

# The South Texas Project: Timeline of a Project in Crisis

The South Texas Project is considered one of the 'top-tier' projects for nuclear loan guarantees as part of the Title XVII program authorized in the Energy Policy Act of 2005.

Once called a 'model project' for the 'nuclear renaissance,' the planned two reactors now look increasingly unlikely to be built. What went wrong?

## **Timeline**

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**2006:** NRG Energy partners with CPS Energy (San Antonio's municipal utility) and they begin planning two new reactors at South Texas Nuclear Site. Cost of the reactors is projected to be \$5.4 billion.

**2007:** NRG Energy and CPS Energy submit the first combined construction and operating license application for South Texas Project to the Nuclear Regulatory Commission since 1978.

**2008:** CPS's Board of Trustees (headed by San Antonio mayor Julian Castro) approves \$276 million investment in preliminary site work, and proposes a 5% rate increase for ratepayers. Public opposition forces the increase down to 3.5%.

**February 2009:** City of Austin, TX rejects partnership in South Texas Project, citing financial risks, lack of waste disposal, and lack of overall electricity demand sufficient to merit investment.

**June 2009:** New cost estimate for South Texas project is at \$10 billion without financing, \$13 billion with financing. This is a 40% increase since 2006 estimate.

**Late June 2009:** City of San Antonio agrees to pay 40% of the investment and proposes 5% rate increases every other year.

**August 2009:** Julian Castro, mayor of San Antonio and head of CPS Board of Trustees, backs away from 40% and instead suggests San Antonio should invest only 20% in the project, citing concerns about rising costs and lack of electricity demand.

**October 2009:** San Antonio City Council holds hearings to decide whether to invest an additional \$400 million for the

license application. It is revealed in these hearings that the **estimated cost of the project has increased by \$4 billion to \$17 billion.** Castro suspends vote on \$400 million bonds.

**November 2009:** Castro urges NRG to go back to Toshiba (the reactor manufacturer) to try negotiating the price down. Negotiations are not yet resolved.

**December 6, 2009:** CPS files a lawsuit against NRG seeking to get out of the contract, and accuses NRG of forcing them out of the contract. CPS seeks \$32 billion in damages.

**December 7, 2009:** It is discovered that CPS staff knew about the \$4 billion estimated price increase, potentially since November 2008.

**December 23, 2009:** Cost estimates go up again to **\$18.2 billion, \$5 billion more than CPS said is affordable for San Antonio.**

**January 11, 2010:** Castro calls meeting between CPS and NRG to sort out differences before court hearings. CPS's general manager walks out.

**January 29, 2010:** CPS is granted permission from state district court to withdraw from South Texas Project. NRG states that it may pull out of South Texas Project.

**February 17, 2010:** CPS Energy reaches a final settlement with NRG, taking only a 7% stake in the project, down from 50%. NRG must find investors to cover the remaining stake in the project—a difficult prospect given the competitive Texas wholesale power market, where South Texas will have to compete with lower cost alternatives.