

REGULAR MEETING OF THE CITY COUNCIL
OF THE CITY OF SAN ANTONIO HELD IN
THE COUNCIL CHAMBER, CITY HALL, ON
THURSDAY, DECEMBER 14, 1978.

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The meeting was called to order at 1:00 P.M. by the presiding officer, Mayor Lila Cockrell, with the following members present: CISNEROS, WEBB, DUTMER, WING, EURESTE, ORTIZ, ALDERETE, PYNDUS, HARTMAN, STEEN, COCKRELL; Absent: NONE.

78-56 The invocation was given by The Reverend James Puckett, Harlandale Southern Baptist Church.

78-56 Members of the City Council and the audience joined in the Pledge of Allegiance to the flag of the United States.

78-56 CONSENT AGENDA

Councilman Pyndus moved that Items 4-22, constituting the consent agenda be approved with the exception of No. 9, which was requested by Councilwoman Dutmer to be pulled for separate consideration. Mr. Steen seconded the motion.

On roll call, the motion, carrying with it the passage of the following Ordinances and Resolution, prevailed by the following vote:
AYES: Webb, Dutmer, Wing, Eureste, Ortiz, Pyndus, Hartman, Steen, Cockrell;
NAYS: None; ABSENT: Cisneros, Alderete.

AN ORDINANCE 50,154

ACCEPTING THE LOW QUALIFIED BID OF R.A. BAYLOR CO., IN THE SUM OF \$44,818.00 FOR CONSTRUCTION OF URSULINE LANDING AND SOUTH-WEST CRAFT CENTER RIVER ENTRANCE; AUTHORIZING EXECUTION OF A STANDARD PUBLIC WORKS CONTRACT; AND AUTHORIZING PAYMENT FROM FUND 27-008 OF \$44,818.00 FOR SAID WORK AND \$2,069.00 FOR CONTINGENT CONSTRUCTION EXPENSES.

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AN ORDINANCE 50,155

ACCEPTING THE LOW QUALIFIED BID OF JOE F. MORALES CONSTRUCTION CO., IN THE SUM OF \$76,157.00 FOR OAKHAVEN PARK CONSTRUCTION; AUTHORIZING EXECUTION OF A STANDARD PUBLIC WORKS CONTRACT; AND APPROPRIATING \$80,000 FROM 1970 PARK BOND FUND FOR SAID WORK AND CONSTRUCTION CONTINGENCY EXPENSES.

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AN ORDINANCE 50,156

ACCEPTING THE QUALIFIED BID OF INDEPENDENT ROAD BORING AND TUNNELING, INC., FOR CASTLE HUNT RECONSTRUCTION AND SANITARY SEWER OUTFALL-RAILROAD CROSSING IN THE SUM OF \$14,630.00; AUTHORIZING EXECUTION OF A STANDARD PUBLIC WORKS CONTRACT AND APPROPRIATING \$15,500.00 OUT OF FUND 52-008 FOR SAID WORK AND CONTINGENT CONSTRUCTION EXPENSES.

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AN ORDINANCE 50,157

ACCEPTING THE LOW QUALIFIED BID OF JANOTA CONSTRUCTION CO., IN THE SUM OF \$21,163.58 TO INSTALL MONORAIL CRANES FOR THE MARINA UNDER MAIN LIBRARY; AUTHORIZING EXECUTION OF A STANDARD PUBLIC WORKS CONTRACT; APPROVING A REVISED BUDGET; AND AUTHORIZING PAYMENT OF \$22,663.58 FOR THE WORK AND CONTINGENT CONSTRUCTION EXPENSES.

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AN ORDINANCE 50,158

ACCEPTING A \$10,000 GRANT FROM THE TEXAS DEPARTMENT OF COMMUNITY AFFAIRS, FOR IMPROVEMENT OF JUAN VIDAURRI PARK, AUTHORIZING AN AGREEMENT WITH AMISTAD CIVIC ORGANIZATION, INC., A NOT-FOR-PROFIT ORGANIZATION, TO CARRY OUT A PROJECT FOR SAID IMPROVEMENTS, AUTHORIZING THE CITY MANAGER TO EXECUTE RELATED DOCUMENTS AND ESTABLISHING A PROGRAM BUDGET.

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AN ORDINANCE 50,159

AUTHORIZING ADDITIONAL EXPENDITURES OF \$29,655 FOR RENTAL OF HEAVY EQUIPMENT FOR SITE WORK AT ROSEDALE PARK UNDER TERMS OF CONTRACT WITH GUIDO BROTHERS CONSTRUCTION COMPANY FOR A TOTAL AMOUNT NOT TO EXCEED \$146,757.

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AN ORDINANCE 50,160

AUTHORIZING THE CITY MANAGER TO ENTER INTO A STANDARD PROFESSIONAL SERVICES CONTRACT WITH HENRY BAIN ENGINEERS, INC. TO PROVIDE PROFESSIONAL SERVICES FOR MODIFICATIONS TO PUBLIC PARKING FACILITIES AT INTERNATIONAL AIRPORT; AND AUTHORIZING PAYMENT IN THE AMOUNT OF \$8,000.00 THEREFOR.

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AN ORDINANCE 50,161

ACCEPTING THE LOW BID OF CRANE SUPPLY CO. TO FURNISH THE CITY PUBLIC WORKS DEPARTMENT WITH PORTABLE CENTRIFUGAL PUMPS FOR A NET TOTAL OF \$5,374.75.

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AN ORDINANCE 50,162

ACCEPTING THE LOW BID OF EXXON COMPANY, U.S.A., TO FURNISH THE CITY WITH THE ANNUAL CONTRACT FOR DIESEL FUEL OIL AT A PRICE OF \$.3855 PER GALLON.

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AN ORDINANCE 50,163

ACCEPTING THE LOW BID OF JORDAN FORD, INC.,
TO FURNISH THE CITY WITH AUTOMOBILES THROUGH-
OUT THE 1979 MODEL YEAR.

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AN ORDINANCE 50,164

ASSIGNING THE CURRENT CONTRACT FOR GENERAL
ELECTRIC COMMUNICATION EQUIPMENT PARTS FROM
COM-SUPPLY, INC., TO GENERAL ELECTRIC COMPANY.

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AN ORDINANCE 50,165

EXERCISING THE CITY'S OPTION TO PURCHASE
BALANCE OF RENTAL PURCHASE OF ONE (1)
TRACTOR-LOADER-BACKHOE FROM GIRARD
MACHINERY & SUPPLY COMPANY FOR A NET TOTAL
OF \$5,766.00.

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AN ORDINANCE 50,166

ACCEPTING THE LOW BID OF LES FERGUSON
COMPANY TO FURNISH THE CITY ECONOMIC AND
EMPLOYMENT DEVELOPMENT DEPARTMENT WITH
PRINTED FORMS-MULTIPLE PART FOR A NET TOTAL
OF \$3,459.26.

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AN ORDINANCE 50,167

AUTHORIZING THE PLACEMENT OF INSURANCE
COVERAGE ON THE RECEIPT AND STORAGE OF MONEY
AND MESSENGER SERVICE, CONCOMMITTANT TO THE
OPERATION OF THE PARKING LOTS AT INTERNATIONAL
AIRPORT FOR A PERIOD ENDING AUGUST 1, 1981.

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AN ORDINANCE 50,168

AUTHORIZING PAYMENT OF REFUNDS TO PERSONS
MAKING OVERPAYMENTS OR DOUBLE PAYMENTS ON
CITY OF SAN ANTONIO TAXES.

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A RESOLUTION
NO.78-56-164

AUTHORIZING AND SETTING TWO PUBLIC HEARINGS
BEFORE CITY COUNCIL PRIOR TO AUTHORIZATION
OF THE 5TH YEAR COMMUNITY DEVELOPMENT BLOCK
GRANT APPLICATION; THE FIRST ON JANUARY 15,
1979 AT 7:00 P.M. IN THE FIESTA ROOM AT THE
HENRY B. GONZALEZ CONVENTION CENTER; THE
SECOND ON JANUARY 25, 1979 AT 3:00 P.M. IN
THE CITY COUNCIL CHAMBERS AT CITY HALL.

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AN ORDINANCE 50,169

APPROVING THE SAN ANTONIO 1978/79 CIVIL PREPAREDNESS PROGRAM AND ACCEPTING AN AWARD BY THE DIVISION OF DISASTER EMERGENCY SERVICES OF THE TEXAS DEPARTMENT OF PUBLIC SAFETY OF A REIMBURSEMENT GRANT IN SUPPORT OF ONE-HALF OF THE COST OF PERSONNEL AND ADMINISTRATION EXPENSES OF THE CITY'S CIVIL DEFENSE AND DISASTER RELIEF OFFICE.

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AN ORDINANCE 50,170

ACCEPTING THE DESIGNATION OF THE CITY OF SAN ANTONIO AS THE SOLE PROVIDER OF SERVICES IN BEXAR COUNTY UNDER THE SPECIAL SUPPLEMENTAL FOOD PROGRAM FOR WOMEN, INFANTS AND CHILDREN (WIC PROGRAM); AUTHORIZING INCREASING THE BUDGET COST OF THE 1978/79 PROGRAM FROM \$183,198 TO \$369,491 AND AUTHORIZING ADDITIONAL POSITIONS.

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78-56 Mr. Alderete made reference to Ordinance 50,163 expressing surprise that the City was considering the purchase of full-size automobiles in view of the present energy shortage.

He asked if the Purchasing Department was giving equal consideration to medium and small cars for City use.

City Manager, Tom Huebner said that Purchasing Department considers fuel consumption as well as vehicle maintenance when considering the purchasing of new vehicles and it's not always the smaller vehicles that turn out to be the cheapest to operate. He assured Councilman Alderete that all factors had been considered.

78-56 The following Ordinance was read by the Clerk and after consideration, on motion of Mr. Pyndus, seconded by Mr. Steen, was passed and approved by the following vote: AYES: Webb, Dutmer, Wing, Eureste, Ortiz, Alderete, Pyndus, Hartman, Steen, Cockrell; NAYS: None; ABSENT: Cisneros.

AN ORDINANCE 50,171

REJECTING ALL BIDS ON THE SOUTHSIDE LIONS PAVILION PROJECT.

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Councilwoman Dutmer made an inquiry as to why these bids had been rejected.

Administrative Assistant to the City Manager, George Noe, stated that after the bids were received by the City Engineer and the Parks Department, they felt that the cost was too high, therefore, the bids were rejected.

23. CASE 7529 - to rezone Lot 13, Block 3, NCB 13904, 842 Stutts Drive from "A" Single Family Residential District to "B-3" Business District, located southeast of the intersection of Stutts Drive and U.S. Highway 90 East Expressway, having 50' on Stutts Drive and a depth of 265'.

Mr. Andy Guerrero, Planning Administrator, explained the proposed change which the Zoning Commission recommended be approved by the City Council.

No one spoke in opposition.

After consideration, on motion of Mr. Steen, seconded by Mr. Eureste, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Ortiz, Alderete, Steen, Cockrell; NAYS: None; ABSENT: Pyndus, Hartman.

AN ORDINANCE 50,172

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS LOT 13, BLOCK 3, NCB 13904, 842 STUTTS DRIVE, FROM "A" SINGLE FAMILY RESIDENTIAL DISTRICT TO "B-3" BUSINESS DISTRICT, PROVIDED THAT THE PROPERTY IS REPLATTED INTO ONE LOT WITH THE LOT TO THE NORTH, AND THAT A SIX FOOT SOLID SCREEN FENCE IS ERECTED AND MAINTAINED ALONG THE SOUTH PROPERTY LINE.

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24. CASE 7530 - to rezone Lot 1 and the northwest 24.23' of Lot 2, Block 4, NCB 15855, being that portion presently not zoned "I-1" Industry District, 443 Nakoma Drive, from "B-3" Business District to "I-1" Light Industry District, located east of the intersection of West Avenue and Nakoma Drive, having 200.04' on West Avenue and 158.69' on Nakoma Drive.

Mr. Andy Guerrero, Planning Administrator, explained the proposed change which the Zoning Commission recommended be approved by the City Council.

No one spoke in opposition.

After consideration, on motion of Dr. Cisneros, seconded by Mr. Webb, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Ortiz, Alderete, Steen, Cockrell; NAYS: None; ABSENT: Pyndus, Hartman.

AN ORDINANCE 50,173

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS LOT 1 AND THE NORTHWEST 24.23' OF LOT 2, BLOCK 4, NCB 15855, BEING THAT PORTION PRESENTLY NOT ZONED "I-1" INDUSTRY DISTRICT, 443 NAKOMA DRIVE, FROM "B-3" BUSINESS DISTRICT TO "I-1" LIGHT INDUSTRY DISTRICT.

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78-56 The following Ordinance was read by the Clerk and after consideration, on motion of Mr. Steen, seconded by Mr. Webb, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Ortiz, Alderete, Hartman, Steen, Cockrell; NAYS: None; ABSENT: Pyndus.

AN ORDINANCE 50,174

AUTHORIZING THE MODIFICATION OF THE FY-79 ANNUAL PLAN FOR THE YOUTH EMPLOYMENT AND TRAINING PROGRAM UNDER THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1978; ACCEPTING A SUPPLEMENTAL GRANT IN THE AMOUNT OF \$98,421; REVISING THE PROGRAM BUDGET; AND, AUTHORIZING MODIFICATION OF CONTRACTS WITH THIRD-PARTY AGENCIES.

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78-56 The following Ordinance was read by the Clerk and after consideration, on motion of Mr. Steen, seconded by Mr. Webb, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Alderete, Hartman, Steen, Cockrell; NAYS: None; ABSENT: Ortiz, Pyndus.

AN ORDINANCE 50,175

AUTHORIZING THE MODIFICATION OF THE PRIME SPONSOR AGREEMENT AND THE FY-79 EMPLOYMENT AND TRAINING PROGRAM UNDER TITLE II OF THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1978; ACCEPTING A SUPPLEMENTAL GRANT IN THE AMOUNT OF \$1,097,472; AUTHORIZING MODIFICATION OF THE CONTRACTS WITH THIRD PARTY OPERATING AGENCIES; AND AUTHORIZING THE MODIFICATION OF THE NON-FINANCIAL AGREEMENT WITH THE TEXAS EDUCATION AGENCY FOR SUPPLEMENTAL VOCATIONAL EDUCATION SERVICES.

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78-56 The following Ordinance was read by the Clerk and after consideration, on motion of Dr. Cisneros, seconded by Mr. Eureste, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Ortiz, Alderete, Hartman, Steen, Cockrell; NAYS: None; ABSENT: Pyndus.

AN ORDINANCE 50,176

AUTHORIZING THE MODIFICATION OF THE FY-79 ANNUAL PLAN FOR THE YOUTH COMMUNITY CONSERVATION AND IMPROVEMENT PROJECTS UNDER THE COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1978; REVISING THE PROGRAM BUDGET; AND AUTHORIZING THE MODIFICATIONS OF THE CONTRACTS.

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78-56 Items 28 and 29 of the agenda being ordinances authorizing modification to certain programs under the Comprehensive Employment and Training Act were withdrawn from consideration at the request of the City Manager.

78-56 The following Ordinances were read by the Clerk and after consideration, on motion made and duly seconded, were each passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Alderete, Pyndus, Hartman, Steen, Cockrell; NAYS: None; ABSENT: Ortiz.

AN ORDINANCE 50,177

AUTHORIZING SUBMISSION OF AN APPLICATION TO THE GOVERNOR'S COMMITTEE ON AGING FOR A \$1,546,412.00 GRANT FOR CONTINUATION OF THE METRO SAN ANTONIO COMPREHENSIVE NUTRITION PROJECT FOR ONE (1) YEAR COMMENCING MARCH 1, 1979 AND ENDING FEBRUARY 29, 1980; APPROVING A BUDGET THEREFOR AND APPROPRIATING FUNDS, APPROVING A PERSONNEL COMPLEMENT AND AUTHORIZING EXECUTION OF AGREEMENTS WITH PRIVATE AGENCIES FOR OPERATION OF SERVICE SITES.

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AN ORDINANCE 50,178

ACCEPTING THE PROPOSAL OF FIRST SOUTHWEST COMPANY TO PROVIDE FINANCIAL ADVISORY SERVICES FOR AIRPORT EXPANSION FINANCING.

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AN ORDINANCE 50,179

ACCEPTING THE PROPOSAL OF CAMP DRESSER & MCKEE, INC., TO PERFORM A STUDY OF THE CITY WATER BOARD RATE INCREASE REQUEST.

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78-56 The following Ordinance was read by the Clerk and after consideration, on motion of Mr. Pyndus, seconded by Dr. Cisneros, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Ortiz, Alderete, Pyndus, Steen, Cockrell; NAYS: Wing, Eureste, Hartman; ABSENT: None.

AN ORDINANCE 50,180

POSTPONING THE COUNCIL MEETINGS SCHEDULED FOR DECEMBER 27, 1978, AND DECEMBER 28, 1978.

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78-56 The Clerk read the following Resolution:

A RESOLUTION
NO.78-56-165

OPPOSING THE REMOVAL OF DESIGNATION FROM THE SAN ANTONIO 208 DESIGNATED AREA AND OPPOSING THE REMOVAL OF THE DESIGNATION OF THE ALAMO AREA COUNCIL OF GOVERNMENTS AS THE PLANNING AGENCY FOR THE SAN ANTONIO 208 DESIGNATED AREA.

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Mr. Hartman moved that the resolution be adopted. The motion was seconded by Mr. Steen.

Mr. Pyndus offered a substitute motion to separate the two subjects included in the resolution so that separate votes could be taken. The motion was seconded by Mrs. Dutmer. On roll call, the substitute motion failed to carry by the following vote: AYES: Dutmer, Pyndus, Steen; NAYS: Cisneros, Webb, Wing, Eureste, Ortiz, Alderete, Hartman, Cockrell; ABSENT: None.

After discussion, the original motion by Mr. Hartman to approve the resolution carried by the following roll call vote: AYES: Cisneros, Webb, Wing, Eureste, Ortiz, Alderete, Hartman, Cockrell; NAYS: None; ABSTAIN: Dutmer, Pyndus, Steen; ABSENT: None.

The resolution was approved.

78-56 Item 33 of the agenda being a proposed ordinance establishing a Private Industry Council was withdrawn from consideration on the request of Councilman Eureste and concurrence of other Council members.

DISCUSSION REGARDING THE
ISSUANCE OF \$75 MILLION
ELECTRIC AND GAS SYSTEM
BONDS, NEW SERIES, 1979.

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The Clerk read the following Ordinance:

AN ORDINANCE 50,181

CERTIFICATE FOR ORDINANCE APPROVING AND
AUTHORIZING THE GIVING OF NOTICE OF INTEN-
TION TO ISSUE \$75,000,000 "CITY OF SAN
ANTONIO, TEXAS, ELECTRIC AND GAS SYSTEMS
REVENUE IMPROVEMENT BONDS, NEW SERIES,
1979", AND DECLARING AN EMERGENCY.

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MR. PYNDUS: I move adoption of the ordinance.

DR. CISNEROS: I second the motion.

MAYOR COCKRELL: I'd like to ask if a representative, Mr. Jack Spruce, or other representatives from the City Public Service Board would come forward at this time.

MR. EURESTE: Point of parliamentary inquiry.

MAYOR COCKRELL: Yes, sir.

MR. EURESTE: The motion has been made and seconded. I would assume then that the motion is subject to amendment at any time during the discussion. I would also assume that it would also be subject to any amendment at any time and that there's a break between the speakers that are going to be addressing us. Is that correct?

MAYOR COCKRELL: That would be correct, although it would be my intent to permit the staff to present the background information before moving forward on any alteration on motions or voting or whatever.

MR. EURESTE: Then the motion, perhaps, should be withdrawn.

MAYOR COCKRELL: Yes, it would be my recommendation actually, that we hold the motion until we have had the presentation. Would it be agreeable to withdraw the motions just for the moment until we have the staff presentation.

May I ask the staff from the City Public Service to discuss several things for the Council. I think we all recognize that there have been some questions raised in the community, particularly in regard to allegations of the problems at the South Texas Plant. There have been questions raised that I'm sure Council members would like to have answers to and there has perhaps not been sufficient time since these questions have been raised in the community for a full study and reponse to the issues, both to the City Public Service Board and to the Council.

I would like to ask that the representatives from the City Public Service Board, financial and so forth, do several things in your presentation. Number one, lay out from the financial side what the facts are relative to the financial needs, particularly to the time tables. Just what are the crucial limits or what latitude there is in schedules. Just what the time frame is to make the decisions and address the issues.

Second, in regard to questions that have been raised publicly and any other similar issues that may be a continuing concern how the City Public Service intends to process and set up an effort to get answers and to get them to the board members, to the Council, and to the community, and in what time frame you would see that as being possible. I think those are the two main issues I would like to have covered at the time when you make your presentation.

MR. GLEN HARTMAN: With regard to those questions, let me further add that - and I will state my intention for later action. In view of the many, many allegations and perhaps conjectures and stories with regard to overruns and what has caused the overruns of the South Texas Project, inasmuch as a number of those have surfaced, particularly in recent weeks, I have voiced my increasing concern over the need to have the City Council fully apprised of each and every incident that resulted in an overrun, as a result of a re-do or report or whatever in the project. I've asked that the City Council be apprised of each incident and the cost involved, who is paying for it and what opportunities there may be for us to recoup the money that has been involved in such errors.

Initially, the overrun question was dealt with in terms of normal escalating costs. More recently, I think we have had some dialogue and there has also been a statement or two by CPSB indicating that indeed some of the overruns were due to mistakes. I think the word used was "blunders" by the contractor who is building the site, who is building the plant. My intent would be for this Council to be given a full thorough run down of all of such incidents when they occurred, how much they cost us in overruns. Did they appear to be in negligence and if so, on whose part and who is paying for it. I don't think that that can logically be explained or readily be explained here this afternoon and it was for that reason Madam Mayor, that I have indicated a desire to see us postpone this action for two weeks, with the full understanding that such postponement would not jeopardize our investment, with the understanding that this would give the CPSB ample time to methodically review these problems and come up with precise answers.

I think in fairness to CPSB and in fairness to the Council and certainly to the public in general, I would hope that we would allow this 2 week period of time for CPSB to develop the answers. And in your response, Mr. Spruce, you and I have talked briefly on this before, in your response, I would like to have the response encompass those areas concerned. I refer to an article in this morning's paper by Mr. Jim Wood, in which he indicated that statement by member-management and CPSB, stating that in fact the project could run into or that we could run into March without endangering our project, and I would like if you would, to address those items in your responses.

MAYOR COCKRELL: Let me ask, there are four other Council members holding and with these, may I ask each of you individually if these were things you'd like to say prior to Mr. Spruce's remarks. We'll just hold them until he gets through. All right, then we'll go ahead with your remarks and then I'll recognize the Council members.

MR. JACK SPRUCE: All right, Mayor, the first item you raised was the question of timing and I presume we want to relate that to this particular bond issue. Would that be all right? If I might, I would like to ask Mr. Freeman to explain to you the schedule for the issuance of the bonds, the time table we're on and as to just what any kind of delay, how we feel it would impact our financial situation.

MR. HOWARD FREEMAN: Mayor Cockrell and Council, I'm Howard Freeman, City Public Service. Currently, we, of course, have asked that the first ordinances authorizing the issuance of the bonds be considered at the meeting today. The first of these ordinances is the giving notice of intention to issue bonds. This ordinance depending upon the vote of the Council could become effective either immediately or after 11 days. Assuming that we would get a majority vote from the Council on this, it would be after the 11th day that we could begin to give notice of our intention to issue bonds. This notice has to be started 14 days before

the bonds can be sold so, assuming that we had the approval of the Council today, but not enough to enact it under the emergency provision, we would be able to sell bonds at the very earliest, on the 11th of January. That is the sale date that we have scheduled on the official statement.

After the bonds are sold at take, approximately 30 days for the Attorney General to approve the transcript and all the papers that need to be reviewed and to have the bonds printed before they can be delivered to the purchaser. This puts us into the middle of February before bonds could be delivered after having favorable action today.

At the last two Board meetings, we have reported to the Board of Trustees that our projections underrate that the last of the bond funds that are available for construction will be used during the month of January. As you also know, there are two sources of funds that we have to pay for construction. Those which are available from the sale of bonds and those which are available from the revenues of the utility itself. Currently, we have about \$27 million in the Improvement and Contingency Fund which would be available to pay for construction. This is also required for any unforeseen events which would come up where the Board would require to repair or replace facilities if they were damaged from any other way and in addition this is the source of the funds which are available for the payment of the new series bonds. But assuming that we would use all the funds that are available for construction, let's say all construction funds would be depleted by the end of March according to our current schedule, all bond funds by January and then we would deplete the other funds which have been built up from revenue.

I would also estimate that during the the next three months that we would probably have no addition to the Improvement Contingency Funds because at this time of the year of our cycle billing is not billed to customers so that normally this doesn't leave any additional revenues to go into your Improvement Contingency Funds, so I don't think there is much of an opportunity for additional funds to be generated from the business internally that could be used for construction during the coming several months during the winter.

MAYOR COCKRELL: All right, specifically the question that has been raised by Mr. Hartman to get a specific answer to it - he asked if a two weeks delay in the voting would have an adverse effect or just what affect it would have on the financial position of City Public Service in meeting its obligation under the bonds or under the program.

MR. FREEMAN: All I can say, I think, in response to that is that two weeks delay would, of course, then put the delivery of the bonds at the earliest around the first of March rather than the middle of February.

MR. HARTMAN: Madam Mayor, if I could follow it up. Howard, are you, you said the 11th of January the sale of the bonds and then you said roughly 30 days later for delivery, that would be the 8th of February.

MR. FREEMAN: Well, I was just estimating.

MR. HARTMAN: Now, if we slipped that sale of bonds, say, for example, to the 25th of January that would mean delivery the 22nd of February and you stated that it could be, that we could sustain ourselves, I think you said through March or words to that effect.

MR. FREEMAN: I said that we could probably get through March through using all resources.

MR. HARTMAN: I realize that but I mean if we looked at 22 February as the beneficial use date, if you want to use that term, 22 of February, that would still give us more than a month's cushion in there and still not fracture the investment, is that correct?

MR. FREEMAN: Let's assume again, I think the very best situation in all areas that we do get approval from the Attorney General within the time frame and that we have no other problems with delivery.

MR. HARTMAN: Yes, I realize that the best possible situation, of course, would be 22nd of February, you know let's say that everything just went completely to pieces and you have to back up to the end of February, even then you would still be allowed another week's cushion in there before things would get critical, whereas actually assuming no cataclysmic event, we could go through March. So we are actually talking in terms of somewhere let's say in the order of between a week to five weeks cushion if we slipped it two weeks from the standpoint of the vote.

MR. FREEMAN: Yes, if we're comparing the best circumstance with the worst.

MR. HARTMAN: That's right and recognizing that we do have a five week cushion to work with.

MAYOR COCKRELL: All right, that responded to the first part. Then, Mr. Spruce would you . . . there are some questions of Mr. Freeman.

MRS. DUTMER: Mr. Freeman, do you see if we take a delaying tactic, do you see any adverse reaction to selling of these bonds?

MR. FREEMAN: Well, first of all, let me say that when we started out, I had hoped that we would be able to set a sale date of the 4th of January. The reason for this is that historically, when we've had an opportunity to select a sale date, that we have found that we were able to get the most advantageous rate when we sell as soon as possible after the first of the year. This is normally because there's quite a bit of tax selling and buying right after the first of the year and whenever we can get into some of that money, the change of money, we normally get a little bit better rate. Because of not getting on the Council's agenda we were still trying to get as near the first of the year. That gives us an advantage that I think we will lose although I can't predict for sure what the market will be when we sell. I think that is at least an advantage that we think we have by selling early in January.

MRS. DUTMER: And then with the President's prediction of an austere year and the savings plan for the State of Texas under the new regime, do you see any possibility of expecting the bond ratings, the interest that we are going to have to pay?

MR. FREEMAN: Well, at this time, I feel that we could probably sell bonds at an interest rate in the neighborhood of 6½%. Looking forward, you hear all kinds of predictions for whether interest rates are going to continue to increase, whether they're going to decline, when they're going to decline. Most people still think that interest rates are going to increase more before they come down. The tax exempt rates have not followed as closely this time to other interest rates, for example, the prime interest as they have in the past years. For example, in 1974 when the prime rate increased substantially, we were having to pay a higher rate for our tax exempt bonds and I think we will in today's market. It's very difficult to say whether or not this trend will continue or change, the farther we get into it. Our attempt was to try to get in as quickly as we can while we still think that there is a favorable market. It's completely possible that a delay of 2 weeks may find a better market but I can't say that it will be worse but at least we feel that the market at this time still looks favorable and we feel that it would be a good time.

MRS. DUTMER: I realize that you can't predict what the exact amount will be but you all keep your nose pretty close to this. Thank you.

MAYOR COCKRELL: Thank you very much, Mr. Pyndus. Let me go around and, in order that they were on the Board and see if they had questions, Mr. Eureste.

MR. EURESTE: Yes, in the article in this morning's newspaper, there's also mention of a delay that occurred sometime back, maybe last year, and that you had to go out and borrow at a prime somewhere close to the prime lending rate. And that you had to go out and borrow because there was a delay in selling bonds. Did you ever report to the Council on that?

MR. FREEMAN: I don't believe that we reported to the Council that there was a delay. This was last year when bonds were not sold until February. Actually, the bonds were required a little earlier but we did not get on the Council's agenda early enough to issue the bonds. The bonds were actually sold and we didn't borrow the money under part of the agreement of the South Texas Project, other members of the project carried our share and then we paid them once we sold the bonds, plus the interest. They were borrowing at a prime rate, most of them, of course, cannot borrow tax exempt, the only other partner that can borrow tax exempt money would be the City of Austin and the members who were able to carry this were Houston Light and Power and Central Power and Light.

MR. EURESTE: Can you tell me the reason for the delay?

MR. FREEMAN: Well, the reason really was while we were trying to get, I think some membership on our Board straightened out and . . .

MR. EURESTE: The reason that I want to point this out is because the blame is being put on the Council for that delay, the Council - this is a political matter and not really your concern, it's really the Board but the Board had two options and that was to follow the mandate and wishes of the Council to make a quick change in one of the Board members or to hold up in coming before the Council for any bond issue and they chose to delay and it was a Board decision to delay, not a City Council decision to delay. I just wanted to settle that particular score, at least to rectify it or clarify it.

MR. PYNDUS: Yes Madam, thank you. Mr. Freeman, how much money do we have in the nuclear project?

MR. FREEMAN: The last figures that I have - we had paid to the South Texas Project about \$211 million. In addition we have some - this was for the project construction and for the transmission corridor. In addition, we have cost of the project for ongoing fuel fabrication, cost of that would be paid to the federal government and other costs and so our investment in the project is in excess of \$220 million dollars, I don't have the exact figure with me.

MR. PYNDUS: That's close enough. The \$220 million plus the \$75 million that's proposed today. Will we need more financing on the project?

MR. FREEMAN: Yes, yes we will.

MR. PYNDUS: Mayor, we have a question of delay, and I find it difficult to relate a delay to the matter of financing.

MAYOR COCKRELL: All right, I think the only question that was even raised was in terms of the financial pattern of sale, what was anticipated and whether a two week delay in the issuing of the bonds would have an adverse affect in terms of when the money was needed and that kind of thing. That was the issue that was to be answered.

MR. PYNDUS: The question I would like to ask my colleague, we are going to finance additional bonds, and this financing today delayed for what apparent reason, what will we gain?

MAYOR COCKRELL: That is, at that point, we're into another area. There is only a question raised for a staff answer . . .for an answer as to if the Council were to consider a delay what affect would it have on the time table. Now at this point, there is no motion to that effect on the floor. So it was simply an answer to a question.

MR. PYNDUS: Thank you.

MAYOR COCKRELL: All right, any other questions of the . . . Yes. Well, I think these were questions relative to other issues.

MR. HARTMAN: I just had one in regard to procedural question if I may, to Mr. Freeman. Howard, with regard to being able to provide for the Council a recounting, if you will, of overruns and their cause in terms of specific incidents. That information I would gather is readily available to CPSB.

MR. FREEMAN: Okay, we can get an analysis of the cost. We've got outside auditors engaged in the project to review costs. We have an internal audit committee that is functioning to review costs. It's very difficult maybe at this point in time to tell you what are overruns and what are not. At this point in time, as I say, we have expanded some \$210 million or so to the project for their construction costs, the bills that they receive from the contractor and I believe they are something like 78 subcontractors on the project at this time. It's just a matter of trying to go back through each one of these and getting estimates of what the costs should be for the progress to date and that is going to take some time in order to do it. It's not like getting to the end of a job and say you have a job that is estimated to cost \$500 million when it's completed and it cost \$600 million. So, it's all going to have to be relative to the amount of progress payments that have been made and whether or not these progress payments in what percent of completion they represent and what the expected cost was. It's going to take some time, I'm afraid to get all of these overruns developed.

MR. HARTMAN: No, I recognize that. All I'm saying is the fact, just in an over simplified fashion, you know, let's look at the bills and see which ones said you know, re-do because of not passing quality control. I would assume that we would have a running knowledge of that. In other words, I think we would have some understanding as to the fact that something cost something because it has . . . a wall had to be torn out and rebuilt, if that be the case. I would assume that we . . .

MR. FREEMAN: I'm sure we have. Because there are people on the project that are reviewing that daily.

MR. HARTMAN: Yes, and that would be what we are asking. Incident by incident, accounting as to what happened, what did it cost and so forth.

MR. FREEMAN: Some of these, the cost I understand they're also back billing by the project to the contractor. Some of this is just going to take a while to weed it all out and the purpose of our internal audit committee, is to review some of these problems and costs on where we stand.

MAYOR COCKRELL: May we go back then to Mr. Spruce. Mr. Spruce, if you would address this whole area issue of how the City Public Service Board can and will address issues such as those that have been brought up in the news media, and to get answers to the points that have been made and report back to the Council and the City Public Service Board and what safeguards or monitors or whatever you have put into the system, hopefully, to be on top of any problem such as individual cost overruns.

MR. EURESTE: Point of parliamentary inquiry.

MAYOR COCKRELL: Yes, sir.

MR. EURESTE: Will we be able to discuss any aspects of the S.T.P.?

MAYOR COCKRELL: So far as I'm concerned you're welcome to ask. Because it is a related question, the bonds relate to the project.

MR. EURESTE: Okay, I want to get into a lot of different areas and I just didn't want to be halted in my questions, somewhere down the line, because they seem to be out of order. But given that we've asked Mr. Spruce to speak to different aspects of the project, I assume that we could.

MR. SPRUCE: All right, one thing I would like to say following up Mr. Freeman's comments, I don't think we want to leave the Council with the impression that we're comfortable with the two week delay, because there are other impediments that can't be imposed on the bond issuance process. Some of you may remember that there were some efforts made through

legal channels to attempt to delay and stop the last bond issue. Those sort of things can happen. I for one, am not comfortable with the delay but hope the Council does see fit to go ahead and adhere to the time schedule that has been proposed in this issue.

Going on to the other questions. There is a lot of talk about the cost plus contract and the impression is left that the contractor is more or less on his own to do whatever he sets out with no regard for due diligence or professional workmanship or care and so on. There are some two hundred inspectors of different categories on this job. Many of these are required by law, by the Nuclear Regulatory Commission. They have a quality assurance and quality control section, whose sole job is to monitor quality construction, that proper accounting records are kept. A nuclear plant if anything, is probably the most over inspected or lets say thoroughly inspected major construction activity in the world, at least in the United States.

There are people from the Houston Lighting and Power also on the project. They being the project manager. Those people review the invoices and charges that are brought in by Brown and Root and recommend them to the Project Management Committee for final approval. So there are always delays between billings and when they're paid.

Brown and Root is limited by the contract to a profit of \$12 million. It doesn't make any difference if the job lasts two years or seven years the way the contract is written. There are incentives in there for them to complete the project with a lower then estimated number of man hours and there are penalties imposed for the exceeding of a certain number of man hours.

With the approval of invoices by the project manager of Houston Lighting and Power and by the project management committee, control can be exercised for recovery of anything that would be of negligence on the job. I don't think it's possible on that job to identify every minute or hour that might be lost due to an employee going off in the wrong direction. Anything that involves a work authorization for something in addition to the scope of the original contract, certainly would show up. We would hope that in reviewing the issues that have been brought forth publicly that we could begin to be specific about them. There seems to be a lot of general allegations. We feel that a lot of this is generated by the fact that a nuclear power plant is an emotional thing to begin with. We know that there are many active forces at work that would like to see the project completely stopped. Most of you, no doubt know that there is a telephone number, a toll free number in Fort Worth, that is administered by the Nuclear Regulatory Commission, where anybody can pick up the telephone and call them and make anonymous complaints that such and such happened or so and so occurred or you'd better look into this. The Nuclear Regulatory Commission will send someone to investigate. They will make a report. The reports are on public file in Bay City, Texas. Both the allegation and the investigative report. Some things have been brought forth that are of substance. Many things have been brought forth that are not of substance.

The three specific items that keep coming up of late and have been reported in the press are the fact that a building was staked out one foot over from where it should have been and the beam was poured and the building was substantially advanced before this particular construction error was caught. That doesn't mean that the building was going to be torn out. It means that there will have to be some make-up and modifications to accomodate the equipment that will go in that building. That could involve a fair amount of cost. It is a substantial item. We don't quarrel with that.

In the so called honeycombing in the reactor building or in the containment building. What that is, is where concrete is poured from up above and had to filter down through this very massive re-enforcing steel. It is so intertwined and massive that is very difficult, to first of all work. It's also difficult to get the concrete to move down

through it. If the concrete is too soft, it falls and loses some of its strength. And if it's too heavy or too thick, it has difficulty in filtering down through the intertwined re-enforcing steel. This was discovered after it was poured. I'm told by our people who have been talking about this particular problem that none of the boys in the shell exceeded a volume of approximately two cubic feet which is very miniscule considering the size of the containment vessel which is built with a very heavy safety factor. There have been numerous other allegations some responsible, some irresponsible. Another one concerns cadwelding of reinforcing steel. Because of the difficulty in being able to tie all that steel in the space that's provided some of the steel joints are secured by a process called cadwelding. It merely is there to hold the steel together until the concrete is poured. We don't regard that as a major problem.

We believe that the major contributors to the so-called overruns and additional cost on the project are certainly much greater. We believe we can demonstrate to you - caused by regulatory requirement and changes in the scope of the project rather than slip shod workmanship or carelessness. There has nothing been reported to us that the inspection has not already been aware of. We would hope that we could filter out responsible reports from so-called irresponsible reports and not be required to answer everything that comes along most of which is already known about.

We certainly do want to provide you with the answers. There is no intent on our part to withhold anything or hold anything back from the Council.

I have some people here today that, it might be better to permit you to ask them some questions if you want to about some of the allegations that have been made on the project. Mr. Poston is our Assistant General Manager for operations. He serves as Chairman of the Project Management Committee. On this Committee are representatives of the four nuclear power plant participants. We have Mr. Mike Hart here who is a nuclear engineer and who has been one of Jesse's assistants and working on the project. He is familiar with the contract. He is familiar with inspection forces. He is familiar with the NRC proceedings and with these various discrepancies that have been reported and maybe I would do better to let you ask some questions and us try to provide answers along that line.

MAYOR COCKRELL: All right, let me just ask, we've had a lot of the Council persons waiting and let me go through this list and clear the board right now of the Council person's information and we'll come back to staff.

DR. CISNEROS: I have a series of questions for Mr. Spruce and I'd like to tick off very little quickly and get a yes or no answer. What I would like to do is try to basically summarize for my information what I've understood to be the most salient points about the financial aspects and financial implications of the delay that might be proposed. But before I do that, I would like to compliment you first of all, on all the staff that you have, particularly I've had the opportunity to work with Mr. Hart lately, and I've found him to be a most knowledgeable and most candid individual. I want to compliment Mr. Hart for his knowledge of the nuclear project. It's just the best pinpoint information I've found on the subject. Question no. one, is it my understanding from your comment and also from Mr. Freeman earlier that there is a loss of advantageous position by slipping the sale of the bonds beyond the start of the new year?

MR. SPRUCE: That's my opinion.

DR. CISNEROS: Okay, I just wanted to clarify that. It really requires just a yes or no answer but there is a loss of advantage in slipping the sale date beyond the first of the year. Is that correct?

MR. SPRUCE: In my opinion, it is dangerous to slip the sale date for a number of reasons to begin with, we can't predict the interest rate. I'm uncomfortable with the slipping the sale date.

DR. CISNEROS: Secondly, you didn't say it but is there likely to be any loss of interest on the part of bond buyers because of delays in San Antonio. That is to say, instability, etc. that is reflected by a series of delays, would that be likely to reflect a loss of interest in terms of the number of bond buyers?

MR. SPRUCE: Mr. Maclin has indicated to me that he does not believe there would be any loss of interest.

DR. CISNEROS: Would that instability manifested by delay, be reflected in any interest rate differentials?

MR. SPRUCE: I can't answer that sir, it depends on the market, I would say that up until now, we have a good reputation in the market because of our integrity up to now and our consistency. Of course, what goes on in the people that do the ratings, they keep up pretty well with San Antonio and I'm sure they begin to get uncomfortable when we begin to look shaky down here but up until now, we have a good record with them.

DR. CISNEROS: Now, you also indicated that you thought it might be dangerous to delay because once you start the process of delay, there are other motivations involved and others who might employ legal tactics, etc., to further delay so that in effect, what you do when you start the process of delay is endanger it by incurring longer delay and in other words, what starts out as the 2 week delay can become complicated and be a longer delay so that you would be worried about delaying.

MR. SPRUCE: I would believe that is a very distinct possibility.

DR. CISNEROS: And your reason was that not everybody has the same motivation which is just a delay. There are people in this town who have a motivation of getting out of the project.

MR. SPRUCE: That's right, people all over the United States would delay any nuclear project.

DR. CISNEROS: Final question is on this question that was touched on this morning's newspaper article. Again, once the process of delay begins, because of the 60 days from the date of the ordinance is passed until the bonds are delivered, because of that time deadline, if we should encounter a situation where the CPS has put in a financial difficulty, and we have to go to the other private partners and they have to, in effect, put money in for our share and have to do that at the prime interest rate, there will undoubtedly be higher cost of consumer in San Antonio.

MR. SPRUCE: No question about that.

DR. CISNEROS: I just wanted to get a little point summarized and clarified.

MAYOR COCKRELL: All right, Mr. Pyndus.

MR. PYNDUS: No, thank you.

MAYOR COCKRELL: Mr. Hartman.

MR. HARTMAN: Thank you, Madam Mayor. Now, having just gone through a series of generalities there, I think that have been raised with regard to possible things that might have to be done, let's get back to specifics. First of all, Mr. Spruce, you say that the contractor is tagged at a profit of \$12 million.

MR. SPRUCE: Twelve million.

MR. HARTMAN: \$12 million. Now, let us take a situation where something has to be redone. It's found not to pass the quality control level it has to be torn out and rebuilt. There are man-hours involved. Is the man-hours cost or the cost per hour that is involved and paid to the individual worker, is that exactly the same amount of dollars that the company gets for that man-hour? Let's assume that a person makes \$14 an hour. I don't know if he does or not, and let's assume he puts in 10 man-hours, that would be \$140.00, of an additional cost in man-hours, is that what the company charges people who . . .

MR. SPRUCE: There are in addition to direct payroll cost, there are overhead cost and administrative cost and the contractor is compensated for that but there is no feature that represents any profit or additional money that Brown and Root could show as a net gain.

MR. HARTMAN: Well, let's take the example of say, \$14.00 an hour, what could be an expected cost paid to the partners for that one-hour's work? \$14.00 paid to the worker.

MR. SPRUCE: Whatever the administrative and the overhead is, 8.62 percent in addition.

MR. HARTMAN: 8.62 percent on every man-hour?

MR. SPRUCE: On direct payroll cost.

MR. HARTMAN: That starts off with administrative cost.

MR. SPRUCE: Well, that probably has to do with fringes such as vacation, insurance, etc. that are standard. With all . . .

MR. HARTMAN: Yes, but wouldn't \$14.00 an hour as we're using in our example, wouldn't that normally cover fringe benefits?

MR. SPRUCE: Well, if that's what you mean, yes, but I thought you meant that that was the direct payroll cost.

MR. HARTMAN: No, I'm saying direct payroll cost in other words, what I'm looking at is the differential between the actual dollar paid to the worker and the dollar paid to the company.

MR. SPRUCE: Let's say that the fellow gets paid \$10.00 an hour on his paycheck. There would be an 8.62 percent over and above that, Brown and Root would put into a fund for administrative overhead and fringe benefits.

MR. HARTMAN: Okay, so there would be an 8.62 percent differential on each man-hour? The second point, let me get back again to the statement that you made that you are not comfortable with delay. I don't challenge the statement. The only point I want to get back to is the fact that we had developed the time frame while Mr. Freeman was here, saying that actually if it slipped from a sale date of January to 25 January, we would be slipping from an availability or delivery date of 8 February to 22 February. He also stated that it can be reasonably assumed that it run through March, based upon normal circumstances. I recognize and emphasize normal, that things can become abnormal. The point is that we do have a cushion there. I would recognize also that it would be more uncomfortable if we had more of a cushion so it is a matter of relative comfort. Is it not? You would be more comfortable if we had a sale date this week.

MR. SPRUCE: Originally as Mr. Freeman mentioned we had hope for January 4 selling. While we are talking about that I believe the Council has scheduled its meetings, so that there will not be a Council meeting on December 28th and if we would be counting on that - if we decided to postpone the 2 weeks, we would be coming up again that . . .

MR. HARTMAN: But as we observed when we were discussing the postponement that a meeting, a special meeting could be called, that would not be a problem. On the matter of quality control, I grant you that quality control inspector is there and he is the one that says that this can, or this does, or does not have to be redone. I don't argue the fact that ultimately, the quality of that construction is certainly to certain standards. But isn't that also true that there are a number of instances where the quality control officer rejected it where with some degree of prudence on the part of the foreman or whatever, that that particular pour could have been accomplished without that quality control officer rejecting it? In other words, the question is or not about the fact that whether we're getting a good plant, it is rather a question as to whether or not, the redoing of something could not have been avoided in a number of instances to where it did not have to be caught by the quality control officer. It could be caught by the foreman like for example, shaking the concrete to make sure it settles down.

MR. SPRUCE: Well, I would say that a lot of this is a degree thing. You can decide if this welder should have finished this weld four minutes sooner than he did. Maybe one worker finished it too fast or maybe he finished it in record time and then had to redo it. When you begin to get down to measure productivity, you get down to the sort of human behavior and the skills of the crafts and the rate in which work has performed, just as any of us have. If you have a lump sum contract, you can be sure that that contractor is protecting himself against difficulties in productivity and wasted material that he has to furnish, etc. This particular contract, the contractor has no provision for contingencies in there, he does not have a contingency fund, he does not have a betterment fund. On almost all lump sum contracts, there are usually extras that come along, engineering changes, or other difficulties that are encountered on the job. We don't know of any case where anybody in recent years at least has been able to negotiate a lump sum bid for a nuclear power plant. There are too many other things that are involved.

MR. HARTMAN: I recognize that.

MR. SPRUCE: But, unquestionably there are everyday, on every job in CPSB, City of San Antonio, in any business, there are productivity angles where people could have done a job quicker and better and save money for the employer or for whoever is paying for it.

MR. HARTMAN: I don't doubt that. All I'm saying is very simply that what I'm looking for, and this is all I'm looking for, is an opportunity for us to sit down and for you to tell us every instance where there has been overrun and how much it costs and what was the cause of the overrun. What was the nature of the incident. That is not with the idea that this will kill the project or not anything else. It's just simply knowing what is the nature of these overruns and is there negligence involved or apparent negligence or whatever? Can we recover? Those are the questions that I have.

MR. SPRUCE: I think it's going to be most difficult to try to extract that out - it's a degree thing. I think we're going to have to decide how we measure this. What I would like to try to develop would be a relationship of how much of this reworking there is as opposed to what's brought about by scope changes. I think we're going to find that it is relatively small, I think we're going to find that it is very small.

MR. HARTMAN: That's what I want to know, those are the questions I'm asking.

MAYOR COCKRELL: Fine, in order to get at what Mr. Hartman is asking, how would we get a picture of this as to the scope. He'd like to know how much of it overall is related to the changes in requirements let's say, from the National Energy Regulatory Commission. Really, we are not trying to get the bottom answer. We are just trying to get a feel for how soon you can address this question.

MR. SPRUCE: The job down there is broken up into thousands of work functions and, of course, these show various degrees of completion and that's what the project completion reports are based on. In some instances I'm sure we issue additional work authorizations for scope changes and others, I'm sure we will have to issue some to correct deficiencies where they're measured. I think there are probably a lot of them that are just going to be identifiable. I'd like to ask Mr. Poston if he can add to that.

MAYOR COCKRELL: Is there just any way that we can just get the feel of what Mr. Hartman is asking?

MR. JESSE POSTON: Yes, yes and I was talking to Mike over there when the questions were developing and we are going to strive to set up a mechanism to be able to report and to be able to get definitive handles on cases where there have been construction or planning malfeasances which have

occasioned or will occasion or have the prospect of causing cost overrun.

If you would permit me I would like to give one little thirty second human interest story on these voids that have gotten so much attention. When we visited the sites, last time we went up a hundred and some odd feet up on the scaffold and viewed this pour where these honeycombing occurrences took place. I asked the construction manager on the entire project, how did this happen, why was this pour allowed to proceed. He explained that he had two concrete pumps and one had broken down and so he continued with the other one measuring the slump constantly but feeling that he could get the concrete through the forms Mr. Spruce was talking about. But as it turned out he wasn't able to completely fill the voids of the form, and so he got these honeycombing. I said "well, what - who is this fellow." He said, "he is my best concrete man, he's been with Brown and Root 14 years and he's built 2 other nuclear power plants for me and several fossil plants." I said "What did you do with him?" "I fired him yesterday." And I thought, it doesn't make anyone very happy, but it shows you, I think the spirit that Brown and Root has to assure the owners that we can get continued good work.

We will try to identify in our future, and set up mechanisms to identify, cost excursions by virtue of scope change, and cost excursions by virtue let's say construction goof-ups or what have you. We also want to stress to the Council that we will pursue to the end, cost recovery procedures on any goof-ups by any contractor, vendor, supplier or other service agency which is cost impacting the project.

MAYOR COCKRELL: Thank you, let me just advise Council we got seven Council people ready, we've got at least 4 citizens I know who want to speak and so . . .

MR. HARTMAN: The statement was made by Mr. Poston, we will strive to set up the mechanism. That is not what I'm asking for, I'm asking for an opportunity to actually be given an incident by incident review of what has happened, why it happened, what it cost and who paid for it and is there any chance for recovery. That's all I'm looking for, that is it, I'm not looking for anybody to strive to set up a mechanism because we have strived to set mechanisms before and we have strived, for example, to change our load forecasting technique. We have strived to do other things, and over voltage, we never seem to get there.

MR. RUDY ORTIZ: Mr. Spruce, I don't want to be fighting CPSB every time that you come here for your bond issues. It's not good for CPSB. It's not good for this Council, not good for the community. I'd like to see if we could sit down as reasonable people and try to see if we could find some kind of middle ground on which to negotiate on this thing. Between the extreme of just dropping out completely which as I review more and more of the facts and figures and the arguments, I see that it comes highly unlikely, improbable simply because of the investment we have made. At the same time, though I do have a very grave concern and I'm sure it's your concern, Mr. Spruce, as well as the concern of the other members of the Council, as far as the cost overrun that is pushing the cost to the citizens of San Antonio, the rate payers of San Antonio higher and higher and higher. What I'm basically asking is that we have to do something specific, something concrete, that will show our citizens, that will show this Council that we are taking steps to bring the cost of the project more in line with our means here in San Antonio.

So I urge you to come in for this session. I spoke with Mr. Eloy Centeno on the phone and he volunteered to come down here personally and give me the assurance I wanted but I felt this project is worth - I took his word over the phone - that he gave me his commitment that he would give serious consideration to reducing half of our share in the South Texas Nuclear Project by half, 50% Mr. Spruce, from 28% down to 14%. He didn't commit himself to do it, but to give very serious consideration, very serious studying to that possibility, that's important in the future. So, what I'm going to ask you, Mr. Spruce, are you as the general manager also willing to give very serious consideration to a possible reduction in our 28% share down to 14%? Are you willing to give that serious consideration?

MR. SPRUCE: Sure, yes sir. To answer your question. We will give consideration to anything that Council proposes. In fact, I've also talked to Mr. Centeno. We are also disturbed, concerned that there seem to be large differences of opinion as to whether we should continue in the project at all or reduce our shares. Mr. Centeno has said to me that he believes that all the Board of Trustees are committed to continued participation in the nuclear power plant, at least to some level. We didn't talk about any specific reduction. He also said if the Council was of the opinion that we should get out of the project, well, the Board of Trustees is going to along with that. Obviously they have to, the Board has to depend on the Council to approve financing backup for a participation. I would say that as far as the staff recommendation to the trustees, the staff is going to do whatever the trustees say. They have the full authority to manage the company. The staff will probably recommend that CPS maintain a greater amount than 50 percent of what we have now if we have to reduce some. We're going to do whatever we are told to do.

MR. ORTIZ: But you are willing to consider a reduction in an effort to bring down the cost of the project more in time with our means here in San Antonio? Is that correct? Can you come back to this Council in, say, 30 days and tell us?

MAYOR COCKRELL: I was going to say, Mr. Ortiz, I understand what you are getting at. Let me just talk about process, if I may.

MR. ORTIZ: Madam Mayor, I want an answer from him because if I vote yes or no on this particular bond issue depends on what he will answer. If CPSB and management agree that 50 percent or some percentage of our share will be sold, how much time do you need to come back to Council and give us the details such as how much do we save by selling part of our share? How do we do it? When would be the most propitious time for selling our share whether it's 50 percent of our 28 percent share or 40 percent or whatever it is? How much time do you need to come back to Council with that.

MR. SPRUCE: I would say 45 to 60 days.

MR. ORTIZ: Fine, I'll accept your 60 days.

MR. SPRUCE: I don't want to leave the impression that I or staff are agreeing to recommend a reduction of 50 percent.

MR. ORTIZ: No, sir, that's not what I 'm asking you. All I'm saying is do I have your commitment which I already have from Mr. Eloy Centeno that you will give serious consideration and study to that possibility - to that possible reduction?

MR. SPRUCE: Yes, sir.

MR. ORTIZ: Fine, then you will have my "yes" on the bonds.

MAYOR COCKRELL: Let me just say to the Council that I think that the City Public Service Board is very seriously reviewing all the options on a continuing basis. Obviously, those options include evaluating whether it is or is not to our advantage to sell any portion of the share. Let's just say that all of the members of the City Public Service Board are open on the issue and it gets down really to the final figures of what our best options are long term and what substitute of energy would be available and at what cost. That is one of the reasons that this Council has appointed an Energy Alternative Review Task Force to review all of these options - to review them with staff with outside persons and to come back and bring us some recommendation on some of their same issues.

MR. STEEN: Thank you Madam Mayor. I don't want to (inaudible) Mr. Spruce, but I want to make a statement at this time.

MAYOR COCKRELL: Fine, go right ahead.

MR. STEEN: I want to tell Mr. Spruce that I think he does a great job over there at CPS and I think that staff does a great job, I think you have a fine City Public Service Board of Trustees. I think they do a great job. I completely trust you and I completely trust your board in looking after the best interests of the City of San Antonio. I want to say this, that I hope that I never see the day when this City Council in a majority vote, votes to discontinue their 28% participation in the South Texas Nuclear Project. I think that would be the most serious, the most critical mistake that this Council or any other Council that will come on in the future could make with reference to the future of this City of San Antonio. We completely dominate some of our meetings by talking about Economic Decelopment, but at times I think we do more to hurt Economic Development than anything else in this conversation. I think that when we get into these discussions and I know they're not discussions, what we're doing is, I feel like you are on trial up there as I sit up here, Mr. Spruce, because you're asked these questions, put on the spot time and time again which I don't feel is fair to you but I guess that's part of your job. I wish I could get you out of that part of it but I can't. But I can sympathize with you.

I think that we should have these discussions before the issue comes up as whether or not we're going to vote \$75 million worth of bonds to pay our part of the project. I think that when we wait until a time comes that we have to vote on these bonds, so that you can in turn sell them and get the money and pay our interest, that we sort of blackmail you with questions and answers and whatever we want to talk about. I don't know why we don't talk about these things in between bond sales. In other words, let's go ahead and pass on the \$75 million worth of bonds and then after that we could talk about anything we want to with reference to you, City Public Service and the board and what have you. But I think this is the wrong time to get into such discussions as we are in today.

It kind of reminds me in a small way, that is, if you live in a home and you owe a big mortgage on the home and all of a sudden you become dissatisfied with the house that you live in or you decide maybe you might sell your interest in it so you say, "Well, I don't think I'll pay the mortgage this month and I don't think I'll pay it next month because I don't like the house." I might sell it. This to me, parallels what we're doing. Here we come around and we say all of a sudden we're not going to vote on these bonds. We're going to delay. All we're doing is keeping you from getting the money to pay our share in the project.

I don't think it's fair to wait until a crucial time comes to question you about all this. I think we ought to go on about our business and act like business people and be willing to pass the bonds and make our payment and then after that the City Council has a right at anytime to question you or go into any other details. But I think this is the wrong time and I want to say that time and time again. I just think that we picked the wrong time to so-call blackmail the City Public Service people into doing certain things in turn for our vote on passing the bond issue. Thank you very much.

MR. EURESTE: I wanted to ask a couple of questions. What is the projected cost of this, maybe your financial people can respond to this question?

MR. FREEMAN: For the entire plan, sir?

MR. EURESTE: I want to know the projected cost to San Antonio for this particular project, at this point in time?

MR. FREEMAN: The total capital cost that we're showing is in excess of \$700 million. At \$2 billion, the 28% would be \$560 million. The difference is in the nuclear plant we have included the initial fuel cores and you've got the cost of the bonds that we're issuing and interest costs goes in and you've got some other indirect cost of . . .

MR. EURESTE: . . . the interest of the bonds during construction?

MR. FREEMAN: Yes, it's not an operating expense. It's part of the capital cost.

MR. EURESTE: Okay. But excluding those items, the capital.

MR. FREEMAN: If the contract for the construction runs \$2 billion our share of that would be \$560 million.

MR. EURESTE: That is based on what? Is there a certain percentage figure that you use to escalate it.

MR. FREEMAN: Yes, the normal escalation is applied, I think, probably about 6 or 7 percent annually that we've been using to escalate.

MR. EURESTE: You use 7% to escalate into the future?

MR. FREEMAN: Yes. That's part of the \$2 billion of course.

MR. EURESTE: Yes, ours is 28%, okay. What is the escalation norm in the industry?

MR. FREEMAN: It runs different things. The escalation on construction has run up well in excess of 10-12%.

MR. EURESTE: What is this rate that is cited in the task force report?

MR. FREEMAN: I don't recall.

MR. EURESTE: Isn't it 20%? Yes sir. That's an industry perspective. How about the other figure that was used, \$140 per kilowatt increase per year, for construction projects, for this project.

MR. SPRUCE: I'm not familiar with that . . .

MR. EURESTE: Well, it's in your task force report. Did you read the report?

MR. SPRUCE: Yes, sir.

MR. EURESTE: Okay. I just read it one time, I don't have that much time to do all of this business you know. Will you come to the mike and explain what \$140 of increase per year per kilowatt. What does that mean?

MR. SPRUCE: I don't have a copy with me and I really am not familiar . . .

MR. EURESTE: Okay, please, any one of the experts.

MR. POSTON: The task force strove to take what was happening in the industry with the hope of shedding more light on what San Antonio could expect, or what the South Texas Project could expect in the end. They quoted several numbers, several indices and \$140 per kilowatt is probably the one that historically nuclear power plants had experienced from the time of original conception until actual completion of the project.

MR. EURESTE: Okay. From the time of conception to the time of completion of the project.

MR. POSTON: I would have to review the text because the number . . .

MR. EURESTE: Okay, let me go back to another and let's go to the 20% figure. That 20% figure is used much like the \$140 per kilowatt. Twenty percent figure compounded is the history in the industry from the time of conception to the time of completion. I ask you at this point what was the percentage figure that you used to escalate to the time of completion?

MR. POSTON: I don't think there's anyway we could answer that one without looking at the document.

MR. VON ROSENBERG: There were those numbers given in the report but the study that the task force did was not based on any number that applied to an industry increase in cost. It was tied specific to that plan. I think we would have been very disappointed if they went there in February and started a study and went off and did a study of other power plants and how much other power plants across the United States has increased. What they did is they looked at individual activities for that plant, productivities to dates for the individual items on that plant, manhours required for those materials required and accumulated those costs to come up with a new project estimate which did show an increase of \$700 million for that plant from \$1.299 to the \$2.007 billion. That number was then compared with industry data and was shown to be less than the industry increase.

MR. EURESTE: Let me hold you right there. And let's take you back to the, what is the cost of this project at the time of conception, to San Antonio. Simple question.

MR. VON ROSENBERG: The initial estimates were about a billion dollars.

MR. EURESTE: To San Antonio.

MR. VON ROSENBERG: About a billion dollars.

MR. EURESTE: To the City of San Antonio?

MR. VON ROSENBERG: The total project . . . 380 . . . 280 . . .

MR. EURESTE: I'm asking the experts from CPS not the City Council. All right, sir, what year was that?

MR. VON ROSENBERG: Seventy-three.

MR. EURESTE: 1973. All right and today what's this year?

MR. VON ROSENBERG: It's still seventy-eight.

MR. EURESTE: Okay, sir. What is the cost to San Antonio today?

MR. VON ROSENBERG: The cost to San Antonio that is the \$560 million.

MR. EURESTE: So \$300 million is capital cost.

MR. VON ROSENBERG: Right.

MR. EURESTE: And 570?

MR. VON ROSENBERG: 560.

MR. EURESTE: 560. That's in 5 years. That's 5 years from the conception to this point right here. What kind of increase does that represent? What kind of increases does that represent?

MR. ARTHUR VON ROSENBERG: Well, I have to work it out, if I can 80 percent increase total, I'd say about 15 percent.

MR. EURESTE: And what did you use to project into the future?

MR. VON ROSENBERG: What we used to project into the future was the actual audit of every activity on the job plus 7 percent for escalation. That was not made by taking the existing cost. The existing estimate and apply a percentage to it and get a new estimate. They looked at every activity on that project plus the productivity to date had been, what the man-power expenses for that type of work was, reestimated those quantities, came up with a new number. The new number they came up with was \$700 million increase. They raised it 2.07, they then just compared that number with what had happened to nuclear industry in general.

MR. EURESTE: All I'm saying is that the projection is, I hate to use the word, "honest" or "dishonest", but why not? That is not an "honest" projection given.

MAYOR COCKRELL: Point of order.

MR. EURESTE: Well, then I'll say that it is not a "fair" projection.

MAYOR COCKRELL: I was calling your attention sir, and I think the word "honest" implies some intent on the part of the City Public Service and I don't wish

MR. EURESTE: I don't think that CPSB made that projection. Who made that projection?

MR. VON ROSENBERG: The task force made that projection.

MR. EURESTE: Okay, then I'll refer to them as "dishonest", not you.

MAYOR COCKRELL: All right, the chair will once again request that allusions of this kind not be made.

MR. EURESTE: Are they from San Antonio?

MR. VON ROSENBERG: No, the Task Force was made up of members of Houston Lighting and Power, Project Mgrs., Brown and Root and also....

MAYOR COCKRELL: Under the rules of the Council, no.

MR. EURESTE: I thought it applied only to San Antonio residences. Let me tell you why I feel that that projection is perhaps incorrect, nor proper. You say that the reference that is made to the \$140 per kilowatt and the 20 percent compounded yearly, is a general statement and does not necessarily speak to the project. Yet on page 12 of the Task Force Report, it states here that "the trends of cost for the South Texas Project, tracks the rise in Nuclear Industry cost, as reflected in the June 1978 Department of Energy Rand Corporation report which stipulates that nuclear plant costs have been escalated at a fairly constant rate at approximately \$140 per kilowatt per year over a 5 year period. Furthermore, that the 1978 September 15th issue of Electrical World which indicated that the average yearly increase in nuclear plants have exceeded 20 percent per year compounded yearly for the past 5 years." Now, all I do is, I can sit here and tell you that the cost at conception is very likely a lower figure than you have cited here. It's very hard to figure out at what point CPS, STP is using as the cost of this project at the point of conception.

Everytime there is an increase, in the cost of this project, there is a failure in the reports to refer back the original cost. It's done for a good reason - to hide the kind of problems that this project has, with price escalation. I have figures that take the price of this project at the time of conception down to about 2 hundred and something million dollars, lower than the figure that has been cited. Lower than the 280 and if you are to apply that lower figure and as a matter of fact, that comes from the statement from CPS that gave the total cost of that project at the time of conception working out San Antonio's cost of 28 percent share to be lower than the 280 or 3 hundred million that was just cited a little while ago. If you were to take the lower figures sir, it works out to somewhere in the neighborhood of 20 percent compounded yearly from the time of conception to this figure and if we take it into the projected year of completion for phase 1 and phase 2, for unit 1 and unit 2, right now, you're protecting \$800 per kilowatt at the time of completion and the figures should be between \$1,400 and \$1,500 per kilowatt and that's using a 20 percent compounded into the time of completion given that you're completion doesn't slip anymore, There's no guarantee in the task force report that you will not have anymore slippage in time.

Now, when you take the cost, the \$1,300, \$1,500 per kilowatt, you have a cost of this project to San Antonio that runs at about \$1.1 billion dollars versus the 581, or 560 million that you're using right now. What is the percent factor to the bonds that we're discussing here and I'm talking about the payback and let's not talk about this one because this is speculative and this gets into how good the market is going to be in January or whenever you do sell these bonds, let's talk about the last series that was sold, or the last issue that we had of \$75 million. I want to know the interest cost at the time that we finished paying out those bonds.

Let me tell you because I ran the calculation on this myself, and if you're coming before the Council to sell \$75 million worth of bonds, I think you should be prepared, at least speak to the interest. If you are selling \$75 million of bonds you've got about a 129 percent tacked on to that \$75 million so what you have, you go back to, you multiple 2.29 times that figure and it gives your total payback. Now, if we were to take \$560 million and add the interest cost, the payback for San Antonio runs in excess of 1 billion dollars. The historical escalation of 20 percent compounded which gives you a principal cost of about 1.1, 1.2 billion dollars, payback for the City of San Antonio is in excess of 2.5 billion dollars and the cost for individual San Antonian per household, per san Antonian will run from 11 thousand dollars per household. A \$33 increase in their utility bill for the next 25 years. The average utility bill costs right now, is how much, for electricity, for \$32.

MAYOR COCKRELL: Mr. Von Rosenberg is not the comptroller, we would be glad to ask some other spokesperson.

MR. VON ROSENBERG: \$35.

MR. EURESTE: \$33 added to \$35 is almost a 100% increase in the utility bill or in electricity, at least.

MR. VON ROSENBERG: If you take any other path, it will cost you more.

MR. EURESTE: Well, now we're talking about one form versus the other and I'm not going to speak to that because I can get into that in a little while.

MR. PYNDUS: Point of personal privilege, Madam Mayor.

MAYOR COCKRELL: Yes, Mr. Pyndus.

MR. PYNDUS: Mr. Eureste has raised some pretty viable points and I think also that Councilman Ortiz has suggested that we take a look at a lesser than 28% and I think that all of these arguments and all of these approaches to that nuclear project should be taken at a special time - a special session and I would like to ask my colleagues if they would delay this conversation on the bonds today and have a complete "B" session to devote it to the figures that you have used, the questions that you have asked and to give something of a magnitude, our time and our attention rather than some of the items that we take up in "B" Session and don't accomplish. I would ask you sir, that I might move that we stick to the bond issue today and take up this subject in a special session.

MAYOR COCKRELL: Well, as a procedural matter, I think in effect, you are trying to instruct on ruling

MR. PYNDUS: No, Madam, I'm asking my colleagues to take up the matter that is discussed in . . . at this moment which I think is not the time and place. We are asking questions that are obviously unfair to the people trying to answer them. I think they are good questions. I'll move that the Council stick to the item of financing.

MAYOR COCKRELL: You were recognized for a point of personal privilege which I don't believe includes a motion. The chair rules - if you wish to appeal the chair you may. The chair rules that a point of personal privilege does not include making a new motion.

MR. PYNDUS: I agree and I would like to challenge the position of the chair.

MAYOR COCKRELL: All right, there has been a motion - are you asking for an information from the City Attorney or . . .

MR. PYNDUS: From my colleagues, Mayor. I would like to see if they would let me make a motion.

MAYOR COCKRELL: There is a motion to overrule the decision of the chair. Is there a second to the motion.

MR. STEEN: I second the motion.

MAYOR COCKRELL: The motion has been made and seconded to overrule the decision of the chair. The decision was not to except a motion in the context of a point of personal privilege. The vote will be either sustain or overrule the judgement of the chair. Those favoring the motion by Mr. Pyndus, which is an appeal from the ruling of the chair, in other words, you concur with Mr. Pyndus making the motion, please say "Aye." Those opposed say "No". All right, the ruling by the chair is sustained.

MR. EURESTE: Let me just say that I've been working on these figures and looking at the documents, reading the documents from Komanoff and reading the documents from Mr. Connally and reading the documents that have been supplied by CPSB, and the various questions and answers that we have gone through over the past year and a half. I've also been reading your book you put out everytime and sometimes you come 3 times a year or twice a year and you've always got new projections and new predictions. Everytime you change the projection, you fail to cite the . . . what you had stated in the previous issue. You failed to give a specific dollar cost that was projected, as was projected at the time of conception. Because, well I don't know why you do it, but to me it does make it more difficult for a person in my position, who has to somehow or another make policy, make policy because I'm lacking the historical data that is necessary.

If Mr. Komanoff or Mr. Connally or anyone of the critics of this project are saying that there is a 20% escalation based on certain other authorities, then what they're saying is that there's a \$140 increase per year per kilowatt. And yet, I cannot go back and in your own document and get at that information. It makes it very difficult for me to do my business.

If you conclude as the Task Force has concluded that this project tracts the rise in the nuclear industry costs and tracking to me should mean something. That cost is running \$140 per kilowatt and/or 20% compounded yearly, depending on which formula you want to use. And yet we come back and look at projections and your projection is lower than that. I'm concerned about somebody coming back to the City of San Antonio and to the other partners and participants of this project and saying, "We have another cost overrun". Well, the cost overrun might not be so much a cost overrun, as it is a failure to base the calculation and the projection on the industry trend. On the historical trend, that applies to this industry. I wouldn't find it so bad and maybe you could have gotten out of a lot of jams by having come out with a truer projection versus a conservative projection which perhaps could do nothing more than but to appease certain people. But it's not really giving us a true picture of what might be coming up ahead.

MR. VON ROSENBERG: Well, I'm sorry if the statement in there mislead you. What they did, as I say, went to each activity. To me, it only makes sense that you hire somebody to look at the cost of that project, that they would use industry averages maybe to show what's going on elsewhere and how this compares elsewhere. But, you're talking about that particular site, that they would look at the activities to do on that project and the cost of those. If I were building a building here in San Antonio and I hired somebody to say what do you think it's going to cost me in the end, I'm half through. If he came to me and said "Shoppng Centers in New York City cost so much and in California cost so much and across the nation they've gone up 20%, but yours is going to go up 20% from the time you started. I would not accept that particularly if he worked on it from March to October.

MR. EURESTE: Okay, let me ask you, if you could do one thing for me. If you could send me in a written memo, very brief, the cost to San Antonio at the time of conception of this project. I'll record here that you had stated that it was at \$300 million. Just capital costs. Now the other point that I wanted to make was I'm getting into the second half of my question. The other point that I wanted to make was that all of these figures that I was using are figures that I have recorded in my mind, because I've gone over this many times and analyzing what has been said. I don't have anything written in front of me. I have all my notes upstairs, in other words. I wish I could have made reference to some of the reports to get at some of the points that I've been trying to make. But I claim right now that some people who are more in line with projections to date, to this date, are saying that the projected cost of this project for San Antonio is not going to run at \$800 per kilowatt; rather it will be somewhere in the neighborhood of \$1,400 there about and some figures have gone as high as \$1,600 per kilowatt. Okay, now all I'm saying is that those people are using an escalation factor that to date has been proven correct. And the escalation factor that the STP coordinators are using, is an escalation factor that has not held to date. So, I'm just comparing one, a group that is making projections versus another which would be the partners, the participants who are making the projections. And the projections of the participants tend to be at a lower rate of escalation, then the projections that are being made by people like Komanoff and Connally and what not.

I can't cite you individually, because I know you don't own the project. But whomever I'm speaking to out there that is a person who has the responsibility for this project, in terms of projections that the projections are wrong. And that it is going to be a higher cost to San Antonio. It will go up. If you say right now it's \$560 million, it will go up again. I don't know if there will be slippage in time, but I feel that there is probably going to be slippage in time. There's too many four years into the future or three years into the future is a long time. And I anticipate slippage in time of perhaps another year. Which means another 20% compounded. Which pushes the project and the cost to San Antonio in excess of one billion dollars. And our payback runs in excess, when you include the interest, a payback in excess of \$2.5 billion. And that the average cost to households in San Antonio will be an eleven thousand dollar payback for 25 to 30 years. And that the majority payback to each customer will run at about \$33 added on to their electric bill. That's it.

MR. VON ROSENBERG: Well, my comment would be that I certainly hope that you are incorrect. I hope they did a better job of estimating the cost than that. But if they did miss the cost by that much and you apply the other correct factors. Even if that project does cost the \$1,530 as Mr. Komanoff suggests, but you use the Westinghouse fuel cost as per the settlement, you don't penalize nuclear with a higher interest rate than coal which is . . . We have no basis for that, no one does. If we get out of this project, you'd pay a higher interest rate for getting in a coal plant. Okay. It's just the same interest rate if you were to apply and use the same capacity rate. If you included de-commissioning as a cost that you accrue over time rather than borrowing the money in advance like he does in his studies, you would find that the nuclear project can be (inaudible).

MR. EURESTE: Can I interrupt you for a minute. I haven't mentioned coal. I'm not comparing coal. Now when I get ready to compare coal. I'm going to have all my notes and figures before me. And I'll beat you to the argument at that point. Okay.

MR. WEBB: Mrs. Dutmer.

MRS. DUTMER: Yes, I'm going to go into a long tirade. I have some concerns and I do think that we have a legitimate entitlement to the fact of a business, and that's what this is, a business, and the first one I asked was let me say at the outset that I have never entertained any idea of pulling back from the nuclear project. I make that public statement. My question was will the delay cause a default or place our contract in jeopardy or even CPSB in jeopardy? Correct me if I am wrong but I see that answer as yes because as I take it you have told me that you're going to have

to use all of your reserve and to escalate this thing into March, to push it forward to March. And of course, anybody in business knows you don't use up all your capital reserves and stay in business very long. I've been hollering it on this Council for the last two years. All right, so I'm satisfied on that. But do we in reality need the energy. This is another rumor that's going around. San Antonio does not need this energy. Will we need the energy? As you see in the future?

MR. VON ROSENBERG: I think the question really is not whether you need it in the future, but when you need it. It really boils down to that. If you have about a 6% growth rate like we're talking about, you need new energy in 1984. If you have a 4% you can get by to 1988. We feel that the studies that we have done indicate that continuation of this project is better than building an alternate project either in '84 or '88 that the costs out of the project are cheaper.

MRS. DUTMER: Then the simple answer would be "yes" that I can see in the future that we will need more energy.

MR. HARTMAN: A point of order, Mr. Mayor.

MAYOR PRO-TEM WEBB: State your point, Mr. Hartman.

MR. HARTMAN: The point was with regard to the previous question asked to Mr. Von Rosenberg with regard to the jeopardy to the project and Mr. Rosenberg, as I recall, did not answer that question, but rather the Councilwoman answered the question herself and that it was in the context that it would jeopardize the project. I think that the testimony we've had earlier is the fact that we're talking about a slippage, a maximum slippage to the 22nd of February. And you have said that we can run them through March. That gives us a five week buffer, how does that jeopardize the project?

MRS. DUTMER: I haven't addressed, I'm sorry Mr. Chairman, I have not addressed the project at all. I said the contract and I also said CPSB and I also said what it was...Anyhow I didn't address the project at all. All right, my other concern is just how far can we extend ourselves at the expense of today's citizens for the benefit of the future residents to have cheaper energy and the figures that have been thrown around by Mr. Euseste do not scare me at all because there have been no comparative figures and if you're going to worry about figures you're going to have a comparative to compare them to. How do you see that?

MR. ROSENBERG: Our studies indicate that it does cost the existing customer more to be involved in the nuclear project and not be involved in this project at this time until the plant comes on line, but just a few years after that project comes on line that money is paid back and from then on the citizens of San Antonio enjoy cheaper electric energy.

MRS. DUTMER: All right, but in reality, we are paying now more.

MR. SPRUCE: You can pay more now because of building the project.

MRS. DUTMER: And the people coming on board that's all right, I don't mind paying for my kids to have it cheaper later on, but another concern of mine was - you say that CPSB or rather it was said in the paper that CPSB is intending to send someone down to look into these cost overruns - does that still hold?

MR. SPRUCE: Mr. Poston is on the management committee. He's chairman of it, and I have heard that he is here to speak. But they intend to look into these cost overruns in particular, yes.

MRS. DUTMER: Well, of course, my decision are based strictly on cost factors. Now, and leaving all the emotion and the fear and all the rest of it out, I realize that some of them might be founded but the plain facts are that this plant is going to be there whether we pay 28% or whether we don't pay 28%, and at this time I'm just going to have to, I had considered a delay, but in light of some of the facts that have come to light, I can't even consider that.

MR. ALDERETE: Jack - let me direct my questions to Jack Spruce. I think I just want to clear the air on one thing, Jack, is it true that we're just sort of extrapolating when we're trying to guess what the interest rate may be in the beginning of January, mid-January or the end of January? I mean - I would say that that's a guess on your part, is that not correct?

MR. SPRUCE: Well, I think it's an educated guess. I think we have historical evidence as to what has happened and what the experts forecast will happen, but it's sort of like a stock market. I don't think any of us can say it's going to do this, it's going to do that.

MR. ALDERETE: That's what I wanted to hear. The other point, Jack, can either the CPSB or should I say you as Manager or any other

members of the staff, can you assure that there will not be any additional costs to the consumer on the nuclear project? Can you assure that the cost of this plant will not cost more?

MR. SPRUCE: No, sir, I cannot.

MR. ALDERETE: You cannot assure that the cost of the nuclear project will not go up more.

MR. SPRUCE: I think that we feel fairly receptive to the Mac report, and the Mac report said in their opinion there's a 50% probability that the cost of the project will exceed \$2 billion, there's also a 50% probability that the cost of the project would be less than \$2 billion which pegs it as of right now there's a fifty-fifty chance it'd be \$2 billion. There are many responsible elements associated with the contract that firmly believe it will come in at less than that.

MR. ALDERETE: The pass through feature that you have with natural gas and with coal right now to the rate payer, are we going to have that same feature with nuclear energy, for example, if cost of nuclear fuel goes up will that same pass through feature apply that you won't have to come to us, you just tag it on the consumer's bill.

MR. SPRUCE: Well, the pass through feature, the fuel cost adjustment that all utilities use is a little bit like the cost plus contract. If we're not going to have a fuel adjustment factor associated with utility bills, this has been in our bills for years, it's been in there back to any time that there was any possibility that there would be a variation in the cost of fuel, but if we pass a rate - if a rate is approved by the regulatory authority which is Council that fluctuation then there's got to be some cost of fuel included in that rate to protect against those escalations. So, in my opinion, the best deal for our rate payers is to peg that rate at something we think is going to be and make a plus or minus adjustment like we do now. You know we do have negative fuel adjustments now with burning coal, but now that the cost of coal is going to go up, well, that's going to impact the cost of fuel down the road. It doesn't go up immediately because it does in inventory and the cost of fuel that we use each month is what's used in calculating the bill. So that will go up, and it's probably of interest that we would take that rail freight cost and we will add 16% to that in order that the City will get 14% of the utility sales when that fuel is used.

MR. ALDERETE: Okay, if I'm understanding you correctly the gist of your message is that we need that pass through feature or that fuel adjustment feature, that will apply to the nuclear plant as well as it has for coal or to natural gas?

MR. SPRUCE: I would think that probably would still be a feature of the rates. I would also like to say that I believe that the fuel rate would be much more stable. In fact, there's no question about it because the nuclear fuel will be bought in a large quantity over a long period of time and the cost of that should be much more stable. So, there should be very minor fluctuations with the part of the generation that we would be...

MR. ALDERETE: Isn't there transportation costs involved in moving nuclear fuel from one point to another point?

MR. SPRUCE: Yes, but it is fabricated and delivered in fuel storage and you know you only recharge the reactor once a year, so you don't

get a different cost every month like you do on coal or natural gas.

MR. ALDERETE: Who or what regulatory agency can close the project down?

MR. SPRUCE: The Nuclear Regulatory Commission could revoke our construction license.

MR. ALDERETE: That's exactly what I wanted to hear. It could revoke our construction license due to what?

MR. SPRUCE: I suppose if they felt that there was some monumental event that either we were not in compliance with the safety analysis report or if some unforeseen disaster would occur that would cause them to believe that there should not be any more nuclear plants built. I suppose they could enact such a rule.

MR. ALDERETE: I don't know if they reviewed the staff's construction deficiency or defects, but I guess they could be for reasons such as that one or either one that is of major or minor proportions in relationship to that one. They could come down and close that plant, right?

MR. SPRUCE: I believe that's a possibility. I would think a more probable event would be that if some particular defect or feature or flaw was found on other plants that they felt should be incorporated in this plant, and that's what a lot of these changes are, they've seen something in other places that they feel we must go down and reinforce this or make this stronger or turn this equipment in this direction, that's usually the way it happens. They send in a modification that has to be incorporated into the plan of the plant.

MR. ALDERETE: Those are design changes that lead to the cost overruns.

MR. SPRUCE: In our opinion, that is the largest contributor to the increased cost of the nuclear plant, are changes in scope, design changes, additional materials, additional features that are required by the Nuclear Regulatory Commission.

MR. ALDERETE: We're about 28% complete.

MR. SPRUCE: The present estimate is about 37% or 38% on the total project.

MR. ALDERETE: 38% or 37% complete, and we've already had a tremendous number of design changes that have added very liberally to the cost of the nuclear plant, is that not correct? We've got about more or less 2/3 of the way to go, so if we just sort of generally apply that situation of future design changes and still 2/3 of the way to go to finishing the project, we could just pretty well give a good estimate of what the project is going to cost us more money - I mean if it's 1/3 complete and we've already escalated from the original 1973 price under a billion dollars to over \$2 billion and this has already happened in the first third of construction and we've got 2/3 more yet to go. I think it would be a fair guess to estimate that that project is going to cost us a lot more money due to design changes.

MR. SPRUCE: Well, the report that you have and the estimate of the \$2 billion incorporates all know design changes and all considered

design changes. We feel that there is a fairly reasonable allowance in that estimate for future design changes. Of course, the further you go down the road with a project, the fewer major changes would be required.

MR. ALDERETE: Who is in that task force that came out with that flat figure?

MR. SPRUCE: The so called Mac report - that last report - The Project Manager for the participants is Houston Lighting and Power. The Brown and Root Company is the contractor and a consultant that was engaged to evaluate this project, review all the material past and future, talk to the contractor, talked to the owners known as Management Analysis Company. They have headquarters, I believe, in San Diego, California. That's how the thing got the name of the MAC report - Management Analysis Company. But the three principal participants in the preparation of the report were Houston Lighting and Power, Brown & Root Company and Management Analysis Company.

MR. ALDERETE: In our original projection back in 1973 were they involved at all in that estimate?

MR. SPRUCE: No.

MR. ALDERETE: They were not?

MR. SPRUCE: No, sir.

MR. ALDERETE: Why weren't they involved in it? If they were going to be partners.

MR. SPRUCE: The concept came about with the utilities getting together and deciding that this would be a viable venture. Of course, after they decided yes let's get into that sort of thing, then they located an architect-engineer and a contractor. And the arrangement was consummated with Brown & Root Company. At that time what...

MR. ALDERETE: Brown & Root at that time agreed more or less with your cost figures?

MR. SPRUCE: Yes. Those numbers that I gave you the other day, Councilman Alderete, were numbers that were recognized by both the project participants and the contractor.

MR. ALDERETE: So, we could say that H. P. L. and Brown & Root sort of agreed with those '73 figures that you...

MR. SPRUCE: That would be a correct statement, yes, sir. However, at that time that was based on what nuclear plants had been costing that were being built in that time frame. Now since that time there have been many, many scope changes. The capacity the plant has been enlarged, many, many additional features have been required. We feel that security has been enhanced and we feel that reliability has been enhanced by some of those. Some of those we feel are environmental type requirements that there's a lot of difference of opinion about whether they're going to contribute a whole lot to the effectiveness of that plan or not.

MR. ALDERETE: Well, you know I have no argument with the security and reliability enhancement. My argument is that according to this agreement that I've got a copy from CPSB, the City of San Antonio and Houston Power and Lighting and Central Power and Light and the City of

Austin, in 1973, I think, based their decision on the cost estimates that were given to them. At that time according to this bar graph that I have here in front of me it was \$933 million. Which sounds like a sweet deal back then in '73. My only concern, though, is that it was our involvement as far as coming up with these figures, it was Houston Power and Lighting involvement in coming up with this figure and probably the other participants as well and Brown & Root. So, the same parties that gave us the projection in '73 are more or less the same parties that are giving us the projection here in 1978. What I can see very clearly here, Jack, is on this bar graph here is clearly displayed. The lack of experience or the lack of know-how in projecting cost and cost overruns. The chart clearly jumps almost 100% or more than 100%.

The Council at that time in '73 probably made a wise decision on the information they sent, but what I'm questioning is that it was not proper or correct information. The Council today is making a decision to stay with the nuclear project. What I am saying is that the figures we have now of over \$2 billion may be just as incorrect to this Council as they were to the Council of 1973, that was given the original \$933 million figure. There's a question there of not the integrity or the character of the people that are giving us these figures. We're just saying the technology is so primitive yet in the area of nuclear reactors that we have not been able to get a very firm solid estimate of what this project is going to cost us.

If we're only about a third of the way through it's a fair guess to give the opinion that this project is going to cost us more than \$2.1 billion. I think that's a very important point. You know we're just a third of the way through. And I wanted to bring this forth to the Council because it is saying that, hey it's still a good deal even at \$2.1 billion, but what I'm saying is that in 1973 the City Council of San Antonio thought it was a good deal at \$933 million, but it's the very same people and organization that are giving us the same figures in '73 that are giving it to us in '78.

MR. SPRUCE: I'd like to say something there that you have to look at the other side of the coin also. Well, there are two things really. One is that the further along you get with the project some things do get set in concrete. Most of the major purchases have now been completed, most of the major designs have been pretty well organized. The other thing is you have to lay up along side of that is, and I don't think anybody here quarrels with the idea, that if we decide to get out of this project that we are soon going to have to get into another one. If we were going to build a coal plant to take the place of this one, we should already be pouring concrete out at the site wherever it is. We don't know whether we can license another coal unit at our Calaveras facility. If we were going to build a lignite plant the soonest we could be expected to get on ready would be 1988 and we don't have a site for one of those either. The thing you need to put up along side of that, no matter when it is, is if you don't do that if you do something else you look at the same escalation. It's happening in all categories of construction.

MR. ALDERETE: I can understand the escalation, you know, this happening in all categories of construction. But the technology in the area of nuclear development is far less experienced as compared to coal plants or as compared to lignite plants.

MR. SPRUCE: Well, there are some environmental aspects of coal and lignite that are not yet considered perfect by any means. I think anybody will acknowledge there's still some things that need to be done on precipitators and there very definitely are some things that need to be done to perfect scrubbers. We believe that the nuclear

technology is far enough advanced that it is dependable and reliable. We see problems with any of the various fuels, but we don't really feel that we're working with an immature technology.

MR. ALDERETE: Jack, we've selling right now surplus energy. Just very quick - we're selling energy right now to small towns or cities or whatever. What I want to know are we selling that energy at the same cost as the consumer of San Antonio has to pay for his energy. In other words, when we contract out that extra surplus energy are we selling them energy at the same cost that we have to pay for it here at home?

MR. SPRUCE: We're selling them energy at the same rate of recovery of cost that we're selling it to our customers. It is not the same cost per kilowatt hour. We only sell that energy when the power plants are not being used to generate for San Antonio. Because what we sell we call economy energy and we sell it when there's no need by any of the local consumers for that energy and I might say that this last coal freight increase is probalby going to knock all those in the head anyway. You see, we charge them based on last in, first out inventory term. As soon as the new coal comes in the inventory that's the cost of coal we apply to these sales. Whereas, for San Antonio consumers we use average cost in inventory. That way the rate payer in San Antonio suffers no subsidy whatsoever. We're able to derive a little revenue from those sales. We also have the City payment in those sales. Now that the cost of coal has gone up on those, well, at least one of the utilities that was buying has not bought anymore...

MR. ALDERETE: Did I understand you to say, they are paying less per kilowatt hour than we are?

MR. SPRUCE: Yes, that's right. But you understand that we have several classes of customers and the rate per kilowatt hour is different to all of those. We sell to the City of Floresville, Castroville and Hondo at a municipal rate and they resell to customers. They pay a different cost per kilowatt hour, but our rates are based on costs of service. We're recovering the same rate of returning as far as what it cost us to serve that particular class of customers so everybody shares equally in that respect.

MR. ALDERETE: Thank you.

MR. WEBB: Mr. Pyndus.

MR. PYNDUS: I would like to call the question.

MR. WEBB: I'm sorry, Mr. Hartman.

MR. HARTMAN: Thank you, Mr. Mayor. We seem to discuss the number of subjects here. I would like to just briefly recap where we started. It was for a request for a two week delay to answer questions regarding cost overruns, a two week delay with regard to the bond sales to permit us the opportunity to be given the briefing by CPSB as to what caused the overruns, how much they cost and who payed for them. That was the question to begin with. I think the discussion has indicated that there is in fact a need for getting additional information. I think everybody has agreed to that. I think that some have said that we will promise to give you that. That's all well and good, my only point is the only time that this Council has any leverage in asking questions like that is right now. We're not trying to kill the bonds. We're not trying to throw anybody into default. It's been stated and I think well stated that it wouldn't hurt one iota to delay for two weeks while we get the information.

But, I would state that if we pass by this opportunity and go ahead and certify this bond issue, that I would predict that it would be difficult to, I just don't think we'll have the briefing until the next time the bonds are needed. And the question is again discussed.

MAYOR COCKRELL: Let me ask you, Mr. Spruce, if the Council by a majority vote approves the bonds today could we ask for and have your agreement that we will have a briefing on many of these points that have been raised, say, no later than the 15th of January.

MR. SPRUCE: Be glad to do it, Mayor.

MAYOR COCKRELL: Fine.

MR. SPRUCE: May I say one other thing. Again I would invite the City Council to visit the project. We'd like to take you down there. We'd like to put you in the briefing room and let you meet some of the people and let them explain some of the accounting procedures and some of the problems they have. We will come and report to the Council at any time, day or night. We'll do our very best to give you what you ask for. Our answers are not always answers you want to hear and they're not always accepted, but we're going to give you the best we've got.

MR. HARTMAN: Mayor, if I may, just in that regard let me point out one other request I made back in June. This was on load forecasting. As you recall, the Touche-Ross report indicated a need to redo the load forecasting technique. I asked at that time that action be taken to do that. Has anything been done along those lines?

MR. SPRUCE: Yes, sir, we've been in the process of reporting to the Energy Alternatives Task Force on forecasting methods. (Mr. Spruce talking to someone in background.) "Do we have.. are you familiar with what Councilman Hartman is talking about? As far as the new forecast? I think you were going to submit some questions which we were going to answer for you.

MR. HARTMAN: I did.

MR. ROSENBERG: You did. We didn't answer your questions for you.

MR. HARTMAN: No you did not. And that refers to the Touche-Ross report way back in June and I'll quote from it.

MAYOR COCKRELL: Did you have a memo or something Glen that we...

MR. HARTMAN: I certainly did. I'll get it out of my file.

MR. ROSENBERG: If we did not answer your questions, I'll go back right now and see what the problem was and get your answers.

MR. HARTMAN: The question is very simple. What is CPS doing to improve its load forecasting techniques in response to the recommendations of Touche-Ross of 1 June 1978?

MR. FREEMAN: We have taken everything we can find, we've reviewed with other utilities. We've gotten all the advice that we can on trying to determine what forecasting techniques. We're doing appliance surveys. Home use surveys. Everything we can find to crank into our estimates, to try to make them as realistic as possible. If you'll recall this particular summer for example, we were very close to estimates. We did not quite hit our estimates. The month of July we were very close to it. And then the weather cooled down. But generally speaking we have been reducing the load forecast as evidence shows us that use per customer is not going to change.

MAYOR COCKRELL: May I do this. I think what we need to do, if you will get a written report on exactly what you're doing in response to Councilman Hartman's question. Evidently he has not received a written answer and there has been slippage somehow in answering his question. I think we could get him a written report on that.

MR. HARTMAN: I would like to just briefly challenge that one statement. The fact that we came out close to the load forecast this summer. I would challenge that. The forecast megawattage peak for this summer was 1,742 megawatts. That was supposed to be our high peak for the year. In July we reached our peak when the temperature exceeded 100 degrees and we had 1,688 megawatts. That's a little bit disparity.

MR. FREEMAN: 1,688. It's very little difference when you consider the total and the use per customer. Many of the indications have turned back up considerably this year. Let me just get the information for you...

MAYOR COCKRELL: May I just interrupt at this point? There is no way in the world that we're going to answer every conceivable question about CPS this afternoon. And we do have the issue of the bonds. Obviously the Council has three options vote yes, vote no or vote to postpone. I think we've got to move ahead and get to the bottom line on what we're going to do.

MR. HARTMAN: A motion, Madam Mayor.

MAYOR COCKRELL: Well, let me just see. There are five people still waiting here. There are four citizens. We are going to need to hear these citizens. May we hold any other Council questions till we give the citizens the opportunity to speak? We need to hear from them.

MR. HARTMAN: I just want to make a motion, Madam Mayor.

MAYOR COCKRELL: Well, let me hold the motions and we'll get the citizens. And then come back for any motions.

MR. HARTMAN: There are no motions on the floor, right?

MAYOR COCKRELL: That's correct.

MR. STEEN: Madam Mayor, point of order.

MAYOR COCKRELL: Point of order.

MR. STEEN: If there's a motion being made. You have to recognize Dr. Cisneros again because he in courtesy manner withdrew his motion.

MAYOR COCKRELL: Yes, all right fine.

MR. EURESTE: Point of order.

MAYOR COCKRELL: Point of order, Mr. Eureste.

MR. EURESTE: I don't think there's anything such as a courtesy manner.

MAYOR COCKRELL: Let the chair state that actually whether the motion is the first motion or the second motion it really doesn't matter in that the votes will be there one way or the other. All right, the chair will call Lanny Sinkin.

MR. LANNY SINKIN: Madam Mayor, the proponents for the nuclear power plant have now had two hours to discuss their position. In discussion with your office this morning we asked for one hour and we're told that we would be given half an hour.

MAYOR COCKRELL: I do not class...

MR. SINKIN: You do not class CPS as proponents of this project?

MAYOR COCKRELL: What I class them is as staff. And primarily answering questions by Council. As the persons who are listed as I told you that you could have up to 30 minutes. You and those associated with you.

MR. SINKIN: Then I would ask that the members of the Council who have questions please hold them until all of our presentations have been made or we'll never get our presentations made. First of all, I'd just like to respond to some of the things that have been said earlier in the day. Particularly to Mr. Steen that idea of passing the bond issue now and then discussing it later. That is precisely what was said five months ago when that bond issue came up. Then Mr. Hartman raised a number of questions and other Councilmen raised

a number of questions. And it was said let's pass this bond issue and then resolve those questions. Such as let's have a discussion on how we get out if we want to get out. A discussion that's never taken place. Is that all it's going to be the excuse for voting for the bonds that we do it and discuss it later. I just ask that rhetorically, not requiring any answer.

CPS has been quoted as \$930 million as their original cost. In the questions that we submitted last April asking what was the original conceptional estimate, they gave us a figure of \$738 million. That's a share for San Antonio of \$206 million which escalated up to the current 530 whatever they're claiming it will be now, is approximately a 20%, actually higher than 20% escalation rate. It makes the figures of the task force sources look better, not the task force conclusion.

We are now in the sixth year of San Antonio's participation in the South Texas Nuclear Project and it might be worthwhile just to look back once again to the 1973 meeting, when City Public Service Board came to City Council and said you have ten days to decide. Do you want to join the South Texas Nuclear Project? Led by Mayor Becker that Council passed a resolution critical with CPS for the short time frame, but they still tried to observe the time frame and spent very little time in debate regarding that decision or any alternative to that decision. That Mr. Steen is when the real blackmail began.

The 1973 City Council was given some figures that have now proved grossly erroneous. And we feel now that the figures that you have been given will be proven grossly erroneous. We feel that we have been carried along by a group of utilities who are in big trouble and who are feeding us phony reassurances while picking our pockets. Houston Lighting and Power's latest report to their stockholders which I happen to receive in the mail the other day though I'm not a stockholder, is filled with half truths. Such as the statement that the settlement with Westinghouse assures a nuclear fuel supply for the project that terms favorable for STP participants. There's no assured supply of uranium. The Westinghouse settlement is a bad joke. First of all, Houston Lighting and Power lead us into settling out of court a few weeks before the judge ordered Westinghouse to live up to their original contract.

Second, there was no fixed price on the uranium supplied after the first year. We are to pay whatever it cost Westinghouse to produce the supplies. Third, with Westinghouse bound to live up to their existing contract, by the ruling of the judge, STP participants are promised a fuel supply that Westinghouse does not have in hand and probably cannot deliver. Houston Lighting and Power is happy to keep us in the-this project. 28% of every bag of cement, steel reinforcing rod or salary check is paid with money we have borrowed at interest rates that Houston Lighting and Power could ever get. If they are to buy us out some day, it's in their interest to keep us paying that 28% as long as possible. So whatever they buy cost less. The Management Associate's report is another bad joke. You'll hear more on this from Golfrey Connally hopefully later on. He's upstairs at a task force meeting. For my part, I just wish to call your attention to exactly what Councilman Eureste cited, that consultant citations of sources predicting a 20% per year escalation rate compounded each year and then the consultants used an 11% escalation rate when actually calculating expected total cost.

I challenge the CPS contention that the consultants based this on examinations of the construction itself and the productivity because the chart provided in this task force report on which the \$2 billion appeared is a chart with references corporate prospectus from around the country. They are not referencing, they are in depth examinations, supposedly, of the actual productivity of the plant. We think that the task force is about as worthwhile as the Touche-Ross report was. The consultants offered no explanation for the discrepancy and CPS has offered one that doesn't hold up. I would point out that we called this to their attention. Now, I personally get a little upset when in private conversations and a public television debate with the representative of CPS who is here today, in private conversations with another representative of CPS who is here today I called their attention to page 12 of the task force report, the two citations that ran and 20% compounded yearly from the energy magazine and I urged them to make their own calculations and tell me if we're making a mistake, tell me if our methodology is wrong when we come up with a total plant cost of \$3.9 billion using the sources provided us by the consultants they want us to believe in. Then they stand up here today and say that they're not really familiar with - that they're not really familiar with that page Mr. Eureste was citing. They had been specifically asked to respond to it and now they don't know what it is.

The Houston Lighting and Power stockholder's report, the Management Associate report, the Touche-Ross report and the CPS report to the City Council are all filled with unsubstantiated claims, misrepresentations of fact and optimistic verbiage designed to lead you away from the truth. We urge you to make a clean break from this detrimental alliance. The bonds and rates are the only power you have. CPS will never seriously consider alternatives until you stop the bonds. They say we need to build a coal plant now. We don't agree. But certainly a coal plant won't be started until the bonds for the nuclear plant are stopped. If you pass the bonds how can you then deny the rate increase that they will come in for to pay for them. Then they'll have you in the vicious cycle of one bond issue and one rate increase after another.

I also want to address some of the arguments that have surfaced in the past 48 hours. First of all, some of you are being told that the day may come when we need the energy from ST & T or it will not be there.

MR. LANNY SINKIN: In response, we suggest the analysis which we have presented to you. Show a clear pattern of conservation developing not only in San Antonio but throughout the nation. Dr. Baldwin will address you on this question as he comes down from the task force. People are using less electricity, there is every indication this trend will continue and the actual data tell us we should be budgeting for a stabilizing peak energy demand not buying still more capacity which will stand idle while we pay for it.

MAYOR COCKRELL: Mr. Sinkin, just for the record, those other persons who registered, are they going to yield time to you, I just wondered how the time was going to be apportioned.

MR. SINKIN: We're going to do our best to hold it to 30 minutes Madam Mayor, trusting that that 30 seconds didn't count. Then we have the argument that we need the energy from STP to attract new industries. We find this argument weak in a number of areas, first of all, we have a fifty percent excess capacity now and therefore, room for growth and new customers. Second as most of you probably know by now, the total debt of all bonding authorities in our area is \$894 million of which the CPS debt is \$537 million or 60% of the outstanding debt in San Antonio. We estimate STP will add a minimum of \$800 million to the current CPS debt. Assuming some borrowing by other bonding authorities CPS can be expected to increase its share of debt to 70% of the total or higher. We will be placing so much of our ability to borrow in the hands of the utility whose chairman thumbs his nose at the expressed concerns of an elected Council member, a utility whose board is not accountable to the public, a utility whose chief executives are reluctant to be straight forward. Surely such a policy is not wise to the future economic health of our community and if our economic health is questionable, industry will lack the confidence to relocate in a city which may face the same crisis faced by New York and Cleveland. The crisis of governmental bankruptcy.

Third, the bonded indebtedness will force continual rate increases. No new industry is going to be attracted to a city with unstable and escalating utility rates and finally with CPS absorbing so much of our capacity to borrow what will the City do to finance bonds necessary to maintain and improve the City itself. While needed maintenance is negligent and vital improvements are foregone, what kind of City will we have. No industry wants to move undergoing deterioration. Many companies are relocating in response to just such deterioration.

Another argument I wish to address is the idea that by voting no on the bonds, San Antonio will lose its investment to date. This has been rumored about. I vote in passing that Komanoff in this report said we could lose every penny we put into the South Texas Nuclear Project, build a new coal plant and still come out ahead. The important response to this argument, however, is that such a statement is directly contradictory to the legal opinion given the Austin Utility Commission. This opinion said if you stopped making payments, did not sell your share and the project was completed you would end up owning whatever percentage of completed project your investment represented. Even CPS in their memorandum of August indicated the only problems we might face in stopping our payments would be a possible suit at some time later to collect the money we had not paid it plus incidental expenses incurred by the partners in making our payment. In our recent letter to you, we suggested a strategy which we believe would prevent any such suit.

The argument that we lose our investment is a red herring dragged across your path in attempt to manipulate and panic you in a way similar to what happened to the 1973 City Council. We trust you will not fall for the same tricks.

Finally, I wish to make a few observations, it is not only Councilman Hartman who cannot get any answers to his questions, as called to your attention previously in April of this year, we submitted a list of questions, in April of this year on health and safety to the Mayor's Office before running to CPS. A day or two before the public hearing this summer, CPS responded to our request for answers to this question, by saying

they had lost them. We immediately submitted a copy of the questions again thru the Mayor's Office, five months later we are still waiting for answers. If you expect CPS to answer critics and you can believe the plant will only cost \$2 billion that nuclear is cheaper than all the other nonsense CPS is feeding you. CPS's refusal to answer questions in the areas of health and safety speaks through itself. They'll know that if real discussion took place on the issues of health and safety, they would be hard-pressed to defend the nuclear commitment. Low level radiation causing cancer, more than 100 unsolved safety problems and they talk about these unsolved safety problems as if they are going to be resolved in the next few years. Any time one goes off on the list, a new one is added, so they just keep their 100 plus level to be resolved. The transportation and disposal of high and low level radio active waves, these are all topics City Public Service would rather not discuss. Perhaps they are afraid people would get emotional, as one of them said today, if they were the argument of some of the folks in this town. Well, we say damn right. Playing fast and loose with the health and safety of the people is intolerable behavior on the part of utility which piously refers to itself as publicly owned and operated for the benefit of the people.

This is the last bond issue this City Council will have a chance to vote on and we have spent 8 months trying to educate you on the issues that we feel are important and we know many of you have done your own research and proven the case for yourself. There are many of you that have not had an open mind to what we have been saying. We hope we have begun to have an impact on that. We urge you to vote no on the bonds now. We say enough manipulation, enough deception, give yourselves and the entire City a holiday gift unparalleled in our recent Community history, vote no. Thank you.

MR. GOLFREY CONNALLY: I just have a couple of points to make. Mr. Eureste's data that he used that was cited by the task force, it cited it, as indicating as he said that STP is tracking industry wide costs and then they cite the Rand Corporation report which is done for the Nuclear Regulatory Commission for the Department of Energy and which included every nuclear reactor completed, in the past six years except one. And they showed a 20% increase per year and that was the figure that Electrical World Magazine, which is the magazine of the utility industry, cited as indicating the runaway cost of nuclear plants. The \$140 per kilowatt hour is a linear projection and doesn't really fit in well with the actual data but the result in terms of 1983 completion date are almost exactly the same so we can choose either one there, with about \$9.00 difference. and that's bothered me and the reason I wrote - INAUDIBLE - was that the task force never refers to that data again. Nor do they state why that 3% per year compounds the rated increase will not apply to this plant. They simply use, corporate prospectus. Those are all projections in the future, those are not facts about past costs at all. The plants that are to be completed in 1949 to 1985 and given past record of corporate prospectus. MIT's study done 2 years ago, shows that the corporate estimates have been roughly 100% wrong, under estimation. So, I think that's very unreliable and in the absence of any reasons for assuming that the rate of increase will suddenly drop, it would have to drop next year from 20% to 11% and stay at that level to get the next \$800 figure, I think we need an explanation of that.

One other point, I've done a little projection about how long it would take before we'd have to have additional energy given the increase in peak demand this year. Without nuclear at all, we would have energy to last through 1985 and that is to say we would need additional energy beginning in 1986. Now that's based upon the data on generating capacity from Touche-Ross report. Now if we were to sell out now and just keep what share we have of the South Texas Project which I assume to be about 150 megawatts, we would have an additional capacity. Now, that's all assuming that the present, nearly 6% rate of increase that CPS currently uses which it seems to me is probably optimistic but in any case that is (INAUDIBLE) beginning next year. In other words, we would have seven years in which to add additional capacity if we sold all of our share in STP and we'd have 8 years if we kept the capacity that we have now. That's all I have right now.

MR. SINKIN: Madam Mayor, Council members, some of you I hope have had a chance to look over the article I shared with you yesterday from the technology review magazine on the problems of nuclear waste. It was edited to MIT and if you haven't looked over it, I hope you will take time shortly. The news on nuclear waste disposal is that there isn't much news, which makes my report very short. Last fall, the Energy Research Development Agency which has since been absorbed into the Department of Energy warned that 23 of the country's 67 operating nuclear plants may have to shut down in 1979 if a permanent solution to the problem of waste disposal is not found. Well, it hasn't been found. Many hopes will pend on the interagency review group report to the President, October 1, 1978. It is a 95 page document plus appendices and a volume II as well and the gist of it is that final storage of waste if possible but maybe delayed 17 years until 1995 and at least until 1988, the reason for the discrepancy in dates is that if they were to go to the fault as a waste depository medium they might be able to pull it off by 1988. Two states, have banned construction of nuclear plants until permanent waste disposal is resolved, two other states have banned construction for this reason, plus others. Some nuclear plants in this country already have permission to double the number of fuel rods stored under water, on site at the plant location. That is double and above the level previously believed to be a safe level. Nuclear critics, like myself, felt that too close placement may result in ion exchange and fission reaction and a catastrophe. The latest issue of Popular Science, complete with pictures, shows how the industry would like to dispose of waste. It shows Bettel Northwest attempting to turn the waste, high level waste, into a gaseous form, here's a picture of it, of what they'd like to do. Last week, nuclear engineer, Dale (INAUDIBLE) told me that in Nevada they are attempting to this gaseous action but they're only attempting it with a low level and the intermediate level waste because they're afraid of what they're going to find out with the high level waste. They're afraid that the relevant temperatures are so high that substances will not adhere and that it won't work and they're afraid to test it. Just as they delayed the testing the loss of (INAUDIBLE) accidents scenario until just this last week.

If the whip now plan is resorted to, that is that (INAUDIBLE) in Southeastern New Mexico I'm sure you're familiar with Carlsbad, New Mexico being worked on now, if that is resorted to railroad maps indicate that waste, nuclear waste, being transported from the coastal area from our plant or from Allen creek, will travel by rail through San Antonio. I know some Councilmen had expressed concern with railway accidents in safety issues. I would hope that we will keep these kind of things in mind as we make our decision about whether to stay involved in STP. Thank you.

MAYOR COCKRELL: Thank you. Doctor John Baldwin.

MR. LANNY SINKIN: Dr. Baldwin is up in the Energy Alternative Committee which did not see fit to adjourn and come down here and join in this discussion unfortunately. I'm wondering how much time we have left.

MAYOR COCKRELL: You have about 7 minutes.

MR. SINKIN: About 7 minutes.

MAYOR COCKRELL: The total, he started a quarter of 4 and we agreed there be 30 minutes and that's four fifteen.

MR. SINKIN: If I could summarize briefly Dr. Baldwin's report, which I hope copies will be delivered to you, what he's saying is that energy conservation is the best alternative. Not a coal plant, nuclear plant, not a lignite plant. But for right now, energy conservation. We've made that point repeatedly, the City Public Service Board finds that the growth rate this year is not that unusual. No big deal, despite the fact that 2.9% when they were projecting 6.6% last time we asked them. At the time you joined, in other words 1973 City Council joined the Nuclear Power Plant, we were growing at 11% a year on the peak. We were given a price of \$738 million for the plant. Now 6 years later, we are growing at 3% on the peak and we're given a price of \$4 billion, we say, for the plant. I don't

see how you can help but conclude at a minimum, that this decision should be very closely reviewed. I feel quite strongly that we have presented a convincing body of information for the project to be terminated in San Antonio. For us to get out now before conditions get worse. I will warn you publicly today that the articles on the front page of the Evening News are only the tip of the iceberg on what's been going on in construction down at that plant. And you will be hearing more about it in the months to come and you can stick with this project till the bitter end and you can go down with CPS and express how good a job they're doing 3 years from now when the cost is up to \$3.5 billion and drive this town down with you. I urge you not to do that. I urge you to have the courage to stand up today, and reverse a decision that was made in 1973 for which conditions have radically altered. And for which every indication exists that conditions will continue altering in a further negative fashion. I hope we will not see another bond issue. I see this bond issue as just one more nail in the coffin that's being built by the City Public Service Board for its customers. I hope you will vote no on the bonds. I'd be happy to answer any questions with the remaining time.

MAYOR COCKRELL: Are there any questions from the Council? Mr. Eureste.

MR. EURESTE: The one question I had is the cost at time of conception and the conceptual cost of the project. What is the figure that you were using?

MR. SINKIN: I'm using the figure that we were given in answer to our question in April of this year. We submitted the question, what was the original cost estimate for the South Texas Nuclear Project. In response of the City Public Service Board was the conceptual estimate for the project's cost was \$738 million. It's in our documents, they've answered it.

MR. EURESTE: We were given a different figure by CPSB a little while ago, when I was asking this question.

MR. SINKIN: That often happens.

MR. EURESTE: I'd like to know Mayor, would it be proper to get a clarification on this?

MAYOR COCKRELL: Let me just, Mr. Eureste. I certainly know that CPS would be glad to research and get the exact figure. I don't know, I guess it amounts to what date the figure was valid for.

MR. SINKIN: The figure that was given to 1973 City Council was \$738 million.

MAYOR COCKRELL: \$738 million. Okay, Mr. Spruce. Yes, yes sir.

MR. SPRUCE: It's very easy to answer that. There was a study in '72 and that was the figure that was the result of that. The \$900 million figure, 900 and some odd million figure was the first one that was recognized by all the participants and Brown and Root. There was a 700 million figure and that was from a 1972 study before any contractual agreements were reached.

MR. EURESTE: What year was the 900 million?

MR. SPRUCE: 1973.

MAYOR COCKRELL: 1973.

MR. EURESTE: What part of '73?

MR. SPRUCE: Probably, July.

MR. EURESTE: All right, that would be mid-1973. Yet, your response to the very question states right here in mid-1973 the conceptual estimate for the South Texas Project was \$738 million.

MR. SPRUCE: Okay, we did use that figure. The other day, when Councilman Alderete called me and asked if I would supply him with bar chart, I asked our staff to prepare those estimates. When Mr. Hart came up with a 900 million figure I said Mike, we've been talking about 700. And he said okay, we can put that in there but the first estimate that was recognized by all the participants and the contractor was the 900 million figure. That's history, that's right.

MR. EURESTE: Okay, This is what makes it very difficult to figure what is being said by the different authorities. I mean it's very confusing. You say 900 million dollars figure versus the 738 million dollar figure, those are two different things. The difference has got to be at least 162 million dollar difference. And when you start projecting, given a certain percent rate of increase per year you can come out with two different figures. So you can sit there and claim that the rate of escalation is 15% compounded and I can go back here and use the very same figure that you gave us and tell you that that rate of increase compounded is something like 23%. Which is in line with the industry and the escalating cost of this projects in the industry.

MAYOR COCKRELL: May I ask this, perhaps in following up on Mr. Eureste's request, perhaps the City Public Service could furnish a series of estimates as they related to the projections at given annual periods as you knew them. In other words, each time there was a change in the projection to outline that on just a sheet of paper and . . . (INAUDIBLE)

MR. EURESTE: You can't do that Madam Mayor, because they did not come back and report on a regular basis. I mean they came back in February of 1978 of this year, they were saying that the cost of the total project was 1.299, thereabouts, billion dollars. A few months later, they come back and say that the re-estimate is \$700 million more. You cannot go on a year by year re-estimate, you have to take where you're at today and where you were at when you originally conceived this project and gave it a conceptual cost. That's what you've got to do and this is, you are at a conceptual point somewhere back in 1973. In 1978, you have a new estimate and you take the difference. And then you work out an average compounded increase, that's what you do. And our history here in this project does track the industry trend. And that industry trend is a 20% escalation per year. And what Mr. Connally has pointed out and what I have tried to point out earlier is that the new projection does not use 20% , does not even use the 23% actual increase compounded. It uses what, what are you using? What's the percent increase into the future. 11%?

MR. SPRUCE: I think we came up with about 16 isn't it?

MAYOR COCKRELL: The statement was, I think you based it on what the projected actual cost would be.

MR. SPRUCE: The projected actual cost is, you do the arithmetic comes out about 11% but that's not the way the estimate was derived.

MR. EURESTE: Okay. And that's the question that Mr. Connally has. Why do we use a new projection and present it to this Council and present it to the different partners in this project that says 11% and yet our own history is about 22 or 23% and the industry escalation is about 20%. And then somehow or another, you're sitting here and you're saying that 11% is proper and that what the trend has been generally, does not apply to San Antonio.

MR. SPRUCE: Well, you remember Mr. Von Rosenberg explained that they did not use a percent trend. They took all the facts that they had, they took performance, they took rate of progress, they took completion of various aspects of the job, and used a whole series of projections.

MR. JACK SPRUCE: Probably some higher than 11%, some lower. It just so happens that when you apply an annual rate, it comes out at 11%. One other thing I wanted to say about those first 2 numbers, and I don't think there's any need to dwell on those, but those were both made before there were any engineering estimates made at all, those were just preliminary conceptual estimates based on plants of that size in that time frame.

MR. EURESTE: Mr. Spruce, this is your letter, your letter to the Honorable Lila Cockrell, dated March 22, 1978. "We have prepared responses to the questions contained in the letter from Lanny Sinkin dated February 28, 1978" and you signed sincerely, J. K. Spruce, General Manager. Then you take question - each question that was raised point per point and I'm speaking to your response to question No. 2 and you say in your response, in mid 1973 the conceptual estimate, you don't say anything about pre-engineering or before engineering was done, or post engineering or anything like that. You address yourself to the question on the conceptual estimate and you say \$738 million. Now I didn't say this, the people in Houston didn't say Now this, you say it in your letter.

MAYOR COCKRELL: Okay, it says - they said \$738 million and today they - you're saying 2.1 billion. All right, let me put out a quorum call for the members of the Council. We may be nearing the point where a motion will be made and I'd like to ask all members of the Council to return to the Chamber, please. May we ask staff to notify all members of the Council to return to the Chamber. We have used up all the time that we had set aside other

MR. SINKIN: Mayor, I suggest my time not be used up by rebuttal from CPS. I had about 4 or 5 minutes left when he got up to talk and he should not be allowed to use up my time.

MAYOR COCKRELL: Well, he was responding to questions of Council.

MR. SINKIN: And that counts against our time in opposition when he is a proponent?

MAYOR COCKRELL: Was there any other question that the Council had that was not answered?

MR. EURESTE: Later when we come back, I would like CPSB and whoever has the computer - I mean a calculator to run out the percentage, the yearly percentage increase compounded from \$738 million.

MAYOR COCKRELL: Mr. Eureste, first let me - are there any questions of Mr. Sinkin, because we want to be sure if there was any other question that Council had from Mr. Sinkin. That appears to be all.

MR. SINKIN: If there are no other questions I'd like to use my last moment or two or a one minute rap-up. To consider the fact that you're sitting on this City Council today beneficiaries of 8 months worth of debate on this subject. We feel we have presented well grounded data with lots of citations where you could go and verify what we had to say. If it's wrong it could be corrected and challenged. The City Public Service Board has provided you with bland assurances, phony data and they're here today asking for another \$75 million. We hope that this Council will take the act of cutting off this project. To leave it to the next Council, which is what you'll be doing if you vote for the \$75 million bond issue will be to set it off well into the future again because it may well be new members of the next City Council not predicting anything and they will have to start all over again where you started 8

months ago and inform themselves. You have an energy committee that started from scratch. Half the people of that committee haven't studied 1/10 the information you've studied. This process is going to bog down and CPS is going to come back here and milk you like little thin cows and I urge you to cut it off right now. Thank you.

MR. EURESTE: What I would like - do we still have citizens to speak? I would like to ask the representatives from CPS to take the \$738 million and to work that up to the current estimate, cost estimate of this project and to give us a percentage figure when compounded yearly will bring us to the current cost. Can that be done? I would like a response from somebody at CPSB, that somebody that's going to work on that.

MAYOR COCKRELL: Fine, Mr. Poston do you understand the request?

MR. POSTON: We can provide that.

MR. EURESTE: How long will it take?

MR. POSTON: As soon as we can program our little computer we'll do that.

MR. EURESTE: I've already got it but I want you to verify this so go ahead and program your computer.

MR. POSTON: About 23 percent.

MR. EURESTE: 23% which is I have stated earlier to date. I was told that it ran something like 15%. Now we have it from the CPS people that the interest - that the increase in the cost of this project on a yearly basis is at about 23% compounded per year since the conceptional cost of this project was adjusted back in 1973. I will cite once again that the trend of costs for the South Texas Projects tracks the rise in nuclear industry costs as reflected in the June 1978 report. This was further collaborated by the Electric Industry 29th Annual Forecasters Report that the average yearly increase in nuclear plants costs have exceeded 20% per year compounded yearly for the past 5 years. Now I don't know how you can take this analysis and take your own recent history and use a projection that is Number 1, less than your own experience and Number 2 that is less than the experience of the industry as a whole and to use a percentage figure increase per year that is much lower than the industry has experience and that your own project has experienced. I don't understand that and this is why I'm saying that the actual cost of this project for San Antonio is going to be not \$560 million capital cost but it's going to be twice that much because we still have a number of years remaining in this project. We're talking about \$560 million of costs to the City of San Antonio, but about a billion dollars, a billion two hundred million dollars, that's what we're talking about and you're coming to us for bonds to complete a project that goes beyond the \$560 million requirement. All I'm asking for is to come to the Council and to come to the participants with some figures that reflect reality not figures that reflect a hope or an aspiration but figures that reflect reality. Your're not trying to sell this off out there to some people that -- well maybe you are. I'm talking about the prospectus.

MR. PYNDUS: Mayor, first of all I would like to speak of approving the bond today.

MAYOR COCKRELL: Would you like to make a motion then?

MR. PYNDUS: Yes, but I feel that I will make a motion, but I'm concerned about those who will not support the motion. I think that this Council has a responsibility to respond to the questions that have been asked by members of this Council. First of all, we have an investment that other Councils have placed upon the citizens of this community. They made a decision on certain figures that have changed drastically. Today, San Antonio has an indebtedness by bond issues of almost 1 billion, 900 million dollars, and so we face the possibility of cost figures. The projection has been made. What if we take 14% rather than 28%. We have to look at that and say what will the cost impact be on the citizens if we take instead of a 28%, a 20% and I would ask this Council that the answer must come during our term and that rather than think about "B" Session this Council should make a final decision at this point of our term whether we stay with that nuclear project or not - whether we can afford to or not. Right now I think it would be unwise to stop the process of financing. I think it would be most unwise and I think it is inappropriate to discuss such a serious matter as we have in the last three hours.

I move that we adopt the approval of this bond issue.

MR. CISNEROS: I second the motion.

MAYOR COCKRELL: There is a motion and a second. Now, Mr. Hartman.

MR. HARTMAN: I would like to make a substitute motion, Madam Mayor. As I said about three hours ago there have been many allegations, many indications of cost overruns. There have been some cost overruns that even CPSB has attributed to what was termed contractor blunders. We have a serious problem in that we have been in the process of paying for what appears to be in many cases mistakes that could perhaps have been avoided. I asked at the very beginning of this session that we delay for two weeks the action on this particular bond issue with the understanding that that two week period would be used by CPSB to give this Council a thorough explanation of the overruns, what caused them, what do they cost and whose paying for them and finally can we recover any of those costs if they are indeed due to negligence. It was also stated here very precisely that the two week delay would not endanger the project. It would not endanger the investment. I think to me it's a sensible business like way to proceed and I move that we delay for two weeks the action on this bond issue, during which time, CPSB would provide us with the answers that we're asking for with the regard to the serious cost overruns.

MR. EURESTE: I second the motion.

MAYOR COCKRELL: All right, there is a substitute motion and a second, Mrs. Dutmer.

MRS. DUTMER: Glen, I don't understand that that was what CPSB told us in regards to the jeopardy of the contract, on the jeopardy of CPSB and our future financial situation. That wasn't my understanding of it.

MR. HARTMAN: May I restate what they said, Madam Mayor?

MAYOR COCKRELL: I think most everybody has heard it.

MR. HARTMAN: They did state that it was not going to jeopardize the investments.

MAYOR COCKRELL: . . . That they would feel much more comfortable.

MR. HARTMAN: They would feel more comfortable. I'm sure they would feel more comfortable if they could sell bonds tomorrow. I mean it's a matter of relativity. But the fact is that it's within a safe zone, gives us five weeks of buffering.

MAYOR COCKRELL: All right, Mrs. Dutmer do you have any other comments?

MRS. DUTMER: No, I'm not ready for any debate.

MAYOR COCKRELL: Mr. Steen.

MR. STEEN: I just wanted to make the motion that Phil made, I'll pass.

MAYOR COCKRELL: Mr. Webb.

MR. WEBB: I would like to state here and now that I'm against the nuclear project. I oppose it in every way. It has been proven to me that it's an unsafe project, that it is hazardous, that there is no ability to store or to get rid of the waste. God forbid that if it comes through San Antonio by rail, we'll have a derailment somewhere. I don't know where the young lady got that information from, but that's another alternative I suspect. I do have to admit several things and I'd start at this process myself. I'm the first to vote against the nuclear project I've consistently voted against it. I've asked several persons from City Public Service Board, I initiated problems of hiring practices. I've initiated other problems concerning City Public Service. I'm asking now that if in fact that it doesn't look like we have the votes to stop the project. But I would like to see construction costs separated out, operating costs, fuel costs, etc. separated and a report given back to this Council. I'm sure it's possible. It's just the fact that the only time we get to see these gentlemen is when they are here before us wanting to sell another \$75 million worth of citizen's money in bonds. Thank you.

MAYOR COCKRELL: All right, Mr. Alderete.

MR. ALDERETE: Madam Mayor, I've already seconded the motion for delay. I just want to simply request from City Public Service Board that as a Councilman's request I would like to see the entire procedure outlined in black and white for the sale of the South Texas Nuclear Project. In other words, what does it take from Point A to Point Z to get out of the South Texas Nuclear Project. What are the steps and everything else that is needed to move ourselves, time and everything else and I'd like to see a report on that given to me.

MAYOR COCKRELL: All right, I think in the information you got from the Austin City Council that is on your desk, there's a good bit of that but we can get additional information.

MR. EURESTE: Yes, madam, I think that I'm going to support the motion that's pending right now. That's the motion to delay. I had talked to Mr. Hartman and I agree with the position that he has taken. When the people from the project that come to the City of San Antonio, as they did . . . let me see if I can get the copy of this report, it's dated October 27, 1978. The South Texas Project Electric Generating Station Task Force report, and this is the report that we're referring to right here. It's a report that contains about 30 pages. They want to inform us that the project is going to shoot up from \$1.299 billion, which is about one billion three hundred million dollars to somewhere around the figure of \$2 billion. They are trying to tell us that it's about a \$700 million increase and they tell us in about 30 pages. A lot of generality, there's nothing specific. Nothing specific about why, why we have this tremendous increase. They didn't tell us that from 1973 to '78 there were increases in the structural steel requirements by 122%. That there were increases in wire and cable requirements by 100% from '73 to '78. That there were increases in conduit by 49% and that there were increases in direct labor manhours from 1973 to 1978, from 11 million manhours to 33 million manhours. That's what they told us in this 30 page report.

I think that if the City of San Antonio is going to continue to make an investment in this project to the tune today of 75 million more dollars and to the tune of an amount that remains to be clearly identified, although there is an estimate that we should be hitting at about \$560 million, but according to other authorities that projection could double that figure, and really for San Antonio we could be talking about \$1.2 billion for San Antonio. When you have that kind of escalation occurring in a project like this, I'm not satisfied with somebody just telling me well the reason for the increase from 1.3 billion to 2 billion, a 700 million dollar increase, the reason for that is because of the regulatory requirements and changes in those regulatory requirements and inflation. Everybody understands inflation. I don't think we have to have an explanation on inflation. But I would like to have an explanation on the regulatory requirements.

I would also like to know if there have been other problems. For example, like errors and mistakes on the part of either the managers of this project or on the part of the construction firm that has been contracted for this project. I think when someone comes to this City and asks the City of San Antonio to pump in an extra \$50 million because that's what this recent increase amounts to San Antonio, when they ask us to pump in an extra \$50 million, I think we ought to be a little bit more than 30 pages.

This is why I would support the delay. It is, to me very logical. The policymakers who are making decisions that affect every resident in San Antonio, and affect their pocketbooks and affects their tax rates and what not. For us to ask for a little bit more information in two weeks. That's why I supported the motion.

MAYOR COCKRELL: Thank you, Mr. Eureste. Dr. Cisneros.

DR. CISNEROS: Yes, I would urge all members of the Council to support the action to pass the bonds now. The fact of the matter is that if there are questions such as have been raised this afternoon that there is a process for asking those questions and that the answers are available to those questions. Many of the questions that have been raised this

afternoon can be handled by substantive suggestions such as Mr. Hartman made 2 or 3 weeks ago when he introduced a resolution here to have a monitor on the scene to have some of those questions answered. But delaying for two weeks doesn't answer in and of itself any questions. If we want to get questions answered then there's a way to do it. The only thing that delay does, is it weakens our position in the bond market. It is not a substantive action. Delaying is posturing, delaying is cosmetics. It's just putting things off because I predict that after that two week period, you're going to have to pass those bonds. It's in the shape of the world the fact of life, that we're going to have to keep up our payments on the project.

Now many of the people who have spoken today have addressed their comments to a discussion that would be more appropriately entitled "getting out of the nuclear project", not a discussion as to whether or not we're going to pay bonds. The question of delay accomplishes nothing. If you want some substantive discussion of the question then why don't we raise them better, more sequentially, not just on the day we are going to vote on bonds. It accomplishes nothing and in my opinion misleads the people of San Antonio.

What we haven't told them is that by delaying you are postponing the January 4th date that CPSB has plan to sell bonds. The implications of the postponement are we're in a less advantageous position. We stand to lose in the interest rate market. There's the possibility we'll be tied up by further legal delays and if that occurs and we miss the time deadline we have to borrow at a higher interest rate. There's just nothing to this matter of delay that has any substance whatsoever.

MAYOR COCKRELL: Mr. Ortiz.

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MR. ORTIZ: Madam Mayor, before I vote on the substitute motion, I'd like to ask Mr. Eloy Centeno, Chairman of CPSB, to please come up for a minute.

MAYOR COCKRELL: All right, may we request Mr. Eloy Centeno, the Chairman of the City Public Service Board, is present.

MR. ORTIZ: Thank you, Mr. Centeno, for coming. I think you've been listening to all the concerns. Everybody is concerned about the cost overruns, the continuing escalating costs and what it will ultimately cost the City of San Antonio. Earlier today you and I had a conversation. We discussed the possibility of CPSB giving very serious consideration to a possible reduction in our participation, say, from 28% to 14%. Mr. Spruce indicated that within 45-60 days he could return to this Council and go through the entire series of steps and figures and all the other information that we would need. Do I have your assurance here before the Council that this will take place?

MR. CENTENO: Yes, sir, you sure do.

MR. ORTIZ: Thank you, sir.

MR. CENTENO: No problem there. Is there any other questions of the City Council people?

MAYOR COCKRELL: Mr Centeno, so far as you're concerned, I know that any questions the Council members have that the City Public Service will do their best to answer. That's the board's policy. Thank you, sir.

MR. CENTENO: Mr. Webb. Your mind is made up.

MAYOR COCKRELL: Mr. Ortiz.

MR. ORTIZ: Thank you, madam mayor, thank you Eloy.

MAYOR COCKRELL: Thank you. All right, we have the first to vote on the substitute motion by Mr. Hartman calling for a two week delay and requesting then that certain information be made available within that two week period. The Clerk will call the roll on the substitute.

AYES: Alderete, Hartman, Webb, Eureste.

NAYS: Ortiz, Pyndus, Steen, Cockrell, Cisneros, Dutmer, Wing.

CITY CLERK JACKSON: Motion failed.

MAYOR COCKRELL: We call now for the vote of the original motion which would be to approve the sale of the bonds. Clerk will call the roll.

MR. EURESTE: Madam Mayor. All I wanted was, again with a calculator to run the cost of the project at 23% compounded from \$206 million which was the conceptual cost to San Antonio, or the conceptual estimated cost to San Antonio, \$206 million compounded from '73 to the completion date of this project and see what kind of figure we come up with for San Antonio.

If we were to take it to the present it would give us where we are at today. If we were to take it to '82 or '83, it would

get us a figure that is very different I would assume from what has been projected for the City.

MAYOR COCKRELL: All right, if you would be kind enough to write down your question so that we could forward it out I would be glad to do that.

MR. EURESTE: I wanted them to do it here.

MAYOR COCKRELL: I don't understand the question.

MR. EURESTE: Mathematical computations. All you have to do is you take the \$206 million and you apply a 23% rate of increase per year from 1973, mid-1973 -

MAYOR COCKRELL: No, that was mid-1972. I thought the mid-1973 figure was the \$300 million or whatever figure.

MR. EURESTE: No, Madam. Mid-1973 according to the letter from Mr. Jack Spruce gave the cost to San Antonio at \$206 million.

MR. PYNDUS: I would like to call the question, Mayor.

MAYOR COCKRELL: I have not heard a motion to close debate and a second at this point. So, the Chair will ask that Mr. Spruce respond to the question by Mr. Eureste. This, I believe, has been asked before and the question is as to the date of the \$206 million figure and was that date as of mid-1973 or just exactly what was that date.

MR. SPRUCE: May I ask Mr. Hart to clarify that. I was just talking about it.

MR. HART: The \$738 million figure was the result of study...

MAYOR COCKRELL: Excuse me. If you'd talk right into the mike, then that would carry.

MR. HART: The \$738 million figure was the result of the study group that performed the very preliminary work on the entity that became the South Texas Project. That committee gave its report in 1972; therefore, that estimate was prepared in 1972. That estimate was used into 1973. When we were requested to respond to the South Texas Project estimate in the year of the estimate, then we responded in the year the estimate was prepared and the \$933 million figure was the estimate prepared sometime late summer of 1973 and the subsequent figures accordingly. Therefore, the numbers that were given Councilman Alderete are the estimate in the year the estimate was prepared.

MR. EURESTE: The question was asked by Mr. Lanny Sinkin. It was forwarded through the Mayor to CPS. The responses forwarded from CPS to the Mayor and then distributed to the various people on the Council and apparently to Mr. Sinkin. The question is the conceptual cost of the project to San Antonio. The response is by Mr. Spruce \$738 million for the full project, \$738 million. Mid-1973.

MR. HART: That's correct. That's before the estimate that came up with \$933 million.

MR. EURESTE: No. No. I'm saying take the \$738 million and apply a 23% increase compounded to the date of completion of the project,

that's all I'm asking for. Can you do that?

MR. HART: Yes, sir, we can do it.

MR. EURESTE: Alright.

MAYOR COCKRELL: All right, fine. Thank you...

MR. EURESTE: Can I have that information before we adjourn?

MAYOR COCKRELL: Not before we vote.

MR. EURESTE: I'm asking for that information right now.

MR. PYNDUS: Call the question.

MAYOR COCKRELL: Is it the Council desire to wait further on the vote?

MR. PYNDUS: No, Mayor, I think that we've waited three hours. We voted on a substitute motion. We've got the original motion waiting for vote.

MAYOR COCKRELL: Fine. The chair will call for a vote and...

MR. EURESTE: I am asking for the information, Madam Mayor.

MAYOR COCKRELL: Yes. Many requests for information from CPS have been given, We've been advised that they will be responded to and the Clerk will now call...

MR. EURESTE: Madam Mayor, this is a very simple calculation to run. It's a very simple calculation.

MAYOR COCKRELL: Mr. Eureste, is it your feeling that in some way the calculation is going to change the vote that is going to be taken? What is the purpose of the delay?

MR. EURESTE: It could. It could change the vote. You will be astonished at the cost.

MAYOR COCKRELL: Is there any member of the Council who feels that by waiting your vote is going to be changed on this issue?

MR. PYNDUS: How long will it take, Mayor?

MAYOR COCKRELL: We're holding up, of course, a large number of persons here waiting on the Citizens to be Heard and if there is no member of the Council...

MR. EURESTE: He's got it. What is it?

MR. HART: The real answer is not 23, but it's .2215, but I can't - that I came up with a while ago calculating the percent if you bring out that forwarded from the 738 number that he had, it would be 1.25 as far as San Antonio interest.

MR. EURESTE: \$1.25 billion cost to San Antonio. Thank you very much, sir.

MAYOR COCKRELL: All right. Clerk will call the roll.

AYES: Ortiz, Alderete, Pyndus, Steen, Cockrell, Cisneros, Dutmer, Wing,
NAYS: Eureste, Webb; ABSTAIN: Hartman; ABSENT: None.

MAYOR COCKRELL: There are eight votes that passed and declares an
emergency.

78-56 The Clerk read the following Ordinance:

AN ORDINANCE 50,182

CERTIFICATE FOR ORDINANCE APPROVING THE "OFFICIAL
NOTICE OF SALE" AND "OFFICIAL STATEMENT" IN
CONNECTION WITH THE ISSUANCE OF THE \$75,000,000
CITY OF SAN ANTONIO, TEXAS, ELECTRIC AND GAS
SYSTEMS REVENUE IMPROVEMENT BONDS, NEW SERIES,
1979; AUTHORIZING EXECUTION OF SAID DOCUMENTS
AND PUBLICATION OF SAID "OFFICIAL NOTICE OF
SALE"; AND DECLARING AN EMERGENCY.

* * * *

After consideration, on motion of Mr. Steen, seconded by
Dr. Cisneros, the Ordinance was passed and approved by the following vote:
AYES: Cisneros, Dutmer, Wing, Ortiz, Alderete, Pyndus, Steen, Cockrell;
NAYS: Webb, Eureste; ABSTAIN: Hartman; ABSENT: None.

78-56 The following Resolution was read by the Clerk and after consideration, on motion of Mr. Steen, seconded by Mr. Pyndus, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Alderete, Pyndus, Hartman, Steen, Cockrell; NAYS: None; ABSENT: Ortiz.

A RESOLUTION
NO.78-56-166

MANIFESTING THE DETERMINATION OF THE CITY COUNCIL THAT RAY ELLISON HOMES HAS VESTED RIGHTS UNDER ARTICLE THREE OF ORDINANCE NO. 48484.

* * * *

78-56 The following Ordinance was read by the Clerk and after consideration, on motion of Mr. Steen, seconded by Mr. Pyndus, was passed and approved by the following vote: AYES: Cisneros, Webb, Dutmer, Wing, Eureste, Ortiz, Alderete, Pyndus, Hartman, Steen, Cockrell; NAYS: None; ABSENT: None.

AN ORDINANCE 50,183

APPOINTING MR. MANUEL MASS TO THE ANIMAL CONTROL ADVISORY BOARD.

* * * *

Mr. Manuel Mass is hereby appointed to the Animal Control Advisory Board to fill the unexpired term of Mr. Rudy Cantu who has resigned. Mr. Cantu's term was due to expire on March 23, 1980.

78-56

CITIZENS TO BE HEARD

AVANCE PARENT-CHILD DEVELOPMENT PROGRAM

Mrs. Gloria Rodriguez, Director of Avance Parent-Child Development Program said that two weeks ago she had addressed the Council concerning the needs of her organization and had been promised Council backing in obtaining a grant from the State of Texas. Then last week an Ordinance was passed which omitted her program but supported the Inman Christian Center Program.

Mrs. Rodriguez was supported in her request by a large number of citizens many of whom had their babies with them. She urged the Council to amend last week's Ordinance and support her request for a grant in the amount of \$9,104.23.

After discussion, Mr. Eureste moved that staff be instructed to prepare an ordinance for next week's agenda authorizing a grant out of the contingency account in the amount requested. The motion was seconded by Dr. Cisneros and carried on a voice vote.

MARIA DOMINGUEZ

Mrs. Maria Dominguez thanked the Council for its action in supporting the Avance Program.

REHEARING ON EDWARDS AQUIFER

Mayor Cockrell asked for Council's concurrence in instructing the Legal Department to ask for a rehearing on the Mall case.

The Council gave to concurrence.

CITIZENS COMMISSION ON PUBLIC UTILITIES

Councilman Wing said that he was on the prevailing side when an ordinance was passed setting up the Citizens Commission of Public Utilities and he asked for Council concurrence to reconsider that action. The motion was seconded by Mr. Pyndus. The Council concurred in the request.

BEXAR COUNTY HOSPITAL DISTRICT

Mayor Cockrell asked that a resolution be placed on next week's agenda supporting and endorsing the application of the Hospital District Board of Managers for two regional health services centers.

The Council concurred in this request.

78-56 The Clerk read the following Letter:

December 11, 1978

The following petitions were received in my office and forwarded to the City Manager for investigation and report to the City Council.

December 6, 1978

Petition submitted by Charles Schmiat and signed by other area residents, requesting that the outside area at 727 Culberson be cleaned up.

December 7, 1978

Petition submitted and signed by Althea Politis Moore, and other citizens, requesting that steps be taken to complete the facilities for the new Lions Field.

* * * *

G.V. JACKSON, JR.
City Clerk

There being no further business to come before the Council, the meeting was adjourned at 5:35 P.M.

A P P R O V E D

Lila Cockrell

M A Y O R

ATTEST:

Norma J. Rodriguez
City Clerk

December 14, 1978
md