

SPECIAL MEETING OF THE CITY COUNCIL  
HELD IN THE COUNCIL CHAMBER AT CITY  
HALL ON FRIDAY, JUNE 15, 1973 AT  
9:00 A.M.

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The meeting was called to order by Mayor Charles L. Becker with the following members present: SAN MARTIN, BECKER, BLACK, MORTON, BECKMANN, PADILLA, MENDOZA; Absent: COCKRELL, LACY.

73-31 Mayor Becker stated the meeting was called for the purpose of hearing a briefing session between the City Council and the City Public Service Board to discuss items of concern outlined in a Resolution on the energy crisis passed by the City Council at its meeting on June 7, 1973.

The following discussion took place:

MAYOR BECKER: I'd like to read this Resolution briefly if I may. It is a summarization of a Resolution that was passed on June 7th. That resolution addresses three areas of concern that the City Public Service Board as being of interest to the Council. One, the Board's plans for recovering from Coastal States whatever damages the Board feels the citizens of San Antonio are entitled to as a result of the curtailment of natural gas supplied by Coastal States. Two, what plans the Board has to prevent a future recurrence of electrical power shortages. And, three, the information being utilized by the Board in the decision regarding the acceptance or rejection of nuclear power as a future energy source for electric power generation. A resolution has established today's Council briefing to address these areas of concern.

Mr. John Locke, Chairman of the CPS Board will begin the briefing. Now, before we begin with Chairman Locke, I'd like to point out to the members in the audience that since this is a briefing and only a briefing we will not call upon citizens to be heard today or any public opinions. So, it will be confined to those that are in the official capacities with the capacity and authorization to speak. Chairman Locke, would you like to commence.

CHAIRMAN JOHN LOCKE: Mr. Mayor, members of the Council, I think those on the Council remember that whenever I've had occasion to, I might say I'm Jack Locke, Chairman of the Public Service Board. Anytime I've had occasion to appear before the Council I've always told the Council that whenever the Council had any questions or wished any information, we would be happy to appear before them. I think this is a particularly appropriate time to do that because we have to make a decision on the nuclear project by the first of July. Now, it's of course, been well known for the last year and a half that we were working with the other members of the South Texas Project and that we would have to make a decision on that by July 1. We have given many news releases and we've given briefings to various groups on that question. However, we have not had a final briefing on it. Even the Board hasn't had a final briefing on it until recently because it was a developing matter. We wish our management and staff to come to a firm opinion of its own before it gave us a final briefing.

Now, we have, as the Council well knows, some very difficult problems at this time. They are not of easy or quick solution. Although it's up to the Board to make the decisions on how we go in trying to solve these problems, it's going to be impossible for us to implement what we do without the help of the Council. Any way we go is going to be expensive. No matter how we go we're going to have to call on the Council, and not too long from now to start raising rates. Also, any way we go we will have to, in the years to come, call on the Council to issue additional bonds. We will probably have to bond ourselves to our full capacity to meet the expenses of anything that we have to do to solve these questions. So, we must of necessity have to work with the Council and have to have the help of the Council in what we do.

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Now, this morning we are going to try to, as far as possible, answer the questions that were asked for in the resolution that the Council passed. In doing that we will have with us the men who are closest to the handling of these problems and who will have to direct what we do. We are going to let them put on the briefing this morning. We expect to first have a presentation of the general national energy problem. Now, I'm sure that some of you have seen this same presentation but it's probable that some others have not. I don't think it will hurt anybody to look at it again. We're going to have that first. Then, we will have a presentation of just what we have done towards meeting the existing problems. Then, we will try to show you what we envisage for the mid-term, namely, the period between now and the early 1980's, and then finally, explain as fully as possible the South Texas Nuclear Project--what it offers and what the advantages would be in going into it. Then, we also have with us Dr. W. E. Drummond, Director of Fusion Research and Plasma Physics of the University of Texas, and Mr. Monty Wise of the Southwest Research Foundation, who will be available to answer any technical or environmental questions that anyone on the Council might have. Now, I will first introduce for the presentation on the national energy problems Mr. Jack Spruce, one of our department managers and one of our top engineers, Mr. Spruce.

MR. JACK SPRUCE: Thank you, Mr. Locke. Mr. Mayor and members of the Council, I'm Jack Spruce, Director of Construction for City Public Service. As Mr. Locke has told you this is background information and general introduction to more specifics which will be brought out later in the program. I have some slides which I would like to show on the screen over here. Mr. Granata, could I ask you to please turn the projector on. There's a switch right on the back of it. Thank you.

I think everybody is aware, at this time, of our problems with fuel and energy supplies. I would say as a minimum we certainly have everyone's attention. In our particular problem, we're concerned with the supply of natural gas. We live in an area of the country where natural gas has been bountiful at a cheap price. Natural gas is a near perfect fuel. It is clean. It does not pollute the atmosphere when it burns. Due to environmental controls in the North and East, many industries have switched from coal to oil and gas. Thereby, depleting the supply of natural gas in our part of the country. In fact, I believe everyone's aware that we are now using natural gas in the United States faster than we're adding reserves.

This is the City Public Service Power Plant, this particular plant is the Victor Braunig Plant Southeast of San Antonio which supplies about 42 per cent of our generating capacity. This is a fully developed plant. That is to say it has several generators. It's a modern plant. City Public Service operates five power plants with a total of 15 generator units, the oldest one dating back to 1945. All of our electric generation is supplied by gas fueled boilers. They also are all equipped to fire oil on a standby basis. They were designed to fire oil on a standby basis for a short period. They are not designed to fire oil on a continuous basis. During a typical hot weather day during the summer, City Public Service uses in all its generating units about 240,000,000 (two hundred forty million) cubic feet of gas per day, at a daily cost of about \$60,000. If we would be required to substitute oil for this total generation, it would add about \$200,000 a day to our fuel costs. Some of our recent curtailments have been on the order of 70 per cent. We've been burning up our oil reserves faster than we could get them in. During the summer months, City Public Service uses about two-thirds of the gas it receives in power generation and during the winter months, about one-third of the gas received goes to power generation and the remainder going to our gas distribution system.

This is an inside view of the turbine room at the Victor Braunig Plant. There are three turbine generators here. The newer units that we are adding to our system are like the one in the foreground. There are 430,000 kilowatt class or, as we say in the engineering profession, 430 megawatts. The turbine generators are essentially the same as long as you have a steam whether the steam is produced by gas, oil, coal or nuclear.

This is a flow diagram of a typical fossil fuel plant. The lower left represents the boiler where some fuel is burned, thereby, generating steam under pressure which is passed through a turbine connected to a generator which generates electricity. The steam is then cycled through a condenser which is cooled by some cooling water, either from an underground source or from a lake. The steam, after having been condensed, is then passed back into the boiler to be recycled.

This is one of our older power plants. This is the W. B. Tuttle Plant on Perrin-Beitel Road. This plant was developed during the late 50's. It was the last plant that was built using the cooling tower principal for cooling the circulating water that passes through the condenser. Our older plants are not expandable for larger generating capacity because of the limited water resources in our area. You will notice the fuel oil tank in the foreground. This is typical of the tanks that we have installed at our plants up until now. Victor Braunig Plant was the first plant built on a cooling water lake. This particular lake was built by City Public Service. The water in the lake was taken from the San Antonio River and was principally a sewage effluent run-off from the City's sewage disposal plant on Rilling Road. This is our newest plant, the O. W. Sommers Plant at Calaveras Lake.

The unit on the left is the Sommers No. 1 which went on line in the early summer of 1972. Right now this plant supplies about 21 per cent of our generating capacity. To the right you see the second unit, Sommers going up. It's under construction at this time, due to go on line in 1974. It was also ordered to be a gas fired plant with standby oil firing. The oil tank you see in the foreground is a 60,000 barrel tank which was deemed adequate at the time it was designed. However, at the present time in our gas shortage we seem to need some more oil which we'll talk about a little later. Incidentally, the one unit on the left which is in operation if it were fired continuously on fuel oil would use up that 60,000 barrels in between three or four days. One other point about the present cooling lakes, Braunig and Calaveras, both have capacity for additional generation expansion.

Let's go back to our fuel problem and talk about it on a boarder scope. This map represents the United States and the light shades represent the rich oil and gas areas in our country and the other network pipeline. You can see that Texas and Louisiana and the coast is endowed with an abundance of oil and gas. However, you can also see that a lot of it is leaving our area. There will be some more production. Our off-shore Texas and Louisiana. However, we feel that we're beyond that thing doing us a whole lot of good at the present time. This chart probably is the reason we're here today. On the right you see the rates of consumption which we're using our fossil fuels. Of fossil fuel consumption at the present time, about 29 per cent of it is natural gas, about 24 per cent is coal, and about 47 per cent is oil. About half of this oil consumption goes to transportation industry. Now, the problem is represented on the left where you see the ratio of our preserves. There's probably not more, a 12-15 year supply of gas left, at our present rate of consumption. Probably a 12 to 15 year supply of oil at our present use. This is domestic oil. And about a 400 to 500 year of coal reserve do exist in the United States. Incidentally, I think probably most of you know we're still exporting some coal.

This is a chart showing the national demand on natural gas. The rate of demand has been projected and the rate of production has been projected and the difference represented by net imports. I think that we would agree that it's just not going to be possible to bring in the kind of gas that would be required to continue to meet the projected rate of demand. There will probably be a development of a pipeline from Alaska, which will help some and there will be some gas brought in a liquified state from Russia which will help some, but it's doubtful if any of that gas will get to Texas. It's also doubtful if any of that gas will ever be used for electric power generations. Incidentally, liquified natural gas is an expensive process. The tankers which bring it across the ocean cost about \$65 million a piece and to keep it in a liquified state the gas has to be kept at a minus 260 degrees Fahrenheit. So you can see that there is extensive refrigeration equipment required.

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The oil demand chart doesn't look a whole lot better. At the present time we are importing a lot of oil. We're importing about 25 per cent of our needs and it's estimated that by 1980 we will be importing about 50 per cent of our requirements. I think that we would all agree that it would not be desirable to be completely dependent on foreign fuel sources.

This is the problem that City Public Service Board has to cope with. This is our supply and demand chart. The lower line represents our annual demand of electrical power. It has been increasing at about 11 per cent per year which means we have to double our generating capacity every eight years. Each of the adjustments on the stair step line represents the addition of a generating unit. I'm sure you can understand that we have to have some reserve in our system because generators are mechanical devices. They have to be taken down for maintenance and they frequently suffer breakdowns which require repairs. Therefore, we have to have some reserves between the demand and the supply. There is some prognostications about whether the annual growth rate will continue. I think it's safe to say people are going to continue to expect electric power. It may not continue at quite this rate but it will not deviate too far from it in our opinion.

These are generator additions during the period of 1968 to 1976. Back in 1968 we had a 1300 megawatt capacity. By 1976 we will have added 1700 more which is more than doubling our generation capacity in that eight year span.

This is the pricing and terms of our gas supply contract which was made in April, 1962 with Alamo Gas Supply Co. It was a 20 year contract for two trillion cubic feet of gas with a one cent escalation per thousand every five years. We're still operating under the terms of this contract. We are now in the period shown 72-77. That is the price we are paying for gas. After we had been with Alamo for some time, Alamo merged with Coastal States Gas Company who is now our supplier and has taken over this contract.

Questions have been raised about United Gas Pipeline Company who was our supplier before 1962. They had a 15 year contract which expired in 1962 and they did bid on our 20 year gas contract at that time. Their bid was some \$30,000,000 higher than Alamo Gas Supply for the 20 year period of the contract. Incidentally, everything with United was not completely rosy during the days before 1962. We did suffer curtailments. They had deliverability problems during the periods of high demand. There is no more United Gas Pipeline Company in South Texas. Their assets were acquired by Coastal States several years ago. Now, those of you that see signs about United Gas in South Texas are probably seeing what is called United Gas Incorporated which is a corporation that owns small distribution systems in town such as Universal City, San Marcos, Floresville and so forth and those people buy their gas also from Coastal States.

This is a bar chart showing the gas deliveries under the terms of our contract. We've acquired a little bit more than one-third of the gas that was to come to us over the 20 year period and this is very much in accordance with the useage that was forcast in 1962. Obviously, if we doubled our needs every ten years, we would need twice as much during the second ten year term of the contract.

This is just to represent a discussion about an energy policy. We're going to have one I'm sure. It's probably going to tell us that oil and gas is not going to be available for electric generation or, if it is, it's going to be controlled. Gas will be available for many years for domestic use. This is always been assigned to first priority in any time of curtailment in our country. The Texas Railroad Commission rules probably come closest to representing an energy policy to us at the present time. The highest classification and would be the last to be curtailed is gas for human needs which is for homes, hospitals, schools and the like. Catagory B, for commercial and small industrial customers that use under 3,000 mcf per day. Catagory C is fuel for industrial processing where no alternate fuel can be used. Catagory D is industrial border use where an alternate can be used. Now, this is not whether an alternate field is available but whether it could be used and we were placed in this catagory by the Railroad Commission when they came out with a policy back here a month or so ago. Because of our severe, extreme problem with bringing in any other fuel, the Railroad Commission adjusted our classification to Catagory B.

Thereby relieving our critical situation for an interim period. We recognize that this is a temporary ruling. It's now being debated before the Railroad Commission in Austin. The only customer City Public Service Board has that is a class B customer is San Antonio Portland Cement. It is the only one we were required to curtail on the terms of this Railroad Commission policy.

Here is an architect's concept of our Sommers plan with unit 3 being added. At the time this drawing was made it was planned that unit 3 would be designed for continuous all firing. The capacity of unit 3 would be no larger than the first two, however, you can see the boiler is larger because the design of the boiler to fire fuel oil full time is a little different and requires more massive structure, heavier components, different flame patterns and so forth. So, it does cost more. Incidentally, because of this severe oil and gas shortage the decision has been made that unit 3 at Sommers will be switched to a coal power plant. The boiler will have to be altered. The turbine generator will remain the same. To make a coal plant economically feasible, because of the peripheral equipment that has to be put in, such as rail trackage, coal handling equipment and so on, it is only feasible when you're adding at least two units. Therefore, we also plan to add a coal unit in 1977 which would be Unit 4. It would be built to the right of this one.

This is a photograph of a coal plant. It is an older plant. I believe we can design one that will look better than this, however, it gives you an idea about some of the equipment that surrounds the coal plant. We mentioned that they do cost more than gas or oil. They take a larger boiler. We have to have a coal storage yard, a rail yard, we have to have conveyors for the coal, we have to arrange to transport the coal from wherever it's mined. We have to put filters on the stack to control emission. We have to put in coal hoppers and grinding mill.

This is an architect's drawing of a nuclear plant. You see no stack. There are no emissions. Nuclear power plants are clean. They are carefully designed with numerous back up safety systems. They must be licensed by the Atomic Energy Commission. They require long lead time to engineer and build. The fuel for nuclear power plants is controlled by the Atomic Energy Commission. Although they do cost more to build in the beginning, because of the numerous safeguards that must be built in, they probably will undoubtedly will reckon out to be cheaper in the long pull because of the lower long run fuel cost. The fuel for the nuclear plant must be placed in the plant before it is set into operation. It can't be brought in gradually by a pipeline or by a rail such as oil or coal or gas. It is estimated that by the year 2000, at least 50 per cent of the power generation in the United States will be by nuclear. This is a flow diagram of a nuclear generating plant. You can see there is very little difference in this chart between the fossil fuel and the nuclear fuel plants. The main difference being in the reactor which is the source of heat and energy to produce the steam to run the turbine.

This is a map which was produced in February of this year. At the present time there are 30 nuclear plants in operation in the United States. There are 60 more under construction and there are another 75 planned to be built. You see two dots there in the State of Texas. That represents plants in Texas, Texas utility area near Dallas. Another two have been announced to be in Gulf States Utilities area near the Louisiana border. Houston has announced that they will build two plants in Austin County. The last two to be built in Texas are the new South Texas nuclear project which we will hear more about. This will be in Matagorda County. Incidentally, all those plants will be built.

We hear a lot of talk about other fuels. Why don't we use fusion, why don't we use solar, why don't we use hydrogen and so on. Well, all of these have great possibilities. Some of these are practical on a limited scale. However, to build a power plant that we require for today's generation requirements, we have to go to whatever is available on commercial basis. None of these are available on a large commercial scale at the present time. In fact a number of them are still laboratory models only. Some of them consume more energy than they produce. Some of these will be the source of energy around the year 2000, and they will probably by then have solved the energy problems that we're now engaged in.

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Some of the actions being taken by City Public Service, we have engaged National consultants in the use of energy, use of coal, nuclear advisors, oil consultants. We've participated in research with university studies and with industry studies. We've formed an energy management team at City Public Service Board. We've hired engineers with various backgrounds. We have this South Texas Nuclear Project in which we've participated in the studies of its development. We do have an opportunity to join it on a 30 per cent basis. Some other things that we're doing that are not on the chart, we're building additional fuel oil storage tanks. This would be a hedge against the inevitable gas shortage that we expect to continue to happen to us. Since the first of February, 1973, we have added four 223,000 barrel tanks at the Braunig and Sommers Power plants. We've also been seeking to get all the gas that we're entitled to under the terms of our contract. We know we will continue to need gas after 1982. We're going to have to do something about making a firm, acquiring firm reserve for gas supplies after 1982 when our present contract expires. The studies that we've developed up to this time show that the most expedient relief for our energy problem during the next eight to ten years would be to add coal units. Thereafter, our studies show that nuclear units would be the best bet for us to pursue. We've always been proud of San Antonio being the best lighted City. We have asked the citizens to reduce the use of power and use of lighting and they have cooperated 100 per cent. We still have a long way to go on this with the aim of our people at City Public Service is to continue to provide our community with its full power needs at the lowest possible cost. Thank you.

MR. LOCKE: Our next speaker will deal with the steps that have been taken to meet the immediate problems that we have faced mostly during this year. He is not an executive of the CPS. He's a member of the Board who draws about pretty near the same compensation that you gentlemen draw. But during the time he served on the Board, he has spent just about as much time on this as any paid executive we have. I would say that he, probably more than anyone else, has made the greatest contribution toward taking care of our immediate needs. Mr. John Newman.

MR. JOHN NEWMAN: Mayor and Gentlemen. I just want to start out by saying this. There is no way to exaggerate the seriousness of the energy shortage. They have recently in Washington started a movement that they have chose to call it an energy problem instead of an energy crisis. It's an energy catastrophe. We'll call it exactly what it is. First of all, let's start in on what we're doing and where we are at the moment. The availability of gas is extremely limited as we're finding in our search to buy gas direct for San Antonio. We're working together with Austin and LCRA and the idea being that when we buy gas we will share it with them on a pro-rata basis. They use, Austin and LCRA, use about as much gas in their electrical generators as San Antonio so the idea being that we would share and share equally. We're finding some problems in buying gas directly because the producers are reluctant to sell to a public utility. They feel that there are some risks that they're running. We've assured them that we have all the elasticity that would be required and if need be, we can put someone between them and ourselves and if need be an oil company. But in any event, we feel that we can allay their fears in that area. I think it would be well for you to know that in the interim period from the time that Coastal, on May 1 and May 2, started the hearings in Austin, they were told even before then, that if they could find any gas, that they were to please feel free to go ahead and buy it that we together with Austin and LCRA would pay the difference, that we would, in addition to that, pay them for the cost of transporting the gas for what we were anxious to do was not to have any period in here where gas could not be acquired. We're also working with them on the acquisition of gas for San Antonio and they are our partners direct.

Now, let's view the oil situation as it exists. First of all, we talk about foreign oil. Well, we're prepared out here to burn sweet oil. By sweet, I mean an oil that does not have over seven-tenths of one per cent sulphur. The availability of sweet oil all over the world is in very, very short supply. As a result, our ability to acquire exactly what we want even on the import basis and on a dependable import basis over a period of time is very limited. One of the reasons that it's limited domestically is that since 1970 there's been no new refineries built in the United States.

There are no new refineries being built now in the United States. The preponderance of foreign oil is sulphur. The largest producing country in the world is Saudi Arabia. The oil is sour. Our refineries are not equipped at this time to handle that sour oil.

Now, start from there. What we're trying to do among other things is secure a domestic source of oil. We're working on a deal that involves 15,000 barrels a day that the City Public Service Board would be buying direct. It would go to Corpus Christi. We are working with several, both refineries and individuals, that have topping units. The idea being that we would take out the part we can burn which is the middle, trade off that light for more of what we can use and sell the bottom. Now, we're progressing pretty well along this line, but one of the problems that exists we end up with the oil in Corpus Christi and we need to bring it all the way back to San Antonio. So, we're working with various companies. Mobile had suggested that they would be partners with us on a fuel line. We're meeting today with American Petro-Fina, that has a line coming from Corpus within 24 miles of our Sommers and Braunig Plant out here. The idea being then to build a line spur off that into the plant American Petro-Fina line would require some looping some additional pumps on it. But as they explained to us, and will explain today later in greater detail, the space that could be made available would be in the vicinity of 20,000 barrels a day. This would help.

I want to just point out to you how extremely serious we view this. We have at the present time 1,125,000 barrels in storage. We're also working right now working to the end of building two more 225,000 barrel tanks. With the type of curtailment that we can anticipate, 30,000 barrels a day is in line. Well, 30,000 barrels a day for 30 days is 900,000 barrels of oil. It's not only a lot of money, but it's a whale of a lot of oil. Now, when we go out and we take as I'm saying, for example, the first deal here of 15,000 barrels of sweet crude off the market, what that means is that 15,000 barrels of sweet crude is no longer available for the manufacture of gasoline. We're going to face gasoline rationing not this summer; we'll have shortages this summer. We've said this repeatedly. But gasoline rationing next summer is absolutely inevitable. I'd like to call your attention to the fact that the State of Texas peaked last year. We first were producing 100,000 barrels less than the previous year and our present rate of production in the State of Texas is 300,000 barrels per day less. Now, when you take a City like San Antonio and let's talk about them burning 30,000 barrels a day and then you spread this all over the United States, we're talking about a horrendous amount of sweet oil that's going to the firing of generators that here before were fired by natural gas, you understand, or coal. Inevitably, the time will come when we will be told that there is a better use for oil than burning it in a boiler. We in the oil industry say there's a far better use for oil than burning it in a boiler. There's a far better use for gas than burning it in a boiler. But you can't stop in your tracks and say all of the generators that we presently have we must shut down and now we come on with another fuel because the lead time that's required in this industry is so darn long. It's not less than five years. We're talking about the first coal unit in 1976. But we can plan for 1976, but if we make it 1976, it's going to surprise me. The reason that I say that is that for one of these to operate you simply have to have 100 per cent of the plant on site and all be put together. There will be shortages of fuel that will result in the inability say of a value manufacturer to produce his product or one item or another item, to where as far as I'm concerned looking down the line you can anticipate not less than a year's delay. So, then we talk about 1977. My point is our problem is how do we get from here to 1977? You see these charts, 11 per cent increase per year.

If we can make 11 per cent increase a year, frankly, under the present conditions, it sure is going to surprise us. We are contemplating, perhaps, if things work out right, putting our own topping unit in. We can save a substantial amount of money by our doing our own topping. In other words, the figure that we have roughly amounts to this. I'm not saying these are accurate because this is about as accurate as we can make them at this time, but, we would be paying approximately \$5.17 a barrel for our product in Corpus Christi.

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Well, presently we're paying in the neighborhood of \$7.00 to \$8.00 and sometimes a little more than that. But the sayings would be considerable if such a program as this could be worked out. Now, in the meantime, on for example, the 15,000 barrels of oil, we're working with Champlin and with Amerada and with individuals in Houston to see what we can do about taking this oil and swapping it off down in Corpus and getting the product and bringing the products back prior to the time that we could make a deal for a topping unit or to build a topping unit ourselves. A topping unit of the type I'm talking about costs not over a \$1,500,000. It's not a refinery. It's not a big operation.

Then we get to coal. We say that in the United States and feel accurately so that we have not less than 400 years of coal available. Properly used, we could even stretch it out beyond that. The coal that comes, for example, from Montana and Wyoming is a very low sulphur coal, the kind we would buy. They have a higher sulphur. We must be careful of what we buy. But we could buy it and perhaps it could be mixed with some Texas lignite on a small scale but economy of use can be and should be followed. We have in mind the two units that have been discussed that you all are familiar with for 1976 and 1977. We believe that it will be required that we have two more units before 1980. We feel in the way of expenditures that we've been talking about something in the order of \$60 million a year. We feel that it will be required that we have something more in the order of \$100 million a year for us to be able to fulfill our requirements.

With regard to nuclear, there's not an authority on this subject that doesn't say that the future supply of energy to the United States depends on two items, two commodities, one coal, one nuclear. They do this each ten years. In that study they said that by the year 1985, the United States would have to have its electrical generators powered by nuclear energy to the extent of 35 per cent. Today, we're standing at 3.7 per cent. As they say, there are 30 units on the line. There are some 30 more that will be completed this summer. In my opinion, we have no choice. If we're going to provide the electrical generating requirements that this City needs but to go for this nuclear plant, for the two coal plants that will follow then. To me it's just that simple. I want to say this that as we look down the road, not only in gas but in oil, it's going to become increasingly short supply.

I just can't emphasize how desperate the situation is. Today, in the United States, we have something in the vicinity of 1,000 rigs. We had in 1957, something in the order of 2,300, 2,400 rigs. In 1954, 55, we had something in excess of 40,000 independent oil men in the United States. The policy of our government has been so effective that we have 4,000, a little over left. We have ten per cent. We have no new people entering the industry. It's an industry that is in a depression and has been in a depression over an extended period of time. It can be turned around. It will take years to turn it around. To buy a drilling rig today, there's an 18 month period from the time you place the order till the time you get the rig. On drill pipe alone, it's a nine month wait. This is the situation that exists. There's not going to be a flood of wells drilled. There isn't equipment. There isn't personnel. And there isn't the money.

I brought along just to illustrate one thing. It's the type of regulations we've had from the Federal Power Commission just to illustrate how we got to where we are. Here's a letter that I received this morning from our attorneys in Washington, D. C., Steppoe and Johnson who represent us in front of the Federal Power Commission. By law when a lease no longer produces gas and has been tied into an interstate line, you can get that lease released by the Federal Power Commission and it's available then to drill for intrastate gas. We've had on file up there for one year a large lease that we own in McMullen County. There is no production of gas on the lease and there hasn't been any on it for five years. So, I got in touch with our attorneys and said why don't we get this released. So, he writes back and says that against his better judgment he went and talked to them and they smelled him out. They asked him if it were producing. Well, there's an affidavit to the effect that says it isn't producing. So, I don't know why they need to ask beyond that, but then they asked if there is a possibility of production.

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Well, if we didn't think there was possibility of production, we would release the lease. But we're not interested in drilling the lease under the rules and regulations of the Federal Power Commission. By law, that lease should have been released to us. The sense of morality of the Federal Power Commission is more than questionable, but at any rate this is the thing that brought us to where we are. Now, it's no use in my dwelling on that. We really don't dwell on that. What we're working on is a concerted and consciousness effort to solve the problem that now exists. Are there any questions.

MAYOR BECKER: Does anyone have any questions?

DR. SAN MARTIN: Yes, Mr. Mayor, I would like to ask a question. I think you've made it perfectly clear, Mr. Newman, that it is a catastrophe rather than a shortage or a crisis. So, what you are trying to tell the citizens of San Antonio right now is that from now on we can't have our cake and eat it too, is that correct?

MR. NEWMAN: Dr. San Martin, I've talked to the citizens of San Antonio and to all the citizens of the United States. It surfaced here first.

DR. SAN MARTIN: All right, the question is this. That this Council has to know in order to determine its policies how serious is it this summer, how serious is it this winter, so that we can start directing the administration exactly where the curtailment is going to come, not only in the municipal operations themselves, but also in the citizens in general. I have the feeling really, that the citizens are not actually alarmed because of the voluntary curtailment has not been, and I think you'll agree with me that the effort is not what it should have been. So, this Council must have a decision pretty soon as to what steps it could take immediately to enforce within the legal limitations, and I think Mr. Granata has made some inquiries as to who actually has the power for curtailment, is that correct, Mr. Granata? So, we have to, we have to know whether City Public Service Board is in a position to recommend to this Council that some steps be taken to curtail the usage of gas by "x" per cent. Do you have any figures on that, ten, twenty?

MR. NEWMAN: I don't have any figures. I can tell you this, sir. First of all, at the present time, today, right now, we're not receiving any curtailment. Effective November 1st, out of the one billion five hundred million, we'll use just round numbers there, that Coastal States is presently producing, four hundred million will be going into by virtue of a previous contract, Texas Utilities line, and we'll be down on this entire system to one billion one hundred million. This is November 1st. This is what we're looking at now. We know this now. So, come this winter we can see that we're going to have curtailment of greater magnitude than last winter. We have at the present time something in the vicinity of, let's put it this way, in excess of 400,000 barrels of oil on hand. If we have a 100 degree weather and we'll have it, to burn 30,000 barrels of oil a day or in that vicinity is most likely. So, this doesn't sound like much oil, and of course we're buying this and getting it as fast as we can. We have enough commitments that amounts to something in the vicinity of one million barrels of oil. But then there's the problem of getting it here you see. And coming so much of it by truck, this is a very inefficient and very expensive mode of delivery. But we're working to the end of changing that. My personal opinion is that everything that can be done be done to the end of conserving. You follow me. In other words, I believe that looking down the line, the picture as I see it, is extraordinarily bleak. And as a result of that, this is one of the reasons that we're doing the things out here that we are. For example, let's take the matter of storage. Houston Light and Power has only 750,000 barrels of storage. They have a big building program but a building program right now is a little late. We at least have that much storage than we're going to have, we hope, that much oil.

DR. SAN MARTIN: This is precisely one of the reasons the Council is holding this briefing here. We need to know exactly where we are and what's coming, not only this week or next week but in the next few months. Unless we have that kind of information which we did not get at the briefing session at the Convention Center, there is no way that this Council can formulate the kind of policy, not only immediate, but for the near future. That is why we want you to present all of the possible facts without trying to sweeten it. Just give us the facts straight out.

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MR. NEWMAN: Dr. San Martin, we are busily engaged in trying to buy gas. You never know whether you are going to be successful or not. We wouldn't know whether we are going to be successful and then we wouldn't even know the quantity. We know how much we would like to buy and we know that we are at the right places to buy it but we do not know if we will end up being the successful buyer. Some of these things could help and help materially. Insofar as the oil is concerned, everything that we can do we are doing.

Let me show you some of the problems. Let's take this business of Mobil agreeing that they would partner with us on a products line. Well, that would be fine. See, we don't want to build a line by ourselves. It would be foolish for the City of San Antonio to do it if you can do it conjuncture with somebody else and share the expense. Those lines are extremely costly. But, even if you say yes we'll go, like say with American Petro Fina, we don't know as we stand here today how long it will take us to loop the line where it needs looping and get the necessary pumps where it needs the additional pumps. So, we can't project exactly what .....

DR. SAN MARTIN: What percentage .....

MR. NEWMAN: No, sir, we cannot. All we can say is that we must assume, if I were doing it, you know, running it as I've run our own business, I would figure we're looking at an extraordinarily bleak picture. I want to start now conserving every single thing that I can. I want to get the I want to batten down the hatches.

DR. SAN MARTIN: Now, let me ask you another question, Mr. Newman. The hearings before the Railroad Commission are still in progress? .....

MR. NEWMAN: Yes sir.

DR. SAN MARTIN: Now, what, if anything, do you anticipate in the way of priorities which can be sustained and relied upon as far as the allocation through priorities by the Railroad Commission towards the generating plants that use gas?

MR. NEWMAN: Well, Dr. San Martin, I feel that the Commission's position is an extremely tough one. First of all, by virtue of the complete curtailments to some industries, we've shut some industries down, you see. I'm sure that they have to look at it from a point of view as well. We have human need here in jobs. You know that counts, too. Maybe these cities could be a little more rigid in their own curtailment. They finally would, could get down to the point and if I sat there I would get down to the point, that I would, you might not like that, but I assure you that I would say I think it's possibly better to do away with the comforts of life at the moment and get with the necessities and I would take a real jaundiced view of air conditioning as a result.

DR. SAN MARTIN: Alright, I have one more question, sir. Now, is anyone in your organization going to speak on details at the nuclear plant type operation or are you going to speak on it?

MR. NEWMAN: Sir? You know, I couldn't hear you, sir.

DR. SAN MARTIN: I said is there anyone in your organization that will specifically address himself to the problem of the nuclear type of condition.....

MR. NEWMAN: Oh, yes sir.

DR. SAN MARTIN: You have someone else .....

MR. NEWMAN: Here sir, today?

DR. SAN MARTIN: Right, yes.

MR. NEWMAN: Yes, sir.

DR. SAN MARTIN: Okay, then I'll wait for these other questions until this person presents his statement.

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MR. BECKMANN: John, before you get away. I think we're all conscious and realize that we have a fuel catastrophe. What I would, I think the Council would like to have, I know I personally would, would be an order of priority. In other words, some sort of a battle plan. Granted, we've got this fuel shortage. Now, what do we do to extend that fuel as far as possible? I think we need that. The Council needs that. I think we should get together and, you say you'd cut out air conditioning, well maybe we ought to have a plan. That effective on the 15th of July 50 percent of the air conditioning would go out. Somebody is going to have to say where that is or who it is. It's going to be tough, but if what you are saying is true, then we've got to, it behooves me that we've got to set up a plan to do whatever we can to conserve that.

MR. NEWMAN: Yes, sir. You see for example, we have the storage now, but we don't have the storage filled. I would have, you know, a little better or less cautious attitude if we were sitting there with the storage filled.

MR. BECKMANN: Right.

MR. NEWMAN: Nor have we been through the summer and what concerns me is that last January, at that time we were burning only 12,500 barrels in a day. But we were only able to acquire 2,500 barrels in a day, you see.

MR. BECKMANN: We know these things exist and I think we or does the Texas Railroad Commission determine where the fuel goes? Or can we set .....

MR. NEWMAN: They will determine what the gas allocation will be .....

MR. BECKMANN: Can the City Public Service Board set up rules and regulations for the consumption? Types of, you cannot, you cannot dictate that? Who can?

DR. SAN MARTIN: I think the City Council .....

MR. CRAWFORD REEDER: The City Council's the one that dictates that, if dictates the right word.

MR. BECKMANN: Well, that's okay. Alright that's what I'm getting at. We can do it.

MR. REEDER: That's right. You can set up a rationing program. You have that power. Enforcing it is something else.

MR. BECKMANN: Well, .....

MAYOR BECKER: Excuse me, I think Cliff was next.

MR. CLIFFORD MORTON: John, if I can summarize what you're saying. You're saying this, you're saying that right now you do not see an adequate supply of fuel for the short range with the information that you have today.

MR. NEWMAN: Excuse me, sir, I didn't hear you.

MR. MORTON: Okay, what you're saying in summary is simple this--you do not have a complete adequate solution to the short range requirements?

MR. NEWMAN: No, we don't have, we have a solution, perhaps, that's as good as anybody's. But we're doing things that are beyond what others are doing. For example, we're buying oil, contracting for oil just like Houston Light and Power is. But Houston Light and Power at the present time is not engaged in an attempt to secure their own sources of domestic oil and enter into any phase, for example, one way or another of refining process to provide it direct to them. But we're doing, in the acquisition, if this is the type of a planned program, Cliff, that all of them are engaged in. We have that. We have that and that's going as good as it's going with anybody else.

MR. MORTON: Well, my, let's forget everybody else and let's just talk about our particular situation.....

MR. NEWMAN: Certainly.....

MR. MORTON: I'm not here to condemn .....

MR. NEWMAN: Oh no, I understand that. What I mean is it's going as good in otherwords, as it can go.

MR. MORTON: Yes, but now, again, just to get the overall picture. If we were using gas completely, what would be our requirements during the summer months?

MR. NEWMAN: Well, at the present time with the weather like it is, it would run in the vicinity of 160,000,000 cubic feet of gas and would have about--all together gas and burner tip today--would be something in the order of a third more. Something in excess of 200,000,000 cubic feet.

MR. MORTON: That would be our requirements today?

MR. NEWMAN: Yes, sir.

MR. SPRUCE: John, it's averaged at 240, excuse me, it's 240 for generation through the summer.

MR. NEWMAN: The average is 240 for generation .....

MR. MORTON: Okay, now if we can take this, and this is a daily average, what percentage do you think we can count on getting this or what do you think we can count on getting as far as gas is concerned on a daily basis this summer?

MR. NEWMAN: Well, it depends on the Railroad Commission's ruling from the hearing that's going on right now.

MR. MORTON: Yes.

MR. NEWMAN: Now, at the present time, right now, with the weather like it is it was my understanding that we're burning 170 million at the present time. Well, the last few days say around 170. Now we can't get anymore than that.

MR. MORTON: Okay, so then we have a gap then of approximately 80,000,000 cubic feet on a daily basis that you're going to have to supplement with oil or other fuels. Is that right?

MR. NEWMAN: Yes.

DR. SAN MARTIN: I think there is one misunderstanding here. Now, you're talking about gas for generating. You're not talking about the gas for consumption--direct consumption. That's extra over and above. We need to know the whole thing. We need to know both for generating and for home consumption.

MR. J. T. DEELY: We estimate the average use for generation through the summer will be 240 million cubic feet a day. An additional 60 million for other use.

MR. MORTON: So, you are saying that you have a daily requirement of 300 million cubic feet.

MR. DEELY: On extremely hot days when our demand goes up and our usage goes up it requires more than this 240 million. Of course, these are the days that worry us. I believe there was testimony at the Railroad Commission that there is a likelihood of a 50 percent curtailment for power plant generation use.

MR. MORTON: Then you are saying that instead of getting 240 million you're going to get 120 million cubic feet.

MR. DEELY: That's what the testimony was.

MR. MORTON: How about the 60 million for other uses? Would there be a curtailment on it?

MR. DEELY: No.

MR. MORTON: Okay. So what you are saying is that you have 120 million cubic feet that you are going to have to replace with oil. Is that correct? How many barrels does that amount to?

MR. DEELY: It would figure 20,000 barrels per day. We have got charts and graphs to illustrate.

MR. MORTON: So what you're saying is 180 million cubic feet that you are going to get--you are 120 million short and that relates to how many barrels?

MR. DEELY: 21,400 barrels.

MR. MORTON: 21,400 barrels per day and what do you ..... That's what John is trying to acquire. What do you think your chances are, John, for acquiring this in the next 60 days?

MR. NEWMAN: So much of it is a matter of logistics. It is a matter of moving it here. One of our problems has been that the products line of Coastal is filled. For example, on one week end when we had space in that line we got something in the order of 17,000 barrels over a period of 36 hours. The rest of it that is coming from Corpus Christi we put the oil in at Corpus and it goes up to Beeville to here. You are getting in a day--it runs 5,000, 7,000 barrels a day. The availability of space in Coastal's lines has a lot to do with it but we are not able to get 20,000 barrels in a day.

MR. MORTON: Are you saying that there is any likelihood that we would in the next 60 days?

MR. NEWMAN: Not in the next 60 days unless we had, for example, space in their line. They were asked this question yesterday and they said they didn't know. We will talk to them further about it today.

MR. MORTON: Making a guess, how long would you say it would be?

MR. NEWMAN: I think it could take us several months to acquire that and I'll know that better later today.

MR. LEO MENDOZA: Let me just make this comment, that it seems to me that we are dealing--we have all agreed that we're dealing with a very serious problem and, of course, there is another problem the fact that most citizens don't exactly know what is going on as far as, for example, a clarification on the point of the famous contract. I think that's important that we emphasize that it's not just the contract, it's not just the City of San Antonio crisis. I think we can agree that it is a nationwide or worldwide, perhaps, problem. I think it's very important that we communicate with the general public in a language that they understand so that we can start dealing with the problem at hand and not get it confused. It seems that a lot of citizens are still coming up to me and saying, "What are you all going to do about the contract or what are you all going to do about the fact that we have these crisis here in San Antonio and we are discouraging businesses from coming in and this sort of thing?" So, my point is that even though we are working and dealing with the major problem itself, the problem of communicating in trying to spell it out to the average citizen, I think is also very important.

MR. NEWMAN: I couldn't agree with you more but I want to point out to you that if they are confused, we are confused.

MR. MENDOZA: Well, I can appreciate that.

MR. NEWMAN: We're, for example, we have been working for a long time on this matter of acquiring some oil for ourselves. Actually, when you get any oil like what we're out to get, you are going to take it from someone, you see. And they are going to resist it and they are going to resist it real good. We can get over that barrier but they have been having these hearings in Washington and they are going to have this matter of allocations and one of the things that we don't know at this time and we won't know for a spell is whether they are actually going to prohibit the producer from disconnecting from one pipeline and in other words it will go in the same pipeline but it will go into that pipeline, they are common carriers, to the credit of some other account. Do you follow me? Let's take the case in point. Exxon, the oil we are talking about goes to Exxon, oil we have been dealing on in the Jay area in Florida and Alabama, that goes to Exxon. The question is we can get it, you see, but right now, the question in our minds is we don't know this answer yet and we have to know it before we can move further, will the present allocation formula that they are devising allow us to take it? What the government in the end will do is just to scatter the shortage about that they have created. We have said for quite some time that as far as the Federal Power Commission is concerned that you could rest assured that the gas from Texas would be welcomed back East by them. And if they shut down the industry down here, it wouldn't worry them very much. They wouldn't worry very much about the producer.

MR. BECKMANN: John, you said that you were negotiating with LCRA and the City of Austin for additional gas, have you got any idea what kind of price this additional gas .... this would not apply to the contractor, is this true?

MR. NEWMAN: This doesn't have anything to do with the contract.

MR. BECKMANN: This is in addition to the contract.

MR. NEWMAN: That's right. Just out on our own.

MR. BECKMANN: But have you been at all successful?

MR. NEWMAN: We haven't been successful at all. No. I'm not going to say here and now that we are even going to be. It's been in such extremely short supply. But the reason, in other words, what I have reference to, we are partnering with them. If we get it, we share with them 50/50.

MR. BECKMANN: Almost any price, right?

MR. NEWMAN: Yes sir, that's exactly right. That is exactly the point. One penny higher than the highest price, if possible, maybe five. You bet. We want the gas.

MR. BECKMANN: Right. Several other people do too, don't they.

MR. NEWMAN: Yes, sir.

MR. BECKMANN: That's all I have.

DR. SAN MARTIN: Mr. Mayor, are you through, Mr. Newman. I'd like to ask Mr. Wilbur Matthews a question. If you please come here because you may be here for a little while. Mr. Matthews, one of the things that perhaps the citizens of San Antonio keep coming to members of this Council constantly, on the hour basis you get phone calls for long time every day, is the question of the validity of our contract with Coastal States. I remember distinctly your statements at the briefing session

at the Convention Center. But I think it has not been brought out whether there is the type of litigation that is presently in the courts, if any. Now, I understand that Coastal States has tried to invalidate the contract even to the point where some legislation has been introduced in Austin to have the Railroad Commission reset rates and all that. Now may you, will you please brief the Council as to the extent of any litigation either on your part or on the part of Coastal States to break that contract.

MR. WILBUR MATTHEWS: Coastal States has never sought to break the contract. The case that was brought by them to prevent us to get an adjudication that the Public Service was not entitled to information about their reserves when we were demanding it saying that we need this type of planning for other fuels as well as to know where we were on gas itself. When we were pressing that and before any discussion of contract renegotiation of any kind was mentioned, they brought that suit. In the suit, they threw in a contention that because there was a deficiency of several hundred thousand MMCF of gas in the fields that they showed as a condition to getting the contract at all we said wouldn't let them have the contract, wouldn't sign it until they showed reserves equal to one trillion two hundred million MCF. Now, they contended that the fact that those reserves didn't pan out to have as much as the reserves geologists represented, that they did give them a credit for the deficiency. Well, Dr. San Martin, that isn't correct. On the face of the contract it is not a permissible construction of it and we have taken that position. Now in the negotiations with Mr. Oscar Wyatt and his associates they, in effect, admitted to us that there wasn't anything to that and that we could have a judgment on that matter exactly as in accordance with our contention. But they linked it to the final, some kind of final workout on a renegotiated contract. Well, since we have been in renegotiation all this time we naturally didn't go off negotiating with them and trying to suit that we knew we could win and they, in effect, were conceding we could win. So it's a false issue. I sometimes use harsher terms than I should. I think I said it was a phony issue in the public hearing over there and I wouldn't want to repeat that because it may be their attorneys are urging it in good faith and the attorneys raise every question that they could think of and I wouldn't want to deter them from doing so by saying anything that would be improper.

SAN MARTIN: What is the status of that?

MATTHEWS: If they were right, they would still owe us. I mean if you discount it, they still owe us a lot more gas than they are ever going to supply us under this contract. The contract issue is just waving the flag to divert you from the real main issue that we have with reference to this supplier being able to supply this gas. Now, I just came back in order to be here today from a continuing hearing before the Railroad Commission. That hearing discloses that their delivery capacity out of their reserves is going to be so deficient, as I stated a while ago that their total deliveries even on the present priority schedule that gives us an "A" rating for power plant gas is going to result for many and long periods of peak requirements on this system and their total system. We just get 15 per cent of it - 14.8 per cent in fact of the total gas in the system. Now, when you pro-rate this to all of the customers as the Railroad Commission has to do on a fair and equitable basis not giving anyone an advantage which they couldn't do and I don't think we would want them to do. We don't want to rob our neighbors to enrich ourselves in a period of shortage like this. Now, we are going to have this shortage, as far as the present reserves of this company are concerned, indefinitely. Their own five year project shows that it will deteriorate in deliverability in the next five years at a rate of something like ten per cent per year. Now, then, the only solution, of course, is for them to get additional gas reserves on this system which would probably be new reserves-high pressure reserves that would improve their deliverability out of the wells and into the pipeline and thence to their customers.

SAN MARTIN: Coming back to the main thrust of my question, is the question of litigation because just about every person that you run into on the street wants to know what is going to be done legal wise. Now what is the status of the litigation that you are talking about that Coastal States brought about?

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MATTHEWS: Well, that case is pending. In it we have a cross action for some very small amounts, the difference between the cost of oil and the contract cost of gas in one interruption or I mean diminution of service in 1948 and one in 1949, I mean 1968 and 1969.

DR. SAN MARTIN: It does not involve any curtailments of 1973 for instance.

MR. MATTHEWS: No because, of course, what the Public Service Board has done they have deducted their entire difference between the contract price, heat value, or on a heat value basis of gas at 23.75 and the cost of oil which is about four or five times on a heat value basis, of 23.75, but it's been accepted under protest, and it's held in a suspense fund pending the determination of it. Now, we're in this position. They have to sue us to get it instead of us suing them. So we have the money. Now, eventually we anticipated that this thing has to be washed out somehow, some day, washed out while we have the money in the bank drawing interest on it.

DR. SAN MARTIN: Well, this is precisely the reasons of this briefing. For the first time it actually comes out that the City Public Service Board has got the money and it's up to Coastal States to get it back. This has never been mentioned in anything that I remember in the last three months or four or five months. It has never been mentioned, and I think this is one of the things that the citizens of San Antonio have got to understand. Because, I am not a lawyer, but if I read you correctly then there is no necessity for City Public Service Board to initiate or instigate any other type of litigation.

MR. MATTHEWS: Not on the matter at this time. Mr. Locke points out that may not apply to the oil that we are buying from Coastal. We may be waiving our rights. He suggests. I don't think we are, but I don't think we should argue that question here now.

DR. SAN MARTIN: That is a question we have to have, the citizens of San Antonio have got to understand. Now the other question that is not under litigation that Mr. John Locke brought out. What is your purpose, what is your plan to recover that particular type damage or loss?

MR. MATTHEWS: Well, of course, we'll sue for all of it. But, it's accruing, it's continuing to accrue. To file a suit every week in a constantly accruing situation would certainly be unwise especially when we are now engaged in collecting information. We have a team of people going through their books and their records, their reserves, their contracts, their other commitments, studying the system to determine whether or not interruptions that they claim were justified by acts beyond their control and so forth all of which affects these causes of action. You see they have a complete defense in not delivering gas if it occurs on account of an accident or a matter beyond their control.

DR. SAN MARTIN: And that type of action you don't, that would have to be initiated by a Public Service Board, is that correct?

MR. MATTHEWS: Oh yes, and will be.

DR. SAN MARTIN: And will be, but since these curtailments and this type of actions are almost indefinite when do you contemplate that you would be in a position to get to the point where you say, All right we are ready to move now.

MR. MATTHEWS: Well, Dr. San Martin, it's hard to say when we are now devoting almost 18 hours a day of work on the Railroad Commission and will be for quite a long time through the hearing for July that is now tentatively set for July 9 with constant preparation on it. And with all of

these items accruing daily in additional amounts and those suits can be brought in gross for the entire amount when we get a breather spell and have worked out the temporary situation. There is no idea at all that these suits will not be prosecuted and vigorously prosecuted and they are by everybody else on this system. You understand it isn't only San Antonio, Austin has them. We are in constant, daily touch, in these proceedings with the cities - the attorneys for Austin, the attorneys for lower Colorado River Authority, the attorneys for Central Power and Light, the attorneys for everybody else on this system. And in a most cordial and cooperative way, we are all going to give this everything that the combined utility attorneys and assert the rights to the hilt.

DR. SAN MARTIN: Do you have a definite idea, Mr. Deely, as to the exact amount that is being withheld in escrow and earning interest that they have to sue you for?

MR. DEELY: We have withheld about a million and a half and will withhold \$900,000.

DR. SAN MARTIN: For what period of time?

MR. DEELY: I believe this present curtailment will result of withholding about 900,000 additional. Now, I should point out, Dr. San Martin, that this is withheld in the second month following the month in which the oil is used.

DR. SAN MARTIN: Oh yes, I realize that.

MR. DEELY: The fuel oil is set up that way. And, I would like to clarify one other thing. In getting oil from Coastal, the offer that they made to the Mayor, we have been getting about 5,500 barrels a day. We are paying them for that oil. Now, we agreed if they would give us this oil we would not withhold those dollars for this, but as Mr. Matthews says, he feels that we have not waived our rights to recover it despite the fact that we are not withholding that amount that we are paying them. Obviously, if we took the oil and withheld the money then it would place them in double jeopardy.

DR. SAN MARTIN: That is correct. How about the 200,000 barrels that they loaned. Have we paid them back or what - have we not been able to pay them back?

MR. DEELY: We are going to take that oil and pay them for it.

DR. SAN MARTIN: Oh, pay them for it, it's not a loan. I thought it was going to be repaid in kind.

MR. DEELY: No. We have the right to either take that oil or pay them for it. In this same agreement in which they agreed to furnish additional oil that was spelled out that we would decide I believe the 15th. But, we need that oil and we are taking that oil. Of course, the 5,500 barrels a day that we are getting you realize it takes quite a long time to get it.

DR. SAN MARTIN: Right, to accumulate, right. But some of this information, I think Mr. Mayor, definitely should have been presented to the citizens of San Antonio, especially the withholding of that money in escrow. I think it would have eased their anxieties quite a bit because.....

MR. DEELY: The papers carried that.

DR. SAN MARTIN: I'm sorry. I missed that.

MR. MATTHEWS: I think it's true that these matters of great concern to Dr. San Martin and other members of this Council that maybe we ought not give to the paper only but also give you a copy of the press release.

DR. SAN MARTIN: It has not been communicated officially from the Public Service Board to this Council, Mr. Matthews, and this is the thing.

MR. MATTHEWS: The Public Service Board has a tendency to be customer oriented and to tell customer things and to forget about other people which, of course, in emergencies and in situations we are in now we.....

MR. PADILLA: In this case the customers and the people are one and the same. One of the reasons that we decided to hold this hearing, this briefing, if you will, is on that very same matter. The Public Service Board at least from a seat of the City Council appears to be self-oriented to the extent that they keep this Council in relative ignorance. We called you here to ask you some questions about this nuclear power plant and so forth, and were it not for the communications media, the newspapers, the radio stations and so forth we would not know that San Antonio is contemplating in joining with - in building a nuclear plant. I remember last year when Councilman Becker who is now the Mayor, said publicly that Public Service was buying some property or contemplating joining in building a nuclear plant down in the Houston area, Public Service to my knowledge denied it. And that was less than a year ago.

Oh, they were doing quite a bit I think, but logic tells me that you don't go this far in contemplating joining in nuclear situation, and you weren't doing anything twelve months ago. Now this thing didn't start up two weeks just two weeks.

MR. MATTHEWS: Well, unfortunately, I'll have to tell you that there's been no land, all the land has been optioned, and all has been well within the last 12 months.

MR. PADILLA: A lot of the preplanning was being done 12 months ago.

MR. MATTHEWS: That's right and in June of last year there was a complete statement as to the South Texas project, and exactly the number of units it involved, the power represented by the units, the division that would be made of it, traced the whole past history of the planning and discussions of it was sent out as a press release, was released by the Board. Members of this Council as well as the preceding Council have had a letter to come to every meeting of the Public Service Board. The idea, I admit that possibly sufficient efforts you would like to have to personally handle these things or to bring to your attention haven't been done, but certainly there has been no, I'll have to defend my client against any accusations that there has been any intentions to be secretive...

MR. PADILLA: Mr. Matthews, I could take you back 30 days, and I hope we won't have this any more. The Public Service Board as far as I'm concerned is self-oriented to the extent that they do not keep this Council apprised. I made this remark last week, and I'll say it personally to you, sir. That were it not for the newspapers, we would not know anything about this so-called nuclear plant and what is being contemplated in that area. Now, this to me compromises a major policy decision.

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You are even considering an alternate source of energy. If you are going to wait until you come to us to approve the bonds, to first tell us about a nuclear plant, you have in effect committed us, and I don't believe it's right. I think when you are dealing with something of this magnitude that this Council ought to be apprised of it all the way through. Now, last year I received notices inviting me, the notice was very official. It's pretty clear at least it comes that way to me that nobody would care less if you didn't show up. It says, "In accordance with your wishes, that you be notified of every meeting." "You are hereby invited and so forth." You get the impression of course that you are an outsider and that you are not really wanted there. And in a plainer way by the last Mayor that we had who took the attitude that he was the representative of the Council on the Public Service Board and that no one else should show up at the meetings. Well, of course, the Council has to work together and we didn't. But that's why we didn't. And I'll tell it to you in plain language. But, nevertheless, my concern is that the Public Service Board does not keep in touch. I resent very much the fact that we are given an Ordinance that says you can approve the bonds and we don't know anything about it. This thing right here which I reviewed came from Public Service Board two days ago. It's, I guess, what the press got because that's what the letter accompanying it says. And even the booklet on the cover says it's prepared for the media.

MR. MATTHEWS: Are you talking about the presentation of the last bond issue that was adopted in November, December? Well, it may be unfortunate that the dignity of the Council isn't specially recognized.

MR. PADILLA: Apparently the Council got this sometime after the reporters got it. Which you made last week.....

MR. MATTHEWS: Of course, I'm a lawyer. I don't know how they ought to handle these things. This seems to me like this is more of a personality, personal feeling thing to me.

MR. PADILLA: What it amounts to me is a personal feeling to the extent that you know, yesterday a remark was made here that ultimately all these problems come to rest with the City Council. With all due respect to the Public Service Board, with due respect to the fact that you are there full time and that you are professionals and everything else, when a problem of the magnitude that the Public Service has been experiencing arises in the community, the community holds the Council responsible for it. Rightly or wrongly, it comes to rest on our shoulders. And we can't be very helpful to citizens when we get information such as major as this nuclear plant. We get media information at our request two days ago. Now, you've been talking about this thing for months and to the extent that I personally resented..... Yes, sir, it's personal.

MR. MATTHEWS: Well, I think it's very unfortunate.

MR. DEELY: Can I explain why you were sent that two days ago. That was given out at the announcement that was made at Bay City. When the Council that was interested in having us over here, we called Central Power and Light and got these kits. Yes, and we thought we'd send them out to you so that you could read those and be prepared to ask questions that you might like to ask about the project, for when we were here. That's the reason why we sent them out.

MR. MATTHEWS: I'd like to call your attention to the bond issue in October presentation 1972. It has a complete description and it was followed the next day after the October 9th date of it with the specific memorandum on the South Texas project completely describing it and that was received by every member of the then City Council and was

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released to the press. Having previously been, and of course, Mayor Becker had that and it was discussed and fully understood last October that July 1st was the date, and what it was as fully as they can tell you today except to fill in with technical details about the type of thing encountered in the plan which maybe I ought to sit down and let them get to the nuclear presentation. But one of the difficulties in supplying information on these technical problems is that the more of it you supply apparently the less of it the people you give it to read. These are technical, highly involved, and somewhat uninteresting subjects to be pushed into your daily routine and unfortunately these are technical, this is a public utility. It is not a governmental agency. It's doing exactly the same thing for San Antonio that Houston Lighting and Power, a private corporation, does in Houston. Management of utilities don't develop the consciousness that you very fine people on the City Council have to and is thrust upon you. I think that an understanding of that difference in attitude of engineers and operators of utilities under a layman citizen board that maybe produces these things that we ought to all get over. And, certainly in the situation we're in now if every loyal San Antonian in or out of office in any position doesn't cooperate with every other one, why we're going to let our City down.

DR. SAN MARTIN: Mr. Matthews, may I just - I don't want to be superfluous or over bearing, but I think that what Councilman Padilla is referring to is that when you start thinking about something I think this Council should be appraised not only through the Mayor and his attendants at the meetings but through individual communication to each member of this Council and saying we are thinking of something like this when there is no problem. I think that we have to work together. Now, we're working for the same people, your customers, our citizens. We're responsive to them and you're responsive to your customers so in a way we're dealing for the same individual. Therefore, anytime that you're contemplating any action which would be significant, which must of necessity come to this Council at one time or another, I think it's just a question of maintaining good relations between Public Service Board and City Council, that we be informed individually, ahead of time before anybody else, that you are contemplating or looking toward a possible problem in the future. I think that I as far as I am concerned I don't know about Mr. Padilla, but that would satisfy me as far as I'm concerned.

MR. MATTHEWS: Well, Dr. San Martin, of course, the Mayor is a member of the Board. The Mayors in the past, and I'm sure will be now very valuable members of this Board. They've been leaders of this Board in various projects all through the years and have been the ones that supposedly appraised the City Council of what was going on as well as all other boards.

DR. SAN MARTIN: But, they're not supermen. They have human failings too and if they fail to let us know some of these things, I think officially, Mr. Matthews, should be a matter of policy by the City Public Service Board that these things are brought to the individual attention of each member of this Council before they're given even news release.

MR. MATTHEWS: Well what worked in less sternous times, I realize might not work in these sternous times.....

MR. PADILLA: You know, Mr. Matthews, I would appreciate very much speaking strictly for myself as one member of the Council. Just some good old fashion plain English. Just send someone down here, such as you're standing there now and just tell us in plain English what you're doing. You don't have to go into all the technical details. We can read that material, but let's let the citizens know what we're trying

to do in plain English. Let's say we're contemplating a nuclear plant in Bay City and put it in just those words. This has been a surprise to the community.

MR. MATTHEWS: Of course, prior to the joint announcement with the other people in it could not have been made publicly.

MR. PADILLA: Well, I don't know why not. The people that are going to pay for it are entitled to know.

MR. MATTHEWS: Well, the other is going to pay 70 percent of it, and they didn't want to announce it until they got options on land and were getting the thing set up. They think their planning is right and of course we think so too.

MR. PADILLA: This bears on some of our concern. We've been given indications that your Board has put off action until late in the month of June to make a decision that has to be made by the first of July. It doesn't give time to anyone to do anything else.

MR. MATTHEWS: We haven't put it off. We've been studying it continuously, and we have that deadline and the deadline has been there for a year. I don't see what else could have been done about it, and it's been announced to be July 1st all the time. What you mean we should have decided it quicker.

MR. PADILLA: I can tell you one thing for your Board because I believe in dealing on top of the table. If you commit this City to participate in nuclear plant, you don't necessarily get this man's vote to sell nuclear bonds.

MR. MATTHEWS: Of course, in order to build a nuclear plant at all you have to first get a permit from the Atomic Energy Commission. That will not be secured, probably, within the next two years because those are very complicated applications. They are opposed by the same people who are applauding back here and their organizations.

MR. PADILLA: And I may not be around to cause you problems in two years.

MR. MATTHEWS: The thing has to be fought out with a full hearing. Now, there will be some, of course, problems necessary in this stage of the project during that two years, but really major financing shouldn't be done or taken care of or start interest on it, or even contemplate issuing bonds until they have the expenditures coming up and that would be in the construction period which will actually occur beyond three years from the date we're talking here today. So as to anticipate on what we would do if the City Council should fail to pass those bonds we would simply be in default and someone else would pick up our interest. That's what would occur. If we don't go in this project, you need not worry, it will be built and there is plenty of people around that think it's good and want it and if we pass it up for San Antonio, I predict you'll wish you hadn't.

MR. PADILLA: Has the decision been made then to go?

MR. MATTHEWS: No, that's my prediction.

MR. PADILLA: Are you predicting, Mr. Matthews, that the Board will approve it?

MR. MATTHEWS: I don't think a lawyer should make a prediction what anybody will do.

MR. PADILLA: I understood you made a prediction.

MR. MATTHEWS: The City Attorney can predict what this Council is going go do.

MR. PADILLA: I understood you to make a prediction that I thought you did.

MR. MATTHEWS: Well, if that is your understanding, I hope they do. As far as I'm concerned, I would say that from listening to the engineers and all experts and reading the news, and in my own mind, I think it's a necessity.

MAYOR BECKER: I was noticing in the slide presentation two things that either I don't understand, or I think is certainly a discrepancy in the information that was in the slide presentation. It was a matter of record in the newspaper here some two weeks ago perhaps maybe less of a geothermal plant that's now in operation in Mexico. I don't know exactly what state it is, it looks like it's around the vicinity of Sonora or something like that, I don't know, the state of Sonora I think it was. These things are, of course, in operation in Europe. I appreciate the fact that you always find it more convenient to operate a geothermal plant when you have the presence of hot springs and all the conditions that are sub-surface and sub-terranean that lends themselves to this type of operation but there is one in Mexico in operation. Some other reference was made to United Gas and I asked for a clarification on that and this information was taken from the USA Oil Industry Director put out by the Oil and Gas Journal, the 1973 publication. It goes as follows: Penny Oil Company desolved in 1968 and consolidated with United Gas Pipeline Company assets worth one-half billion dollars, approximately 9,600 employees. United Gas Pipeline Company, a wholly owned subsidiary, is a natural gas transmission company for purchasing, gathering, transporting, and selling gas wholesale through 8,800 other miles of lines of land in Texas, Louisiana, Mississippi, Alabama, and Florida. United Gas Pipeline Companies, wholly own subsidiary of Penny Oil Pipeline Company is an intra-state pipeline company serving the Texas Gulf Coast region and operates 1,760 miles of lines. United Gas Pipelines Companies wholly owned transmission subsidiary, Penny Oil's address is 1500 Southwest Tower, whatever that is, Houston, Texas and so forth. Now, I only point that out because some reference was made to United Gas, and as I heard it said it would seem to indicate that they were no longer in existence, and I don't think that this is in fact true. Now, I'm going to have to leave you shortly and I have to catch a plane for San Francisco. I'm sorry that I have to leave today but I would like to call for a Public Hearing on this matter, June 26, 1973, which is a Tuesday, at the Mission Room in the Convention Center comencing at 9:00 A. M. in the morning. At that time the public will be permitted to engage in registering their thoughts regarding the nuclear power matter. Since this was a briefing, and as I explained earlier they were prevented from doing so at this meeting today. So if that is agreeable to everyone can we then proceed with planning for June 26, 1973, Tuesday, 9:00 A. M. as the commencement for a Public Hearing with respect to this nuclear power matter.

MR. VON ROSENBERG: If we are going to have a public hearing, I think we ought to have an opportunity get some experts on nuclear power on a national basis.

MAYOR BECKER: You can have anyone there you care to. Now one other thing that I want to mention is something I think that I'm incumbent to do in light of various situations and I'm not being at all defensive about it. I just would like to set the records straight if I may once and for all. In October, 1971, Morris Jaffe and I had a meeting at which meeting and I won't engage on who was there and who wasn't there, at which meeting we recommended that the City Public Service Board actively, energetically, pursue the policy of obtaining as many gas contracts as they possibly could over a long range of - long period of time and that those contracts be obtained as I repeated in the past from Texas, Eastern, El Paso Natural, anybody, it doesn't make any difference who it is. Now for that trouble I became immediately connected with lobbying for Coastal States Oil and Producing Company. This stigma, if that be it, is still following me by having been called a friendly Mayor which implies certain evil or clandestine operations. I've been accused of various things. At this point and time I'm being accused of being an owner of considerable Coastal States stock, either in the name of myself or a nominee. I'm, of course, accused of taking my orders every evening by long distance from the office of the Coastal States Oil and Gas in Corpus Christi. All these fabrications and this is the reason I said, Mr. Locke, these were not being directed at you and it's my closing argument so to speak before I leave. All these fabrications which I find ridiculous and childish and most amateurish and I've invited one and all from the Federal Bureau of Investigation on up and down whoever supersedes them or is subordinate to them to investigate my past, my financial statement, all transactions that I may have ever engaged in. I hope they commence today if they aren't already in the process of it because nothing could be further from the truth, and I would like to at this particular moment place this sort of thing to rest if I may. And in the future if anyone has any remarks to make about how I take my orders every evening from Coastal States over long distance, and that I do in fact own stock in the name of a nominee and all that sort of thing, I hope that someone will go to the trouble of setting the record straight and also setting them straight. I don't mind telling you that if they would ever come to me with these charges I assure you that I would set them straight and it wouldn't take me very long to do so. So, I'm going to turn the meeting over at this time to Rev. Black, who is the Mayor Pro-Tem, and we can assume then that we are going to have a public hearing at the Mission Room, 9:00 A. M., Tuesday morning, June 26, 1973.

MR. PADILLA: Mr. Mayor, before you leave and just as briefly as I can make it I notice where Public Service has been invited to have anyone there they wish including nuclear experts. I wonder if we might have some way that the City could perhaps bring down nuclear experts that will perhaps see the problem from another view point, otherwise.....

MAYOR BECKER: There are many people that I'm sure that are available for this type of.....

MR. LOCKE: We'd be very glad to have any qualified experts. Certainly.

MR. PADILLA: I think, Mr. Mayor, would it be proper to suggest that perhaps City staff invite people that tend to have a little different view point. I think the City Public Service Board, being technically oriented and so forth, I get the gist of the thing as something that

perhaps a decision has already been made. The Public Service Board is comprised of human beings who tend to justify their own positions, and I do the same thing that's not a criticism. If we could get someone who could give us the other view point, I think would be helpful and it would contribute to a real good public hearing.

MR. LOCKE: The decision hasn't been made yet, Mr. Padilla. Of course perhaps every member of the Board has his own opinion about it but we have not attempted to make an agreement to pass on yet.

MR. PADILLA: I realize, Mr. Locke, that officially, you're entirely correct. My impression, however, and it's strictly my impression is that a decision has been made.

MR. LOCKE: It has not been made and as I say every man on the Board probably has his own opinion. But, we have not made a decision and let me add this as far as keeping the City Council advised, we have had news releases pretty frequently over the past year and a half. When I appeared before the Board in connection with the last bond issue which was last fall sometime, November, I think. The Mayor and I actually discussed the question and.....

MR. PADILLA: May I interrupt for a moment, Mr. Locke? I think the Mayor has to go and what I had suggested to the Council was that we instruct staff to invite nuclear experts that perhaps will present a different view point. May we try to resolve this before you continue because the Mayor has to leave.

MR. LOCKE: Certainly, certainly.

MAYOR BECKER: I want to say that buildings, the Mission Room and what not are booked. There is a possibility that the Theater of the Performing Arts is available for Wednesday, June 27, 1973, and inasmuch as that building is titled that, it might be a good place to hold this since many people seem to think that we engage in Shakespearean drama here, in theatrics of all types. So, they're checking on that now. It's possible that we will have to shift the meeting to Wednesday, June 27. Now, I wanted to merely mention something in connection with what Mr. Padilla has been saying and Dr. San Martin and perhaps others. I started off my tenure office as Mayor by having all Councilman invited to all meetings that I attend, whether the City functions or the function of the various boards of the agencies such as the Public Service, Water Board or Transit Authority. I do this for a particular reason so that hopefully they'll know more about these matters than I ever will, which certainly in my instance wouldn't be difficult for them to do. So, I think this is absolutely desirable. I think this is the only way to operate. I could not operate my business affairs by me carrying around all the secrets or all the information in my head and in my hat and letting no one else in on any of the events that are actually transpiring. So, it's for this reason that I always invite all Council members to all these meetings, and I feel that they have just as much right to be there as I do because I think, Mr. Matthews pointed out a little earlier, that perhaps what used to work out in the past when things were more leisurely and the status quo was more the order of the day. In today's time perhaps it won't work at all. So taking that view that we are living in trying times and certainly these emergencies arise with greater rapidity and perhaps more frequently than they used to. I would like for members of the Council to always be informed with all these matters just as I am. I appreciate the right for them to be invited. Also appreciate the invitations that are extended to them.

MR. LOCKE: It was my understanding that the Council would be invited to all our meeting. Hasn't that been done?

MAYOR BECKER: Yes, sir. I am merely repeating this, Mr. Locke, so that - so the City Council and the various people here will understand exactly why those Councilmen are there. I think it will preclude any misunderstanding that we have had heretofore, for example, with specific reference to this nuclear thing because I might say that in the past we weren't kept abreast of situations as perhaps we might have been. I don't intend to promulgate that policy into these two years of office. I can assure you.

MR. PADILLA: Mr. Mayor, I'd like to get back to the request I made. I frankly don't know if a motion is in order in this type of thing. I would like for this Council to instruct staff to bring experts who would perhaps present a different viewpoint from the people that Public Service contemplates having there for this nuclear hearing. If a motion is in order, I so make it. If it's not necessary I'd like for us to resolve the problem before you leave, if possible.

DR. SAN MARTIN: Mr. Padilla, may I ask, this is a briefing session. It is not a called Council meeting, and there are other recommendations that we have to make to the staff at the end of this briefing session. Perhaps, if we all wait we can all put in our recommendations in one package.

MR. PADILLA: That's acceptable to me if we want to hold it to the end.

DR. SAN MARTIN: Because I have a set of recommendations to the staff and perhaps we can all lump them together at the same time.

MR. PADILLA: All right. Are you parliamentarian today, Doctor?

DR. SAN MARTIN: What's that?

MR. PADILLA: It occurred to me that you replaced Mrs. Cockrell as parliamentarian today.

MAYOR BECKER: I support Mr. Padilla's suggestion, and I am going to have to leave. I'm sorry that I'll miss the explanation but hopefully I'll hear it on the 27th, if that will be the date that we do have the public hearing. The matter of getting a place to meet is not as easy as you'd think it would be. So, thank you very much, and I appreciate your coming.

MR. PADILLA: Would it not be better then to just continue or not to continue and take this up again at the public hearing?

MAYOR BECKER: I think it would be well to do it right now, Al. I can't see any reason why it shouldn't be continued. Then we'll hear it again at the public hearing. That way you'll hear it twice.

MR. PADILLA: Thank you, Mr. Becker.

MAYOR BECKER: Not that you need to hear it twice, but at least it might come in twice as handy.

MR. LOCKE: Mr. Padilla, I just had one thing to reassure you on about the information. You realize that the South Texas Nuclear project is a very technical matter. It is, of course, managed by Houston Light and Power. Our engineers have been working with them on the project for a

year and a half, but it being a very technical matter, the technical parts have never been explained to the Board, you might say, as you go along. They are working on the project and we expected to have a full briefing on it before the time came to make a decision. Well, due to many other difficulties, we the Board itself has never had a full briefing on it until very recently and we never got those things that you have there in front of you until just a few days ago. In other words, the Board itself has never had a full detailed briefing on it until just very recently.

MR. PADILLA: Mr. Locke, may I ask you a question? How much money has been spent by Public Service in the various studies, in the work that has been necessary to do up to now.

MR. VON ROSENBERG: All the money that has been spent is fully refundable.

MR. LOCKE: I know that, but how much money - about \$100,000.

MR. PADILLA: Is this cash outlay or is this time and effort and so forth included?

MR. LOCKE: Oh, well if you would have to charge it against the salaries of our men..... Under the agreement with the project, if we decide not to go with it, we get the money back.

MR. PADILLA: But that does not include, sort of to speak, time of engineering and so forth that we have contributed to the project. And how much would that be? Would you hand us an estimate?

MR. LOCKE: We would consider that that money was very well spent to say the least.

MR. PADILLA: That's not the question really. I was just curious as to how much money has been spent. Well, I think the gentleman over there with Mr. Deely was trying to make an estimate.

MR. VON ROSENBERG: I would say \$15,000 to \$20,000 would cover the executive indirect; plus the engineering department people direct charges.

MR. PADILLA: So then that would be about \$120,000.00.

MR. DEELY: No, I'd say it's more than that.....

MR. PADILLA: It occurred to me I was going to question the figure to the extent that I do know that you can't work too many engineers in a year and a half for some \$15,000 or \$20,000.

MR. DEELY: You are right, the engineers we are training in house for our own knowledge is not included in the figure that he gave. We have probably four or five, seven engineers. They are not working directly on the joint project.

MR. PADILLA: Mr. Deely, believe me, I'm not going to hazard a judgment as to the wisdom or the lack of wisdom in spending the money. I'm simply trying to determine, and I'd like to ask you again, about how much has been spent, how much would you say?

MR. DEELY: If you ask directly on the Southwest Texas Project, I would say probably we've spent \$15,000 to \$30,000. Working directly with the project, for engineers; now, the attorneys have been working for a year and a half.....

MR. PADILLA: The total thing - I just want to know how much has been spent.

MR. DEELY: I'll have to get that answer.

MR. PADILLA: When?

REV. BLACK: Possibly Mr. Padilla, we could have that part of it ready for the hearing.

MR. PADILLA: Can you do that at the hearing?

REV. BLACK: May I raise this question? We do have a problem of time. We'd like to know. Can you give me any indication, Mr. Locke, how much more time could you adequately present what is a part of this agenda so that we get some idea where we are timewise.

MR. LOCKE: Mr. Mayor, I would say that, of course, if we don't have this character of interruptions, we should be able to finish within an hour.

MR. PADILLA: May I make a short remark relative to the question we are just asking? Yes, sir, you want to give us that?

MR. DEELY: We have a budget for you on the South Texas Project that I recall was something like, \$200,000.

MR. PADILLA: I think it says right here. It points out things that have been in the Express and News and so forth, stories, "City Public Service Board budgets funds for Nuclear Study," "City Public Service Board budgets \$1.1 million for Joint Studies," I don't know whether you spent it or not, but according to this story that's what you budgeted.

MR. DEELY: I think that figure includes our own in house expenditures I'll try to separate it, if you interested, expressly on what the cost is for the South Texas Project.

MR. PADILLA: I would like to know because I think it's germane and that at least gives us a clue as to just how much of a commitment we've made already.

REV. BLACK: Now, may I ask the Council in terms of what has been stated by Mr. Locke, one hour is needed to adequately present the remainder of the agenda. Is it your desire to have a break at this time or is it your desire to continue with the hearing and move forward with it for the remaining hour?

DR. SAN MARTIN: Mr. Mayor, I think we should move forward and then perhaps have a break if necessary at 12:30 rather than now. I hope we can expedite and may be even finish by 1:00 o'clock and then we don't have to come back.

MR. LOCKE: Actually, I doubt that it would take that long. We have about two 20 minute briefings. That's about all.

REV. BLACK: All right, Mr. Locke, would you continue with this. Call those people.

MR. LOCKE: All right, next we have a briefing on our mid terms plans namely, what's to be done between now and 1980, and on that I'll introduce Mr. Arthur Von Rosenberg, one of our top engineers, who will cover the things that we expect to do between those periods of time.

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MR. VON ROSENBERG: Rev. Black, Members of the Council, I think I'm going to talk here a little bit about the plans that we now have in operation on converting our units to oil. We have a plan that would convert all our units that are 100 megawatts or above to fuel oil firing. This represents 10 out of the existing 15 units, and 16 with the addition of one '74 unit, and represents 90 percent of our capacity. We have originally set the time frame for two years. It looks like it might be spread out a little bit.

We are looking at each of these units very carefully on an individual basis to see what needs to be done. The original estimate for this was \$37,000,000 to convert the boilers to fuel oil firing. In addition to that we have - we are spending \$3,720,000 for oil tanks and another \$100,000 for pumps or \$42,500,000. It looks like we are looking at now on the individual boiler basis and drawing up the detailed basis for converting this. You realize we can set these units down and convert them. It's quite an extensive conversion which means new oil pumps, additional fuel oil piping, sub-blowers, new baskets in air cleaning pre heaters and so forth. To do this in some cases requires cutting out a section of the boiler wall and inserting in there tubes with offsets in them so we can get sub-blowers in. It is going to take some time to do it. We are hoping to do it in four years. In addition to that if the quality of the oil we get is inferior to what we are getting now, it will be necessary to install precipitators to meet quality control regulations. This will require additional money. So, we may be looking to as much as \$70,000,000 for conversion of units to fuel oil firing.

Along that line, it's not all bad news. I gave you about \$70,000,000 because these units to fire residual oil, poor quality, and we can save as much as six cents per gallon. Say No. 6 oil costs 12 cents and No. 2 oil costs 18 cents. We can pay this back in about two years. Maybe less time. The next thing I would like to talk to you about is how we do planning at City Public Service. Jack Spruce mentioned to you we do planning on 11 percent growth, and we continually look at the growth curve to see how fast we are growing.

At the present rate it looks like our most probable rate is 10.4, and our peaks are 10.6 or just under 11 percent. So, we feel that this rate is a good rate. The load presently on our system in 1973 is 650 megawatts and when we talk planning in short terms, in 1980 of 1,325 megawatts more than double. So, it may be short term but it certainly isn't small. And by 1995, we're talking about a load of 16,375 megawatts or more than ten times our present load. Now, we have to plan it to provide for this load plus the reliability. The reliability criteria that we use now is used all over or part of the interconnected system - Texas interconnected system and the reliability criteria for the Texas interconnected system is that your plan for the loss of your largest unit capacity wise on your system or 15 percent of your reserves. Now, this has become more complicated in that a lot of people may have capacity on their system that's gas fired that they won't be able to use to make this 15 percent. The first thing we do on the planning, in the planning step, is that we check for the availability of commercial pumps and generators. We have a group of approximately 10 engineers now that are working, and they have various qualifications. All of them are graduates, and they are studying all forms of energy conversion. The Mayor mentioned Geothermal. We have studied Geothermal and will continue to study Geothermal. The theory of Geothermal, of course, is that unlimited amount of heat down in the center of the earth. The only problem with it is that it's for practical basis it seems to be limited to only a few areas of the United States principally on the west coast, California, up in (inaudible) and a few of the other states.

The 1973 report by the Department of Interior does not list Texas as having Geothermal potential, and we've done a little looking here in our area. One of the problems we have is we have an average surface temperature of 74 degrees. As you dig down a 100 feet you get an increase of two degrees in the temperature. You'd have to dig a hole 16,300 feet in the ground to get 400 degrees in temperature, which would be necessary.

One of the criteria of the Department of the Interior's study was that if you had to drill over 10,000 feet to get 400 degrees it wasn't practical. We've looked this over, and it's been a lot of advances in solar energy in the last year and solar energy will probably become a major part of energy production by the year 2000. Especially in the advances so far have been primarily in the small apartment complex applications and in residential applications, not on central stations. In fact, one of the Nassar reports talks about 10 percent of our large buildings being - have solar heat systems by 1985. The cost - Dr. Blum up at SMU has done some studies on 100 unit apartments, and he estimates that the cost of his solar system, which could be, he thinks he could make it, finish his research work in two years, would be 149 for a million BTU's. But for large power stations, we've been in contact with people doing research - Dr. Bunnell in Arizona. We've looked into his problems, and the problems that we would have with the large stations and the problems are these - that it takes an extremely large area for a large unit. You have to have a lot of collectors. In fact, you're talking about probably a 10 square mile area or something of this nature. It takes a lot of area. The energy source is so defused and you have to concentrate it. You have to gather a lot of it. And it costs several times greater than those of present central stations costs, and it's not commercially available for 1976, 1977, and we don't think for 1980 or before the year 2000. But, we're continuing to monitor this and keep in contact with him and we will continue to monitor it. Now, the forms of energy that are available at this time, I think all of us see are possibly a mixture of oil and gas, coal and nuclear. So, we determine these fuel availabilities and the cost and then we come along and get information from government reports, consultants, suppliers. We use our own information and we compare it in estimates of what we think the availability of the fuel is and what we think the cost of the fuel will be based on all this information. We determine plant costs. And we do this through consultants, utility companies that have installed similar units and our own records of plant costs that we keep, which have comparative studies of utility costs. Then we prepare a study on this using a very wide range, and I think some of you've seen the study of one of the hand outs we gave, but a wide range of costs to see how sensitive this study is to capital cost of the units or how sensitive it is to the fuel cost of the units. Then we prepare - we have our own computer programs and we use programs prepared by G.E. and Westinghouse, and we kind of have our own model where we put in the computer the load that we have. And as you know our load fluctuates quite considerably. Our winter load is about 50 percent - electric load is about 50 percent of our summer load. Our night peak is about 50 percent of our day peak. So, we have quite a fluctuation. So there are a lot of these units that sit idle maybe 50 percent of the time. And so scheduling these units for load is another problem. The schedule of how our automatic system of loading -- automatic generation control load is also built into this computer model. Then we run this model and we let the - we simulate then the load as it would appear from our estimates of night and day and days of the year. We simulate this load and simulate the adding of the units to supply this load using the cost that we have for our fuel costs and other operating costs, our maintenance costs and our capital cost and then we present work these back over a 25 year period to come up with the cost of this project. Now, the latest plan we ran studied, used this wide-range of capital and fuel

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cost, and we studied with 1981 plant cost and we examined nuclear capacity and we examined this from a joint plant basis of \$455.00 a KW to \$605.00 a KW. We examined coal in the range from an installed cost of \$215.00 a KW to \$368.00 a KW. Oil and gas from an installed cost of \$150.00 a KW to \$230.00 a KW. The fuel cost on nuclear we looked at beginning prices of from 20 to 24 cents with various escalations up to 30 to 43 cents at the end of 25 years. On coal we looked at the initial price - lower prices - of 60 cents to 80 cents with various escalations up to \$1.22 to \$1.63 in 25 years. Oil and gas from 66 cents to \$1.27. So, we looked at quite a wide range. Based on the most probable cost as we determined, we find that the joint nuclear plant is 55,000,000 1971 dollars superior to coal and that coal is 100,000,000 1971 dollars superior to oil and gas. Therefore, we have recommended and the Board has approved the installation of a coal unit in 1976, a 436 megawatts, and the cost of this - capital cost - we increase the capital cost from \$120.00 approximately for oil and gas to \$250.00 per kilowatt. And we also have approval to proceed with 1977 unit which will be a 436 megawatt unit. We're recommending that another 436 megawatt coal unit be installed in 1979, another in 1989. That we proceed to join with the joint nuclear venture in 1980 and 1982. That we goal for our own nuclear in 1984 because in cost it shows that nuclear is superior on economic basis including the cost of transmission and all losses. Now, I'd like to talk just a minute here about the coal supply situation. We are presently making engineering changes to convert that unit to coal in 1976. We have advertised, some of you may have seen in the Light and the Express, Commercial Recorder, and we're going into the Wall Street Journal - we're in the Wall Street Journal now, and we'll be in the nationwide Wall Street Journal on the 18th, for bids on coal. We're very busy preparing specifications to send out early next week. The specifications are almost complete. We are shooting and believe we can make 1976. I hope we surprise Mr. Newman. We have a lot of interest in the coal supply in all areas including the western states - Wyoming and Colorado, Montana and Utah and far east as Alabama. As we proceed, we will send the specs out. We'll open the bids on July 6, which is a public bid and open to anyone who wishes to bid on it. With the bid, we've announced our intentions at conferences and so forth beside our advertisement. And we have quite a list of coal suppliers that we have taken from trade manuals and we intend to send proposals to. And right now, we're also negotiating or talking with transportation people because transportation is a major part of the coal situation. In areas where the coal would be hauled by railroad and we know that these people wish to make a proposal, we have got the railroad started on giving us information so that we can better evaluate these bids. And now, it looks that coal is certainly readily available and we believe it could be supplied to San Antonio in the prices that we have in our estimates.

MR. LOCKE: Our next speaker is one of our top engineers who will explain the South Texas Project. I'll introduce Mr. Jess Poston for that purpose.

MR. JESS POSTON: Thank you, Mr. Locke. I'm Jess Poston, Director of Engineering with the City Public Service. For the past 15 or 20 years the utilities in South Texas and we call ourselves the South Texas Interconnected Systems, have met together three or four times a year on an engineering level, working level, and on an executive level several times a year, to discuss long range plans principally in the areas concerning low growth projections, generation addition plans and transmission plans. In our business, we've discovered years ago that we are living in an interconnected world. In fact,

the South Texas System is very closely interconnected transmission line-wise with North Texas. Such that the loss of a generating unit in North Texas is noted immediately by the instrumentation in South Texas, and if it's a substantial enough loss you can see a little flicker in the lights and things like that. It's just like in your home. If you put a substantial load on your wiring suddenly, I'm sure you can note it in your light. I'm sure if someone is showering and someone else turn on the dishwasher or washing machine you probably notice you will probably notice it in the water. So also with the interconnected system. It is the hope and the wish and the desire and the thrust of the planning and discussions for years for all of the people in the South Texas Systems to plan their generation and stagger their generation installations such that it's optimally best for each of them economically. Such that everyone wouldn't install their needed generations - generators - the same year so that you have a little bit of a feast one year and maybe a little bit of a tight the following year. It was the plan to alternate the expansions. Because as I said earlier the way we're tied together we all help each other in times of emergency. The designed criterias that every man, every utility takes care of its own requirements - his own responsibilities, his own service area. But in the time of a need and in the time of a breakdown, or a shortage, an emergency, then those having excess capability at the moment immediately feed in via the transmission line interconnects. It has been the thinking and has been the planning and discussions over recent years that the introduction of nuclear power in Texas was going to be the only long-term answer for San Antonio's and South Texas' energy problems. You've heard about legislation that is pending on a national level that Mr. Newman and others mentioned about the gas and even oil is perhaps too good a fuel to burn in a boiler for the production of electricity - we should seek other fuels. The trend seems to be, in reading what's going on, that coal is going to be depended on more so in the future than in the past for the production of electricity and in the long-term that nuclear power in one of the other of its forms will have to be utilized. In the beginning, there will be the light water reactors that we're all familiar with or we all know that are going in service today. Down the road the brief reactor will undoubtedly fill in the gap and hopefully by the year 2000 when our children are grown and the energy demand is burgeoning like they have been fusion energy and some of these more exotic forms will be available.

Now in getting back to the South Texas Project, in the discussions with the South Texas Utility leaders the plans for and the thinking for a nuclear generating station were brought out about three or four years ago, and talked about. And a steering committee was set up consisting of the principal engineering executives of the Central Power and Light Company, Lower Colorado River Authority, City of Austin, Houston Lighting and Power, City Public Service, I hope I didn't repeat any. It was thought then and that thinking is still valid, that there is economy of scale in nuclear just like it is economy of scale when you buy anything else, the optimized size at that time was thought to be the 1150 megawatt size. Now, to give you an idea of comparison, San Antonio's largest generator is 430 megawatt, and we think it's a monster. So this nuclear plant would consist - this one unit would be 1150 megawatts and the thinking was to put two in. Starting in the early '80's. In fact, the original schedule was to put one in in '80 and one in '81, if possible. Two 1150 megawatt units nuclear, state of the art, nuclear, whatever the state of the art happened to be at the time, it was required to commit. And that so - so that all members

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would be able to enjoy this economy of scale recognizing that no one member could bit it all off because they didn't need that much at that time. Then it was decided that it would be split up according to each - what each companies' needs were at that time, at that period in time. And talking went on and planning went on. And, we knew of about 18 other, well actually as of today we know of about 18 other such joint units, but we knew of 14 or 15 at the time. And we knew of one particular in Arizona, and this had to do with the coal plant where several utilities got together and jointly put in large coal generating stations. So our people visited these people in Arizona and derived and are deriving quite a bit of information from them on a successful joint enterprise. Getting back to the South Texas Project, the steering committee became the planning committee. It was necessary to start planning the feasibility - is such a plant feasible? What are the planning steps? What is nuclear power all about? How much does it cost? How safe it is? Is it feasible for South Texas in that time? And so the group hired an outfit called "NUS" which are nationally known consultants in these kinds of studies and made a feasibility for the South Texas System Group. And they finished the feasibility and they pointed out that it was feasible. They looked at all the companies loads and the projections and so forth and so on. They looked at some potential sights that probably could be licensed based on the existing criteria. And said yes, a joint nuclear project is feasible and yes, it probably could be licensed in Texas. And yes, it looked like it was economically dictated for those five utilities. So, from there it became the - having proven that it was or convincing to our planning people that it was a feasible project. We went to the next step of pointing out who would be the project manager. And who will be the engineers. And what studies should be - if we're going to shoot for 1980, 1981 schedule for the first units, what should the schedule be and who should - what should we be doing now so that when the time gets there we're not behind time. So, it was decided that the Houston Lighting and Power people would be the project managers in the thing. The Atomic Energy Commission, in a joint nuclear project or any joint enterprise, says we're going to hold one person responsible and licensable. We're not going to hold San Antonio and/or Central Power and Light or Houston and Austin and LCRA all jointly responsible. The Atomic Energy Commission says you select one person that's going to be responsible. That's the person that will get the license. That's the person that will have to operate the plant. That's the person that has to have all the in house technical know how to get the job done. And that's the person we're going to hold responsible for any accidents and so forth and so on. Houston Lighting and Power, having already - being already engaged in their own nuclear project and having a staff of nuclear engineers, volunteered to be the project managers, for the South Texas Project. And so, proceeding with engaging an architect engineer, Brown and Root was engaged as the architect engineer. And siting studies were intensified. Originally, Danes and Moore, earth science people, had identified about 27 sites in South Texas that probably could be licensed. Brown and Root took that study and intensified it and came up with the rating, the criteria rating based on environmental factors, based on safety factors, based on many, many things and pinpointed down to about nine sites. And then, pinpointed it down further and made a recommendation for a site which as you know it was announced last week - was pinpointed as the best site and purchasing having been - the majority of the purchasing of the land having been consummated, the announcement was made. It is the site that shows the best of all of the sites looked at. It is the site about ten miles from Bay City on the west side of the Colorado River there. It's about 10,000 acres involved in the thing. There will be about five to six thousand acres of that eventually in a lake, man made lake, for cooling. That five to six thousand will support four

1150 megawatt nuclear generating units. In the meantime, other activities were going on, and I don't want to belabor you with all of them. But, I just want to give just a moment to let you - to tell you that we recognize and so that you recognize the complexity and the seriousness and the expense and the study that goes into nuclear power. A specification was needed for a nuclear steam supply system. The nuclear steam supply system is the reactor and all the pertinent gear around the reactor which supplies the steam to the generator. It does not include the turbine generator. Incidentally, out in the lobby there is a mock-up or model - scale model - of what Brown and Root thinks the ultimate design for the South Texas Project ultimately will look like and we'll have an engineer standing out there, Mr. Gene Mackel, who will be happy to explain it to you after lunch, after the meeting or anytime.

It became necessary to buy the nuclear steam supply system because you need lots of lead time for that. There are four or five principal vendors for the nuclear steam supply system, General Atomics; Westinghouse sells one, G.E. sells, et cetera. Detail specifications, voluminous specifications and much effort was spent to develop the specs to get proposals for nuclear steam supply systems. Those proposals are in. They are being evaluated and a selection of a successful supplier is eminent.

At the same time site acquisition is going on. The Central Light and Power people, the site being in their area, are buying the site. Going into what was looked at prior to selection of site, the following items were looked at - the environmental items. The geology of the area, the land use, was it farm, was it idle, was it mesquite, beach? The demography, terrestrial ecology, the aquatic ecology, the accessibility and the meteorology, all those things were cranked into a decision maker. Each one of those things for the various sites was given a rating and discussion, and this pinpointed one site that was elected optimum was, as I said, the Matagorda County site. Now, having selected the best site and not being able to get on the site certain other studies were entered into. Looking at all the state and national records on the water availability to the area, looking more at the population diversity and the land use, intensely, now that we have identified one site - we want to home in on.

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We've looked, carefully researched, up at the Bureau of Economic Research in Austin, Texas, of all the sub-surface information so that we could find out what load bearing we could expect, what the tectonic activity may have been or is. Having gotten all that information, site selections were made and properties are being purchased now. As soon as we get adequate property purchased, then a meteorological tower will be put up. And a meteorological tower will determine the natural wind, the humidity and the temperature, and the temperature stratification. The reason why we have to have that, and that thing will stay up from now on is well, the reason why we need it ahead of time or the reason why this project needs it ahead of time is that for calculating the dose rate in the event that you did have a nuclear accident of some kind, in the event that you did release some..a little bit of radioactive material in one form or the other. The AEC wants to know what the prevailing weather situations is there; it is such that you can disperse this stuff safely and if it's not then you don't get a license. And we're also at this time, now that the site is being acquired, able to get on the site and look more carefully at the various floor and the fauna, and the biological and measure the extent of damage that putting a plant there might do to that site and all that has to be assessed and all that is plowed into an environmental report. That environmental report is submitted to the Atomic Energy Commission and along with that environmental report is what we call a preliminary safety analysis report. And the preliminary safety analysis report is dependent on who supplies the nuclear reactor because the safety analysis is hinged to whose hardware is being used and whose system is being used. Now that can't start seriously until the nuclear system supply vendor, be a Westinghouse, GE Combustion, etc., is identified. Once that has been made, then the environmental report and the preliminary state analysis will be filed. We're talking about over 300 copies. Each one of these volumes is about this long and stacks side by side. We probably, the group probably will have to make around 300 copies for circulation to every agency both State and National that is interested in this.

What will happen if an accident has to be carefully examined, all the contingencies, every kind of contingency you can think of has to be identified and explained how you can handle that. If someone, one year after we start or after the safety analysis has begun to be prepared, if someone thinks of a new idea should be explored, what if this happened? Then you would have to go right back into that thing and explore how that kind of a situation would impact on that kind of a plant. This is what has been the source of delay for nuclear power all over the country. These kinds of things. That and the retrofitting if something is discovered and some flag is raised on a particular thing where they have to go back and retrofit an existing plant to accomplished protection against that happening to that plant. Quality assurance is fantastic in this kind of kind.

The quality assurance officer and a nuclear plant reports to the top executive. He has to be a man that can't be compromised, an unappeasable man and he is to check the assay of every piece of steel that goes into that plant. He is to check, be able to check every piece of hardware and every piece of gear, concrete, foundations, plans, engineering designs, calculations, right on down to time equal zero on everything that goes into that plant. He watches it. He has records on it and he is required to supply to the Atomic Energy Commission and any search group that wants to can come in and look at those records on every piece of item that's going into that plant and look and find out the entire pedantry of the thing from A to Z. This goes on into the completion of the plant to follow thereafter. And anything having to do with that plant, it has to be made available there and any search group can come in and look for it and find it and check the whole thing out. There are public hearings that go on after the impact, after the environmental reports are submitted and after the safety analysis is filed there are public hearings and there will be public hearings in this project that may go on for quite some time. The people who want their questions answered will have a platform to answer their questions. The Federal or the Atomic Energy Commission requires that this happen and they can read the safety analysis reports and they can read the environmental reports and if there is any question to be asked, they will be answered.

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All the public hearing having been completed, then the Atomic Energy Commission will issue a construction permit. The construction permit for South Texas Project today is scheduled for January, 1976. Now, when you start building the thing and it takes about three or four years to build it, then your quality assurance builds in. The Atomic Energy Commission constantly comes in and makes surprise searches as to how the job is going. In other words, checks the whole thing. When the plant is finished, then it becomes time to go to the Atomic Energy Commission and get an operating license. The whole thing starts over again. Then instead of having a preliminary safety analysis reports, you have a final safety analysis report and then instead of having an environmental report, that you had to furnish the AEC, now the AEC furnishes an environmental statement which says and describes exactly what this plant will do under accident.

All of the plant operating criteria is examined for safety, for economic reliability and so forth and so on. Then you have another public hearing, another official public hearing and people come in, and say I heard about this, this, this, what about this happening in Sweden, or this happening in Afghanistan or whatever it happens to be. They can bring that up and they have to be satisfied to the satisfaction of the Atomic Energy Commission. Then that being completed, you have a nuclear plant and you can operate it.

Gentlemen, the participation agreement for the South Texas Project or the draft of it became started about a year or so ago and it addresses ownership rights. It addresses many things and I'm going to hit the high points. It addresses how, if the participating parties wanted to add units, two more units down the road or one more unit down the road, how that would be handled. It describes entitlement share of the participating companies. It describes how the energy will be delivered, and what the transmission will look like. It discusses the construction schedules, the operating and maintenance requirements. How funds will be advanced during the pre-construction time, the construction time, and the operating time. It talks about the rights of first refusal in case someone wants to get out down the road or at the interim period if they're in and want to get out. Or you have to get the others in there the right to buy first. I'm sure you are familiar with them. It talks about the insurance, it talks about what you have to go through for abandonment of a nuclear plant, whose going to pay for that and how it will be handled. Now, my job at the City Public Service is to do engineering and to do long-range planning. When we do long-range planning, especially when we're talking about things like this as well as things about oil supply and coal, we pull together a group of engineers, statisticians and economists and finance people and sit and talk for hours. Then we come back a week later and sit and talk again and we try to come up with the best decisions we think is for the rate fares in San Antonio both now and down the road. After carefully studying these things and discussing them in detail and studying and bringing people in and talking to them, it's the recommendation of our planning group and will be that after especially in the present environment of the situations San Antonio is now, that we ought to get involved in getting, to become a member of the South Texas Project and take advantage of that generation that will be available in 1980, 81, 82 period.

SAN MARTIN: Mr. Mayor, I would like to address a couple of questions to Mr. Poston. Let me say that it has been a most delighting presentation that Mr. Poston has given us. I think we can qualify as experts in the planning of nuclear plants now. If the decision is made by July 1, 1973 to participate, Mr. Poston, at that point will the City Public Service Board know what type of say, nuclear reacting material, whether you'll be using the old fashioned uranium 235 or the heavier newer plutonium 239? And the difference in their waste, residue of each type and disposition of the waste material under supervision of the AEC but most important is which type of nuclear element are you going to use?

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MR. POSTON: We don't know yet, Doctor. A very big part of the nuclear steam supply evaluation is the fuel cycle. The fuel cycle has to be studied over the life of the plant which we think will be in the range from 25 to 40 years for each unit. Now, the high temperature gas reactor uses one kind of radioactive material. The light water reactors supplied by Westinghouse and GE use another kind of material, fissionable material in the reactor. As you say, the fuel economics as you point out the fuel economics, is an important part of the consideration. We've got a national fuel expert, the Stoler Company, I think he has been merged into the Company, now is making this fuel analysis over the life of the plant which as you know amounts to \$35 million on the first shot and it goes on from there. So, that is a very careful consideration. The various fuel offerings and the various fuel cycles by the vendors are each one being carefully evaluated and that will be cranked into the decision on what's the best buy.

SAN MARTIN: That's all right. And then in other words you can use either in the plants or the design, so if the uranium 235 since it was the original one and probably the most discussed of the two, is that correct, it's becoming more scarce than plutonium 239?

MR. POSTON: No, I tell you there has been a lot of conversation about the scarcity of uranium 235. I brought several people with me, Doctor, from the University of Texas and the Southwest Research. I was talking this morning, I got a bonus from Dr. Drummond from the University of Texas. I wanted him to talk about nuclear safety and he told me this morning he could talk to this fuel availability. And if you'd like, I know from my own research, my own engineering research, that there is adequate uranium if you 235, it would last past the year 2000.

SAN MARTIN: Well, the thing is this. If one is not available, there is no change in the design or alteration of the basic design of the unit so that you have to convert and spend extra money.

MR. POSTON: No, you're correct, you would not have to do that.

SAN MARTIN: Now, on the question of liability. You mentioned that the project manager is the Houston firm. Now, would they, the City of San Antonio would not be liable in case of an accident? Since it is one of the participants, couldn't they be enjoying in a law suit?

MR. POSTON: Yes, I'm sure. I mean, not being a lawyer I'm sure that's right. Because the plans call for San Antonio, if it elects to enter, to pay its share of the premium. So, I'm sure that it would share in the, of the insurance premium, so I'm sure that it would share in the liability, yes.

SAN MARTIN: Has any study been made as to the availability of insurance for say for homes, for buildings, for life and property in the areas say within a couple hundred miles? Would it effect insurance rates as far as two hundred miles away from the site of the plant?

CHAIRMAN JOHN LOCKE: Doctor, that is treated, is right there. The amount of the insurance is really fantastic. It covers everything.

SAN MARTIN: I know, but how would that effect my home for instance? Or somebody within a hundred miles of the plant?

CHAIRMAN LOCKE: Anyone who was damaged, I'm sure would be covered.

SAN MARTIN: No, but I mean the rates...

MR. POSTON: Let me answer that Doctor. Let me say something on that. The Price-Anderson Act provides the vast majority of the liability insurance for a nuclear plant. Private companies provide another increment. That premium is handled annually. It's about, I think, there's about \$500 million worth of insurance. Now, historically in the last three or four years, there have been premium refunds for these 30 units that are in service in the U.S.A. today.

There have been premium refunds because there hasn't been an accident. But I am told by the insurance people and we have an insurance committee working on this, that there is no change in the insurance premiums by virtue of living right near a nuclear plant.

SAN MARTIN: All right. The reason I bring this up, Mr. Poston, is that if you live in a hurricane prone area or flood area, the Federal Government is going to have or is already insuring or going to have to insure. There's no private insurance people that will touch you if you live, I say, within so many miles of Galveston Coast or something like that. This is the thing that I was talking about. Will it have spiralling (sic) or a rippling affect on people living, say a hundred, two hundred miles from that?

MR. POSTON: There is no record of that happening. There is no record of that happening, Doctor.

SAN MARTIN: But there is a liability to the City of San Antonio in case of an accident?

MR. POSTON: Right. Just like if one of our other plants would blow up, we'd be liable there. Our share of the liability for that is the same for the nuclear if we would go that way.

SAN MARTIN: Except that in an atomic explosion, the area covered and the damage done would be how many megawatts larger...?

MR. POSTON: Let me say one statement. The bomb, I wish I'd brought our fan club along with us today, the ...

SAN MARTIN: I didn't know we had a fan club here, Mr. Poston. They're not contrived.

MR. DEELY: How about letting Dr. Drummond answer that particular question.

CHAIRMAN LOCKE: Would you come up, Doctor?

DR. WILLIAM DRUMMOND: My name is William Drummond and I'm from the University of Texas. Let me just address specifically that question. It is also somewhat related to the fuel and the design of the reactor. If we take a conventional reactor, so called light water reactor, which is one of the choices, this uses uranium 235 and also uranium 238 in the reactor. This is a reactor in which the energy is produced by the splitting of uranium. Some neutrons come out, they wander around. And they take a long time to slow down. After they slow down they hit another uranium nucleus, and it splits and this chain reaction goes on. Now, there's an apparent safety built into this because this doesn't cause fission. When the neutron comes out of the first uranium nucleus, it just doesn't run over and hit the next one. It has to slow down. And this takes time. This is one of the inherent features of the so called thermo reactors we're discussing today. It takes time for any to happen in a nuclear sense. So, in the first place, you have several built in safety reactors in the sense that you can mechanically move things to correct them. There is always what's called the maximum creditable accident. That's basically if an airplane ran into your nuclear power plant. And what happens in the regulations in respect to AEC is they determine what I would guess is the generally maximum incredible accident and ask you what you would do in this situation. Now, the possibility of a nuclear explosion, I think, is just about zero, in the sense of having a nuclear run away like a bomb. A bomb goes off much faster than a reactor. There's practically no possibility of an explosive reactor. You can have a nuclear excursion which can cause a melting of the fuel rods but that's a different thing than an actual explosion which would damage in the sense of an atomic bomb. So, I don't think one is worried about explosive damage, such as you would get from a bomb. So, that connotation, I think, can be taken care of. The question is accidental releases of radioactive materials, in case of some sort of an accident, and the release of radioactive materials in small amounts during normal operation.

Now, those that are, of course, highly examined in advanced and the systems are, many systems in defense, in depth to many redundancies in terms of safety are built in. The maximum possible permissible doses have been steadily reduced by the government in that sense. I should say that in many ways interveners in these things have played a very constructive role by pointing out many different difficulties. The Atomic Energy Commission didn't think of everything. Interveners over the past years have brought us to a much higher level of awareness of safety problems and to a much greater emphasis on many redundant safety systems. So, I think the intrinsic safety of these things is substantially greater than it was before. So, I think in terms, I've just been looking over a list of the radiation released by something like a list of twenty nuclear power plants that were operating in 1971, the amount of radiation in each different kind of element that was released during normal operation was compared to the permissible standards for release as set by the government. And in no case did it exceed the standards. In most cases, it ran from one one-hundredth of one per cent to maybe up to ten per cent of the standard. This is through this entire list. So, I think there's an intrinsic safety which is built in by the fact that it's thermo and a great deal of concern which has been legitimate in the past which have led to a much more careful look at the safety of these things. And I personally feel that, especially with the reorganization of the Atomic Energy Commission recently. As you know, the regulatory function was taken away from the people who were interested in designing and bring forth new kinds of reactor. The reactor development division use to have the regulatory and safety responsibilities at the same time. The safety was taken away from the people who were designing reactors so that there is an advocacy position for safety within the Commission now. And I think this is overall brought us to a much higher level of competence in the safety of these things. Matter of fact you see no member of the public has ever been injured by a commercial reactor.

DR. SAN MARTIN: I still think the question has not been answered as to which is more readily available, plutonium 239 or uranium 235 or 238.

DR. DRUMMOND: I can answer that question. I didn't think that was the one you wanted me to ....

DR. SAN MARTIN: Well, that's one of the...

DR. DRUMMOND: Can I give you a little background in respect to that?

DR. SAN MARTIN: Yes, surely.

DR. DRUMMOND: Uranium is an element which occurs naturally in the earth in which we mine. Plutonium does not occur naturally in the earth. It has to be manufactured. It is manufactured from uranium. It turns out that uranium core comes in two brands, two isotopes. Ninety-nine per cent of it roughly is uranium 238, which was not sufficient in the normal state and roughly one per cent of it is uranium 235, as you mentioned. Now, when a neutron, uranium 235 was used in the original reactors, so you must, and in current reactors, it is an enriched uranium which is simply a larger concentration than uranium 235. Now, you can also use plutonium which you must manufacture within a reactor. The uranium 238 which is sort of there as part of the matrix of the reactors is sort of sitting there absorbs neutrons and when it does and eventually becomes plutonium. Now, this plutonium can be separated out chemically. And it works very much like uranium 235. Now, its availability, of course, depends on the availability of uranium. But, you see, in the natural uranium we mine, roughly one per cent is usable in fuel and we have to convert the other ninety-nine per cent to plutonium before it can be used. I would like to address a remark to the availability of uranium per se and how it will compare to the need of the society for the next forty or fifty years in terms of nuclear power. This has been studied very extensively by the Atomic Energy Commission in an effort in trying to evaluate controls the pros and cons of the fast breeder reactor which in fact does that. It converts basically uranium 238 to plutonium to make a fuel.

The fast breeder reactor, which we are not discussing in this power plant but is something in the future, will make the other 99 per cent of the uranium available to burn.

Now, if we just consider the uranium 235 that we have, many surveys have been made on how many tons of this exist in the continental United States. That depends on how much you are willing to pay for it. Today, uranium is relatively cheap. It costs about \$7.25 per pound for U 238. Now, if you want more than the amount we are using for the next few years, you have got to pay more. The price can go up to \$50.00 per pound. Where there is a very large amount, between 4,000 and 10,000 tons, now that is an enormous amount. No projection of nuclear power use for the next 50 years would show more than 5000 tons of uranium. So, there is available at a price more uranium than we could possibly use for the next 50 years. There is no problem in the availability of fuel. Many people question the price of the fuel or have in the past questioned since you have to pay \$50.00 perhaps per pound, rather than \$7.00 per pound. What will that do to the price of the power for electricity? I would like to point out that fuel costs are often said to be 20 per cent of the price of a reactor but when somebody speaks of fuel cost, he doesn't mean the cost of the uranium he means the cost of the fuel element which has the uranium in it which is put in. Now it turns out that the raw uranium is only something like 15 per cent of the fuel cost. So in fact when you get down to a reactor today, the cost of uranium is about a little over 2 per cent of the cost of the power. Thus, if the uranium went from \$7.00 to \$49.00, a 700 per cent increase, the cost of generating the power would only go up about 15 per cent. So I think that the economics for the next 50 years, the time scale that is being discussed today of nuclear fuel, are such that the availability of raw uranium is not an economic problem.

MR. PADILLA: How reliable is that, Dr. Drummond? We were told the same thing about gas then years ago.

DR. DRUMMOND: Well, all I can say is I've seen a number of surveys independently put together by the Atomic Energy Commission, by the electric utilities and I don't see how they can be very far wrong. I think it is a little harder, we weren't looking so hard ten years ago at the problems of supply as we are today, and I think because of interveners, people who are legitimately concerned with these questions, we have looked a lot harder more recently and our answers, I hope, are a little bit better than they were ten years ago.

MR. PADILLA: I realize you must be frustrated talking to people that know nothing about nuclear energy with your expertise. I would like to ask you about something I read in a publication. I don't recall the name of it. This was a publication that included some quotes by Dr. Teller. In reference to a nuclear plant in the Detroit area in which he said that there was an accident and that we were lucky it did not go into phase two. Frankly, I don't know the first thing about what phase two is but could you comment on that.

DR. DRUMMOND: I'm familiar with the problem. This reactor was an early research reactor, not associated with the kind of reactor we are talking about today in this hearing, but talking about the fast breeder reactor which is hoped for sometime in the mid 80's. The fast breeder reactor is called fast because the slowing down time, the neutrons coming out of here goes over to there and makes a fusion in a hurry. It doesn't slow down. So that's why it is called fast which means that when things start to happen they happen much more rapidly. So the safety concern for the so called fast breeder reactor which will convert uranium to plutonium, this fast breeder reactor has safety concerns which are more difficult. I think they can be solved but they haven't been yet and nobody is considering building one in a commercial sense. The first demonstration plant is now being engineered and hopefully will be constructed in four or five years in Tennessee in a research sense. This so called (?) reactor which had a (?) on the fast reactor, if something happened (INAUDIBLE) and it melted. That is a generation of reactor away.

MR. PADILLA: To satisfy my curiosity, what did Dr. Teller refer to when he said if the accident had gone into phase two?

DR. DRUMMOND: Well, I don't know exactly what he meant by and large..

MR. PADILLA: What does that mean?

DR. DRUMMOND: I think the worry in a fast reactor which I think can be eliminated by design. Designs are much improved. That was a very old thing. But with that design there was a worry that it could go off like a bomb, a small bomb but a dirty, dirty one. That's what I imagine he meant by phase two.

MR. PADILLA: We're not considering that sort of thing?

DR. DRUMMOND: Not at all. Nobody would.

DR. SAN MARTIN: Dr. Drummond, let me ask you another question. It seems that we cannot produce electricity for eight or nine years, if we start today it will be eight or nine years. Is that correct?

DR. DRUMMOND: That's my understanding, sir.

DR. SAN MARTIN: Now, let's acknowledge that in the United States we started developing that supposedly the state of the art. Is that correct? Would you say it is the top production quality of the state of the art compared, say, to the Japanese who are late comers and very conscious about atomic explosives and yet they are able to put a plant in operation in four years. Now, do you feel that they have any better system of producing the plants or they just don't go through the hearings and safety factors that we require in the United States?

DR. DRUMMOND: I'm, honestly Dr. San Martin, hardly competent to discuss that. I think that nuclear knowledge in respect to safety is pretty well shared and the environment, politically and economically, have a lot to do with how different countries do. I can tell you that in the Soviet Union a fast breeder plant, they build similar plants in barns. They don't ever put concrete in the whole floor. So different countries have different safety standards.

MR. LOCKE: Mr. Mayor, Mr. Newman would like to say a word. You know, this thing is so critical that I would like the right to take a couple of minutes after he through. There are some things I wanted the Council to not fail to know.

MR. NEWMAN: What I wanted to do is to express to you gentlemen a feeling that exists on the City Public Service Board, and I want you to know this because what I have to say is extremely sincere. After hearing Al's comments this morning, a person could feel that we feel that we belong to some kind of an exclusive club or that we are entertaining or have some attitude that is foreign to the attitude that you have insofar as the well being of our City is concerned. I just want to assure you that this just isn't true. Some of these letters that you get, Al, written as they are. Those are stylized. That's the way those things have been written for many, many years. It doesn't mean, and believe me, that you are not welcome. All of you are welcome at all times. Another thing, there could be nothing that I can think of that would be less productive or putting it another way, more counter productive than for us to think that we are sitting over there and keeping secrets from you. In the first instance, there would be no reason for doing this, and the next thing is that I would find such a program as that personally terribly offensive. So, I'd like if you will to please think of us in this manner. My father was a lawyer and I'm not but he told me when I was a young kid that the meaning and intending clause in a contract is the controlling clause in any contract and that what you said after you said that is what counted. So, please believe me when I say we really and sincerely mean and intend well, that we will meet with you singularly or collectively at any time and at any place of your choosing. This is the spirit truly that we feel and if will believe that, we are sincere in what I am saying. We are going a long way down the road. Thank you, very much.

REV. BLACK: May I also announce that the Mayor has indicated a change in the date of the hearing on the nuclear power. On Wednesday, the 27th at 9:00 A.M. in the Theater for the Performing Arts rather than on the 26th, I think. So it will be on the 27th.

MR. LOCKE: Gentlemen, I was going to say pretty well what Mr. Newman said but I had something else that I wanted to point out to you and that is you must realize that this is an unusual opportunity for us to get into the nuclear program. All of the experts say that to be economical a unit must be large. In other words, you take under this project we are building two units. The total cost is going to be something like a billion dollars. The Houston Light & Power Company has done all of the work. I might say first they are building two units of their own in Austin County but they are in this one and they are managing it. They have hired the experts. They have run down all the land questions. They have bought the land. They will manage the plant but we will have men in there working with them who besides working with them will be learning all that is necessary about running a plant. In other words, we have this thing set up to where all we have to do is pay our 30 per cent of the cost and we get 30 per cent of the power which amounts to something like 469 megawatts or approximately the power we get from one and a half of our largest stations now.

Every other major utility except possibly a few in the Northwest that sit right on top of endless fields of low sulphur coal are going to nuclear plants. Texas Utility is building two plants I think. Gulf States Utilities is building a plant in East Texas. Houston Power & Light is building their own two plants in Austin County. This plant will be built whether we go in it or not. They don't need us. If we don't go in they are going to build it anyhow.

The result of that will be that we'll be out of the program. Dallas, Fort Worth, Houston, Corpus Christi will have nuclear power. San Antonio will have none. The only way we could then get it would be to build our own plant since a plant needs to be large to be economical. It would probably cost us a billion dollars to build it. Of course, that's over a period of ten years, but that's \$100 million a year that we would have to spend. We would have to do our own planning, our own management, everything of that sort.

Now, there can be no environmental problem as far as San Antonio is concerned. The plant is going to be in Matagorda County. About 150 to 200 miles away and it is going to be there whether we go in it or not. This gives us a chance to go into nuclear energy at a price that we can afford. We can continue to stay with them if we are satisfied with it. If we are not satisfied with it, we don't have to go any further. We can go ahead and build our coal plants. Since everyone practically concedes that there will be no sufficient oil and gas to fire any future plants that just leaves coal and nuclear. Coal has many difficulties also.

So, it just looks to me like that anybody, unless he has a closed mind, would say that we just must do this. Now, I'm only saying this for the same reason Mr. Newman says. We have no interest whatever in this matter except that we do have the obligation to furnish gas and electricity to the City of San Antonio. Frankly, we just don't know how we are going to do it unless we get started on this program. Thank you very much.

REV. BLACK: Are there any further statements you would like to make?

DR. SAN MARTIN: I would like to make a further statement. Of course, I'm sure that you will thank the members of the Board and their staff for being here with all of the information they have given us. We appreciate it very much and I think this is the type of briefing we have had in mind. I know we all appreciate it, Mr. Locke.

MR. LOCKE: Thank you very much. I assure you we are ready any time to give you all the information we have and also, as John Newman said, we would be very happy to have you at any meeting we have.

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DR. JOSE SAN MARTIN: Now, my next question is to the administration and I think this is where Mr. Padilla will bring up his recommendation. The thing I would like to address myself to the staff now is that part of the resolution that was approved by this Council also directed the administration to take the necessary steps to conserve energy in all the municipal operations. But it seems that after what we have heard today perhaps, Mr. Granata, you would like to review those and have a more definite plan of action which this Council can decide on next Thursday. I think the time has come when we're going to have to tell the citizens of San Antonio that there is more than a voluntary need to conserve energy. I think all the baseball diamonds that are so well lighted at night, all the recreation areas where they play softball are going to have to be in the dark. They'll have to start their games in the afternoon and finish before sunset. I think there is going to have to be a very restricted use of energy from now on and I think this Council must make that decision and I think that this is one of the reasons for holding this briefing session. So I would request that the City Manager to present for Council action next Thursday a more stringent plan of energy conservation than the tentative plan that you have submitted to us. I think that the management of our energy must be wise and prudent, I think that our industrial requirements must be considered. I think we need pay checks more than air conditioned homes in many cases. I think that we cannot restrict industry in any way, shape or form because the economy of the entire community will be seriously affected. We need pay checks every Saturday, not half pay checks. I would also like to concur with Mr. Padilla on his request for experts on nuclear plants but I think we also need legal experts in this field, Mr. Granata. Unless Mr. Padilla has anything else to add, I think this is all I would like to say.

MR. PADILLA: If it is necessary I'd like to see an expression of what the Council wants. I would recommend that, relative to the experts is fine.

MR. BECKMANN: That would be fine. I concur with Dr. Jose San Martin. I think you and I are thinking on the same way. I think we need a plan....

DR. SAN MARTIN: This is what I meant.....

MR. BECKMANN: To be presented to the Council some.....

DR. SAN MARTIN: The reason for the legal experts, Mr. Beckmann, is that a question has been raised by Mr. Crawford Reeder and I think it's a question of the enforcement of whatever restrictions we impose. I think we need legal experts to tell us what we have in the way of legal tools. I know an enforcement is going to be difficult but at least if you have a set of legal tools that you can use. If a violator can be prosecuted, we have the necessary tools.

MR. REEDER: We can tell you what you can do. I need to know the facts not the law. Well we need to plan and we need a plan and I think we need somebody from Public Service to help us with that.

REV. BLACK: It seems to me that what we have here are a given number of variables that are very, very unknown. I mean so many unknowns. It seems to me that when you begin trying to manage the affairs as I listened this morning to those variables and to the nature of the variables themselves. The if's that are tied in to the variables that would determine the extent to which you would be able to supply the needed...that when you talk about restrictions that somehow the restrictions ought to be related to at least some management policy with reference to their own

anticipation of the degree to which those variables are going to cut down on the energy resources, on the resources that are needed because to simply impose limitations without some understanding of the relationship of the variables to those restrictions is sort of shooting at the dark. It's the kind of emergency in the midst of a declaration but without knowledge, a deal without understanding.

DR. SAN MARTIN: Mr. Mayor I think it has been made perfectly clear this morning at this briefing session that we're not shooting in the dark. The statement has been made that it is not a crisis, this is a catastrophe. I mean if that is not a definite factor then I don't know what is. That was the reason I introduced this resolution in the first place. That's the reason why this town was so frustrated a week ago, because we want to know just how serious the situation is and we would be derelict in our duty if in the face of the statements made by the City Public Service Board that it is a catastrophe, that we will not undertake a plan. I mean a plan, not just shooting here and there from the hip. I mean a plan of action that we feel will reflect the concern of this Council in trying to solve or minimize the problem that the City Public Service Board has presented to us here today.

MR. LOCKE: Just for my personal stand point, I think you're correct Dr. San Martin that we should work out a plan. But I would personally like to see this thing called to the attention of the people and the importance and critical nature of it explained to them and to try once more this voluntary curtailment. I would hate to see mandatory control unless we just had to have it.....

DR. SAN MARTIN: We're talking of a plan which says that if we do not see a certain curtailment of the usage then this is what's going to happen...

MR. LOCKE: That's right. That's what I mean to say.

DR. SAN MARTIN: Well it's going to happen as soon as we feel making the citizens aware one more time. If it's not causing a reduced usage of electricity then this will come in a week or two.

MR. LOCKE: Yes sir, I agree.

REV. BLACK: I don't disagree with Dr. San Martin. The only thing I'm saying is out of the substance that has been said by this board, there ought to be some specific recommendation in terms of the degree to which you think regulations ought to take place because once we enter into a plan we have then introduced a management responsibility. We have accepted a management responsibility. And I want the City Public Service Board to assume that management responsibility and I'll act on that management responsibility. I don't want as a Council member to assume management responsibility. That's what I'm interested in.....

DR. SAN MARTIN: Mr. Mayor, I don't think it's a question of management responsibility. I think it's a question of our legal power to curtail the use in crisis of any of our resources, whether it's water, electricity, or gas. I think that the buck stops right here in this Council and unless there is a legal requirement otherwise, I don't think we are assuming a managerial responsibility. I think we're assuming the legal responsibility of the governing body of this community and I'd like for Mr. Reeder to say if this is not the case.

MR. REEDER: I think you're right Doctor. What I've been trying to say and I don't guess I did a very good job of it. The City of San Antonio, the government of the City of San Antonio, you gentlemen, have the power, it is called police power, it has nothing to do with the police, to ration, to ration fuel, to ration water. I think that that's absolutely correct. What I meant awhile ago is I don't know what the facts are yet. I don't know whether we're going to have a critical power shortage this summer or not, where we are getting to where we're out of electricity. I certainly do not advocate rationing except as a last resort. However, I do concur certainly with the Council if I'm not being presumptuous in saying so and thinking that we should have a plan that we could put into effect. I'd like to know if we can get some kind of idea when we might have to do this, Mr. Locke. Do you think maybe July, do you think maybe August, do you think maybe two weeks?

DR. SAN MARTIN: I'm asking for a plan.

REV. BLACK: I think essentially we're asking for the same thing. I think the only thing we're saying is how do you relate it to the fact and this is the sort of thing I'm concern about as well.

MR. LOCKE: My suggestion on that would be that our management will let you know to what extent we feel that usage should be curtailed. It will depend on weather, somewhat on what Coastal does, and somewhat what the Railroad Commission rules. We don't know yet. The best thing I can suggest.....,

MR. BECKMANN: Well, as some sort of a suggestion. If we're using 240 today what happens if we get down to 150, what happens if we get down to 100, what happens if we get to 50, what happens if we get to 30 million? I mean this can all be related whether it's use of fuel oil or whether it's use of gas or whether it's use of any combination. Now that's why we depend on the technicians from the City Public Service Board. If you can tell us if for the next week we're going to be at 50 million, then this plan goes in effect.

DR. SAN MARTIN: That's what we're talking about.

MR. DEELEY: I am not psychic, so I can't tell you what the Railroad Commission is going to do, or exactly what Coastal States is going to furnish. Everything points to the fact that it looks like we are going to be terribly short on gas. We have heard a suggestion of 50 percent. We do have a plan in the event of a very serious curtailment to keep our gas system operating. We have had this plan for some time. We have it on the computer. This plan would selectively cut out circuits. It is programmed for two hours off and 30 minutes on. We can change that, if the situation is not as serious. This of course is a last ditch stand which presumes, Dr. San Martin, that which you are talking about. We have left off in this plan, those circuits that are tied in with hospitals, iron lung patients, etc. So we are not without a plan, in the event of a crisis, in the event of a very severe emergency where it looks like our gas system was going down or where we are going to have trouble furnishing human need requirements in San Antonio. If we have this plan cranked in.....

DR. SAN MARTIN: I know you have this plan but you need the whole-hearted support of the City Council behind that plan and you ought to know this Council by a special vote next Thursday or whenever it is ready, has given you that support. And the people of San Antonio have got to know that the City Council wants them to do this.

MR. DEELY: I quite agree. It is very essential.

MR. PADILLA: One further remark. I don't think what this Council is looking for is a plan for this critical crisis situation when we're down to 30,000,000 what is it, CFM gas. I think we also need some interim plans. If we lose 30 percent, what are we going to do? Who do we shut off then? If we lose 40 percent, who do we shut off, and so forth? What you're talking about is the very, most critical point and I commend you for having that plan. I think as far as it goes, it's wonderful. But I hope, and I choose to believe at this time that we are going to have shortages of fuel but that they won't amount to the ultimate critical situation. But rather they'll amount to 30 or 40 percent. And what do we do there? Where the ultimate crisis is condition red--how do we deal with condition blue? And so forth. And I think we need other plans as well as the one you already have.

MR. DEELY: That's right. And of course we're hopeful that filling requirements for 30 percent. We have filled up to 60 percent of our generation requirements with oil. We can only do that for a limited length of time. So, the answer to that depends on how much oil we can get and all those things.

MR. PADILLA: We may get down to a situation where what we do this week is not what we do next week.

MR. DEELY: That's right.

MR. PADILLA: You see, depending on availability of anything.....

MR. MENDOZA: Depending on the circumstances. Now, I think.....

MR. PADILLA: Now, this is why I think we have to have A, B, C, D, E.....

MR. DEELY: Mr. Beckmann, we'll certainly be glad to work with you people on that.....

CITY MANAGER GRANATA: I was going to suggest, Mayor and Council, that I'll get with Mr. Deely and our staff and will try to come up with some, up with something.

DR. SAN MARTIN: Mr. Granata, I think that what we're trying to tell you is that once we approve any kind of plan, you can act immediately without having to consult with us and just know that, that is what we want in case from one day to another something happens.....

MR. PADILLA: Let's formulate plan A, B, C, D, E and so forth.

CITY MANAGER GRANATA: Yes sir.

MR. PADILLA: And as the situation calls for it, we'll say today we'll do plan B.....

MR. BECKMANN: And let all the people know what the plan is. That's important.....

CITY MANAGER GRANATA: We'll get together.

REV. BLACK: All right, do we have any further discussion?

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MR. MENDOZA: Yes, I'd like to bring up the point of the Public Hearing which is set up now for the 27th. Am I correct? Do we need any legal or rather official action from the City Council at this point?

DR. SAN MARTIN: I think it will be taken next Thursday.

CITY MANAGER GRANATA: Do we have to post it, Jake?

CITY CLERK INSELMANN: Yes, I will post it.

MR. PADILLA: One more thing, Mr. Mayor, before we close. If you'll give me a moment, I'm reading a note and I'm almost through it. I received a note here and I don't know just who it's from--it was a lady that handed it to me. And we may consider this or combination situations. It says, "Dear Councilman Padilla, we would be delighted to invite scientists who are in opposite view of City Public Service Board scientists--nuclear scientists. However, we need to supply their expenses. They do not get AEC or, no I can't make out those three letters, financing for traveling, etc. as the City Public Service Board experts receive." Evidently this lady has AEC people in mind and they cannot come down without furnishing their own or having someone furnish their expenses. She makes a point that the people CPS invites will be on expenses, at least, if not more of a stipend than that. "Can we expect these expenses to be paid for by our City? We need this information today in order to have time to invite these experts. Perhaps a resolution as to expenses needs to be determined at this meeting. Thank you. D. Service (sic), Chairman of Citizens for Safe Power." Now, we can take several courses of action. Of course, what she infers here is that the City might pick up the expenses, at least, for some of the experts that they can invite. We might also invite them ourselves and provide for their expenses. So, whatever the Council wishes to do. I do see this as a very practical point. It's going to be difficult to bring people here that can compete as it were, for want of a better word, John, with the experts that will be invited by CPS. If we do not make provisions for their expenses, at least, for their travel expenses and living expenses while they're here.

REV. BLACK: Councilman, when you made the recommendation that we would invite persons of a, of an opposite view, didn't you have in mind that the City would do that inviting? I mean that the Council or the City .....

MR. PADILLA: Very definitely. And I think if this citizens group has input as to who should be invited, I think that right after this meeting they should get together with the City Manager and apprise him of that. I think if the City invites them to come down it would be entirely proper to pick up their expenses.

DR. SAN MARTIN: Mr. Mayor, I don't think that we can legally invite anybody unless we have a contract that we want to hire somebody. Mr. Padilla, if we want a legal expert, legal help, an expert on anything, bond attorney, I think we have to hire him through the City Manager with a contract .....

MR. PADILLA: I think it goes without saying, though, certainly I intended it as part of my recommendation that we do exactly what needs to be done in the way of expenses and stipend to see to it that these people do come down here. If that requires Council action, then I'm prepared to do it.

MR. BECKMANN: All right, I'm not in favor of just any number of them, but I think the City Manager can work it out.

MR. PADILLA: An adequate number .....

MR. MORTON: Mayor, I think that what we're saying is that if they have an expert, whether it be legal, nuclear or whatever, we would appreciate it if they would submit his name, address and his qualifications to the City Manager and we will act on it very shortly.

MR. PADILLA: I think in view of the fact that this hearing is on the 27th that the Council should get some indication to staff that we do expect to pay the expenses for these people who would come down here.

MR. MORTON: Those that we ask for.

REV. BLACK: Those that we ask.

CITY MANAGER GRANATA: Do you have any idea of how many we're going to ask?

MR. PADILLA: I don't have any idea, Sam.

CITY MANAGER GRANATA: We need an amount on the funds and appropriations .....

DR. SAN MARTIN: The only thing that worries me, Mr. Morton .....

CITY MANAGER GRANATA: My contention, will a true expert come for no fees, just expenses. Is that your understanding?

MR. MORTON: Some will, some won't.

CITY MANAGER GRANATA: I mean I don't know. There's a lot of .....

MR. BECKMANN: Where do we find out?

DR. SAN MARTIN: Well, the question that bothers me is who determines who .....

REV. BLACK: Who determines whether he .....

DR. SAN MARTIN: Whether he is an expert.

MR. PADILLA: That would have to be the City Manager.

MR. LOCKE: Gentlemen, on that point just let me remind you again, that the plant's going to be built whether we go into it or not.

MR. PADILLA: Yes, we realize that. We're trying to get information, Mr. Locke .....

MR. LOCKE: So whether or not we go into it is not going to have any effect on whether it's built.

MR. PADILLA: I think it's very important that the City of San Antonio--its Council and the citizens--know as much as they can about what we're contemplating.

MR. MORTON: I think so, too.

REV. BLACK: Do we have anything further?

MR. MORTON: Yes, I have a couple of things I would like to ask, if I could. I would hope that at this briefing they--the City Public Service--would be prepared to talk about the disposal of the waste that would be generated by this. This is something that we have not discussed today. Another fuel that was not discussed today that certainly we're having a problem with as far as another department of the City and that's garbage. I'd like to have that explored. I don't know what you've done in this area, but I'd like to have that discussed. I realize it's a long way from garbage to nuclear--at a nuclear briefing, but it's my understanding that a ton of garbage will generate approximately the same amount of BTUs as two tons of coal. And if that's the case we've got an awful lot of fuel we would be very happy to sell you. I think that it would be well as I see attitudes demonstrated here on the part of the Council and certain members of the City Public Service Board that we try to bridge the gap of lack of communication that apparently exists in the minds of some members on both sides of this podium. I don't think there's any question about the fact that there isn't a Councilman here that is concerned with the gravity of the situation we've been placed in. And I would hope that you all, and by that I'm saying the City Public Service Board, is aware of the fact that we are the elected officials and we are the ones that are going to have to accept the responsibility. Even though, you know, technically, you are the ones who have the decision making power as far as which way we go. And the crisis that we're in right now, we can go back and have a lot of Monday morning quarterbacks, but I think the attitude is, if I read this Council correctly, is that we are not so much concerned with what happened in the past as we are with where we go from here. And I think it would make very nice reading to get all the facts surrounding the Alamo Gas Contract and where United is and why they were not selected because of the \$30 million differential and all that. But that would make nice reading at a future date. I think that what's happened here and what you're forecasting may continue to happen is a blow to this City's economy that really there's no way for us to be able to qualify. You have not satisfied me this morning that our industry is going to be able to continue to operate without curtailments that they are currently experiencing. And I would say this that the short-range plan is not adequate unless that plan encompasses the ability to provide the power not only for the industry that we currently have but for the industry that we hope to get. That just has to be a part of your criteria. Nothing less than that. And that this Council will support you in every way possible to insure that this occurs. I would like to suggest this, to get back to the point that I wanted to make regarding communication. I think that it would be well on a weekly basis if your staff, Mr. Deely, would furnish each member of this Council on what is being done. It might be every Thursday morning in our packet. What happened this last week as far as Coastal States is concerned? I know that you are diligently trying to find out what they have and what they've committed to do. And you have anywhere from fourteen or twenty experts, the

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consortium of the four major customers, in their office trying to find out where they stand. I think on a weekly basis if you'd give us an update of what has been found from the previous week. What is the projected time that we will know completely where we stand? It seems to me that what we have said here this morning, by the posture that is being taken, is that you have now satisfied yourselves that you are only going to get about 50 or 60 percent of our requirements for fuel over the summer from Coastal States. Now that's trying to guess what the Railroad Commission is going to do as well as taking into consideration what they have. I think another thing that we would want to know is any update in change of position on what steps we are going to take against Coastal States whether it be negotiation, legal or whatever. What is going to be our position? Somehow or other, I think this Council and I know that Mayor Becker is very sensitive and I think he should be. I think the man is being falsely accused of being friendly or soft on Coastal States. And quite to the contrary, I don't think that's his position or any other member of this Council's position. I think that rather each of us in our own convictions has felt that this problem was serious enough that we wanted to be sure that we had as many facts as were available through the experts that are now down there before we started making the kinds of decision that we were being urged to make against Coastal States. And I think that it's important that the City of San Antonio know that there isn't one member of this Council that is afraid to sue the hell out of them, if that's what needs to be done. But before we do it we want to make sure that that is the thing that is in the best interest of the City of San Antonio to do--their interest. They've gotten the attitude that we're soft on them. Nothing could be further from the truth. But as to what type of legal action we might take I think that we need these facts to go on before we do it. Now, in my judgement I feel that this is a position that is a responsible position as far as representing the citizens of San Antonio today and tomorrow. And I hope that they will take the time and the understanding to bear with us as we get these facts. I don't think that anything, I don't think we're losing any legal right tomorrow by not suing them today. And it's my understanding that approximately July 9th or 15th we're going to have a complete picture of exactly where Coastal States is as far as their commitments and what they have in the way of resources to fill--fulfill them as far as reserves and what their position is as far as going out and being able to buy even if it's considerably above what they've contracted for. So, I'm asking essentially for this, one a weekly basis I would like to suggest that you furnish this Council with what your plans are based on updates in data that is coming in on a daily basis. As you say, you have a meeting this afternoon--we'd like to know about that next week. Now it is not done--this request is not urged with the attitude that you people are not competent or that you are not concerned about this situation at all. It is just the fact that we share this responsibility with you. And ultimately we bear it completely as far as the electorate is concerned. And I think that communication would be something that would be very helpful in our support of you in trying to work out this problem to the best interest of the City of San Antonio.

MR. PADILLA: Mr. Mayor, I would like to.....

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REV. BLACK: Just a minute, was there any response you'd like to give to the Councilmen.

MR. DEELY: I would be very glad to cooperate. You realize, of course, that some of these things that are going on that cannot be made public insofar as negotiations is concerned.

MR. MORTON: We understand that. You do not have to give the names of the companies. You can identify them as A, B, and C.

MR. MENDOZA: I would like to echo what Councilman Morton has said. And I would like to ask the question on what the time table is in regards to the investigation of LaVaca at this time as far as the, when do you think you'll have some kind of a.....

MR. DEELY: We hope it will be ready by the 9th of July. I think there is some question now as to whether the data can be gathered by then. We are having some problems in getting data. The hearing is still set for the 9th.

MR. MATTHEWS: Well, let me say this. The fact is that the date is set for the cross examination of witnesses who appeared in the initial hearing on May 1 and 2 and without rather complete data, we can't cross examine technical witnesses without having gone into background facts and figures against probing of books and examination of contracts and transactions. Now, we're in the course of doing that, and I don't want to start a public rhubarb. We are having some difficulty with Coastal producing it. We're pressing for it. We're going to continue to press for it, and we might have to go to the Commission next week for further pressure to require the production of this. Now, gentlemen, this isn't a game. This is a serious effort to get at this thing tried to keep up with all these things, Dr. San Martin. We sent one of our most brilliant young lawyers to all of the seminars. This is all new to lawyers. We all started about level. Now, we have a young man named John Wood with us who we think is one of the finest young lawyers that is coming to practice here. We've got a lot of good young lawyers here. But this one we have asked to specialize in the very things that you are talking about. He has been to the lawyers' conferences in Washington and elsewhere where all these - everybody puts their knowledge together to discuss these multi-complicated legal problems under the Environmental Protection Act and under these Acts relating to the Atomic Energy Commission. Now, I haven't done this. I'm too old to break into a new field, and I have no intention of doing it. But I believe that we are keeping abreast, and I think this young lad with three years as a briefing clerk with the federal judges before he came over to us two years ago, and he came with the highest recommendation. And we have found with experience with him he is now pinch hitting for me in Austin, in these hearings. I came back to be here today. But I want to assure you that, of course, we have no objection to consult with anyone or any legal matter. This is an important thing. We don't want to be pickinish about you taking our opinion or we are right or have no pride in it. We are ready to talk to anybody, any competent person of any matter at any time.

MR. PADILLA: I would also like for Public Service to bring to the hearings on the 27th some sort of projected schedule of expenses in the event we do choose to participate in this nuclear plant. How much will be spent when, what the expense will be. Now, I alluded little earlier, and I am going to digress for a little bit from strictly the nuclear aspects of this thing, and I alluded to a communications problem.

Now in the past and one thing bears on another. The Public Service Board has chosen to take the position that they are entirely technically oriented and yet they have been less as indicated by community actions and so forth in the past few years than responsive to all the people of this community. I consider this a very serious problem, and I hope that you are doing something about it at all times and one that you are trying to improve on at all times. I'll be very honest with you because I like the deal on top of this table. As I sit here one of the things that enters my low and suspicious mind is why the great expense for a nuclear plant. Now technicians can defend it, I am sure 98 percent. But, I'm wondering as to whether we will tend to perpetuate some of the things that have happened in the past by agreeing to this great expense in the way of an additional bonded indebtedness. Some of the concern this Council has had relative to the Public Service Board as well as other utilities has been how responsive are the utilities to the public in every way.

I want you to know from a member of the Council that this is important to me because I think as a publicly owned company, as a utility that belongs to the people of San Antonio, you must be responsive to the people of San Antonio, and I do not tend when I look at it in those terms to want to perpetuate something that I consider less than what it ought to be in those terms. So, I wanted you to know about that. I hope you consider it as important as I do.

MR. DEELY: I assure you we do and have. We have been working very hard at this aspect of what we are doing. I think we have improved our services tremendously. I've even had some compliments from the home builders.

REV. BLACK: I think now we have come to the close of this hearing. We want to thank all of the parties that have engaged in it and have shared in it. You have a final word?

MR. LOCKE: Just a final word. Mr. Padilla on the question of the expense of the plant, for instance, remember that Houston Light and Power and Central Power and Light, private utilities, operating to try to make money, and if they are willing to spend 70 percent that much on the plant it looks like it would not be out of line on our part to pay our 30 percent.

REV. BLACK: Thank you, gentlemen.

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