher completed his postdoctoral education in Resident in Otolaryngology Head and Neck Surgery from the University of Arkansas Medical Sciences College of Medicine in Little Rock. Chris will be an Assistant Professor in the Department of Otolaryngology and Communicative Sciences at the University of Mississippi Medical Center in Jackson, while practicing medicine in the field of Otolaryngology with UMC at the Grants Ferry Clinic and performing surgery at UMC.



Kristi Anna Rounsaville Knight, daughter of Dale and Kathy Rounsaville, graduated from William Carey University with a Master's of Elementary Education degree. Kristi is married to Thomas Knight and is employed as a teacher in the Petal School District.



Amanda Leigh Woods, daughter of James and Joanie Woods, graduated with special honors from Petal High School. She received several scholarships, including the Petal Education Foundation Scholarship, and scholarships to Pearl River Community College, where she will begin pursuing a degree in physical therapy.

Personal Stories Speak to the Importance of Safety

By Roy Foster, Job Training and Safety Manager

I am proud to work at South Mississippi Electric. I enjoy interacting with our employees and have many genuine friendships here, yet sometimes I worry for us. Some thoughts that trouble me most are that one of our employees might become complacent towards safety, or make the decision to text while driving, or get in too much of a hurry in order to finish a job, or even take a shortcut around a safety rule.

The following are true, very personal stories that may help to serve as reminders of how quickly good fortune can change.

Charlie Morecraft travels the country to recount his story in the hopes that no one else will have to go through what he and his family have endured since his incident more than 30 years ago:

Accidents weren't the kind of thing that happened to me. They happened to everyone else. I knew all of the safety rules and regulations, but I didn't need to follow them because I knew all of the shortcuts too. I didn't wear personal protective equipment, such as safety glasses, because it wasn't cool. I was arrogant—and wrong.

In 1980, while working in an oil refinery, I was taking shortcuts to change a blank. The flammable petroleum product in the line surged up, splashing me in my eyes and drenching my shirt. When I realized what was going on I ran from the area.

Unfortunately, I had left my truck running. The chemical vapor hit the truck's ignition system as I ran past. The truck exploded into a ball of flames that engulfed me. I was on fire. I ran to a puddle to put myself out. I tried to shut other valves off, but it was too late. The refinery started to go up in flames.

I can't begin to explain the pain I was in. The greatest pain, though, was the pain I caused my family. It breaks my heart to know the suffering my family experienced because of my arrogance and vanity. I spent five years in the hospital and have had 30 to 40 operations.

It is my hope that people who hear my story learn to never take shortcuts and always wear PPE. Safety procedures are in place for a reason, and ignoring them can mean disaster.

A 2004 study conducted by the University of Utah found that the impairments of a driver using a cell phone (handheld or hands-free) were similar to the impairments of a driver with a blood alcohol content of .08 percent (.08 percent will get you a DUI in Mississippi).

This is the story of Shelley Forney, who lost her daughter in a distracted driving incident:

My 9-year-old daughter, Erica, was riding her bike home from school on Nov. 25, 2008. It was the last day of school before Thanksgiving break. A woman who was driving looked down at her cell phone and struck Erica. The incident occurred just a few houses from our home.

Erica suffered a serious head injury and was airlifted to The Children's Hospital in Denver after first being rushed to the Medical Center of the Rockies in Loveland. Erica's injuries were so severe the doctors couldn't do anything to save her. Two days later, on Thanksgiving Day, Erica died.

Judy Teater, along with Shelley Forney and others, is a founding board member of FocusDriven, a group which she never wanted to start. FocusDriven is a national nonprofit organization devoted specifically to educating people about the dangers of distracted driving, guided by family members who have lost loved ones as a result of motorists using cell phones while driving. This is the story of Judy and her son, Joe:

On Jan. 19, 2004, Joe and I were on our way to an after-school activity. We were driving down an urban divided highway when a 20-year-old woman, driving a Hummer while talking on her cell-phone, ran a red light and slammed into the passenger side of my car, killing Joe.

The driver of the Hummer passed four cars and a school bus that had all stopped at the red light. She never applied her brakes, and witnesses reported seeing her talking on her cell phone and looking straight out the front window. She was looking, but she didn't see the red light or realize that she should have stopped. She didn't see the three cars before me cross the intersection, but she was looking straight ahead. This is what we mean when we say drivers suffer cognitive distraction. Their minds are distracted, and they aren't paying attention.

Within seven months of Joe's death, my husband, Dave, and I became empty nesters. Our two older sons headed off to college. With this extra time on our hands we engulfed ourselves in research. We were shocked to learn of the numerous studies that clearly identify the increased crash risk associated with drivers using cell phones. That was when Dave closed his consulting firm and decided to get into the safety business. He currently works at the National Safety Council as the senior director of transportation initiatives—focusing specifically on distracted driving and teen driving.

It is gut-wrenching to hear such real, personal stories, especially about accidents with horrible outcomes that could have been prevented. Here at South Mississippi Electric, we talk continually about safety and strive to improve the culture and programs we have adopted. Our safety record is a good one, but we can never let our guard down. I hope that none of us ever has the opportunity to tell a similar story.

Sources: National Safety Council (www.nsc.org) and Focus Driven—Advocates for Cell-Free Driving (www.focusdriven.org)

The Power of 12



G R O W I N G M I S S I S S I P P I

Our Mission:

Deliver the South's best value for safe and reliable electric energy and serve as a common resource for our Member-owners

Our Daily Responsibility:

Knowing and complying with all environmental and regulatory requirements

Our Competitive Strengths:

- An experienced, skilled work force
- A commitment to employee safety and system reliability
- A long-term contractual relationship with our Member systems
- Financial health, including that of our Members
- Sustained load growth in our Members' service territories
- Long-range planning for cost-effective generation resources
- Fuel diversity in generation resources

Unplug. Switch off.

Unplugging appliances will prevent phantom power loss.

Save energy | Save money



www.smepa.coop



POWER ASSOCIATION

P.O. Box 15849
Hattiesburg, MS 39404-5849
www.smepa.coop

Presort Standard
U.S. Postage
PAID
Hattiesburg, MS
39404
PERMIT NO. 294