



New Electric Generation Recommendation

Milton Lee
Chief Executive Officer

Steve Bartley
Interim General Manager

CPS Energy Board of Trustees Meeting
June 29, 2009

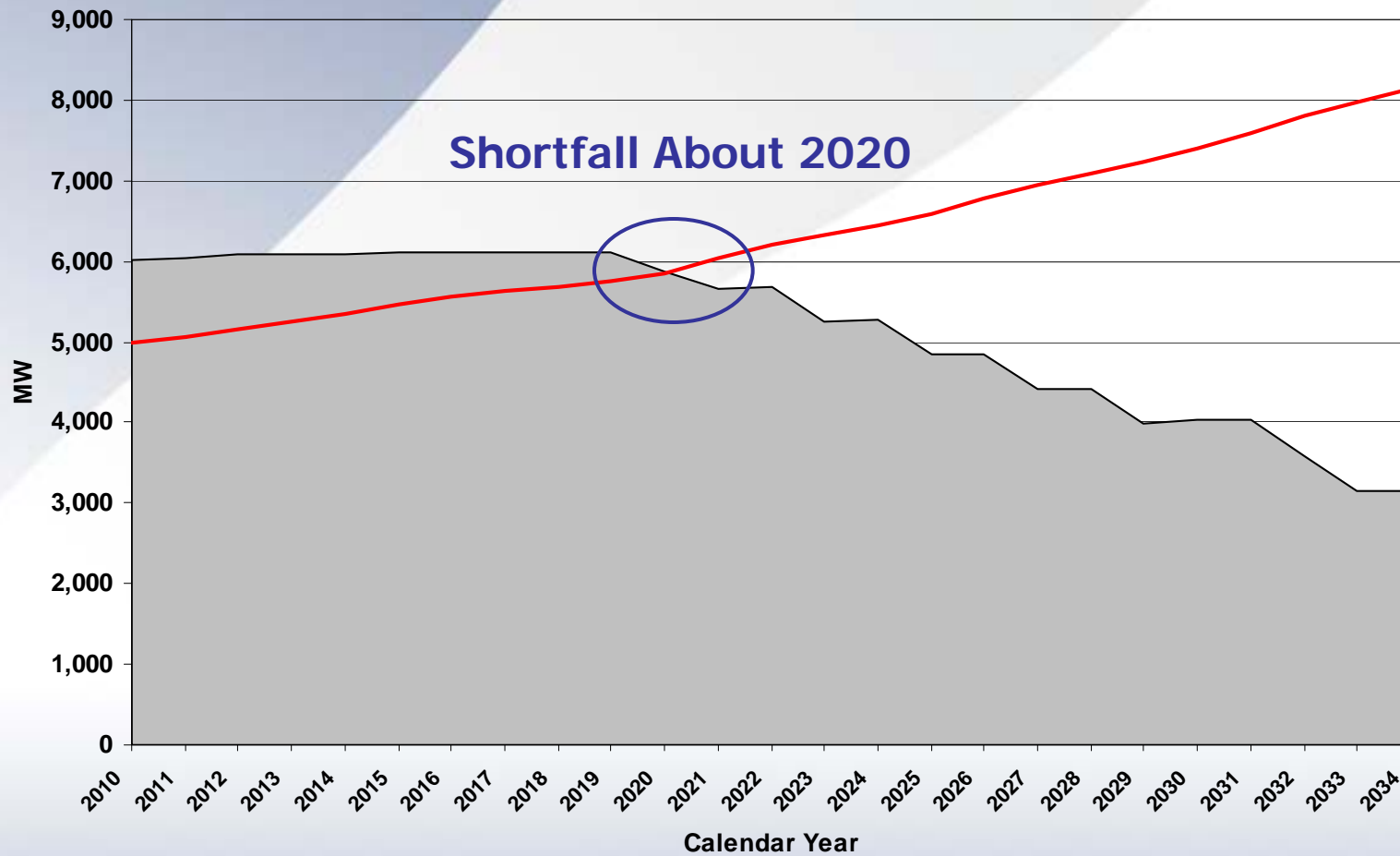


Staff Findings

- **A balanced portfolio of reliable, affordable energy will continue to attract new jobs to our community.**
- **Nuclear power is the cheapest resource for generating electricity over the long term.**
- **Nuclear power is generated without air emissions.**



We need additional generation



Generation Capacity

Capacity Needed



We have a long-term plan to meet our community's needs

- Reduce electricity demand by 771 MW by 2020 through **efficiency and conservation**.
- Achieve **renewable energy** capacity of 1,200 MW (equal to 20% of peak demand) by 2020.
- Continue **emissions reductions** and CO₂ management at power plants.
- Supply **cost-competitive electricity** through a balanced, diverse mix of generation options.



CPS Energy is committed to sustainability

<u>Initiatives</u>	<u>(millions)</u>
Save for Tomorrow Energy Plan (STEP)	\$ 871
Renewable Energy	2,571
Environmental Upgrades	2,131
Energy Research/Development	58
Smart Grid Infrastructure	<u>113</u>
TOTAL	\$5,744

**Commitment through 2020 is
\$5.7 billion!**



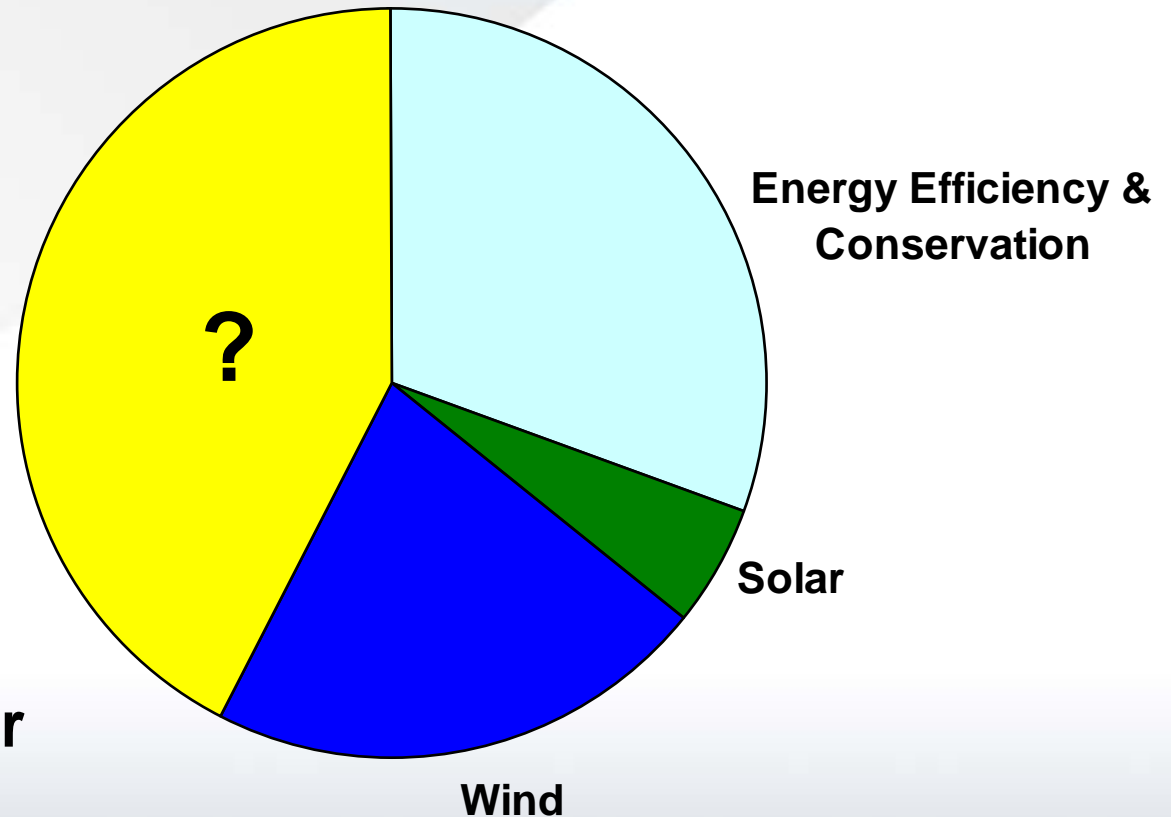
We must fill the gap beyond 2020...

Own it:

- Gas
- Coal
- Nuclear

Buy it:

- Purchased Power





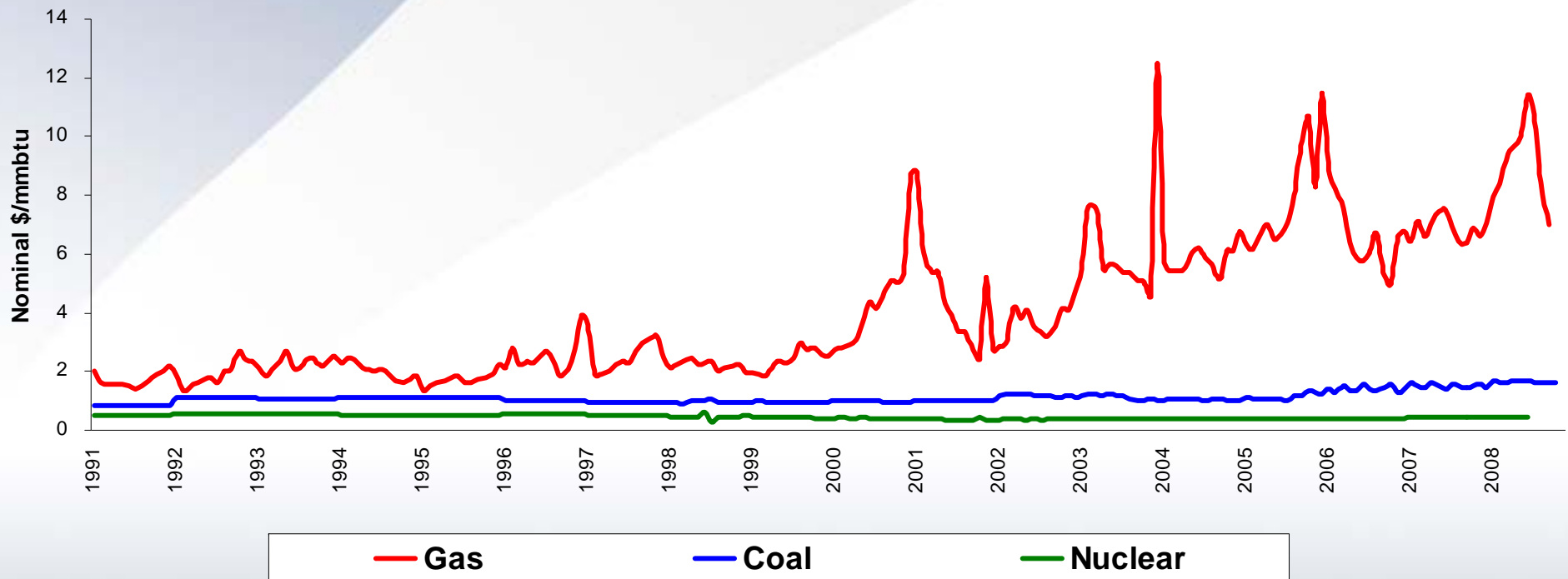
...and manage the risks

	Capital	Technology/ Regulatory	Carbon	Fuel Cost
Coal w/CCS	Red	Red	Yellow	Yellow
Purchased Power	Green	Green	Yellow	Red
Nuclear	Red	Yellow	Green	Green
Natural Gas	Green	Green	Yellow	Red



Gas prices are volatile...

CPS Energy Historical Fuel Prices

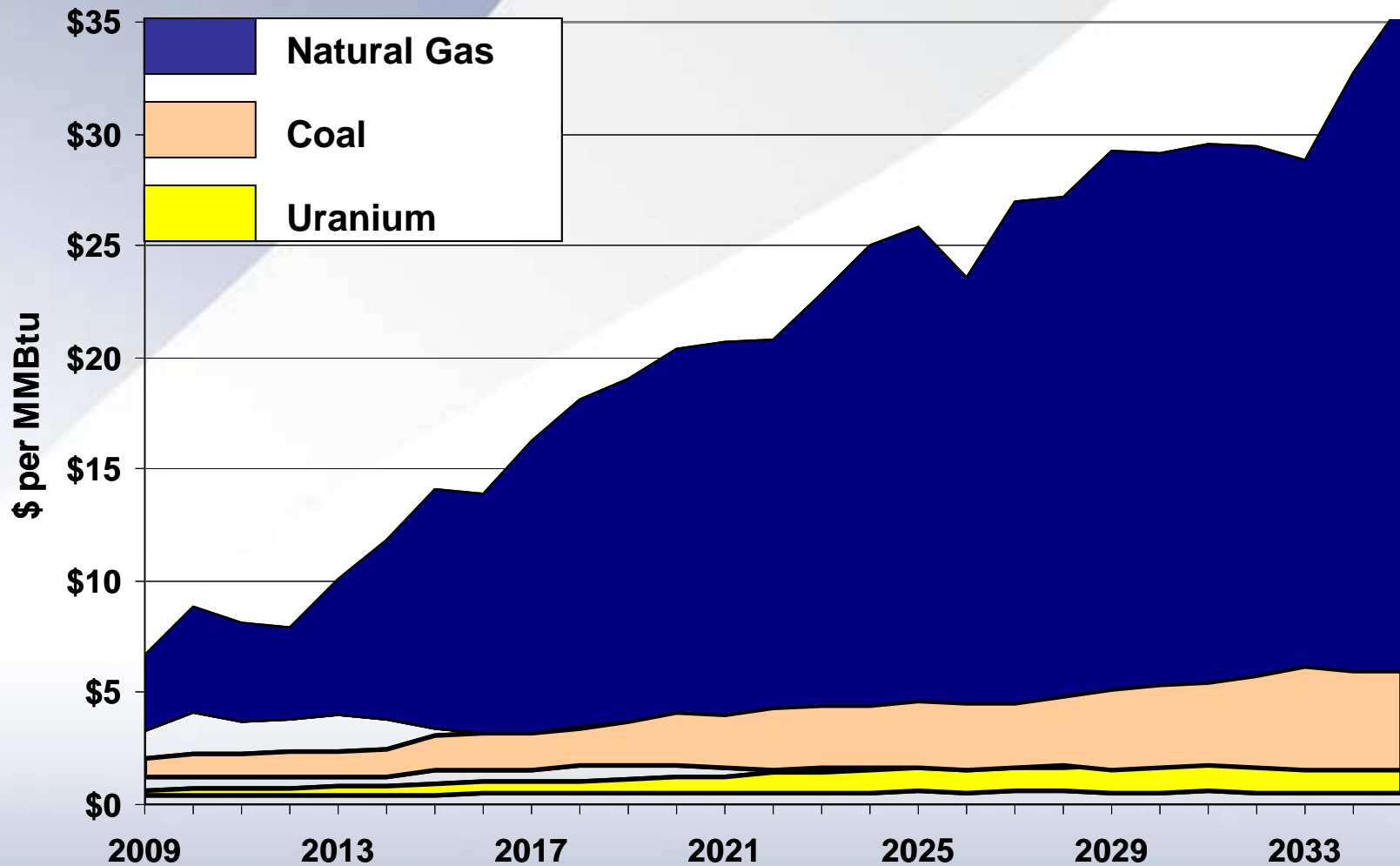


Data Source: CPS Monthly Fuels Report.

Note: For Gas and Nuclear Statistics, Historical Annual Average Prices were used in years where Monthly Report Data was not compiled.

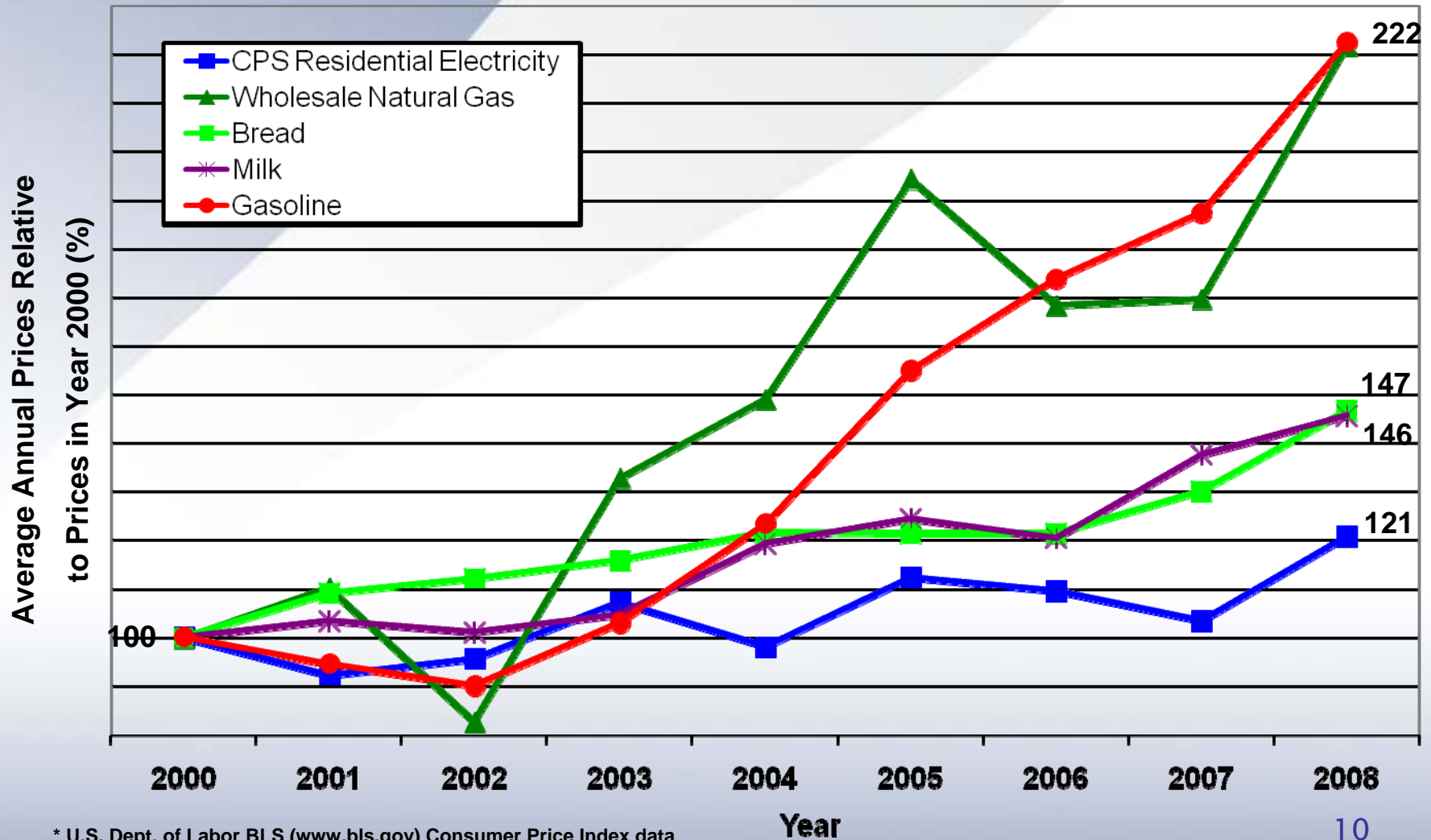


...and will continue to be





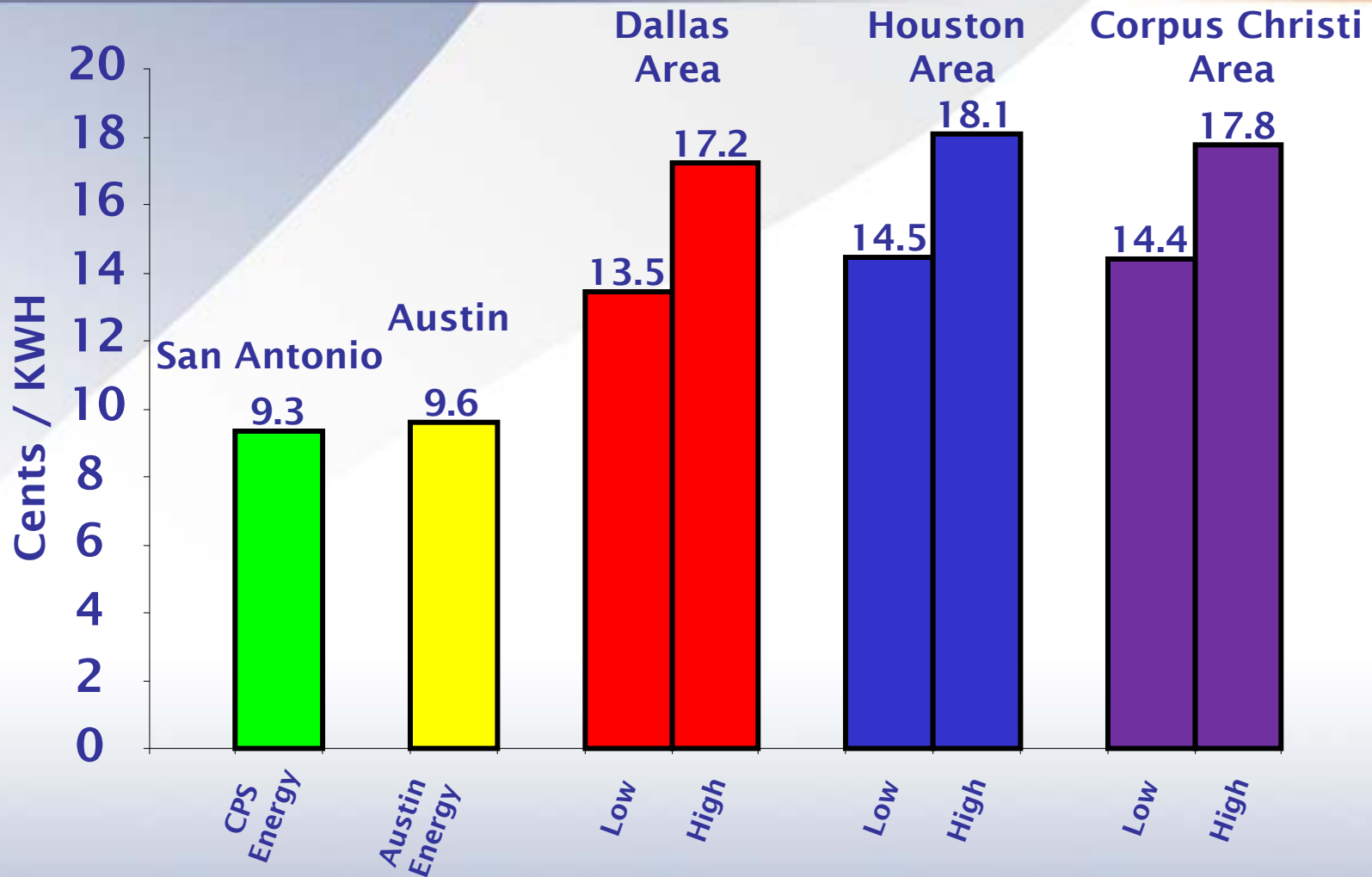
Nuclear energy moderates CPS Energy electricity prices



* U.S. Dept. of Labor BLS (www.bls.gov) Consumer Price Index data



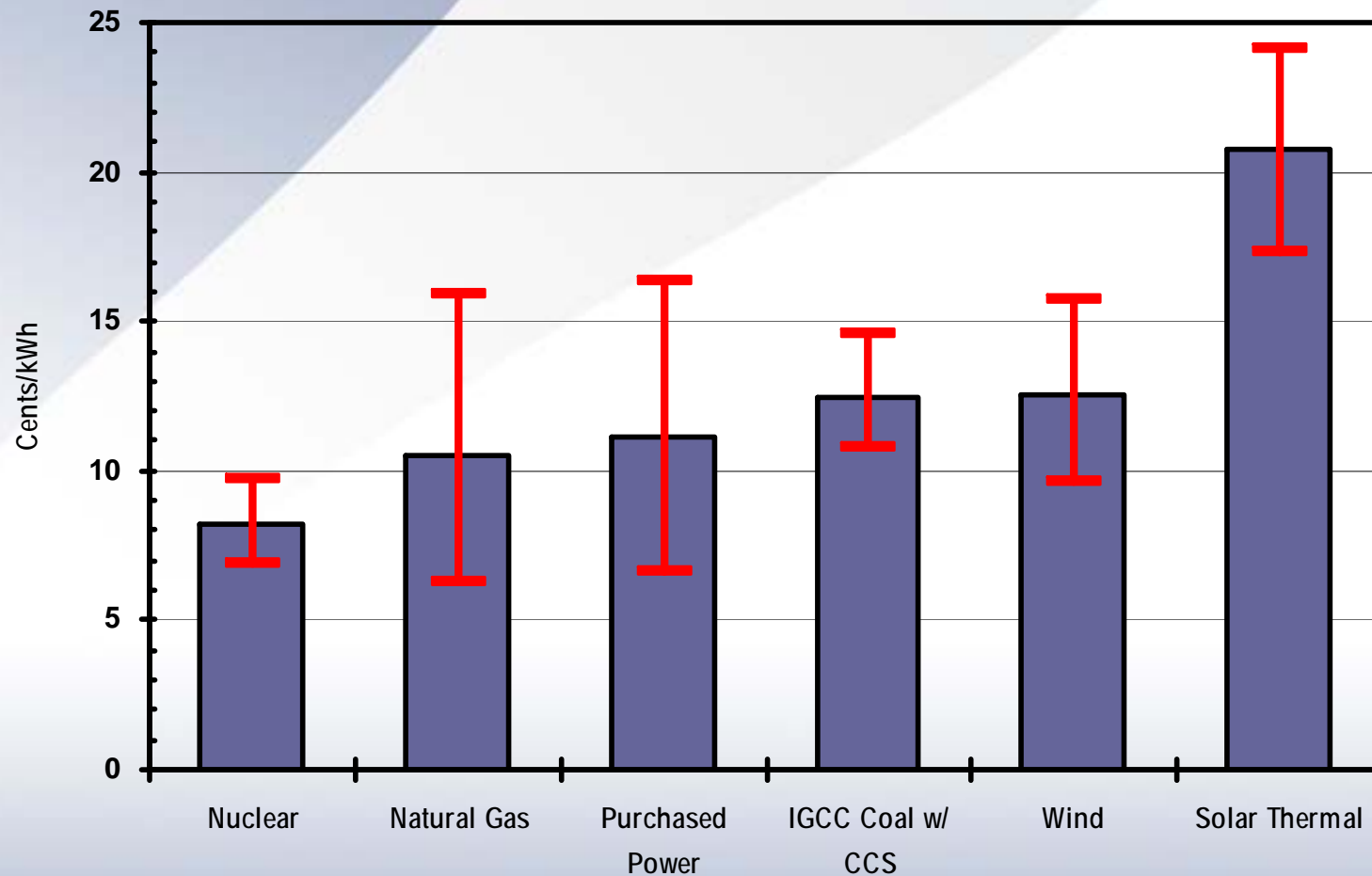
Nuclear power is the basis of our cost-competitive bills today



Based upon 12 months ended January 2009 with average use of 12,000 KWH/year

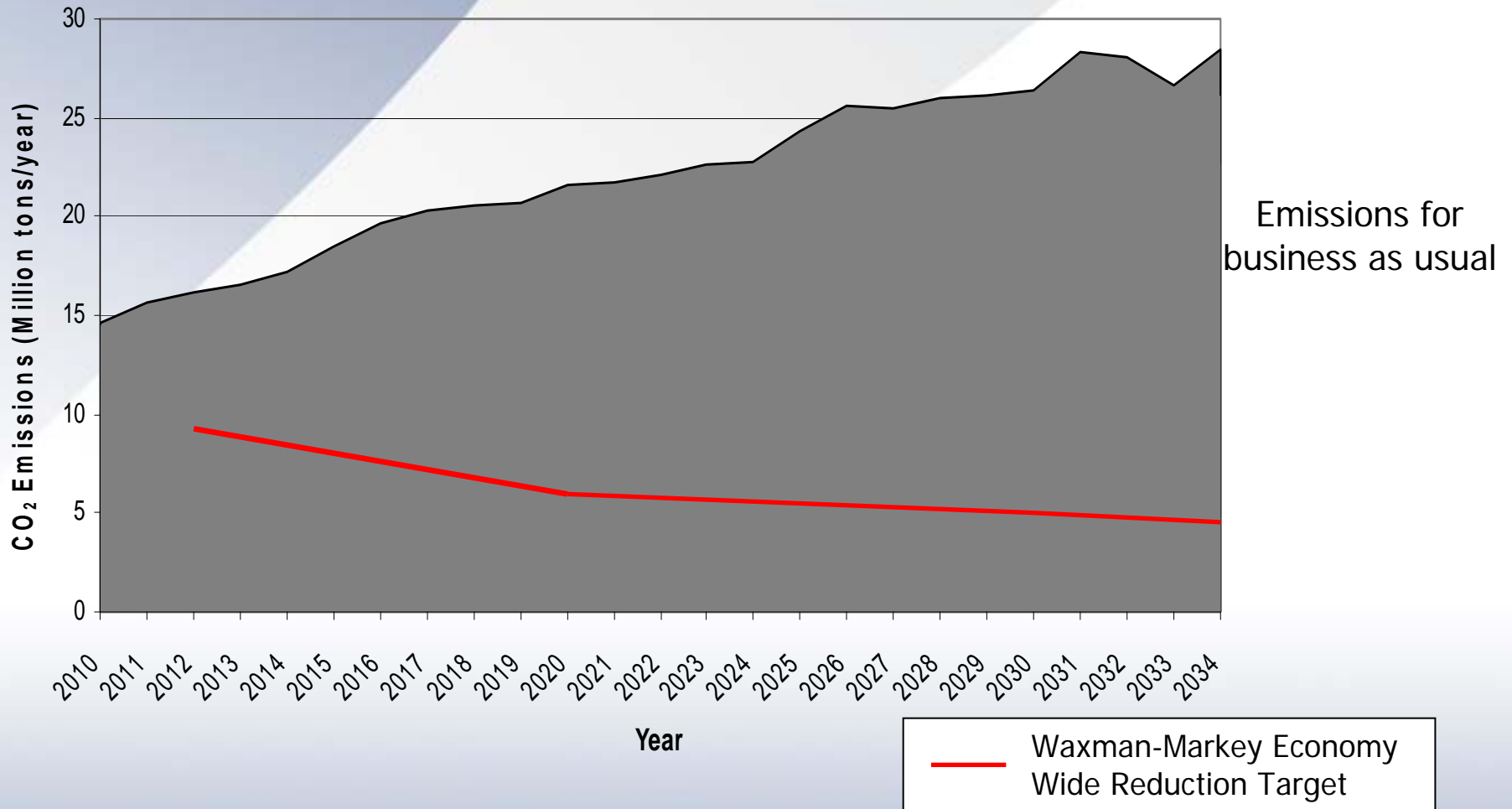


Nuclear energy is the least-expensive option





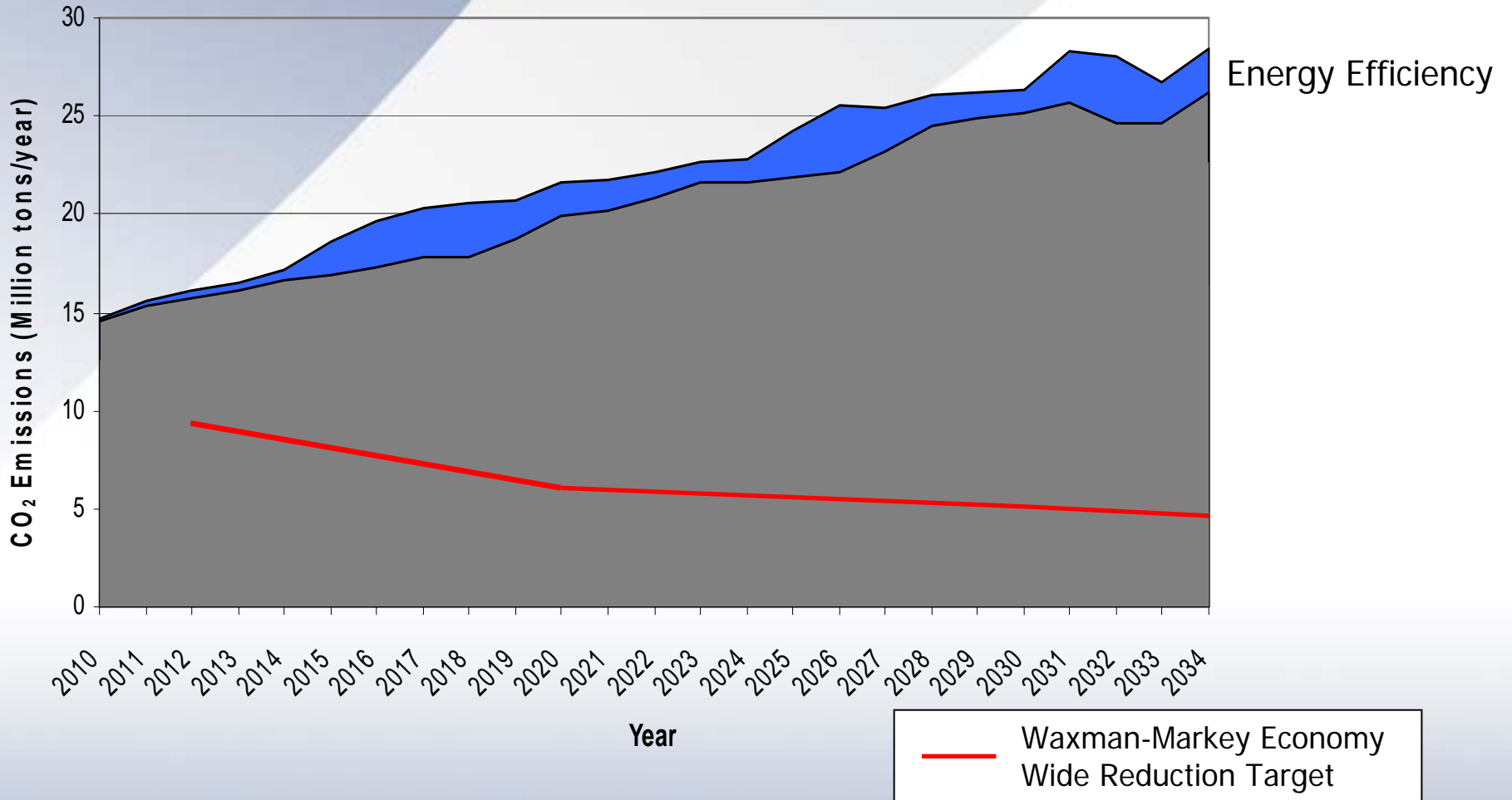
CO₂ Reduction Plan



Emissions shown for native load only



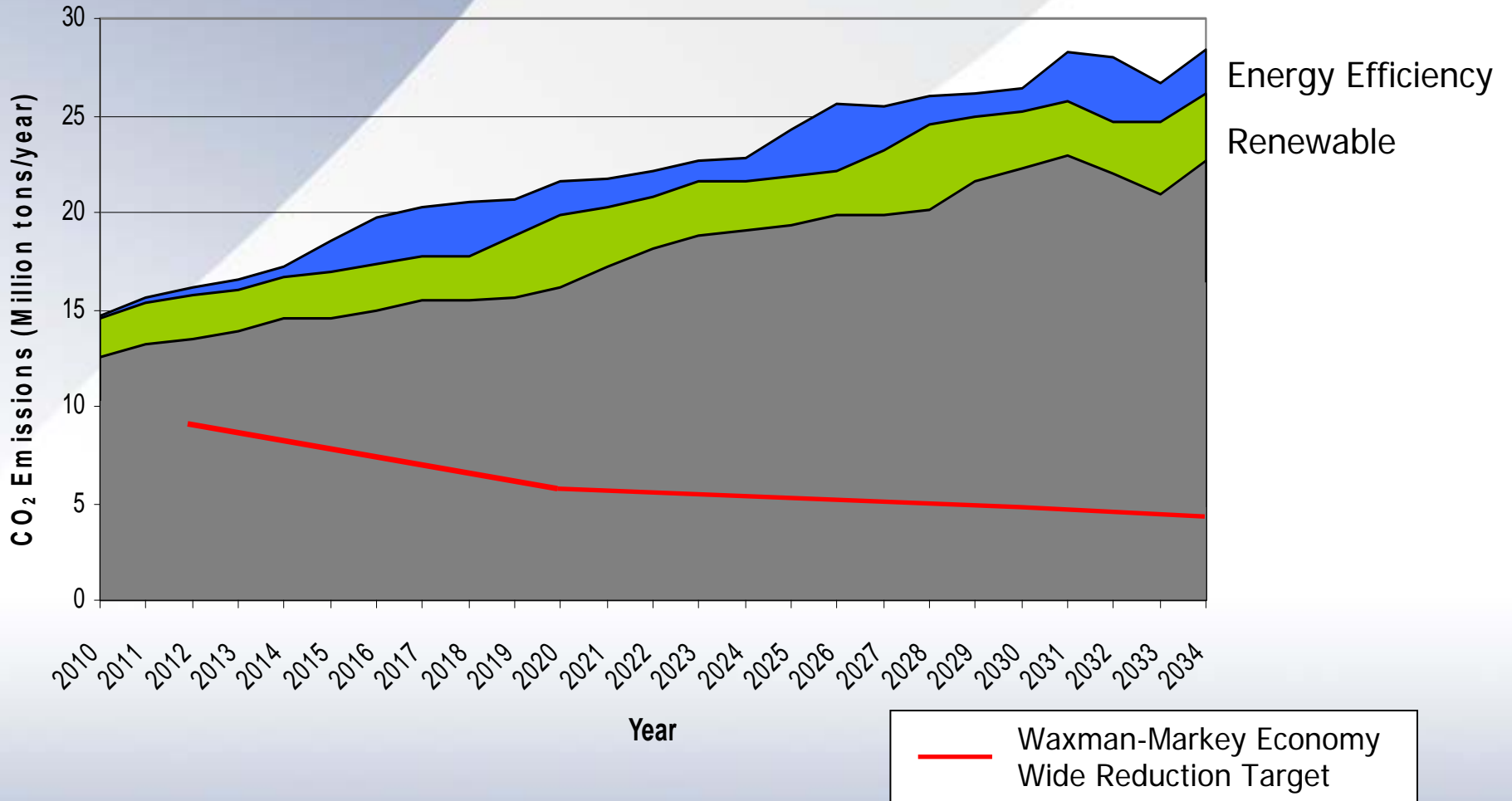
CO₂ Reduction Plan



Emissions shown for native load only



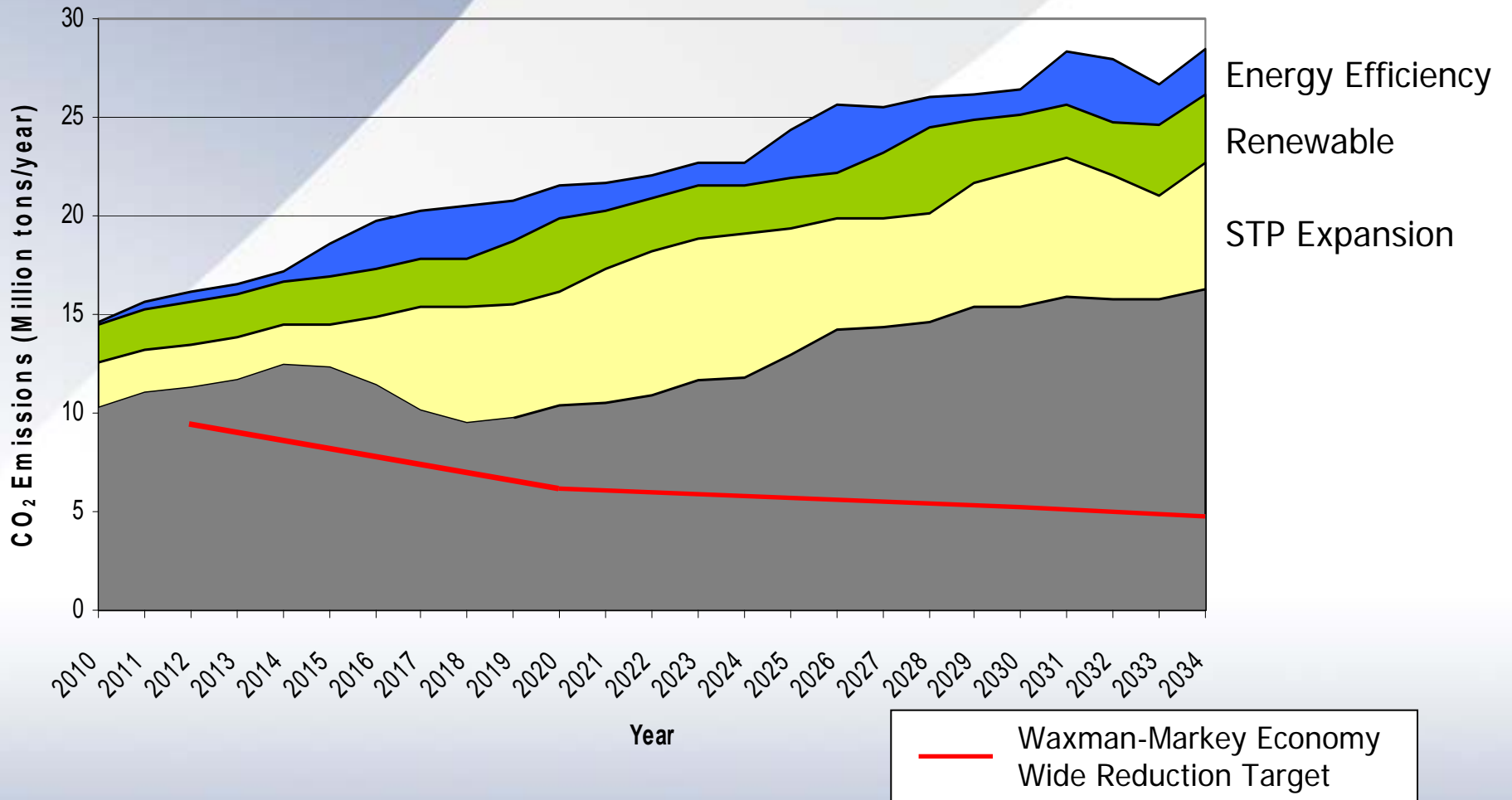
CO₂ Reduction Plan



Emissions shown for native load only



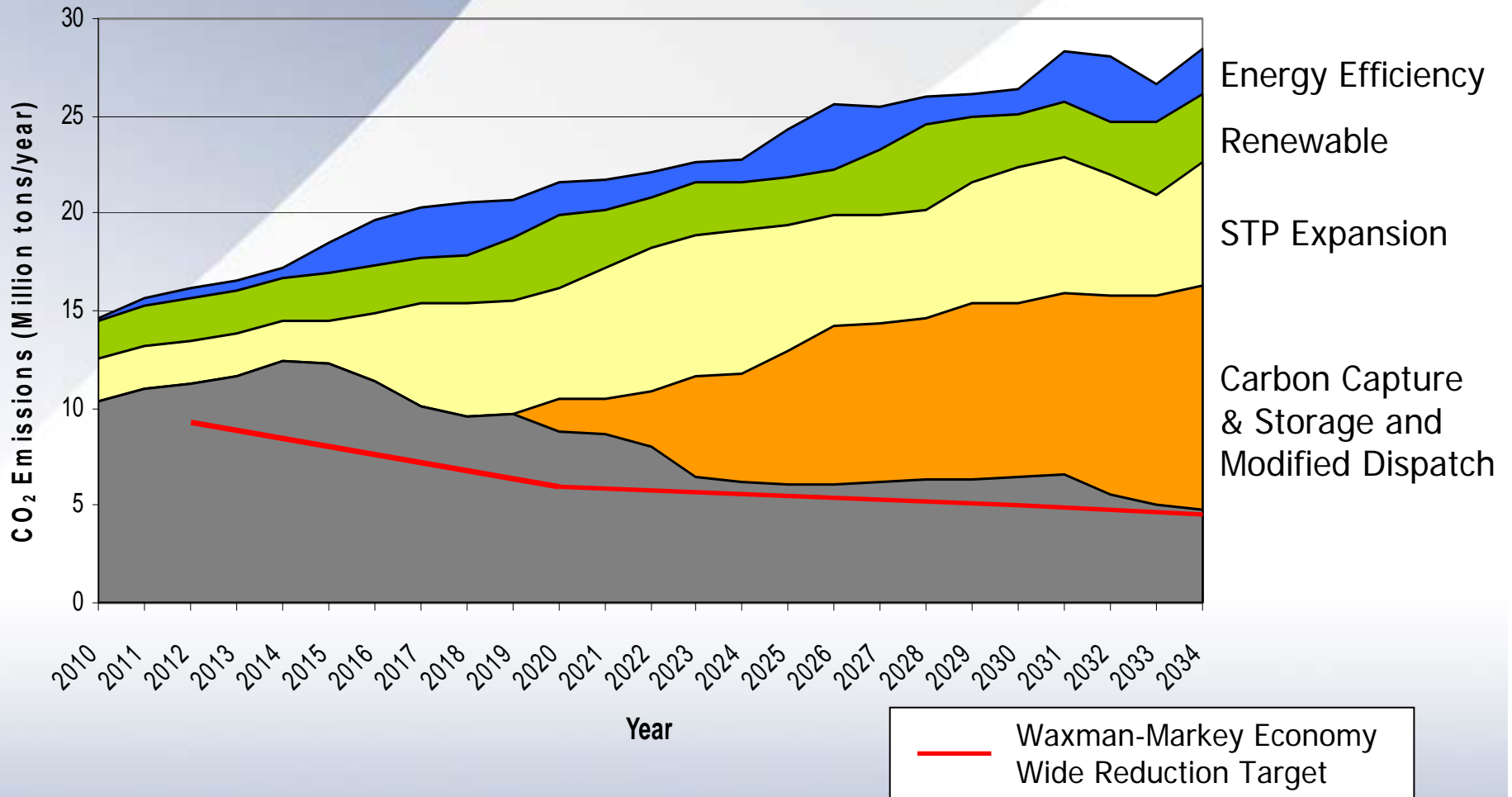
CO₂ Reduction Plan



Emissions shown for native load only



Nuclear enables major carbon reductions



Emissions shown for native load only



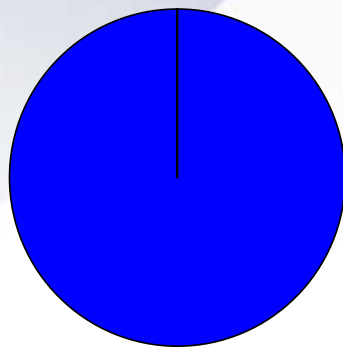
STP is an asset worth expanding

- One of only four projects selected by DOE for U.S. government loan guarantees
- Design approved by the Nuclear Regulatory Commission
- Water rights and land are secured
- Top-rated nuclear facility
- Supported by the Matagorda County community



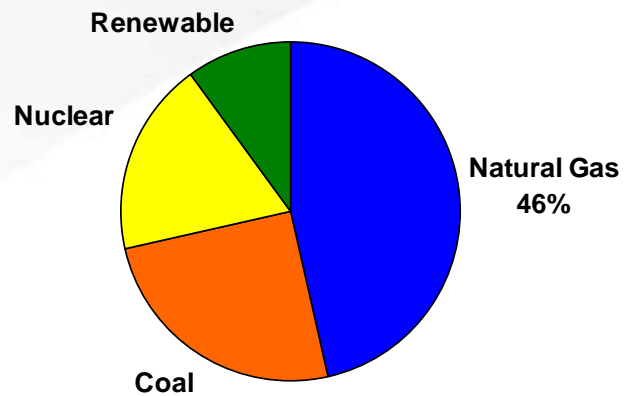
STP expansion supports generation diversity

1970



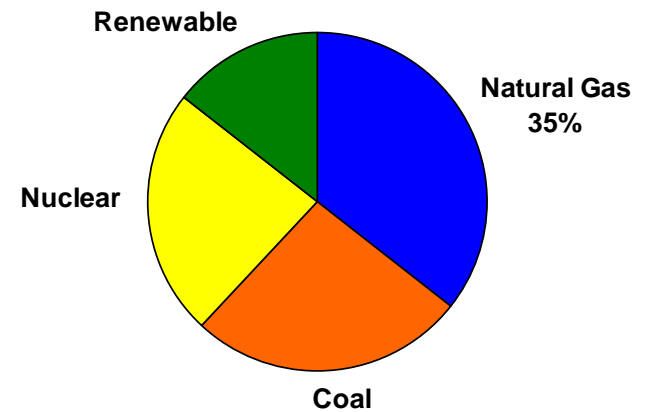
Natural Gas
100%

2009



Natural Gas
46%

2020



Natural Gas
35%

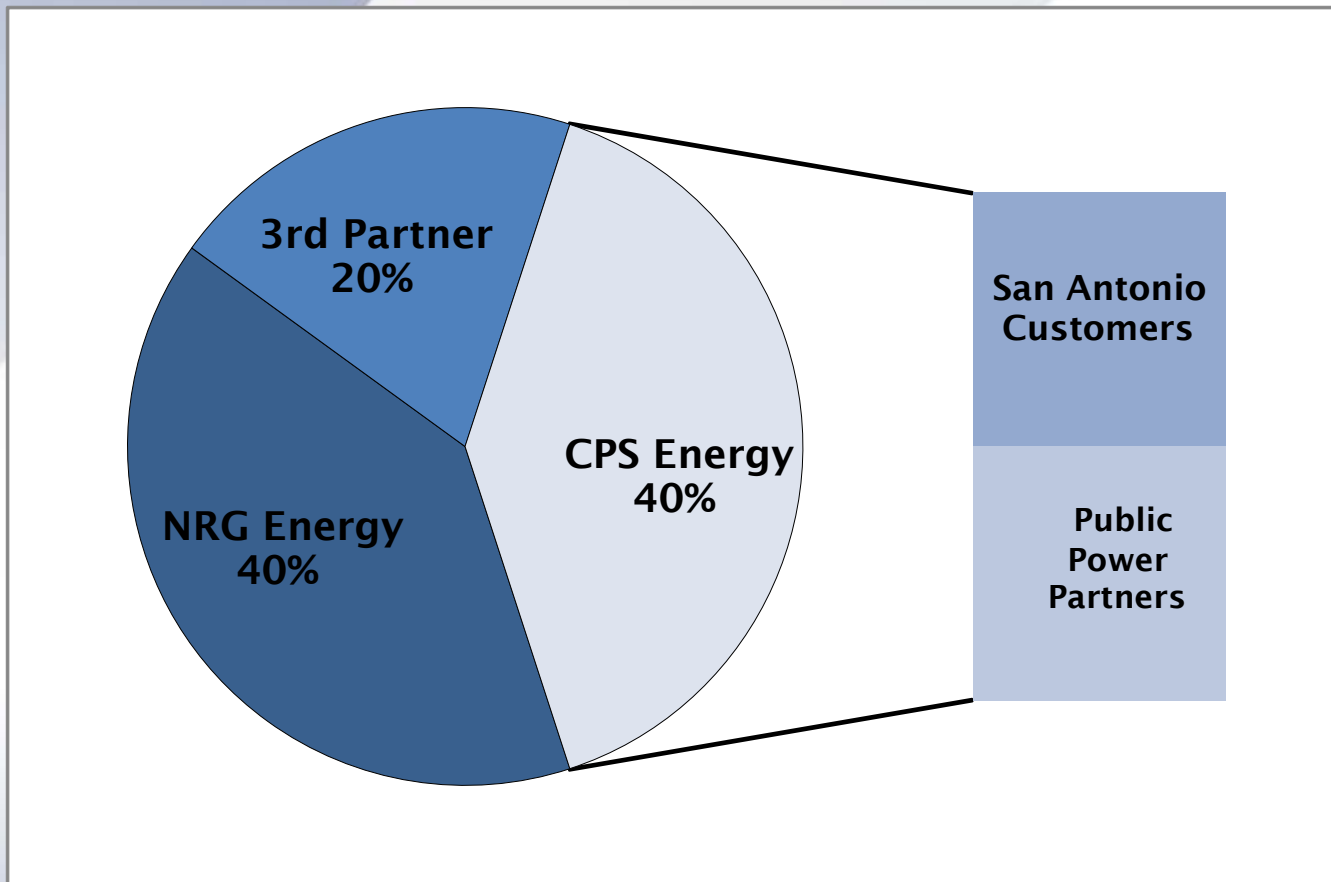


CPS Energy Estimate: STP 3&4 Construction

- **Total estimated cost, without financing**
 - **\$10 billion** for STP 3&4 (100%)
- **Total estimated cost, with financing**
 - **\$13 billion** for STP 3&4 (100%)
- **CPS Energy share, with financing**
 - **\$5.2 billion** for STP 3&4 (40%)
- **CPS Energy's total commitment to sustainability - \$5.7 billion**



We have an ownership plan





Over the long run, nuclear is cost-competitive

	Calendar Year	No Build (Base)		Base + Nuclear		Diff. on Monthly Bill
		Bill Impact (A)	Avg. Residential Monthly Bill	Bill Impact (A)	Avg. Residential Monthly Bill	
1-3 Years	2010	3.1%	\$100.93	4.8%	\$101.40	(\$0.47)
	2011	-	\$106.92	-	\$108.63	(\$1.71)
	2012	2.4%	\$110.05	5.0%	\$112.60	(\$2.55)
5-10 Years	2014	2.2%	\$117.02	5.1%	\$122.59	(\$5.57)
	2016	0.9%	\$120.93	3.7%	\$127.47	(\$6.54)
	2018	3.4%	\$127.74	0.7%	\$133.43	(\$5.69)
>10 Years	2025	-	\$179.94	-	\$169.18	\$10.75
	2030	-	\$235.64	-	\$222.09	\$13.55
	2034	-	\$278.44	-	\$258.14	\$20.31

2008 Average Residential Monthly Bill = \$107.60; Est. 2009 = \$99.96.

Note A: Bill impact is the net effect to customer bills of base rate changes including fuel effects.



Staff Recommendation

Our community should pursue expansion of the South Texas Project.

- A balanced portfolio of reliable, affordable energy will continue to attract new jobs to our community.**
- Nuclear power is the cheapest resource for generating electricity over the long term.**
- Nuclear power is generated without air emissions.**



We will reach out to our community

- Series of public meetings in each City Council district
- Additional presentations on request
- CPS Energy Speakers Team meetings with homeowner associations, etc.
- Outreach to interest groups
 - Environmental groups
 - Community organizations



Questions