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May 30, 1985

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313 Woodhaven Road
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Frederick J. Shon
Administrative Judge
Atomic Safety and Licensing Board
U.S. Nuclear Regulatory Commission
Washington, D. C. 20555

Re: Houston Lighting & Power Company
South Texas Project, Units 1 & 2
Docket Nos. STN 50-498, STN 50-499OL

Dear Members of the Board:

Enclosed for your information is a press release issued today by Houston Lighting & Power Company announcing that agreement has been reached on a settlement of the lawsuit against Halliburton Co. and its subsidiary, Brown & Root, Inc. arising out of the engineering and construction of the South Texas Project.

Respectfully,

Jack R. Newman
Jack R. Newman

Enclosure
cc: Service List

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DS03

The Light company

Houston Lighting & Power P.O. Box 1700 Houston, Texas 77001 (713) 228-9211

For information contact
Don Beeth (713) 229-7305

For release:
May 30, 1985

Houston Lighting & Power Company, project manager of the South Texas Project, announced today that an agreement has been reached on a \$750 million cash settlement of the long-standing lawsuit against Halliburton Co. and its subsidiary Brown & Root, Inc. This is believed to be the largest cash settlement in history.

Don D. Jordan, Chairman and Chief Executive Officer of HL&P, said, "By significantly reducing the cost of the project, the settlement is extremely advantageous to HL&P customers and the customers of the other owners."

In the lawsuit the project owners alleged Brown & Root had mishandled engineering and construction management of the nuclear plant in Matagorda County. Under the settlement, which will require court and PUC (Public Utility Commission of Texas) approval to become final, Brown & Root will begin on October 1, 1985 to pay the project owners \$750 million in quarterly payments over the next seven years. Each owner will receive the same percentage of the award as its percentage of ownership in STP. The four owners of the South Texas Project are HL&P (30.8%), City Public Service of San Antonio (28%), Central Power and Light Co. (25.2%), and the City of Austin (16%).

Based on these ownership percentages of the 2,500 megawatt electric generating station, HL&P would receive \$231 million, the San Antonio utility would receive \$210 million, CPL would receive \$189 million, and if the City of Austin accepts the settlement, it would receive \$120 million.

The City of Austin is still considering whether it will accept or reject the agreement. The settlement provides that if any owner rejects the settlement and later obtains a higher out of court settlement, Brown & Root would increase the compensation to the other utilities proportionately.

Each of the owners of the project will individually determine the disposition of its share of the settlement. HL&P will seek PUC approval to use the money in excess of litigation costs to lower the overall cost of the power plant and thus reduce the cost of the electricity from the plant when it becomes operational.

Application of the total \$750 million toward reducing the overall cost of the project would result in a savings to ratepayers of \$2.4 billion over the life of STP. It would also reduce the construction cost per kilowatt to \$1,898, which is comparable to the cost of other nuclear plants which received construction permits after June 1974.

While the settlement will reduce the cost per kilowatt for each of the four owners' ratepayers, the total amount including interest during construction will depend upon the individual utility's financing arrangements. Typically, the higher construction costs of nuclear power plants are offset by fuel costs which are substantially lower than plants using coal, lignite, oil, or natural gas.

The STP lawsuit is pending in the Bay City, Texas court of State District Judge G.P. Hardy. Judge Hardy has consistently urged the parties to settle the dispute outside of his court in order to avoid a lengthy, complex, and expensive trial. The case has already taken almost four years and has not yet been scheduled for trial.

HL&P and Brown & Root will now submit the settlement to the court for appropriate action by Judge Hardy. In addition, HL&P will submit the settlement to the PUC, which has jurisdiction over inclusion of any plant costs in a utility's rate base. The purpose of the submission will be to seek a prudency review of the project after taking into account the terms of the settlement.

An issue to be resolved by the court is the disposition of the massive record including millions of pages of documents already gathered in the case. Currently any public release of these documents to the press or regulatory bodies is prevented by a court-imposed protective order. HL&P will petition the court to release the whole record from the protective order.

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

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BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

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In the Matter of)
)
HOUSTON LIGHTING & POWER)
COMPANY, ET AL.)
)
(South Texas Project, Units 1)
and 2))

OFFICE OF SECRETARY
DOCKETING & SERVICE
BRANCH
Docket Nos. 50-498 OL
50-499 OL

CERTIFICATE OF SERVICE

I hereby certify that a copy of the letter from Jack R. Newman to the members of the Licensing Board dated May 30, 1985, has been served on each of the following individuals and entities by deposit in the United States mail, first class, postage prepaid, on this 30th day of May, 1985.

Charles Bechhoefer, Esq.
Chairman, Administrative Judge
Atomic Safety and Licensing
Board Panel
U. S. Nuclear Regulatory Commission
Washington, D.C. 20555

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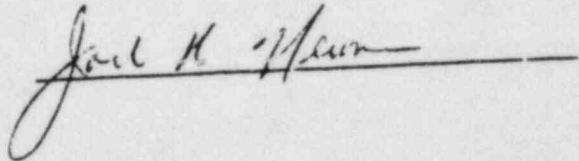
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Atomic Safety and Licensing Appeal Board
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

Docketing and Service Section
Office of the Secretary
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

A handwritten signature in cursive script, appearing to read "Joel H. Muen", is written over a horizontal line.