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- Board of Trustees
- Board of Trustees' Meetings
- Executive Leadership
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- [News Releases](#)
- [Events](#)
- [Features](#)

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- [Contract Services](#)
- [Materials Management](#)

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- [Employee Benefits](#)
- [Jobs - Prospective Employees](#)
- [Jobs - Current Employees](#)

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- [Residential Service Requests](#)
- [Commercial Service Requests](#)
- [Request a Call Back](#)



... [About CPS Energy](#) > [News and Features](#) > [News Releases](#) > STP Business Solution

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02/17/2010

STP Development Set To Move Forward

CPS Energy Acting General Manager Jelynne LeBlanc Burley announced today that the city-owned utility and Nuclear Innovation North America (NINA) have negotiated a settlement valued at \$1 billion that ends the parties' legal disagreement and allows the proposed expansion of South Texas Project (STP) Units 3&4 to proceed.

CPS Energy's ownership stake in STP Units 3&4 will be reduced to 7.625 percent, while NINA, the nuclear development company jointly owned by NRG Energy, INC (NYSE:NRG) and Toshiba Corporation, will retain 92.375 percent ownership. The proposed settlement will be considered at the regular meeting of the CPS Energy Board of Trustees on Feb. 22.

"This agreement extracts the maximum value for our community at this stage of the project's development," said Burley. "It accounts for our investment to date and the value of the site with land and water rights."

CPS Energy and NINA both acknowledged that a Feb. 12 meeting organized by Public Utility Commission Chair Barry Smitherman was integral to the parties coming to an agreement, as the project impacts the citizens of Matagorda County, and Texas as a whole.

"I'm pleased the partners found a strong business solution that protects ratepayers and respects the value of our previous investments," said San Antonio Mayor Julián Castro. "This outcome will provide San Antonio clean energy for decades, while ensuring that we don't have to put any more development dollars into the nuclear project."

The agreement allows the co-owners to focus on the project's licensing and the application for Department of Energy (DOE) loan guarantees. This follows President Obama's budget request Tuesday that the federal loan guarantees for nuclear projects be expanded. STP 3&4 were identified by the DOE in May 2009 as a likely candidate to receive loan guarantees.

Burley added, "Our share in the finished project will mean 200 megawatts more of electricity, or about a third of our future electricity needs by 2020. And it supports our utility's strategy to reduce our carbon emissions."

STP 3&4 is a two-unit nuclear project being developed at the existing South Texas Project site in Matagorda County, TX. A combined operating license for STP units 3&4 is expected in 2012, with the units anticipated to come online in 2016 and 2017, respectively.

Agreement Specifics

- NINA project interest will equal 92.375% in Units 3&4
- CPS Energy interest will equate to 7.625% in Units 3&4 (about 200 MW)
- CPS Energy ends payment of project accruals, effective Jan. 31, 2010
- All litigation between the parties is dismissed.
- Over the next four years, NINA will contribute a total of \$10 million to REAP, Inc, a non profit partnership of CPS Energy, Bexar County and the City of San Antonio
- NINA will pay CPS Energy \$80 million, in two \$40 million payments, after the project is approved for DOE loan guarantees
- NINA will pay development costs incurred after Jan. 31, 2010.

CPS Energy is the nation's largest municipally owned energy company providing both natural gas and electric service. Acquired by the City of San Antonio in 1942, the company serves 707,000 electric customers and 322,000 natural gas customers in and around America's seventh-largest city. CPS Energy owns the highest financial ratings of any electric system in the U. S., stands number 1 in wind-energy capacity among municipally owned utilities across the country and ranks number 1 in Texas in solar-generated electricity under contract.

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