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Risking San Antonio's Economic Future

Nuclear Experts Explain Flaws and Risks of Pursuing More Nuclear Reactors

San Antonio, TX Two energy and economic experts explain the enormous economic risks of CPS Energy's proposal for more nuclear reactors at the South Texas Project. Citizens will have a chance to hear *independent* expert analysis addressing some of the misinformation, spin and fuzzy math that CPS uses to defend its costly proposal. They also explain how safer, more affordable options already exist which can be implemented instead of pursuing risky nuclear reactors.

"Energy efficiency combined with renewable power is a viable, affordable and effective way to meet the future energy needs of San Antonio between now and 2020 and beyond," says Dr. Arjun Makhijani, President of the Institute for Energy and Environmental Research. "The city has great potential for energy efficiency. Making homes and businesses more efficient will save consumers money and create local jobs in an uncertain economy."

"Wall Street investment banks are rejecting nuclear as too risky," said Mr. Craig Severance, a CPA and energy analyst. "These people work who full time on nothing but utility financing are still lending for natural gas plants, solar plants, wind plants -- but nuclear is deemed a crap shoot. What does that tell you?"

Severance has examined CPS' plan as a Business Proposal and found the risks too great to justify an investment of this size. "It's my estimate that the CPS share of the project is likely to cost close to \$9 Billion, rather than the \$5.2 Billion CPS has publicized. Just these expected *cost overruns* exceed the entire Net Worth of CPS. This could easily bankrupt CPS -- or its ratepayers."

Both Dr. Makhijani and Mr. Severance agree that making efficiency and renewables the center of CPS' program to meet its customers' needs is far less risky, more flexible, and more economical than pursuing more nuclear.

"New nuclear power reactors were a poor investment even before this severe economic and energy crisis, which has greatly increased uncertainties and risks." Says Dr. Makhijani. "To go with nuclear now, when CPS Energy has renewable and efficiency options that are much lower risk, is to gamble with billions of dollars of public money."

Mr. Severance's January 2009 report entitled 'Business Risks and Costs of New Nuclear Power' finds that nuclear power is not economically competitive and that "The cost estimates for new nuclear power plants put them among the most expensive private projects ever undertaken in the history of the world."

“Federal loan guarantees are no substitute for prudent business judgment,” Mr. Severance notes. “A Federal loan guarantee only protects the lender -- not San Antonio ratepayers.” He describes this in more detail in his report.

Simply shifting the burden of risks from the utility’s shareholders and executives, to the taxpayers and ratepayers does not make any risks go away. It simply sets up yet another situation where profits are privatized while risks are socialized, allowing those who make bad decisions to walk away from the effects of their own imprudence (p. 8).

Dr. Makhijani and Mr. Severance also agree that investing in new nuclear capacity is financially incompatible with the substantial and already-announced CPS Energy commitments to efficiency and new renewable energy. Also, given the uncertain economic environment, a modular and flexible approach is most needed. A massive investment in nuclear with a minimum 10-year lead time, makes no sense, especially when alternatives have much shorter lead times and their costs are rapidly decreasing.

“CPS Energy is already a leader in wind energy,” notes Dr. Makhijani. “Doing the same in solar energy, efficiency and utilizing a smart grid, would establish it firmly in a forward looking, flexible direction that will enable it to cope with uncertain times, potential restrictions of carbon, fluctuations in economic growth and fuel prices, and capital market uncertainties.”

“San Antonio should capitalize better on its renewable investment,” says Severance. “CPS calls the nuclear plants “Plan A”. However, a “Plan A” should start with what you are already doing. CPS is *already* investing in over 1,100 MW of wind and solar energy, but counts almost none of that toward meeting its needs. For a very modest extra cost for energy storage and load shifting, you could firm up that renewable power, and use it to meet the Peak Load needs. In other words, use to best advantage what you are *already* doing with the Mission Verde Plan, and you won't need the nuclear plants.”

Dr. Arjun Makhijani is President of the Institute for Energy and Environmental Research and holds a Ph.D. In Engineering from the University of California at Berkeley, where he specialized in nuclear fusion. He has authored two San Antonio specific studies regarding energy options and nuclear power costs. Most recently, Dr. Makhijani has authored *Carbon Free and Nuclear Free: a Roadmap for U.S. Energy Policy*. He has been featured on every major U.S. television network and has been consulted by the United Nations. IEER’s website is www.ieer.org.

Mr. Craig Severance is a CPA and energy financial analyst, who offers a practical business perspective. He has served as Assistant to the Chairman and to Commerce Counsel, Iowa State Commerce Commission, and Finance Manager of the Iowa Railway Finance Authority. He has authored “Business Risks to Utilities as New Nuclear Power Costs Escalate” (*Electricity Journal*, May ‘09) and “Business Risks and Costs of New Nuclear Power” (Center for American Progress, Jan. ‘09). He co-authored *The Economics of Nuclear and Coal Power* (Praeger 1976). He has consulted on the financial aspects of several energy projects in Colorado and nationwide. Mr. Severance writes about energy issues on his website: www.energyeconomyonline.com

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