

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Continuation of
Special Meeting of March 31, 1958April 1, 1958
3:30 P.M.

Council Chamber, City Hall

The meeting was called to order with Mayor Miller presiding.

Roll call:

Present: Councilmen Long, Palmer, Pearson, White, Mayor Miller
Absent: None

Present also: W. T. Williams, Jr., City Manager; Doren R. Eskew, City Attorney; D. C. Kinney, Director of Electric Utility; J. D. Huffman, Jr., Director of Finance; and Members of the Advisory Committee

Mayor Miller announced that this was a continuation of the Special Meeting of March 31, 1958.

The City Attorney read the following letter, which had been addressed to the City from the proposed suppliers of gas for the Power Plant of the City of Austin:

"The City of Austin
Austin, Texas

"We understand that the City of Austin owns and operates its power plants and distributes power to the residents of Austin and its environs for domestic and industrial purposes. We further understand you have long sought to find known reserves of natural gas in sufficient quantities at reasonable fixed costs which can be committed to your requirements by responsible persons to assure the continued economical operation of your power plant. When the existing contract for gas was authorized the Austin newspapers of December 22, 1955, quoted Mayor Tom Miller saying that:

"If there is anybody, anywhere, at any place who's got
a better contract we want them to come in."

"I confidently believe the proposition we have will meet your expectations.

"We now own, or will otherwise have available to you, proven natural gas reserves more than sufficient to meet the estimated requirements of your power plants for

the next 23 years, and are prepared to supply your needs upon the following basis:

"1. That we will provide you with definite and satisfactory evidence, through report of capable and reputable geologists and/or gas engineers, that we own or control sufficient natural gas reserves to meet your power plant requirements, and such evidence will be sufficient to satisfy any capable and reputable geologists and/or gas engineers selected and employed by you to analyze such evidence.

"2. That we will provide you with definite and satisfactory evidence that we have the financial ability and capacity to construct and operate a main pipeline and appropriate gathering systems from the point or points of our supply to your power plants.

"3. That the gas to be deliverable hereunder shall be merchantable gas of not less than 1000 B.T.U. per cubic foot, and shall be delivered to your plants under a pressure of 100 pounds Psig.

"4. That we will provide you with definite and satisfactory evidence that the report of your natural gas reserves so made by competent geologists and engineers is acceptable to the banks or bankers we may interest in financing the project.

"5. Because of the nature of competition in the industry, the location of the gas reserves and our identity are not to be disclosed until after our formal contract has been executed.

"6. If at any time after acceptance of this offer by you, your present supplier of gas should wrongfully discontinue serving your plants with gas, then we will commence supplying your power plants' requirements of fuel oil at the same cost to the City per million B.T.U.'s which is provided under the following schedule of gas prices. After our gas pipelines have been connected with the City's power plants we will continue to maintain your requirements of fuel oil reserves in your storage containers for emergency use in the event our gas supply to your plants should be interrupted and when such emergency supply of fuel oil is used the City will pay us the same price per million B.T.U.'s which is provided under the following schedule of prices.

"7. In the event the supplier of gas to domestic consumers in Austin should be wrongfully deprived of a source of gas for such purposes, then we will guarantee an adequate supply of gas to such distributor upon the same basis we agree to supply your power plant requirements.

"8. The City will buy from us its entire gas requirements for all its electric generating plants at prices which shall not exceed the following:

"For the years (inclusive) 1958 through 1962	15.50¢ per Mcf
For the years (inclusive) 1963 through 1967	18.00¢ per Mcf
For the years (inclusive) 1968 through 1972	20.00¢ per Mcf
For the years (inclusive) 1973 through 1977	21.50¢ per Mcf
For the years (inclusive) 1978 through 1980	20.00¢ per Mcf

"If by applying the following formula for gas consumed any month the price shall

be less than the above prices per Mcf, the City shall pay the lesser of the two prices for such gas consumed.

"The actual weighted average price per Mcf (expressed in cents per Mcf at 14.9 pounds p.s.i.a.) paid for gas at the wellheads in the following named counties in Texas during the preceding calendar month, plus 5.25 cents per thousand cubic feet for transportation, plus 10% of the sum of the foregoing, plus taxes as herein defined. "Taxes" as used here means any tax (other than ad valorem and Federal income or excess profits taxes) or any franchise charge made by the City of Austin, license, fee, or charge now or hereafter levied, assessed or made by any governmental authority on the gas or on the act, right, or privilege of production, severance, gathering, transportation, distribution, handling, sale or delivery of gas which is determined by the volume, value, or sales price of the gas in question, but the term "tax" shall not be deemed to include any general franchise tax imposed on corporation on account of their corporate existence or on their right to do business within the State as a foreign corporation. The counties in which average prices at the well head are to be used as the basis for determining price under this formula are:

"Atascosa	Comal	Karnes	Nueces
Austin	DeWitt	Kenedy	Real
Bandera	Dimmit	Kendall	San Patricio
Bastrop	Duval	Kerr	Starr
Bee	Frio	Kleberg	Travis
Bell	Gillespie	Lavaca	Uvalde
Bexar	Goliad	LaSalle	Victoria
Blanco	Gonzales	Lee	Washington
Brooks	Guadalupe	Live Oak	Webb
Burleson	Hayes	Llano	Willacy
Burnet	Hidalgo	McMullen	Williamson
Cameron	Jim Hogg	Medina	Wilson
Colorado	Jim Wells	Milam	Zapata
			Zavala

"9. We understand that at the present time your generating plants are consuming approximately six billion cubic feet of gas per year, and that your engineers estimate that your future consumption will be as shown in the following schedule:

ESTIMATED NATURAL GAS REQUIREMENTS FOR 23 YEARS
IN MILLIONS OF CUBIC FEET

1958	6,600	1970	37,000
1959	7,600	1971	42,500
1960	8,800	1972	48,900
1961	10,500	1973	56,400
1962	12,100	1974	64,800
1963	13,900	1975	74,500
1964	16,000	1976	85,700
1965	18,400	1977	100,000
1966	21,200	1978	114,000
1967	24,400	1979	131,000
1968	28,000	1980	151,000
1969	32,200		

"10. If we or our assignees or nominees selected to carry out the purposes of this letter shall meet the requirements outlined herein on or before August 1, 1958, or within any additional time to which the City May grant an extension, the City will enter into a full and definitive contract for the purchase of gas pursuant hereto; it being understood and agreed that one or more corporations will be created or selected to accomplish the purposes of this letter and that we shall have the right to assign all our rights hereunder and under the final gas purchase contract to such assignees or nominees of ours as shall fulfill the requirements outlined herein.

"If these conditions are acceptable to the City of Austin, we will appreciate your so indicating by executing and returning the original and one copy of this letter to us.

"Very truly yours

"APPROVED:

CITY OF AUSTIN

By _____
City Manager

(date)"

Paragraph 10, after discussion and study, had been changed, and the City Attorney read this paragraph. The Mayor stated this change had been suggested by DR. MONTGOMERY and MR. E. W. JACKSON, members of the Committee appointed to advise on the gas matter. MR. DAVID BARROW concurred in the letter with the change in Paragraph 10.

The letter of intent and the proposition of the Southern Union Gas Company were discussed in detail by those of the Committee present-- MR. DAVID BARROW, MR. TED WIMBERLY, MR. KARL WAGNER, MR. MATTHEWS, MR. JIM NASH, MR. HUCKABY, MR. LEVANDER, MR. PURTLE WATT, MR. SPILLAR, MR. MARVIN TURNER, and others. The City Attorney pointed out some changes that had been made previously by the City and approved by the proposed supplier.

MR. WIMBERLY suggested that there were a number of firms, (two or three that did evaluation work) that had engineers and geologists, who could be appointed as a committee to check into the data submitted.

The City Attorney stated that if this letter of intent should be approved, it would in no way affect the existing contract between the City and the Southern Union Gas Company; that this action would be no evidence of an intention to curtail or disconnect from the Southern Union Services or discontinue in any way.

MR. HUCKABY stated he was impressed by the sincerity and honesty of the Mayor and the Council, the City Manager and the City Attorney who had worked so diligently on this matter, and he was willing to abide by the Council's decision.

MR. JAMES NASH did not know of any locations where the required amount of gas was available; and in some fields, he thought it would be impossible to

acquire the necessary amount. He listed some possibilities where the proposed supplier might tie in, and asked that there be given some attention as to their intentions. If the assurance was given that they had the gas, he thought six months time would be ample time to get the lines built. Mr. Nash explained the processing of gas briefly. The Mayor stated again that if there was anybody, anywhere, at any place who has a better contract they were invited to come in.

MR. C. G. LEVANDER inquired about the present contract with Southern Union Gas Company, and if it would be cut off if these suppliers came in. The City Attorney explained, and stated it was not known at this time. The Mayor stated this was to give these people an opportunity to prove that they had the gas, could supply it; had the financial ability, could get the pipe and put it in here.

MR. W. P. WATTS commented that this was gas to be furnished to the Power Plant and not for the whole city, and that this put the city in a position to negotiate something with Southern Union. He stated that the Council was taking a good step.

MR. HORACE SPILLER said there was nothing to lose in this case. MR. MATTHEWS stated that Mr. Nash was correct in saying the people were going outside to get the gas. MR. MARVIN TURNER stated he did not think there was much choice but to look into the new source.

The DIRECTOR OF ELECTRIC UTILITIES gave a report on the needs of the Power Plant.

The City Manager stated that in getting this letter and asking these people to see what they could do would be the thing to do at this time, as all that was being done was asking them to prove that they were able to deliver the gas to the City. If they are able, it will amount to a great deal to the City in the future; if they fail there has been no cost to the City, and it would still be in the same position with reference to the present supplier as it is now.

The Council discussed the matter.

Councilman Long moved that the City Council authorize the City Manager, W. T. Williams, Jr., in behalf of the City of Austin, to execute the letter presented to the City Council by the City Attorney. The motion, seconded by Councilman Palmer, carried by the following vote:

Ayes: Councilman Long, Palmer, Pearson, White, Mayor Miller
Noes: None

With reference to his vote, Councilman White made the following statement:

"I would like to say, before I vote that we have all, especially Mayor Miller, been working on this deal trying to get something from the United and Southern Union for, I would say, almost a year. We have all thought of it and talked about it and it seems we have gotten no where. I cannot figure out where we have anything in the world to lose. This is a letter of intent; and if they

cannot produce, we have not lost a thing, as we still have our contract, and I vote 'aye'."

Mayor Miller made the following statement:

"I vote 'aye', and I just hope it will have a very happy consummation of all of it, and with the people we have heard; and if there have been any harsh words said before or afterwards, I hope they will all be erased and forgotten. In going out after the witnesses, we have to sometimes be a little more 'tart' maybe. We all worked hard on it and gave it a lot of time and attention. We just hope the general good and happiness of the people of Austin will result. That is looking a way into the future. This is merely an intent to see 'if there is anybody, anywhere, at any place who's got a better contract' and give them an opportunity to come in and show what they can do. It does not mean a severance with Southern Union or United at this time".

The Mayor thanked the group for coming in.

There being no further business, the Council adjourned at 6:45 P.M., subject to the call of the Mayor.

APPROVED



Mayor

ATTEST:



City Clerk