

Nuclear plants may run \$13 billion

By Anton Caputo and Tracy Idell Hamilton
- Express-News

Editor's note: Updated at 8:14 p.m. Monday.

Building two new reactors outside of Bay City will cost \$10 billion — \$13 billion when factoring in financing charges, according to newly released estimates by CPS Energy.

That means San Antonio's public utility will be on the hook for \$5.2 billion if it proceeds with plans to keep 40 percent ownership of the South Texas Project as it expands. This would translate into 5 percent rate increases every other year for the next 10 years, said utility officials. That's if CPS can execute a plan to keep costs down by selling half of San Antonio's power from the nuclear expansion on the wholesale market to other municipal utilities and electric cooperatives.

CPS Energy revealed its long-anticipated cost projections for the project Monday afternoon along with cost analysis of alternative sources to meet the city's pending power shortfall, which is forecast to hit around 2020. These include coal, natural gas, wind and solar.

Nuclear came out on top.

"We believe the long-term lowest price option is nuclear," said Steve Bartley, CPS interim general manager. "Even if we decide not to move forward, we will have a need for bill increases over the next 10 years."

San Antonio's business community, which has long touted the city's low energy prices as a driving force for economic development, quickly lined up behind the project despite the eye-popping price tag.

"It's a big number, but at least it's a target that we can look at as a realistic goal to pursue," said Ramiro Cavazos, president of the San Antonio Hispanic Chamber of Commerce. "In the long run, I think nuclear will provide a good return on investment for our business and residential needs."

Opposing groups took a dim view of the cost estimates.

"What's been presented is about half of what the real cost is," said Karen Hadden of the Austin-based SEED Coalition. "My warning to the citizens of San Antonio is to guard their wallets. There could be huge cost overruns here."

Monday's announcement marks the beginning of a public discussion that will last through the summer, CPS officials said, allowing residents to learn more about the proposal and weigh in. This will culminate at a hearing at the City Council, probably in October, when CPS Energy asks the city to issue \$300 million to \$400 million in bonds, most of which will be used for the nuclear project, said Bartley.

At stake is whether CPS Energy continues in its partnership with New Jersey-based NRG Energy to build two new reactors at the South Texas Project. In question is also what percentage of the project CPS would own. CPS and NRG each own 50 percent, but are looking for a third partner to buy 20 percent, which would ratchet both down to the desired 40 percent.

Mayor Julián Castro has suggested San Antonio consider a lower percentage to keep cost down, but CPS officials recommended staying at 40 percent to remain on par with NRG.



The cost of power

Despite the massive expense of expanding the current nuclear power plant, CPS Energy believes it is the most cost-effective way to generate energy.

■ Cents per kilowatt-hour



Source: CPS Energy

HARRY THOMAS/hthomas@express-news.net

"We would have an equal seat at the table with NRG as we make decisions moving forward," Bartley said. "We think it is extremely important that we be at the table with that kind of power."

Reducing the percentage of ownership could also inhibit the utility's plans to sell excess power on the wholesale market to help pay for the project. It's a plan that has raised some ire with opponents of the nuclear plant who argue it shows the power is not needed. They also charge CPS with acting more like a merchant power company than a public utility.

"I think that's something that still needs to be analyzed," said Castro. "I'm not categorically opposed to having the utility sell power, as long as it enhances the standing of the ratepayer, and doesn't subtract from their interest."

CPS has historically sold off its excess power, but it is seeking formal contracts to do so for the nuclear plant. Bartley said that there has been lots of interest in buying the power, particularly as other cities and electric cooperatives look for sources of energy that don't produce greenhouse gas. With legislation working its way through Congress to cap greenhouse gas emissions, utilities that rely too much on fossil fuels like coal and natural gas could find themselves monetarily penalized.

With the cost estimates finally released, the utility plans on holding public meetings in each City Council district to explain the plan. Utility officials also promised to meet with interested homeowners associations and civic organizations.

City Council member John Clamp could be a tough sell. Clamp, who missed the full briefing given to the council last week, said he has reservations about the cost and the plan to sell half the utility's share to others in the form of long-term contracts.

"My confidence level about the \$13 billion figure is about a 6 or a 7 on a scale of 1 to 10," he said. "That amount can only go up. We need to do some more risk analysis."

Construction won't begin on the reactors until the Nuclear Regulatory Commission grants a license. That isn't expected until 2012. CPS has already spent or budgeted \$276 million on engineering and licensing. But utility officials say they could sell their share and recoup their costs in the project if needed.

"I've watched and worked closely with this company for 25 years," said Joe Krier, former president of the Greater San Antonio Chamber of Commerce. "The business community has high confidence in CPS as well. They've shown themselves to be good and thoughtful stewards."

Staff writer Vicki Vaughan contributed to this report.