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Kemper Project costs grow by another $45 million

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POWERED UP: Mississippi Power's Kemper Project is the state's most expensive construction project, now up to 6.17 billion.
By Steve Wilson | Mississippi Watchdog

Mississippi Power's Kemper Project integrated gasification plant may become a technological dead-end.

Costs on the oft-delayed plant increased another $45 million in the last quarter of 2014, bringing the cost of the Kemper Project to $6.17 billion, the company announced Tuesday in its 8-K filing with the Securities and Exchange Commission.

The company said the costs were due to "related to operational readiness, start-up activities and fuel," as well as added construction costs. The company predicted in its previous quarterly report in November an additional $20 million to $50 million in spending might be required. Mississippi Power's parent company, the Southern Company, took a $868 million loss on Kemper in 2014.

Further cost increases could be possible, the company said in the filing.

While the proposed reductions in carbon dioxide required by the Environmental Protection Agency's "Clean Power Plan" will largely put conventional coal-fired plants out of business, the EPA has held up Kemper as an example of a coal-fired plant compliant with the regulations. Kemper received $245 million from the Department of Energy in the Clean Coal Power Initiative Round 2 program launched during the Bush administration.

Patrick Michaels, director of the Center for the Study of Science at the libertarian Cato Institute, says the price tag of Kemper will probably dissuade other utilities from pursuing such plants. The other integrated gasification plant, like Kemper, is Duke Energy's Edwardsport Plant in southern Indiana, and it, too, has been beset by technical difficulties and delays.

Photo by the Southern Company

HUGE UNDERTAKING: Another aerial view of the Kemper Project powerplant, with the lignite mine in the background.

Kemper has produced power from natural gas since Aug. 9 and is scheduled to put the gasifier, which converts lignite into synth-gas, into operation in the first quarter of 2016.

“They’re not going to do it (build other integrated gasification power plants),” Michaels said. “If a utility wanted to rely upon this type of power, they would be noncompetitive. The result would be electricity that would be several times more expensive than in neighboring states if this was adopted (by other utilities). If you’re going to create a synthetic natural gas, it obviously isn’t going to be competitive.”

The coal-gasification power facility, known as Plant Ratcliffe in Kemper County in east Mississippi, is designed to convert high-moisture lignite coal to a natural gas-like substance called synthesis gas to fuel its turbines. The plant is also designed to capture 65 percent of carbon out of the gas stream and allow Mississippi Power to sell it for oil exploration.

According to former EPA regulator David Schnare, that technology hasn’t worked as hoped. Schnare is director of the Center of Energy and Environmental Stewardship at the Thomas Jefferson Institute for Public Policy and is the general counsel for theEnergy and Environment Legal Institute.

“Carbon capture hasn’t been full demonstrated, even at Kemper,” Schnare said. “They haven’t even turned it on yet. To say that’s available isn’t true. If it was cost-efficient, they’d already be doing it. The Kemper folks have had a very difficult time with it and they’re trying very hard, but it’s not entirely clear that anyone can actually do it (capture carbon).”

According to an agreement reached with the Public Service Commission in 2013, the company can only charge ratepayers for $2.88 billion of the plant’s cost. Mississippi Power’s 186,000 ratepayers in 23 counties in the southern part of the state are already paying 18 percent higher utility bills to fund the plant’s construction, thanks to theBaseload Act signed into law by former

Gov. Haley Barbour in 2008. The law allows the company to charge its ratepayers for a plant that's not even in operation.
Schnare said the technology in Kemper is still worth exploring, even as the delays and cost overruns continue to mount.

"Technology has evolved. Some of them get better. Others don't," Schnare said. "I can't say sit here today and say that Kemper is the future or it's not the future. Mississippi Power took a big risk in trying to build one and we're all learning and benefiting from it. If it were up to me, we'd all be paying for it and not leaving the people of Mississippi to carry the full load."