



# New Electric Generation Recommendation

**Milton Lee**

Chief Executive Officer

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Interim General Manager

CPS Energy Board of Trustees Meeting

June 29, 2009



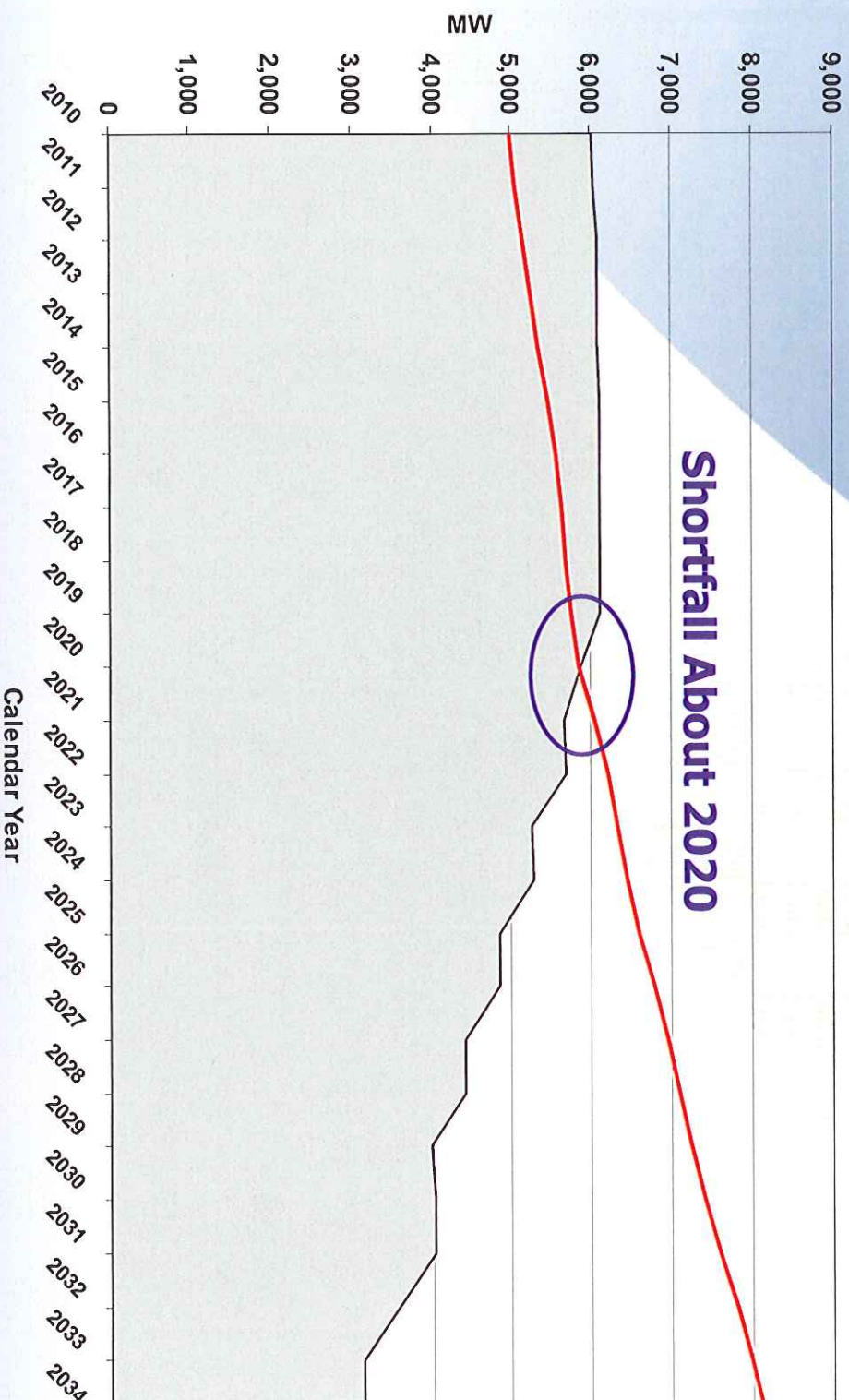
## Staff Findings

- 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 771MW 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 CO<sub>2</sub> 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>
<b>TOTAL</b>	<b>\$5,744</b>

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



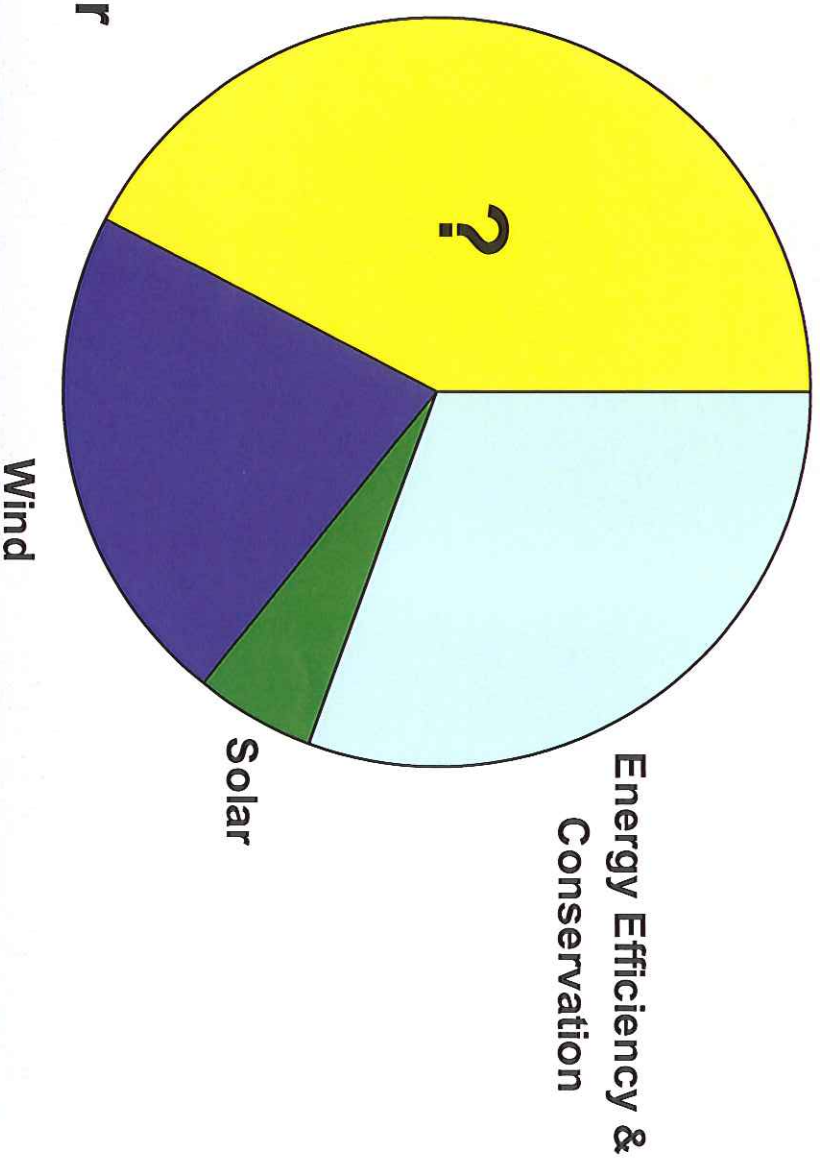
**We must fill the gap  
beyond 2020...**

**Own it:**

- **Gas**
- **Coal**
- **Nuclear**

**Buy it:**

- **Purchased Power**







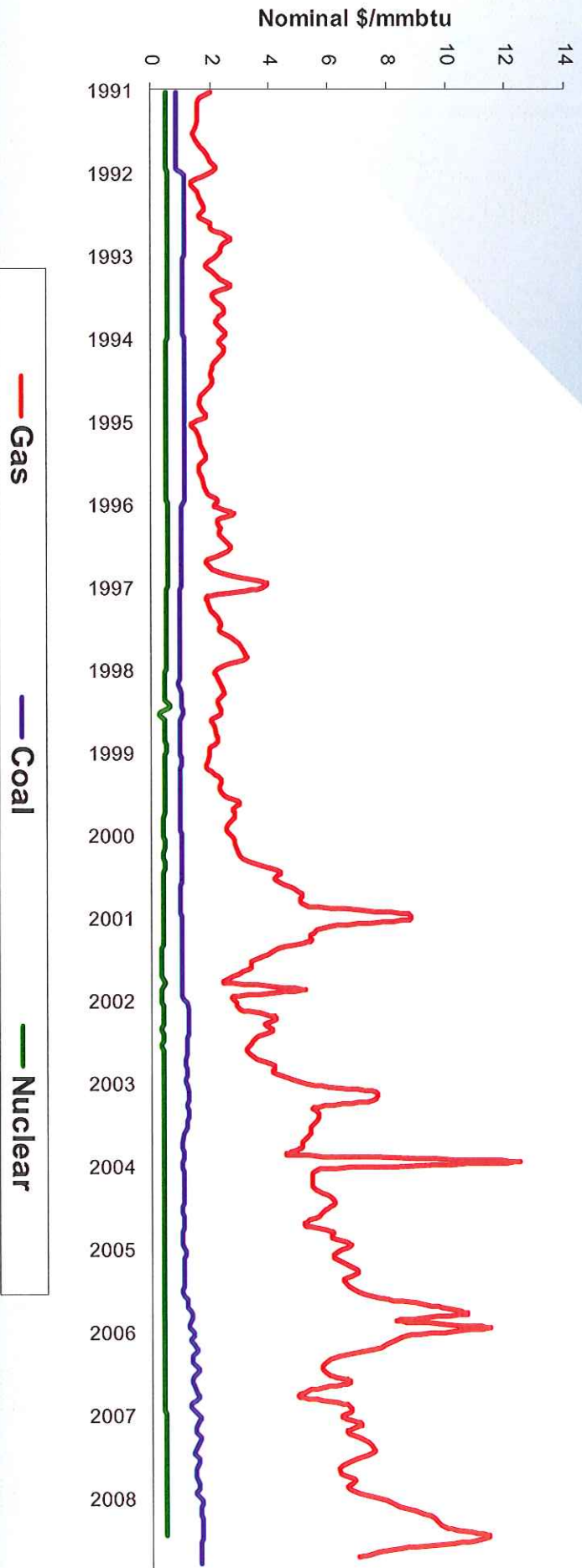
...and manage the risks

	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



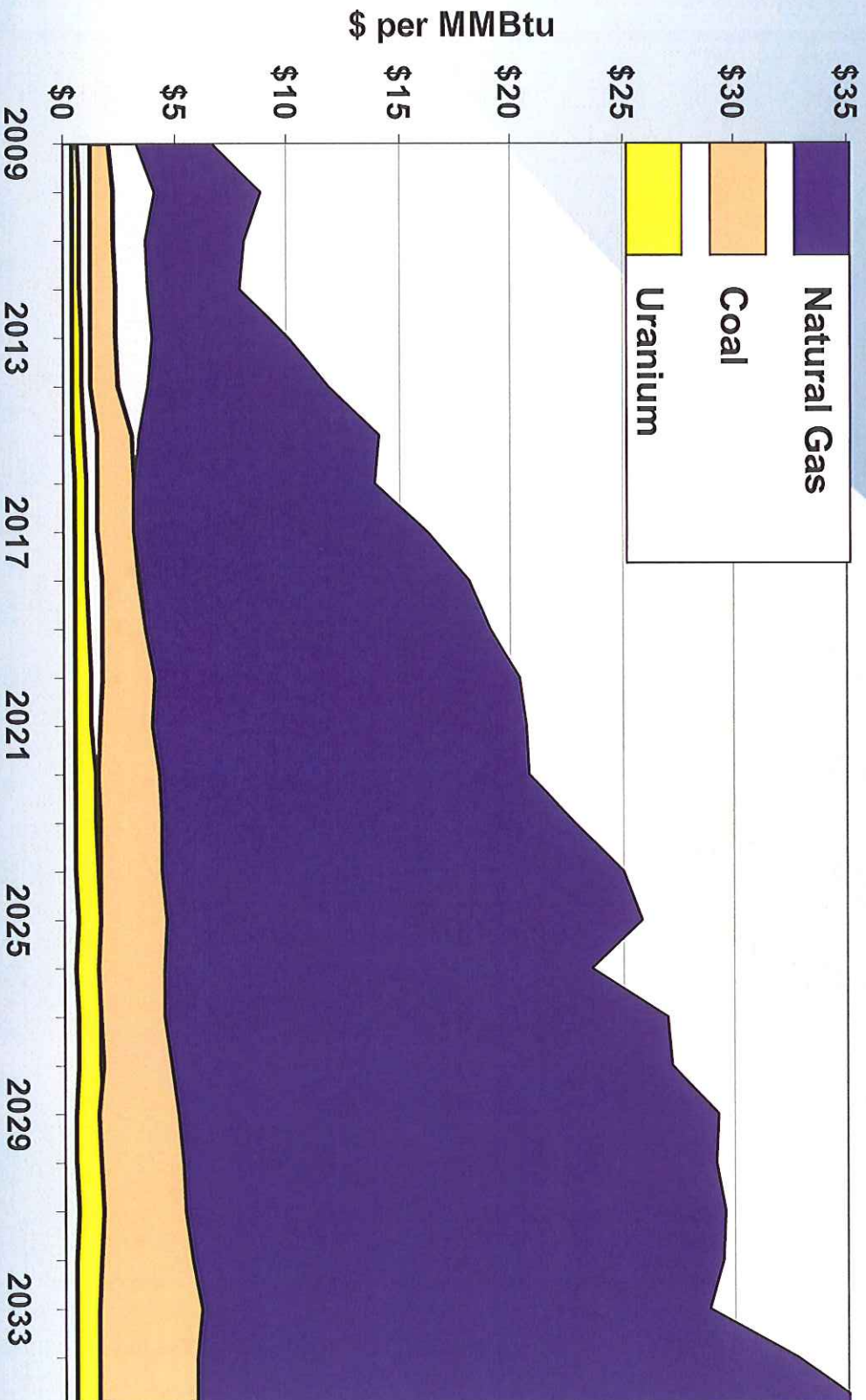
Data Source: CPS Monthly Fuels Report.

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



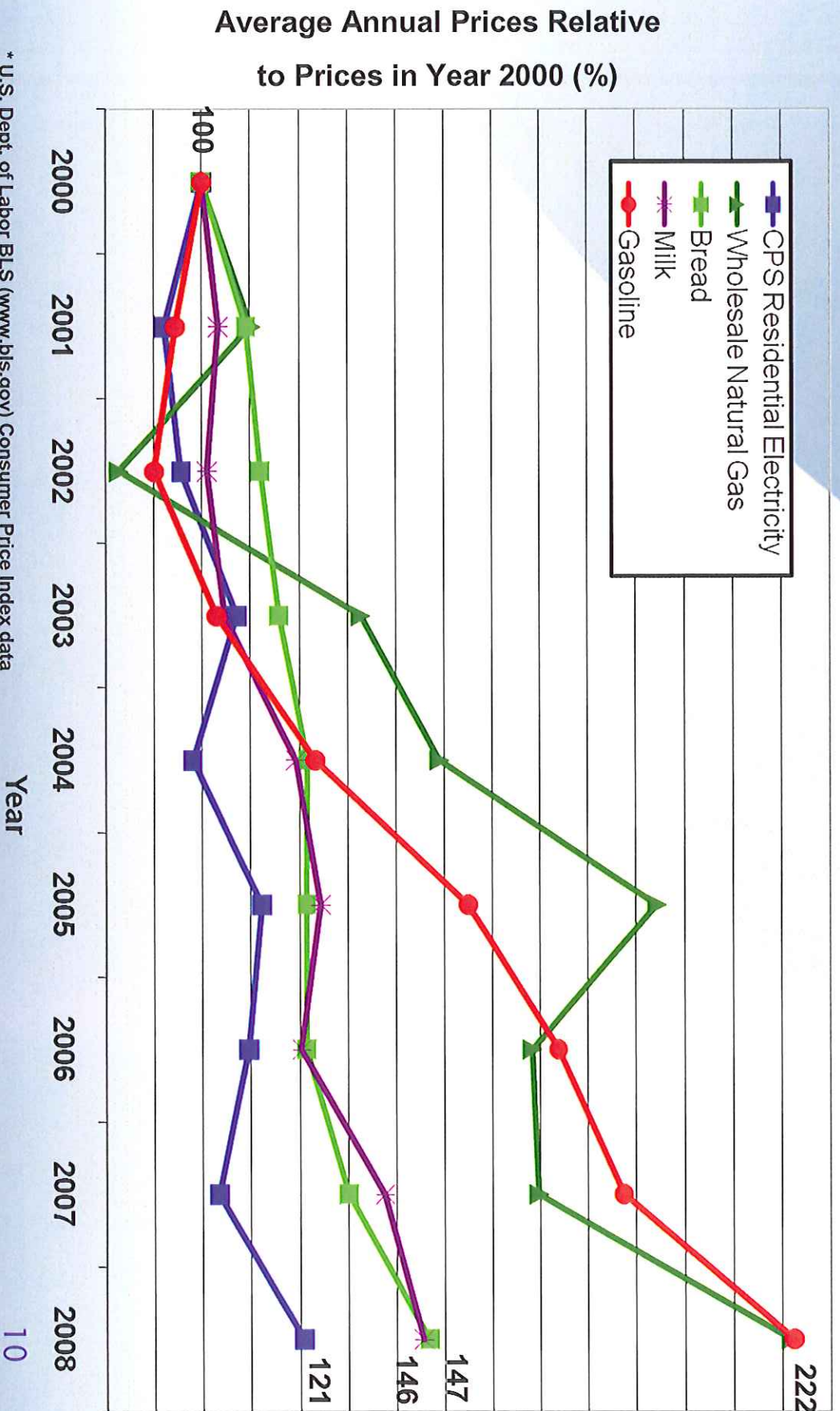


...and will continue to be





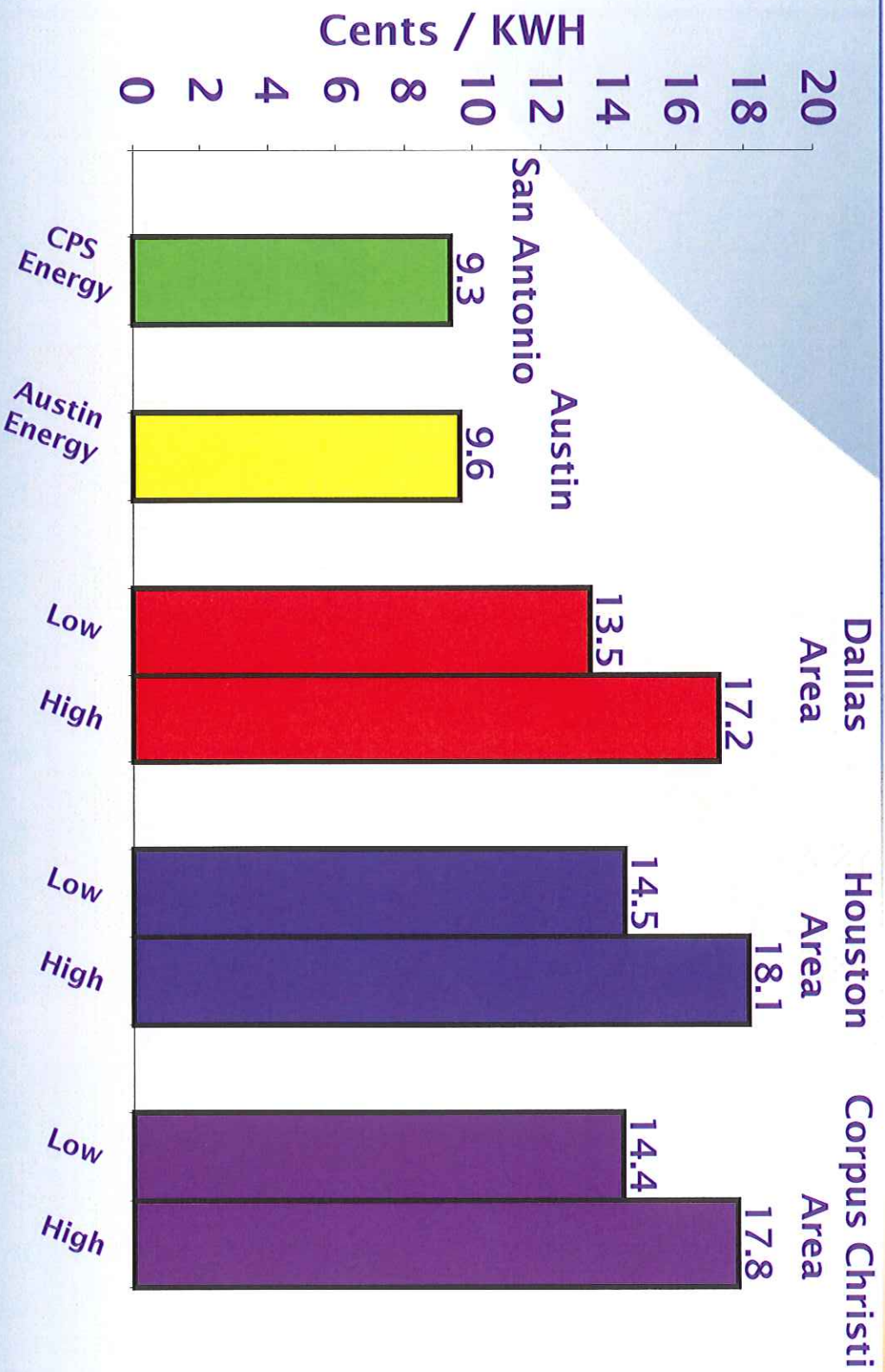
## Nuclear energy moderates CPS Energy electricity prices







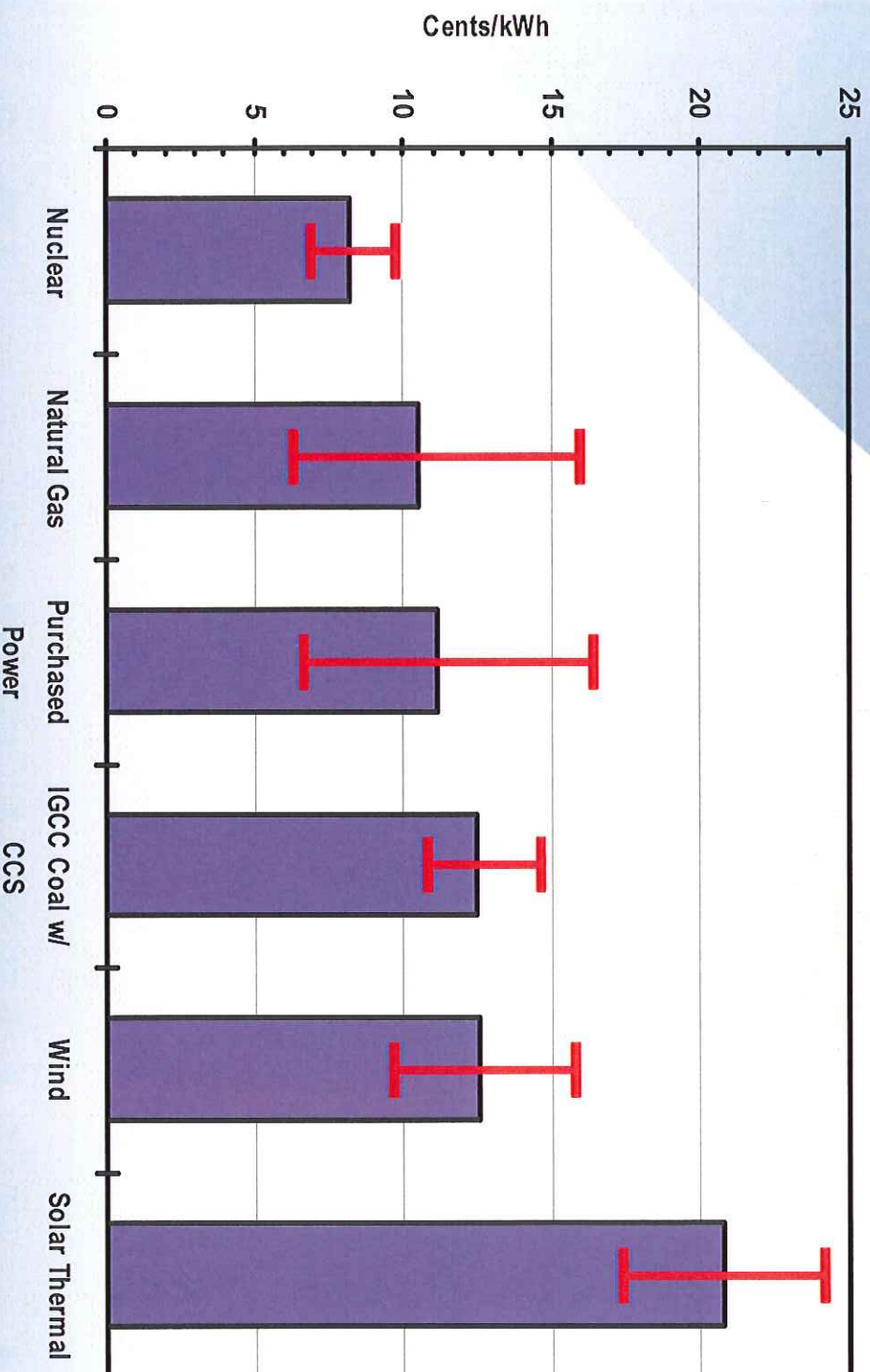
# Nuclear power is the basis of our cost-competitive bills today



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



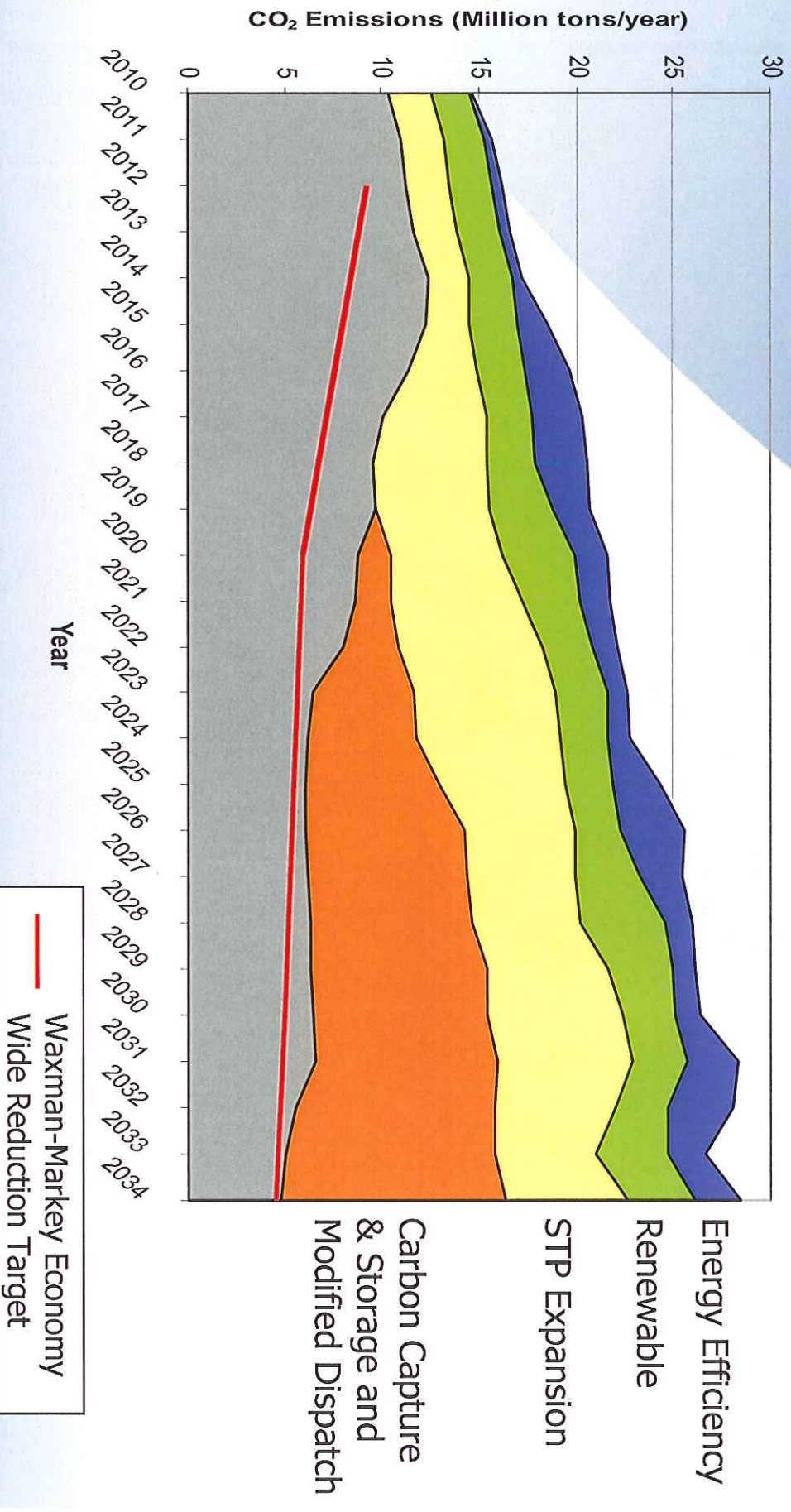
# Nuclear energy is the least-expensive option







# Nuclear enables major carbon reductions



Emissions shown for native load only



## STP is an asset worth expanding

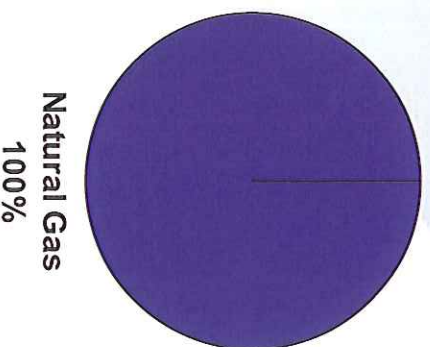
- One of only four projects selected by DOE for U.S. government loan guarantees
- Design approved by the Nuclear Regulatory Commission
- Water rights and land are secured
- Top-rated nuclear facility
- Supported by the Matagorda County community



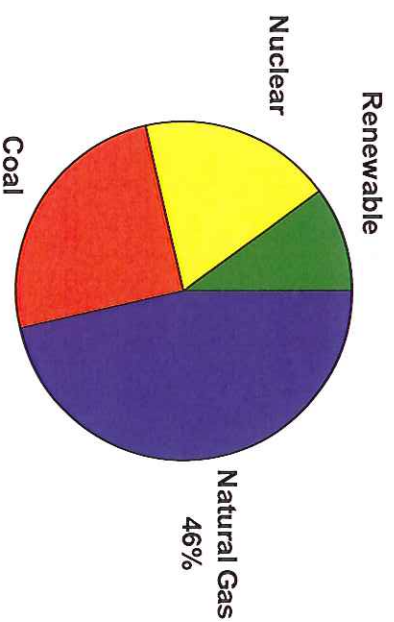


## STP expansion supports generation diversity

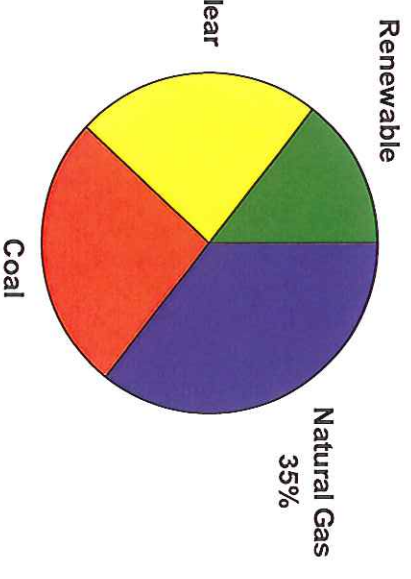
1970



2009



2020





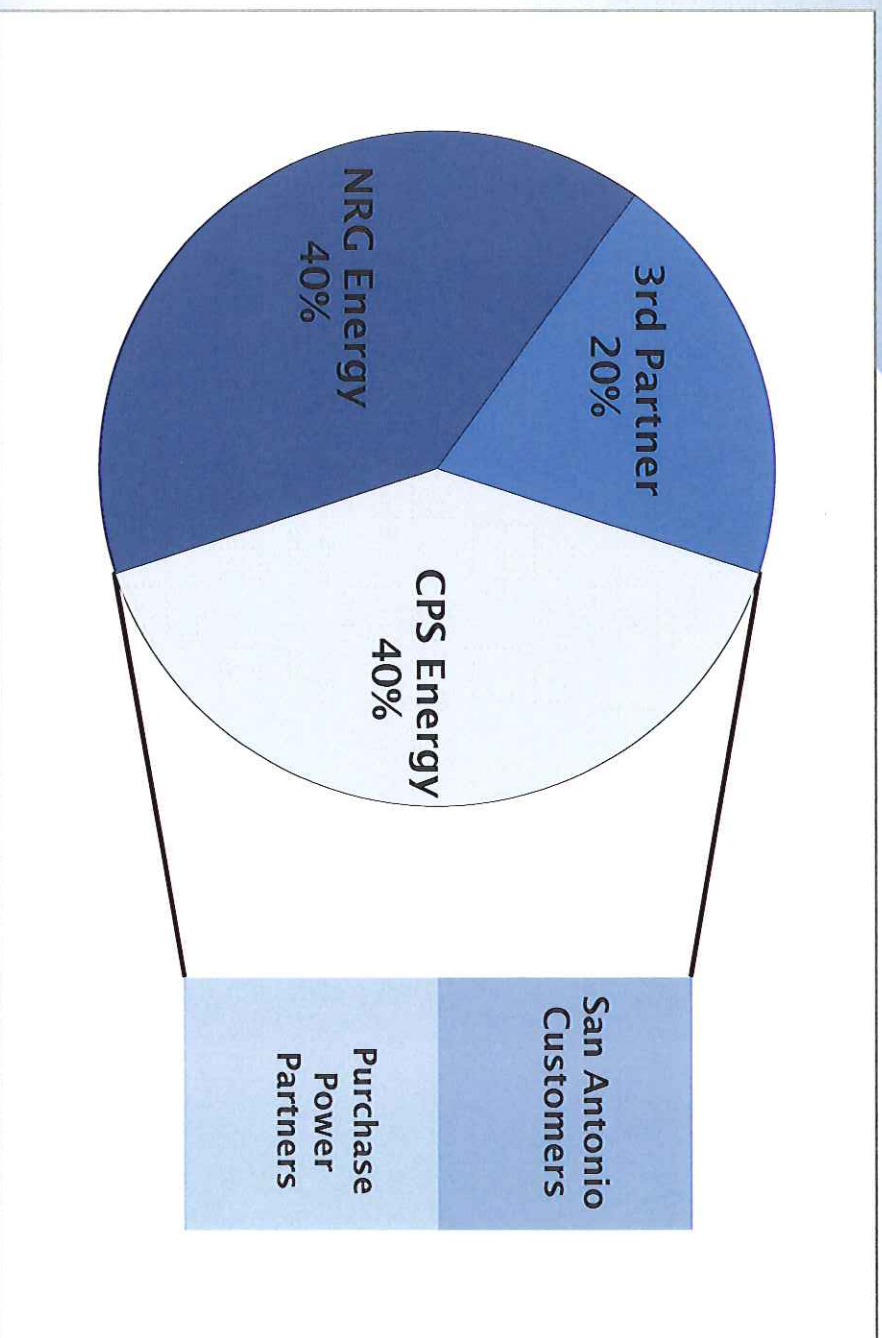
## CPS Energy Estimate: STP 3&4 Construction

- 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

No Build (Base)		Base + Nuclear		Diff. on Monthly Bill	
Calendar Year	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