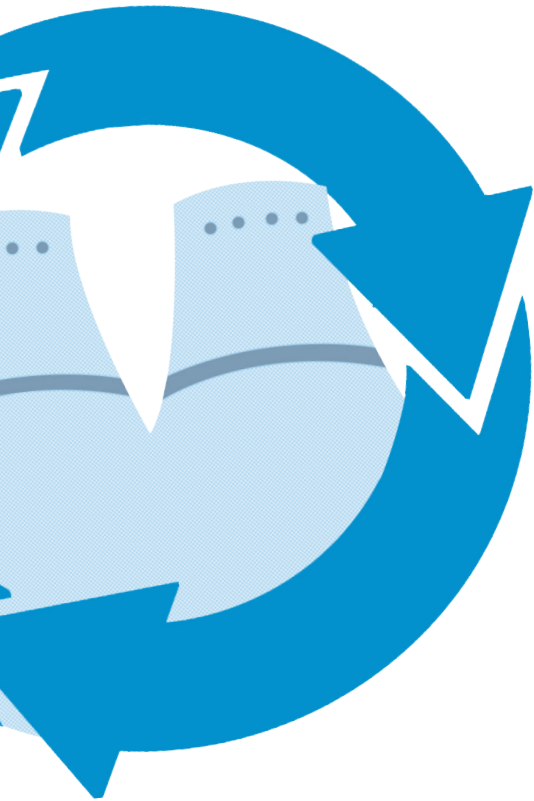


# STP FAQ



CPS Energy has recommended that the company and community participate in the expansion of the South Texas Project (STP) nuclear power plant as part of a diversified plan to satisfy Greater San Antonio's long-term electrical needs.

This recommendation to the CPS Energy Board of Trustees comes after three years of detailed study of various energy options. It also aligns with the Strategic Energy Plan, CPS Energy's roadmap for satisfying future energy requirements.

STP is located near Bay City, along the Texas coast. Currently, CPS Energy owns 40 percent of STP Units 1 and 2, with NRG Energy Inc., of Princeton, N. J. (44 percent) and Austin Energy (16 percent). Today, CPS Energy and NRG are 50-50 partners in STP 3 and 4.

The total estimated cost to build Units 3 and 4 is \$13 billion including financing. However, CPS Energy is exploring ownership options that would reduce the financial impact on customers, trimming CPS Energy's share with financing to \$5.2 billion.

If approved by CPS Energy's Board of Trustees, the proposal to expand STP would then go to the San Antonio City Council for consideration in the fall.

## 1. Why does CPS Energy need another source of electric generation?

Our community and our need for electricity continue to grow. Because of that, and the retirements of older power plants, our community will need another large power plant around 2020. CPS Energy recommends expanding the South Texas Project nuclear power plant near Bay City in Matagorda County.

## 2. Why does CPS Energy believe that expanding the South Texas Project is the best choice?

CPS Energy's three-year analysis shows nuclear

energy will provide electricity to our customers at the lowest cost over the long term, and nuclear energy has no air emissions. Also, a balanced portfolio of reliable, diverse energy options helps to retain and attract businesses and jobs to our community.

## 3. Are there less-expensive alternatives?

Not really. All the alternatives are expensive. It would cost less up-front to build a natural gas power plant, but natural gas prices have fluctuated wildly over the past decade and continued to rise. If CPS Energy does not add to its

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# AND

# NUCLEAR ENERGY HAS NO AIR EMISSIONS.”



power plant fleet, we will have to purchase power from the Texas market. Buying power costs CPS Energy customers more than generating our own. The reason CPS Energy's rates are among the lowest today is because the company generates the energy our customers need.

#### 4. What about expanding renewable resources like wind and solar energy?

They are important, and CPS Energy is investing heavily in renewable resources. CPS Energy is # 1 in wind energy among community-owned utilities nationwide, and recently signed a contract to buy power from the first solar generating plant in Texas. While renewable energy is becoming more affordable, it's still not as reliable as traditional generation resources.

#### 5. Why not expand energy efficiency and conservation efforts?

CPS Energy is doing that, too. The company has a plan to reduce energy consumption by 771 megawatts by 2020, through customer rebates on energy-efficient equipment for area homes and businesses. A third-party audit has

confirmed that this is an aggressive goal, and further reductions by 2020 are unlikely.

#### 6. Is there enough water to support the expansion of South Texas Project?

The South Texas Project was planned for four units, but only two have been built. STP does have the water rights to obtain water for all four units. Additionally, even today, the plant operates with conservation in mind and does not draw all of the water it's authorized to take from the Colorado River.

#### 7. When STP Units 1 and 2 were built, there were major cost overruns. How will CPS Energy prevent costs from getting out of control for STP 3 and 4?

CPS Energy and its partner, NRG, will seek a fixed-price contract before major construction begins. Because the chosen plant design is already approved by the U.S. Nuclear Regulatory Commission, construction delays can be minimized. Also, the proposed contractor has built four of this unit type in Japan, and each was completed on time and on budget.

#### 8. Is nuclear energy safe?

No illnesses or deaths in the U.S. have been attributed to radiation exposure from commercial nuclear power plant operations. Nuclear plants in the U.S. are regulated by the Nuclear Regulatory Commission, and they meet the agency's stringent safety standards.

The 1986 accident at the Chernobyl nuclear power plant in Ukraine, then part of the former Soviet Union, is the only accident in the history of commercial nuclear power to cause fatalities from radiation. It was the product of a severely flawed Soviet-era reactor design combined with human error.

#### 9. What happens to the waste?

Waste, or spent fuel, is safely stored on site at South Texas Project. Since it began operations almost 20 years ago, the plant has generated about 500 cubic yards of spent fuel. And the STP site has enough storage on site for the remaining life of the plant.

#### 10. What will be the impact on our customers' bills?

CPS Energy is proposing no more than 5 percent increases in bills every other year. (See chart below)

	Calendar Year	No-Build Increase	Avg. Residential Monthly Bill	Base + Nuclear	Avg. Residential Monthly Bill	Diff. on 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)