SPECIAL MEETING OF THE CITY
COUNCIL OF THE CITY OF SAN
ANTONIO HELD IN THE CITY
COUNCIL CHAMBER ON MONDAY,
JULY 16, 1962, AT 8:30 A.M.

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The special meeting of the City Council was called to order by the Presiding Officer, Mayor Walter W. McAllister, with the following members present: McALLISTER, DE LA GARZA, ROHLFS, KAUFMAN, GUNSTREAM, GATTI, PADILLA, PARKER and BREMER.

The call of the special meeting which had been acknowledged by all members of the City Council was read.

Mayor McAllister announced the special meeting had been called to conduct a public hearing on the request of the City Public Service Board for an increase in electric and gas rates.

The Mayor reviewed the rules for the conduct of the hearing which were agreeable to the Council.

The Council was informed that the Lulac Council No. 2 and No. 363, and Mr. Edgar Pace had requested to be heard but had not filed any written specific contentions and factual data with the City Clerk pursuant to the Notice of Hearing given the local newspapers.

On motion of Mr. Padilla, seconded by Mr. Rohlfs, the meeting was recessed to reconvene in the McAllister Auditorium at San Antonio College in accordance with the resolution of the City Council passed on July 11th. The motion carried by unanimous vote of the Council.

The meeting reconvened at 9:30 A.M. at the McAllister Auditorium with all members present.

The Mayor welcomed those present. He explained the purpose of the hearing and assured everyone that they would be given an opportunity to voice an opinion as to whether the rates should be increased. He reviewed the procedure that would be followed to govern the proceeding. He explained the rules that had been distributed to those present, and then asked the City Public Service Board to present its case.

Mr. John M. Bennett, Jr., Chairman of the Board of Trustees, gave a historical background of the electric and gas system. He reviewed the request for an increase in gas and electric rates and concluded by stating that both the Board and City were motivated by the same interest which was to provide the best possible service at reasonable rates.

Mr. Leroy Denman, Jr., Member of the City Public Service Board, reviewed the new contract to furnish gas which was awarded to the low bidder, Alamo Gas and Supply Company. The increased cost of gas under the new contract would be approximately $4,440,000 per year which is what the Board is asking in increased rates. He did not feel this increase in needed funds should be obtained by borrowing.

Mr. Melrose Holmgreen, Vice Chairman of the Board of Trustees, reviewed the electric and gas system indenture and supplemental indentures which would provide the city with more revenue in lieu of taxes. He said revenue to the city in 1962 would be $6,000,000, and beginning in 1963, payments will be fourteen per cent of gross revenue, or $7,000,000, and would increase substantially every year. This would cause additional borrowing to make additions and improvements to the plant. He felt the City Public Service Board should maintain adequate and reasonable rates, and not do excessive borrowing.

Mr. Tom Deeley, Manager of the Administrative Services of the City Public Service Board, used the charts to illustrate and support the request for increased rate.

Chart No. 1 - Utility Plant and Net Peak Demand by Fiscal Years. He showed that kilowatt demand had increased 11.2% annually and the plant had also increased 11.9% per year which supported the contention that demand for electricity and plant growth go hand in hand.

Chart No. 2 - Trend in Operating Cost Per Customer showed that cost had increased from $21.90 in 1953 to $30.60 in 1962.

Chart No. 3 - Rising Labor Cost,. This chart showed a comparison of labor cost which increased 151% since 1942, whereas the price paid for electricity is only 92.5% of the 1942 price. In spite of this, total rate reductions by the City Public Service Board totaled $3,300,000 per year based on present volume.

Chart No. 4 - Revenue Available for Financing and Construction showed that funds available, expressed as a percentage of the plant, had dropped from 7.5% in 1953 to 4.6% in 1962, and would drop further if the trend were allowed to continue.

Chart No. 5 - Historical Revenue Breakdown. This showed increases as follows:

Operating costs 100%
Bond requirements 200%
City payments 300%

It showed that depreciation allowed for 1962 is $5,304,000 which is less than 2% and insufficient. Construction funds available the last fiscal year amounted to $9,401,000 which is 3.4% of the new reproduction cost of the electric and gas system and $5,800,000 was used from borrowed money from the 1957 bond issue which completely exhausted this issue.

Chart No. 5 - Average Cost Per KWH of Electricity for Residential Consumers. This chart showed that the price had decreased 62 cents from $3.02 in 1953 to $2.40 in 1962.

Chart No. 7 - Average Residential Electric Consumption Per Month Per Customer For Various Texas Cities. It showed that San Antonio has the lowest average residential use of the five largest Texas cities, and only 62% of that in Houston. He made the observation that San Antonio with its low income, is in a disadvantageous position when potential utility earnings and rate position is considered. He said it is the rule that the higher the individual household use the lower the rate which may be applied to produce the same utility earnings. The lower the usage the higher the rate must be to produce the same earnings.

Chart No. 8 - Comparison of Electrical Operating Expenses. This chart showed that San Antonio with a cost of $51.62 ranked as the lowest in operating expenses per customer. He said this rank is the result of efficient operation despite low customer residential use and a deficiency in industrial load.

Chart No. 9 - Present Rates and Proposed Rates. It showed that the maximum monthly increase to any residential customer to be 25 cents per month. He stated that even with the increase in the minimum bill from 50 to 75 cents, this was actually lower than the cost of the service which is computed at $1.20 per month.

Chart No. 10 - Rates to Large Industrial Customers. This showed that in the case of combined service (commercial) customers, the increase in the higher steps of the rate reflect a .15 of a cent per KWH increase due to the increased cost of gas for generating electricity.

Chart No. 11 - Present and Proposed Rates for Gas to Residential, Commercial and Small Industry. This chart showed that the minimum bill for residential and small commercial users would be raised from 50 to 75 cents. The other increases would onle cover the additional cost of gas.

Chart No. 12 - Relation of Cost of Utilities Service to Other Prices for the Year 1962. This chart showed that under the proposed prices for gas and electricity the rates are 3% above 1942 consumer prices, while a house has increased 58%, clothes 69%, food 98% and automobiles 109%.

Chart No. 13 - Residential Electric Bill for Average Monthly use of 250 KWH. This comparison with major Texas cities showed that San Antonio ranked lowest with an average bill of $6.44.

Chart No. 14 - Rate Comparison with 348 Various Texas Cities. This chart showed that San Antonio has the lowest rate in all categories except Fort Worth, which has a lower minimum bill.

Chart No. 15 - Comparison of Electric and Gas Bills as related to income. This showed that San Antonio ranked very low in comparison to other cities.

Mr. Deeley concluded the City Public Service Board presentation by stating that based on trends established in the pase, which have been used in this forecast, if the rate increase was granted and assuming interest rate of 3% can be obtained, during the ten year period from 1962 to 1972, $144,000,000 in bonds will have to be issued. Of the $144,000,000 in bonds, $69,879,000 will have to be paid out in payments of principal, interest and reserves. He said for each dollar that is borrowed, $1.50 to $2.00 must be paid back. He felt that the modest rate increase which has been requested was justified and even with the rate increase, there was a question about what can be done in the future. However, the Board felt optimistic of San Antonio, that the system will continue to grow and usage will increase. It also hoped to increase industry. He asked the Council to grant the requested increase to cover the increased cost of gas.

The Mayor asked if anyone wished to be heard on the matter.

Mr. Mario Obledo, representing Lulac Council No. 2 spoke in opposition to the change. He asked the Council to take into consideration whether the operating expenses made by the Board were reasonable operating expenses; find out the reasonable value of the City Public Service Board properties and then consider what the reasonable rate of return is. He felt the present rate of return was excessive. He concluded by stating that if the Council felt a rate increase was necessary, perhaps it could be kept to a minimum.

Mr. John Alaniz, also representing Lulac Council No. 2, spoke in opposition. He protested the Council's passage of the ordinance to issue additional bonds under the terms of the present indenture which would allow the present method of appointing City Public Service Board members to continue.

Mr. Tony Cruz, representing Lulac Council No. 363, spoke against the increase. He felt that city consumers were paying for facilities to serve surrounding cities and suburban areas. If the Council found it was necessary to raise rates, he felt 5% increase should be the limit and let the Board figure out how to save the rest.

Dr. William Elizondo, representing Lulac Council No. 2, also protested the proposed rates. He felt the rate of profits now earned were too high, claiming it now supports 23% of the city's budget. He asked the Council to appraise the electric and gas system, make an analysis of the operating costs and then decide what the rate should be. He felt that by reducing certain expenses, the rates could be reduced.

Mr. Kristjen Bredvad stated that if the rate increase is needed, the Council should grant it, but should hold down the amount of bonds to be issued so that they would not become a burden to future citizens.

Mr Frank Drought praised the operation of the City Public Service Board, stating that it was the only utility in the city that has kept up with the city's growth. He asked the Council to weigh all matters and find a solution.

Mrs. Marie Sein Halpenny read a statement in which she claimed that bonds issued since 1952 have been issued illegally. She asked if the LaVillita Assembly Building could be considered an addition to the system, and if it was approved by any City Council, and wanted to know what funds were used to build it and purchase the adjacent parking lot. She asked if any member of the City Public Service Board had profited from purchase or sale of property by the Board.

Mr. Edgar Pace also protested the proposed rates. He felt the Council should run the Board, have open meetings and competitive bidding.

Mr. Pete Cortez, restaurant operator, opposed the increase and claimed an 11% increase in rates would amount to $55.00 per month on his operation.

A Mr. Castillo objected because he felt the people of San Antonio were helping to pay the service for the new suburban subdivisions.

Mr. Wilbur Matthews, legal counsel for the City Public Service Board, in rebuttal, answered allegations made by the citizens that spoke and attempted to answer all questions propounded by them in a question and answer period.

Mr. John Bennett, in answer to the question if any member of the Board had profited from business of the Board, stated he was connected with the Board of Directors of the National Bank of Commerce. The City Public Service Board advertised for bids for depository and five tie bids were received. He said the National Bank of Commerce was one of the tie bidders, and received one-fifth of the business.

After hearing from every person that wished to speak on the matter, the Mayor declared the hearing closed and the meeting was adjourned.

A P P R O V E D :

Walter C. Gunstream

M A Y O R Pro-Tem

A T T E S T :

City Clerk