



NRG Energy wants Austin to sign a power purchase agreement to buy power from two proposed nuclear reactors that haven't even been built. Such nuclear power purchases are unprecedented.

NRG is scrambling for nuclear investors since San Antonio's CPS Energy sued them for fraud. San Antonio went to court seeking terms to get out of the project entirely and ended up reducing their 50% share down to 7%.

Austin was lucky to have stayed out of the mess. Austin Energy studies recommended against participating in the reactor expansion and Austin City Council wisely voted twice not to participate. To protect our financial health we should stay on this path.

Why spend billions of dollars in a pre-emptive bailout for expensive nuclear power when safer, more affordable energy options exist and can better build our local economy?

Nuclear Power is Very Expensive

- Buying into 500 or 800 MW of nuclear power would **cost Austin ratepayers \$13.6 - \$20 billion** over the life of the reactors.
- Our electric bills would increase by 20 - 25%. Current fuel costs would nearly double.
- New nuclear power would cost twice as much as wind power.
- The reactor project is behind schedule and legal opposition continues. Delays increase costs.
- The initial cost estimate of \$5.6 billion has already tripled. The South Texas Project Nuclear Operating Company (NRG, Austin Energy & CPS Energy) estimates the reactors will cost **\$18.2 billion**. This figure approaches the magnitude of the Texas state budget deficit.
- Last time South Texas Project reactors went six times over budget and were eight years late coming online. How high would costs go if that happens again? What happens if we have a purchase agreement but NRG can't deliver the power?
- New nuclear power is not supported in today's market according to ERCOT's State of the Market report, prepared by Potomac Economics.¹ Gas prices are low. Baseload power, which is what nuclear provides, is not needed. Texas needs flexible power generation that can ramp up and down to meet peak demands.
- Austin and Austin Energy credit ratings are at risk. Moody's calls nuclear power a 'bet-the-farm' risk and is considering "taking a more negative view" for those seeking to build new nuclear power plants. They write:

¹ www.potomaceconomics.com/documents/C10 - 2009 State of the Market Report - ERCOT, published July 2010

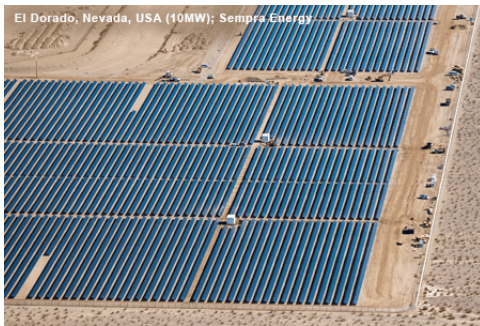
“Historical rating actions have been unfavorable for issuers seeking to build new nuclear generation. Of 48 issuers that we evaluated during the last nuclear building cycle (roughly 1965-1995), two received rating upgrades, six went unchanged, and 40 had downgrades. Moreover, the average downgraded issuer fell four notches.”²

- Billions of dollars in federal loan guarantees (which are actually federal loans) are needed to build nuclear reactors. US taxpayers could end up footing the bill since the default rate for such loans is 50%.

Energy efficiency and renewable solar, wind and geothermal power are all affordable ways to meet today’s changing energy needs.

Loan Guarantees Issued for NRG Solar project

NRG, the same company that wants us to buy their nuclear power, will buy a 290 MW solar project in Arizona from developer First Solar Inc. and California's PG&E will get power from the plant.



Couldn’t NRG offer Austin participation in a solar project instead of nuclear power?

- The DOE has offered a \$967 million loan guarantee for the Agua Caliente solar PV project, set for completion by 2014.
- NRG will invest \$800 million of equity in the project and become the owner. It would be the largest solar-panel power generator in the world. First Solar will install, operate and maintain the Yuma County project, which will generate enough electricity to serve about 100,000 homes and will create up to 400 jobs.

Solar Costs are Coming Down

DOE's "SunShot" initiative aims to reduce total costs of photovoltaic solar energy systems by about 75% so that they're cost competitive at large scale without subsidies by the end of the decade. Solar costs have already come down 60% since 1995.

“By reducing utility scale installations by about 75% to roughly \$1 a watt, which corresponds to roughly 6 cents per kilowatt/hour - solar energy systems could be broadly deployed across the country.”³

Southern California Edison recently “selected 250 MW worth of solar bids from companies able to produce solar electricity for 20 years for less money annually than the 20 year levelized cost of energy from a combined-cycle natural gas turbine power plant.”⁴

² Moody's Global Infrastructure Finance, June 2009 New Nuclear Generation: Ratings Pressure Increasing

³ <http://www.energy.gov/news/10050.htm>

⁴ <http://cleantechnica.com/2011/02/01/sce-buys-20-years-of-solar-power-for-less-than-natural-gas>