

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Special Meeting

October 24, 1974
11:00 A.M.LCRA Board Room
3700 Lake Austin Boulevard

The Austin City Council met in Special Session with members of the Lower Colorado River Authority Board of Directors and Officers for the purpose of considering a contract to provide fuel for the joint LCRA-City of Austin, Fayette County Coal Plant as recommended by Bechtel Power Corporation.

It was noted that all members of the City Council were present; all members of the Board of Directors and Officers of LCRA were present except two, Messrs. M. C. Dalchau and Roger G. Zercher.

MR. CHARLES HERRING, General Manager of LCRA, stated that this was a joint meeting of the City Council and the LCRA Board to hear a report and recommendation for the purchase of coal for Unit #1 of the Fayette Power Project. He noted that 26 coal suppliers had been contacted for the purpose of obtaining a firm fuel source, 12 had indicated an interest, and 4 of these companies submitted proposals. The Bechtel Power Corporation made a full study and evaluation of these 4 proposals.

MR. WARREN GARTMAN, Bechtel Power Corporation, reviewed the progress made since the last joint meeting 8 months ago. By the use of slides he showed the names of the 26 coal companies contacted and listed the following as having submitted proposals:

1. Decker Coal Company
2. AMAX Coal Company
3. Kerr-McGee Coal Corporation
4. Santa Fe Industries, Inc.

He noted that Western coal sources were low sulfur coal and met the Environmental Protection Agency's requirements. Mr. Gartman listed the basis of evaluation and discussed each:

1. Delivery capabilities
2. Assurance of reserve

3. Base coal cost
4. Labor conditions
5. Contract provisions
 - a. Force majeure
 - b. Escalation adjustments
 - c. Price firmness
6. Quality of coal
7. Transportation
8. Other plant impact

Mr. Gartman stated that on the basis of their evaluation, the proposal of Decker Coal Company was recommended, without scrubbers, as the lowest and best proposal. In reply to questions by Mr. Sam K. Seymour, LCRA Board Member, Councilman Friedman, Mayor Butler, and Mayor Pro Tem Love regarding the possibility of the Environmental Protection Agency's requiring the scrubbers at a later date and the cost of the scrubbers, Mr. Gartman stated that there was no indication of a change; but if the EPA did later require the scrubbers, they would be no worse off by having to install them later than if they were required now.

MR. FRANK MARCON, Mining Engineer, Bechtel Power Corporation, brought out that the contract allowed for escalation of the base price as labor, material, power, and other commodities increased in price. The other coal proposals had renegotiating clauses on 3 or 5 year intervals in addition to escalation clauses, which made their proposals less attractive, as price stability was very important.

Mr. Gartman explained that Decker Coal Company was a joint venture of Western Minerals, Inc., a wholly owned subsidiary of Pacific Power and Light Company and Wytana, Inc., a wholly owned subsidiary of Peter Kewitt Sons Company. He noted that Decker Coal Company was managed and operated by Peter Kewitt Sons Company.

Discussion of the cost of transportation and use of slurry pipe line was held. Mr. Sam K. Seymour, Jr., and Mr. John W. Hancock, LCRA Board Members, other Board Members, and members of the City Council inquired as to assurance that the Decker Coal Company was a reliable company.

MR. DON STURM, representing Decker Coal Company, reviewed the worth of the companies involved: Pacific Power and Light - 1/2 billion dollars; Peter Kewitt Sons Company - 1 million dollars plus owner of television station, etc. He brought out that Decker was presently supplying coal to the Commonwealth Edison Company and Detroit Edison Company from the west Decker mine, and Commonwealth Edison for 80 million tons of coal from the east Decker reserve. He indicated that under the proposed contract, coal would come from the east Decker reserve with an estimated reserve of 150 million tons with Decker having

recently acquired all surface rights to the coal reserves that they hold in the east Decker reserve.

In answer to questions by Councilman Binder, Mr. Sturm stated that they would file on record the dedication of enough coal for this contract. Discussion of the labor clause and the pass-through of any increase of labor costs was held. In reply to Councilman Binder's inquiry about legislation to prohibit strip mining, Mr. Sturm stated that he did not foresee this; but if it occurred, they would still be in business.

MR. CLINT SMALL, Attorney for LCRA, said that the contract was clearly stated, the commitments were firm, and it was his legal opinion that it was an adequate contract.

MR. JACK BISHOP, Attorney for the City of Austin, stated that it was a tough contract on the City and LCRA; but it was a sound, well-negotiated, good contract, and it provided the coal needed. He added that they had examined the contract, and it was clear and concise. In reply to Councilman Binder's question, Mr. Bishop stated that we were taking all the risks.

MR. BILLY SPENCE and wife, EVA, representing International Anti-pollution Engineering Inc., stated that they had developed a device to control SO₂ without need for scrubbers. They asked to be given an opportunity to give a demonstration in the City's lab or site.

MR. BILL PETRI, Chairman of the Board for LCRA, called for a vote on Mr. Bob Long's motion, Mr. Jake Strahan's second, to approve the contract with Decker Coal Company. The LCRA Board, by acclamation, unanimously approved the contract.

Mayor Pro Tem Love moved that the Council accept the recommendation of Bechtel Power Corporation and adopt a resolution to enter into a contract with Decker Coal Company, a joint venture between Western Minerals, Inc., and Wytana, Inc., to provide for a coal supply for the project known as the Fayette Power Project, and authorize and direct the City Manager to execute the contract and the abstract of that coal contract for and on behalf of the City of Austin. The motion, seconded by Councilman Handcox, carried by the following vote:

Ayes: Mayor Butler, Mayor Pro Tem Love, Councilmen Binder,
Dryden, Friedman, Handcox, Lebermann
Noes: None

Mr. Petri thanked the Management Committee for months of work on this project.

Mayor Butler announced that the Council would go into Executive Session at the Electric Building Conference Room, 301 West Avenue, as authorized by Section 2, Paragraphs (e), (f), and (g) of Article 6252-17, Texas Revised Civil Statutes.

ADJOURNMENT

The Council adjourned at 12:25 p.m. to go into Executive Session.

APPROVED


Mayor

ATTEST:


City Clerk