

REGULAR MEETING OF THE CITY COUNCIL  
OF THE CITY OF SAN ANTONIO HELD IN  
THE COUNCIL CHAMBER, CITY HALL, ON  
THURSDAY, APRIL 14, 1983.

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The meeting was called to order at 1:00 P.M. by the presiding officer, Mayor Henry Cisneros, with the following members present: BERRIOZABAL, WEBB, DUTMER, WING, EURESTE, THOMPSON, ALDERETE, HARRINGTON, ARCHER, HASSLOCHER, CISNEROS. Absent: NONE.

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83-18 The invocation was given by Rev. Frank A. Erwin, Oak Hills Presbyterian Church.

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83-18 Members of the City Council and the audience joined in the Pledge of Allegiance to the flag of the United States.

83-18 UNITED STATES FOOTBALL LEAGUE

Mayor Henry Cisneros stated that verbal word had been received today that via conference call of the team owners in the United States Football League, San Antonio has been accepted into the USFL. He then introduced Mr. Morris Atlas, Attorney, and Mr. Roger Gill, General Manager of the San Antonio Charros of the International Football League.

Mr. Atlas stated that he had been advised that San Antonio would be admitted to membership in the USFL in 1984, noting that a series of rapid-moving events led to this announcement.

Mayor Cisneros thanked Mr. Atlas and the group he represents for their efforts in securing a USFL franchise for San Antonio, and spoke of the positive impact that nationwide television coverage of USFL games will mean to the City of San Antonio. He also noted that the capacity crowd that was on hand for the San Antonio Spurs basketball game last night is an example of the community support San Antonians have for their professional teams.

Mr. Atlas stated that plans include improvements to be made to Alamo Stadium, with an increase of the present 25,000-seat capacity to 30,000 seats in time for the 1984 season and then to an ultimate 50,000-seat capacity by 1986.

Mayor Cisneros then introduced Mr. Gill, speaking of his vast background in sports and strong support for football in San Antonio.

Mr. Gill stated that his group is now working on agreements that need to be made with the San Antonio Independent School District concerning the use of Alamo Stadium.

Mayor Cisneros introduced the wife of Dr. William Elizondo, President of the San Antonio Independent School District Board of Trustees, present in the audience today.

Mrs. Dutmer stated that the citizens who live in the San Antonio Independent School District paid for Alamo Stadium, and spoke of current plans of SAISD to construct a smaller stadium near Highlands High School. She stated that she had offered SAISD some 200 acres of land elsewhere for the stadium, but the offer was not accepted. She stated her opinion that Alamo Stadium should be maintained for use by the school teams of SAISD and not handed over to a professional football team. She again offered the 200 acres of land for use by the professional football team for its USFL play.

Mr. Gill spoke of the need for an additional athletic facility in the school district because of the many football games now played at Alamo Stadium alone. He also noted that the USFL plays its games in spring and summer and thus avoids conflict with any high school football usage of the field and stadium. He noted that the SAISD has indicated that it desires installation of artificial turf at Alamo Stadium to replace the grass playing surface because so much playing pressure badly damages the grass each year. He also stated that artificial turf would assist San Antonio high school football teams by allowing Alamo Stadium to be used as the site for future playoff games, whereas now San Antonio teams must use Memorial Stadium in Austin for home games in playoffs because of the good playing surface.

Mr. Archer spoke of the credit for securing the USFL franchise to Mr. Gill.

Mr. Wing noted that a number of local television and radio sportscasters were on hand in the audience today for this announcement, and introduced several.

Mayor Cisneros introduced Mr. Joe Fowler of KSAT-TV, noting that he was the moving force behind the "We Want Pro Ball" rally before and during a Charros game last fall in Alamo Stadium.

Mr. Alderete spoke of Mr. Gill's integral part in securing the USFL franchise for San Antonio.

Mayor Cisneros spoke of his pleasure for the work of many persons in securing this franchise for the City, and noted that a San Antonio team would be playing next spring. He stated that the Spurs also had doubters when that professional basketball franchise moved here from Dallas, years ago, persons who stated that the community could not support a professional team. He predicted the same type of enthusiastic community support received by the Spurs for the new USFL franchise.

83-18

REY FEO

Mayor Cisneros introduced Mr. Logan Stewart, former Rey Feo, substituting for the current Rey Feo, Mr. Ralph Karam, who had to leave the meeting earlier.

Mr. Logan Stewart stated that Mr. Karam had to leave in order to meet his other commitments, visiting a number of schools this afternoon, and noted that the Rey Feo's theme is "The Forgotten Ones". He spoke of Mr. Karam's commitment to visit many nursing and senior citizen homes with gifts. He then issued an invitation for the City Council members to participate in the many Rey Feo activities this year, and delivered formal invitations to the Mayor and City Council, in addition to a Fiesta gift and individual medals for each.

83-18

FIESTA SAN ANTONIO

Mrs. Joanna Parrish, senior vice-president of the Fiesta San Antonio Commission, thanked the City and City Council for making Fiesta possible each year, and presented the Mayor and City Council members with Fiesta medals.

Ms. Berriozabal noted that the first Fiesta event of the year was last Sunday, a big family reunion at an historic home in the downtown area, near the Four Seasons Plaza Nacional Hotel.

83-18

SUNSET HILLS ELEMENTARY SCHOOL

Mayor Cisneros noted the presence in the audience today of some

75 students from Sunset Hills Elementary School and their instructor, Ms. Gragg.

Student Josh Ross, representing the fifth grade, provided details of the creation, printing and sale of bumper stickers "Men In Blue...We Love You," in honor of the San Antonio Police Department, noting that money gained from the sale of the bumper stickers will be donated to the Police Department's welfare fund. Students distributed bumper stickers to members of the City Council.

Mayor Cisneros thanked the group for their excellent idea and work.

83-18                    SAM HOUSTON HIGH SCHOOL REGIONAL DAY SCHOOL

Mayor Cisneros recognized some six students from the Sam Houston High School Regional Day School for the deaf, present in the audience, accompanied by their instructor, Valerie Shelley and interpreter Sandra Kester. He welcomed them to City Hall.

83-18 Mayor Cisneros asked for Council concensus to move agenda item 38 up for consideration at this point because of the presence in the audience of officials of Target Stores. Informal concensus was given by voice vote.

The City Clerk read the following Resolution:

A RESOLUTION  
NO. 83-18-26

ACCEPTING THE OFFER BY TARGET STORES, A DIVISION OF THE DAYTON HUDSON CORPORATION, TO PROVIDE A MURAL ON THE OUTSIDE OF THE ARENA FOR THE APPRECIATION AND ENJOYMENT OF THE CITIZENS OF SAN ANTONIO.

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Mr. Marvin Baumer, district manager for Target Stores, outlined his firm's offer to provide a mural for the side of the Arena, covering some 5,400 square feet of space. He stated that there would be a competition to select an artist to do the work, and selection would be made by the Fine Arts Commission. He noted that the projected cost is about \$25,000, and the mural would be painted on panels on the side of the Arena facing south, the theme of which would be up to the artist to decide.

Mayor Cisneros thanked the firm for its offer and spoke of the importance of public art in any community.

Ms. Berriozabal spoke of the pool of local artists capable of doing this mural and available to do so, and stated that this would be a new attraction for HemisFair Plaza.

Mr. Alderete stated that he was pleased with the plan and thanked the firm for locating in San Antonio, providing new jobs to the community.

Mr. Alderete moved that the Resolution be approved. Mr. Harrington seconded the motion.

After consideration, the motion, carrying with it the passage of the Resolution, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Alderete, Harrington, Archer, Cisneros; NAYS: None; ABSENT: Eureste, Thompson, Hasslocher.

83-18 The minutes of the regular meeting of March 31, 1983 and the special meeting of April 4, 1983 were approved, subject to several corrections to be made in the March 31, 1983 minutes relative to the discussion on the site for the new HEB headquarters in downtown San Antonio, and the list of handicapped persons from District 1 available to sit on various City boards and commissions, both corrections requested by Ms. Berriozabal.

83-18 SEWER SERVICE CHARGES

Mr. Alderete stated that the San Antonio Manufacturers Association had made known certain concerns with the sewer service charges of the City.

Mr. Alderete moved that the City Manager be instructed to set up a future "B" Session on sewer rates and charges discussions. Mr. Thompson seconded the motion.

After consideration the motion prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Archer, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste.

83-18 VALERO-HOUSTON PIPELINE GAS SUPPLY CONTRACT PROPOSALS

Mrs. Dutmer moved that consideration of the proposed issuance and sale of \$100 million in CPS bonds be postponed until after the discussion of and possible action concerning the Valero-Houston Pipeline gas supply contract proposals. Mr. Harrington seconded the motion. After discussion, the motion prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Alderete, Harrington, Archer, Hasslocher, Cisneros; NAYS: Thompson; ABSENT: Eureste.

Mayor Cisneros then provided a brief synopsis of City Council actions relative to the matter of whether or not San Antonio City Public Service should, in the opinion of the City Council, seek a second supplier of natural gas or maintain its relationship with Valero Energy as the sole supplier. He spoke of the various options available to City Public Service, either way, and introduced Mr. Jack Spruce, General Manager, City Public Service, to begin the discussion today.

At this point, a lengthy discussion took place involving members of the City Council, City and CPS staffs, consultants, representatives of Valero Energy and Houston Pipeline, and representatives of independent suppliers of natural gas relative to the merits of various options available for recommendation by City Council to CPS' Board of Trustees for formal action, including a number of motions culminating the discussion.

This segment of the minutes is being processed verbatim and will be submitted to City Council for formal approval and adoption as soon as possible upon completion of that verbatim transcript.

83-18 The City Clerk read the following Ordinance:

AN ORDINANCE 56,824

BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO, TEXAS, RELATING TO THE ISSUANCE AND SALE OF \$100,000,000 "CITY OF SAN ANTONIO, TEXAS, ELECTRIC AND GAS SYSTEMS REVENUE IMPROVEMENT BONDS, NEW SERIES 1983", INCLUDING THE APPROVAL AND DISTRIBUTION OF AN "OFFICIAL NOTICE OF SALE" AND "OFFICIAL STATEMENT" AND THE AUTHORIZATION TO PROCEED WITH THE GIVING OF A NOTICE OF INTENTION TO

ISSUE SUCH REVENUE BONDS; AND DECLARING AN EMERGENCY.

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Mrs. Dutmer moved that the Ordinance be approved. Mr. Archer seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Dutmer, Wing, Thompson, Harrington, Archer, Hasslocher, Cisneros; NAYS: Berriozabal, Webb, Eureste; ABSENT: Alderete.

83-18      CONSENT AGENDA

Mr. Harrington moved that items 5 - 22 constituting the consent agenda be approved. Mr. Hasslocher seconded the motion.

After consideration, the motion, carrying with it the passage of the following Ordinances, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Eureste, Thompson, Harrington, Archer, Hasslocher, Cisneros; NAYS: None; ABSENT: Alderete.

AN ORDINANCE 56,825

ACCEPTING THE BID OF TROXLER ELECTRONICS LABORATORIES, INC. TO FURNISH THE CITY OF SAN ANTONIO WITH A MOISTURE AND DENSITY GAUGE FOR A TOTAL OF \$4,570.00.

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AN ORDINANCE 56,826

ACCEPTING THE PROPOSAL OF RESOURCES FOR ADVANCED MANAGEMENT, INC. TO FURNISH THE CITY OF SAN ANTONIO WITH A PROFESSIONAL CONSULTING SERVICE IN FORECASTING POPULATION FOR A TOTAL OF \$19,250.00.

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AN ORDINANCE 56,827

ACCEPTING THE PROPOSAL OF RESEARCH PUBLICATIONS, INC., TO FURNISH THE CITY OF SAN ANTONIO PUBLIC LIBRARY WITH MICROFILM FOR A TOTAL OF \$26,151.00.

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AN ORDINANCE 56,828

ACCEPTING THE PROPOSAL OF BELL & HOWELL/MICRO PHOTO DIVISION TO FURNISH THE CITY OF SAN ANTONIO WITH MICROFILM FOR A TOTAL OF \$10,063.00.

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AN ORDINANCE 56,829

ACCEPTING THE LOW, QUALIFIED BID OF R. L. JONES CO., INC. IN THE AMOUNT OF \$59,670.55 FOR CONSTRUCTION OF THE NORTH OAKS SUBDIVISION SANITARY SEWER OUTFALL PROJECT; APPROVING A CONTRACT AND PROVIDING FOR PAYMENT.

\* \* \* \*

00143

## AN ORDINANCE 56,830

APPROVING AN ADDITIONAL PAYMENT OF \$6,550.00 TO FORD, POWELL AND CARSON, ARCHITECTS AND PLANNERS, INC. FOR PROFESSIONAL FEES IN CONNECTION WITH THE ALAMO PLAZA/PASEO DEL RIO LINKAGE UDAG PROJECT.

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## AN ORDINANCE 56,831

APPROVING AN ADDITIONAL \$5,000.00 FOR THE CONSTRUCTION CONTINGENCY ACCOUNT IN THE BUDGET OF THE RILLING ROAD WASTEWATER TREATMENT PLANT ELECTRICAL DISTRIBUTION PROJECT FOR THE COST OF FIELD ALTERATIONS WORK NEEDED TO INSTALL ADDITIONAL ALARM AND INTERCOM STATIONS AND OTHER WORK.

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## AN ORDINANCE 56,832

APPROVING AN ADDITIONAL PAYMENT OF \$12,000.00 TO G. A. PRATT & ASSOCIATES, INC. FOR PROFESSIONAL FEES IN CONNECTION WITH THE CONSTRUCTION SUPERVISION PHASE OF ELDRIDGE 61K DRAINAGE PROJECT.

## AN ORDINANCE 56,833

APPROVING AN ADDITIONAL PAYMENT OF \$12,000.00 TO SINCLAIR ENGINEERING COMPANY FOR PROFESSIONAL FEES IN CONNECTION WITH THE DESIGN OF THE LOMBRANO, N. ELMENDORF AND COMETA STREETS PROJECT.

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## AN ORDINANCE 56,834

ACCEPTING THE PROPOSAL FROM RABA-KISTNER CONSULTANTS, INC. TO PROVIDE NECESSARY SOILS INVESTIGATION AND TESTING SERVICES FOR THE EXTENSION OF THE TERMINAL CONCOURSE AT INTERNATIONAL AIRPORT FOR A FEE NOT EXCEEDING \$25,449.50.

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## AN ORDINANCE 56,835

MANIFESTING AN AGREEMENT WITH DAY & ZIMMERMANN, INC., TO AMEND CONTRACT FOR PROJECT MANAGEMENT SERVICES IN CONNECTION WITH THE INTERNATIONAL AIRPORT TERMINAL AREA EXPANSION PROGRAM, TO INCREASE THE SCOPE OF WORK, AND TO PROVIDE ADDITIONAL PAYMENT.

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## AN ORDINANCE 56,836

APPROVING AN ADDITIONAL PAYMENT OF \$127,436.00 TO H-P ASSOCIATES FOR PROFESSIONAL FEES AND EXTRA SERVICES IN CONNECTION WITH THE OLMOS PARK TERRACE SANITARY SEWER RECONSTRUCTION, PHASE I.

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AN ORDINANCE 56,837

CLOSING AND ABANDONING THREE (3) NARROW STRIPS OF LAND ADJACENT TO NEW CITY BLOCK 415, ALSO KNOWN AS THE ST. ANTHONY HOTEL SITE, WHERE ENCROACHMENTS NOW EXIST AND AUTHORIZING THE CITY MANAGER, OR HIS DESIGNEE, TO EXECUTE A QUITCLAIM DEED TO HISTORIC SAINT ANTHONY CORP., FOR A CONSIDERATION \$6,200.00.

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AN ORDINANCE 56,838

ACCEPTING THE HIGH BIDS RECEIVED IN CONNECTION WITH CITY FUNDS AVAILABLE FOR DEPOSIT IN INTEREST-BEARING CERTIFICATES OF DEPOSIT.

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AN ORDINANCE 56,839

AUTHORIZING PAYMENT OF REFUNDS TO PERSONS MAKING OVERPAYMENTS OR DOUBLEPAYMENTS ON 50 TAX ACCOUNTS.

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AN ORDINANCE 56,840

CLOSING A PORTION OF SAN SABA STREET DURING CERTAIN HOURS DURING THE CINCO DE MAYO CELEBRATION AT MARKET SQUARE.

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AN ORDINANCE 56,841

AUTHORIZING THE USE OF ALAMO PLAZA FOR SEVERAL ART SHOWS AND SALES.

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AN ORDINANCE 56,842

ACCEPTING SECOND YEAR FUNDING FROM THE GOVERNOR'S OFFICE OF GENERAL COUNSEL AND CRIMINAL JUSTICE FOR THE POLICE DEPARTMENT STRESS PROGRAM; AND PROVIDING A \$10,600.00 LOCAL MATCHING CONTRIBUTION.

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ZONING HEARINGS

23. CASE Z83041 - to rezone Lots 1, 2, and 3, Block 10, NCB 372, 421 Howard Street, from "E" Office District to "B-2" Business District and to be designated as a Historical Landmark, located southwest of the intersection of Howard Street and Cypress Street, having 160' on Howard Street and 148.62' on Cypress Street.

The Zoning Commission has recommended that this request of change of zone be approved by the City Council.

Ms. Berriozabal moved that the recommendation of the Zoning Commission be approved provided that 2.2 feet of street dedication and a 6-foot property line return are given in accordance with Traffic Engineering Division recommendations. Mr. Thompson seconded the motion.

After consideration the motion, carrying with it the passage of

the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Archer, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste.

## AN ORDINANCE 56,843

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS LOTS 1, 2, AND 3, BLOCK 10, NCB 372, 421 HOWARD STREET, FROM "E" OFFICE DISTRICT TO "B-2" BUSINESS DISTRICT AND TO BE DESIGNATED AS AN HISTORICAL LANDMARK, PROVIDED THAT 2.2 FEET OF STREET DEDICATION AND A 6-FOOT PROPERTY LINE RETURN ARE GIVEN IN ACCORDANCE WITH TRAFFIC ENGINEERING DIVISION RECOMMENDATIONS.

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24. CASE 283091 - to rezone the west 483.66' of Block 22, NCB 1557, in the 300 block of Anita Street, from "C" Apartment District to "R-A" Residence-Agriculture District for a radio transmitter tower, located between Anita Street and Missouri Kansas and Texas Railroad R.O.W., also between "F" Street and "G" Street, having 433.66' on "F" Street, 393' on "G" Street, 300' on Anita Street and 352.8' on Missouri-Kansas and Texas Railroad R.O.W.

The Zoning Commission has recommended that this request of change of zone be approved by the City Council.

Mrs. Dutmer moved that the recommendation of the Zoning Commission be approved. Mr. Wing seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

## AN ORDINANCE 56,844

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS THE WEST 483.66' OF BLOCK 22, NCB 1557, IN THE 300 BLOCK OF ANITA STREET, FROM "C" APARTMENT DISTRICT TO "R-A" RESIDENCE-AGRICULTURE DISTRICT, FOR A RADIO TRANSMITTER TOWER.

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25. CASE 283098- to rezone Tract "C" and the southeast 110' of Tract "A", NCB 14863, in the 11200 Block of I.H. 10 Expressway, in the 11000 Block of Fredericksburg Road, from Temporary "R-1" One Family Residence District to "B-3" Business District, located between Fredericksburg Road and I.H. 10 Expressway, being approximately 192' southeast of the intersection of Fredericksburg Road and I.H. 10 Expressway and also 654' southeast of the intersection of Fredericksburg Road and 108' on I.H. 10 Expressway also 182' on I.H. 10 Expressway and 159' on Fredericksburg Road.

The Zoning Commission has recommended that this request of change of zone be approved by the City Council.

Mr. Wing moved that the recommendation of the Zoning Commission

be approved. Mrs. Dutmer seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

AN ORDINANCE 56,845

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS TRACT "C" AND THE SOUTHEAST 110' OF TRACT "A", NCB 14863, IN THE 11200 BLOCK OF I.H. 10 WEST EXPRESSWAY, IN THE 11000 BLOCK OF FREDERICKSBURG ROAD, FROM TEMPORARY "R-1" ONE-FAMILY RESIDENCE DISTRICT TO "B-3" BUSINESS DISTRICT.

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26. CASE Z83099 - to rezone Parcel 24A, NCB 12567, in the 4500 Block of N.W. Military Hwy, from Temporary "R-1" One Family Residence District to "R-3" Multiple Family Residence District, located on the southwest side of N.W. Military Hwy, being approximately 404' southeast of the intersection of N.W. Military Hwy. and George Road, having approximately 108' on N.W. Military Hwy. and a maximum depth of 630'.

The Zoning Commission has recommended that this request of change of zone be approved by the City Council.

Mrs. Dutmer moved that the recommendation of the Zoning Commission be approved. Mr. Webb seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

AN ORDINANCE 56,846

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS PARCEL 24A, NCB 12567, IN THE 4500 BLOCK OF NORTHWEST MILITARY HIGHWAY, FROM TEMPORARY "R-1" ONE-FAMILY RESIDENCE DISTRICT TO "R-3" MULTIPLE-FAMILY RESIDENCE DISTRICT.

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27. CASE 9076 - to rezone Lots 51 thru 54, Block 22, NCB 7508, 3905 Culebra Road, from "F" Local Retail District to "B-3" Business District, located between Pettus Ave. and Culebra Road, being approximately 180' west of the intersection of Pettus Ave. & Culebra Road, having 140' on Culebra Road and 130' on Pettus Ave.

The Zoning Commission has recommended that this request of change of zone be approved by the City Council.

Mr. Alderete moved that the recommendation of the Zoning Commission be denied and "B-3NA" Business District, Non-Alcoholic Sales zoning be granted on subject property in its stead. Mr. Thompson seconded the motion.

00147

Ms. Soila O'Con, the proponent, stated that a closed restaurant is located on the property which she plans to have reopened if possible.

After discussion, the motion prevailed by the following vote:  
 AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Archer, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste.

AN ORDINANCE 56,847

AMENDING CHAPTER 42 OF THE CITY CODE THAT CONSTITUTES THE COMPREHENSIVE ZONING ORDINANCE OF THE CITY OF SAN ANTONIO BY CHANGING THE CLASSIFICATION AND REZONING OF CERTAIN PROPERTY DESCRIBED HEREIN AS LOTS 51 THRU 54, BLOCK 22, NCB 7508, 3905 CULEBRA ROAD, FROM "F" LOCAL RETAIL DISTRICT TO "B-3NA" BUSINESS DISTRICT, NON-ALCOHOLIC SALES.

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28. CASE Z83076 - to rezone Lots 15, 16, and 18, Block 6, NCB 11970, save and except the south 100', 610 thru 622 E. Ramsey Road, from "A" Single Family Residence District to "B-3" Business District, and the south 100' of Lots 15, 16, and 18, Block 6, NCB 11970, in the rear of 610 thru 622 E. Ramsey Road, from "A" Single Family Residence District to "B-1" Business District, located on the southside of E. Ramsey Road being approximately 450' west of the intersection of Jones Maltzberger Road and Ramsey Road having approximately 210' on E. Ramsey Road and a maximum depth of 323.4'. The B-1 being on the south 100' and the B-3 being on the remaining portion.

The Zoning Commission has recommended that this request of change of zone be approved by the City Council.

Mr. Andy Guerrero, Planner II, stated that the applicant desires to have this request for rezoning referred back to the Zoning Commission for reconsideration.

Mr. Thompson moved that this requested rezoning be referred back to the Zoning Commission. Mr. Webb seconded the motion.

After consideration, the motion prevailed by the following vote:  
 AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18

CITIZENS TO BE HEARD

REMIGIO VALDEZ

Mr. Valdez, 1106 McKinley Avenue, representing Mexican-American Betterment Organization, stated that the history of the Ku Klux Klan is filled with incidents of violence, and noted that the KKK has threatened to file suit against the City if it refuses to grant the KKK a permit to parade May 1. He noted that the City has offered an alternate route to the one proposed by the KKK, which includes the area in front of the Alamo, and the KKK has rejected the alternate route. He asked the Council to back the City Manager and Chief of Police in this matter, and stated that MABO as an organization would ignore the KKK march, if it is held.

Mr. Louis J. Fox, City Manager, stated that the City has rejected the KKK request to march near the Alamo because an art show already has the Alamo Plaza area reserved and the City fears confusion would result if a parade also were allowed to enter the area, as well, at the same time. He spoke of offering the KKK an alternate parade route which would end up at City Hall. He stated that the KKK has five days to appeal his decision, by making a new application, and noted that such new application

has been made already. He noted that if it, too, is denied by him, the decision can then be appealed to the City Council.

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T. C. CALVERT

Mr. Calvert, representing San Antonio Citizens United Against the Klan, stated that the Ku Klux Klan is merely seeking more publicity by its local moves in order to attract and recruit more members and cause a split in the local community. He also spoke of the KKK's history of violence, noting that it is not San Antonio's citizens who are asking to parade, but persons from other cities. He spoke of the costs to protect KKK marchers, costs paid by local tax money, and also spoke to the para-military training of the KKK members. He further stated that the KKK currently has some 200-500 members in the state of Texas, some of them former members of the armed forces of this nation. He spoke of the existence of a KKK training camp near Anahuac, Texas where military drill including weapons is held. He spoke of his fear for violence involving high school youths in San Antonio, should the KKK march be permitted, and urged the City Council to deny the parade permit. He further stated his belief the Council needs to read and study the report on the KKK submitted by him.

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DAVID LERMA

Mr. Lerma, representing the All Peoples' Congress of San Antonio, noted that the United States is one of the signatory nations to the United Nations resolution on genocide, and contended that the Ku Klux Klan is a racist organization which supports genocide. He then spoke to written articles on KKK para-military training, and stated his belief that the KKK is a terrorist organization and should not be allowed First Amendment protection.

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RUBEN SANDOVAL

Mr. Sandoval, representing the Civil Rights Litigation Center of San Antonio, asked that the City Council go on record, individually, asking local citizens to ignore the KKK and its efforts in San Antonio. He spoke of his concern that violence might occur in relation to a KKK march. He also spoke against the recent City Council action concerning a natural gas supplier for San Antonio.

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JAIME MARTINEZ

Mr. Martinez, representing the Labor Council for Latin-American Advancement, distributed to Council members copies of a Resolution enacted by a coalition of San Antonio Citizens In Unity Against the Ku Klux Klan, a copy of which is made a part of the papers of this meeting. He stated his belief that the KKK is a racist and violent organization, and stated that his group is taking a non-violent position toward the matter. He then read the Resolution, and asked that no parade permit be issued to the KKK, even involving an alternate route. He thanked City Manager Fox for discussing the matter with his group, beforehand.

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ANTONIO CABRAL

Mr. Cabral, also representing the Coalition of San Antonio Citizens In Unity Against the Ku Klux Klan, asked the City Council to order the City Manager to reconsider his approval of an alternate-route parade permit for the KKK. He also spoke of his fear that the KKK may seek to take some action along the border with Mexico concerning the crossing of illegal aliens, and spoke to alleged incidents of violence

involving KKK members near Channelview, Texas, stating that the Ku Klux Klan is terroristic.

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JUNIOR CHAMBER OF COMMERCE

Mr. Jaime Martinez stated that because of the lateness of the hour, Mr. Steve Walker, representing the San Antonio Junior Chamber of Commerce, had to leave the meeting, but had asked him to read a Resolution of the Jaycees regarding this matter. Mr. Martinez then read the Resolution, a copy of which is included in the papers of this meeting.

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MARIO SALAS

Mr. Salas, representing OUED (Organizations United for Eastside Development), asked the City Council to deny any parade permit requests by the KKK, stating his opinion that the City has sufficient legal grounds to do so, based upon the Potsdam Agreement of 1945, which speaks out against racism. He further stated that this organization has an April 19 meeting at which it will decide on a course of action relative to a possible counter-demonstration to any scheduled KKK parade or march. He stated his belief that the KKK cannot be ignored, but stated that his organization is against any violence toward the KKK. He stated his opinion that young persons in San Antonio might feel compelled toward violence directed at the KKK, should that group have a march or rally here. He stated his hope that the Police Department would not over-react in protecting the KKK, as occurred in Austin.

In response to a question by Mr. Salas, Mayor Cisneros stated that the Council's Resolution in opposition to the Ku Klux Klan plans for a march in San Antonio was voted in approval unanimously, with the exception of two absent Council members.

\* \* \* \*

DON WALKER CASTILLO

Mr. Castillo, a member of the Disabled American Veterans and Veterans of Foreign Wars, stated his hope that no violence would occur in this matter, and spoke of other incidents involving the KKK in the past.

Mayor Cisneros stated that he abhors the Ku Klux Klan and all it stands for, stating his opinion that the group is merely seeking to spread hatred by violence. He stated that the KKK ideals are not truly American ideals, but rather pure hatred, and spoke of the incidents involving a KKK rally and march in Austin recently and the resulting indictments as playing directly into the Klan's hands. He stated his opinion that the City should merely ignore them, and stated his personal preference that the City deny their parade permit request. However, the Mayor noted that to do so could bring a court order that would force the City to grant the KKK their parade permit, under First Amendment rights guaranteed to all. He stated his belief that by granting the parade request, but for an alternate route rather than the requested one, the City can sanitize the route more effectively and help hold down any chance of violence. He lauded City Manager Fox for his efforts in this regard, and urged citizens of San Antonio to avoid the KKK march and thus not give the group their objective of recognition and fomenting violence. He stated his opinion that members of the KKK are sick men, but noted that the U.S. Constitution allowed the group the right to stage a march.

Mr. Webb stated his belief that the news media, despite any entreaties to the contrary, nevertheless would cover any Ku Klux Klan march and rally, and read a memo from himself to the Mayor and other City Council members relative to the KKK request.

(At this point, Mayor Cisneros was obliged to leave the meeting. Mayor Pro-Tem Harrington presided.)

Mr. Webb asked all organizations and individuals in San Antonio to support him by endorsing his statement.

\* \* \* \*

JOSEPH R. KAISER

Mr. Kaiser, 515 East Mally Blvd., spoke to the City Council on behalf of the Clinica Amistad, explaining that this clinic is a non-profit organization serving more than 1,100 clients, 69 per cent of whom are below the poverty level. He stated that the Clinic is planning a fund-raising event in order to help make up some of its shortfall in grant funding, involving a festival to be held in Rosedale Park. He stated further that the group is asking for a waiver of the normal \$200 user fee for the park.

Mr. Webb moved to approve the request. Mr. Wing seconded the motion.

After discussion, the motion prevailed by the following vote:  
AYES: Berriozabal, Webb, Wing, Thompson, Alderete, Harrington, Cisneros;  
NAYS: Dutmer; ABSENT: Eureste, Archer, Hasslocher.

\* \* \* \*

CHARLES LOWE

Mr. Lowe, Executive Director of Concerned Citizens Coalition, stated that he had been advised by the Director of Parks & Recreation for the City that opportunities will be given to citizens to speak at future Community Block Programs on parks and recreation facilities. He stated further that he is going to work with Mr. Darner on this issue.

In response to a question by Mr. Webb, Mr. Ron Darner, Director of Parks & Recreation, discussed parks facilities' equipment and buildings, including the fact that several facilities having water leaks in their roofs now are in the process of being repaired.

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83-18 The City Council recessed the regular meeting at 8:42 P.M. for supper, reconvening at 9:40 P.M. to continue the regular agenda.

- - -  
83-18 The Clerk read the following Ordinance:

AN ORDINANCE 56,848

AUTHORIZING A TEN (10) YEAR LEASE AGREEMENT WITH SAN ANTONIO LITTLE THEATER, INC., FOR USE OF SAN PEDRO PLAYHOUSE IN SAN PEDRO PARK.

\* \* \* \*

Mr. Harrington moved that the Ordinance be approved. Mr. Thompson seconded the motion.

In response to a question by Ms. Berriozabal, Mr. Ron Darner, Director of Parks & Recreation, spoke to details of the proposed 10-year contract with San Antonio Little Theater, Inc. for San Pedro Playhouse, and spelled out the group's responsibilities under terms of the contract.

Ms. Berriozabal asked that plans for any development involving the building be integrated with the overall development of San Pedro Park, including landscaping and lighting.

00151

Mr. Darner spoke to preliminary plans for improvements to the park area between San Pedro Playhouse and the McFarlin Tennis Center.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Harrington, Archer; NAYS: None; ABSENT: Eureste, Alderete, Hasslocher, Cisneros.

83-18 The Clerk read the following Resolution:

A RESOLUTION  
NO. 83-18-27

REQUESTING THE STATE DEPARTMENT OF HIGHWAYS & PUBLIC TRANSPORTATION TO PURSUE A PROJECT ON THE EAST SIDE OF THE DOWNTOWN AREA NEXT TO IH 37 TO IMPROVE ACCESS TO ST. PAUL'S SQUARE AND THE HEMISFAIR AREA.

\* \* \* \*

Mr. Webb moved that the Resolution be approved. Mrs. Dutmer seconded the motion.

After consideration, the motion, carrying with it the passage of the Resolution, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Harrington, Archer, Cisneros; NAYS: None; ABSENT: Eureste, Alderete, Hasslocher.

83-18 The Clerk read the following Ordinance:

AN ORDINANCE 56,849

CREATING THE STREETS TASK FORCE AND APPOINTING MEMBERS THERETO.

\* \* \* \*

Mr. Harrington spoke to the recommendations made by the Council committee following a meeting last night on a Streets Task Force.

Mayor Cisneros stated that he would like to have Mr. Henry Velasco named Co-Chairman, along with Councilman Harrington, in order to provide balanced leadership on the Task Force.

Mr. Archer stated his opinion that if there are to be co-chairmen, both parties should be from the City Council.

Mayor Cisneros stated that when the Drainage Task Force was created, he named a northsider, Mr. Bo McAllister, one co-chairman and Mr. Eureste, a southsider, the other co-chairman for more balanced representation, and spoke in favor of doing the same with the Streets Task Force. He spoke to Mr. Valasco's role and the role of Communities Organized for Public Service (COPS) in the development of the entire City, and stated that he actually favors having three co-chairmen, to include Mr. James Myart, a black and representative from the eastside, as well.

Mr. Archer moved that the co-chairmen of the Streets Task Force be named from among the members of the City Council. Mrs. Dutmer seconded the motion.

Ms. Berriozabal spoke in favor of having three co-chairmen.

Mr. Hasslocher stated his belief that members of the City Council are best attuned to street problems in the City.

Mr. Thompson spoke in favor of equal representation on the Task

Force but with one chairman and one vice-chairman.

Mr. Harrington spoke in favor of having the co-chairmen selected by the full Task Force, stating his belief that it is important only that the Task Force functions effectively.

A brief discussion then took place concerning how the Drainage Task Force functioned.

Mr. Alderete made a substitute motion to name Mr. Harrington chairman of the Streets Task Force, with Mr. Velasco and Mr. Myart as vice-chairmen. Mr. Hasslocher seconded the motion.

A brief discussion then took place relative to the proposed membership of Bexar County officials and State Representatives on the Task Force.

Mr. Hasslocher made an amended motion to eliminate both Bexar County representatives and State Representatives from the Streets Task Force. Mr. Webb seconded the motion.

After discussion, the amended motion prevailed by the following motion: AYES: Berriozabal, Webb, Dutmer, Wing, Alderete, Harrington, Hasslocher, Cisneros; NAYS: Thompson; ABSENT: Eureste, Archer.

The substitute motion then prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

A number of City Council members then submitted names of their representatives to be placed on the Streets Task Force.

After further discussion, the main motion, as substituted, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

Mayor Cisneros thanked Mr. Harrington for his leadership in coming up with the idea for the Streets Task Force.

- - -  
83-18 Agenda Item 32 was withdrawn from consideration.

- - -  
83-18 The Clerk read the following Ordinance:

AN ORDINANCE 56,850

AUTHORIZING THE EXECUTION OF A MEMORANDUM OF AGREEMENT WITH SAN ANTONIO 2000, LTD.; APPROVING CERTAIN LEASES OF PROPERTIES ON THE PASEO DEL ALAMO AND ADJACENT PROPERTY; AND AUTHORIZING THE TRANSFER OF FUNDS IN CONNECTION THEREWITH.

\* \* \* \*

Ms. Berriozabal moved that the Ordinance be approved. Mr. Webb seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

- - -  
83-18 The Clerk read the following Ordinance:

00153

## AN ORDINANCE 56,851

APPOINTING DR. ALONSO PERALES TO SERVE ON THE CLEAN COMMUNITIES COMMISSION IN PLACE OF RAUL SOLITAIRE WHO WAS APPOINTED IN ERROR.

\* \* \* \*

Mr. Hasslocher moved that the Ordinance be approved. Mrs. Dutmer seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18 The Clerk read the following Ordinance:

## AN ORDINANCE 56,852

APPOINTING EDYTH TOUDOUZE TO SERVE ON THE SAN ANTONIO CENTRO 21 TASK FORCE FOR A TERM TO EXPIRE DECEMBER 31, 1986.

Mrs. Dutmer moved that the Ordinance be approved. Mr. Webb seconded the motion.

A discussion then took place concerning certain Centro 21 members who were inadvertently left off the list of members to be reappointed to the Task Force.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

Ms. Berriozabal then asked that an Ordinance be placed on the Council agenda to expand the membership of the Centro 21 Task Force by four persons. Mrs. Dutmer seconded the motion. The motion prevailed by the following vote: AYES: Berriozabal, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Webb, Eureste, Archer.

83-18 The Clerk read the following Ordinance:

## AN ORDINANCE 56,853

AUTHORIZING THE CITY MANAGER, OR HIS DESIGNEE, TO EXECUTE A QUITCLAIM DEED TO WRC OF SAN ANTONIO, INC., CONVEYING FIVE STRIPS OF GROUND ADJACENT TO LOTS 1, 2, 3, AND 4, BLOCK 26, NEW CITY BLOCK 422, WHERE ENCROACHMENTS NOW EXIST; AND GRANTING AND MANIFESTING A LICENSE TO WRC OF SAN ANTONIO, INC., TO OCCUPY CERTAIN AREAS UNDER SIDEWALKS ON BROADWAY AND EAST HOUSTON STREETS ADJACENT TO SAID PROPERTY FOR BASEMENTS; TO CONSTRUCT AND MAINTAIN CANOPY OVER SAID SIDEWALKS; TO OCCUPY CERTAIN AREAS OF SAID SIDEWALKS WITH BASEMENT SKYLIGHTS, ELEVATOR TRAP DOOR AND AIR VENTS; TO CONSTRUCT AND MAINTAIN TWO CATWALK CROSSOVER BRIDGES OVER THE ALLEY AND TO OCCUPY CERTAIN AREAS OF ALLEY WITH ROOF OVERHANG, EXHAUST OPENING, RAIN GUTTER DOWNSPOUTS, FIRE ESCAPE LADDER AND AIR-CONDITIONING UNIT.

\* \* \* \*

Ms. Berriozabal moved that the Ordinance be approved. Mr. Hasslocher seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18 The Clerk read the following Resolution:

A RESOLUTION  
NO. 83-18-28

APPROVING THE CREATION OF A SISTER CITY AFFILIATION BETWEEN THE CITY OF SAN ANTONIO AND THE CITY OF SANTA CRUZ DE TENEREFE, AND AUTHORIZING THE MAYOR TO TAKE THE NECESSARY STEPS TO EFFECTUATE THE AFFILIATION PROGRAM.

\* \* \* \*

Mrs. Dutmer moved that the Resolution be approved. Ms. Berriozabal seconded the motion.

After consideration, the motion, carrying with it the passage of the Resolution, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18 The Clerk read the following Resolution:

A RESOLUTION  
NO. 83-18-29

OPPOSING THE CABLE TELECOMMUNICATIONS ACT OF 1983.

\* \* \* \*

Mr. Hasslocher moved that the Resolution be approved. Mr. Thompson seconded the motion.

After consideration, the motion, carrying with it the passage of the Resolution, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18 The Clerk read the following Ordinance:

AN ORDINANCE 56,854

AUTHORIZING THE CITY MANAGER TO EXECUTE A RELEASE OF EASEMENT.

\* \* \* \*

Mr. Thompson moved that the Ordinance be approved. Mr. Hasslocher seconded the motion.

After consideration, the motion, carrying with it the passage of the Ordinance, prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18

EMERGENCY JOBS BILL

Mr. Stuart Summers, Director of Budget & Research, called attention to a memorandum on the Emergency Jobs Bill handed out to the City Council earlier, a copy of which is made a part of the papers of this meeting. He briefly explained the memo, then stated that City staff is asking the City Council to authorize the City Manager to submit applications for funding under the Jobs Bill for continuation or expansion of existing grant programs; and, for other grant applications such as capital improvements projects, to recognize that staff will be facing tight deadlines for submitting applications, and assist in that process by timely Council approval of requests.

Mr. Hasslocher moved that Mr. Summers' recommendation be approved. Mrs. Dutmer seconded the motion.

After consideration, the motion prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

83-18

MODIFICATIONS TO MOBILE UNIT

Mr. Alderete stated that he had been informed by Mr. Bill Davenport of the Fire Department that the converted EMS vehicle used as a sound and video-recording studio is in need of some \$2,600 worth of equipment, such as an air-conditioner and a generator, plus parts and accessories. He asked that the City Manager be directed to find the estimated \$2,600 required to fund these purchases. Ms. Berriozabal seconded the motion.

Mr. Louis J. Fox, City Manager, stated his belief that it is improper for a City employee to approach a City Council member with such a request, and asked that he be given time to take up this matter with the Fire Chief.

Mr. Hasslocher moved that the City Manager be instructed to meet with the Fire Chief on this matter, and report to the Council in two weeks on a possible funding source. Mr. Harrington seconded the motion.

After discussion, the substitute motion prevailed by the following vote: AYES: Berriozabal, Webb, Dutmer, Wing, Thompson, Alderete, Harrington, Hasslocher, Cisneros; NAYS: None; ABSENT: Eureste, Archer.

There being no further business to come before the Council, the meeting was adjourned at 10:23 P.M.

A P P R O V E D

M A Y O R

ATTEST:

C i t y C l e r k

Mayor Cisneros provided a brief synopsis of City Council actions relative to the matter of whether or not San Antonio City Public Service should, in the opinion of the City Council, seek a second supplier of natural gas or maintain its relationship with Valero Energy as the sole supplier. He spoke of the various options available to City Public Service, either way, and introduced Mr. Jack Spruce, General Manager, City Public Service, to begin the discussion today.

At this point, a lengthy discussion took place involving members of the City Council, City and CPS staffs, consultants, representatives of Valero Energy and Houston Pipeline, and representatives of independent suppliers of natural gas relative to the merits of various options available for recommendation by City Council to CPS' Board of Trustees for formal action, including a number of motions culminating the discussion.

The following discussion then took place.

MR. JACK SPRUCE: Thank you, Mayor Cisneros, Members of Council. The Mayor has accurately described the process that preceded today's meeting. We had expected at this time it would be appropriate to have the consultants representatives, themselves, address you and clarify points that were contained in their reports. You will recall that last week we appeared before the Council and furnished you with copies of the reports. It was suggested at that time it would be appropriate to have the representatives of those three consultants visit here today and talk to the Council and the Council could then ask questions and clarify the points they wanted to.

You will recall we started out and basically with a contract with originally Alamo Gas Supply Company and went through Coastal LoVaca and was assumed by Valero when it was formed and brought to San Antonio. That contract expired April 1, 1982, however, under terms of the out of court settlement Valero is required to continue to supply San Antonio with its gas requirements ad infinitum. I don't think anybody has any question about that. That's a situation we're under. We don't have to sign a contract with anybody.

Late last summer, Houston Pipeline approached San Antonio with an offer to furnish half of its gas supply. Following discussions and review of that offer and subsequent offer by Valero of a 20 year proposal that Valero furnished us early this year, those then were furnished to the consultants for review, a legal review, a reserve review and an economic evaluation.

I guess basically that City Public Service as an entity of the City does have the three options: One: To sign no contract-continue under the terms of settlement; Two: Would be to sign a contract with Houston Pipeline; Three: To sign a proposal, a contract with Valero.

I think I should mention here for the record another element that has been injected into the gas supply situation and that is a number of gas offers that City Public Service has received from third parties, who have gas available that they are willing to sell to San Antonio and some of these have been very formal specific written offers, others have merely been verbal discussions; however, we do believe that there is gas available that could be bought by San Antonio. Up until now we have no arranged method of transporting the gas to San Antonio. The only pipeline network that is connected to San Antonio system at this time is the one from Valero. I think you want to keep those in mind when we talk about this today, and you may want to ask the consultants their opinions about that particular situation. Representatives of one of those companies is here today. They offered, with a backup agreement from Valero, to transport approximately 20 percent of

San Antonio's natural gas requirements with a fixed price offer. We got another one yesterday from Prudential Energy Company with prices substantially below those of the offers that I mentioned earlier. So, you see we have a difficult evaluation process. I think probably at this time, if it is appropriate we like to call on the consultants' representatives to address the Council. And the first one I like to introduce would be Mr. Don Arnett with the firm, Austin Arnett Legal Counsel from Houston, Texas.

MAYOR HENRY CISNEROS: Mr. Arnett, the task assigned to you was essentially to review the two contracts and see if there was any legal language that we overlooked that would be a problem for us, anything that would jump up and bite us at some point down the future that was written in legal language that was couched in such a way that we couldn't anticipate the results. That was basically I think the task.

MR. DON ARNETT: Yes, Mr. Mayor I was asked to examine perhaps the two contracts. One, with Houston Pipeline Company, one with Valero Transmission Company and to determine whether the language of the drafts of those contracts correctly set out the proposed business agreement. In addition, I was asked to compare the major provisions of those contracts for the convenience of the City Public Service Board. On March 23, I submitted a letter report to the City Public Service Board in which I did summarize the major provisions of the two contracts, compared those provisions, stated that the Houston Pipeline Company contract after some revision was now satisfactory in form to be signed if the business agreement was satisfactory with the City and discussed what I thought would be the two major items of concern, that is the pricing provisions and the adequacy of supply provisions contained in those contracts. I understand that the members of the Council have been furnished a copy of that report. The report does contain one error that I would like to correct, and that is on page 8, item 11 in summarizing the proposed contract by Valero Transmission Company. It states that that contract may be terminated by either the City or Valero at 5 year intervals. That is not correct. The contract provides that it may be terminated by the City of San Antonio at 5 year intervals. It does not provide that it may be terminated by Valero, at 5 year intervals. The two provisions that I have discussed at some length are the price provisions and the adequacy of supply provisions. The thrust of the discussion of the price provisions is simply to state to you that while both contracts provide for a cost that is made up of two components and both components bare the same name, that is a weighted average cost of gas and a margin. The definitions of the two components differ, and the two contracts and for that reason they are not directly comparable, that is, it is not correct to compare the weighted average cost in one contract with the weighted average cost of gas in the other contract. Similarly it is not correct to directly compare the margins of the two companies. Instead it is correct to compare the sum of those two components but then only when the components are corrected or adjusted to the same basis. The reason is this: the Houston Pipeline Company contract is a proposal on the basis of a thousand cubic feet. Excuse me, I misstated that. It's on the basis of a million btu's or british thermal units. Whereas, the Valero contract is on the basis of a thousand cubic feet with a downward adjustment if the BTU content is less than a thousand BTU's. So, at any time that the BTU content of the gas supplied by Valero exceeds one thousand, it would be necessary to convert the Valero contract for instance to a price per MMBTU in order to have a direct comparison. Any direct comparison was beyond the scope of my assignment. This simply points out the problem and the proper way in which they are to be compared. Similarly, I discussed the provisions relating to supply and what each contract provides as to supply. I made no effort to assess the adequacy of supply because that was the function of another consultant. Briefly, that is my report to you. I will be glad to answer any questions concerning that report that member of the Council or the Mayor may have.

MAYOR CISNEROS: We'll take questions as soon as we complete all the presentations and then we'll try to get all the questions of the different presenters in just a minute. Next presentation, Mr. Spruce, would be by the firm Ryder Scott.

MR. SPRUCE: Yes Sir, Ryder Scott Consulting Engineering firm; they're Reserve Geologists, we have Mr. Ray Cruce here who is President of that firm.

MR. RAYMOND V. CRUCE: Thank You, I'm Raymond V. Cruce, President of Ryder Scott Company. We were retained by the City Public Service Board to make a study of the reserves and other factors having to do with the gas supply of both Valero and Houston Pipeline Company. This reserve study was to, we were required to audit not less than 50 percent of the reserves of both companies by areas which we've done. We went into the offices of Houston Pipeline and examined their reserves as they have estimated themselves. In the case of Valero the consulting firm of Cawley, Gillespie and Associates, Inc. in Fort Worth has prepared their estimates, which we proceeded to examine these reserves. We have examined other things having to do with commitments, contracts, the storage facilities available to both entities for the storage of gas for peakloading and so forth. Also having to do with the location of lines as far as its exposure to the potential-future potential gas discoveries and ongoing development of current gas supplies. We've completed these studies and have concluded as I will, as we reported in our report to you. It is our considered opinion based solely upon the factors that we have investigated, that your decision, as to which of the two pipelines can best serve the needs of City Public Service and the citizens offer, of San Antonio must be based upon contractual or considerations beyond the scope of our study. It is our conclusion that either or both companies are capable of meeting your gas supply needs for many years and neither company has it in your term supplied deficiencies. That's rather brief, but that states it; and I'll be happy to try to answer any questions that you may have.

MAYOR CISNEROS: Alright, sir, again we'll take questions in a few moments. Thank you very much for your report. The final report then requested by the Council or at least the final subject matter and the decision finally rested with the CPS Board as to the process for selecting the firm to do the review was on the economic judgements and basically what we asked was an economic analysis of fundamentally the soundness of the strategy articulated by the Council on January 6th, and National Economic Research Associates of Washington, New York, and Los Angeles were asked to do the work.

MR. SPRUCE: That's correct, Mayor, and the representative from National Economic Research Associates referred to as NERA is Mr. Bruce Ambrose who is Vice President of NERA and his office is in Los Angeles, Mr. Ambrose.

MR. BRUCE AMBROSE: Thank you Mr. Spruce, Mr. Mayor, Members of the Council. My name is Bruce J. Ambrose, I'm a Vice President of National Economic Research Associates, a consulting economics firm as the Mayor has indicated with offices throughout the country. We were asked by the City Public Service Board to specifically look at six areas regarding their natural gas supply situation. Those are listed in the introduction of our report to the Board. I like to review those briefly for you. First, we were asked to analyze the probable effects of competition, given the present regulations, fixing well heads, ceiling prices for various categories of natural gas, could competition be expected to provide a lower price? Second, we were asked to analyze the reliability of supply aspects, examine the probability of gas being in short supply and the advantages if any of multiple suppliers. Would these two suppliers provide access to gas not available to just one supplier? Third, we were asked to examine the findings of the reserve consultant, that's Ryder Scott, in reference to reserves, commitments, pipeline systems and natural gas storage facilities, are problems foreseen in the ability of either supplier to deliver, are the storage facilities adequate for reliable service? Does storage provide a means of purchasing more favorable packages of gas? Fourth, we were asked to analyze any exposure we, that is, CPS might sustain by removing itself from under the Texas Railroad Commission Order presently governing its relationship with Valero. Fifth, we were asked to conduct an analysis of the effect of changes in legislation on contract alternatives. And the last one is far and away the biggest; examine the commercial terms of each contract, considering the legal review of the two proposed contracts by Mr. Arnett, the previously outlined items for study and all other commercial terms including but not limited to price, term, quantity and transportation options; make a recommendation as to the contract decision. Thus, we were the only of the three, the only one of the three consultants who were asked to make a recommendation to you.

April 14, 1983  
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In brief, our recommendation was that CPS sign the Houston Pipeline contract. The reason basically to be succinct has nothing to do with whether one company is more beautiful than the other; one company has cheaper gas than the other; one company has more gas than the other. Or what either company did in the past or might do in the future. The reason has to do with the very differences between the two companies and the idea that given the uncertainty which will come up in the gas market over the next several years should make the City Council and the City Public Service Board hedge their bets sort of, that is, not bet on any one single feeling as to what the future is going to hold. Houston finds itself in a shorter supply situation than Valero. My own sentiments lie with the Houston's view of the future. That is: it would be better to be in short supply situation given what's about to happen in field prices and be able to buy gas at the cheaper rates that are coming. I could be wrong; Valero could be right; it may be better to be in a long supply situation in the future. If indeed there are going to be shortages. I don't mean to take issue with either companies' position on where they stand or a firm position other than my belief as to where the natural gas market is going to go in the future. It just seems to me to make good common sense not to bet totally on either. And the only option available of the three available to you right now that gives you a choice with going with two different philosophies as to what the future would hold, is to sign with Houston for no less than 45 percent of your requirements and take the balance of your requirements for the time being at least from Valero. We see a world coming in the natural gas market not unlike the market for buying items such as paperclips for the City Council, where there will be alot of suppliers and if someone came in here today and wanted to sell you paperclips at a fixed price of his price plus a profit for the next 20 years, you might look at him a little strangely. I don't want to say that buying natural gas is going to become like buying paperclips but the market is going to change. And the best posture for this City to be in, in the future, to take advantage of those changes in market would be to have even more than two suppliers. Right now all that's at issue is the possibility of having a second, and I think you certainly should take it. Thank you for your time.

MAYOR CISNEROS: Okay, we'll proceed now to take Council questions on each of the three different elements that you've heard presented. One, the issue of the legal analysis and whether or not there's any time bombs buried in the way the contracts were written. Secondly, the question of the comparison of reserves and that was one of the major issues. This City is very sensitive to that question because of what happened at the United Gas, Alamo Gas contract switch there, when the reserves question was not properly analyzed at that transition, and I think the City is rightfully concerned; when I say the City I mean the community is rightfully concerned that a good, careful analysis of reserves be done. Thirdly, the question of the best economic strategy to follow in the uncertain and labyrinthian world of gas prices and supply. And for those reasons I think that these analyses were very worthwhile doing; they were done in relatively short time and they were done inexpensively and I think an investment well worth the time. Let me just remind the Council that what we're after at some point this afternoon is some suggestions on process.

My personal opinion is that the best course for the City is to split its gas supply. And my personal opinion is that the City Council should basically ratify its earlier position to split today. Everything we have complied with, everything that was requested of us by the community at large, by the leadership of this community spoken through editorials etc.: They said, don't get us hung out without reserves. We've checked the reserves question. They said, make sure the legal language is correct. We've checked it, and it is sound. They said, get some outside opinion to help you through this morass, that is, the Natural Gas Policy Act, the changes in the deregulatory environment, the larger picture in Texas' intrastate, etc. We have done that and the analysis says the best thing to do is split.

I'm familiar with some of the offers that have been made in the last few days, I know that there is a group here that has been briefing the Council and that group is willing and prepared to offer a kind of a third option. Which says \$3.10 gas for two years and that proposal, when mixed with \$4.35 gas which is what we have been paying, takes our overall gas figure to about \$4.02 for 2 years. That's a very, very attractive proposal though I know that there are others that have been offered, that are

in the range of sub \$3.00 gas, \$2.60 gas, for 5 years and that ought to be considered as well. In any event the point that I'm making is that I personally think that given all of that uncertainty and that environment, the best thing for us to do is to split. My position has not changed and my position is that we ought to go ahead and ratify that basic philosophical position so that the City Public Service Board can go about it, the contractual work involved. That's what I would like to see come out of the Council today. If that's not the intent of the Council as a whole then certainly I'm at the pleasure of the Council in terms of my role on the City Public Service Board, but my own personal preference is that that be the outcome of today. If there's some other process that the Council wants to follow then someone will have to make a motion along those lines. Mr. Alderete.

MR. JOE ALDERETE: A question to the legal firm or Mr. Arnett, is that correct? I was a little bit confused when I was looking at your report; I noticed it said reference proposed gas sales contract with Houston Pipeline Company. Your cover sheet on there it did not say reference comparison of contracts with Houston Pipeline and Valero. What is the study that you did, was it a comparison or was it just a review of Houston Pipeline's legal contract with us?

MR. ARNETT: It was both; it was a comparison of the contracts submitted by Valero Transmission Company and the contract submitted by Houston Pipeline Company.

MR. ALDERETE: Okay, when you mentioned awhile ago, and I'm not sure if I understood you correctly, a business agreement versus a legal agreement; I'm not an attorney, so I'm asking for your guidance on this and to what point you're trying to reach us. I have this concern sometimes with our own legal staff. I'm trying to find and close the legal loop-holes that contracts may have, and I'm trying to identify if you have told us where all the legal loop-holes may be; example: Can Houston Pipeline, under their industrial portion of the gas contract they've offered to CPS; can they escalate at their discretion without any kind of review process and do you find that legally sound or is that a good decision?

MR. ARNETT: As I understand you, there are several questions involved. Let me address them one at a time. As to whether or not there any loop-holes in the contract, I think may be a matter of semantics. I understand a loop-hole to be an unforeseen consequence. Under that definition I cannot tell you whether there are any loop-holes in the contract. I can tell you there is no consequence that I have foreseen that I do not think has been adequately expressed in the contract. But, as far as the loop-hole is concerned I understand that to be defined as something unforeseen.

MR. ALDERETE: I will change my semantics and ask you another question. Go ahead.

MR. ARNETT: The contract, the Houston Pipeline contract, has been changed from its original draft at my request in order to clarify what I understood to be the business agreement that was proposed. Now as to the difference between a business agreement and a legal agreement, I do not view them as being separate. There is an agreement that is a business trade; that agreement would be between the City Public Service Board and the City Council and one or both of these pipeline companies. The function of the lawyer is not to make the trade but to see that the contract correctly sets out the understanding that has been reached. That I viewed as my role and this contract does set out the understanding of the agreement as it has been presented to me.

MR. ALDERETE: Let me ask you a question in this matter then. Assuming that everybody including CPS and the City Council would like to stabilize gas rates, excuse me, the cost to the consumer, and assuming that there's a possibility of escalation in those costs by either company, Valero or Houston Pipeline. Can you tell me who or which one of these contracts provides for an easier escalation in costs, in transmission costs to the City of San Antonio?

MR. ARNETT: If I correctly understand the question, I think both contracts would provide for an escalation to the City of San Antonio because

the purchase gas costs would be reflected in the weighted average cost of gas. At the present time the weighted average cost is computed by Houston Pipeline Company under its procedures and is computed by Valero Transmission Company under its procedures as approved in gas utilities docket number 500 of the Railroad Commission. Both companies necessarily have a fluctuating weighted average cost of gas. In the past I'm sure that that cost has been trending upward because natural gas prices have trended upward. Now at the rate at which it trends depends upon the mix of the gas and by mix I mean category as defined by the Natural Gas Policy Act because there is some 27 different prices-ceiling prices applicable under that act. For a company that has a larger share of the higher priced gas, naturally, the weighted average cost is going to increase and increase at a greater rate. We have seen both companies now making efforts to reduce their weighted average cost of gas. Valero and Houston Pipeline company both have announced to their producers from whom they buy gas that they're exercising market out-provisions in their contract and in addition asking their suppliers who are not subject to market-out provisions to take voluntary reductions in their sales and purchase prices. I think that the weighted average cost of the two companies, though, will in some degree depend upon on how successful they are in convincing their suppliers voluntarily to reduce their price.

MR. ALDERETE: Okay. Along with that weighted average cost of gas there is a margin.

MR. ARNETT: Yes, sir.

MR. ALDERETE: Now on that margin there is a difference in that margin. Under the Valero contract there is a review process. Under the Houston Pipeline situation what is that review process? What is to prevent them from increasing that margin? Let's say on the, what we call the burner tip gas, or the gas that goes to the actual consumer. And also what is there, how do we control that margin with reference to the industrial gas that may be used for generating electrical power? And which one would you see more advantageous to the consumer?

MR. ARNETT: You do not control the Houston Pipeline Company margin by some external guidance as the Valero margin is controlled by Railroad Commission regulations; at least at the present time, the Railroad Commission does have authority. Under this contract the margin of Houston Pipeline Company depends upon the difference between its sales prices to its major industrial customers and its weighted average cost of gas. So that is one protection that is provided to the City; it is not arbitrary. It is the result of differences between the sales price under many contracts negotiated at arm's length with industrial customers and the weighted average cost of gas. But at the present time Railroad Commission approval would not be required for that margin to change.

MR. ALDERETE: Do they need our review at all?

MR. ARNETT: No, sir. It is automatic; it is provided in the contract.

MR. ALDERETE: If I understood you correctly earlier, you said you wanted the types of gas sales separated, industrial, one to be under the industrial gas category, and I may be not explicitly correct in my wording, okay; which would be used for generating electrical power and that gas that is going to the burner tip or straight to the household, they have been separated, for what reason do you see that separation being made?

MR. ARNETT: Let me say, it was not made at my request.

MR. ALDERETE: Okay, then I misunderstood you earlier.

MR. ARNETT: It was made at the instance of Houston Pipeline Company.

MR. ALDERETE: OK.

MR. ARNETT: They are the ones who asked that the division between industrial gas and domestic gas be made.

MR. ALDERETE: Why would they make that?

MR. ARNETT: Because of the possibility of the Railroad Commission regulation of one or both categories of gas.

MR. ALDERETE: So, they are just really trying to stay away from that regulation, is that, am I interpreting your...

MR. ARNETT: I don't know how they would stay away from it. Perhaps Mr. Wood....

MR. ALDERETE: Is industrial gas regulated by the Railroad Commission or anything?

MR. ARNETT: Neither price is, at the present time, is my understanding.

MR. ALDERETE: Under Houston Pipeline?

MR. ARNETT: That is correct; neither category of gas is regulated now; it would be regulated under this contract but a price is not imposed by the Railroad Commission.

MR. ALDERETE: Well, can I ask you for an opinion? If it's possible. Why, I'm not sure if I understood it, I guess I really want to get a clear answer on it. Why would they separate those two categories of gas beyond the point of what you said, you know, maybe stay away from the Railroad Commission regulation? What other factors would there be involved for doing that? In your opinion?

MR. ARNETT: Well, in my opinion we need to know how to compute a price. In the event that the Railroad Commission imposes a price, for example, upon domestic gas but not upon industrial gas. We then have a weighted average cost of industrial gas, we have a price imposed upon domestic gas so, it's necessary to blend those two to get a weighted average price of the two. Does that answer your question?

MR. ALDERETE: It partially does. Let me ask a question. On this weighted average cost of gas I understood you earlier to say that they are computed, if that's a proper term, on by different variables or different assumptions are introduced to come up with weighted average cost of gas and that they cannot be compared. Is that a fair statement?

MR. ARNETT: Yes, sir, that's correct.

MR. ALDERETE: OK. Let me ask you how would you know how to make a fair comparison? Mr. Arnett, I know you got the legal side of it, but I'm just asking you, if you're aware of any way to make it a fair comparison being that one is under MMBTU versus the other under MCF.

MR. ARNETT: Oh, that is not the major problem in the comparison.

MR. ALDERETE: OK.

MR. ARNETT: If that were the only consideration we would simply convert them to the same basis; that can be done.

MR. ALDERETE: OK. What is the...

MR. ARNETT: The problem is the definition of what constitutes the weighted average cost of gas. For example, our cost of treating gas to remove carbon dioxide or hydrogen sulfide. Reflected in the margin or are they reflected in the weighted average cost of gas. I think you can be confident that both companies intend to recover all of their costs plus a profit, under their sales contracts. So, what we're looking at is the bottom line, so to speak, that is the overall price that will be charged the City. Now what I am addressing is the two components that make up that price. The bottom price itself, may be converted to the same basis and compared. The two elements that make up that bottom line price may not be converted to the same basis. They are simply apples and oranges. When you add them together, you get fruit and fruit can be compared.

MR. ALDERETE: Fruit is the bottom line.

MR. ARNETT: Is the bottom line, that's correct, yes.

MR. ALDERETE: Interesting. From natural gas we got fruit. OK, Mr. Arnett thank you. You've enlightened me on some things and I'm glad to see those corrections that you made reference the cancellation of the contract and only the City of San Antonio can cancel a contract with Valero. Valero cannot cancel a contract.

MR. ARNETT: That is correct.

MR. ALDERETE: And Houston Pipeline has the option to terminate a contract at the end of the period designated. Is that correct?

MR. ARNETT: With the additional provision that they will continue to supply the City until a new supplier of adequate supplies at reasonable rates has been found.

MR. ALDERETE: Let's say they decide to terminate the contract, and they continue to provide us that additional 50 percent. Could they just about charge us any, I mean if there was a glaring disparity between what they are charging us and what Valero is charging us. What recourse do we have against Houston Pipeline?

MR. ARNETT: Well, under the contract if the contract itself has been terminated there would be none.

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

MR. ARNETT: I said there would be none under the contract if the contract itself has been terminated. Would you let me check that one provision of the contract? May I stand corrected, I thought I was wrong as I was saying this, on page 18 of the Houston Pipeline Company draft it states that the deliveries would be made...

MR. ALDERETE: Excuse me, Can you tell me where you're at, we don't have them numbered here.

MR. ARNETT: Page 18 of the draft of the Houston Pipeline Company gas sales contract. The deliveries will be continued under the terms and provisions of this contract until such time as the buyer has secured another source of supply from another supplier, under reasonable rates.

MR. ALDERETE: But the provisions of this contract also allow for the escalation, based on a percentage of the weighted average cost of gas.

MR. ARNETT: Both contracts provide for an escalation based upon the weighted average cost of gas. The weighted average cost of gas is going to be a portion of the charge; added to that will be a margin and that weighted average cost will vary each month, beginning this summer. It may, in fact, decrease some for both pipeline companies, depending on how successful they are in getting their producers to accept some of these reductions in price.

MR. ALDERETE: I'm elated, and I'm not concerned so much with the decreases, I'm concerned that we may 5 years out from now or wherever at some point in time find us in a situation where let's say for some other, let's say for some business reasons, Houston Pipeline finds itself in a situation where they're purchasing very high cost natural gas and Valero let's, for example, Valero may not be in that situation and yet our contract is we try to terminate the contract after 5 years, and we need Houston Pipeline to continue serving us on that additional 50 percent there, and they've got a high rate or a high cost for that gas, and I'm trying to find out what alternative we have and the only alternative that I see from a legal standpoint is that we try to find a second supplier as quickly as possible to escape that high cost. In the event that that scenario is developed. That's our only recourse.

MR. ARNETT: Yes, sir.

MR. ALDERETE: That's what I'm hearing you say.

MR. ARNETT: Yes, sir.

MR. ALDERETE: Not a very good option. Thank you Mr. Arnett, I appreciate your clarification.

MR. ARNETT: Is there another question from a member of the Council?

MAYOR CISNEROS: If there is, we'll take it as that Council member asks questions.

MR. ARNETT: Thank you.

MAYOR CISNEROS: Joe, are you finished?

MR. ALDERETE: Yes, not with Mr. Arnett. I wanted to ask another question of the NERA people, National Economic Research Associates people. I'm sorry I didn't catch your name earlier.

MR. AMBROSE: Bruce Ambrose.

MR. ALDERETE: Ambrose, OK. Mr. Ambrose, I'm not sure if I understood you earlier. Did you state that there may be an abundance of natural gas somewhere in the unforeseen future? Is that your position or do you, do you predict shortages or what, what is your prediction based on information that you've obtained as to supply of natural gas.

MR. AMBROSE: I think it well we clarify that. I don't know that I was specific; I don't know where you got your information, but we'll try it. As economists, we believe that given the deregulation of field prices of gas, competition such as you are witnessing today will become more intense, and I was prompted to rise in your questioning of Mr. Arnett before. A lot of your questions derive from a presumption that the world is going to continue like it did in the past in the natural gas industry. We at NERA don't believe that is true. The reason is because, well the reason is obvious now. A year or two ago, you wouldn't had had Houston in here, frankly offering you a contract. There was a different world in existence then. Right now both of these pipelines and all pipelines for that matter have an awful lot of gas on their hands. That's a result, basically, of the market, the market across the country sending back down through the pipeline the news that the prices that were being charged for gas are not going to be paid, and the same kind of volumes taken. It's an old response that's been in economic text books for a long time. When the price goes up, people buy less. Now in a world of deregulation in the future where gas prices are not artificially set at a low level, vis a vis other fuels. We fully expect that supply will equal demand. At some price, you personally may not like that price and not to say that I will either, as a gas consumer but supply and demand will equal each other at some price. Absent regulation we should have a lot less of the bubbles in shortages that we've had in the past. Those have been in large part due to an artificial market price being set for natural gas, the swing from shortage to over-supply situation. We fully expect that to all level out. Believing what we believe, we would tend to agree with Houston's position of the future. That's not to say that we're going to be a hundred percent right. And it's not to say that Valero is going to be a hundred percent right. I was at first tempted in putting this report together to get into my new comparisons of the two companies, but I think that misses the larger issue. Their both good for you because they're so different. And in direct answer to your question we don't see supply shortages in the future because the market will be allowed to work the way it should.

MR. ALDERETE: You don't see supply shortages of natural gas in the future?

MR. AMBROSE: That's correct. Gas is going to be available at a price.

MR. ALDERETE: You see, then the resource obviously is not infinite. If I'm understanding you correctly we're going to have gas there at a certain price, in other words the gas is there and is going to be there for how many years? What would you project, I don't understand.

MR. AMBROSE: Let me try and do it another way. I see where you're trying to lead me, you're trying to lead me that there's just X amount of gas out there.

MR. ALDERETE: I think that's a fair assumption.

MR. AMBROSE: When that's gone, that's gone. There are, however, you can appreciate many bidders for that gas and to some people it has a greater value than to other people. What the market will determine is what the realistic price of that gas should be and people who really aren't

willing to pay what it's worth in society won't get it, won't have it. Those who can afford to pay for it and want it at that price will get it. It will be there. The price will rise, if you will, to make sure that supply equals demand and as price rises demand will shrink.

MR. ALDERETE: You have any idea on this, this quantity of gas how long it'll be, I understand what your saying.

MR. AMBROSE: No, I don't and it's not germane to the discussion, I don't think.

MR. ALDERETE: You don't think it's germane to the discussion.

MR. AMBROSE: No. We could import gas from Mexico; we could import gas from Saudi Arabia; we could import gas from heaven knows where. It's not sufficient to just considering gas in Texas.

MR. ALDERETE: How much experience do you have with the industry, Mr. Ambrose?

MR. AMBROSE: Quite a bit, would you like to hear the background?

MR. ALDERETE: Yea, I'd like to hear it.

MR. AMBROSE: My background with the industry began in 1963 when I graduated from College and went to work for a gas distribution company in New York City, the Brooklyn Union Gas Company. Within 2 years I was their man in Washington, negotiating contracts with pipelines, appearing before the then Federal Power Commission, in pipeline rate cases, pipeline area rate cases, the area rate proceedings. My background in gas is long and varied, but I don't know that that, Mr. Alderete, is, it's seem to me almost that a common sense judgement is what's needed here. That what we're really talking about is not a beauty show.

MR. ALDERETE: That's exactly what I'm driving at.

MR. AMBROSE: A beauty contest between two beauties. Where we're required to pick number 1 and number 2. We're only required here to pick two finalists and that's what I suggest you do.

MR. ALDERETE: Did you work on this report yourself?

MR. AMBROSE: Yes, I did.

MR. ALDERETE: OK. I didn't, your position with the company is, are you the head of the company?

MR. AMBROSE: I think my position was indicated earlier, I'm a Vice President of the firm.

MR. ALDERETE: Did you evaluate the escalation in the Houston Pipeline contract as far as under the category of industrial gas and how does that compare with the Valero? You think that, you feel that's an equal situation or what?

MR. AMBROSE: Well, the first part of your question was did I evaluate? Would you elucidate on what you mean by evaluate?

MR. ALDERETE: Did you compare the two? In other words, their margin and their ability to raise their margin above and beyond the weighted average cost of gas, and the margin of Valero above and beyond the weighted average cost of gas. And how, the ease for escalation in each one, what kind of protective, defenses that we may have to keep ourselves from moving into a situation from greater escalation by one versus the other. That's what I'm...

MR. AMBROSE: Let me preface my answer to your question by saying you're asking me to look at the individual wants on the beauty contestants and I want to make it clear that that's not my position as to what we ought to be doing here. But, I will now go into it with you, if you'd like. I reviewed those because I had to read the contracts to assure myself that there was nothing glaring wrong with either one of them. I relied basically on the legal review by Mr. Arnett. Now, as to the actual specifics of those, of the way those might escalate. No. I can't give you point by point details; you may very well be right in the old world of no regulation, that at will, Houston might be able to raise its price, but in

the deregulated world I just don't figure, as a matter of fact, that's going to be able to happen.

MR. ALDERETE: So, you didn't examine that point.

MR. AMBROSE: That isn't what I said. I said I looked at it to the extent that was necessary for the conclusions that I reached.

MR. ALDERETE: I then assume that you gave no or you didn't review maybe because it wasn't necessary, the value of the 20 percent option with the Valero contract either, then you just based in on whatever information you might have gotten from Mr. Arnett or Mr. Spruce's group or whatever.

MR. AMBROSE: No, that's not true. My report discusses that option. That under the Valero option there is the possibility of 20 percent of the daily, daily supply being taken from someone else and delivered by Valero. Would you like me to point out the pages to you where that's discussed?

MR. ALDERETE: Well I'm wondering if you gave us a review on that, why not on comparing the margins?

MR. AMBROSE: Well, let me try...

MR. ALDERETE: I mean it's all part of the whole contract. You know, I'm going to tell you, I'm not a gas expert or as expert or as adept as you might be, but I'm over here trying to make a decision for the consumer in the City.

MR. AMBROSE: A long run or a short run decision.

MR. ALDERETE: Long run, preferably...

MR. AMBROSE: OK. Fine.

MR. ALDERETE: Preferable, would be my, my decision it's going to live with me. I'm living with the long term bad decisions that were made with previous gas contracts. I'm trying to make, trying to identify the abc's and the backs and the fronts, and the ups and downs of gas contracts. I am not familiar with them at all. All I know is that the consumer for the past decades upon decades have received very poorly written contracts and that's the basis for the escalation of cost in gas to this day.

MR. AMBROSE: I see, I see your concern and it's real.

MR. ALDERETE: I'm trying to, I'm trying to protect myself and I'm trying to protect the consumer.

MR. AMBROSE: Okay...

MR. ALDERETE: I'm just not sure exactly how to do it. So that's why we hired consultants.

MR. AMBROSE: Ok, but I'm not a lawyer. You're addressing legal questions you really ought to address to your lawyers.

MR. ALDERETE: Well, you know when I turn sometimes to our lawyers, well, that's really a business agreement. And the business agreement says, well that's not always a legal agreement.

MR. AMBROSE: Well then try me. Let's try, what would you like me to make a judgement on?

MR. ALDERETE: I'm trying to turn to everybody that we may have available to us to try and get that information.

MR. AMBROSE: OK. Alright.

MR. ALDERETE: It seems like we're getting more and more confused by the situation. I'm a little concerned about it.

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MR. AMBROSE: What can I answer for you?

MR. ALDERETE: The 20 percent option. The value of that in comparison to Houston Pipeline. How, is that good, bad is it something that was real strong plus over the Houston Pipeline contract?

MR. AMBROSE: Over the years of testifying before regulatory commissions and courts I've learned to ask you when you say compared to the Houston contract, just what do you mean by that? Do you mean the terms of Valero?

MR. ALDERETE: If the contract is void, if the Houston Pipeline contract does not have that 20 percent option, how does that compare with the Valero contract that does have that 20 percent option? Is that good, bad, indifferent, is it a strong plus, is it a weak plus, you know I'm not sure.

MR. AMBROSE: I see. As I point out in my report I think the best posture for you to be in, would be to have not two suppliers but 5 or 10 or 20. You can't do that right now. If you take the Valero contract, sign the Valero contract. It is true, that up to 20 percent of your daily requirements can be taken from someone else but delivered by Valero. It still ties you in very tightly to Valero and Valero only. I would imagine that's why that particular section of the contract was put in there. As my report states out the best situation for you to be in, in the market that's coming, is to have the ability to pick and choose freely, between your suppliers. Now, I really think that the 45 percent minimum limitations from Houston ought to be lower. You ought to have the ability to take less than that from Houston if their price gets out of line with someone, anyone else. But this is the offer that's on the table right now, that's not to say a better offer may not be coming. I give you, the 20 percent option, there's nothing that says after signing with Houston sign yet another agreement with Houston to haul additional volumes that you would pick up somewhere else. That could be negotiated. You aren't foreclosed from a buy from a third supplier; in other words, Valero, Houston, and yet a third supplier by way of Houston or not impossible by way of Valero. After all once the marriage is consummated, so to speak, what incentive is there for Valero to turn down the opportunity to haul natural gas for you and make their normal profit thereon? That doesn't sit well with stockholders. They're fighting now as I would, to keep volumes of sells that they've been making. Once those are gone, it seems to me it would be a bad business judgement to refuse to haul volumes for you later. That would be cutting up your nose to spite your face. So nothing precludes you from going and finding gas elsewhere and having either one of the two or a third haul it for you. So, to answer directly your question the fact that Valero, the Valero proffer contract offers to haul 20 percent and from any source and the Houston contract only offers to haul volumes from Mexico, I don't view as a big plus. And as outweighed by many other factors in recommending that you sign the Houston contract.

MR. ALDERETE: The 55-45 split or the present split that's being proposed, in your opinion, would you recommend a wider split? The promotion of additional competition.

MR. AMBROSE: I'd love to buy it just the way you buy paperclips. Not promise anybody to buy anything. Now that, Mr. Alderete, just can't be, unfortunately. But you get my point; you can assert the most leverage on the people supplying you if you can walk away from one of them totally and say well you want to price it that, you keep it; I'm going to go buy it from Joe over here; he's got a better price for me today. Now that world isn't here yet, nor is it going to be here in the next 5 years, most probably.

MR. ALDERETE: What would you suggest by way of percentage splits. Dealing with real...

MR. AMBROSE: I say none. Don't promise either to take any percentage really. But that's not on the table before us. If possible, I'd like to see the 45 bargain down to whatever can be, to zero in a perfect world, but I don't think that's going to be possible.

MR. ALDERETE: Do you feel there's good competition with that 55-45 split?

MR. AMBROSE: As the report points out I think that the term competition has been slightly misused. I don't share the CPS staff's view that there's going to be a lot of competition between these two. I so indicated in my

conversation with Mr. Winn for example. Ten percent swing, the ten percent swing between 45 and 55 percent, which is what we're talking about here, is not going to make either one of these pipelines go out and beat the woods to reduce their price of gas. That's not to say that other factors are not, but that swing volume is just not going to do it. What's going to do it is the threat to Valero of the loss of more volumes at any time and the threat to Houston of losing that 45 percent in five years. That's what's going to cause the competition for prices. It's not going to be the small volumes we're talking about that will be a ten percent of your daily requirements swing. Just isn't going to happen.

MR. ALDERETE: That's interesting. I like that. What, why couldn't we pick and choose whatever any, any other company in the future? Why couldn't we continue to do so; let's say we initiated a contract with Valero at this point in time? Is there a restriction that you see? Maybe I should be asking it of Mr. Arnett. But do you see a restriction that would keep the City from picking and choosing a new gas supplier or transmission company or whoever?

MR. AMBROSE: Yes, I, from reading in the Valero contract it is to supply no less than 80 but 100 percent, in the main, of your requirements with the 20 percent possibly coming from someone else. Now, that's not to say that, that given enough pressure, Valero might not be willing to abrogate or break that contract and form a new one at some point in the future but you clearly in signing the Valero contract agree to take no less than 80 and up to 100 percent of your requirements from them.

MR. ALDERETE: Mr. Arnett pointed out earlier, though, we have the right under the contract with Valero to terminate them at any point in time.

MR. AMBROSE: That's true.

MR. ALDERETE: So, if that's the case and we can, you know, we don't have to sell them, give them 100 percent, you don't have to give them 80 percent.

MR. AMBROSE: That's right. Assuming...

MR. ALDERETE: Then we have that ability to pick and choose, is that correct?

MR. AMBROSE: Not quite.

MR. ALDERETE: Why not? Okay, tell me.

MR. AMBROSE: Physically there's only one pipeline hooked to you right now.

MR. ALDERETE: Okay.

MR. AMBROSE: Physically, the potential for more pipelines being hooked to you only includes one more, Houston. I had indications in my conversations with the Houston people that as I say in my report, given this to do all over again and the political flack that's around it. They rather not have anything to do with it. You see, you have a company that in large has dealt with either regulated utilities or businessmen who don't go through this kind of thing, in a decision. They sign something and they take their chances and away they go. They're used to taking those kind of risks. I'm not, I'm not belittling the process, but you have a company in here who's not, who's not into that kind of a world, shall we say. So that you may lose, possibly forever, the opportunity of having that second pipeline hooked to you. That's good and that's bad, depending on your viewpoint. It's my understanding that the next closest pipeline physically hooked to you, not to say that a new one couldn't be formed tomorrow, is some 20 to 30 miles away. Meaning rather extensive facilities to get to you if the gas over-supply situation gets bad enough that's not to say that they wouldn't be driven to come in with the same kind of an offer. All kinds of things like that are going to be possible in the future. Just think that if you turn down Houston now, you'll foreclose yourself from a lot of flexibility in the future by cutting yourself off from a second pipe hooked up to your system. That's the basis of it right there.

MR. ALDERETE: Do you have any information that would categorically or

very clearly depict a price advantage to cities that have more than one supplier? Do you have any information that would...

MR. AMBROSE: Oh boy, we used to have it when I, when we bought our gas in New York. We specifically bought from three suppliers; for that reason I would, I don't specifically have it. We could run it down for you. Once again, all of that is going to be from a world that's gone in long part. You see and...

MR. ALDERETE: Well I'm talking about present-day world. Let's forget about the world...

MR. AMBROSE: Well although you're not alone, I have a client in Illinois with the same kind of a predicament. Who is hooked to Panhandle Eastern. Who now has one of the highest cost of gas, and they would like to get off of Panhandle, and they have the second pipe, interstate pipeline, who would supply them. The problem is that they're being supplied on a rate schedule that says you can't get gas from anybody else. If you do, you pay this other rate, which is much higher.

MR. ALDERETE: That's under the law of Illinois.

MR. AMBROSE: They're trying to get that changed before... That's another problem. You're not alone, but the reason these things are just starting to happen is because the market is just starting to come into play. And so that, it's my understanding, for example, that CPS looked for a second gas supplier sometime ago and nobody but nobody came forward. Why suddenly is everybody coming forward, is what I would ask you and I'd ask you to think about that, everybody. Well, as from what I hear today we have two more offers. That I hadn't heard of before I got here. Now, how serious they are...

MR. ALDERETE: It's not from a pipeline company, but it's good. Okay, Mr. Ambrose, I'm, I thank you. I appreciate your analysis of the term competition, something I've been wrestling with here in San Antonio and trying to clarify, but it's good that a third source finally clarified it, that there is not very much competition, that 10 percent swing isn't enough to make anybody go over there.

MR. AMBROSE: Not in that swing, but in other things they surely are.

MR. ALDERETE: Okay. Thank you.

MAYOR CISNEROS: Mr. Hasslocher is the next person.

MR. JAMES C. HASSLOCHER: Thank you, Mayor. Now this is a fun day, I can see all the smiling faces in the audience. Mr. Wazell, would you come forward, I would like to ask you a question, if I may?

MR. JIM WAZELL: Yes, sir.

MR. HASSLOCHER: Now aren't you glad you, that you put that in the contract that the Council ought to ratify this?

MR. WAZELL: It's been an interesting experience so far; looks like it's going to continue to be for awhile.

MR. HASSLOCHER: To say the least.

MR. WAZELL: No, we're not sorry that we put that provision in. If we're going to be a supplier of gas to San Antonio, we want to be here on fully acceptable terms to the whole City.

MR. HASSLOCHER: Mr. Wazell, a couple of months ago when I had the pleasure of meeting you and sitting around this table, and we were all asking questions or firing questions and everybody was concerned about this, which they are today, I told you that San Antonio and the people that we represent not including just the citizens of San Antonio but all of those other folks in which we buy gas from or sell gas to supply to the 21 or the 20 other suburban areas. I asked you a question then, would San Antonio be a priority in your companies' mind? And your answer at that time was NO, because you had some long-time customers and you were

going to take care of those long-time customers first. Do you still feel that way?

MR. WAZELL: That's not exactly the statement that I think I made. We would not plan to favor any customer over any other customer. That's not to say that we would favor our old long-standing customers over San Antonio or any new customers. Our goal is, if we bring in a new customer they'll be treated on an exactly equal basis as our old customers. And that's reflected in our pricing formula in our contract also, that the price of gas to San Antonio would be equal to the average of our other customers.

MR. HASSLOCHER: Yes, sir, in reading that I understood that should we decide after our contract is let with your firm, if that does happen, that you would not cut us off until we found another supplier that you would agree to serve us until time we found someone who could supply us with ample gas or our capacities.

MR. WAZELL: That's right. Of course our first hope would be that we would be a long-term supplier after the first 5 years of the primary term.

MR. HASSLOCHER: Well, I, not knowing anything about the gas and oil business, and I'm sure by my questions that I'm asking that's pretty obvious. I know that we have a commitment and most of the members around the table feel that our first obligation is to the citizens of San Antonio, we want to make sure that if we're going to do something, number one, it's to the best possible use for our citizens and certainly the rates that we'd be looking at, of that. Thank you very much.

I've given alot of thought to the situation of possibly signing a contract with Houston and looked at our situation with Valero, and I can't help but wonder after all of these years that we had a bad falling out several years ago with a supplier and then we went to the courthouse and we made a settlement and how much is that settlement really worth? How much did we, as elected officials today, value that settlement and what kind of price did we put on its longevity to the City of San Antonio? I didn't read any of that or see much of that in looking at some of the things that I've read recently and I think that bears some sort of look at the possible situation that we find ourselves in today.

The gentleman that spoke sitting in the front row, I have to agree with you that to sign a contract with one individual or with two would probably not be the best interest whom we all know for the next 24 to 36 months there's going to be a glut of gas. And that that bubble will eventually break; we'll see deregulation come about; in addition to that we'll see a scramble for alot of folks that probably have some wells that have been shut in, who would like to sell gas to the City of San Antonio or others. The question that it comes down to in my mind is how do they transport it. Mr. Wazell's firm is saying that they'll only transport Mexican gas; Valero has agreed to third party or second party with them or third party whatever it may be. In order to serve them by transporting that gas to the City. Mr. Spruce, I'd like to ask you, I read the report here, being out of town all week, I've had to do some fast reading and I'm going to go back and take another...

MR. AMBROSE: Excuse me, Councilman, can I make a...

MR. HASSLOCHER: Please, would you step forward.

MR. AMBROSE: I'd just like you to bear in mind when you're thinking about that, that in that world that you hypothecated both Houston and Valero are going to have alot of spare capacity in their lines or their hands.

MR. HASSLOCHER: That's right.

MR. AMBROSE: And so what they put to paper now is an agreement to haul or not to haul, may not be relevant then. They may have no choice as businessmen but to haul for you.

MR. HASSLOCHER: Old gas and new gas, and what it cost them to produce it. I've looked at the Christie BAM proposal and its impact on the Houston Pipeline. Mr. Spruce, if you'll be so kind to bear with me. Who is Prudential Energy Company?

MR. SPRUCE: I don't know who owns it, the President of it is Mr. John Poerner, who probably you all remember, he's local.

MR. HASSLOCHER: Okay, do you know of any other individuals that have made offers to the City of San Antonio other than the one that I have here in front of me or Mr. Poerner's company?

MR. SPRUCE: Yes, sir. There are several; a number have been presented only in verbal form. There was one other in writing; it was not as explicit nor specific as this one and the one from Prudential which those two just came in the last two days. But, if you'd like an indication of how many of those there are and what some of them are, well I'd be glad to provide that to you. I'll have to ask Mr. Von Rosenberg to do that if you're interested in it. But, he can give you a brief summary of contacts that we have had; he's been keeping a list of them and he has talked to almost all of them.

MR. HASSLOCHER: Are you reluctant at this point to bring up who the companies are and who the principles are?

MR. SPRUCE: I don't think so. I'll ask Arthur if some of them have asked to remain confidential. Well, he won't identify them. He can give you some general information. Arthur...

MR. HASSLOCHER: Arthur, you're the man with the answers.

MR. ARTHUR VON ROSENBERG: We received a number of calls from people that possibly have been sent to us by Valero as part of their 20 percent under their contract and expressed interest in being a person who might sell gas to the City and be transported under that 20 percent. Among those are the Prudential one that you've heard of. We've also received from, I can't remember all their names, now, Good Hope Refining which is in receivership; the receiver has called on us and were interested in selling gas to us. In addition to that we have received and have been promised proposals from interstate gas companies who would like to pursue the possibility of supplying a part of San Antonio's requirements. Northern Natural is one of them.

MR. HASSLOCHER: The Mayor said earlier that, in looking at this, that \$3.10 or \$3.15 price that's proposed here by the Christie organization and then the \$2.60 for five years, who is that with?

MR. VON ROSENBERG: Well, it's \$2.85, I believe in that letter delivered to San Antonio the first year and that's the Prudential one that I believed the Mayor referred to, but it wasn't \$2.60 it be \$2.85 delivered to San Antonio, the first year, and I believe, as I recall, is \$2.99 the second year.

MR. HASSLOCHER: Alright, thank you. In looking at the gentleman that did the, the lawyer, that did the report from the Ryder Scott, sir. Mr. Cruce. No, I'm sorry the gentleman behind you there.

MR. ARNETT: You mentioned a lawyer from Ryder Scott. Engineers practice law but lawyers do not practice engineering. Mine was the law report, yes.

MR. HASSLOCHER: Alright, thank you for clarifying.

MR. ARNETT: That is an in-house joke among lawyers and engineers. Engineers often witness in these rate cases and so forth. Excuse me, what is your question, sir?

MR. HASSLOCHER: My question is, earlier when Councilman Alderete was asking a question, you said that there had been some modifications to the contract.

MR. ARNETT: Yes, sir.

MR. HASSLOCHER: And you said that Houston had asked that those changes be made. Did I...

MR. ARNETT: In one instance, yes.

MR. HASSLOCHER: In one instance. Was the other party, was the other company notified that there was a change being made?

MR. ARNETT: You mean Valero.

MR. HASSLOCHER: Yes, sir.

MR. ARNETT: I did not notify them; I don't know whether anyone else did or not. I can't answer your question.

MR. HASSLOCHER: So, you would probably assume at this point that since you all were dealing with... how much time did you spend with either company?

MR. ARNETT: I met with Houston Pipeline Company officials twice, two occasions. Probably two hours, maybe three hours each time. I have met with Valero personnel only about an hour and that was this morning.

MR. HASSLOCHER: Only this morning.

MR. ARNETT: Yes, sir.

MR. HASSLOCHER: Why would that be?

MR. ARNETT: Are you asking why I did not suggest changes in the Valero contract and go with them and discuss those changes with them?

MR. HASSLOCHER: No, sir, it was my understanding that all of these organizations that were going to do consulting work would spend time with CPS and also with both companies. Now, I may have misunderstood that. This morning is the first time that you have visited with the Valero Corporation.

MR. ARNETT: Yes, sir, that was not, as I understood my assignment, my assignment was to review the contracts, which were supplied to me, to determine whether those contracts adequately set forth a business agreement as explained to me. In the case of Houston Pipeline Company, I determined that some changes were desirable, and we approached them and asked for the changes. I think there are some changes desirable in the Valero contract. They are of a minor nature, and I'm sure would be done. In an economy of time and effort, if an additional contract is signed with Houston Pipeline Company, the contract now on the table from Valero will have to be redone in any event. So, since those were minor changes, I decided to wait and suggest those to them at the appropriate time.

MR. HASSLOCHER: What discussions took place with Valero this morning?

MR. ARNETT: Some questions about my understanding of their contract and of the entire arrangement.

MR. HASSLOCHER: Was there any problem as to understanding the contract or any clarifications that needed to be made by either you or the Valero Corporation?

MR. ARNETT: Yes, sir, one clarification has just been made today and that is my report was an error when it said that Valero had the right to cancel the contract. It does not. I might mention that I think also Mr. Alderete made a misstatement awhile ago when he said that the contract with Valero may be canceled at any time. That is not correct. It may be canceled at five year intervals upon one year's prior notice.

MR. HASSLOCHER: Okay, thank you very much.

MR. ARNETT: You're welcome.

MR. HASSLOCHER: Let me ask you, excuse me. Has your firm done any work for either one of these companies prior to, prior to this particular assignment, that was asked of you?

MR. ARNETT: No, sir, so far as I know my firm has never represented either Houston Pipeline Company, Valero Transmission Company, or LoVaca Gathering Company.

MR. HASSLOCHER: What about City Public Service; have you ever done any work for them?

MR. ARNETT: No, sir, we have not.

MR. HASSLOCHER: Okay, thank you. Mr. Spruce, what's going to happen to the, supposing there is a split today, I don't know whether there will be or not but let's say there is. What happens after deregulation two or three years down the road? Because you and me...

MR. SPRUCE: A lot of people in this world wish they had the answer to that. I don't know that we will have complete deregulation. We do have a deregulation, phase deregulation in process under the NGPA of 1978. The bill at the present as proposed as a more comprehensive deregulation bill, obviously opposition to that, it may or may not pass. I guess we believe that at the present time there is an abundance of gas that can be acquired. I think from the standpoint that we're looking at this at a time that it is in a buyers' market. It is something that San Antonio must not let slip away, I think we must try to get every possible advantage at this time. I don't believe, my personal opinion is that this same advantage will not exist three years from now. I think we probably got a window here because as Mr. Ambrose has indicated I too believe that at the present time the over-supply is going to be made available at reduced prices but as time goes by and that gets soaked up, I don't believe that it will continue to hold at those prices. I think eventually that the situation will tighten up where the demand and the supply are equal, and it will be a competitive market. In my opinion it will be a more expensive natural gas, but I don't at this time, my personal opinion is, it will not be as high as the numbers that we have used in the past. We've been talking about gas going to 8,9,10 dollars. It may some day, but I don't think that's going to happen now in the next four or five years. Of course, those are opinions, and I'm not really that much of an authority myself on it but that is my best judgement at this time.

MR. HASSLOCHER: Mr. Ambrose certainly seems to be very well versed in oil and gas business, and it's a game just like everything else is. You have to really know what you're doing in order to get up and comment and try to make intelligent statements about your industry and the work that one does. You know, Jack, I look at the situation that I know of, and I think on one hand it may be good supply and demand economics dictate it probably would be better for two suppliers in one sense, and then I look at the politics that has been involved in this and, quite frankly, it's a shame that the politics has been in existence over this situation but that's, that's the way it is. Why haven't we had the vision at CPS to go out and buy, have gas buyers buy gas for CPS?

MR. SPRUCE: Well, if we go out and buy gas for CPS, we immediately then get into the pipeline business. We're going to have to have some means of gathering that gas; we're going to have to have some means of conveying it to San Antonio. Up until April of 1982, we did have contractual agreement to take our full supply from Valero. We started looking for additional gas at that time. This is all come to light here only within the last few years. We never did find a deal on gas that we could go onto the field and buy where we thought there was any economic advantage in the past. This situation has just existed since probably last summer. It's just for about a period of less than 12 months at this time. Ever since then I think we've been working on this Houston deal which could conceivably give us some options to take advantage of gas that could be bought in that manner. We looked at that many times, I'm sure you remember we were talking about that back when we had the gas search committee forum and even prior to that we looked at it but there are limits to what we can do with public funds as far as speculating. Now you're talking about buying from an existing producing well. Most of those are committed, I guess there are some wells that could be made available, but then again we get back in the pipeline situation. We didn't have the ability to transport it without spending a lot of money on a pipeline.

MR. HASSLOCHER: Are there any holding facilities that could be made available and if so, do you think it would be wise for us to do at this point?

MR. SPRUCE: What kind of facilities, sir?

MR. HASSLOCHER: A holding facility where we could gather, like the Bammel field or others.

MR. SPRUCE: Well, I don't think you can afford to put in a field like that and buy and store gas.

MR. HASSLOCHER: Not that size but I'm saying there a lot of Lear jets being sold around the country, Jack, that oil companies are going broke because they didn't see what was happening. They didn't see the trend of the industry, they got caught.

MR. SPRUCE: I guess the nearest thing to what you're talking about would be buying reserves in place in the ground. We have also looked at that. We haven't come up with any deal that we think is as good as the possibilities that exist at this time by looking to buying from producers who already have gas available.

MR. HASSLOCHER: Would Houston amend its agreement if they were chosen to transport gas other than gas from Mexico when we all know full and well that we got a political problem down there and the likelihood of transporting any gas from Mexico at this point is slim and none.

MR. SPRUCE: Well that's another point of speculation. I have waxed and wained in my opinion as to whether we might ever get any gas from Mexico. At the present time I have a little more of an inclination to think that it can be made available at some time in the future. There are others that have a lot better handle on that than I have. The problem, of course, was the price as I understand it, Mexico gas right now is still \$4.94. There are indications that the government of Mexico who controls the gas supply situation might be willing to sell some gas for less because they are desperately in need of some financial support. You know I think that's a little beyond our scope to assess that possibility. There are indications that it could happen, again, the pipeline is the problem as far as delivery.

MR. HASSLOCHER: After looking at these contracts, do you put any value at all on the agreement with Valero? With what we have made the settlement?

MR. SPRUCE: Well, the settlement had a estimated dollar value as it pertained to the stock that we would get and to the gas search program and that sort of thing. I don't think we ever tried to assess values to the fact that Valero moved their headquarters to San Antonio which was obviously a tremendous economic benefit to the City. No, I don't think that we, what we can give you is the values that were assigned to the Valero settlement at the time of the out of court resolution of that issue. City Public Service and the City of San Antonio are still entitled to all the benefits of the results of that settlement with or without a contract.

MR. HASSLOCHER: If the contract was to go through, then Houston Natural Gas would have to put in a pipeline to San Antonio.

MR. SPRUCE: That's the intent of the contract that was offered. I would say, at this point, we're trying to evaluate a fixed offer here by both parties. I don't think either one of those inviolates. I think if we decide one way or the other that obviously there would be other negotiations that we would continue to seek with either party to try to take advantage of gas that could be bought and things of that nature, some terms could be modified, but I don't think it's reasonable to expect that Houston would be able to make a contract with us without building a pipeline. I think we would want that, that was one of the points we found to be favorable in their offer that there would be another pipeline into San Antonio from another major pipeline network.

MR. HASSLOCHER: Would we own that pipeline after so many years?

MR. SPRUCE: It seems to me that the last discussion on that was that they would build it and own it. We would probably build at some point where there would be a delivery station and a point of delivery but our length of pipeline that we would own would be negligible.

MR. HASSLOCHER: Sure, thank you. Mr. Wazell. Mr. Wazell, would you, as the chief operating officer of your company, consider possibly that if San Antonio was going to do an agreement that you would amend your contract

where if we wanted to go out through CPS and have some gas made available to us that it could be transported through your lines other than Mexican gas?

MR. WAZELL: Yes, we'd be willing to do that and, in fact, the contract does not say that we won't transport gas. The contract we've proposed is that we want to sell you at least 45 percent. We will transport the Mexican gas and then as to other transportation, we left that open saying that we're, and we'll talk about that. Of course, we'd be willing to do it if we make money on it as Mr. Ambrose discussed. The reason it wasn't spelled out more detailed in the contract, it's very complicated when you start dealing with transportation deals. Where does it come from, where do you have to haul it, ons and offs, who takes the swings and things like that. So we elected to leave that as just a provision we'd negotiate, but a simple answer to your question is yes, we'd look at transporting gas to the City once we get a pipeline built in here to sell you gas.

MR. HASSLOCHER: What kind of, or what do you see in the future for transporting any gas from Mexico?

MR. WAZELL: Gosh, I'm not qualified to guess at that nearly as good as some of you are.

MR. HASSLOCHER: I think it be somewhat difficult, especially right now.

MR. WAZELL: We would be willing to transport, if it could be made available. Whether it could be made available, I don't know.

MR. HASSLOCHER: There was some adjustments made in the contract and I believe it was something with the City gate price, could you elaborate on that on your contract on the industrial side?

MR. WAZELL: I think there's been some confusion over that, and I think Mr. Arnett described it. We submitted what we thought was the final contract in accordance with the instructions that we had. After Mr. Arnett was engaged to review that, he came over with some suggested changes that he wanted to make in the contract and as he described it, to get the contract where it fully complied with the business intent as he understood it. Well as part of those when he came over and asked for those changes, then we in turn asked for this other one change that was made. Was to reclassify the gas into domestic gas and industrial gas. Now, in fact, under the present rules and regulations that makes no difference whatsoever in the price you pay or the functioning of the contract. What it does do, if in the future there are laws or regulations that deal with either one or the other of those types of gas, domestic gas or gas for electric generation, then it's described separately in the contract, and you can deal with those in accord with those rules and regulations. I don't consider that a substantive change in the contract at all.

MR. HASSLOCHER: The Railroad Commission would not have an authority over that. I'm asking, I mean I don't...

MR. WAZELL: Well, this is another area of confusion, you know the Railroad Commission has authority over everything we do. They have total jurisdiction over the gas business in the State of Texas. So it's, you know, when we say they don't have jurisdiction over something that's not the case.

MR. HASSLOCHER: Would they, you would not have to go to them in order to get an increase, say they did look at the classifications, say that the classifications were changed that you would not have to go to them in order to get approval.

MR. WAZELL: There's no change in the way that the contract was and the way that the contract is now as far as what the involvement of the Railroad Commission is in their review of the rates.

MR. HASSLOCHER: Okay, thank you very much.

MR. BERNARDO EURESTE: Next.

MR. HASSLOCHER: I'll pass.

MAYOR PRO TEM ED HARRINGTON: Helen, you're next.

MRS. HELEN DUTMER: Thank you. Mr. Mayor. I'm going to ask you to bear with me a few minutes because there's a lot of things that need to be addressed here.

MR. EURESTE: Can I make a point of parliamentary inquiry, right before that?

MRS. DUTMER: Sure.

MAYOR PRO TEM HARRINGTON: Yes, sir.

MRS. DUTMER: Move to the chair, Mr. Harrington.

MR. VAN ARCHER: Is that a substantial point of order, Mr. Eureste?

MR. EURESTE: He's got to be there for me to ask him the legal questions.

MAYOR PRO TEM HARRINGTON: What's your point of order, Mr. Eureste?

MR. EURESTE: It's not a point of order, it's a point of parliamentary inquiry. The point is, do we have a motion on the floor at all?

MAYOR PRO TEM HARRINGTON: There is no motion.

MR. EURESTE: Thank you very much.

MAYOR PRO TEM HARRINGTON: Mrs. Dutmer.

MRS. DUTMER: Yes. So that we'll have a motion on the floor. I would move for a postponement of two weeks.

MAYOR PRO TEM HARRINGTON: I have a motion to postpone for two weeks, time certain.

MRS. MARIA A. BERRIOZABAL: Postpone what?

MRS. DUTMER: This question. To postpone the vote for two weeks.

MAYOR PRO TEM HARRINGTON: I have a motion and a second to postpone for two weeks this discussion.

MRS. DUTMER: No second?

MAYOR PRO TEM HARRINGTON: We better have a roll call.

MRS. DUTMER: Did you second it, Joe?

MR. ALDERETE: Yes, I have.

MRS. DUTMER: We have a second.

MR. ARCHER: Is that an item that has to be...

MR. ALDERETE: Is that a debatable item?

MR. FRANK WING: Only to the time certain.

MRS. DUTMER: Only as to the time.

MAYOR PRO TEM HARRINGTON: And the time is two weeks. Do you want to discuss the time? Roll call.

MR. ARCHER: Okay, I would. What is the purpose of postponing? It's a tough decision and a lot of things in my life I wish I could put off, but sometimes you can't put them off. What is the rationale now behind in putting this off?

MAYOR PRO TEM HARRINGTON: It can only discuss changes in time, I believe.

MR. ARCHER: What's the point in putting it off? I've listened to Mr. Alderete for about 25 minutes and then I listened to Mr. Hasslocher for

about 20 minutes.

MRS. DUTMER: Point of order Mr. Mayor.

MAYOR PRO TEM HARRINGTON: Call roll.

MRS. DUTMER: That's not discussing time certain.

MR. ARCHER: Wait a minute.

MAYOR PRO TEM HARRINGTON: Whether or not we postpone this for two weeks.

MR. ARCHER: Well, I'm asking a question. You know I might vote with you but what's the purpose of it?

MRS. DUTMER: The parliamentary portion of this is that you can discuss only the time frame. You cannot discuss the merits of it.

MR. ARCHER: Well, can I ask what the rationale behind putting it off is?

MAYOR PRO TEM HARRINGTON: I don't think she has to justify her rationale. The motion has been made and seconded, and you can discuss the time of the motion, but I don't think that she has to justify her rationale.

MR. WING: Point of clarification, please.

MRS. DUTMER: You can say why two weeks, yes, if you want to say why two weeks.

MR. ARCHER: I would like to say, I don't think that we ought to put it off. I kind of thought that we should bring it up when we got the report last week. That it's an issue that really needs to be decided upon pretty soon. We put it off for about 90 days.

MRS. DUTMER: Once again, Mr. Mayor, Point of Order.

MR. WING: Point of clarification, Mr. Mayor.

MAYOR CISNEROS: Alright. What is the point, Mrs. Dutmer first and then Mr. Wing.

MRS. DUTMER: My point of order is that we continuously discuss the merits rather than the time frame. I made a motion to a time certain.

MAYOR CISNEROS: When a motion is made to a time certain the procedure is that you can discuss the time in question and maybe affect the time but not the rationale or other elements of it.

MR. ARCHER: I thought that's what I was doing when I said that we'd put it off for 90 days before.

MAYOR CISNEROS: Alright. Let me take Mr. Wing's point of order real quick.

MR. WING: Okay, well, I would like clarification from the parliamentarian in this case, the legal officer, to first do we discuss only the time certain and how many votes would it take to postpone?

CITY ATTORNEY MACON: The debate on the motion is limited to the merit of the time itself, not to the main question and it's a two-thirds requirement of this Council.

MR. WING: Thank you.

MAYOR CISNEROS: Mr. Archer, I'll ask you to wrap up if you would on the question of time and then...

MR. ARCHER: What time are you going to put it off to?

MAYOR CISNEROS: What was the time certain?

MRS. DUTMER: Two weeks.

MAYOR CISNEROS: Two weeks.

MR. ARCHER: I mean any particular time during that day.

MRS. DUTMER: No hour of the day. No. All you have to ask is why two weeks, Mr. Archer, and I'll tell you.

MR. ARCHER: I would hope if we could add this to it that we could put what all has been said so far on the record. So we don't have to repeat ourselves.

MAYOR CISNEROS: Alright. I think this is one that requires just a majority vote as near as I can tell. And so we'll call the roll on the motion to postpone for two weeks on a majority vote.

MR. WING: I'd like to speak to the motion.

MAYOR CISNEROS: To the question of time.

MR. WING: Yes, sir. I don't believe that I'm speaking against the motion to postpone for two weeks. Strictly speaking because I believe that there are certain elements, Valero, in particular, in the City of San Antonio, that would love to have a postponement because they seem to think, Mr. Mayor they seem to think that within two weeks...

MRS. DUTMER: Mr. Mayor, a point of order. He's not speaking to the two weeks.

MAYOR CISNEROS: Mr. Wing, would you speak to the two weeks question?

MR. WING: I am speaking. I'm saying that I don't believe that it should be postponed for two weeks.

MAYOR CISNEROS: Okay.

MRS. DUTMER: That's good enough.

MR. WING: I think that Valero, this is America, I can speak to the motion...

MRS. DUTMER: You can't qualify it, Frank.

MR. WING: The motion is, I don't believe that it should be postponed for two weeks because Valero thinks that they can upset the makeup of this Council in two weeks, and I don't think that that's fair. And I would also like clarification on the total votes that would require for a postponement, again from the parliamentarian.

MAYOR CISNEROS: Okay, the ruling as near as we can tell from Robert's Rules is that is a majority vote and that we'll now proceed to the vote, the issue is only the question of timing.

MRS. DUTMER: Alright, parliamentary, point of order.

MAYOR CISNEROS: Yes, madam, what is your point of order?

MRS. DUTMER: You were remiss, Mr. Mayor, in not stopping the personal remarks that were made. I, if those...

MAYOR CISNEROS: Personal remarks.

MRS. DUTMER: If those remarks can be made, I'm talking about his opinion of the remark as to why I made the motion. I can sit here and tell you that Valero has nothing to do with it.

MAYOR CISNEROS: Okay.

MRS. DUTMER: Nor does Houston Pipeline have anything to do with it.

MAYOR CISNEROS: I have to call this out of order, too, because all that's..

MRS. DUTMER: Well, alright you call me out of order, but you let him get by with it, Mr. Mayor.

MAYOR CISNEROS: No, as long as he was speaking to the two weeks issue, I let him speak.

MRS. DUTMER: No, alright I think that it should be postponed for two weeks.

MAYOR CISNEROS: Okay, alright, very fine, thank you. I appreciate it. I gathered that you did because you made the motion.

MRS. DUTMER: And I think the reason it should be postponed for two weeks, Mr. Mayor, is because it will give us more time to look into the contract.

MAYOR CISNEROS: Let's call the roll on the motion because it's impossible to keep the discussion on the subject of two weeks. Let's just call the roll on this question.

MR. ARCHER: Can I just say one thing, though?

MAYOR CISNEROS: Yes, sir.

MR. ARCHER: I don't, I like when we have something come up down here, to discuss it on the merits or demerits. I don't like to try to be cute on the time and all that.

MAYOR CISNEROS: Okay. We'll vote on the question of whether or not this ought to be postponed for two weeks. Call the roll please.

CITY CLERK: Mr. Wing.

MR. WING: No.

CITY CLERK: Mr. Eureste.

MR. EURESTE: No.

CITY CLERK: Mr. Thompson.

MR. THOMPSON: No.

CITY CLERK: Mr. Alderete.

MR. ALDERETE: No.

CITY CLERK: Mr. Harrington.

MR. HARRINGTON: Yes.

MRS. DUTMER: Mr. Mayor, I had the floor at the time when all this started.

CITY CLERK: Mr. Archer.

MR. ARCHER: No.

CITY CLERK: Mr. Hasslocher.

MR. HASSLOCHER: No.

CITY CLERK: Mayor Cisneros.

MAYOR CISNEROS: No.

CITY CLERK: Mrs. Berriozabal.

MRS. BERRIOZABAL: No.

CITY CLERK: Mr. Wing.

MR. WING: No.

CITY CLERK: Mrs. Dutmer.

MRS. DUTMER: Let's make it unanimous, No.

MAYOR CISNEROS: Alright, ladies and gentlemen, this is a complicated matter. We've been through it many, many times. We've been over it, I think we had...

MRS. DUTMER: I had the floor.

MAYOR CISNEROS: Alright. I'm going to ask Mr. Harrington who was in the chair when I left. The board that I have here has Mr. Archer zero and Mrs. Dutmer seven.

MRS. DUTMER: I had the chair and made the motion at the time and that's when the discussion started, Mr. Mayor, and I did not relinquish the floor.

MR. ARCHER: After you make a motion and give it up for a vote.

MAYOR CISNEROS: Generally you relinquish the floor when you make a motion because then that starts a different discussion. And the debate goes in a different direction, but I will recognize, Mrs. Dutmer to finish her comments, if she would please.

MRS. DUTMER: Thank you, Mr. Mayor. Mr... I don't know what your name was from the law firm place.

MR. ARNETT: My name is Arnett.

MRS. DUTMER: Mr. Arnett, I didn't know whether you were the principal of the firm or whether your name was something else, sir. I meant no insult by it. I believe that you said that the clarification of the contract did, in fact, change the contract. Is that true? You made a statement awhile ago, that the clarifications did change the contract. Right?

MR. ARNETT: Oh, in the sense that it made the contract read as the business proposition was intended to make it read. Yes.

MRS. DUTMER: But, was it not, in fact, one of the regulations of this situation, that after January 31 there would be no changes made to the contracts.

MR. ARNETT: I am not aware of that. No, madam.

MRS. DUTMER: But it was.

MR. ARNETT: That was not communicated to me.

MRS. DUTMER: From Mr. Spruce. It says, any change made in the Houston Pipeline etc... after January the 31st. The only, only the wording in the clarification of intent changes were made in response to a review by an independent legal consultant. You asked for it. Awhile ago you said the Houston Pipeline asked for it. Who asked for it?

MR. ARNETT: Houston Pipeline Company proposed one change, that is, the change having to do with the dichotomy between industrial gas and domestic gas.

MRS. DUTMER: Which actually changed the contract. Actually it changed the contract. Because...

MR. ARNETT: I don't know what you mean by changed the contract.

MRS. DUTMER: Well, alright before we had a contract...

MR. ARNETT: The effect is the same...

MRS. DUTMER: Well, now wait just a minute. Over here on page 5, let's find page 5. I can't seem to find page 5 of the... anyhow the contract was predicated on, on City gate gas. In other words domestic gas. It was not predicated on industrial gas, then you went back to clarify the word industrial in the contract and industrial in the contract. In doing that, it changed the concept from the delivery of gas to the City of San Antonio into industrial gas, rather than the domestic gas. Which, of course, changes the, I see Mr. Poston shaking his head no. Could you clarify it, Mr. Poston? Alright sir, thank you. It does indeed change

the contract. The term industrial, industrial gas is the high price, now you're talking to somebody that does know a little bit about it, You take the three top prices of your industrial gas, and you take the last month that you delivered that gas and that will be the price that is predicated to the City of San Antonio. Not the going rate on domestic gases. Right?

MR. ARNETT: As I understand, perhaps I'm confused with some of the questions that are being asked.

MRS. DUTMER: Join the crowd.

MR. ARNETT: The contract that I saw which was the January 31 draft, stated on the face of it some of the gas that was to be delivered to the City would be used for distribution to residential consumers...

MRS. DUTMER: Right.

MR. ARNETT: Some would be distributed to industrial consumers. That intent has not changed. The change in the contract simply says, that if there is a regulation setting the price for one of the gases, for example, domestic gas then we're going to have the question of how is the price set to the City of San Antonio?

MRS. DUTMER: Right.

MR. ARNETT: This is an, this is, as well as people can do, look into the future saying what might happen and to provide for that eventuality. I do not view that as a change in the contract, except as a clarification.

MRS. DUTMER: It is because of the difference in industrial and in the domestic gases and in the jurisdiction that the Railroad Commission might have over the transporting of these two gases.

MR. ARNETT: If you were saying that under the contract draft as of January 31st, all of the gas would be domestic gas, and there would be no industrial gas at all...

MRS. DUTMER: No, I'm not saying that. I'm not saying that. I'm saying there's a difference in the percentages now.

MR. ARNETT: But saying, however the percentages are used if 85 percent...

MRS. DUTMER: But the Railroad Commission does not have jurisdiction over the industrial gases that are transported. Right now it doesn't have jurisdiction over either of the transportations. That would lead me to say then that not only the margin in the prices should have been considered but also the transportation costs. Because that's where the contract can escalate. Do you agree to that?

MR. ARNETT: The margin reflects the transportation cost. That is the transportation cost plus the price.

MRS. DUTMER: Alright, that's what I said. The margin, the prices, the margin and the transportation are all hinged together. That is what I was saying. Right?

MR. ARNETT: Yes.

MRS. DUTMER: But through the transportation portion of it is where the price can escalate. Not the price of the gas that's regulated at the well head, supposedly for everyone equally but having been there I know it isn't.

MR. ARNETT: But you appreciate the price of the wellhead is going to change each month.

MRS. DUTMER: I appreciate the price at the wellhead will change each month and also appreciate that in 5 years that price is going to go out of sight but if we have no, if we have an open ended contract on the transportation of that gas that transportation price can escalate because it's not under Railroad jurisdiction.

MR. ARNETT: It is under the jurisdiction of the Railroad Commission. Now you are...

MRS. DUTMER: Except that they're not putting the regulations on it as they are Valero.

MR. ARNETT: Well, they are, Valero was a peculiar situation arising out of...

MRS. DUTMER: Well, I say so to...

MR. ARNETT: Novel. A novel happening.

MRS. DUTMER: The point is that we put a very strenuous stipulation. That January 31st would be the cut off date and there would be no changes, that means no changes, in that contract and there were changes made.

MR. ARNETT: Well, I think that you're raising a procedural point with me that the people on the Council will have to make a decision.

MRS. DUTMER: I'm just merely pointing out.

MR. ARNETT: Let me suggest to you that other changes were made, for example, the definition of day was changed from what it is in the contract. It was defined as 24 continuous hours beginning and ending at 7:00 on local time. At my request it was changed because 2 days of the year will not be 24 continuous hours. I suggest the same change in the Valero contract. I do not view that as a change of substance at all. Now, whether that change should have been made will be for you to decide. It was not communicated to me, that no change should be made.

MRS. DUTMER: Alright, could you...

MR. ARNETT: It was communicated to me that I should ascertain that the contract correctly set out the understanding of the parties. And if it did not to suggest language that would make it correctly set out the understanding of the parties.

MRS. DUTMER: Alright, here in your first paragraph you said that the wording of the proposed contract is satisfactory informed. Whether the trade set out in the contract is acceptable is, of course, a policy decision to be made by the City Public Service Board and the City Council. In assessing the trade two items are our primary interest, the price to be paid for the gas and the assurance of an adequate supply of gas. I submit that you should have also had a third subject in there and that was the transporting of the gas.

MR. ARNETT: That is a part of the price to be paid for the gas.

MRS. DUTMER: Yes, I know but you still have to look at the transportation in that section of the contract.

MR. ARNETT: You can not ascertain the price to be paid for the gas without taking the margin into consideration.

MRS. DUTMER: Alright. To show you that your not infallible, and I'm sorry that we've come to this headbutting situation and I realize you're an attorney, that your very alertive, very smart. In paragraph 3 on page 2, dealing with the ceiling on unit prices, is not really a ceiling, but getting down to the third line from the bottom, it says, or rather we'll start at the beginning of the sentence. The Valero contract provides that the City shall have the option to terminate the contract for up to 50 percent of the City's gas requirements if the margin, the regulated cost of service factor increases above 15 thousand cubic feet before March 1, 1985. You should have said, if it is increased by the Railroad Commission not by Valero Energy. Is that right?

MR. ARNETT: I didn't say who it is increased by, I said if it increased. And in the comparison of the contracts and the, in my letter, I point out that that margin cannot be changed without Railroad Commission permission, Railroad Commission approval.

MRS. DUTMER: Well, the way the sentence is written perhaps that's what your intent was, but the way the sentence is written it implies that Valero has the power to change it and Valero doesn't have the...

MR. ARNETT: No such implication was intended.

MRS. DUTMER: Alright. Thank you, sir. Alright, how do they buy gas? They buy it by the BTU's and sell it by the thousand, the cubic foot.

MR. ARNETT: Under currently executed contracts, yes. Under contracts that were in existence in the past and still in existence they may well buy on a thousand cubic feet basis. They probably buy on both basis.

MRS. DUTMER: Alright, and you pointed out your error that you had on page 8. The primary term of the Houston Pipeline Company has an evergreen clause in it, of course, end the primary term in '88. Right.

MR. ARNETT: Yes. That's correct.

MRS. DUTMER: Okay, we are a subject to this contract until the one that's right now on the table until 1984. Right.

MR. ARNETT: I'm sorry, I'm not following, you're talking about if this contract with Houston Pipeline Company were signed.

MRS. DUTMER: If we accept this contract today, and it is signed, then in 1984, they can come back and renegotiate or escalate the prices.

MR. ARNETT: On the margin yes.

MRS. DUTMER: On the margin.

MR. ARNETT: The weighted average cost changes each month between now and then.

MRS. DUTMER: The weighted average cost and on the margin, the margin including transportation.

MR. ARNETT: Yes.

MRS. DUTMER: Right.

MR. ARNETT: Yes. That's correct.

MRS. DUTMER: Alright, what we have now, we're in the month of April already. If they're going to build a pipeline it's going to take them at least 3 months, at the minimum. Right?

MR. ARNETT: I don't know.

MRS. DUTMER: Who can answer that question?

MR. ARNETT: Perhaps, Mr. Wazell can answer that question.

MRS. DUTMER: Alright, Mr. Wazell.

MR. WAZELL: Three months is a good estimate.

MRS. DUTMER: Around three months is a good estimate. Depending upon the weather, of course, it could extend further. So, what it means is you're signing a contract for 5 months, when you sign this contract. Five months at the cost that is quoted to you right now, but in 1984, they can escalate the delivery price to you, and they can escalate the well, which is included in the marginal price, the marginal difference depending on the cost of the gas. The waited average cost of the gas plus the transportation. They can escalate that in 1984. I'm not saying they will; I'm saying it is a possibility. Alright, there're some other things in here that really give me pain. I've read this thing page for page. On page 9 under 14, it says Houston Power and Light, Houston Pipeline I'm sorry, has made reserves date in sales commitments available for the evaluation of the adequacy of the supply before the contract is signed and will advise the City of Houston Pipeline supply in sales obligations and make available for reviews such records as Houston Pipeline does not consider confidential. In other words, the whole thing can be confidential, if they consider it so and we'll be sitting out in the cold.

MR. ARNETT: You may select another supplier in that event. This is operative only at such time that the contract is to be reviewed.

MRS. DUTMER: Yes, I know that. I'm just pointing this out. Some of my colleagues sitting here that don't. Alright now in regard to the new offer that was made. I would point out that I don't know anything about these companies other than the Joe Christie Incorporated 1-6-78, the other 3-1-79 and the next one 5-10-79. B.A.M. was incorporated 8-13-81, so it's a relatively young company not quite two years old. That gives me a little bit of a problem, very frankly. I know everyone has to start out somewhere, but when we're dealing in a contract to this magnitude, it does give me a bit of a problem. However, I would like to ask Valero then somebody who's in charge. Mr. Greehey.

MR. ARNETT: Have you completed your questions?

MRS. DUTMER: Thank you, sir, yes, I'm sorry, thank you. Mr. Greehey, assuming that this is a very young company, both of them are relatively young companies. If they can not meet their commitment, is Valero ready to meet the commitment at that price and that delivery.

MR. GREEHEY: No, not at that price, but we would deliver the volume of gas.

MRS. DUTMER: Very well. But not at that price.

MR. GREEHEY: No.

MRS. DUTMER: So what good is it going to do us to negotiate this into our contracts if they're not able to. I remember Alamo, I can tell you the principals in it. Ok, I'd like to know from someone, I don't know who has this, the one that had the economics of this thing. I believe it was Mr. Ambrose.

MR. AMBROSE: My name is Bruce Ambrose.

MRS. DUTMER: Thank you, Mr. Ambrose. Mr. Bruce Ambrose. We're talking about the economics of the thing. Do you see that we lose any of the benefits of our settlement if we split this contract?

MR. AMBROSE: From an economic, not a legal standpoint.

MRS. DUTMER: No, from the economic standpoint. Do you see where we're losing anything, the City is losing anything if we split this contract?

MR. AMBROSE: As I understand the settlement agreement, no, because you'd still have, I believe I said in my report that signing with Valero would effectively take you out from under the settlement agreement, that may be wrong, but that's a matter of law. I don't see losing any economic benefit out of this settlement. Whether you could ever again increase your takes from Valero is a legal issue as I point out.

MRS. DUTMER: Alright, but part of that agreement and that settlement that we had, was 385,000 shares of Valero stock, 157 shares of preferred stock, around 8 million on the common and about 16 million on the preferred. If we split this contract and, indeed, that stock drops in value, do we not lose.

MR. AMBROSE: Are we the same people here?

MRS. DUTMER: We is the City of San Antonio, we is CPS.

MR. AMBROSE: The people own that stock.

MRS. DUTMER: The people own that stock. It is a settlement and that stock is to be sold and the dividends are divided among the people. Now, if we lose on that stock by transferring 50 percent of this out of Valero and their sales drop, do we not suffer an economic loss?

MR. AMBROSE: Yes, the question is how much overall?

MRS. DUTMER: Thank you.

MR. AMBROSE: And are you better off in the long run going with Houston and I think you are.

MRS. DUTMER: No, not that much.

MR. AMBROSE: I'd be willing to look at your numbers.

MRS. DUTMER: Alright, very well. The second thing that bothers me is that we have an iron clad contract right now with Valero. Do we not lose...

MR. AMBROSE: Excuse me, there is a contract right now between you and Valero.

MRS. DUTMER: Well, we haven't signed a contract, but they're under court order that they shall supply us.

MR. AMBROSE: Oh, I'm sorry. That's what you referred to as an iron clad contract?

MRS. DUTMER: Alright, and we have not signed the other contract so, technically our only contract was with Valero. That's what I mean, although physically the contract is not there.

MR. AMBROSE: When you speak from here on, your referring to the settlement agreement as a contract.

MRS. DUTMER: Right.

MR. AMBROSE: Alright.

MRS. DUTMER: Alright. Now, I forgot what I was going to ask you.

MR. AMBROSE: Sorry.

MRS. DUTMER: I used to work for attorneys. I know how they operate.

MR. AMBROSE: I'm not an attorney.

MRS. DUTMER: I know, but you'd be wondering sometime. If indeed we do split this contract, and we don't go 50 percent, if we go 50 percent, 50 percent and we drop 50 percent to Valero. Assuming that and you're assuming there will be a gas glut. I'm assuming there's going to be a natural gas shortage. Assuming there is a shortage, where are we suppose to turn to for a committed supply of the amount of gas that we need?

MR. AMBROSE: You confused me a little in the first part of your question because you said assuming we don't split. You are assuming that you do split and there is a shortage.

MRS. DUTMER: Assuming that we do split.

MR. AMBROSE: You do split and there is a shortage.

MRS. DUTMER: We don't take 50 percent of Valero.

MR. AMBROSE: There's an old homey adage that says with more suppliers in a shortage you're better off and with more suppliers when there's a bubble you're better off. You're better in a case of a shortage because now you have two people who might potentially help you out. Okay and you're better off when gas is in long supply because you can bid one against the other.

MRS. DUTMER: We're dealing with two different philosophies here.

MR. AMBROSE: Precisely my point.

MRS. DUTMER: Precisely my point. We're dealing with two different philosophies. You are assuming that if a gas shortage, that both of these companies are going to be right at the forefront and have all of the gas that there is. I am assuming that if we drop 50 percent, we are at the mercy of any gas company out there. We got 50 percent over here with Valero, we have nothing over here with these people. And it's going to cost us dear to get that gas and to get it here.

MR. AMBROSE: I'm not sure that I understand your point. I'm honestly trying to.

MRS. DUTMER: Alright.

MR. AMBROSE: What you're saying is, and I agree with you. Apparently you believe that gas will be in short supply. Obviously, I believe that's wrong. My point is precisely because people disagree is the reason why you should have a second supplier. The reason for that is because in having a second supplier, if your right you're better off, if I'm right you're better off.

MRS. DUTMER: Alright. We do, say we do business with both of them. Say Houston Pipeline which has a different philosophy, of course, altogether than Valero has. Valero long term contracts. Houston Pipeline is short term contracts. Alright, say they've got 5 contracts out on short term, 5 years hance when deregulation comes along. What are they going to do if they run short of the gas? I guess I should be asking Mr. Wazell. What they're going to do if they run short of the gas? Who's going to get the brunt of it? Could I ask Mr. Wazell, is he in the room? Can you answer it?

MR. RICHARD AUSTIN: I believe so.

MAYOR CISNEROS: Come up to the microphone if you would, sir. Come to the mike, if you would please.

MR. AUSTIN: In the case of a shortage, the Railroad Commission allocates gas. The first to receive gas from suppliers are those receiving gas in cities. And so you would have two pipeline suppliers who the Railroad Commission would have to look to supply the requirements of your City first.

MRS. DUTMER: In other words, our contract would come before your other customer contracts.

MR. AUSTIN: There are curtailment priorities set forth by the Railroad Commission that all pipelines operate under and those curtailment priorities take into account first, residential and that type of consumer and the first to be shut off are boiler fuel users and those who have temporary supplies.

MRS. DUTMER: The industrial gas.

MR. AUSTIN: Well, even industrial is broken into a few categories but basically that's right.

MRS. DUTMER: Alright, would you have the right to say whether it got through your pipeline or not? Or would Railroad Commission tell you it has to go.

MR. AUSTIN: The Railroad Commission through its schedule of priorities would ask the pipeline company to say who is in each of these priority categories and then deliver to them based upon that.

MRS. DUTMER: Alright, there's one other question perhaps you can answer. What's going to happen if we split this contract and it takes you 3 months to build a pipeline? Are you going to rely on Valero to supply us the 100 percent of what we need until you get a pipeline in here?

MR. AUSTIN: I believe that's what the contract contemplates. I believe our contract draft contemplates that our service will begin when the facilities are in place.

MRS. DUTMER: But we have a time frame on everything except that, don't we.

MR. AUSTIN: You mean the length of time it'll take to construct that. I think Mr. Wazell agreed that three months...

MRS. DUTMER: No, I'm talking about this contract can change in 1984, February of 1984. Are you going to have Valero to deliver the gas through their pipelines, while you are completing your pipeline?

MR. AUSTIN: No, madam. I don't believe that gas service from Houston Pipeline would start until after the pipeline facility is constructed and completed and in service.

MRS. DUTMER: That's exactly what I mean. I mean Valero is going to

have to remain the goat in this situation. They're going to have to supply us until you are ready to supply us. And I don't call that free enterprise.

MR. AUSTIN: Well, if they would prefer to transport our gas to you, we could start to sell it to you quicker than that. I'm sure Mr. Wazell would agree to that.

MRS. DUTMER: Good and I'm sure he can make a few bucks on that transportation. Let me see, there's another one... I'll ask Mr. Ambrose again. Would you say that it would really be in the long run to San Antonio's benefit if they built their own pipeline and went out and bought their own gas?

MR. AMBROSE: I'm going to turn now to all my legal training and say that depends. If you're talking about building a pipeline to Louisiana or Canada clearly that isn't in your best interest,

MRS. DUTMER: Well, no.

MR. AMBROSE: That would depend on as the Cheshire Cat said, where you want to go? You'd have to look at specific proposals, to be honest with you. I really, I tend to think it's a good idea to have Houston build the piece of pipeline that you need in this instance for you and that you not get into the business of building pipelines because there still is that chance of pipelines are going to be deregulated. As I say it's not a favorite term among them, but it may happen. In which case you won't have really needed that piece of pipe at all. At such time as we know that they won't have to become common carriers, then you might more seriously look at that, but that's an awfully expensive proposition.

MRS. DUTMER: Well, alright. Thank you and you might know that I agree with you, that it's awfully odd that all of a sudden everybody wants to sell San Antonio gas, when we were in a desperate situation before and nobody wanted to pay attention to us.

MR. AMBROSE: It's the market at work.

MRS. DUTMER: Yes, sir, I agree with you and that's all, thank you, sir. Alright, the next thing we're going to go along with here is, on the first place I think it's a misleading comparison we've done here. Alright, the man from NERA. That's you, again.

MR. AMBROSE: Can I take you to dinner tonight, Mrs. Dutmer?

MRS. DUTMER: Sorry. I would love it, shall we leave now. You want to leave right now, I'd love it. Alright, can I ask you, how much time approximately did you spend over at Valero's when you were doing all of this economic study?

MR. AMBROSE: Over at Valero's. The same amount of time I spent with Houston. Several hours, two or three hours.

MRS. DUTMER: I have it timed that you spent an hour and 15 minutes with them.

MR. AMBROSE: Let's say it was 5 minutes. How does that change anything?

MRS. DUTMER: Alright, thank you. This is a booger. Hopefully, that's all now, Mr. Ambrose, and I'll still hold you to the dinner invitation. Alright I see we have three options. In the end we can reject both contracts; we can sign the Valero contract and seek a source of gas which Valero has offered to transport, or we can sign the Houston contract and then split it with Valero. My fear is that it is going to be economically harder than anyone has implied here for the City. We fought long, and we fought hard for that settlement. We felt that we were, had a very grave injustice done to the City and it took us a great amount of time, money and effort to come to that settlement. And now we are ready to give up the majority portion of that settlement, and I have a great deal of problem with that. Now I know that some of the decisions here today are going to be based on personalities. I am not going to base my decision either on personalities or politics. I simply do not think that we are going the best economic way for the citizens of San Antonio. The Wazell contract or

the Houston Pipeline contract has the term in it that they want City Council concurrence, and I must make this statement that this was not out of the goodness of their heart. What they want to be sure is when we agree to it that we as the City will not sue them later on down the line as we did Oscar Wyatt of Coastal States for the wrong that he did to the citizens of the City of San Antonio.

Needless to say that if we went the route offered to us by Valero with the three new people in it offering us gas at \$3.15, we would save a great amount of money for the City of San Antonio. I would be in more of favor if we're going to start piece meal giving up our contract, I would be in more of favor of not signing any contracts with anyone than I would this. Now, I do know how a few of the connections come across in the gas and oil industries. Actually, no matter which one you vote for it's going to go in ultimately into approximately the same pockets for the profits of it. It has to do, of course, with banking and with bankshares that control people and who they control and who that company subsidiary is and they are all inter-meshed to each other in such a very tight and fine conglomerate, that it's very hard to separate them. I will get into that later; I'm merely going to say at this point that I will not vote for the split for the very simple reason that I think that it will be doing an untold amount of harm to the citizens of San Antonio because you are going to see an escalation in the delivery prices. You're going to see an escalation as well in the gas prices when the deregulation comes about. If you want that gas after the, in the five year increments if you want that gas you're going to have to agree to the higher prices and you're going to have to agree to the transportation prices, that are put before you now. If it were not so, then I don't feel that Houston Power and Light, I'll say it everytime, Houston Pipeline which is under Houston Natural Gas would be fighting so vehemently to stay out from under the regulations of the Railroad Commission. That's my opinion, Mr. Mayor, and that's the way I will vote.

MAYOR CISNEROS: Alright, Ladies and Gentlemen, the tendency this afternoon has been for a Council person, all who have spoken to really hold the floor for a very, very long time. There are eight persons yet signed to speak and obviously if we hold at the ratio that we have it'll be a very, very long afternoon. We debated most of this point. We're back here to hear these reports and then just give some direction to the CPS board as to whether or not we want to just delay further or whether we want to go ahead and approve the concept of the split or whether we want further analysis or whatever, but we need to be moving towards some resolution of this. We have about 2 or 3 other more time consuming matters. We have the jail swap issue; we've got the nuclear bombs, so we do need to be moving along, and I would just urge abruptly if we can do it.

MRS. DUTMER: On a point of order.

MAYOR CISNEROS: Yes, madam.

MRS. DUTMER: My point is, Mr. Mayor, that at the beginning of this session you took your sweet time and gave forth your opinion. I think every person around this table is as important as the Chair and should have their full say irrespective of the time it takes.

MAYOR CISNEROS: I have no quarrel with that. I'm just urging the Council at the rate of eight persons and the time that has been taken already and the almost certain going back through the cycle again that always occurs. That this is going to be a very long day, and we won't be able to get our other business done. Mr. Archer.

MR. ARCHER: Thank you very much. I would just like to reply to Mrs. Dutmer's remarks. Just because she just said them but as much as I would like to think that I was as important as the Mayor, I don't, I'm not. My vote might count the same but the Mayor is always got to be the lead person. As far as this contract is concerned, I have read, well, as I can understand, what has been placed before me and in trying to decipher it in between phone calls, it's not the easiest thing to do because you have to more or less be a technical person. I think to understand everything that it says, but as far as I'm concerned about it I believe that Houston Natural Gas is one of the finest companies, has one of the finest management of any company in America. I think Valero is a very fine company, and so I don't feel like that should the City split the gas contract that it's

going to be a big lost for the City in terms of what might happen to the individual ratepayers. But on the other hand in looking at the report that we asked for, I don't see anything in there that guarantees any type of a substantial savings to the ratepayers. They say that if there might be a savings and then on the other hand there might not be a savings. I kind of feel like that when you're doing business with somebody and the service has been satisfactory and you don't really have any complaints, that maybe you shouldn't change just to be changing. If you could show that there was going to be a net benefit to the ratepayers, then I would say change. And I would even say we ought to change; we ought to split the contract if we were dealing with two out-of-town companies, but Valero is a local company, and I believe that since everything has been very satisfactory that we ought to stick with Valero being that it's a San Antonio company and hires San Antonio people because everything that they have provided us in the past has been satisfactory. I think that there is a legal question as it says in the report that should the City split this contract, then Valero has the right or has the possibility of taking it to a court and maybe getting out from the entire court settlement that came about. You got that point, also I think that the Mayor is to be commended for bringing the subject up because which ever way it goes even if we stick with Valero, I think that maybe the ratepayers are going to get some benefit because I think Valero understands that we're watching the situation pretty closely and they're going to maybe feel a little bit more under the gun in getting us the gas at little bit cheaper price. I don't think that the City ratepayers would be hurting too much with a split contract, but on the other hand I just feel like we ought to stick with Valero being of what they provided in the past and being that they are a local company.

MAYOR CISNEROS: Thank you, sir. Mr. Thompson.

MR. BOB THOMPSON: I need to speak with someone from the Houston Pipeline Company.

MR. WAZELL: Yes, sir.

MR. THOMPSON: One of the concerns I have is the uncertainty that's created by the indexing method that you've suggested in your contract and our cost of our gas. I don't like that kind of uncertainty in our contract, and I would like to be able to explore options that we might have to remove ourselves from such an indexing method. I'm concerned about your future contracts as you reach more, more favorable contracts for your company and rightly you should. As they are favorable to you and higher, in what, than our price would be, then our suddenly index is upward and we have no control of that.

MR. WAZELL: There's some uncertainty there but it's not necessarily bad and it's not necessarily upward. When we entered into this period of considering taking on new customers, we try to decide what was the fair way to take on a new customer, when we've had these old customers that we've had for years and years. So after grappling with that we thought that the fair thing to do was to charge new customers exactly the same that we're charging the old customers. Now, the idea that, and the 25¢ which was the original spread was the average of the margins that we're charging our existing customers. Now, will that margin go up or down as we continue to make deals and negotiate with customers. At the present time the pressure is down on margins, everybody is scurrying to try to get rid of their gas and so whether that's going to be up or down is not at all certain. The thing that's certain is, that San Antonio will get the benefit or get equal treatment with the competitive deals that we'll be making with all of our other customers.

MR. THOMPSON: The quarrelsome part of that concept with me is that we don't have control of it. That suddenly you and those people that you do business with in the future are, in fact, stating and making a statement to us that we must comply with and that is a statement of our monthly cost. I think that in your company, I can appreciate your willingness to negotiate like this. Now, I really think that it's a very appropriate statement for you to make that it's equitable, fair thing to do because in the future you're a part of that negotiating process and we're not. Suddenly, we are then watching your ability to negotiate and concerned about the other side of the negotiation table because they represent suddenly our interest. As that margin would slip one way or the other, we are directly affected. I, for one, am very uncomfortable with that result, the result

of not being a party to negotiation of which I must pay the result of. We have had alot of difficulty, and I think that's a most precarious position for us to go into.

MR. WAZELL: Would you feel more comfortable with a fixed number there for the 5 year term? Again, we're not looking at a long term, in 5 years you got a chance to get out if you don't like it.

MR. THOMPSON: Yes, I would. I would consider that...

MR. WAZELL: You'd be guessing that it might be better or worse then the proposed method but it would be defined, yes, that's right.

MR. THOMPSON: We guess better than you do, then we got a good deal and vice versa, but I don't with the uncertainty in the market as your were here visiting with us what two months ago.

MR. WAZELL: Something like that.

MR. THOMPSON: We had no idea that we'd be in here with spot prices what they are today, none whatsoever. In fact, I think it's incumbent upon us now to try to take advantage of those spot prices in any way we can. The ratepayer has some advantage here and the buyer is, in fact, in a good position today, the buyer of gas, and we need to exploit that advantage that suddenly appeared.

MR. WAZELL: That's certainly true and Mr. Ambrose has pointed that out, how competition is working in the gas business. I want to make a couple of comments if I can about these low price deals. I have a tendency to refer to them as junk deals and maybe that's too disrespectful, maybe I ought to call something else, spot sells or something like that. There's alot of talk about that. You know we're out trying to buy that gas. We got gas buyers out, if there's any gas out there that's for sale for \$3.00, we want to sign it up today and put it on. We're having a little trouble finding it so...

MR. THOMPSON: There're alot of gas wells that are closed up right now, and you know that too. There're alot of gas that's not being sold.

MR. WAZELL: But most of that gas is committed to other pipeline companies where it's not available for sale. Any gas that's available for sale, we're out trying to buy it, hook it in to our pipeline and turn it on. I guess the point I'm going to make is that those spot deals are going to disappear the minute the market turns around. There's certainly not a long term reliable supply, even the proposals indicate that there are one or two years something like that. I'm not saying that you shouldn't try to take advantage of those, but I think you need to recognize the weakness of those deals.

MR. THOMPSON: We can't run a utility on spot buying gas, I know that and I'm not advocating that. But I am advocating a flexible position or a position where we can take advantage of that, fair and if we choose to ignore it, it's at our certain expense. We pay more tomorrow than we have to. Are you willing to look at a price, a certain price for a 5 year contract?

MR. WAZELL: I think the appropriate thing to do here is to stay with the proposal as we made it. I don't think we can get into renegotiating basic terms of the contract. I think what I need to do is to try to tell you why I think that's a reasonable thing and just say stay with the proposal.

MR. THOMPSON: I'm convinced that you are a hundred percent right from your perspective, and I think you can be very clear and open conscious about making a statement that that is a fair and equatable thing to do. It is from all of your background and experience is probably the fairest thing you can see. And I appreciate it for just that, but it doesn't equate to that same relative judgement to me, and I hope you appreciate that difference.

MR. WAZELL: I did, yes.

MR. THOMPSON: I feel very unsettled about our ratepayers being subjected to a shifting target on cost. Based upon a factor that we cannot control.

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Suddenly our ability, our cost is in your hands. In fact, it's in, it's on the other side of the negotiating table.

MR. WAZELL: Perhaps a ceiling and a floor on that would satisfy your concerns.

MR. THOMPSON: Well it starts to bracket, it becomes easier with those kind...

MR. WAZELL: Because I don't think it's going to vary that much from the present. At the present time let's say 25¢ is our average spread. We're comfortable with that margin. I don't see that shooting out of sight and for sure not in 5 years.

MR. THOMPSON: I'm concerned about that one and I guess then we could say that you might consider a bracketing approach to that, but you'd feel that it would not be proper at this time to change your pricing form to a fixed price.

MR. WAZELL: I think so.

MR. THOMPSON: Okay. What about, let me ask you another question. We've looked at this notion of a 45-55 kind of spread on this. The low price being the one that get's the larger share of the market. Would you consider a lower share of that market? In percent less.

MR. WAZELL: The thing we have to evaluate is we're looking at making a major expenditure to build a big pipeline to San Antonio.

MR. THOMPSON: That's right. You got to be able to amortize that cost. I understand that.

MR. WAZELL: The size of that line and so forth, I feel like that 45 percent of the load for a 5 year period is really required to amortize that line.

MR. THOMPSON: Well, that's what I'm asking. Is it?

MR. WAZELL: Yes, I think that it is. I'd like to add one thing too, if I can. I want to disagree with Mr. Ambrose on one point. I agree with most of his points as far as competition, but to me that 10 percent is a meaningful amount of gas to compete for. We're talking about 10 percent of a 150 million a day. That's 15 million a day, that's a major customer to us. We don't have many customers that burn over 15 million a day. If you'd make a list of the 100 people that we serve, they're probably 15 of them that burn more gas than that so to think that that's not something that we're vitally concerned about, from my standpoint we'd sure be striving to get the 55 percent instead of the 45 percent.

MR. THOMPSON: Well, it's a, that's right. I understand that and there's probably some market schemes that would not, you wouldn't be quite as enthusiastic about pursuing that, and that is in escalating price markets. Where you, in fact, bring in new customers at higher prices and in a shortage, the dynamics of short of short supply. Then you have a different motive.

MR. WAZELL: That's conceivable, yes.

MR. THOMPSON: Yes it is. I think it's a very real one. Then can we conclude that you would say that 45 percent of our supply, our needs over a 5 year period is the minimum that you could, would consider in trying to amortize your capital costs in putting in another pipeline or piping into our system here, our being Valero.

MR. WAZELL: Right.

MR. THOMPSON: But we agreed that that's the minimum.

MR. WAZELL: Yes.

MR. THOMPSON: Okay, thank you very much.

MR. WAZELL: Okay.

MR. THOMPSON: I would like to ask Mr. Joe Christie some questions.

MR. JOE CHRISTIE: My name is Joe Christie, I'm President and Chairman of the Board at Christie Energy Company based in Austin with offices here in San Antonio.

MR. THOMPSON: Good, you and I visited on Monday afternoon I believe or Tuesday of this week. Is that correct?

MR. CHRISTIE: I think it was Tuesday.

MR. THOMPSON: Tuesday afternoon. And during the course of that discussion you acquainted me with the proposal that you had given to the management of City Public Service that same day. Could you describe that proposal to me now?

MR. CHRISTIE: Well, basically, the proposal is to deliver a block of 30 million cubic feet of gas a day to the gates of San Antonio for the price of \$3.15 per MCF for a period of 2 years.

MR. THOMPSON: What kind of options of renewal following that 2 year term? What kind of...

MR. CHRISTIE: We had none. It was just a straight offer for a 2 year period of time. It's been characterized as maybe a junk deal, but I think I'd prefer to characterize it as an opportunity to take advantage of a sellers' market.

MR. THOMPSON: Well not wanting to traffic in the trade problems there. Your statement is a clear clean one that two years, 30 million a day, \$3.15 and that's it. Is there, how do you view the continuation of that contract? Is there, are we totally at arms length to renegotiate. Do we, have you given any thought to that?

MR. CHRISTIE: Well, first of all the very capable staff of the Public Service Board would have to verify the fact that we have the ability to deliver these volumes, for a period of 2 years. I would like to think that we could prove that we could deliver this volume for a period in excess of that. And would certainly be willing to negotiate for a contract for a longer period of time, given the opportunity. But we knew what we had available, we knew what we could charge for it and make a profit and that was the reason why we very concisely presented it in form that you have in front of you. But we're open for continued negotiations to tie up larger volumes of gas for a longer period of time, certainly.

MR. THOMPSON: Well, what I'm interested in doing is taking advantage immediately of the price of gas as it is today. And I don't know how it's going to change, but I do think and I'm convinced in my own judgement as of today that it's at a price that we should take advantage of it. And your weighted cost being a new purchase, your weighted cost is what you just paid, that's it, you don't have to factor in anything. And that's the only way I can see that we can take advantage of that price as it exists today, it might be better tomorrow; it might not be. But I do like the ability of bringing into our system gas at that price. What are you outlined that you would be available, you would consider negotiating for longer periods and more gas.

MR. CHRISTIE: That's right. Of course, the staff again would have to satisfy itself that our evidence carried our burden of proving that we had those volumes available to convince them that we just aren't some old tired kickers calling on them to sell them some gas.

MR. THOMPSON: Okay, now how long do you anticipate, what kind of records would you make available, when could they be made available and based upon the complexity of those records which I have no earthly idea, you've got some experience in the business, how long would it take for us to verify those?

MR. CHRISTIE: Well to do a complete reservoir analysis is a very lengthy and complicated process and they're usually wrong. But we have I think the ability also to show the Public Service Board some backup commitments from other large suppliers that would step in and fill our obligation should the

need arise.

MR. THOMPSON: What I'm concerned about is covering the short fall of short fall existence, whether it be with gas at your expense or dollars from your pocket, that if we got into a position of contract a relationship with you, at that price and suddenly we're out on the market at 5 and 50 trying to make up that short fall that you couldn't supply. I would like some indemnification.

MR. CHRISTIE: Of course, again your best...

MR. THOMPSON: I would like total indemnification.

MR. CHRISTIE: Sure. Well your best guarantee, of course, is the, is the reservoir study, the confidence of the people making those, and I think that you have on the Public Service Board both those kind of experts and the ability to call on outside consultants, should you need them. So, I think that certainly no contract will be entered into, without that kind of guarantee of the reserves being there. I think we can also provide some additional backup that the gas would be there at the price we said it would for the period of time we've contracted for.

MR. THOMPSON: For two years.

MR. CHRISTIE: Whatever that period is. It's two years on our proposal but you asked me originally would we be willing to negotiate for a longer period, certainly.

MR. THOMPSON: Alright, thank you very much.

MR. CHRISTIE: Thank you.

MR. THOMPSON: I'd like to ask a couple of questions from I guess Jack Spruce, just a minute. Jack, you mentioned earlier there had been several people that would come in and give you statements about pricing of gas that was below what we had heard in the past, and I think Mr. Christie was one of those that visited with you. Is that correct?

MR. SPRUCE: Yes, sir.

MR. THOMPSON: Have you gotten any, you mentioned several others and I don't know of any others. I don't know of any pricing, I don't know of any quantity, I don't know of any of the other statements that have been made, and I think it somewhat arbitrary just to say that there's one and that's the only one that should be considered.

MR. SPRUCE: Well, we did mention others, Mr. Von Rosenberg named some of them. I think I got this letter that I got from Prudential and I had, it's in the mail. Here's the third one here, this is one from another one that we didn't talk about. It talks about \$3.35; it was not a specific proposal, I don't know that they had talked to Valero. You see both of, well this is the one from Prudential Energy and I'll furnish you all with copies of it. It proposes 10 year contract, delivered to the City gate, first year \$2.85 a million BTU, second \$2.99, each year thereafter for the duration of the contract price be 3.50 per million or 85 percent of the price of number 6 fuel oil, or the maximum lawful price authorized by, no 3.50, 85 percent of number 6 fuel oil whichever is higher or the maximum lawful price authorized by NGPA Section 105. But, you see there wasn't any tie in with the delivery arrangement for this. It's presumed that this would be available if we have a means of delivering it although he quotes in there price to be delivered to the gate he must assume that he would of have been able to make some kind of deal with Valero to deliver that gas.

MR. THOMPSON: How much gas?

MR. SPRUCE: 2.85 the first year and 2.99 the second year.

MR. THOMPSON: Volume of how much?

MR. SPRUCE: 30 million a day.

MR. THOMPSON: Have all of the estimates or statements been 30 million?

MR. SPRUCE: No, just these two because these presumably tie into the Valero contract. You see, the Christie BAM venture specifically is predicated on us signing a contract with Valero which contains the provisions that they would deliver up to 20 percent of our gas needs and that's about 20 percent. And this one presumes the same thing, they might have more. Christie BAM might have more but assuming that we believe these both relate to the Valero contract and Valero, we have no agreement with Valero to transport any gas at this time. We've talked to them in the past about transporting. We never consummated a deal. But I think that's what these are predicated on. I know that's what the Christie BAM joint venture is predicated on because it was accompanied by a letter from Valero they would agree they would transport it.

MR. THOMPSON: Right.

MR. SPRUCE: Provided we sign the contract.

MR. THOMPSON: I understand that. Okay. Thank you very much, Jack. I need to speak then with someone from Valero.

MR. PALMER MOE: My name is Palmer Moe.

MR. THOMPSON: And your relationship with Valero?

MR. MOE: I'm the President and Chief Operating Officer of Valero.

MR. THOMPSON: You just heard Mr. Spruce mention some people that have made statements to him and to his offices about supplying quantities of gas to San Antonio. What is the company's position, your company's position about the transmission of gas other than that which you in fact have purchased to the City of San Antonio?

MR. MOE: Under the contract proposal that's been placed forward we have provided for the 20 percent transportation option, and we will honor that transportation option in accordance with the letter that we've given here on BAM energy, which essentially commits us to that.

MR. THOMPSON: You would go with 20 percent of the demand on any certain day or month, whatever it might be, the total.

MR. MOE: We agreed in that, we've agreed that we will allow it to be 30 million a day each and every day and we'll carry the swings. That's the effect of what that letter says.

MR. THOMPSON: That is a little bit different then what that contract says.

MR. MOE: Yes.

MR. THOMPSON: Alright. The significant part is the willingness of your company and significant is the value judgement on my part, is the willingness of your company to absorb that swing.

MR. MOE: That's correct.

MR. THOMPSON: And have a broad base taken from the supply source itself, and that is the 30 million. Now is that a proposal or is that a concept that you would be willing to enter into with other companies?

MR. MOE: If we're approached, I think that would be a, I think we'd be forced to do that on equal basis to anybody that came to us.

MR. THOMPSON: Alright. I don't have any more questions, thank you very much. I think that there is some information that we have received and it is of, I think of a substantive nature and that is the pricing of gas as it has gone down in the last couple or three months. To be able to hear from people that are proposing to sell our Utility gas at less than \$3.00 dollars is a significant statement. One, I don't think that we can ignore; one that I think we, in fact, have to accommodate in any kind of a structured fractural relationship that we enter into with anyone. I would, because I feel that has to be a part of our agreement. We're going to have to have some ability to verify and have confidence in this

spot market supply statement. Mr. Spruce, let me ask you again if you will. If we had to verify, ABC's company. ABC's company's proposal, that they want to supply 30 million cubic feet a day, in the broadest kind of statement, how long would you anticipate it take us to give some statement of confidence, that that reserve is there? 60 days...

MR. SPRUCE: The evaluation of the ability of that company to serve, I would think it could be accomplished in 30 days, I might ask Mr. Cruce who is in that kind of business, that may be a short evaluation. Could I ask you that?

MR. THOMPSON: No, I think it's proper to defer to him. I'm trying to get an expert to tell us, and I'm not trying to have an 99 percent accurate statement. If we did that, then the wheels just stop, when you get to that kind of reliability but we need some expertise.

MR. CRUCE: From the time we, it would depend on I think how many fields, how many wells, and you know this wouldn't come out of one well, but if we're talking about 3 or 4 wells, or we're talking about 70 or 80, I don't know how many we're talking about; I don't know how many properties we'd have to look at, but I would say somewhere in 30 to 60 days. I think within that range. Now, if we were to do it, it would have to be the time when we could, assuming we could start on it at that time. Now, sometimes our workload is such that we, we can't start right then.

MR. THOMPSON: I understand, Okay.

MR. CRUCE: Assuming and I think we probably could start fairly soon. I'm not suggesting that it be given to us, but I think your own people could do it...

MR. THOMPSON: Okay, good. That's the kind of information I was looking for and that would ascend some commitment that we would look for 30 to 60 days to complete a confident statement about and verification statement on reserves. Okay, thank you very much, Mr. Spruce. Mayor, I think that's a required element in any kind of commitment that we'd want to make in a contractual relationship.

MAYOR CISNEROS: Let me just say a word to you on this. If I may, just by way of a caveat to be careful with. I can see a situation, and I have not talked to Mr. Wazell, so I don't know how long he can wait on more analysis, but I know that a strategy, if I were on the Valero side, if I were you know one of the principals, not just a voting person but one of the principals would be to play for time in the hope that something goes wrong. Legislation in Austin passes; Houston decides on their own to pull out; they can't wait any longer, that sort of thing. So, every bit of time is something that they, that works to do their side. So, if we're going to take time for something like this, then there is a very, very strong need to tie down something like Christie BAM, as part, so that they can't swiggle out of it, in any way, shape or form. They're clearly banking on the fact that Houston will walk from this deal as time is given, and Houston can't afford the time. And then what you have is a situation where Valero would say, we haven't signed anything; we're not bound to deliver the Christie BAM proposal, for example. Unless you were absolutely dead sure at this point that you had that tied down, because otherwise you got a real problem there. I think there are some other questions that need to be asked about the Christie BAM proposal and maybe Mr. Christie will answer them under your questioning or someone else's and that is just what happens after two years when right at the point of deregulation at it's full flower and bloom; secondly, there're some questions that need to be asked about whether or not, this is not, there are other deals. There is \$2.60 gas and there's got to be ways to stretch that longer than 2 years, if this is the approach you're going to take. Need protection, the critical year for San Antonio is '85 through '87, that's two years before the nuclear project comes on line after deregulation. That's when our people are going to get shafted on gas. Let me just finish. From '85 to '87, see right now we got the bubble so no matter if we kept our relationship with Valero, we know that gas is going to be around \$4.35, as a matter of fact the last couple of months it's been 4.20, 4.21, 4.17, 4.19, and it's probably going to be there for another 18 months or so but you take us right to the start of 85, the economy has begun to recover, there's heavy demand on gas supply, the bubble is starting to tail off, that's when Christie BAM no longer is applicable to us, gas prices go through the

ceiling, and we have no protection. Because we're running the coal plants a hundred percent and the nuclear plant isn't ready for 2 years. So right at that point, all we got to do is just pay through the nose, unless some protection is available. That's why I think you need to extend this. Because if you're going to do it, you need to extend it more than 2 years because 2 years doesn't do anything but tell the people of San Antonio they got a little palliate, a little lollipop for awhile until they really, really get the sharp end of the stick that's inside that lollipop. You still have the floor.

MR. THOMPSON: A little editorial comment, don't be quite so scared. I think that the fact that our ratepayers can sense and see a million dollars savings just with the \$3.15, 30 million a day, that's a million dollars a month that you can be subtracted from the cost of operating our utility, passed directly back to ratepayers. That's over the term of the contract there's 24 million dollars. That is something I don't think we can afford to ignore and how much credence we give to that and how key we play with that part of it, is yet to be determined. I do think that we are at a posture, at a point where we can committ to concepts and that those concepts are in place until something is proven to be wrong. One of our assumptions as we delineate those assumptions proven wrong, then we must renegotiate. We must then reposition. I would like even to have indemnification in that. If theirs are not proven to be there and we incur cost, then I would like those costs indemnified. And if we've changed our positions to our own detriment, I'd like that detriment cured also. Those are points of negotiations and I think in fairness they would be yielded to. Mr. Wazell mentioned that he has an amortization cost or scheduled based upon a 5 year, 5 year pay out on bringing that pipeline into San Antonio. I think we might look at some of your longer period of time and in doing so might lessen that percentage and allow that amortization to occur. We, in San Antonio need a second supply source. We need a second pipeline. Now, why do we need that? Not that the one that comes in is not big enough; we don't want to be held captive to one situation, one circumstance, one corporate mentality, it might be the best mentality in the world. But we shouldn't, one hole and that's what we use when I'm out dive bombing in my airplane, the one hole concept. I don't put my bombs in my airplane all in the same hole. I don't want to put San Antonio and all our ratepayers into the same hole. The one hole concept, I think we need to have diversity in supply, and I think that we have to respect that principle.

I would like to see us get into a position, where we could use the 30 million cubic feet a day and then of the balance and that 30 million represents about 20 percent of our average daily need. Looking then at the balance, the 80 percent. I would like to see us get into a posture where we would split that 65 percent with Valero and 35 percent of the remainder with Houston Pipeline. That gets us, I think in realms, that overlap one another realms that we can take advantage of several...

MAYOR CISNEROS: Would you say that again, Bob, so that everybody can get the numbers.

MR. THOMPSON: I want to say that we take the total demand that we have for our system and we buy 30 million cubic feet...

MAYOR CISNEROS: Which is about 20 percent of our daily load.

MR. THOMPSON: That's right.

MAYOR CISNEROS: And 176 million cubic feet a day.

MR. THOMPSON: That's right. That's based on averages and that's a very cyclic figure and averages are very misleading.

MAYOR CISNEROS: You're saying the first 30 million cubic feet.

MR. THOMPSON: That's right, and we do that in a, as a result of negotiations with the spot buyers that have approached City Public Service. That would then leave 80 percent of our demand still unmet. That 80 percent would be split 65 percent with Valero and 35 percent with Houston Pipeline, and they would cycle with that demand curve and with those percentages.

MAYOR CISNEROS: That's 35 and 65 of 80. So, the numbers are less than that, they're more like in terms of the total load.

MR. THOMPSON: Multiply .8 times each one of those and that gives you the net percentage of our daily demand. That get's us with a dual supplier; it let's us take advantage of this upfront glut that's there. Now, that 30 million at some point we don't want to get hung up on that being the only way to travel because if that becomes, in 2 years we can't get that or if we negotiate a 3 year contract or, hopefully, even longer and that becomes, that base load is no longer available to us, then we would split that 15 million with each supplier. Now, one of our contracts is for 20 years. One is for five years, I think we're going to have to look at, looking at a 10 year contract with Houston Pipeline and probably a 10 year contract with Valero. So, that we have some parity in that, that we're looking at equal kinds of terms. I wished that we could get the weighted, this weight cog to be the same formula so we can, not have to look at the total price, we could look at the individual components and make comparisons, that, seemingly, is not realistic right now. Now, I've outlined my proposal Mr. Spruce, I would like you to comment on that from kind of your expertise. How do you see us, do you see the negotiation?

MAYOR CISNEROS: Bob, let me just make clear so that everybody is on the same wave length here.

MR. THOMPSON: Transportation of the 20 percent would be via the Valero line.

MAYOR CISNEROS: Okay. Here's the way I figure it, quickly, if you had a hundred percent of your average daily demand of 176 million cubic feet. You're saying take roughly the first 20 percent for 30 million cubic feet from either Christie BAM or some mixture of sellers...

MR. THOMPSON: Where we can get the best buy.

MAYOR CISNEROS: Where we can get the best buy, while it's available that way.

MR. THOMPSON: That's correct.

MAYOR CISNEROS: Then of the remaining, the remainder which is about 80 percent of our load on the average, you would take 65 percent of that or 52 percent of the total load and 35 percent from Houston about 28 percent of the total load, that way, 62, 28 and 20 something like that.

MR. THOMPSON: The Valero system would deliver...

MAYOR CISNEROS: Would deliver that.

MR. THOMPSON: That's right.

MAYOR CISNEROS: Then you would allow them to be the one to transport it.

MR. THOMPSON: That's right.

MAYOR CISNEROS: Okay. Alright, I just wanted to clarify what you were saying.

MR. THOMPSON: Okay, now that's the proposal I make, and I make that not with, there's no creative thought about that because it really just mixes 3 different options that we have available and tries to put them in a package that they can co-exist with. It gives us advantages, I wish that we could make everybody with that but I think it gets the City in the best possible posture of taking advantage of low cost gas...

MAYOR CISNEROS: I think one issue that you really might ought to think about is that that first 30, if it can come in across the Houston system as well then there's no need to tie it to the Valero system.

MR. THOMPSON: I think that should be, in fact, that should be a staff decision.

MAYOR CISNEROS: Staff decision.

MR. THOMPSON: One that, that says to the ratepayer, we're getting the cheapest gas here the cheapest way and we're not Burlington Northern bound again.

MAYOR CISNEROS: Bob, what do you say about after 2 years?

MR. THOMPSON: After 2 years in that contract it could be longer.

MAYOR CISNEROS: And it could be longer, alright.

MR. THOMPSON: 2 or 3 a year.

MAYOR CISNEROS: Mr. Christie I think has offered up to 5 years but I'm going to ask you a couple of questions, if you'll answer them as you go. Number one, what do you do about after 2 years? And number two, what do you do about the other proposals that are on the table besides Christie BAM?

MR. THOMPSON: Those have, there's going to have to be a date or process established by CPS and I'll answer the second one first. Where those proposals are accepted and that's it. Don't get in by 5:00, then that's it. 5:05 you're too late and your proposal is not accepted.

MAYOR CISNEROS: For the first 30 million cubic feet.

MR. THOMPSON: That's correct.

MAYOR CISNEROS: Okay, and the criteria would be not only priced but also terms.

MR. THOMPSON: That's right.

MAYOR CISNEROS: Length of time.

MR. THOMPSON: And those being established so that there's a bidding parameter that everybody knows what to give. Everybody gives the same kind of information in the same categories with the same units. So there can be comparison or evaluation. The first question you asked is what do we do after the term of that contract expires and either it's renewed at a higher rate or not renewed at all. Then I think you should then split that, the 30 million with 15 million to each one of the two suppliers.

MAYOR CISNEROS: Okay. One final point that I'd make and I know that I'm on your time but question is what if that smaller proportion doesn't allow Houston to amortize that pipeline.

MR. THOMPSON: That's why I said that we should increase the term of that contract to ten years. That would allow I think more than sufficient time to amortize the cost. And I'm very anxious to be cooperative and with the best intent, best spirit that we can to allow that pipeline to be built into San Antonio, that provides us a real benefit. And I want to be able to exploit that. I want you to be in San Antonio, I want you to have that pipeline into San Antonio. It does not hurt us in any way; it gives us a degree of flexibility an option that we might, in our infinite wisdom even today, might not see how we could use it, but it would be there as a valuable tool to those that come behind us.

MAYOR CISNEROS: Okay.

MR. THOMPSON: I know it doesn't hurt us.

MAYOR CISNEROS: Now let me just say procedurally and I'm going to interrupt for procedural reasons, only procedural here. If Mr. Thompson makes such a motion and if such a motion were to pass, then the principals would have to decide whether they want to be part of it.

MR. THOMPSON: That's correct.

MAYOR CISNEROS: It is to say Houston would have to make a decision, they still want to be part of that.

MR. THOMPSON: That's correct.

MAYOR CISNEROS: And Valero would have to decide under what terms their part of it etc, etc.

MR. THOMPSON: First of all decide whether this Council would approve it.

MAYOR CISNEROS: I understand, I'm saying hypothecially if it was approved, then if Houston chose not to be part of it, then where are we?

MR. THOMPSON: We've got Valero. Valero's our supplier.

MAYOR CISNEROS: With or without Christie BAM?

MR. THOMPSON: With that aspect is still in the agreement. If somebody wants to pull out, then the balance is still kept intact to include what they pulled out with.

MAYOR CISNEROS: Do you envision this coming back to the Council? Or is this the direction to the CPS Board?

MR. THOMPSON: This is direction to the Board, and if they're substantive redefinition. If there's major shifts, yes, I think Council needs to see it again, but I think really the collective wisdom of the Board would have to, if they judge themselves precarious in that decision.

MAYOR CISNEROS: Alright, have you made a motion?

MR. THOMPSON: No, I've just, in fact, before I do that, I need to be able to see if I got, if we can get willing good faith participation and a willingness to negotiate along and towards those terms from the parties. I guess the first one would be Mr. Palmer Moe. Palmer, would you come up here just a minute? Let me say as you come up here. I know that it's not fair and I'm not asking for commitment to these goals, I'm stating those as positions that I think the City would be in a very attractive and beneficial posture if those parameters were achieved. I proposed them, how would you as the Chief Executive Officer or President, I don't know whether you're Chief Executive Officer.

MR. MOE: Chief Operating Officer.

MR. THOMPSON: Chief Operating Officer. Would you be willing to sit down and negotiate towards those ends and, hopefully, we would reach agreement on precisely those terms? Would you come to the, would you agree to that as a matter of principle not specifically, but principally you would approach that kind of agreement?

MR. MOE: I wasn't taking adequate notes as you were going through all of this, but if I add the percentages and what the net result might be, it still seems like to me that it's pretty close to splitting in the contract once the transportation option is gone, and it doesn't sound a whole lot different then what we've been talking about. We see the transportation option to the City as taken as an opportunity to take advantage of the gas bubble and we very honestly don't feel it's going to last more than a couple of years, and you have the opportunity into that transportation option if you get it signed up right now and get the gas transported to take advantage of the offer that's on the table to make a million a month for the City starting today or tomorrow or whenever your satisfied that they can deliver.

MR. THOMPSON: Right.

MR. MOE: Without studying this alot more, the way it strikes me is that it ends up being a split and it's really pretty much the same thing we've been talking about, and I think as a matter of policy we want to supply all the gas to San Antonio. San Antonio, half the supply is an important part of our business, and we have a long term or as commitment to San Antonio and we like to continue on that basis.

MR. THOMPSON: Right, and I want to honor that as much as we can and that's why I think that by you being in a position to transport that 30 million, but we have to do it in a such a way that it results in the best possible position to the ratepayers. We can't subsidize Valero in comparison to Houston for that transmission, but I would certainly opt for and give first crack at Valero, but it's going to have to be in a competitive kind of way.

MR. MOE: Let me respond to the concerns that you had there.

MR. AMBROSE: Can we visit just for one minute?

MR. MOE: Sure. Yes.

MR. AMBROSE: Can I make a comment? I feel like I have an obligation since I am hired by the CPS Board to point something out to you.

MR. THOMPSON: Okay.

MR. AMBROSE: I heard Mr. Wazell offer to haul gas for you.

MR. THOMPSON: Yes, sir.

MR. AMBROSE: That's what I heard. I also heard Mr. Wazell say that his concern with not lowering the 45 is, that he isn't going to get paid for his pipeline.

MR. THOMPSON: That's correct.

MR. AMBROSE: I like to suggest to you that if that's the basis for the 45 then there's no reason why the 45 can't be lowered, and if you don't take enough to cover his pipeline, you pay him the difference in the pipeline. In other words, all avenues seem to be open to me to make that 45 a lower number. He seems to have the numbers which generate the dollars to pay for that pipeline in the time frame he's talking about based on 45. So, that if you take any less, you pay him up the difference and away you go. Which gives you the ability I was after to reduce that 45 and go look into somebody else. Now I shuttered to do that at this late time in here but nobody else has mentioned it, and it's clearly what I heard in this record, that his concern is that he gets paid for his pipe.

MR. THOMPSON: Right.

MR. AMBROSE: And we can take care of that and drop the 45 to 25 or 0.

MR. THOMPSON: But we can also...

MAYOR CISNEROS: How do you take care of the pipe?

MR. THOMPSON: We amortize...

MR. AMBROSE: You just agree to pay the difference whatever you don't pay him in that 5 year time. And then you have the freedom to swing on whomever you want.

MAYOR CISNEROS: That's a very good point.

MR. THOMPSON: Well what I propose and maybe you missed that point is we just increase the amortization period.

MR. AMBROSE: There's no amortization period per se in here. He's made a judgement. He want's to get it back over the term of the contract. That implies to me that he's got some numbers that we can take and say alright if you don't get that within that 5 year period because we have bought not 45 percent but only 20 percent of our gas from somebody else, we'll write you a check for the difference. And then you can do the math and add that cost onto whatever other supply you get and decide whether it's worth going into it.

MR. THOMPSON: Okay.

MR. AMBROSE: But this all does not preclude whatsoever of making a decision today on the thing. If they're willing to bring that 45 down. I can't for the life of me understand why the whole thing has to sit.

MR. THOMPSON: Well, we, in fact, are trying to do that and we're negotiating, in fact, it would be I think at about 28 percent, is that right?

MR. AMBROSE: But you still have Valero delivering 72 but they're still making a profit on 72 percent of what you buy.

MR. THOMPSON: For transmission, yes.

MR. AMBROSE: They don't make any profit on the gas, it's only transporting this stuff that they make it. So, they're going to haul 52 and haul 20 and that's 72 they're making a profit.

MAYOR CISNEROS: The 20 he left open.

MR. ALDERETE: No he didn't.

MR. AMBROSE: It should be open, I agree.

MAYOR CISNEROS: The 20 he left open; it's a staff decision.

MR. THOMPSON: I said, Mr. Mayor, that that 20 percent-we're going to have to be in a competitive posture with that also.

MAYOR CISNEROS: On moving on either system.

MR. THOMPSON: That's right. Either one, if Valero can transport it cheaper than someone else, then that gives the ratepayer, and, ultimately, that has to be the test. How does the ratepayer benefit? And if so, how much? And if not, why not? In fact, I said we can not get into a position where we're subsidizing and that would be if we don't allow it to be developed competitively, subsidizing one at the expense of the other.

MAYOR CISNEROS: Let me just get the terms straight so everyone has got the same proposal that is being on the table. The first 30 million cubic feet would be CPS' right to take from whatever sales there are there. Bob, let me have your attention, just because, I need you-the one to decide whether I'm saying it correct. You're the one that needs to decide whether this is a correct statement. The first 30 million cubic feet per day at the front end comes from those gas arrangements that CPS is able to make, and it's haul on which ever system pipeline comes into the City that offers a cheaper, that get's it here delivered cheaper, mixture of price and transportation.

MR. THOMPSON: That's correct.

MAYOR CISNEROS: Then after that first 30 million of the remaining 80, your proposal was 65 percent is Valero, 35 percent is Houston of the remaining proportion. Some days if that's not a 176 million cubic feet but that's only a 120 million cubic feet, then that's still split 65-35.

MR. THOMPSON: That's a proportion. That's why we have to deal in a percentage so it always balances at a hundred percent.

MAYOR CISNEROS: Alright, now that 65-35 is not 65 and 35, it's 65 and 35 of 80.

MR. THOMPSON: Of 80 percent.

MAYOR CISNEROS: So it comes out when you multiply it out to 52 percent and 28 percent plus the first 20 percent already.

MR. THOMPSON: And that's based on the yearly average. How does that strike you?

MR. AMBROSE: Well, my first response is why are we talking about 30, why are we talking only 30. Why aren't we talking about hauling 50, 60, 70 percent whatever. By either one or both of those pipelines. What's the magic of the 30 that you're sticking with the 20 percent I don't quite understand because we're not signing a Valero contract, as I understand you.

MR. THOMPSON: The 30 million which is seemingly a common figure. I think is a relevant question.

MAYOR CISNEROS: That's the Christie BAM proposal, that's where it came from.

MR. AMBROSE: But you can add Christie BAM plus all the others, you can have any number you want, believe me.

MR. THOMPSON: Okay, I'm not terribly thrilled about getting in a spot pricing ability for all our gas. If we got 80 percent of our gas bought

on a 2 year contract, then I think we're in a very high risk posture.

MR. AMBROSE: Well, you may have some people out there who are willing to dedicate it to you for a longer period of time. You don't know that at this point. What I'm saying is that you want to get to that wonderful state of euphoria that I talked about in the report. That you really have, you can pick and choose among your suppliers and you want to get as close as you can. Unfortunately, you have only two contracts before you today. As I say, I shuttered to suggest that you try to get Houston to reduce that 45 with a guarantee to pay for the pipeline they're worried about because it will delay things again, but you really only have those two options before you and I'm afraid you're going to loose Houston. And I will not sit down and let you deliberate on it.

MR. THOMPSON: Well, I appreciate you coming to town today. You leave, after your dinner with Mrs. Dutmer, I'm sure you'll have a very nice evening.

MR. AMBROSE: I'm going to get you finished, so I can get her to dinner, I have a 7:45 plane.

MAYOR CISNEROS: After dinner with Mrs. Dutmer, he might want to stay.

MRS. DUTMER: It's a real possibility. Might I suggest that you delete that from the Council record. I'm satisfied with Mr. Dutmer.

MR. THOMPSON: But this whole posture that we find ourselves in and trying to make some statement of definition as to this contract; it's a very dynamic, difficult position. The forces that are at work here, some of them are very subjective and have to be given their full weight. That's my proposal, Mr. Mayor, and I don't know from this point. I need to ask...

MAYOR CISNEROS: I think you need to hear from Mr. Wazell before you get a motion.

MR. THOMPSON: Well, I asked him earlier.

MRS. DUTMER: Well, we'd like to hear from Mr. Wazell.

MR. THOMPSON: I want to know something and give us some statement about the timing. How long it would take for us to accept proposals on this, the 30 million? Let's stay with that; I feel comfortable with that.

MR. SPRUCE: Again, the 30 million relates to 20 percent of our requirements and that was in the Valero proposal. Particularly the Christie BAM project came in with a tie in with Valero.

MR. THOMPSON: What I don't think is factored in fully, is the fact that we have to work. Valero has to consent to this, it's their line, if they say 20 percent then I have to hear 20 percent as to what they will permit.

MR. SPRUCE: Yes, sir, I agree with that. I would also like to remind the Council that in the beginning, you see the Board has got to be the one to execute this contract. I presume what we're doing here is giving direction to the Board.

MR. THOMPSON: That's correct.

MR. SPRUCE: The Council was approached on this because of the requirement in the Houston proposal, that ratified the contract. Okay, going on from there I want to mention one thing that the Houston contract as you know has provisions to continue to extend. It has no 5 year limit on it; you understand it. Its provisions are in there for it to be extended upon mutually agreeable terms.

MR. THOMPSON: That's correct.

MR. SPRUCE: I guess the other thing we come down to is what you had just started on, that I don't have any idea that either one of them will agree to this. Now we could propose it to them, but I think we do need to find out whether either or both would agree to those terms because after all we did evaluate a contract which we thought was probably very close to their best offer. I'm talking about Houston. Valero never has

said what they will do if we split the contract and began to take gas from Houston, we have some assumptions about what they would do and what they probably be required to do. A lot of those are unstated elements that probably need to be addressed.

MR. THOMPSON: Let me ask Mr. Wazell a couple of questions.

MAYOR CISNEROS: Alright Bob, at some point you need to phrase this in a form of a motion.

MR. THOMPSON: But I have to first decide whether they are time committed, and if we can commit to this, if they're willing to sit down and discuss that, if not how long will it take to do it.

MAYOR CISNEROS: That really isn't a issue. I'll tell you why. Because your motion can be by way of direction to the CPS Board to execute an approach.

MR. THOMPSON: Okay.

MAYOR CISNEROS: That's where we were.

MR. THOMPSON: That's what Jack was saying.

MAYOR CISNEROS: And so, your motion can say this is what it's going to be. Now, let me say, just say one point by way of clarification and that is in the last few days, since the Christie BAM proposal came up, there's been discussed at least at CPS there's been discussed, the idea of the 45 which was the minimum that, the 45 which was the number that Houston would rely on as a minimum, and the 45 that Valero would rely on as a minimum and then leave CPS roughly 10 percent to go in a spot market. Basically, the same it would be very little different than what exists right now. What contracts have already been drawn because they assured 45 minimums? Now and what you've done is double that and so it's really not all that much different, you just squeezed it out of both ends. It's not all that much different than what has at least been discussed.

MRS. DUTMER: Since we're going to open discussion, a 10 percent would not give either one of them an incentive to seek lower prices.

MAYOR CISNEROS: Okay. Let me go ahead, Bob, you've got the floor. Go ahead and get Mr. Wazell to comment.

MR. THOMPSON: From what you've heard Mr. Wazell today, in realizing that you were the one that really asked that the Council confer. It's by majority statement their willingness to participate in the contract. But I think it is appropriate that we talk to you today rather than giving a statement to the City Public Service Board of a preference because you've involved us in that. Can you give me your response to what I suggested earlier and how your company would respond to that?

MR. WAZELL: Well, it's a difficult thing to deal with because you sort of opened up many areas to be renegotiated in the contract. Now negotiating in making a gas contract is a complicated thing as we've all seen. We came in here in July of last year and offered to supply half of your gas requirements and submitted a contract under which we were willing to do that. Now, we've been working on that ever since, and we worked with the CPS; we've worked with the City attorneys, we've worked with the consultants; we've agreed to go down to the 45 percent as a minimum and have a contract that would be acceptable. We've also left the other 55 percent open for what you want to do. If you want to do junk deals, maybe Prudential wants to bring their gas in through our system. We don't have any objection to that. But, I think as far as our proposal to sell you 45 percent of your gas requirements. I think the appropriate thing to do would be to vote that yes or no. I don't want to close the door but gosh this thing been going on for so long. I can see it starting back into it all over again. I want to do whatever I can to accommodate what everybody wants to do. It seems the proposal that we had is a pretty good one to me. We want to sell you 45 percent of your gas. We'll build a big enough pipeline into San Antonio, to supply all of the gas requirements. That's part of the cost and we're going to build a line in big enough to supply all the gas. What you do

then as far as making deals or what happens in the future. You'll then have a second pipeline, physical pipeline in that capable of moving in half, not half but all of the requirements. Seems to me that my preference would be if you can to basically vote yes or no on that. See we're down to 28 percent of the sales on the proposal, where we started at 50 percent, now you're saying sell 28 percent and you're still visualizing that we'll build a big pipeline in heretoo, that can supply all of the needs and I, that starts to get real difficult.

MR. THOMPSON: But, also, I think you heard discussion awhile ago and I think it's a very reasonable, reasonable position, that is, if your cost is not fully amortized, then we know what that is. There's no secret about amortizing your cost whatever it is, is there. Your profits are fully disclosed. There're no secrets about how those are arrived at and if there is a deficiency in a 5 year term, then we should address that in our upfront agreement.

MR. WAZELL: If I understood what the Valero spokesman said, is that they weren't willing. They consider this a split of the contract and we're not willing to do it. Did I misunderstand that?

MR. THOMPSON: They didn't tell me that. This is not a forum to negotiate the contract. I understand that, and I'm not asking for the negotiation, I'm just asking that as you heard what I said awhile ago, would you be willing to sit down and negotiate toward those ends? Are the concepts so revolting that you don't want to discuss those?

MR. WAZELL: No, I wouldn't say they were so revolting that we didn't want to discuss them. I think it does open things up, again, probably more than meets the eye on the surface. When you start getting into the details of how that would work, I think it's going to turn out to be fairly complicated. And I guess the concept I'm having trouble with, if you're going to bring us in here at all as a supplier, my question is why not take the deal that we're proposing because all you'd be committing there is 45 percent of the sales for 5 years, and you have all these other benefits that you described. You got a pipeline built in here big enough for all of your requirements for the future years so really all we're asking you to do is sign our deal, buy the 45 percent for 5 years. Seems like a pretty cheap way for you to get all of the flexibility that you can get the two pipelines into the City. So, you know I don't want to close the door on anything and I want you to hear from Valero on it also but that's my knee-jerk reaction to it.

MR. THOMPSON: Okay. Thank you very much. Mr. Moe. You had time to maybe ponder this a little bit. What do you think about this?

MR. MOE: I was out of the room and as I came back in, you were re-stating what the deal is. What is the current deal?

MR. THOMPSON: It's the same, it didn't change. But it involves Valero transporting the 30 million a day and then...

MAYOR CISNEROS: No that's not...

MR. MOE: 65-35.

MR. THOMPSON: Yes.

MAYOR CISNEROS: Bob, that wasn't the... The first 30.

MR. THOMPSON: The 30 million is up for your bid. You go to acquire that through your own pricing mechanism. You've got to transport it cheaper than somebody else would, right now you got the only pipeline in town, so it wouldn't be hard for me to anticipate you transporting that gas, but maybe you wouldn't. Somebody is going to have to be very creative in their own way of doing things to beat you. That's for you to decide, not for me. It just appears that you would have kind of a inside track on it, but maybe you wouldn't. But it would be, that's 20 percent the remaining 80 percent then would be 65-35. Sixty-five percent from Valero to transmit, purchase and transmit, 35 percent for Houston Pipeline to purchase and transmit.

MR. MOE: And the 30 million is up for grabs.

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MR. THOMPSON: 30 million is to be, that's right up for grabs. Now, how do you feel about that as a working goal, something we worked toward in achieving... You know we might change those figures, we, the City Public Service Board.

MRS. DUTMER: Mr. Mayor, a point of order.

MR. THOMPSON: I agree with Mr. Wazell, that this is not the forum for negotiating in terms of... I understand, I understand. Inaudible... I apologize for bringing this up...

MRS. DUTMER: A point of order at this point, Mr. Mayor. The motion is actually is not in order because, in fact, what we are doing is renegotiating contract at this date, and we're beyond the date for negotiation of new contracts.

MR. THOMPSON: Mayor, I haven't made a motion, yet.

MRS. DUTMER: I thought it was a motion. He said it was a motion.

MAYOR CISNEROS: No, there hasn't been a motion made yet. The purpose of this meeting is for the Council to give direction to CPS on approval of the contract. If the Council by majority motion decides it doesn't want to approve the contracts that has been offered but gives direction on some different cut that strikes me as an appropriate motion, so I would have to say that the motion would be appropriate. If it's made, it hasn't been made yet. You go ahead, you have the floor, Bob. Let's move along if we can. We've got 7 persons.

MR. THOMPSON: I have no one else to ask questions of, once Mr. Moe speaks.

MAYOR CISNEROS: Okay.

MR. MOE: We'd be willing to sit down and talk just like Mr. Wazell said he'd be willing to do. I would like to say something in terms of this new balloon being raised that it seems like we're getting a little bit diverted from the standpoint of evaluating the two alternatives. From everything that I read and all the consultants' reports nobody is saying that anybody can provide gas any cheaper between the two companies. With respect to 85 to 87, both of us are going to be out in the market buying gas at the time the gas cost goes up. Our weight cogs are probably going to be very similar if Mr. Ambrose's comments are correct. I really don't see any economic benefit coming out or going with splitting the contracts, Okay. The key premise that we've been operating under the whole time, if there's no measurable economic benefit to the City of San Antonio from the Houston proposal, why not go with the Houston Company that provides the jobs and the other economic benefits of being a local company. That's what the Valero contract offer was designed to do and that's what it does. If you want to talk, we'll sit down and talk, but I think we're missing the real objective of the lowest gas cost to the consumer in San Antonio.

MR. THOMPSON: Thank you. I would then make a motion that we as a matter of instruction, of a suggestion to the City Public Service Board, that they enter into negotiation with the suppliers of what I would call spot gas today and get a proposal from them for up to 30 million cubic feet a day and that's a suggestion, that might be varied by other factors but that's my suggestion. That representing approximately 20 percent of the supply need of the City that the remainder, the 80 percent be balanced 65 percent with Valero and 35 percent with Houston Pipeline and that that be given in a way of suggestion for negotiation to try to incorporate the ability to bring in cheaper gas right now and then have a split contract between the two in that fashion.

MAYOR CISNEROS: Alright, that's a motion. Is there a second? Motion dies for lack of a second. Mr. Webb is the next speaker.

MR. ARCHER: Mayor, a point of order. Are we trying to see how long this is going... inaudible...

MAYOR CISNEROS: No, I think what we're trying to do is exceed our record of January 6th on this subject which was midnight.

MR. ARCHER: I've made a motion before that it died for lack of a second but I've never spoken for an hour and 15 minutes.

MAYOR CISNEROS: Alright, Ladies and Gentlemen once again, we have six persons to speak. I'm going to ask you to make your point. We've got to move along. We've been on one subject since 1:30. Mrs. Berriozabal.

MR. WING: Mr. Webb.

MAYOR CISNEROS: I'm sorry, did I take Mr. Webb off first. I'm sorry. Okay.

MR. JOE WEBB: Well, Mayor, first of all, I just want to mention that for those who came in late. I see some of my constituency out there that who have come in late. I want them to know, that we have not taken any item on the City Council agenda. We haven't completed not one item. So just to inform the members, the people who are in the chamber at the present time. We're still on item, the 1:00 item, number one. The Mayor just reminded me that I'm wrong, I'm in error. That we did approve the minutes of the last meeting. But, I did want to notify the people who are here on other matters. The zoning cases are all still to be held and all of the ordinances. Nothing has been passed. So we've been on this subject since 1:00. I punched my button at 1:30, a quarter to 2:00 and I'm just now getting a chance to speak. So, please allow me a couple of minutes to, you know to say a few words so that. I'm not the one that used up the time. This is my first opportunity to speak of the Council, since 1:00. Okay. Those who have blamed the long winded Council, it's not me. That's why I'm trying to use as much time as I possibly can, without interference from any other Council members. I think, perhaps, I ought to start with Mr. Palmer Moe. I believe that's the gentleman I want to speak to. Mr. Moe, did I understand you clearly that you are not in any way, shape, form or fashion in favor of any kind of split. Is that correct?

MR. MOE: We presented our proposal which provides for the 80 percent and 20 percent transportation option. We'll sit down and talk, just like Mr. Wazell said he'd sit down and talk about whatever you all want us to negotiate about with respect to the contract. In terms of split or not, I think that the Valero proposal provides the best overall benefit, when you take in account the fact that the gas cost, no one's guaranteeing any cheaper gas cost on the two proposals. You've got the 20 percent option with some offers on the table to save San Antonio a million dollars a month. CPS people need to look at the reserves to provide you some assurance that there's something to back that offer.

MR. WEBB: There is a bonafide proposal, is that correct?

MR. MOE: Yes it is.

MR. WEBB: Is that proposal, I guess I better ask Mr. Christie, this proposal, about this proposal. Okay.

MR. MOE: I'm not familiar with it as he is.

MR. WEBB: Mr. Christie, is this bonafide? Is this a bonafide proposal that you have here?

MR. CHRISTIE: It is, Mr. Webb. We did not enter into this proposal lightly. We didn't enter into it to cloud this issue. We saw an opportunity for a small entrepreneur group like mine to step in and present the City of San Antonio an opportunity to save a million dollars a month. It is a bonafide offer, and we are prepared to set out with the staff of the Public Service Board and show them that we have the ability to deliver as we've indicated we could deliver in our proposal.

MR. WEBB: How much are you selling gas for now?

MR. CHRISTIE: We're selling the gas that I personally sell at 102 prices which is far and in excess of what this offer is.

MR. WEBB: I still asked, ask you the question.

MR. CHRISTIE: We're not selling any gas for the price that I've offered it to San Antonio.

MR. WEBB: What is your...

MR. CHRISTIE: 102 price is what today? \$3.55 plus my tax reimbursement. It hovers around the \$4.00 mark.

MR. WEBB: You're selling gas at \$4.00 right now?

MR. CHRISTIE: Yes.

MR. WEBB: And what is your offer to Valero?

MR. CHRISTIE: My offer to the City of San Antonio direct sale to the City of San Antonio is \$3.15 in MCF.

MR. WEBB: And you would make that offer to the City of San Antonio but to Valero is the only carrier at the present time, so...

MR. CHRISTIE: Well, we had to go with Valero as our carrier because their the only one with a line coming into the City.

MR. WEBB: Right. But if Houston had a line, you would make the same offer. Is that correct?

MR. CHRISTIE: It's not up to me to make that offer. We'll sell our gas to anybody that wants to buy it at our price, and if we could find a pipeline to carry it.

MR. WEBB: Mr. Wazell, you heard the question, you can answer from that. You heard the question, you can answer it from there.

MR. WAZELL: Yes, we'd be glad to haul this gas. We'd be glad to buy it at the present time.

MR. WEBB: You might talk with him, that's a pretty cheap price. Trying to establish some bench marks if we possibly can. Mr. Christie, may I ask you a question? Is it okay to call you, Senator?

MR. CHRISTIE: I'd rather you just call me Joe.

MR. WEBB: Okay, Joe.

MR. CHRISTIE: It's a good first name.

MR. WEBB: Yes, I like it. Did Valero call you or did you call Valero?

MR. CHRISTIE: We called Valero.

MR. WEBB: You called Valero.

MR. CHRISTIE: Yes, sir.

MR. WEBB: Okay. When did you call Valero?

MR. CHRISTIE: Well, actually, Mr. Webb, the first contact was made between my joint partner, Paul Avery who is President of BAM Energy at Valero and this occurred probably two weeks ago and we explored the possibility of trying to find cheap gas based upon this swing concept that's presently included in the Valero proposed contract. It was our position then and it's our position now that if we were to go out and try to buy a block of gas of that size and not be able to offer the producers a, virtually a hundred percent take, but tell them that their take is going to swing from 10 percent to 90 percent, and we couldn't cut as good a deal with the producers and pass that on to the City of San Antonio, then we could if we said we'll take 30 million a day every day.

MR. WEBB: I hope that Railroad Commissioner or former Railroad Commissioner is not leaving. The last time I had an opportunity to ask him a couple of questions, he left and I hope that Mr. Poerner is not leaving the building because I certainly would like to ask him a couple

of questions. The last time we had this meeting, he left, looks like he's about to leave again. Excuse me for interrupting you. Go ahead, sir.

MR. CHRISTIE: This was no conspiratorial movement on the part of my group. We sell gas, market gas; we saw an opportunity here and we stepped into it. There's nothing more or less to it than the offer that you see in front of you.

MR. WEBB: Okay. Assuming that, assuming that there were not a split, the Council in its wisdom decides to vote, to not enter into an agreement with Houston. We already have an agreement with Valero. You know that's in. Assuming that we have Houston Power and Light, Houston Pipeline, excuse me, assuming that we have them, do not have them. What is your analysis of how you would stand? You think, perhaps, maybe that you would have a deal.

MR. CHRISTIE: Certainly. If you sent this back to the Public Service Board with the instructions to negotiate for the best possible price after being satisfied of the reserves to back up the offer, people like me and people like Mr. Poerner and the others that are going to be there, negotiate the best possible price for this 30 million a day. Then you'd be accomplishing three things. You'd save a significant amount of money for the period of time that that 30 million was going to be delivered to you. You'd be tying up Valero's reserves for 20 years, and you would be adding to the health of a local important corporate constituent.

MR. WEBB: Are you the attorney for the firm?

MR. CHRISTIE: Which firm?

MR. WEBB: For your firm.

MR. CHRISTIE: I have a law firm in El Paso.

MR. WEBB: Who's your legal council for this...

MR. CHRISTIE: You're looking at him.

MR. WEBB: Is Mr. Poerner involved in your oil and gas company?

MR. CHRISTIE: Not at all. No, sir he is not.

MR. WEBB: Okay. Who is your chief backers of your company?

MR. CHRISTIE: My brother and I own a hundred percent of the stock.

MR. WEBB: You and your brother.

MR. CHRISTIE: Yes, sir.

MR. WEBB: What is your brother's name?

MR. CHRISTIE: Robert Christie. He runs the San Antonio office.

MR. WEBB: Okay. Alright, then I guess my other question will be to CPS. Jack, assuming that we, that the Council decided not to have a split in the contract, how much of this spot buying do you think could be accomplished through Valero?

MR. SPRUCE: Well, their offer is up to 20 percent of our requirements, and that corresponds to 30 million a day.

MR. WEBB: So this is the max, the 30 million.

MR. SPRUCE: That's approximately.

MR. WEBB: Approximately the max.

MR. SPRUCE: Of course, the total take each day is up and down.

MR. WEBB: I understand that.

MR. SPRUCE: And 30 million on some days would probably be 40 percent of our total gas needs. In this particular proposition provides for 30 million blocks straight through. Valero would take up the whole swing. All of those things are variable. The presumption would be, of course, that by taking the 30 million straight through, that's a very attractive proposition to a producer so there would probably be the opportunity for a lower price, if they do that. That's probably one of the factors in there but if we don't split the contract and Valero and we decide to sign the contract with Valero, the one that they gave us provided they'd transport up to 20 percent of our needs.

MR. WEBB: Can Christie supply 30 million dollars worth, 30 million cubic feet a day?

MR. SPRUCE: I feel sure they can.

MR. WEBB: Thank you. All the good thoughts have escaped me. So I'll pass.

MAYOR CISNEROS: Is that it, Joe?

MR. WEBB: Yes.

MAYOR CISNEROS: Maria.

MRS. MARIA BERRIOZABAL: As the Mayor stated a few minutes ago, the reason for this long discussion that I consider very valuable and very important, is to decide up or down the issue of the split between Valero and Houston Pipeline. I was ready to vote yes when we brought this up some weeks ago, months ago and at the time we were asked to be careful to think about the situation, to analyze the reserves, to look at the contracts, to analyze the area of competition whether it would be good for San Antonio. CPS retained the consultants, the lawyers, the gas and oil lawyers, the economists. We have a very good report that came out. I say very good in the form that it was presented to us very understandable for a lay person, and I want to commend you for, that particularly the first part, that's the legal aspects of it. It was a very good explanation of the legal aspects of the contract. The area of the reserves and then finally the recommendations. And after all this there's nothing that has come out either as I have talked to individuals knowledgeable in the area or in this report has changed my mind that the best thing to do for the citizens of San Antonio is to split our contract. I was ready to vote then, and I'm ready to vote now. And my decision is based solely on the information that has been provided, nothing else motivates my vote. As one of the gentlemen pointed out, it comes, when he was being asked over and over questions that you know I say you know maybe I'm dense or something why is it so clear to me? He just said it's just a matter of good common sense. You know it's good to have competition, and we talk about it for hours and hours and hours and nit pick and so on and at the end you know what is so, what is so revolutionary about saying it's good to have two companies to deal with, like it's a sin or something. You know to me I listen and sometimes it gets very hard to stay in your seat you know but I try to listen what other people are saying. I learn a lot when my colleagues ask questions. They each have a different perspective and to see maybe somebody brings up something that will jerk something in my mind and say well that's some other way to follow. Mr. Thompson gave it a good try to come up with something that may have ended in a good situation, and I didn't see either company, either Valero or Houston, you know, really excited about pursuing that. He didn't get a second to his motion. And you know I'm back where I started, just fully convinced based solely on the merits of the issue that it is good for the people of San Antonio to have competition. And if we can't garner a majority of votes on this Council to come up with that decision it is a very sad day for San Antonio, And I have learned a heck of a lot, I think this has been the most important and the most interesting issue that we have dealt with since I've been on the Council. It's been only two years, but you know that's saying a lot. My vote is there, it was there before, I was open, I was reading, I was reviewing material right now, letters that people in Chambers and so on wrote us and what they asked us to do we did. Look at the reserves, look at the contracts; be careful don't go hurriedly, we did it, we got the report and it says split. And I'm ready to vote today on this, and I again I repeat if we

don't have enough people on this Council to go with this vote I believe that it's just a very sad situation for the people of San Antonio.

MAYOR CISNEROS: Mr. Wing.

MR. WING: Could I speak to Mr. Spruce?

MR. SPRUCE: Yes, sir.

MR. WING: Mr. Spruce, is there some way under the existing contract, that you could work in the spot sales and if so under what conditions could you...

MR. SPRUCE: Under the terms of the settlement agreement that we have with Valero there's nothing in there that addresses transportation. They have never refused to look at a transportation situation but we've never consummated one, and we haven't approached them on this particular one. That would be one of the alternatives, of course, would be to say well we don't want to sign the Valero contract but we want you to transport gas. Under what terms would you do it? I don't think we can force them to do it. They might or might not.

MR. WING: You know it would seem to me under any condition, spot sales would that either company should be willing to take advantage of those spot sales, to assure that you are getting the cheaper gas. It's no question that Valero has been San Antonio's sole supplier and why can't they just on their own take advantage of such a generous offer that Mr. Christie is doing without having to tie it to any particular contract?

MR. SPRUCE: Well they could probably answer it better than I, but I think the general answer is that they and Houston both have obligations to producers to take gas that they made contracts with, you see. A lot of those contracts provide to take a pay clause which have never really been enforced in Texas. And it's a cloud that looms over all of our heads. But they want to buy as much gas as they can from the producers. The producers want to sell as much as they can because they have obligations that they have to pay so if Valero or anybody else who has a contract to deliver our full gas requirements and is buying from all these producers, we inject another person in here we want to ride on a pipeline. Sure they get their, they get their spread for transporting it but then they're having to shut in some producers that they have contracts with that they want to try and keep those fellows happy. So, their cutting those producers off to move some other gas through the system. I think that will be their answer. I've heard that that is a problem and I'm aware of that. I think that's the reason you may want to ask some of them about that.

MR. WING: Mr. Osborne, could I ask you a question? In your opinion how could we...

MR. AMBROSE: I hate to do this again, Councilman Wing, but my name is Ambrose.

MR. WING: It's going to be short. How could we take advantage of a, under the existing so-called contract, or split, how could we possibly incorporate the best way to take care of so called spot sale?

MR. AMBROSE: In other words, assuming you do nothing, you sign neither contract.

MR. WING: Yes, no, no, assuming that we do go for a split.

MR. AMBROSE: That means you sign with Houston.

MR. WING: Yes, assuming that we do go with more than one supplier, how could we assure that or give direction that we would be taking advantage of the so called spot sales. Wouldn't that be to the benefit of whoever is serving the City to...

MR. AMBROSE: As I see it and, of course, you got to negotiate. You could sign with Houston today and you could then sit down and discuss either with Houston or with Valero the topic of hauling whatever volumes you'd like to have hauled to your door step. Wherever you purchased them.

There's nothing that says that all those offers have to go away if and when you sign with Houston. Houston could haul the gas for you. They've offered to. Of course said volumes would have to be taken out of Valero's hide or such volumes as it would bring your takes from Houston down to 45 percent. The least you can take from Houston under the contract is 45 as it now stands. But you could certainly tomorrow walk over and see the folks at Valero and start talking about hauling. What I'm saying is they may be angry at losing and I would be, honestly, but I still as a businessman can't walk away from making my normal profit on hauling those volumes for you. Now, the damage has been done to my reserve situation. I think Mr. Spruce is right. The battle is on now because if they lose those sales that means their taking even less from their producers. Once that's done there's nothing they can do about that. There's money to be made hauling gas for somebody as a businessman I have to say I'll haul it for you.

MR. WING: Mayor, I don't believe that with the testimony that we heard today that the City of San Antonio can do nothing but go with the split contract and the way it's been outlined, and I would move that the Council go on record as giving direction to the City Public Service Board, that in order to be able to save the ratepayer of the City of San Antonio money, that we go with the split contract.

MRS. BERRIOZABAL: I second.

MAYOR CISNEROS: Alright, motion and a second to go forward with the split contract. I presume that is on the 55-45 as ratified on January 6th.

MR. WING: Yes, with the so called 10 percent swing.

MAYOR CISNEROS: The 10 percent going to the company that's got the lower price the previous month. Mr. Harrington.

MR. HARRINGTON: Thank you Mayor, I won't be as long winded as some of the other debates have been. I can't even think up enough questions to ask probably due to my limited capacity. However, you know as I reflect back hearing some of the responses, I'm not convinced that any of us are clairvoyant and can look into the future. I remember some prognostications on the economy that I heard from some astute economist a few years ago. In which they were predicting that we've have 25 percent interest rates last year. I don't think that we ever saw those rates. I think they were predicting we would have \$8.00 per million cubic feet of gas by now, too, and I don't see that coming into effect, and I know that those predictions were made as educated, knowledgeable guesses from the conditions at that time, but economic conditions change are very cyclical and so, therefore, I don't think any of us can predict with any definitive degree of certainty exactly what's going to happen.

I made this statement when we were discussing before, that I could entertain the split contract if you could quantify the savings to the City of San Antonio as far as lower energy costs and lower rates go. To my knowledge that has not been done today nor does the documentation that we have seen today quantify any definitive savings to this City. They are knowledgeable, valued judgements from experts in the field, and they are issuing their opinions as to what might happen or what could happen in the market place today and in the future. The reason that we have a competitive situation today is not because we've been negotiating for splitting the contract. The reason is there's a glut of natural gas on the market. I don't think it's had anything on earth to do with us negotiating with Houston and with Valero about splitting the contract.

Deregulation, no one knows what's going to happen with deregulation. There again we can... inaudible... and we can make educated guesses as to whether gas is going to be higher or whether it's going to be lower than it is today. We don't really know until a market place addresses the supply and demand in the gas industry. The proposals that have been brought to us today would lead me to believe that I can see a definitive saving for the City of San Antonio, if we go with, if you will, alternative three and suggest to the Board of Directors of CPS that they consider staying with Valero as the prime supplier of gas and negotiating the 30 million cubic feet daily that has been agreed to be delivered to San Antonio at a fixed price for a two year period. That's definitive.

MAYOR CISNEROS: Mr. Harrington, you need to clarify a point because there's two different concepts on the table. Respect to that 30 million cubic feet just for the benefit of the Council. One is whether that 30 million cubic is in a so called daily swing, which is the way you worded it. Or whether that 30 million cubic feet is the first 30 million cubic feet.

MR. HARRINGTON: It is the first 30 million cubic feet. It is constant.

MAYOR CISNEROS: Okay.

MR. HARRINGTON: The swing would be absorbed by Valero as far as demand on a yearly basis.

MAYOR CISNEROS: Okay. Just wanted to make sure you're talking about the same thing.

MR. HARRINGTON: The 30 million cubic feet would be constant and, Mayor, I'd like to make a substitute motion if I may that this Council go on record encouraging the Board of Directors of CPS to negotiate in that manner this alternative three, with Valero for delivering the gas supply to San Antonio and purchasing the 30 million cubic feet of day, per day from either this BAM proposal or another proposal if they think that would be a better proposal.

MR. HASSLOCHER: Second.

MAYOR CISNEROS: There's a motion and a second. I will recognize it as an alternative motion because there are really three. Ordinarily if you have a motion such as the one that was already made. Then you wouldn't allow a motion that was exact opposite of it, but this one is a variant in the sense that it is a third hybrid in that the Christie BAM situation is entered into. Yes, madam.

MRS. DUTMER: Point of clarification on the motion; does your motion say that you do not want the split contract? You want to go with Valero.

MAYOR CISNEROS: That's correct.

MRS. DUTMER: And then the top 30 million cubic feet.

MAYOR CISNEROS: The first 30 million cubic feet.

MR. HARRINGTON: Valero would be the purveyor of the gas.

MAYOR CISNEROS: The first 30 million cubic feet is, not necessarily Christie BAM, but go for bids or something like that on the... Is that how I understand you?

MR. HARRINGTON: That's correct.

MAYOR CISNEROS: On the cheapest that they can get.

MR. HARRINGTON: And that be constant.

MAYOR CISNEROS: Okay. Mr. Eureste.

MR. EURESTE: When did we send this to... When did the Council decide that this item should be sent to a consultant study process? That it be studied. How long ago was that? Anybody remember.

MAYOR CISNEROS: January 6th, we decided. The evening of January 6th was the last time my head felt exactly this way about this time of the day.

MR. EURESTE: Okay. At that time and then at that time the City Council, there were votes on the City Council that went six for the split and five against the split and really all there is to talk about is the reality of what has happened. The reality of what has happened is that we have had a shift of one Council member and there's nothing illegal about that, but we have had a shift and that really is what makes all of the difference in the world, and we're going to see where that shift was when this thing is voted on. Back then the votes for the split were Cisneros, Thompson, Berriozabal, Webb, Wing, Eureste. And against the split was Dutmer,

Hasslocher, Archer, Harrington and Alderete. And today, the substitute motion that is on the floor, we're going to call it a substitute or whatever we want to call it an alternative motion, will produce the votes, six votes that will give the bulk of this contract to Valero and that's the way politics are played in town, and it's fair.

MR. WEBB: Mr. Mayor, a point of information.

MAYOR CISNEROS: Yes, sir.

MR. WEBB: You called, you said that there was 6 - 5 split, I didn't count but 10...

MRS. DUTMER: Mr. Archer wasn't present.

MR. WEBB: I didn't count but 10 votes cast.

MR. EURESTE: Oh, well, we'll see then.

MR. WEBB: Sir.

MR. EURESTE: We'll see that in a little while.

Any way, this decision could of been made with the split earlier, but we decided to wait for it to be studied and it was studied to death. And we have since then had elections for the City Council, April 2nd. And those elections basically put the nails around the coffin for any split arrangement. And produces before this Council nothing more than a deal that favors Valero and does not favor the split. Now, that's all there is to talk about. I really didn't understand what everybody else was saying about what because I really don't think that makes much sense. The only sense that there was to talk about here today was had we of had a shift or have we not had a shift in the vote, and we have had a shift and that is what makes this whole thing just a decision that favors Valero. Studies aside, ten million studies would not have, will not at this point produce any other outcome. It is nothing more than what one will call honest, raw, political power play. On this one, five who were on the prevailing side before will be five that will be on the losing side because we have lost one of the votes that would have allowed us to be on that prevailing side. And that's all I have to say.

MAYOR CISNEROS: Next speaker is Mrs. Dutmer.

MRS. DUTMER: Yes, it's hard ball politics and that's what it's all about. You're dealing with millions of dollars here. It's immaterial who voted what last time. It was a different situation; it was a different ballgame. Mr. Harrington, I wonder if you would make an amendment to your motion in that we give instructions to CPS and, this is ridiculous; it's even ridiculous for us to hear this question, CPS doesn't have to listen to us. But, nevertheless, since it was put into the Houston contract, that today with our vote should it pass, that CPS make certain that the first 30 million dollar, 30 million cubic feet of gas and the transportation thereof is firm in the contract.

MR. HARRINGTON: That's the intent of my motion.

MRS. DUTMER: Alright, but it's better to state it. Intents can be, you know... It's a nice place paved with those things. Alright, I'm ready to vote.

MAYOR CISNEROS: Okay, Mr. Hasslocher is the next speaker.

MR. HASSLOCHER: Let's vote.

MAYOR CISNEROS: Mr. Alderete is the next speaker.

MR. ALDERETE: I'll go ahead and pass.

MAYOR CISNEROS: I have a statement I'd like to make and that is simply that I intend to vote against the motion as it is stated because the analysis that our City staff has done in the last 24 hours, shows that even with an approach like the Christie BAM approach which is \$3.10 for two years, that all we would have to do through competition is hold the price down by 14¢ and that would offset the effect of the Christie BAM proposal. Fourteen cent savings from the competition that we've

developed and which the consultant has said will occur, would offset that. That's objection number one. Objection number two is that I think that there's actually even cheaper gas than \$3.10 in greater volumes than two years. So what's going to happen is that we will see, in effect, Valero maintain a monopoly position with the proviso that they will be carrying 30 million cubic feet a day for two years. Which will take us right to the take off point on gas prices after deregulation. So, just as that proposal finishes and it has no provisions in it for price protection after 2 years, when that \$3.10 comes to an end for two years then that's right at the end of deregulation and we'll see a gas explosion.

I think there's some other very serious questions that have to be raised, and I think that the Council will have to deal with, with respect to Valero. And that is the nature of the gas search program and why Oscar Wyatt is interested now in buying out our portion of the gas search program. It's my belief that if an audit were taken today of the gas search program, right this minute before they had time to buy us out that what we would find is that these people of San Antonio have not been getting the full benefit of the gas search program, have not been getting the full benefit of the gas search program and that the philosophy that runs the company on the gas search program is the same philosophy that now we're saying we want a hundred percent of with the softening of the blow of this 30 million cubic feet for two years.

The other issue that I raised is that Valero in the last couple of years and by the way I intend in the next few days and before the next CPS meeting to ask for an audit of the gas search program, and I would like to, I hope to have Board approval and if it's desirable Council approval of an intensive audit of the way the gas search program has worked. It is my belief that the distance between Valero and Oscar Wyatt with respect of the gas search program has not been as great as we would of thought and that there would be some very, very important information coming out of a major study of the gas program, if an audit were taken right this second, right this minute before people have a chance to move on it. I don't believe the people of San Antonio have gotten their fair share of the gas search program; that is a major point. Valero in recent years, of course, has moved to build a refinery in the Corpus Christi area which is apart from their gas mainstream effort and that refinery has created a great need for cashflow. The cashflow problem is in part what is fueling the wide swings in Valero's stock, recently. The cashflow problem is the reason why there is such a great need to have all of this contract and to have all of the transportation costs and all of the sales of gas off of this contract. I think that the people of San Antonio certainly have an interest in keeping Valero a healthy company in our community, but even, I, who take a backseat to no one on economic development, know the difference between our responsibility as public officials in propping up a company and a Public Utility and as a Public Utility our obligation is to get the cheapest price that we possibly can for the people of our community, and I personally believe that given the way that Valero is operated and the way I think will be shown on the gas search contract. Of the gas search approach, it's my judgement that the best thing would have been to have the vigilance of the market place. The vigilance of a second company out there looking for gas for us and that would have been a far more effective regulator than the Railroad Commission has ever been; it would have been a far more effective regulator than any of us could ever be, trying to peak over into books and audit etc... because the market place if we had followed the split approach and, hopefully, there will be someone who's interested in still doing that. That, to me, would have been a preferable way to go. In any event I continue to support the split approach and oppose the motion as it is presently stated. I oppose it on the grounds that number one it is fundamentally wrong in philosophy and even if you bought the philosophy, number two, I oppose it on the grounds that it really is selling out too cheaply. There is cheaper gas for longer terms. If you have to put a palliative in there to make this acceptable, then at least get one that's got a little bite in it, and serves us past these two years, takes us through the hard years, instead of setting us up for the fall with a monopoly situation, with a company that has not had our interest at heart as will be proven when we do the audit of the gas search program. Mrs. Dutmer.

MRS. DUTMER: Yes. Mr. Mayor also the rationale can go that the Valero pipeline is in place. We don't have to hassle around with that and perhaps pick up part of the cost. Valero is under a court order now to

service the City of San Antonio and for us to sever a portion of that court order will allow Valero access to the courts for relief of the contract in total. The 30 million cubic feet will give us a return of 24 million dollars in the two year period. It will also keep a home base company in this stock at least a level area for the benefit of the people of the City of San Antonio and you referred to Oscar Wyatt, I would point out to you that Oscar Wyatt was severed from Valero, you're not going to be able to exist on that the rest of your life as a matter of fact Oscar Wyatt was going to sue Valero and came right up to the point when he decided if that discretion would be the better part of valor. I would point out to you that some of this wisdom that people had, gave us the Alamo Gas contract that got us in trouble in the first place with Coastal States. And if you want to tie Oscar Wyatt to Valero continuously throughout from here to evermore I will take you through the steps that will tie him to all gas companies and I have it documented in from Standard and Poors from your securities. I do my research; I do my homework, and I will tie him right back to alot of others and I will tie some people that have been coming up in your recent realm of politics to these companies also.

MAYOR CISNEROS: Mr. Thompson.

MR. THOMPSON: Thank you very much. The conclusion as we wind down there has to be some concluding remarks on my part. The message that you give, Mr. Mayor, I think you overlook our truth not to speak to, consciously or unconsciously a very, very important part that we talked about and, apparently it has some degree of rhetoric rather than conviction. We have now and is a part of this motion and is a part of commitments that have already been made a savings of 24 million dollars to the ratepayers of this utility. Now, that is a minimum, the motion says that it would be for that amount of time for that amount of money or longer or more. Now, what we're trying, we're looking at 24 million dollars as something that is not persuasive. That in the face of some other values it's secondary. I, for one, say that if we stay with Valero and we can see these kinds of savings coming to our ratepayers, then we're doing what we said we're going to do and that's try to get the best possible deal for the ratepayers. This is an in hand savings that starts the day we can get this thing in place, thirty days. And it's a reality, it's not something that competition will work. Competition has already worked. A million dollars a month minimum savings. That might go for 5 years, we quote 24 million that's the minimum it might be more per month, and it might be more months than 24. So, the motion that has been made allows me to support that in that I can see us taking advantage of lower price gas right now, and I can see lower bills in the very, very near future as a result of it.

I also want to say that we looked at this in January and there were some statements made that votes have been changed. Unfortunately, I didn't get to speak that night because the vote was closed before I got my turn to talk and alot of people had talked alot longer than I had, I didn't get to say anything at all, in fact I voted to have the thing studied but could not give my rationale and I have no apologies to make whatsoever in studying this for one of the side of the issue to be, to be spoken to the other side has to have its own time. I think that my position tonight and that's when we're going to vote in trying to bring to our ratepayers lower utility rates, if that is a swing vote I'm very, very pleased that I've swung in that favor. I don't see how we can, as a Council, turn our backs on that kind of savings, immediate up front savings. So, I'm pleased that we could do this; I know that it's the right thing for us. We've got a good utility. I like the idea of dual supply, but I can't turn my back on this kind of savings and the other motion doesn't do that.

MAYOR CISNEROS: Alright. I certainly understand your position, Mr. Thompson, and I want to thank you because it was your, you were the last one to state your position in January. There were 5 votes and the question was you know who's the swing etc... and finally you voted for the split. The very fact that we have kept the pressure on for the split is the only reason that this opportunity is available to us. The fact of the matter is that if there is a 22 million dollar savings it is because we voted for a split on January 6th and because after having tried every absolutely other tactic available to them Valero finally realized they were up against a wall and the votes were going to hold for the split and that they were going to pull this thing out, they had to quit fooling

with swings and everything else and take that 30 million cubic feet at the front end and that's why there's a savings. If those who have articulated to go the Valero route in January had prevailed we wouldn't have this 22 million. So, I do give you credit for that. I do think there's more to be had and I hope, I wish that there were one member of this Council who would say that Mr. Harrington's motion could be amended directing the CPS to negotiate for a 5 year contract not a two year contract because the two year contract just takes us right to the edge of the most dangerous period in gas. I think that there ought to be direction from this Council that if that's going to pass, it ought to pass with something like 5 years. Five years gets us through the window of crisis, gas crisis that's going to be so severe to the people of our City. I think there ought to be direction explicit direction to the CPS that that motion serves for 5 years. Mr. Eureste.

MR. EURESTE: Does Valero have a PAC?

FROM THE AUDIENCE: Yes we do.

MR. EURESTE: Could you come up here please?

MAYOR CISNEROS: Yes, he's back behind the post there.

MR. EURESTE: You have a Political Action Committee?

MR. DON NEWQUIST: Yes sir, my name is Don Newquist, I'm the Chairman of the Valero Political Action Committee. It's called VAL PAC.

MR. EURESTE: Were you all involved in any campaigns for the City Council races, this year?

MR. NEWQUIST: Yes.

MR. EURESTE: Which ones? What districts?

MR. NEWQUIST: By number?

MRS. DUTMER: Mine.

MR. NEWQUIST: Mrs. Dutmer.

MR. EURESTE: No, just by districts.

MR. NEWQUIST: I don't know the numbers, I'm sorry. Mr. Hasslocher, Mr. Harrington, Mr. Van Archer, of the existing incumbent councilman.

MR. EURESTE: And nobody else.

MR. NEWQUIST: We have contributed to your opponent's campaign.

MR. EURESTE: I would have figured that one out myself. He didn't report it right?

MR. NEWQUIST: I have no knowledge of his reporting.

MR. EURESTE: How much did you report, how much did you contribute?

MR. NEWQUIST: We contributed \$2,000 dollars.

MR. EURESTE: How about in district number 7?

MR. NEWQUIST: I'm sorry I don't know the numbers.

MR. ALDERETE: I didn't receive any PAC monies if you want to know.

MR. NEWQUIST: None.

MR. EURESTE: How about number 6?

MR. NEWQUIST: I'm sorry, which one is that?

MR. EURESTE: Mr. Thompson.

MR. NEWQUIST: None.

MR. THOMPSON: Dead end.

MR. ALDERETE: Dead end.

MR. EURESTE: It's not a dead end. I've got more here than I've ever bargained for.

MR. THOMPSON: It's all on top of your head, though.

MR. EURESTE: I suspected my opponent had got some money from you. Now, I know for a fact. I can take this and wrap it around his neck now. That's fair, thank you very much.

MR. NEWQUIST: Thank you.

MR. EURESTE: By the way, how much money did you all spend in the City Council races? Total.

MR. NEWQUIST: I beg your pardon, Sir.

MR. EURESTE: How much total did you spend in the City Council races?

MR. THOMPSON: Point of order, Mr. Mayor, this has nothing to do whatsoever with the issue that we're debating. It is a personal inquiry for personal motive and has nothing to do with the merit.

MAYOR CISNEROS: The ruling, unless there is an appeal of a chair would be that what a corporation contributes to an election in which, which spends the time in which a decision is made, is relevant public information.

MR. HARRINGTON: There has not been a decision made here today.

MAYOR CISNEROS: I said pending a decision, a decision between January 6th and the present.

MR. HARRINGTON: But we haven't made a decision.

MAYOR CISNEROS: If you care to appeal the ruling of the chair, you may make a motion to do so.

MR. NEWQUIST: Mr. Mayor, there's really no problem. All of our contributions out of the PAC are reported to the Federal Elections Commission so they're a matter of public record. So there's really no secrecy behind it. If my multiplication is right it's \$750 dollars to the 5 incumbents, so it would be \$2750.

MRS. DUTMER: They gave me \$150 dollars, but you can't buy me with a \$150 dollars. And I resent anyone saying they can buy me.

MAYOR CISNEROS: Mrs. Dutmer, you're the next one to speak.

MR. EURESTE: Plus, \$2,000 for my opponent.

MR. NEWQUIST: Yes Sir.

MR. EURESTE: I think that tells me something alright.

MR. NEWQUIST: No offense intended. I might say we have probably over 350 to 400 employees, company wide who contribute money to that PAC. We probably average around 70 to 80 thousand dollars each year that go to congressional, state. We participated in judges' races and this is the first time we ever participated in any type of municipal election.

MR. EURESTE: How much, do you have a big PAC money? I mean you have a big PAC account, like 2 million?

MR. NEWQUIST: Oh no, it's what I said the total of contributions. Federal, state, local, judicial probably was less than 70 thousand dollars over the last 2 year period where elections you know took place at the primary, runoffs and general elections.

MR. EURESTE: Wow. And all of that with my money.

MR. NEWQUIST: No, with our employees money.

MR. EURESTE: Yes, but don't they get paid by you charging CPS so much for gas and me paying my gas bill.

MR. NEWQUIST: I think they get paid for a pretty good day's work for what they put in.

MR. EURESTE: But it's still my money. Thank you very much. I got enough here to keep this campaign going.

MAYOR CISNEROS: Mrs. Dutmer.

MRS. DUTMER: Yes, I'm going to take exception to the questioning for simple reason it implies that I can be bought for a small amount of money. There's not enough money conglomerated in this room to buy my vote if I decided I didn't want to vote that way. I have consistently from the word go said that the best deal that I could see was to stay with our hard fought court case and our winnings from that court case, and I have never deviated from that point. I don't have to explain to it. We could post the same question to Houston Pipeline. Do you have a PAC? Have you contributed to? Who have you contributed to? I know one of your suppliers is Clint Manges. Has Clint Manges or Pat Maloney contributed to anybody's campaign? If we want to get in the dirt, I can get down there with you politically.

MR. HASSLOCHER: Call for the vote.

MAYOR CISNEROS: Mr. Wing is the next speaker.

MR. WING: Yes, I'd like to amend the present motion that's on the floor to include a 5 year proposal rather than a 2 year.

MAYOR CISNEROS: Is there a second?

MRS. BERRIOZABAL: Second.

MAYOR CISNEROS: Direction to CPS to negotiate for 5 instead of just 2 years on the first 30 million cubic feet per day. Mr. Webb.

MR. WEBB: Yes, Mr. Mayor. I think that the elections are very significant in this case. You heard the man say that they had never participated in a municipal race and the ones who voted against Valero did not get any money. Those who voted in favor of Valero got money. And that is very important and very significant as far as I'm concerned and I'll tell you some other things that happen, too. Their loosing some EEO cases because they're not hiring like they should.

MRS. DUTMER: That's not germane.

MR. WEBB: That may not be germane, but I'm saying it and affirmative action is where we stand in the City if we want to throw the affirmative action packet in the garbage can, let's throw it in there, but when you give to a Council election and because I voted against them, they didn't give me any money. I had an opponent like anybody else and so did Wing, he didn't receive any money and so did Maria she didn't receive any money and so did Henry he didn't receive any money.

MR. EURESTE: Me neither.

MR. WEBB: And neither did Eureste. And if that doesn't slap you in the face, I'll assure you it does. It would have been more sensible, it would have been more sensible to have given each of the Council, incumbent Council members some of that \$150 dollars, or their opponent and I think that that is relevant, that who gives money to whose campaign.

MAYOR CISNEROS: Mr. Eureste is the next speaker.

MR. EURESTE: When did you give my opponent that money? Come on, let's have it out here. When did you give it to him? Did you give it to him a week ago, two weeks ago, three weeks, four weeks ago? No, I just want to ask him.

MR. WEBB: It was Monday, they gave it to him.

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MR. NEWQUIST: Last Friday.

MR. EURESTE: Last Friday. Okay. Let me ask you, is there any way that you all could be outlawed, from, you know, just pumping so much money, you know into district races that just makes a circus out of what we have created in districting. I mean why, why don't you allow the political process just to run? You know when there is a decision to be made by this elected body that you so much respect.

MR. NEWQUIST: I think the PAC movement is probably the most healthy political involvement in the process of people who have just as much of a franchise to participate as probably anything that's come along in a long time. You have people who are employees of companies who participate, give their money and participate. I think it's a very healthy thing just probably the opposite. There are obviously a lot of laws governing the operation of PACS but it's certainly no new mechanism. The business PAC has just come into its own in the last 3 to 4 years.

MR. EURESTE: But you did give my opponent \$2,000 dollars.

MR. NEWQUIST: We did.

MR. EURESTE: In a check or cash?

MR. NEWQUIST: In a check.

MR. EURESTE: In a check. Okay. Thank you very much.

MR. NEWQUIST: You're welcome.

MR. EURESTE: How much is this contract that we're talking about here today in gas worth to Valero?

MR. NEWQUIST: I would have to let some of our financial people answer that. I'm really not qualified to answer it. Mr. Moe could probably answer that.

MR. EURESTE: Okay, could he, please.

MR. MOE: The portion of the contract that we're talking about results in about a 2 million dollar net income effect on the company.

MR. EURESTE: What is the total amount of gas, gross revenues in gas that you handle under this contract? To the City of San Antonio CPS.

MR. MOE: Last year was about 260 million dollars.

MR. EURESTE: 260 million dollars.

MR. MOE: Right. That includes the cost of gas plus the margin and most of that is cost of gas.

MR. EURESTE: This motion that's on the floor will give Valero a contract for how long?

MR. MOE: For a 20 year period with CPS having the opportunity with one year notice to opt out at the end of each 5 years.

MR. EURESTE: So in the 20 year period, what do you estimate the gross revenue in gas to be worth?

MR. MOE: That's one of the big problems we've been having, is trying to figure out what our gas is going to be selling for in the future. So I really don't know.

MR. EURESTE: Well, let's just take a very simple ten percent escalator.

MR. MOE: I really couldn't do that off the top of my head. I'm not that good of an accountant.

MR. EURESTE: Well how much is 250 million times 20?

MR. MOE: 5 point 2 billion.

MR. EURESTE: 5 point, 5 billion 200 million dollars.

MR. MOE: Is that right?

MR. EURESTE: Yes sir, I guess. That seems like alot. So this contract is worth in gross revenues without any escalator about 5 billion, 200 million dollars.

MR. MOE: Keep in mind that most of that, most of the money that we receive in terms of the gross revenue is paid to the producers from the gas, has no impact on us. We don't make money on the gas that's sold. We only make money on the market at 15¢.

MR. EURESTE: You just make 2 million dollars worth of profits.

MR. MOE: Right.

MR. EURESTE: Okay, little money. And then if you were to apply a escalator factor to it, you might be talking about 7, 8, 9, 10 billion dollars at the end of 20 years, right.

MR. MOE: I don't know.

MR. EURESTE: Well, you could if there's going to be a decontrol on the price of gas, surely the prices of gas might even double or triple down the road. So, we could be talking about much more than 5 billion.

MR. MOE: What happens when the price of gas decontrols will really depend alot on what the price of crude is at the time, what the price of competitive fuels are, whether you'll have that kind of escalation is really an unknown factor at this point of time.

MR. EURESTE: Is your corporation going to give contributions to people who do not vote with Valero or are you going to just make it a policy to give contributions only to those who vote with you?

MR. MOE: Yes, sir.

MR. EURESTE: Who said that?

MR. MOE: We're going to support people, I don't control who the PAC contributes with. My personal philosophy is to support those people that operate when I consider the full benefit of the community.

MRS. BERRIOZABAL: I take exception to that.

MR. EURESTE: That's the people that vote with Valero, right. I mean obviously because the people that are voting against you didn't get any contributions.

MR. MOE: I personally contributed to Henry Cisneros. I think he's a fine asset to this City.

MR. EURESTE: We're talking about the PAC.

MR. MOE: I don't know what the PAC had done. I'm just talking my personal philosophy. The PAC will support candidates whether they're incumbents or not that are to support business principles, sound economic actions and...

MR. EURESTE: So whoever supports you is good for San Antonio and who doesn't support you and you're going to contribute to them and who doesn't support you apparently is not good for San Antonio, therefore, you will not contribute them.

MR. MOE: Well it depends on the issue. I don't know.

MR. EURESTE: Do you, I hope you don't hire people in your company based on who supports you.

MR. MOE: We hire people who are hard-working loyal employees.

MR. EURESTE: Okay. You ought to also contribute to elected officials who are also hard working people who might not always agree with you. Personally, I wouldn't take your money. Personally, I wouldn't take it. I don't sell myself like that. Thank you very much.

MAYOR CISNEROS: Mr. Harrington.

MR. HARRINGTON: Mayor, in case there's some misunderstanding of my motion, my motion was for the Board to negotiate the contract with Valero as supplier and deliverer purveyor of this gas. It was not to endorse the existing contract because I don't know whether there are any problems with that...

MAYOR CISNEROS: To negotiate with Valero for a contract.

MR. HARRINGTON: Legal, with a 30 million cubic feet a day minimum being supplied by whomever the Board felt was best capable of doing that at the lowest price to the City of San Antonio. And Valero would be the purveyor of that with the two year...

MAYOR CISNEROS: With the decision to be made by CPS.

MR. HARRINGTON: 2 year minimum, it is not a 2 year top. That is only a floor to lock in that savings. If they can negotiate a 5 year, that's fine.

MAYOR CISNEROS: Let me just make one, get one clarification here because it's very important. The present offer from Christie BAM is not with CPS, it's with Valero. You are saying that first 30 million cubic feet is to be decided by CPS.

MR. HARRINGTON: That is not what BAM said.

MAYOR CISNEROS: The paper they have signed is with Valero. All I'm trying to do is clarify. I think what your motion says is that you're exempting the first 30 million cubic feet and saying CPS decides that in the open market as best it can, then the remainder of it, it deals with Valero but even the first 30 million is prevailed over the Valero system, that's what your motion is.

MR. HARRINGTON: Right, that is.

MAYOR CISNEROS: Okay. That's not what presently exists. What presently exists is that Christie BAM has a deal with Valero.

MR. HARRINGTON: No, it isn't.

MRS. DUTMER: Mr. Mayor. Wait a minute. A point of order.

MR. HARRINGTON: That's not what he said. The only agreement that we have with Valero is that they would transport our gas.

MAYOR CISNEROS: Oh transport, Okay.

MR. HARRINGTON: Our proposal was to sell directly to the City Public Service.

MAYOR CISNEROS: Okay, fine.

MRS. DUTMER: A point of order Mr. Mayor.

MAYOR CISNEROS: The point, still there's a valid point yet though and that is and I'm not arguing with you, I'm just trying to clarify it so we know what we're voting on and there's no problems afterwards. The bid process is going to be run by CPS, is that correct?

MR. HARRINGTON: That's correct.

MAYOR CISNEROS: Okay. Mr. Christie, you understand that. This is a new ballgame then. Okay.

MRS. DUTMER: Mr. Mayor, we amended his motion.

MAYOR CISNEROS: There's been an amendment.

MRS. DUTMER: That's right. That CPS firm up that first 30 million and the transportation thereof. I didn't say with BAM or anyone else, that they firm.

MAYOR CISNEROS: That's not the amendment.

MRS. DUTMER: Yes, it was.

MAYOR CISNEROS: There wasn't a second to that. The only amendment that's on the table is one that would go beyond Mr. Harrington and what it would do. Well, there's no second registered and I didn't recognize a second.

MRS. DUTMER: I know that Hasslocher seconded it.

MAYOR CISNEROS: The only second that's on the table is one that would give explicit direction to CPS that goes beyond the Harrington motion and says two years isn't long enough, negotiate for 5, and I personally support that amendment because I really think that it's possible to get that and I intend to vote for it. Jack, do you have a clarification point you need?

MR. SPRUCE: Yes, sir. I think we ought to clarify as the Council sending instructions to the Board, CPS Board, to sign a contract with Valero or to negotiate transportation agreement whether it would involve signing a long term contract or not.

MAYOR CISNEROS: This is a very good point.

MRS. DUTMER: Sign the contract.

MAYOR CISNEROS: It's signing a contract. This is the worst of all worlds, really. It's the worst case and the consultant is sitting there saying yes. There were three choices available to us, one split, two leave it as we are under the Railroad Commission agreement; or three sign a contract with Valero. And those people who have been saying that the danger in going with the split was that we were going to remove ourselves from the Railroad Commission if you vote for this motion, that's what you'll be doing because you'll be signing a contract that eliminates the agreement, eliminates the settlement agreement. It is of the three choices it is the worst. Isn't that a correct statement?

MR. AMBROSE: From the standpoint of availing yourself of the flexibility in the future to take other supplies, you are locking yourself in to 80 percent from Valero for at least 5 years, no, if, ands, or buts.

MAYOR CISNEROS: Under the present settlement order we have more flexibility than that and under the present settlement, in other words of the three choices available to us you picked choice three. That's the motion that's on the table, sign a contract with Valero. Next speaker is Mrs. Dutmer. Am I incorrect Mr. Harrington, you're saying sign a contract, you're saying pursue the Valero contract.

MR. HARRINGTON: That is what I'm saying, yes.

MAYOR CISNEROS: Okay. Mrs. Dutmer you have the floor.

MRS. DUTMER: I've been accused of being a hard loser on this Council when the votes weren't there. Maybe I am when it means alot to me, and I think that it's the right thing for the City and that's a judgement that each of us have to go through. If I am a hard loser so be it, I've got lots of company today. I can guarantee you. The charges that were made of PAC monies and the rest of it, I've been in politics many a year. It's always been run this way, maybe it has to be changed but until it is that's the way you go with it. I've seen money washed, I've seen bad men, I've seen everyway you can under the table to get money to people that are thinking about your philosophies in political arenas. This, at least, was up front; nobody's hidden it, it's recorded, it's there, it's not under guise of a fund raiser, it's not under any other guise that there is. It's up front money and I have alot of trouble with people calling me a hard loser and then turn around and being equally as hard or worse, and I think it's time for us to call a vote.

MAYOR CISNEROS:        Alright. Are you calling the question?

MRS. DUTMER:            Yes, I am.

MR. WING:                Second.

MAYOR CISNEROS:        There's a motion to call the question and end debate, it requires 8 votes.

MR. HARRINGTON:        Mayor.

MAYOR CISNEROS:        Yes, sir.

MR. HARRINGTON:        Clarification.

MAYOR CISNEROS:        There's been a motion to end debate and that's not a debatable motion. The motion is to end debate and to vote on the question at hand. Was there a second to that motion? Yes, it was seconded. Those in favor say Aye. Those, No. Motion fails. You want to clarify something.

MR. HARRINGTON:        I do want to clarify something, Mayor, I'm not, my motion was an intent for, as I stated earlier, for Valero to be the purveyor of gas to San Antonio, not to negate the court order.

MAYOR CISNEROS:        Well that's why your motion is on the table right now.

MR. ALDERETE:           That's why he's clarifying.

MAYOR CISNEROS:        You can not clarify it if I've already restated it three times. You have to make another motion.

MR. ALDERETE:           He can clarify...

MAYOR CISNEROS:        The chair will rule that I have restated the motion specifically for the purpose of getting the gentleman to say what he means, and he has v rified that what he means is to sign a contract with Valero.

MRS. DUTMER:            A point of order. He can purify his motion anytime, anywhere as many times as necessary.

MR. HARRINGTON:        For the delivery of that gas.

MAYOR CISNEROS:        Alright. I will accept a substitute motion that says what you want to say but please state it as you want it to state.

MR. HARRINGTON:        Okay. Mayor, I'm not trying to play, I'm trying to get this palatable. I'm not really trying to play games with it. I don't want to lock San Antonio into anything that is adverse for San Antonio. What I want to do...

MAYOR CISNEROS:        Alright, let me tell you what's on the table right now and then you can act accordingly. The first original motion is a split made by Mr. Wing. The substitute by you is to go ahead, proceed with the Valero contract approach. Then an amendment was made to that which says if you're going to sign a contract and it's going to include Christie BAM or some other such thing, then do it for 5 years not and explicitly state for 5 years. That's what's on the table right now, and I did ask you to clarify that particular point.

MR. HARRINGTON:        Okay. My original motion, I believe, that I used the word that Valero would be the sole purveyor of gas to San Antonio.

MAYOR CISNEROS:        Okay. What do you mean by that?

MR. HARRINGTON:        They wouldn't move it from one place to another, deliver it to San Antonio.

MAYOR CISNEROS:        And no contract. Don't sign a contract.

MRS. DUTMER:            But no contract with them for their gas. They won't accept that.

MAYOR CISNEROS: Well, you see this is the... There is a situation that needs to be clarified here. You clearly used the word contract before, Mr. Harrington, because I asked you.

MR. EURESTE: That's got to be worth more than \$750 dollars.

MAYOR CISNEROS: Are you saying you want to stay with the second best choice which is just leave the settlement order in place and do not contract with them?

MR. HARRINGTON: Contract. Well, I'm really... You got me confused.

MAYOR CISNEROS: Okay. Let me ask the gentleman if you would please identify the major choices as you spelled out in your analysis. Go ahead.

MR. AMBROSE: There were three. One was do nothing, two was sign the Valero contract with the possibility of finding someone to supply the 20 percent that Valero is willing to haul. The third option was sign the Houston contract.

MAYOR CISNEROS: Ladies and Gentlemen. This specifically is for Mr. Harrington's benefit. So we can get this matter, in using the same language. Would you restate that please?

MR. AMBROSE: Number one was do nothing.

MAYOR CISNEROS: Which would mean stay under the settlement order.

MR. AMBROSE: Stay under the terms of the settlement order. Number two was sign the Valero contract and try to negotiate for a 20 percent supply which Valero has agreed to haul. Number three is sign the Houston agreement. And those as I understand it are the only options you absolutely have right now.

MAYOR CISNEROS: The language that you used earlier, Mr. Harrington, said sign the Valero contract as submitted. That essentially, correct me if I'm wrong, but changes the status quo under the Railroad Commission order. It's a new contract situation.

MR. AMBROSE: That's a legal determination...

MRS. DUTMER: Clarification, Mr. Mayor.

MAYOR CISNEROS: Mr. Harrington has the floor, and I don't want to take it from him any further.

MR. HARRINGTON: Mayor, then my motion really should state that we stay with the services of Valero Energy Corporation as our gas supplier.

MAYOR CISNEROS: And not the contract approach.

MR. HARRINGTON: And not the contract approach. That we stay with them as our gas supplier.

MAYOR CISNEROS: Under the Railroad Commission order.

MR. HARRINGTON: Under the Railroad Commission order and that we have them negotiate for CPS Board, negotiate for the lowest price for a minimum of 2 years for 30 million cubic feet of gas daily to be delivered by Valero.

MAYOR CISNEROS: Okay. Let me ask if that... I assume that that's... Who can answer from a legal standpoint? I guess it would be John Wood if he's here. Whether under the Railroad Commission order how that would be done. It's clear that it's durable under the contract approach, under the Railroad Commission approach, what's the mechanism?, I hope it can be...

MR. JOHN WOOD: It would be up to Valero whether or not they want to transport that gas or not.

MR. EURESTE: Point of parliamentary inquiry.

MAYOR CISNEROS: Yes, sir.

MR. EURESTE: In order so that we understand what we're doing. Couldn't we let Valero draft the motion so that it would be very clear what it is they want us to do.

MAYOR CISNEROS: Let me try to clarify the best way to do this. We've got the split, that was the original motion. Then a substitute motion which was your motion, and if I... I think, parliamentarily, the best way to do it is just to get Council consensus that what you intended was to stay under the Railroad Commission order and leave things as they presently are.

MR. HARRINGTON: Yes.

MAYOR CISNEROS: Okay. That would be then the substitute motion and then we'll have the amendment to the substitute motion which is the 5 years. Now, we'll proceed with Council discussion at this point. Did you have anything else?

MR. HARRINGTON: That's it, Mayor.

MAYOR CISNEROS: Alright. Mrs. Berriozabal. Alright I have a question and that is this. Given that we're going to go this approach and not the contract approach, presumably I mean that's what your motion is. Is Valero now committed to carrying the 30 million cubic feet under the Railroad Commission order in the present status quo?

MRS. DUTMER: No.

MAYOR CISNEROS: Is not. Okay. See that's the major kink in this thing. Go ahead.

MR. MOE: Can I speak?

MAYOR CISNEROS: Yes sir.

MR. MOE: Our contract proposal which we ask you to sign as a part of our agreeing to transport the 20 percent. Has the effect... that's the deal on the table. We're willing to transport the 20 percent if you all sign a contract with us. Alright.

MAYOR CISNEROS: Which removes you from the settlement order.

MR. MOE: That it does not do. The only difference between signing a contract with Valero and the settlement order is that we become your sole supplier subject to the 5 year outs in the provision of the contract, all of the other provisions of the settlement stay intact. That is our approach if it needs to be clarified by adding a provision to the contract, we'll do that but that's the legal interpretation that we've been given. I believe John Wood agrees with that view. I don't believe anyone from CPS disagrees. We can't do the transportation.

MR. WING: Can we have Mr. Wood speak for himself?

MAYOR CISNEROS: No, Mr. Moe, you still have the floor. I'm sorry. You still have the floor. Okay. Alright. I'm the one who's asking the question at this time. I have the floor, let me ask Mr. Ambrose if I can. Why do you think that accepting the contract from Valero which is the contract that says they'll carry that 30 million cubic feet is the third option, the worst of the options, why do you feel that's the worst?

MR. AMBROSE: As I stated in the report. I look at the best situation to be in to have the flexibility to pick and choose among suppliers and the volumes that you'd want to buy. I think Mr. Thompson agrees with that also. In my view of the three that were listed in the report that's further away from that because you've locked yourself in to 80 percent from Valero.

MAYOR CISNEROS: Alright. Now that's what's on the table right now. That was eliminated from the table and what's on the table right now is the Railroad, we stay with the status quo.

MR. AMBROSE: Right.

MAYOR CISNEROS: Now Valero has said are you... I need to know this, I personally want to know. Are you or are you not willing to carry the 30 million cubic feet as you would under the contract situation under the present motion which is to stay under the settlement order?

MR. MOE: May I answer that?

MAYOR CISNEROS: Yes.

MR. MOE: We would not be able to agree to do that under the status quo. Okay. The reason for that is that Valero by agreeing to transport this gas on a block basis like we have said we're going to do is absorbing the full swing on the volumes being delivered. That is a significant commitment from us to enable the City of San Antonio to tie up a block of gas of 30 a day, and it's that ability to have a block of gas that's 30 a day constant that enables the City or CPS to be in a position of negotiating a cheap price to buy that gas and that's the reason.

MAYOR CISNEROS: Let me correct this then. So, if this motion passes you could not be in a position to carry the 30 million cubic feet so we would be in exactly the same position for the future that we are now.

MR. MOE: If I understand the motion on the table. The motion on the table is status quo.

MAYOR CISNEROS: Yes, status quo.

MR. MOE: Under status quo we couldn't transport the gas. Under the option of signing our contract we would transport the gas and the million dollar a month benefit would be there.

MAYOR CISNEROS: Okay. And in the opinion of the, of Mr. Ambrose the signing of the contract locks us into the sole supplier, 80 percent with them having the out. Is that correct?

MR. MOE: I don't know that that's an opinion. That's in black and white and its common sense and it also locks you at 100 percent to the pipes of Valero with no other suppliers pipe supplying the City.

MAYOR CISNEROS: Okay. That's what we've got on the floor. Mrs... We'll proceed with the Council discussion. We've got a real serious problem here folks that's going to have to be resolved some way before the night is out, Mrs. Dutmer.

MRS. DUTMER: If you talk long enough you can change the entire thing around, Mr. Mayor.

MAYOR CISNEROS: Well that suggests that I've made something up. All I've done is point out the facts as they are on the table.

MRS. DUTMER: We're allowed two substitutes on the floor and this one is not the same as Mr. Harrington's. I would move that CPS sign the contract with Valero as our supplier and it will keep them under the Railroad Commission and the settlement agreement and incorporate into that contract an additional clause that says they will deliver 30 million cubic feet off the top to CPS, and they will transport it to the City and, Ambrose, I'm sorry but we can't have lunch. I mean dinner, we'll be here until midnight.

MR. THOMPSON: Second.

MAYOR CISNEROS: Alright. Now, all three major options are now on the table. The second, is there a second to that second substitute. The second substitute is the contract with Valero after that there is a first substitute which also has an amendment attached to it which is the status quo under the Railroad Commission order. Then after that there is the original motion which is the split. So, we have all three propositions on the table at this time. I would strongly urge the Council not to put aside the situation that is the status quo that is the second best after what I favor first which is the split. Mr. Wood, I'd like to ask a question if I could. I'd rather have a status quo than a contract. John, the questions that I have relate to the effect of the Valero contract as against the status quo from a legal standpoint.

MR. WOOD: Well, first of all, as I understood the original question before the Council, the City Public Service Board voted to approve the Houston Pipeline contract, subject to this Council's approval which was the condition of the contract. The Board has never voted, and it's within their authority to sign a one hundred percent contract with Valero.

MAYOR CISNEROS: That's correct.

MR. WOOD: So, that be the first question. I think secondly the primary difference between a Valero contract versus the settlement order is that you would tie yourself to one supplier for 20 years subject to your right to terminate the contract at the 5 year intervals with one year notice. The only other differences would be the term and conditions of the contract which would be enforceable as contractual provisions as opposed to the situation that we're now in without a written contract with any disputes which could not be resolved on the day to day basis by mutual agreement between CPS and Valero would have to go then to the Railroad Commission for resolution.

MRS. DUTMER: Precisely.

MAYOR CISNEROS: Alright sir. Council discussion, Mr. Alderete.

MR. ALDERETE: Under the contract or the motion was made by Mrs. Dutmer, seconded by Mr. Thompson. Inaudible... with the contract and that the settlement provisions be imposed.

MR. WOOD: The settlement provisions, the settlement provisions are essentially identical. Whether you go with Houston Pipeline, whether you go with the Valero contract or if you stay where you are with the exception that to the extent that you contractually commit to either Houston Pipeline or Valero to take a hundred percent, fifty percent, forty-five percent of your gas from them, then that contractual provision will be enforceable by them.

MR. ALDERETE: But they also have the option open for that 20 percent, right, is that correct?

MR. WOOD: Who?

MR. ALDERETE: Valero under the contract. At 20 percent...

MR. WOOD: Valero can offer you the 20 percent now. They can offer you 30 percent or 40 percent.

MR. ALDERETE: But they have no contract to do so.

MR. WOOD: They have an obligation to continue serving San Antonio with or without a contract.

MR. EURESTE: To carry your gas.

MR. WOOD: We do not have an obligation to take from Valero except if we sign a contract with them.

MR. ALDERETE: Will they have an obligation after the contract is made?

MR. WOOD: Yes.

MR. ALDERETE: In other words, we're protected that way too.

MR. WOOD: Yes.

MR. ALDERETE: Okay.

MAYOR CISNEROS: We're protecting the sense of what we receive but we have more flexibility in terms of what we have to take under the present situation.

MR. WOOD: That's correct.

MR. ALDERETE: But with the 20 year, with the 20 percent provision we have an automatic, we have a 24 million dollar savings to consumers

for two years and that option is open for more than 2 years.

MAYOR CISNEROS: That's iffy.

MR. ALDERETE: Well, of course, it's iffy as spot gas is iffy, you know but it's still there and we still have the protection after the contract with them under the settlement order. I just wanted to make sure. Okay, thank you, John.

MAYOR CISNEROS: Mr. Eureste.

MR. EURESTE: Who's the PAC, where's the PAC expert? Pac Man! Where's Pac Man? Are you required by law to make contributions only by check or as a Pac or can you make contributions in cash?

MR. NEWQUIST: Oh, I suspect you could as long as you adequately report them. We never have, only by check.

MR. EURESTE: Okay. But you could give them, give contributions in cash.

MR. NEWQUIST: I suppose you could, we don't. You would have to report them though. I'm talking about from the PAC's reporting responsibilities to the FEC and to the Secretary of State.

MR. EURESTE: Okay. Do you know if Valero made any contribution? Who would I ask that to? Did Valero Corporation outside of the PAC make any contributions to political campaigns?

MRS. DUTMER: They can't.

MR. EURESTE: Well, I know they can't, but I'm just asking, did they? I want it on the record, yes or no.

MR. NEWQUIST: No.

MR. EURESTE: You would be the authority to know that or would it be Mr...

MR. NEWQUIST: Well, I mean you could speak to the the treasurer of the company but I'm saying no it's unlawful for a corporation to make political contributions.

MR. EURESTE: Did you?

MR. NEWQUIST: Did I what?

MR. EURESTE: Did the corporation make any political contributions?

MR. NEWQUIST: No, it never has, in any political race.

MR. EURESTE: How about top echelon people? Did they make political contributions?

MR. NEWQUIST: I'm not knowledgeable on what people do individually. I make individual contributions that have nothing to do with, and I'm sure others do, but I'm not knowledgeable on what individuals do.

MR. EURESTE: Okay. Thank you very much. Mr. Mayor, the motion that would best favor San Antonio is basically status quo what we have right now.

MAYOR CISNEROS: Other than the split, in my opinion.

MR. EURESTE: Right. I mean but given the votes aren't there for the split. Then that the best deal is to stay with what we have and that really is the type of ordinance that would best protect the residents of the City of San Antonio. Otherwise, we're setting up a 20 year, and I don't know if we're going to get into this but a 20 year lock-in contract with Valero, and they can do with us whatever they want to and we've been down that road before; and I don't see why we don't learn from past mistakes. We've been down that road with a contract that really didn't produce anything good for the City, other than scandal, scandal, scandal. But, I think some people here have forgotten the statements you made

earlier about the gas search and the connections between Valero and Oscar Wyatt and Coastal. I always suspected that the spin-off wasn't the true spin-off that alot of us were looking for but there was alot of connections still between the old parent company, Coastal, and Oscar Wyatt and I can see this thing coming right back around. What was done in 1950, when was that Alamo Gas contract done in 1951, 1962. I can see that coming right back around 20 years later. We've gone through a crisis and a half already with that contract, it had to eventually be scrapped, and we're coming full circle and we got the same actors involved. The stepson of Oscar Wyatt and Coastal, and I'm not talking about the person but the corporation, the spin-off. Being that of Valero, that it's still making its moves in San Antonio, offering us all kinds of deals, making contributions to political candidates that voted for their position and that would swing to their position with their contributions. And we've got Coastal and Oscar Wyatt trying to get out of a court settlement agreement on the search, on the gas search aspects of that agreement, and we've got Valero and Coastal with minimum separation as it speaks to that end of the settlement, the court settlement that is the gas search. I would hope that we could simply just stay as is rather than getting locked in to a 20 year contract because if we get into a 20 year contract this same Council people who are getting us into this 20 year contract would be no different than that majority of the Council that got us into that contract with Alamo gas in 1961. We're back with the same actors, the same actors are involved all over again in San Antonio. We haven't gotten rid of them. We thought we had, but we haven't gotten rid of them. And I would just simply ask you to think about your consumer, instead about yourself. You might not be here forever; all of us might not be here forever but you got a consumer that's going to be here forever and it's that consumer that you need to, you need to protect. You're not here to protect yourself, you're here to protect that consumer and don't sell yourself short for \$750 dollar contribution or whatever you got from Valero. I mean if you're going to cast a vote for that kind of money, you should of gotten \$2,000 like my opponent, Valdez, got.

MAYOR CISNEROS: Alright, the next speaker is Mr. Archer.

MR. ARCHER: Mayor, I'll pass.

MAYOR CISNEROS: Alright, Mrs. Dutmer.

MRS. DUTMER: Now, my fear about going with the no contract with Valero is that they might go back to the courts and appeal that we're arbitrarily holding them without a contract and holding them to the Board order. I prefer to work under a contract now, we've asked the consultant and the consultant has given us his opinion and that is his opinion. I respect his opinion but that is his opinion not mine. Experts, of course, as anybody from out of town and why we went to Houston of all things to investigate a Houston, evaluate a Houston contract is beyond me. That's like not putting the fox in the hen house as putting the hen right in his mouth. It's just simply; there's alot of things here that don't add up one way or the other on both sides and I feel that we have a contract these people have been supplying us. All this time we haven't griped we've griped about the cost of it but there are other things that we could other avenues that we could have taken to reduce the cost to the consumer but we didn't do that either. So I'm going to go ahead and urge you to vote for the last substitute amendment.

MAYOR CISNEROS: Alright, I want to just caution the Council, and I absolutely as strongly as I can plead with you to pay attention to what the consultant that we hired has said. There are three major options. One of them was the split another one was leave things the same, another one was sign the Valero contract, sweetened as it is. His judgement is, the worst thing we could do is sign the Valero contract, sweetened as it is.

MRS. DUTMER: That isn't what he says.

MAYOR CISNEROS: That isn't what he says. I'll read it. He says, reading on page 26, the best possible strategy for CPS would be a multitude of suppliers serving its needs under contracts of rather short duration, if for any stated term at all with no minimum or maximum purchase volumes and he goes on and he says the first option signing neither contract, that's leading us under the same situation and the Railroad Commission protection that everyone's been talking about for

the last few weeks, he says has a certain charm in the topsy turvey world of natural gas and sets that up as the middle choice between the split and between going with contract. If you go to page 27, he says the second option, signing the Valero contract and securing the supply of gas in the field for Valero to haul and he describes the benefits of that as reducing the cost of purchase gas and expanding supply options. The next paragraph says as clear as he can possibly make it, the down side of this option is rather large, however, the savings represented by the 20 percent transport option would be a small part of CPS's total bill, and we would expect such savings to decrease in the future as market pressures drive down the cost of gas to Valero, for the balance of CPS's requirements. Further, the variable nature of CPS's takes would not be appealing to any producer who might consider a direct sale to CPS. Even if the producer were willing to agree to variability and takes, he would probably see the fixed price contract. Goes on and this is the critical point, in addition the benefits to CPS of securing a supply of gas from a second pipeline with a vastly difference of philosophy on supply would be lost perhaps forever. We count this as a major drawback to the option because it denies CPS some of the flexibility we believe it will need in the coming deregulated field price market. Let me read that sentence over. It says, we count this aspect of signing the contract as a major drawback because it denies CPS some of the flexibility we believe it will need in the coming deregulated field price market. It will deny us the flexibility just in exact contrast of what he says over here we need to have, it says the best possible strategy for CPS would be a multitude of suppliers serving its needs under contracts of a rather short duration. So we're going to do exactly the opposite of the best. Go to the worst because Valero has put a sweetener on the table for 2 years. So, we're going to for 2 years stick our hand in the cookie jar that then is going to slam shut for 18 and it just doesn't make any sense to me about, as a logic.

Lastly, he says and these are not my words, this is the consultant, a trained consultant working in this subject that was hired with a concurrence of Valero and with a concurrence of the other company, Houston. It says, it would lock CPS to Valero as a supplier of no less than 80 percent of its requirements for 5 or more years. Another supplier could not be secured for at least 5 years. So, we got a problem. I feel very strongly, that if we were going to, if we were not going to split, the next best thing is to stay as close as we can to the present environment. I cannot tell you, to the people of San Antonio, I will swear to you that that is the proper thing to do. If we don't have the gumption to split it and set up that environment, then the next best thing is to put ourselves in a situation, we've got the present circumstances and we don't have to take all of Valero's take but not to sell away even what we captured in the settlement which I think was minimum protection but even give that away, sign a contract and be tied to them, at a level of 80 percent. Tied to them at the level of 80 percent, monopoly situation, tied to them at the level of 80 percent for a minimum of 5 years. In other words they came in asking for cookies and we're going to give them the furniture, and we're going to say take the chandeliers and take the mirrors and while your at it go ahead and take the rug, you know. You came in asking to have supper and you're going to take the whole living room table with you. That's what this Council is doing. They came in asking for a continuation of the present circumstances, and we're going to give them everything. That's okay. If that's what the majority of the Council wants to do, so be it, but it is a very, very dangerous strategy. We hired a consultant to tell us what is the best thing to do. He said this is the number one thing to do, you say no we don't want to do the number one. He says this is the next best thing to do, no we don't want to do the number two. Jump all the way to the last alternative and take the worst one. That's what the vote on this second substitute is about. Mr. Eureste.

MR. EURESTE: Why don't we just let the people that are going to sell San Antonio down the river to Valero cast their vote? You know, I surely am not going to over our gas supply contract to Valero because that's selling the people to San Antonio down the river for a locked in 5 year contract that runs, that can run for 20 years, with 5 year intervals. Is that right?

MAYOR CISNEROS: That's correct.

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MR. EURESTE: Five year intervals. Now, I mean I can, I'm going to wake up very comfortable tomorrow and I'm going to wake up very comfortable, I hope to live this long 5 years from now and ten years from now and 20 and 15 years from now, knowing that I made my good decision here, but I grant you every decision we've made as a Council and not this Council but previous Councils, in terms of long term arrangements, for gas, the whole thing just fell apart. For coal, the situation fell apart in terms of the freight cost for coal and what we got ourselves locked into there and the South Texas Nuclear project, another crazy deal, where the main contractor that was putting that thing together couldn't even stay afloat. We had to kick him out, and now we're into a very costly venture over there in Bay City and now right back again, right back again, I mean, I think the people, the politicians in Dallas would have sold themselves for alot more than \$750 dollars in terms of contributions that come from the Valero PAC. I mean, come on we're not that cheap are we. You know that we're going to go out on that rate. All I'm saying to here, is that there will be six votes cast today that is going to deliver this thing to Valero, signed, sealed and delivered to Valero and the names of six Council people are going to go on there and that's a contract that's going to stay enforced for at least 5 years minimum and you're locking yourself into prices that Valero will have sole authority on and sole exclusivity on in terms of determining what it is they're going to charge us here in San Antonio to keep our homes warm and to keep our plants operating and our homes operating in this City. You know we got three hundred and fifty thousand homes that are served by CPS.

We've got, I don't know how many plants and factories we have in San Antonio and businesses that we have here but you're going to sell all of that down the river to satisfy one major gas supplier that is willy nilly on PAC contributions to our own Council members in the midst of an election, when they have an issue before this Council. I think this is got to be something illegal about what they did. I don't see how a major corporation that's got a decision pending before this City Council can be giving major contributions, major contributions to people that are running for elected office when you have a major decision pending. I bet you that there was money paid in cash that is not listed and will never be listed, you'll never identify it. How it is that one Council member can be for the split before the election and after the election changes, flip flops, completely around and gives his vote to Valero? How is that possible? And I'm not going to mention names but I'm going to say here is that this decision today is a pure and simple decision. You want to sell off to Valero, the rights and the interest of the people of San Antonio for the next 5 years and possible for the next 20 years, go ahead and do it but it'll be your signatures and not mine because I am not going to vote for that contract.

I would say status quo is the best deal for San Antonio. Status quo is the best deal given that we can't get the split and the split would have been the perfect arrangement because it keeps the two major giant suppliers competing with one another and what you've done here is you've kicked everybody else out of town and you said you know we don't want no more gasoline stations, all we want is one major gasoline station. It's like kicking everybody else out and leaving Exxon in place, but we're doing it here in gas; and we're saying Valero is the only one, everybody leaves San Antonio, nobody else messes around with Valero supplying San Antonio with gas under an arrangement that locks in Valero with San Antonio in a marriage that's going to be most difficult for all of us. I think that is selling out the City. That is selling out some of the poor people that live in some of the districts that some of us represent here that are going to be voting for that contract. That is selling out, I mean can the Mayor be wrong. I don't think he can in this one. I don't think he can in this one, and everybody has talked about him and I are just constantly bickering and back and forth with one another. He is telling you in the best way possible, I mean I wish you tell it the way I tell it, but he's telling you in the best way possible that you've got a bad deal here. That you've got a bad deal as far as this is concerned. This is a bad deal, now you all want to go ahead and vote on it. Vote on it, but you have to remember tomorrow morning and next week and next month and next year that the Mayor told you that it was wrong and that Bernardo Eureste also told you that it was wrong and that Frank Wing told you that it was wrong and that Maria Antonietta told you that it was wrong and that Joe Webb told you that it

was wrong. Now, if you can't get a good perspective from those people that are telling you that you're wrong, I don't see what else is going to convince you. I don't see what else, unless it is something that is unknown and unseen by the rest of us that are sitting here on this table, and I'm not going to retract that statement, either Mr. Hasslocher. I'm not into the hamburger business.

MR. HASSLOCHER: What?

MR. EURESTE: You heard me. I'm not into the hamburger business.

MAYOR CISNEROS: Alright Mr. Eureste. You've finished.

MR. EURESTE: By the way, does your company have a PAC? No, it doesn't.

MR. HASSLOCHER: Let me tell you if it did, they wouldn't contribute to you.

MAYOR CISNEROS: Mrs. Dutmer.

MR. EURESTE: That's how come I'm not eating your hamburgers anymore. Neither are the people from District 5.

MRS. DUTMER: Are you through? Okay. Our consultant, Mr. Ambrose, told us also that we should go for a contract of short duration. As I recall you, the Mayor lead the charge for a long term contract, would not hear of that 5 year contract. He also said that competition is not there with the two suppliers. Now, can the Mayor be wrong? It seems to me that he lead the fight that kept us into STNP. Can he be wrong, Mr. Eureste? This is sort of like the business...

MR. EURESTE: We're going to sell it tomorrow.

MRS. DUTMER: This is sort of like the business that's going on right now in the gasoline business, the gasoline wars. The only guy going broke is the little guy down at the end. The big boys have got a surplus of gasoline and they're having a blast. So don't tell me about the little guy and the rest of it. Also, the Mayor read out of context some of the things in this report. Let me read you from page 15 of that same report. "Any direct benefits of competition to CPS would have to come from the existence of multiple suppliers for its requirements and its ability to vary purchases from the sources. This latter requirement is essential in order to secure the benefits of competition, CPS must be able to reward the supplier with a lower price by increasing its purchases from the supplier. Unfortunately, we do not believe any of the options presently available to CPS give it the flexibility to move purchases between suppliers to any great degree, at least within the first 5 years of the proposed Houston contract. The Houston contract would require CPS to take at least 45 percent of it's requirements from Houston regardless of the price." So, I can read out of context also.

MAYOR CISNEROS: Mr. Alderete.

MR. ALDERETE: John, yes, John Wood, excuse me I'm sorry. John let me ask you the terms of the contract again. I want to clarify, Mrs. Dutmer, touched on it. Is a 5 year renewable type of contract with a one year notice of termination, is that correct? The Valero contract, excuse me. How does that contract run?

MR. WOOD: As I recall it's a 20 year contract with an option of the City to terminate each 5 years on one year's contract.

MR. ALDERETE: In other words, like on the fourth year, the beginning of the fourth year we would have to notify Valero of termination of the 5 year contract.

MR. WOOD: That's correct.

MR. ALDERETE: Okay. If we terminated the contract, in other words really it's a 4 year situation. If we terminated the contract after 4 years they would go under the same provisions of this settlement order.

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MR. WOOD: If the settlement order, if that order was still in effect.

MR. ALDERETE: Well it is under the present motion, it's going to ask for it to be in effect.

MR. WOOD: Well, but the Railroad Commission can change it whenever they want to.

MR. ALDERETE: Alright and that's their option right now. Is that not correct?

MR. WOOD: Yes.

MR. ALDERETE: In other words they can change it right now if they wanted to, whether we stayed with the settlement order or not. So there's really just a four year type of contract. Let me ask... Thank you John. I just wanted to clear the air about this 20 year contract and staying in, locked into something for 18 years.

Jack, can I ask you a question please? Could I ask your staff to please monitor Valero's rate charges to CPS in comparison to Houston Pipeline's? Should they be awarded this contract? I'd like to run a comparison between now and the next 4 years or 2 years or whatever it may be. Just to keep abreast of how they are whether they are treating fairly or mistreating the consumer of the City of San Antonio. Is that a possibility?

MR. SPRUCE: Sure.

MR. ALDERETE: We can track those prices. In other words at the fourth year we can find out if Valero tried to gouge the consumer here in San Antonio by comparing them to somebody else, and we would have that option at that time to cancel our contract with Valero.

MR. SPRUCE: I think that the prices that Houston charges on the average their other consumers is available, I'll make sure about that. Of course, we've been able to get it up until now for purposes of comparison, but I believe that could be made available to us. I don't think all of their prices are the same you understand as Mr. Wazell mentioned.

MR. ALDERETE: I know there played with different variables. Thank you, Jack, that's all I liked to know.

MAYOR CISNEROS: Mr. Thompson, I had overlooked him and I'll take Mrs. Berriozabal and Mr. Eureste after that.

MR. THOMPSON: Just two or three minutes quickly and I'd like to speak to the consultant that we spoke with earlier. Seemingly kind of cornering on your conclusion or your conclusion cornering on a certain assumption, that assumption of diversive contract and diversive supply. Certainly, I think that's a favorable concept. However, how would you feel in looking at a utility and having two and three year contracts, is that a favorable position to find yourself in, would you advocate that?

MR. AMBROSE: In the old world. No.

MR. THOMPSON: In the world today.

MR. AMBROSE: In the world today, in the world to come. Yes.

MR. THOMPSON: Why?

MR. AMBROSE: Because I think these market forces are not temporary and I think that alot of the problems that grew the necessity to sign a 20 year contract before were a function of regulation.

MR. THOMPSON: Do you believe that gas will go up in the next 2 or 3 years?

MR. AMBROSE: Up in price?

MR. THOMPSON: Yes.

MR. AMBROSE: Gas on the average, you're talking about.

MR. THOMPSON: Yes.

MR. AMBROSE: I guess I would have to be honest and say, not really.

MR. THOMPSON: Okay, do you think it'll go up in the 3 to 5 year out period?

MR. AMBROSE: When you say, now I say in real terms. I'm sorry, I'm being an economist and I shouldn't be. In real terms it probably won't. It may match inflation.

MR. THOMPSON: I'm talking about how much dollars we're going to pay.

MR. AMBROSE: Dollars, in nominal dollars as you would call them, what you're going to pay out. Yes, it may go up slightly.

MR. THOMPSON: No, how much is it going to go up American dollars?

MR. AMBROSE: But I don't see, right. I don't want to get into the difference between real and nominal dollars but in the dollars you pay, yes they'll go up to a match inflation, basically, and ride pretty much with what happens with oil. Now if oil prices stay down, you're not going to see as much of a rise, in real terms gas prices won't rise.

MR. THOMPSON: We all understand and expect that coupling between oil prices and gas, I don't quarrel with that at all. I'm concerned about your judgements of saying that we should look for multiple contracts in a short term. I am not of that school; I don't believe that. I think we have to have some stability in running our utility some predictability in its energy supply and I see those terms of 5 and 10 and 15 year contracts. Now, I'm concerned that we're just philosophically different on that and your conclusions have been reached based upon a different philosophy, and I'm trying to discover where those differences are.

MR. AMBROSE: I think there's a place where we can meet. If I gave the impression that I would advocate that you go 100 percent on 2 to 3 year supply, that's not yet, we're not there. Maybe 5 years out we will be, but certainly not now. I must be honest with you, Mr. Thompson, we have nothing to gain out of this, and I'm trying to maintain my objectivity and it's pretty hard to do in here because it seems to me that...

MR. THOMPSON: Why?

MR. AMBROSE: That realism has escaped the whole group. The problem at issue to me is very simple; it's very simple and Valero very wisely, and I might do the same thing if I worked for Valero. Throw a bone out on the table, a 22 million dollar bone which everybody is going to dive on or a majority is going to dive on, apparently. I think that's not in the long run interest to this City. I think that even if you have to pay that 22 million dollars, it's worth getting that second supplier in with another pipeline out there because I don't think you're going to have another chance and you're going to be forever bound to these people. Now that's my own opinion. Whatever happens with the market in the future, I could be wrong, you could be wrong but either way you forever foreclose yourself from a second pipe to supply you with and that just doesn't make good sense to me.

MR. THOMPSON: I will assure you that if you think you know what's going to happen, you're wrong.

MR. AMBROSE: You know that Houston will build a line anyway.

MR. THOMPSON: No, but somebody will, sometime. Some of the rancor comments.

MR. AMBROSE: Nobody can know, I would agree with you.

MR. THOMPSON: That's right so if we use...

MR. AMBROSE: But the closest pipeline to my understanding is 20 to 30 miles away. That's a pretty substantial piece of building to put that line in. That's Lone Star as I understand it.

MR. THOMPSON: Let me say in conclusion. That your philosophy of having short term contracts I think is not in our best interest. I think there might be some scenarios that wouldn't accommodate that but if, in fact, the price of gas goes up in the next 2 to 3 years and we have contracts that expire prior to that time or at or about that time which the Mayor has highlighted as a situation that would be very disastrous for us and have these contracts expire at that time and that seems to be kind of where you're pointing us that we would have those shorter term contracts. We can't lump our entire source on those short terms.

MR. AMBROSE: I think I disagree with everybody in the room at least on something and everybody in the room disagrees with me on at least one something and I disagree with the Mayor. I don't see the fly up of gas prices that some people see up deregulation. I think we're already seeing the effects of the market, making sure that isn't going to happen. I don't share his concern that 2 years out gas prices are going to fly up off the wall. So that, I have to be honest with you and say that's really my belief. I think it's worth paying, I wouldn't say any price but getting that second pipe in here it's very important.

MR. THOMPSON: Okay.

MAYOR CISNEROS: Okay, I said Mrs. Berriozabal and Mr. Eureste right.

MRS. BERRIOZABAL: I just wanted to ask one brief question to Mr. Ambrose. Let's see if I understand this correctly. Just to be real sure. The last option that we have, the last motion that we have right now, after all we have done and after we have, all we have talked about, if this Council approves going with the last motion that's the one proposed by Mrs. Dutmer, we will in reality be in a worse condition, in your opinion, according to this analysis and we were when we started everything.

MR. AMBROSE: That's correct.

MRS. BERRIOZABAL: We kind of moved backwards.

MR. AMBROSE: That's correct.

MRS. BERRIOZABAL: We ran alot...

MR. AMBROSE: That's what I found most incredulous.

MRS. BERRIOZABAL: And got real close to splitting and then we went all the way back and actually went backwards.

MR. AMBROSE: That's right.

MRS. BERRIOZABAL: And we are boxing ourselves in with one, that supplier for at least, well, for 5 years.

MR. AMBROSE: At least 5 years.

MRS. BERRIOZABAL: I have a corsage and I feel like a bride, like I'm getting married to Valero.

MR. AMBROSE: Well, I hope you have a nice honeymoon.

MRS. BERRIOZABAL: No.

MRS. DUTMER: She's after my dinner date.

MRS. BERRIOZABAL: The thing is it's going to happen without...

MR. HASSLOCHER: Benny is going to be the best man.

MRS. BERRIOZABAL: It's going to happen without my vote and I'd rather resent it. But anyway thank you, that's the information I wanted.

MAYOR CISNEROS: Thank you, Mr. Eureste.

MR. EURESTE: Could I ask the PAC person one more time, to come forward. I'm going to beat this horse to death yet. I promise not to call you up

here anymore, just one more time.

MAYOR CISNEROS: I don't see him. I don't see Mr. Newquist.

MR. EURESTE: They sent him out of the room. Is he in the hallway?

MAYOR CISNEROS: What do you have?

MR. EURESTE: Well, I just wanted to verify the contributions that they were made. Did he say this, do I have this correct, \$750 to Helen Dutmer?

MRS. DUTMER: Come off it.

MAYOR CISNEROS: I think he said \$150.

MR. EURESTE: \$150 dollars. Each one got \$150?

MR. HASSLOCHER: I think mine was \$250.

MR. EURESTE: \$250, Hasslocher. Alright, when I call your name you tell me how much.

MR. HASSLOCHER: Incidentally, Mr. Eureste since you're talking about it, I want you to know as far as I know I'm the only one that's ever sent money back upstairs and it's in the Clerk's office on file and the Clerk will verify that I have sent money back to people who did try to buy my vote.

MR. EURESTE: Yes, but you didn't have an opponent. Maybe they bought out your opponent, who knows.

MR. HASSLOCHER: No, because I got a 100 percent of the vote, and I was a big winner according to the San Antonio Light.

MR. EURESTE: I understand that, I understand that. I'm not arguing with that.

MR. ARCHER: Do you think that Hasslocher...

MR. EURESTE: You can preempt an opponent by just getting him out of the race.

MR. ARCHER: Do you think that Hasslocher ought to swear that his vote wasn't bought?

MAYOR CISNEROS: Okay, Mr. Eureste has the floor.

MR. EURESTE: No, not on this one. I'll take his word at it. No, I mean this kind of money doesn't buy votes really. I mean that's not, I mean I think that would be pretty cheap for us to sell ourselves for that. That amount of money but I was concerned about this \$2,000. I mean some of you. Yes, cheap. I am from the westside, you know. Some of the, you know, some of the people that sit on this Council that ought to be at least a little chagrin that you know you are office holders already and the contributions to you are \$150, \$250, there about. I think I heard somebody say \$750, they didn't say \$750, nobody. Anyway...

MR. ARCHER: That was \$2,000.

MR. EURESTE: Well, no that's to a guy who's not even in office and that's how come if I were an office holder who received a contribution from Valero. I would go back and ask them, hey, how come your giving a guy who's not even in public office yet, Eureste's opponent, \$2,000 dollars and how come you don't give us something to equal that amount of money? To me, that's, you know it's almost a put down for the elected officials that serve here already from this corporation but Mr. Greehey. Is he here? Did he leave already? You think it's alright to ask him where he ate last night?

MAYOR CISNEROS: Mr. Eureste, did you have some question or something?

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MR. EURESTE: No, I guess he left.

MAYOR CISNEROS: Okay, Does that conclude your comments?

MR. EURESTE: Yes, that should do it.

MAYOR CISNEROS: Let me just say that I think that Mrs. Berriozabal spoke this better than anyone in saying that we are at a position in my judgement a step forward would have been the split, better competitive position for our City. The second best thing would of been at least to hold what we got, instead of to slip backward, and we're going to slip backward. As Mayor, I just want to say I have great reservations and put them on the table about signing a contract that ties us down to 80 percent. Instead of the, at least the measure of latitude we have right now. In recent weeks I've been working with Governor White's office on, for example, the transaction that would involve some Mexico gas because we were going to set up situations where we have some flexibility. Item 17 of the Austin and Arnett report analysis of the Valero contract says that Valero would transport of the 20 percent of the requirements of the City including some from Mexico but that 20 percent now is going to be this other approach, this Christie BAM approach. Then 80 percent would be Valero. So there really isn't any room under that contract clause as the Valero contract is written for anything that might be price savings to the people of our City if we were able to entertain something, all on the order of a Mexico transaction. We think that that's a viable proposition and willing to negotiate it but there isn't... If we tie ourselves in a contract, contract language then there isn't an opportunity to do that. We've taken ourselves, from ourselves the flexibility to do those kinds of things.

In any event I am, I think that next to going for the split, the next best thing would have been to sign a contract. I mean to leave the situation under where we are of the status quo so we can have the reviews. I'm very disappointed about this, I will tell you personally because over the last couple of weeks in a very diligent job of checking to make sure we weren't making a mistake, and I am my own worst critic and I check things and double check things and triple check them sometimes to the point of being accused of indecision because I want to make sure that things are run, run correctly. I love this City and I'm not and I wasn't going to put this City into a position where it would make a serious mistake. So, I went and talked to people in the oil and gas business. Talked to a man in Dallas a couple of days ago, for example, and he says well I can't really speak for the record, but I will tell you that you are doing the right thing in setting up these two contracts this way, these two companies this way. I went to another man, and he was a major, major oil and gas person with contract experience and civic experience, and he says that's the most ingenious thing I've ever heard. That you all would take the 55 and 45 and put these companies against each other and have these two giant companies out there searching for gas. You know, jockeying and trying to find us that cheaper price of gas. I have personally arrived at the point, I'll tell you the truth, on January 6th when we voted for this, I thought it was the right thing to do, was not dead positive. But in the last couple of weeks, 3 weeks, month in the searching that I've done around in the state, I am convinced, not only that it was the right thing to do but that there was absolutely no down side in it at all for San Antonio, no down side whatsoever. Zero down side. We still had flexibility; we've got two giant companies, there pitted against each other even if it's marginal, out there, out there looking for gas. We have opportunities like Christie BAM, we could of squeezed it out of that middle 10 and I know we could of done that. We're not going to do that. We're going to opt instead to tie ourselves to Valero. Even more than what they asked for when they came in here on January 6th. Even more than what we had all through the fall and all through the summer. It's very hard to believe that the majority of the Council will do that to this City, but I want to personally go on record as saying I believe that taking the third option, the worst option, the tying ourselves to Valero in this way is the worst thing we could do. I hope prices stabilize for the good of our City because this is not a laughing matter. There's been alot of jocularities around here this evening, but the fact of the matter is that the people who get hurt by gas prices are the ones that we have to put special programs together for the aged, the people who get hurt by gas prices are the ones that we have to put special programs together like project warm and have a company come up with the, with the indecency. To come up

with hundred thousand dollars conveniently at the last minute at a critical time of a vote you know and try to ease the pain a little bit for poor people. I don't appreciate it, I didn't appreciate then and I don't appreciate now. The people of our City have suffered because of gas prices. The people of our City who drive those old cars, who live in houses that require extra heat because they got holes in them already, you know those are the people who pay for the decisions we make around this table, and we make them in kind of a light hearted way, big deal. We talk about you know who's getting contributions and and who's not, PACS and all the rest of it. The decisions we make here whether they affect it 5¢, 10¢, 14¢, 20¢ or whatever it be made lightly around this table, the people who are going to pay for this decision are the people out there and alot of them are real old people, and they can't make ends meet, and I'm not trying to be, you know, emotional about it but the fact of the matter is that we're making the wrong decision. We're making the wrong decision tonight. Mr. Eureste.

MR. EURESTE: Yes, Mr. Mayor. This will probably be my last decision because I'm leaving as soon as this is over. Alot of those people that you talk about live in my District, District 5. If I should, prevailing in my bid for reelection, naturally I want to be back here to fight corporations like Valero and try to represent as best as I can the interest of the people who live in my District and people like them who live in other parts of the city. The people who have considered themselves to not have the voice they would want to have on the City Council and really to come back and work with you because surely on issues like this we work together and through no, through no preplanned arrangements or anything but simply speaking to the same issue. So, I simply say that your adversary today is also my adversary, and I just want to be able after Saturday to come back over here and help fight those adversaries that do not represent the best interest of the people of our community and to give it all I have for as long as I can. Thank you very much.

MAYOR CISNEROS: Mrs. Dutmer.

MRS. DUTMER: Mr. Mayor, I'm not playing to the gallery but we all love this City just as much as you do. We are trying to use our best judgement as we see it. We're each individuals up here and as we see it. Now, it depends on who you talk to in the petroleum business as to whether this is the best way to go or not. You say that they said we should split it with the two, yet our very own consultant down here tells us that's not the best way to go. That the competition is very negligible there in your program.

MAYOR CISNEROS: Mrs. Dutmer I can't...

MRS. DUTMER: You state in there that the 10 percent difference between the two is not enough to make either of the companies lower their prices.

MR. AMBROSE: And I stand by that.

MRS. DUTMER: Very well, that's not competition then.

MR. AMBROSE: And I said and I said several times tonight. There are several other things that are going to act assuming there are two suppliers that will be more powerful than that 10 percent could ever be and you're seeing some of them now. I don't want you to take my words out of context, even though I'd love to take you to dinner.

MRS. DUTMER: Well I'm sorry I'll decline the offer if you will please. What we're doing is sitting here and acting as though for the next 20 years we're hung from a tree. That isn't true. That contract says in four years time if we don't like what we've done all we have to do is give them a notice over there that we don't like what they're doing and we can get out of that contract. Now, that's what the contract says...

MR. AMBROSE: Can I ask you a question?

MRS. DUTMER: Sure.

MR. AMBROSE: Who do you think in four years is going to come forward and go through this and do that?

MRS. DUTMER: Well, hopefully, CPS. They don't have to come ask us right now. This is Houston Power I mean Houston Pipeline's own trap that they put themselves in by having this Council to decide before they would sign a contract. Actually CPS stands alone, it's an autonomous Board. Does not have to come to this City Council to ask anything. So, if Houston Pipeline put themselves in this box, they suffer the consequences because we're going to tie the bow on it.

MR. AMBROSE: But my point maam, is that they're not going to come back in four years and do this all again. You better bet your booties. They've had it.

MRS. DUTMER: Well, alright. In 4 years that they're not going...

MR. AMBROSE: I don't know who you think is going to come out of the woodwork to do that given what's gone on now. That's what really escapes... I'm trying to be objective and understand who mystically if you want to get out in 5 years is going to come forward given what's happened. Where are these other people going to come from?

MRS. DUTMER: Alright. Where did Houston Pipeline come from? As you said...

MR. AMBROSE: They're very close, they don't have far to go to hook up...

MRS. DUTMER: As you said once before. When we needed gas they certainly didn't worry about us, not at all. So I'm not going to worry about them now. So that's a moot question. There are some people here who have a vendetta against Valero, let's face it, through Oscar Wyatt and my god Oscar Wyatt is no longer this company. There's some that are having problems with money received. I'm just wondering if we actually sifted through everyone that received money that ran for a public office, what we would come up with and it would be rather appalling.

I resent the usual liberal tactics that when all else fails, bring in the poor, the lame, the blind and the aged so that you can make someone feel guilty. I don't feel guilty about this. I honestly feel this is the best way for this City to go and if the experts in California want to go that way, fine, go that way but right now I am determining and I see lower cost gas down the way. The whole thing has been a great deal of political decisions have been behind this thing and I want to point out one more time for the cameras, that Mr. Thompson did not receive one thin dime from Valero and that...

MR. EURESTE: Not yet.

MRS. DUTMER: That remark was uncalled for. There might be a little bit of investigations as to where yours is coming from.

MR. EURESTE: But, not from Valero.

MAYOR CISNEROS: Ladies and Gentlemen.

MRS. DUTMER: But nevertheless, Mr. Thompson didn't receive a thin dime, probably because they thought that his opponent was going to beat him and they could get his vote but nevertheless he has not one thin dime rattling around in his pocket and he went out and won it fair and square, and he's entitled to his fair and square vote now.

MAYOR CISNEROS: Mr. Archer.

MR. ARCHER: Yes, sir. This meeting is kind of deteriorating into, you know...

MR. EURESTE: Attacking each other.

MR. ARCHER: Yes, attacking one another, but it's been going on since about 1:30. We ought to be able to make up a decision. I only talked for about 2 minutes in this whole six hours, but I don't feel like we ought to blame anybody, Mayor. I don't think that really you should cast suspicion on a company like Valero. We're entitled to our opinion also and, you know, we've had this around for a good while and if we split

the contract and give half of it to Houston, there's still going to be poor people in the City of San Antonio and they're still going to be hurting, and I don't think anybody is going to be any better off one way or another. It's going to amount to about the same. I think that the way that it's been put that Valero is robbing the City and the cause of people not being able to pay their gas and light bill and everything else, and I don't think that's exactly right. I mean we buy from them at a certain price and that's it. I just think we ought to stick to the issues and get on with it and not, you know, we shouldn't be out here talking about all kinds of a hundred dollars contributions or something because nobody had any opposition as it was. I mean to attack Thompson or Harrington for getting one or two hundred dollars, I mean I never heard anybody attack the Mayor, and he got alot of contributions too. I mean he's a master politician, and he is a good fundraiser. I wish I had the ability myself but I mean after all you know I see Karl Wurz all over town picking out tin cans in the receptacles. So, you know.

MR. EURESTE: Second vote getter too.

MR. ARCHER: Yes, he did alright.

MAYOR CISNEROS: Mr. Eureste.

MR. EURESTE: Did Valero give to him? No, I really have nothing...

MAYOR CISNEROS: Mr. Webb.

MR. WEBB: Well, I was going to take my Council member to task, but I guess I won't. I think, perhaps, maybe we ought to go ahead and vote, but I still have some questions in the back of my mind about the tactics that Valero has used and particular I wished you would of asked him who did he have dinner with last night, Mr. Councilman.

MAYOR CISNEROS: Alright, Ladies and Gentlemen, we'll proceed.

MR. WEBB: No, wait a minute.

MR. EURESTE: Is he here?

MRS. DUTMER: He's not here.

MR. WEBB: You're not going let me ask him who he had dinner with last night.

MAYOR CISNEROS: I don't think Mr. Greehey is here.

MRS. BERRIOZABAL: He left.

MR. EURESTE: How about asking Mr. Thompson?

MRS. DUTMER: He's probably in another part of the building.

MR. WEBB: Who?

MR. EURESTE: Mr. Thompson, how about asking him?

MAYOR CISNEROS: Okay. Ladies and Gentlemen we're going to proceed. Everyone has spoken...

MR. WEBB: You're going to cut me off Mr. Mayor.

MAYOR CISNEROS: Yes, sir...

MR. WEBB: I'm about the only Council member you ever cut off. I'll shut up. You see, I let the Mayor cut me off, he wouldn't even let me speak. So that's not democratic but that's alright.

MAYOR CISNEROS: We'll proceed to the vote if we may. The vote is the second substitute motion. It is the motion on the contract. Which would enter into a contract with Valero and direct the CPS to do that. Those in favor will say Aye. Roll call vote.

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AYES: Alderete, Harrington, Archer, Hasslocher, Dutmer, Thompson.

NAYS: Cisneros, Berriozabal, Webb, Wing, Eureste.

ABSENT: None.

MAYOR CISNEROS: Motion carries. We now vote on the original motion as substituted and, of course, the first substitution as also substituted. Those in favor say Aye. Roll call, please.

AYES: Thompson, Alderete, Harrington, Archer, Hasslocher, Dutmer.

NAYS: Wing, Eureste, Cisneros, Berriozabal, Webb.

MAYOR CISNEROS: Alright. Mrs. Berriozabal.

MRS. BERRIOZABAL: I want to be recognized for a motion, Mr. Mayor. Several of the Council members have spoken of the questions regarding the gas search program, and I would like to move that we direct CPS Board to start an immediate audit of the gas search program, to determine where gas supplies are coming from and what the cost benefits have been to the people of San Antonio.

MR. ALDERETE: Second.

MAYOR CISNEROS: Motion and a second to initiate an immediate audit of the gas search program. Those in favor say Aye. Opposed, No.

AYES: Cisneros, Berriozabal, Webb, Dutmer, Wing, Eureste, Thompson, Alderete, Harrington, Archer, Hasslocher.

NAYS: None.

MAYOR CISNEROS: Motion carries. Mrs. Berriozabal.

MRS. BERRIOZABAL: I have another motion. The past times that we discussed the... Can we get some of the Valero people to sit down.

MR. WEBB: Mr. Mayor, we're going to have to have Valero's attention on this one.

MRS. BERRIOZABAL: I need the people from Valero to...

MAYOR CISNEROS: Mr. Moe, would you please come forward.

MRS. BERRIOZABAL: Did Mr. Greehey leave?

MR. MOE: Yes.

MRS. BERRIOZABAL: I just want, I'm not going to direct any questions to you, I just want representatives from Valero to hear my discussion on this item.

MR. MOE: Okay. You want me to stand or sit down.

MRS. BERRIOZABAL: Yes, sir please. The past couple of times that we discussed the Valero issue, I brought out the subject of the hiring and employment practices of Valero Corporation. Mr. Webb alluded to this in his remarks earlier. Mr. Spruce, I'd like to ask you a question? What responsibility does CPSB have in connection with its contractors regarding hiring practices?

MR. SPRUCE: What responsibility does CPS have with what, madam?

MRS. BERRIOZABAL: With its contractors, in this case with Valero Energy Corporation as far as their hiring practices as it relates to equal employment opportunity. Are they required to...

MR. SPRUCE: I don't think, I don't believe that that's addressed in either the old terms of the contract or the settlement agreement.

MRS. BERRIOZABAL: You mean there is no way that this public entity that benefits from the public monies to the tune of 250 million dollars

a year, are they entirely free of scrutiny from CPS Board under hiring practices.

MR. SPRUCE: I'm not sure; I think they may be. As far as from CPS, now they certainly do have certain obligations.

MRS. BERRIOZABAL: You don't monitor their... Let me ask you this, what about other contractors, people who do building for you, people...

MR. SPRUCE: We have clauses in those contracts. You see, the contract that was made with the one that Valero operated under in the latter few years, was the one that was signed in '62 and it was very uncommon to have that type of clause in contracts that far back. Under the terms of settlement agreement as far as I know it was not addressed.

MRS. BERRIOZABAL: Well I think that's a serious mistake. I think we're talking about public dollars, and we're talking about an agency like I mentioned that benefits and the questions were asked earlier to the tune of 250 million dollars from the people of the City. It's a public, aspects of a public utility, and I have a memo here dated January 6, 1982 and these statistics are from Valero themselves, Mr. Bill Knoll in the Personnel Department. This memo was given to me as a correction of statements that I had made regarding employment in Valero, and it was a result of the petition that employees of Valero sent to the Council appealing our decision to go with a second supplier. The employees got involved in it. I have their signatures, I analyzed the signatures to come up with names of the only identifiable way that I had of determining who the employees were, were by using the spanish sir name individuals and I came up with some statistics so they corrected me and brought me their statistics. 912 people signed the form and I understand that there are roughly a 1,000 employees that Valero has roughly.

MR. SPRUCE: There's probably more than that total. That's probably about the right number here. I'm not real sure about their number.

MRS. BERRIOZABAL: There are about 1,000 employees of Valero Energy Corporation in San Antonio. Of those 1,000, 912 signed the petition and these were the ones I analyzed and Valero also analyzed. So their report was that they had 154 hispanic employees, 18 blacks out of 912 and 6 other. It was 178 minorities in this company that's a corporate citizen of San Antonio, that's benefiting greatly from our community, and I think that we should add to the contract a clause if it's not there under the civil rights legislation even private industry has a responsibility to hire, to be fair in its employment practices, and I know that even as a private employer they are under these regulations but being that they are benefiting by the public dollar that there should be some scrutiny on the part of the CPS Board. So my motion was going to be to analyze their program, and now it's going to be different. It's going to be to add a clause that they, your standard clause that you use for other contracts that you deal with, to hold them accountable for their employment practices.

I see Mr., I hadn't noticed Mr. Ray Ramirez, there from the Equal Employment Opportunity Commission. I'd like to ask him a question. Mr. Ramirez, I'd like to ask you a question. I didn't realize you were here. As a citizen, this is just a general question on the way, the 1964 Civil Rights, well, the Title 7 employment legislation, relates to an employer, any employer, any telephone company, any employer, they have to be under certain EEO regulations and have responsibility to file periodic reports to the Government, right?

MR. RAY RAMIREZ: Yes.

MRS. BERRIOZABAL: And Valero is under particular legislation also.

MR. RAMIREZ: Any employer that employs 15 or more employees and if they have 100 or more they are supposed to submit what they call an employee information report on an annual basis.

MRS. BERRIOZABAL: Okay, there is information available at Valero on their employment practices.

MR. RAMIREZ: I would assume that they do file their EEO reports every year since they do have over 100 employees.

MRS. BERRIOZABAL: And are they required to provide an affirmative action plan, also?

MR. RAMIREZ: Not to the government.

MRS. BERRIOZABAL: Not to the government?

MR. RAMIREZ: No.

MRS. BERRIOZABAL: That's all, thank you. Mr. Spruce, with all your contracts, let's say I have a business of 200 employees, and I want to contract with you for building something; as construction contract you have a standard clause.

MR. SPRUCE: We do have provisions in there about the standard things that are required as much as they are, we do pretty much what the City does in that respect.

MRS. BERRIOZABAL: Do you require an affirmative action plan from these companies?

MR. SPRUCE: I'd have to research it, because I don't remember the wording, but if we're talking about signing a contract here all the avenues are open...

MRS. BERRIOZABAL: Thank, what I'd like to do is have a motion that directs the City Public Service Board to include a clause, your standard clause for by employers that requires scrutiny by the CPS staff and Board on the hiring, promotion practices of the Valero Energy Corporation, being that they are such a large employer with such a large contract.  
SO MOVE.

MR. WEBB: Second.

MAYOR CISNEROS: Discussion. Those in favor say Aye, those opposed say No.

AYES: Berriozabal, Webb, Dutmer, Wing, Eureste, Thompson, Alderete, Harrington, Archer, Hasslocher, Cisneros.

NAYS: None.

ABSENT: None.