

Kemper gasification plant not looking like a great deal

When Mississippi Power Company unveiled its plans in 2009 for a coal gasification plant in Kemper County, it sounded like an exciting, forward-looking idea.

The plant would use an abundant natural resource in this state — low-grade coal — for which there has not been a huge demand. It would employ pioneering technology that reduces the amount of carbon emissions normally coming from coal-fired plants. It would provide its Southeast Mississippi customers with a dependable home-grown source of electricity. It would be a major jobs provider in East Mississippi.

The numbers, however, are not adding up for the plant, whose construction is expected to cost \$2.4 billion to \$2.9 billion.

Ashby M. Foote III, a Jackson money manager who writes periodically in *The Clarion-Ledger*, is the latest to poke holes in the math behind Mississippi Power's "clean coal" plant.

Foote says that the utility's initial proposal was based on flawed economic projections. Those projections have only gotten more off-kilter with subsequent developments in the energy field.

A big part of Mississippi Power's case was the claim that the Kemper County facility would be able to produce electricity at a cost that was competitive with more environmentally friendly natural gas.

Mississippi Power, in a document filed with the Public Service Commission in 2009 en route to winning initial approval for the plant, projected that natural gas prices would hit \$12 per million BTU by 2014 — the break-even point with coal gasification — and that natural gas prices would continue to rise for the next 20 years.

Those numbers were suspicious in 2009, considering that natural gas was trading at the time at less than \$5 and, according to Foote, had only traded above \$12 for four months in the previous 20 years. They are complete fiction now.

Fracking — a technology which has allowed energy companies to tap into huge reserves of natural gas from shale — has dropped the price of natural gas to less than \$3. The federal government now projects that natural gas prices will stay below \$5 through at least 2023. Some energy experts project cheap natural gas will be the case for decades.

If Mississippi Power were having to foot the bill for building the Kemper County plant, it would have pulled the plug by now. But since state law allows regulated utilities to pass on the costs of construction to their ratepayers and to do it even before the first kilowatt is generated, there's no incentive for Mississippi Power to back off from a flawed idea. In fact, the way this state's regulatory system works, there is actually a perverse incentive to pursue a higher-cost way of producing energy. The more a utility spends, the greater its earnings.

Only the consumers get stuck with a poor business decision. Foote projects that Mississippi Power's 186,000 ratepayers will be forking over an extra \$60 per month for the next 30 years to pay for what's looking like a corporate boondoggle.

Brandon Presley has been the lone dissenting voice on the Public Service Commission. The Northern District commissioner has been outnumbered 2-to-1 in two separate votes authorizing the project over the past two years.

Last month, the majority on the PSC refused to update its almost two-year-old data, which more than likely would have shown the plant, already under construction, can't be economically justified.

Foote compares the situation to 1879, the advent of electricity. It makes as much sense now to build a coal gasification plant, he says, as it would have to build a state-of-the-art candle factory back then.