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Web Posted: 12/23/2009 12:00 CST

Nuclear expansion could cost \$18.2 billion

[By Anton Caputo](#) - Express-News

A new informal cost update puts the price of CPS Energy's nuclear project at \$18.2 billion, about \$5 billion more than the utility has said is affordable for San Antonio.

The update, obtained by the San Antonio Express-News, is based on numbers provided by the South Texas Project Nuclear Operating Co., which operates the existing nuclear plant outside Bay City and is a key player in the proposed expansion.

The new estimate lists the cost of building two reactors at nearly \$13.9 billion. That sum jumps an additional \$4.3 billion when financing charges and cost escalation are figured in.

It's the highest cost estimate, informal or otherwise, from any of the companies involved.

CPS Energy executives presented the numbers to the board of trustees in closed session last week. It comes in advance of the official cost estimate from construction contractor Toshiba Inc., which is due next week.

CPS Energy is expected to use Toshiba's number to create its new public estimate and release it in mid-January.

The utility's board and the City Council ultimately will decide San Antonio's future in the project based on that number.

"I'm going to reserve judgment until the official 2009 cost estimate and methodology is produced," Mayor Julián Castro said. "But the numbers that are presented do not encourage me about the viability of the project,"

The informal cost update was based on information provided by Toshiba to STPNOC, board Chairwoman Aurora Geis said.

It wasn't meant to be public because it is informal and lacks the pricing methodology Toshiba will provide with its official estimate, she said.

Acting General Manager Jelynn LeBlanc-Burley said the numbers were presented to help familiarize the board as it begins planning the capital budget and makes a decision on whether San Antonio will take part in the nuclear project.

"It was informal information from our operator that we received to walk the board through some exercises," she said.

LeBlanc-Burley said she believes the project continues to be valuable, but that doesn't mean it's right for San Antonio. That decision, she said, will be made after Toshiba delivers the official cost estimate.

"This particular project will be evaluated on its merits, and it may not be the best opportunity for this community," she said.

Geis said the board wanted the update because it needed to be informed of the latest numbers.

"After what we just went through, they better tell us if there is a whiff of what the estimate could be," Geis said, referring to the fiasco caused by October's revelation that a cost estimate \$4 billion higher than CPS' public number was kept from the utility's board and the City Council.

That debacle and damage to the utility's credibility have cost two high-level utility executives their jobs and prompted Geis to announce that she'll step down.

It also has caused CPS to reconsider its role in the project. Earlier this month, the utility filed a lawsuit against its partner in the deal, NRG Energy, that asks the court to clarify CPS Energy's rights if it pulls out.

CPS said during a series of public meetings this past summer that the project would cost \$13 billion. At that price, it could be done with bill increases of no more than 5 percent a year, utility executives said. Those bill increases would translate into base rate increases of about 9.5 percent.

City Council has to approve any rate increases or borrowing for the nuclear project.

Even with natural gas

Councilman John Clamp said he would wait on the official number from Toshiba to make up his mind and would remain "skeptical and cautious" about the informal number from STPNOC.

"If that number (from Toshiba) comes in at that level, then staff and CPS board and council are going to have serious discussions," he said. "Somebody is not getting the message. The city of San Antonio is saying give us a good estimate — that's not working. And we're saying we need to get the estimate down — that's not working."

The estimate CPS expects to receive from Toshiba by next week will include detailed methodology that's supposed to help the utility track cost fluctuations between now and 2012. According to the project's timeline, that's when the federal government is expected to grant a license so construction can begin. At that point, Toshiba would have to agree to a fixed-cost contract.

Tom Smith of the consumer advocacy group Public Citizen has been critical of CPS for months for low-balling the nuclear project cost and said that the \$18.2 billion figure finally puts CPS' estimate "in line with the cost of the other nuke plants that are being proposed for Texas."

If the latest cost update is right — construction will be \$13.9 billion, not counting financing and cost escalation — that puts the nuclear project at the break-even point with natural gas, according to the results of an analysis released by CPS last week.

That means the projects are a toss-up when compared as long-term investments. Natural gas is considered the most likely alternative to meet the city's future energy needs if it opts out of the nuclear plan.

More time to decide

While the nuclear decision needs to be made soon, natural gas offers the benefit of time, said Cris Eugster, CPS' chief sustainability officer, something the utility was unable to quantify in its analysis.

That's because San Antonio doesn't need power until about 2023 and natural gas plants can be built in three to five years.

The city could wait as long as eight years before making a decision on its next power plant, he said. This could give other technologies like wind and solar time to become more cost-effective.

Councilman Reed Williams agreed there is value in waiting to make a decision, especially when the city won't need power for more than a decade.

Williams wouldn't comment on the most recent nuclear cost update because it was leaked from a closed session. But he said the nuclear project probably is too uncertain for San Antonio.

“It's too much of a risk profile to take for a municipal utility,” he said.

Mounting nuclear costs

The informal cost update recently provided by the operator of the South Texas Project is significantly higher than the estimate CPS Energy used at public meetings in the summer.



Project cost	What CPS told the public	New informal cost update
Contract with Toshiba	\$8 billion*	\$11.6 billion
Total without financing cost (includes cost escalation)	\$10 billion	\$14.8 billion
Total with financing cost	\$13 billion	\$18.2 billion

*This number was used by CPS to formulate its total estimate although it was not disclosed separately to the public.

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