



## Austin City Council MINUTES

For MARCH 17, 1988 - 1:00 P.M.

Council Chambers, 307 West Second Street, Austin, Texas

### Memorandum To:

Mayor Cooksey called to order the meeting of the Council, noting the presence of all Councilmembers.

#### MINUTES APPROVED

The Council, on Councilmember Humphrey's motion, Councilmember Carl-Mitchell's second, approved minutes for the regular meeting of March 10, 1988 and special meetings of March 8, 1988 and March 9, 1988 (at 6:30 p.m.) (5-0 Vote, Mayor Pro Tem Trevino and Councilmember Urdy out of the room)

#### CITIZEN COMMUNICATIONS

Mr. David James Waddle discussed rights of street musicians. Ms. Nancy Timbrook discussed the homeless. Ms. Lori Renteria talked about CDBG funds. Mr. Robin Mills discussed municipal solid waste. Mr. William L. Feller discussed City landfill rates.

#### AUSTIN CABLE COMMISSION REPORT

Paul Leche, chairman, Austin Cable Commission, reported to Council on proposed changes to the ordinance creating the Austin Cable Commission regarding duties related to the I-Net.

#### Motion

The Council, on Councilmember Shipman's motion, Councilmember Carl-Mitchell's second, directed staff to draft an ordinance as recommended by the Cable Commission. (6-0 Vote, Mayor Pro Tem Trevino out of the room)

#### CABLE ACCESS STUDIO

The Council, on Councilmember Carl-Mitchell's motion, Councilmember Humphrey's second, adopted a resolution to authorize the expenditure of access funds for revision of architectural plans and drawings of access studio on Rosewood Avenue as recommended by staff

without a \$5,000.00 search for the evaluation of the renovation potential of alternative sites in the same Rosewood area. (7-0 Vote)

#### EXECUTIVE SESSION

Mayor Cooksey announced Council would enter into executive session pursuant to Article 6252-17, Texas Revised Civil Statutes Annotated, to discuss matters of land acquisition, litigation and for personnel matters. No final action, decision or vote by the City Council will be taken on any subject or matter unless specifically listed on the agenda for this meeting.

1. Pending Litigation - Section 2, Paragraph e

(a) City of Austin v. Houston Lighting and Power

2. Contemplated Litigation - Section 2, Paragraph e

(a) Fuel issues

3. Personnel Matters - Section 2, Paragraph g

(a) City Manager Search

(b) Appointment of Relief Judges

(c) Municipal Court Clerk

#### RECESS

Council recessed for executive session from 2:45 to 3:45 p.m.

#### SETTLEMENT AGREEMENT WITH HOUSTON LIGHTING & POWER COMPANY

Council had before them for consideration all matters incident and related to the approval and execution of a settlement agreement with Houston Lighting and Power Company (HL&P), including the passage of an ordinance to: (1) Approve and authorize the City of Austin to enter into various agreements with HL&P regarding the settlement of various lawsuits between the City of Austin and HL&P, including a Settlement Agreement, an Ownership and Operating Agreement for the Limestone Electric Consulting Station, and related release, conveying, and option agreements, and (2) make certain findings on the part of the City Council in connection with the disposition of the City of Austin's interest in the South Texas Nuclear Project in exchange for interests in the Limestone Electric Generating Station.

Following is a complete transcript of statements and the motions made.

AGENDA ITEM M-4: Consider all matters incident and related to the approval and execution of a settlement agreement with Houston Lighting and Power Company (HL&P), including the passage of an ordinance to: (1) Approve and authorize the City of Austin to enter into various agreements with HL&P regarding the settlement of various lawsuits between the City of Austin and HL&P, including a Settlement Agreement, an Ownership and Operating Agreement for the Limestone Electric Generating Station, and related release, conveyancing, and option agreements, and (2) make certain findings on the part of the City Council in connection with the disposition of the City of Austin's interest in the South Texas Nuclear Project in exchange for interests in the Limestone Electric Generating Station.

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MAYOR: We're going to take up item M-4: Consider all matters incident and related to the approval and execution of a settlement agreement with Houston Lighting and Power Company, including passage of an ordinance to approve and authorize the City of Austin to enter into various agreements with HL&P regarding the settlement of various lawsuits between the City of Austin and HL&P, including a Settlement Agreement, an Ownership and Operating Agreement for the Limestone Electric Generating Station, and related release, conveyancing, and option agreements, and make disposition of the City of Austin's interest in the South Texas Nuclear Project in exchange for the interest of the Limestone Electric Generating Station. Is there -- Is Dr. Urdy here yet? (Yes sir.)

As we begin this, I want to make a brief statement before we have our staff presentation. Austin's nuclear albatross is finally going home to roost where it belongs in the arms of its creator, the Houston Lighting & Power Company. And the people of Austin are not only getting out of STP with the shirt still on our back but with money in our pocket and control of our electric

utility's future restored. In 1981 the people of Austin voted to get out of the South Texas Nuclear Project. Today this Austin City Council is approving a historic agreement with the Houston Lighting & Power Company which achieves that objective. This vote on a settlement is one which is occurring after work over a two-year period of negotiation, a process of give and take. It is a very complex set of agreements carrying out an agreement in principle that was entered into previously last fall and is now being implemented with these very detailed agreements. Following the advice of our attorneys, who are the litigators and those who are in charge of the negotiations of the settlement itself, we are going to be taking action comporting with their advice to us, which is to approve this set of agreements. It will lower electric rate increases currently projected for next year and several years to come, and we are very pleased about the possibility of that. The settlement achieves the objective of getting Austin out of the South Texas Nuclear Project. The settlement will lower costs to our ratepayers. The settlement will improve Austin's operational control over the Limestone plant despite limitations inherent in being a minority partner, but it is far better than our operational control over the South Texas Project. Continuation of the lawsuit would not get Austin out of the South Texas Nuclear Project, and the settlement is a far better deal than staying in the South Texas Nuclear Project.

I want to congratulate those who have been involved in the negotiation of this settlement. I'm very proud of the dedicated work of our City Council, the electric utility, and the legal staff

as well as the city's outside counsel and experts who helped negotiate this settlement. This is a very complex agreement, and it required literally thousands of hours of work to put together this momentous achievement for our city. This settlement is not only good in the sense of being a good business deal for the City of Austin, but it removes a tremendous cloud of uncertainty and a tremendous financial drain on our ratepayers. And now we'd like to ask Uriel Dutton, who is one of our lawyers and the attorney who has been leading the settlement negotiations, to give us an outline and full presentation of the important aspects of this settlement.

DUTTON: Mayor, this represents the Settlement Agreement and the closing documents which you've just described and which we've been informed by the attorneys for Houston Lighting & Power Company is acceptable to them as a means of resolving these disputes. This includes a number of technical documents, conveyances, descriptions of properties, bills of sale, etc. -- I won't attempt to describe in detail all of these documents, but I will touch on those major operative instruments that are included in this package. The basic Settlement Agreement contemplates signing by the parties promptly and then contemplates that a period of some months will ensue as you satisfy various conditions that are necessary to close this actual settlement. You have to get approvals of various authorities, etc. But basically the closing date if you sign this agreement would be stipulated to be May 15 of this year or such later date, not later than September 1 of this year, as you have satisfied all the conditions. I think it's realistic to expect that it will not occur by May 15, but we are hopeful that it can occur before September 1. This agreement envisions that at the closing, each of the parties would execute mutual releases of all the claims

that have been asserted between the parties in connection with STP and further envisions that Houston Lighting & Power Company will execute a broad indemnity in favor of the City of Austin to provide you an indemnity against any claim or liability that arises against you because you have been a part of the STP project. Under the terms of this settlement, at the closing Houston will convey to you a total of a 27.78% interest in their Limestone lignite electric generating facility. That will be staged in terms of the effective date of those conveyances. You will acquire an interest in Unit 1 at that facility, which is estimated to have a generating capacity of 200 megawatts, effective as of June 1, 1988, or as of such later date when we close the transaction. You will acquire an additional 200 megawatt interest, an interest in Unit 2, effective on January 1, 1990, so that in total you will have 400 megawatts of generating capacity owned by the City of Austin in that facility. At the closing you will convey all of your 16% interest in the South Texas Project to Houston, retaining only your interest in the transmission corridor and the lines extending from that common connecting point which you have built for your own use as a part of your system. You will also, in resolution of a long-standing dispute between you and Houston, reimburse Houston \$1,000,000 for Brown & Root litigation costs, which you've been fighting about for years. At the closing Houston will make cash payments to Austin in addition to conveying your interests in Limestone, including a payment of \$30,000,000 for your share of the nuclear fuel, a payment of 19.7 million dollars (\$19,700,000) representing an agreed reimbursement of costs paid by you prior to September 1, 1987, at STP, a payment of \$7,000,000 representing the payment to you to resolve a dispute involved in a power sale contract between the

city and Houston, approximately \$14,000,000 to \$15,000,000 in reimbursement for the legal expenses which have been incurred by the city in connection with this dispute from its inception down to the signing of the agreement, and reimbursement to the city for all amounts which have been paid by the city in connection with STP after September 1, 1987, plus interest on those amounts, from the date of your payment until you get them back, less the sum of 4.2 million dollars (\$4,200,000). The exact amount that you will get back at the closing is of course dependent on the precise date when the closing occurs. I believe it is estimated that if a closing occurred as of June 1, '88, the payment made representing reimbursement of expenditures since September 1, '87 would aggregate approximately \$70,000,000. So that the total, assuming the closing as of June 1, in terms of cash payments to Austin would be approximately 137.5 million dollars (\$137,500,000).

There are, as I mentioned, a number of significant conditions to the closing which must be satisfied after this agreement is signed. You must obtain for Houston an order by the PUC which would approve Houston's action in conveying its interest in Limestone to Austin and in acquiring your interest in STP from Austin. You must obtain approval of the Nuclear Regulatory Commission to remove you as a licensee at STP and to substitute Houston Lighting & Power as the owner of your interest in that facility. You must submit to your present co-participants in STP -- San Antonio and Central Power & Light Company, a notice of this transaction and offer in effect to sell them your interest in South Texas, or any part of your interest in South Texas, if they so elect to purchase it under the terms of that participation agreement, and they've got ninety days in which they can decide whether they wish to buy your interest as contrasted from

permitting you to convey it to Houston. Finally, you must obtain a judgment in the court in Dallas in which your litigation against HL&P is pending approving this Settlement Agreement and determining that this is a legal, valid, and binding agreement in all respects.

That is the highlights of the Settlement Agreement, the mechanics on which this closing will occur. One of the principal agreements that will be involved for the future years if you do in fact close the transaction is an Operating Agreement between the City of Austin and Houston Lighting & Power Company relating to continued ownership and operation of the Limestone facility. Some of the major features of that Operating Agreement include provisions with respect to the dispatchability or the obtaining of electric power from that facility. It provides that each owner can schedule power up to its ownership share from the facility for use or for sale to others. It provides that if an owner doesn't schedule its share of that facility for use, the other owner may use that unused capacity, paying the variable costs associated with the generation of power from the facility. It provides that the variable costs of the plant, including the fuel, are going to be shared based on the amount of energy which each party takes from that facility, that the fixed costs of that plant, which consist of the larger share of costs associated with the plant, are going to be shared based on ownership interest in the facility. As a part of the arrangement, Houston Lighting & Power has committed to provide facilities sufficient to transport power from Limestone to connections with Austin's system to get electricity to you from the facility. The agreement provides that Houston Lighting & Power is the project manager and has general management responsibility and power. Austin is provided office



space there and provision for its on-site personnel and records on the site.- Austin is provided numerous consultation and review rights and has various approval rights, which in the event of a dispute are resolved by arbitration, which covers such things as sale of Limestone assets, increasing the plant capacity, plant shutdowns, selection of auditors, agreements with HL&P affiliates, making of any discretionary capital improvements, settlement of large claims, or increasing . . . adding additional generating units, which you can veto with no arbitration.

The lignite fuel for the facility comes from a lignite mine at the site. There is in existence a contract between Houston Lighting & Power and its affiliate, UFI (or United Fuels, Inc.), and UFI in turn has an agreement with a company called NorthWestern Resources to mine and operate the lignite. There are contractual commitments on the part of UFI, Houston Lighting & Power, and NWR, which are designed in total to generate lignite fuel for your use at that plant, and Houston Lighting & Power has agreed that it will be directly responsible to Houston for its affiliate's performance in performing its contractual commitments subject to the agreed standard of liability, in terms of liability for any bad faith, arbitrary or capricious conduct. You are also given consultation rights in connection with fuel matters and have approval rights subject to resolution by arbitration, which primarily restrict UFI's ability to enter into contractual arrangements with others . . . affiliates, to your detriment or to alter the existing contracts. You have the right to review and comment on the Limestone operating and maintenance and annual capital budgets, and you can in essence veto any increase of more than 10% in an operating and maintenance budget or any single capital expenditure in excess of

\$3,000,000. If you then cannot reach agreement upon those items, it will be submitted to a neutral board of arbitrators for decision as to who has the better position on that issue. You have full audit rights. Each of the owners has right of refusal if the other desires to sell an interest in the plant. The agreement provides that the liability of each party to the other is to be governed by a standard of bad faith or arbitrary and capricious conduct and provides that neither is liable for consequential damages. It provides that all disputes arising under the agreement will be subject to resolution by arbitration. And, finally, it provides that the recourse of Houston against Austin for any amounts becoming due in connection with the agreement is restricted to your utility system revenues and financing in connection with that system rather than it being a general debt of the city.

Another significant agreement is an Option Agreement which you have from UFI which will permit you until January 1, 1995, to acquire your pro rata share of lignite handling facilities, mining property and equipment, and transportation equipment for crushed limestone, as well as the lignite inventory at Limestone. It is important that you have this option because it affords you an opportunity to substitute your lower cost of money for the cost of the capital investment associated with those facilities where otherwise you would be required to pay a much higher amount through payment of fuel costs representing return on UFI's investment in those facilities.

There is a fourth agreement, a lignite facilities Ownership Agreement with UFI, which will become operative when the city acquires an interest in these handling facilities, mining properties, in

common with UFI. It provides that UFI is the project manager to operate these handling facilities and transportation equipment and to administer the contracts with NWR. Austin is not directly charged with any operating and maintenance costs of these facilities because those costs are included in your cost of lignite fuel under the basic contracts, but you would bear directly your share of any capital improvement costs. You would have the same type of review and consultation rights with reference to annual capital budgets of UFI, and you would have approval rights, subject to resolution by arbitration, for any capital improvement in excess of \$3,000,000 proposed by UFI. You have rights to audit in connection with UFI's operations. The same standard of liability for UFI under this agreement as in the Operating Agreement is applicable, that is, they are responsible for bad faith or arbitrary and capricious conduct. The agreement provides that all disputes are going to be subject to resolution by arbitration, and it includes provisions which limit any recourse of UFI against Austin for monies becoming due under the agreement to your utility system revenues and utility system financing.

Those, I think, are the high spots of the basic agreements involved in this. If there are any questions, I'd be happy to respond to them.

MAYOR: Are there any questions? We've had this fully addressed to us, explained to us in executive session. OK, thank you, Urie, and thank you very much for the work that you've done on this. You've done a terrific job of negotiation on this, and likewise with Andy Kever. Andy, would you like to say a word here?

KEEVER: Thank you, Mr. Mayor and members. This has been a very long and difficult process, certainly for the council, but for all the

citizens of Austin. I know that the council negotiated long and hard for over a year to reach the agreement in principle with Houston, and we've added another six and a half months of very difficult negotiations in finalizing the documents, transfers of ownership, the participation agreements that Mr. Dutton had stacked up here a minute ago -- but all of that, we believe, represents a very important and very material improvement in the position of the City of Austin, its electric utility, and its ratepayers. We believe that this settlement, if consummated as we expect that it will be, represents a material reduction in the future risk that the ratepayers of Austin face, and we are very pleased to be able to bring it to you and hope that it does come to fruition. The lawyers would be remiss if we did not add, Mr. Mayor, to your recognition our appreciation for the work that the city staff has done on this project -- John Moore and his staff, led by John Minor and Laura Doll and Joe Blaski. John Gooding from the city attorney's office has labored long and hard in helping us bring this to you, and with their hard work and with the resolve and support of the council throughout this process, we believe that this has a very satisfactory resolution. Thank you.

MAYOR: OK. Judge Hill.

HILL: Your honor and members of the council, I feel an obligation as your lead counsel on the litigation side to make a recommendation to you in this matter. That I think is a lawyer's job. I want to recommend that you make this settlement. The indemnity that's being provided is a very major factor. It's definitely in the interest of everyone in this city because that gives you a comfort level that we don't have at this time. I think that is a major factor to be considered. I also look at the operational control that

you're gaining over your new facility which you presently lack. I think that again is a comfort and a stabilizing factor for all of us. Now, this is a unique lawsuit and a unique settlement. It's rather dangerous business to compare lawsuits because no two are alike, really, and this one is quite unusual. For one thing, the Brown & Root case is already settled. You've already heard a lot about the mismanagement that occurred, so I won't dwell on that -- that's been written about and talked about and argued about -- I think everybody knows that there was, in fact, a lot of mismanagement. Now we are faced with a Houston Lighting & Power matter, and not to dwell on the mismanagement but the misinformation side of the case, which is basically what this lawsuit in its major components has been about -- that is, had we known, as a participant, all of the facts -- if everything had been out on the table which we had a right to, decisions could have been made that would have been different, and probably would have been made. And we were damaged by that, and we have a lawsuit over it. Now what is any lawsuit worth in terms of dollars -- and that's all we can gain in this case. We tried to offer a rescission alternative to the court, to just rescind the contract. That was denied. That's a discretionary remedy in a lawsuit of this type, and it would be extremely difficult to reverse any decision made by trial court that was discretionary in nature, so you have only the damage outlet in this case. We cannot bring a remedy of removal from the STP from this lawsuit. That, of course, you've always considered as a council to be a big factor. How much money it would bring -- it's dangerous to predict juries. We'll be trying the case in Dallas before a jury. I'd say that we feel good about the case, and we think that we would probably prevail and have a substantial money verdict, but you would not have the benefits of this settlement. And

the only way I know to gain those benefits, those kinds of benefits, is through this unique settlement because, while it has a money component to it, it has these other features, where you do end up with the same amount of megawatt power that you had in STP. You could argue the economics of it for a long, long time, but there's a lot more involved than just that one consideration. And I think, looking at the total from all four corners, that I can stand here and recommend that you vote favorably on this proposal. I'd be glad to answer any questions.

MAYOR: OK. Thank you, Judge Hill. Any questions? Thank you.  
John Moore, director of our electric utility.

MOORE: Mr. Mayor and council, before I talk specifically about economics, I'd like to make a couple of points. One is that I believe it is very important to the long-term viability of this electric utility that we get out of the South Texas project, that that project creates a great deal of risk for the utility, and the project itself has a lot of risks. It's very unpredictable when we sit and try to model the economics and the ratepayer impact of costs out into the future, and there's a great community concern, has been for a long time here in Austin about being involved in a nuclear project. In the process of getting out, it's important that we get some value out of the investment we've made in that project, as much value as possible. Now when we look at the economics of getting out, we do two things. One is, we look at the present value of the stream of revenue requirements on our ratepayers for different scenarios. In this case we compared the settlement scenario to two different scenarios involving how we thought STP might perform. There's a whole realm of how STP might perform, and no one knows. As I mentioned, it's a very unpredictable project. But

we put together a set of assumptions that we refer to as an optimistic case for STP. They're very similar, very close to the current assumptions that Houston Lighting & Power purports for the project. And when we compared the settlement deal to that STP optimistic case, we found that the settlement was more valuable to our ratepayers or cost less by a present value of \$50,000,000. When we compared the settlement deal to a set of assumptions that we would term a pessimistic case -- and let me make clear that there are all sorts of assumptions that one might argue about as to how pessimistic or how optimistic you are, but we picked one we thought reasonably depicted a pessimistic case, and when we compared the settlement present value to that case, we're better off by \$461,000,000. That gives us some hold on this realm over which the value of the settlement could range versus what might happen with the South Texas Project. It doesn't answer that question categorically -- there is no way to answer that question categorically -- but based on those two scenarios, we believe that this deal has the potential to be very valuable to the ratepayers of this utility. In addition, we looked at specific rate impacts, and as you've already mentioned, the settlement offers the opportunity to lower what we're projecting as approximately 12% rate increase system-wide for next year to one of a little over 4%. We think that's very important, given the problem that we've had with high bill complaints, the concern our citizens have had with electric rates, and the general overall economic times here in Austin. So to sum up economics, we've looked at the present value of future revenue requirements. We've also looked at specific, immediate rate impacts, and on both cases, both points, the settlement is favorable.

Let me elaborate just a minute more about risks.

This settlement allows us to mitigate significantly risks, and I think it's important to look at the history of the electric utility industry into nuclear power, and in hindsight, at least, they took some pretty big risks -- we took some pretty big risks -- and risk is not the nature of being in the utility business. If you want to be in a risky business, you should be in oil well drilling or something of that sort. We shouldn't take the kind of risks we took when we were reaching for the golden nuclear ring. So we mitigate that risk by being in a coal plant, a Texas lignite plant. Sure, that plant has some risks, and that plant's going to be one that we find some citizens are concerned with and one that has its own set of uncertainties and costs. But it's much more certain, much more predictable than a nuclear plant. We're going also to be in a plant that's already in operation, not still in construction, and that, of course, is a less risky, less unpredictable situation. Some of the risks we are concerned with over nuclear beyond those that are obvious are what are going to be the ongoing capital costs of being a participant in the South Texas Project, what are going to be the O & M costs. We've seen forecasts by Houston Lighting & Power for those costs rise dramatically in the last couple of years. And what's going to be the impact of regulatory control as we move forward with . . . if we were in a nuclear project like South Texas. Also, I'd like to mention a little bit more about operational flexibility. In the settlement deal, the Limestone Electric Generating Station -- LEGS is an acronym Houston Lighting & Power has used -- we get more dispatchability. We get more dispatchability through contractual provisions than we had in the South Texas Project, and we get more



dispatchability through the physical characteristics of the plant. A lignite plant is inherently more controllable, can follow load easier than a nuclear project. We also have more management control, and we get more management control also through contractual terms and also through the physical characteristics. I think Judge Hill referred to this settlement as being unique, and it is unique. We've had some chance to look at the settlement that TMPA recently reached with their Comanche Peak involvement with Texas Utilities, and there's been some thought that they got a lot more favorable settlement. Perhaps that's so. I can tell you that based on what I've looked at and based on discussions directly with two high-ranking officials of Texas Utilities, they have a very unique situation compared to our situation. TU's particularly unique among utilities and especially nuclear-owning facilities in that they are in need of more capacity. They "crave" to have the rest of the capacity of Comanche Peak in their hands alone. That's certainly not what we've heard from Houston Lighting & Power over the many months, actually the last two or three years, that we've actively pursued this settlement. Texas Utilities, because they had an opportunity to acquire that capacity from TMPA at a cost they thought was reasonable, was able to do that deal. That I think is the key characteristic that shows how unique that situation is and how different it is from where we're at. When I step back, as I've had a chance to over the last couple of weeks, and think about where we've come and what this deal means, I thought about four questions I asked myself to re-check what I thought about this deal. One of those was, do we need to get out? As I've already said, I believe strongly that we need to get out, that it's

important to the longterm viability to get out of that project because we need to limit the risk. Next question is, in the process of negotiating this settlement, did we get all we could? Did we get as much value as possible out of the negotiations? And I firmly believe that we fought very hard and long, and we got all that we could get. Third I asked, did we get enough in the process of negotiating that deal to justify the settlement? Our economic analysis verifies that we did get enough, that the deal is of benefit to our ratepayers versus staying in the project. And last I asked, is this the last chance to get out of the South Texas Project? That's the only question that I couldn't answer affirmatively to myself with a yes, but I'll say it's a strong likelihood, too strong to take a risk that you might be able to do a better deal at a later time. I think the time is right; we've worked on this a long time; we need to do this deal, and I strongly recommend that we go ahead and settle at this point in time.

Thank you.

MAYOR: Thank you very much, Mr. Moore. Is there any more to the staff presentation?

CARL-MITCHELL: Just one question, Mr. Moore. Just for some clarification. The pessimistic case for the STP that you've analyzed -- that's not the worst case, where the plant never comes on line?

MOORE: No, there's probably worse cases depending on which set of assumptions you would put together that you could argue were reasonable to consider. We think this is a reasonably bad case that we call pessimistic, but there could well be worse cases.

CARL-MITCHELL: And the difference between that and what the settlement will give us is \$450,000,000, so if STNP never works or works badly,

worse than the pessimistic case, then the value of this settlement is even more than that.

MOORE: Could have even a worse . . .

CARL-MITCHELL: But we have basically been indemnified from that risk...

MOORE: Yes.

CARL-MITCHELL: ... in this agreement. Thank you.

MAYOR: All right, is there any further staff presentation on this at this time? All right. I think that the presentation that has been made certainly indicates that the present value of future revenue requirements, and considering those when a cost analysis is done, certainly indicates the value of accepting this settlement and getting out of the South Texas Nuclear Project. Likewise, we're going to be able to use cash, to use the cash to reduce rates, and we're going to reduce our risk. I believe the settlement is an excellent one. I want to commend the City Council first before we hear from each one of them. We've had a very long series of negotiations here. The City Council has worked very, very hard over a long period of time, two years or more, to produce this settlement. We've had a council that has been very patient, that has been very analytical, that has been very careful and has worked very, very cooperatively with our lawyers and our staff to obtain this kind of a settlement. And I think each member of the City Council is owed a deep debt of gratitude by not only myself in working with them but by the entire City of Austin for the kind of diligence and effort and careful consideration that they've given to this matter. Now I'd like to proceed in the order of seniority here and ask Mayor Por Tem Trevino to make whatever comments he would like to make at this time.

TREVINO:

I thought you were talking about Urdy.

(Laughter)

Thank you, Mayor. Mayor, members of the council, ladies and gentlemen, it was exactly 15 years ago -- exactly 15 years ago, in 1973 -- that I recall that we were campaigning -- at that time it was my first attempt at public office -- and we were campaigning, and one of the concerns that we had in that campaign was the nuke. The main concern that we had at that time, of course, was that of the environmental danger that it would cause, could cause. The selling point to the public, to the citizens of Austin, was that it was going to be very, very economical, and while I didn't -- being a neophyte -- I didn't really argue whether it would be economical or not but rather that it was a great concern to us about what could happen. And of course since then we've seen what's happened, not only in this country but in Europe. And so, because of the will of the voters, we, the City of Austin, through another council became involved in this endeavor. And even though that was the will of the city, there was still concern by those council members that came after 1973 in trying to persuade the community that it was a bad deal, again mostly because of the environment. However, by 1981 the public was well versed with the potential dangers not only to the environment but also, by then, the escalating cost of the nuke. And there's a gentleman here in the audience that I will acknowledge in a few minutes, but I think he was one of the individuals that helped probably enlighten me more in terms of not only the environmental dangers but also the cost escalations that we were beginning to see mount up. So since 1981, when the public spoke again and said, get out, sell, that you mandated, you, the public, mandated for us to sell our

share -- and succeeding councils since then have made attempts -- and let me acknowledge that they did make valiant attempts to try to, in whatever way, to try to sell it, trade it, and even attempted to give it away because we saw that it was draining us tremendously. It is with this council, however, that it has been given the opportunity to finally, finally close this settlement, really try to come up with the best deal for our community and at the same time get rid of something that I think a lot of us do really consider, as the mayor said, as an albatross. So in 15 years we've come full circle and hope that after the motion and the vote on this and that our partner HL&P will also agree, that we will be able to finally close a chapter of Austin's history. And I might add, a very costly chapter to our history. And so I, too, would like to thank the mayor and council, for I don't think the public really is aware, really, really is aware of the, not hundreds, thousands, sometimes I guess I think I would better say the years that we have talked about negotiations and getting out. And so I applaud Mayor Cooksey and all the members of the council. I have to, of course, acknowledge the previous mayors and council members who also had diligently tried to resolve that problem during their administrations. And I think it is most fitting to have here symbolizing those other former council members Mr. Roger Duncan, who was the gentleman -- get up, Roger, get up -- there you go. This is the young man . . . (laughter) . . . This is the young man who I think, in fact, since my tenure here has been the only, the first and only council aide, at that time under Council Member Margaret Hoffmann, who asked permission to approach the council to talk to us about his concern and the concern of other folks about the nuke. And this was a time when we started talking really seriously at the electrical auditorium about the

costs and the cost overruns that I was referring to. So I think it is very fitting that Roger, former Council Member Duncan, be here to symbolize all the other council members that were involved in trying to accomplish what has been given to this council. And of course one has to acknowledge all the staff . . . the manager, Mr. Hunt, the assistant city manager, Mr. Moore, and all your numerous staff members that have been involved, and I'm sure that there's more people that we probably didn't even interface with that had a lot to do, the ones that wind up doing a lot of work, punching in the numbers that we never even know their faces or their names. And certainly to the legal counsel, Mr. Knight, Barney Knight, and of course Jonathan Davis, and all the other attorneys that we've had in the past that in their time have also contributed greatly. And of course to legal counsel, Mr. Dutton, and of course to our great judge, John Hill. So to all of you gentlemen on behalf of not only the council but I think on behalf of all the citizens of Austin who are grateful that we're finally able to get out of something that even if it worked at the very best as we see it, we'd still save \$40,000,000 or \$50,000,000, and if it worked like we anticipate it will probably work, or maybe even worse, we wind up saving \$160,000,000, and with more certainty now as we move into the lignite. So on behalf of all of us to all of our staff, to legal counsel, and I ... a personal note to mayor and council, thank you very much, and let's get on with it.

MAYOR: OK. Dr. Urdy.

URDY: Thank you, Mayor. I suppose, since I am in fact older than the mayor pro tem, that I not only have to go back further in time but also to talk longer. (Laughter) But if I can just take a few minutes of your time -- we all realize this doesn't happen every day, so you don't have

to worry about me taking up a lot of your time in your lifetime -- but it did strike me because I think I have somewhat of a different history with respect to this than most people. I was -- and you know this was a long time, because I was about to say, as a young scientist -- it was longer than '73 -- but seriously, and particularly one who had a deep interest in what was called nuclear and radio chemistry, and one who had spent some time around nuclear reactors, and I've done a lot of experiments around nuclear reactors -- actually I was the first one to use the research reactor at Texas A&M University for those of you who may be Aggies -- but I was horrified -- you know, I had just gotten out of graduate school and thinking how great science was and how exact it was -- horrified to find that in this country that was the greatest technological country in the world, that absolutely nobody knew what to do with nuclear waste. And I'm even more horrified now because nobody still does. That's 25 years ago, and I used to talk about that some around with Roger Duncan and some of the guys in those days because there were some startling stories in those times about, you know, technology developing storage tanks that would last for 200 years, only to find 20 years later that they'd been leaking for 15 years. And those kinds of things, and I suppose that's how it happened that I turned to politics. Gave up somewhat on that science. But then I came back to Austin in 1973, and that's why guys like Roger Duncan and that whole crowd got me hooked into politics through a group that was called Austin Citizens for Economical Energy, I believe, and we actively opposed Austin's entering into the South Texas Nuclear Project at that time. Somehow, then, in the intervening years from '73 to '81, I got ... I guess I went real crazy and ran for City Council and got elected. And learned then that there were real serious economic