

INFORMAL MEETING OF THE CITY COUNCIL
OF THE CITY OF SAN ANTONIO
THE CITY PUBLIC SERVICE BOARD
OF THE CITY OF SAN ANTONIO
AND MILLS COX,
MANAGER OF LO-VACA GATHERING CORPORATION
AT THE SAN ANTONIO CONVENTION CENTER,
FRIDAY, SEPTEMBER 7, 1973

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The meeting was called to order at 10:00 A. M. by the presiding officer, Mayor Charles L. Becker. Present were: Cockrell, Padilla, Becker, Beckmann, Morton, Black and Dr. Robert West, Consultant.

Also present were: Eloy Centeno, John Wood, Jr., John Newman, Tom Berg, Don Thomas, Tom Deeley, and Wilbur Matthews.

The following conversation took place:

MAYOR CHARLES L. BECKER: Good Morning. Welcome to another of San Antonio's finest productions. The last one of these that we held was in the Theatre of the Performing Arts and that drew such a round of applause that we decided this time we would hold in more sedate, less theatrical surroundings, but I do appreciate all of you being here this morning. As you probably know, the purpose of the meeting is to permit Mr. Mills Cox who had been appointed by the Railroad Commission as the operating head of the Lo-Vaca Gas Gathering Company to brief it to the City Council, and also, if necessary, to brief the City Public Board officials on his progress thus far with respect to the acquisition or potentiality of acquisition of additional supplies of gas to be introduced into the Lo-Vaca line for the City of San Antonio. Needless to say, it also goes to the 399 customers on the Lo-Vaca line, but since we are engaged primarily in the operation of the City of San Antonio as a City Council and as the City Public Service Board, if I may speak for the City Public Service Board in that connection, we are going to confine most of our remarks here, I would imagine as to how it effects the City of San Antonio. So without any other fan fare on that subject, I would first like to say, Mr. Cox, we certainly appreciate you taking your time to be with us here this morning. I requested that as soon as Mr. Cox could make himself available to us, we would appreciate it greatly. The Citizens are asking us constantly what the progress is, where are we, are we going to have heat for the winter, are we going to be proficiently equipped with energy so that we can have light and all that sort of thing. It is a valid question and a good question. One that we are all concerned with. So, Mr. Cox, would you like to proceed with your statement please, sir.

MR. MILLS COX: Yes, thank you, sir, I believe it would be better if I read what I have prepared, a few notes I have to cover this thing, so that's what I will do and then I will answer any questions. Your honor, Mayor Becker, City Council, and Trustees of the San Antonio Public Service Board and the other City Officials, I appreciate the opportunity to make this appearance before you for the purpose of stating the position of the Lo-Vaca Gathering Company at this time, but more particularly, the preparations that are necessary and are being made to provide if at all possible the gas requirements of your city for the coming winter. My other appearance before your City Officials was in 1967. At that time, we presented the Texas water plan to the City of San Antonio with Mayor McAllister. At that time, I was chairman of the Texas Water Development Board, and we were required by the Legislature Statute to develop a water plan and to encompass all the water basins of Texas. We found that we had to combine

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some water basins with the results that we had 27 River Basin hearings from Texarkana to El Paso. I am happy to say that in San Antonio, of all our 27 hearings in San Antonio was the only place that our Water plan for that particular city was acceptable and it was most pleasant to have that happen. The other 26 areas, we ran into opposition of all kinds from the environmentalists, Sierra Club. We met one situation where one group of people asked us to keep 50 miles of the Sabine River untouched. That group followed us to 4 or 5 meetings and I finally said, "who are these people following us around?" And they said "that is a nudest group". We didn't leave the 50 miles of the Sabine River uncovered fortunately.

I hope today that in this meeting which concerns gas and not water and as a result of this meeting that we can leave at least, maybe not as happy as the water meeting, but with some better understanding, of this most acute and serious problem. I would like to take a few minutes of your time to give you some of the events that have occurred in the oil and gas industry many of which are responsible for having brought us to this position that we are in today. In the shortage of gasoline, natural gas, fuel, fuel oil, and related petroleum products which is a matter of real concern locally, state wide, and nationally. In 1954, the United States Supreme Court entered its decision in the matter of Phillips Petroleum Company wherein, as of this result of this court decision all prices of natural gas sold in interstate commerce were regulated by the Federal Power Commission at the wellhead. This was done by the court inspite of the specific restriction in the natural gas act in 1938. That the regulation of gas moving in interstate commerce did not apply at the wellhead of the producer. And, I'll almost defy anyone to read that Supreme Court decision and lay it down by the Natural Gas Act of 1938 and find anything that even matches it. Those of us at that time who were responsible for the acquisition of gas supplies for the major interstate gas pipeline companies felt that this was the first step in the deminishing of the supply of natural gas. The initial impact of this court decision in 1954 in so far as it affected me, that for the 12 month period, the Texas Eastern Transmission Corporation, I could only purchase total of 36 billion cubic feet of gas. It simply would not be sold by the producers pending some further clarification of regulation of their gas sales at the wellhead. It had been our policy at Texas Eastern, if at all possible, to purchase each year the amount of gas that we had produced, delivered, and sold for the prior year so we could stay in balance. And that was when we began to fail to do it. The year 1956, drilling operations in the United States reached their peak at a daily average of about 3,000 drilling rigs in operation. In the year of 1956, we were about holding our own in the discovery of natural gas and crude oil equaling the withdrawal. After 1956, drilling activity began to decline as the Federal Power Commission began its program of wellhead price regulations. This decline continued until 1972 at which time I believe the average number of drilling rigs in operation was about 900 per day. Now, that is a drop from about 3,000 to 900. The result is simply, if you plant 100 acres in corn and 10 acres in corn you are going to get more from the 100 acres than you do from the 10 acres. In 1969, depletion allowance was cut to 22½% from 27½%. One of the things that should be of concern to everyone in this country is what is going on in Washington today as relates to our energy. I lay this lack of supplies of oil and gas, I put it right in our National Congress. Now, they may hang me for treason, but I won't change my mind. Because, under the legislation that has prevailed prior to World War I and up thru World War II and up until 5 years ago, the United States has killed all of its economy. One victory and 2 World Wars, and as one British General said, "We floated the victory on a sea of oil that came from the United States". Now, that started the decline only as a result of our national policies in Washington. One of the highlights of the regulations of the Federal Power Commission was the establishment in the Permian Basin in West Texas, and this to me I could never concieve

of having any sense or any judgement. Their first regulation of price in the Permian Basin they established of 10¢ for MCF for what they call old gas. A price of 12¢ for MCF for new gas. And you have new and old gas coming off the same field and sometimes out of the same lease. Now, how you distinguish between the new gas and the old gas, I mean, when you got the same feed bag? It is exactly like 2 bales of cotton of the same grade would be beyond my comprehension. With this type of program in operation and extending to all districts of Texas, Louisiana, Oklahoma, and New Mexico, it was natural that the drillings would decline and that the money needed for the development to cover our increasing demand for oil and gas was simply not forthcoming and the industry couldn't produce it. The industry could not produce the venture and risk capital necessary to carry on our drilling operations and look for new oil and gas supplies. Apparently, this folly has now been recognized by some people in Washington to the extent that some efforts are now being made to deregulate at the wellhead the price on natural gas. Now, I saw in the Federal Register the other day the bill to accomplish this introduced in Congress in April. That bill has gone out for review by 17 different agencies before it goes back to Congress to be acted upon. If it gets back in two years, we will be lucky.

One of the outstanding things, the impressive things to me that demonstrates the need for capital to find the oil and gas this country needs is in a recent report of the Federal Power Commission. This report sets forth that nineteen interstate gas pipeline companies have committed to the producing end of the business and will get in and help them a total of \$1,251,000,000 advanced payments to look for oil and gas, particularly gas, for the interstate gas pipeline companies. That's a lot of money. Of this commitment, seven hundred and nineteen million dollars has actually been advanced. The amount advance for development drilling is \$159,000,000; the amount that has been recouped from the gas produced and sold is \$31,000,000. And the nonrecoverable amount at this time, which I assume must be dry holes and non-productive structures is \$13,690,000. This activity has provided an increased daily production capacity of 3,825,000,000 cubic feet of gas per day. Now, that sounds like a lot of gas. But, with Lo-Vaca Pipeline Company operating at full capacity is 3 billion feet a day and can deliver 3 billion feet a day. So they have actually found less than one day's supply of gas for this company, for that amount of money. That has established a proven reserve of 18,997,000,000 cubic and a potential reserve of 10,656,000,000 cubic feet. The two largest advances made under this program by the pipeline companies this year to secure gas that it needs was made by Columbia Gas Transmission of New York, \$267,000,000.

The next one is Narven Natural Gas Company of Omaha, \$234,000,000, but it all totals \$1,251,000,000 that the pipeline companies are willing to gamble to find an adequate supply of gas to meet their monthly requirements. While no one could say with certainty, if the wellhead price of natural gas had not been regulated, how much would have been generated, but certainly amounts of this nature would not have to be dumped into producing industry in a one or two year period. In face of this situation, and here's where again I come back to Washington, in the face of this nationwide problem, the Secretary of the Treasury, Mr. Hughes, has announced that in the Treasury Department they have a proposal to be included in the next tax bill that no one can put money in the drilling of a well and get the benefit of the **intangible** tax write-off unless the money came from the oil and gas industry itself. That means that if anyone in this room has got a hundred thousand dollars that you got out of a corn crop or cotton crop or sold your cattle and you're willing to gamble that hundred thousand dollars in the drilling of a wild cat and the well is dry you cannot write-off on your tax return the intangible loss on this one hundred thousand dollars. How can you find oil or gas under those circumstances?

Now, as for Lo-Vaca and its present status, as well as the plans for the coming winter. As you know, I was appointed by the 200th District Court of Travis County on July 24, 1973 as a court appointed supervisor-manager and to select a board of directors which the court would approve. This, I did, and I think we have selected an outstanding group of people for this board, who are most competent in the field of oil and gas and to help us solve this problem. These directors are Mr. Paul R. Haas, of Corpus Christi, formerly with Lagoria Oil and Gas Company; Mr. Robert B. Gilmore, of Dallas, Texas, Board Chairman and the Internationally known Petroleum Consultant; Mr. Roy P. Duerst, of Fort Worth, Texas, who has recently left the Sid Richardson operation and has spent most of the last five years in Washington in the Department of the Interior's Office on Control and Allocation of Imports of Crude Oil; Mr. Joe P. Dickerson, of Houston, Texas, who is retired President of the Shell Pipeline Company, prior to his time with the Shell Pipeline Company, he was the Vice President and Production Manager of Shell in Midland and Denver; and Mr. John R. Sueman, Jr., of Houston, Texas, who was elected by these directors to be Board Chairman. Mr. John R. Sueman is the son of the internationally known John Sueman of Humble. John Sueman, Jr., spent twenty years in the Natural Gas Department of Humble as an engineer. So we have, I think five well qualified people.

Here are the figures that show what Lo-Vaca has done and is continuing to do. As of July 1, 1973, Lo-Vaca has made a total advance to producers for the development of gas properties after gas purchase contract has been made of \$38,920,000 and have made commitments for an additional \$48,000,000 to be advanced to producers, if as and when their reserves warrant the payment. This is a total of \$87,521,000 that Lo-Vaca has laid on the line, and this was prior to my taking over the company. Laid \$87 million dollars on the line to secure a firm gas supply. Lo-Vaca has no financing ability of its own pursuant and required by the **mortgage** and indentures of the securities of the parent company. This results in Lo-Vaca getting all of its capital from the parent company, Coastal States. As of July 31, 1973, Coastal States has advanced to Lo-Vaca a total of \$51,353,000, and that's what Lo-Vaca now owes the parent company. And all of this money is going into the construction of pipeline facilities and the acquisition of gas supplies for the seven months period ending July 31, 1973, Lo-Vaca, in the current year, lost \$5,962,000. The loss for the month of July was \$513,000. The greater portion of this loss results from the higher prices paid for gas, and as we have presented to the **Railroad Commission**, in our rate hearing, the June average cost of the purchased gas Lo-Vaca bought was 24.4¢. Our average sale for the same month was 24.6¢. Lo-Vaca had a two tenths of a cent profit before what its gas cost only, and that two tenths of a cent won't buy the postage stamp to mail out your statements. That's where we are today.

There has been much concern expressed as if Lo-Vaca is made strong and viable company, it will benefit only the equity owner of Lo-Vaca. And here's where I am going to speak frankly. If the animosity to Mr. Oscar Wyatt, Jr. and I have no reason for even mentioning Mr. Wyatt's name except Mr. Wyatt can take care of himself. He's proven that by building a billion dollar company in fifteen years. But, it also should be remembered, if you're concerned about the equity of Mr. Wyatt being enriched, in addition to Mr. Wyatt, there are in excess of twelve thousand stockholders in the Coastal States Gas Company who have put debenture money in in addition to the debt.

At the Railroad Commission hearing, Mr. Walter Winlen, composing the docket No. 500, on our rate hearing on last Thursday, August 30, asked that all interested parties give their comments when the proceeding is reconvened for the rebuttal case of the interveners on September 24, as to any new and novel different ways in which this rate case could be settled in that it was a serious problem, and I agree that it is a serious problem.

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I say that at this time is not the time to embark upon some new and untried method of rate making. What needs to be done in this instance is to provide a rate that lets Lo-Vaca go buy the gas to meet, first the needs of the coming winter, and then there after.

The need for rate relief is certainly more acute than some new proposal in some rate making, and I'm not belittling what Mr. Winlein, Hearing-Examiner, said. I'm simply saying that I think we should establish a rate on the time tested ways of rate making for the natural gas business. What I propose to do so long as I am responsible for the operation for this company is number one, explore all possibilities of the development of storage facilities in the depleted or semidepleted oil or gas fields contiguous to the Lo-Vaca system. The benefit in value of storage facilities and storage capacity during the winter months can not be counted in the value of dollars and cents and I'll give a concrete example. When I was with the Texas Eastern Transmission Corporation, we converted the Oakford gas field in Pennsylvania at Oakford Pennsylvania to a gas storage reservoir. We had a 140 billion feet of gas in that reservoir of which 40 billion was the bottom cushion and the 100 billion was the top float. In extremely cold weather, we could pull that reserve at 400 million feet a day for 100 days uninterrupted. Now, you can't count the value of that in an extreme cold period. It is true, we have a special rate for that, and it was dollar and half a thousand, but they lined up to get it, and we were offered 2 dollars a thousand if we would give them preference over the dollar and ½. That's how valuable it can be. A 10 or 15 billion foot storage reservoir is somewhere between Beeville, San Antonio, and Austin and a little extra capacity in this pipeline if we could take 100 million feet of gas a day out or better on extremely cold days, you can't count for that. I was in St. Louis when I was with Trans Western Pipeline Company during the ten-week snow storm. I was president of the Mississippi River Valley and the gas company. I was with them trying to sell them some gas that we had surplus and build a line into the St. Louis area. They said we'll give \$2.00 a thousand for all the gas you can give us today. So, storage facilities, you may say that once or twice during the winter it is of extreme value. That is one of the things we are working on now and the study is under way.

The next thing #2, that I am investigating is the possibility of a liquified natural gas import. That has been accomplished by El Paso on both the west coast and the east coast. Texas Eastern Transmission and a group of its associates have a contract with Soviet Russia. Occidental Petroleum Company also have an agreement with Soviet Russia to bring LNG into the United States at \$1.00 a thousand. It's in the paper this morning that Panhandle Eastern have signed a contract with Algeria for 23 trillion feet of LNG to be brought into one of the gulf ports and put into Panhandle, Eastern line in that area. As a result of this, I have now joined hands with another gas company, and we are actively engaged in investigating one source of this type of supply of gas and I hope we can make it jell. Now, that takes money, gentlemen. It takes money to even get your foot in the door and I've already gotten approval from the court and Lo-Vaca Board that for \$25,000 I can keep my foot in the door on this investigation for twelve months and I'll pay that if I have to pay it out of my own pocket. That's how critical this could be. If we can get it it would be 600 million feet of gas a day. We would get 400 million. The other company would get 200 million. 400 million feet of gas a day is available to the Lo-Vaca system today, and I can put on my hat and go home, that's how simple it would be.

Another thing that I'm doing is where Lo-Vaca's pipeline capacity permits it to transport gas for other parties. This is a flexible pipeline system. I have never seen its equal, it's almost a loop, interior of Texas. We are offering to do this, and I have concluded one arrangement on which the papers are being drawn, for 100 million feet a day transportation. I'm working on another one for 75 million feet a day transportation and what I've done is ask

these people if they would give me the option of taking my transportation fee in gas or in money and they've given me that option. I'm going to take the transportation fee in gas, and it will be gas available for the Lo-Vaca customers. If you can't find gas one way, I'll find it another.

Another thing that I have proposed to do and we are doing it, is to keep Lo-Vaca's capacity current with its present and future needs, by the investment of all of our funds available in flat land expansion so that we can contract to purchase gas anywhere we can find it, and get into the pipeline with a minimum of delay as far as mainline capacity is concerned. If by the judicious use of the money we generate from the rate increases granted us by the Railroad Commission, I think using the things I've named, we can make Lo-Vaca a strong flexible gas system in what actually Lo-Vaca should be. It should be an intrastate public gas utility, regulated by the Railroad Commission of Texas and operated for the benefit of the people in Texas that are connected to this system. This cannot be done unless the money is available to do it. Now, the figures I have given you ahead of this show that Coastal States, while some people may say has drained this company, it's the opposite, because all of this money, the 51 million that Lo-Vaca owes Coastal, and the 89 million that has been committed and has been partially paid to producers to secure supplies of gas. That money only comes from one source, comes from the parent company, other than what is generated by Lo-Vaca in its operations and you can see they haven't generated a dime this year, they've lost money.

Another thing that I think the public needs to know, is to relate the natural gas that goes in the pipeline. That is the one commodity of which there is no market. Gas pipeline company does not make one thin dime on its gas. You buy a dollars worth of gas, you put it through your pipeline, and you sell a dollars worth of gas, less the shrinkage the company uses. There is no mark up on your gas at all.

To conclude, I would like to report that in preparation for the coming winter, I've had two very fruitful ~~meetings with the~~ electrical power generating companies. I think as a result of that, we have arrived at a solution and what it may appear to be a Rube Goldberg or an Amos 'n Andy trait. We can increase our delivery to any degree in any extremely cold winter. It is really complicated, but I think we can achieve the result of adding to our system, how much gas, I don't know. Put, what we've agreed to do is we will keep in contact in extreme cool weather, we will set up even necessary by laws, I'll stay in my office all night long with a group to keep this thing coordinated when the weather gets extremely cold. I also have a commitment from one gas pipeline company to help in extreme cold weather without question. I just asked this gentleman if we could he could help me during the cold weather and he says, 'I'll give you 100 million feet of gas a day during the extreme cold weather, and you can pay me or return it when you get the gas back'. Now, that's the atmosphere in which we are trying to solve this problem. And, I'm certain I can get help from other gas pipeline companies because I've got a long friendship in this business. And I will see all the major interstate pipeline companies. One warm day when they have surplus gas and they can give it to me, we will take it. We also have five competent gas buyers working around the clock negotiating and following every possible supply of gas, to this extent, that any day, an intention to drill application is made with the Railroad Commission, the next day that is put on our records and that well is followed to its completion, State wide.

We recently paid 70¢ for some gas in Reeves County. And this week we have proposed a bid of 78¢ MCF for another possible reserve, but I am not certain that 78¢ will buy this gas. We had one situation

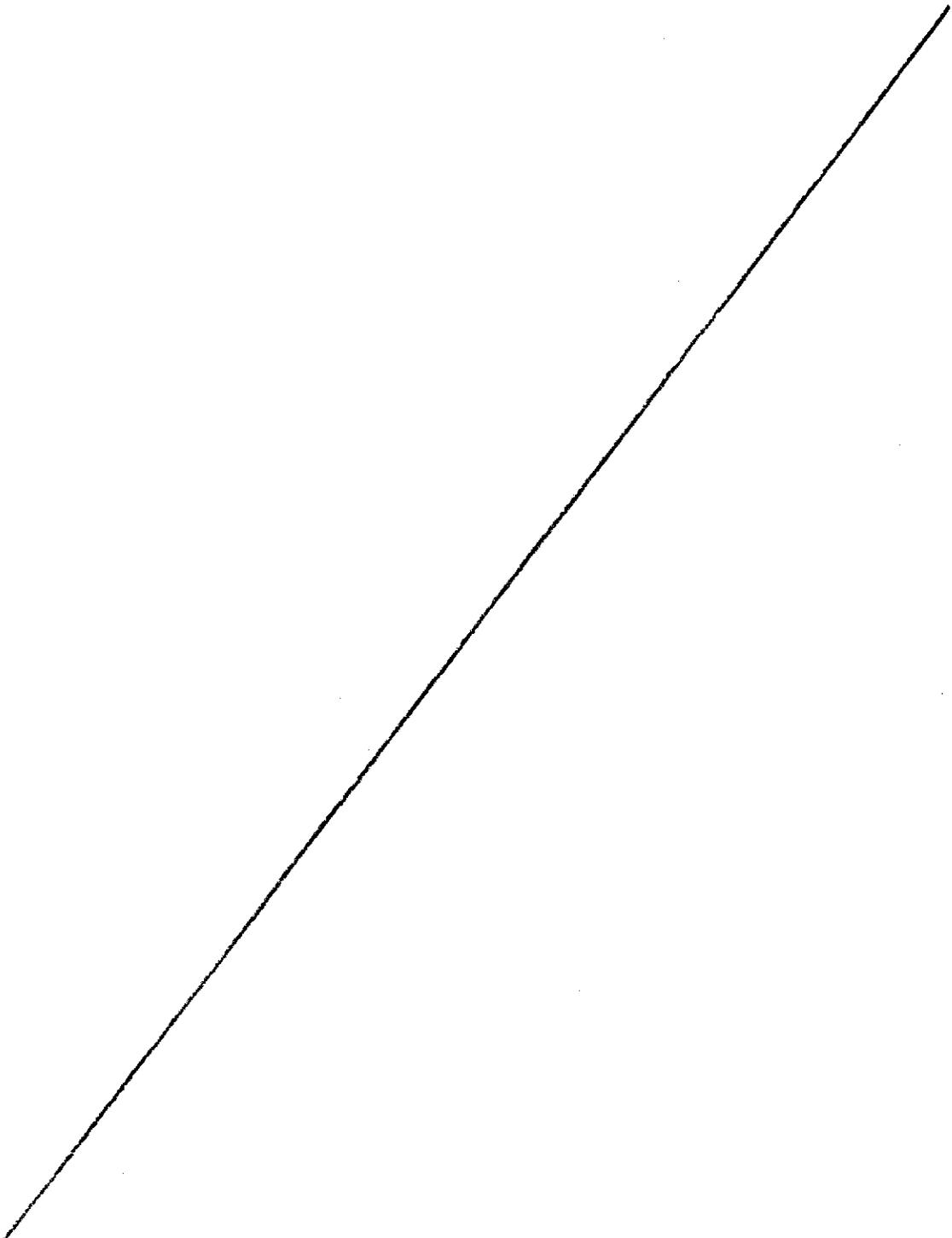
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offered us to buy gas at 76¢. It was 80 million feet a day for forty days. I turned it down. The forty days would be gone before the cold weather came. 76¢ was 52¢ above what we were selling gas for. I'd have taken a million dollars out of the company treasury and wouldn't have had any gas for cold weather. We let that gas go. And, I think it was a wise decision.

Another problem that we are having to deal with is the shortage of materials. And we run into this. We needed 67 thousand feet of 12 inch line pipe to connect one of our gas reserves presently on contract. Now, this reserve is a high sulfur and carbon dioxide gas which is very corrosive and it requires a low carbon steel that will not blow out and corrode out in a few months. The first pipe of this type that we were offered, the dealer had a supply of pipe,



He wanted \$176,000 over the established mill price. We said, "No thanks". We have ordered the pipe from a steel mill in Birmingham and we can get delivery on November 19th of this year. On Tuesday of this week I called the president of that steel company to see if he could possibly assist us in the delivery and expedite it and he indicated he might be able to get it rolled and out of the mill one week earlier. Now one of the greatest problems we've encountered in buying gas for this pipeline system, and I've run into it every time I talk to anybody, is the atmosphere that has been created, and I'll give it to you straight. In the San Antonio papers, the Austin papers, the Corpus Christi papers, that **Lo-Vaca's** broke, it can't buy gas, and every time some unfavorable action takes place it's on the headline. Every time I talk to a producer about buying gas, "Can you pay for it?". It got this ridiculous, that one major company's credit department told their gas department to not negotiate with us to sell us any more gas, Well I hit the ceiling, because that very company we had advanced a million four hundred thousand dollars to buy their gas and help them to develop it. And I told this credit manager, "You've got your credit card business mixed up with your oil and gas business, and next time I hear you say that I'm going to the Chairman of the Board of your company and hope you won't be here after that," because that's what we run into. Now yesterday I talked to two suppliers of gas on a spot basis. They're old friends of mine. One has 50 million feet a day, the other has 75 million feet of gas a day we could buy for six months on a spot basis. They asked me, "When can you tell us about your rate relief, because our people are still concerned that you can't pay for this gas if we sell it to you?" I want that 125 million feet of spot gas for six months during the cold weather. Now how I can get it, I don't know unless I can tell them that we've got rates relief and we can pay them for it, and it's not the 76¢ gas, it is cheaper than that. This gas is there every day in cold weather and we can depend on it. Now please remember what I said, I have not endeavored to make a jury speech or so called self-serving declaration. I have simply stated the problems as I see them and I hope that we can overcome these pressing problems so that we can get first, as I testified when they reopened the rate hearing that's all I said all day long on cross examination. I have one goal that's gas for the coming winter, and I would not veer from that. Then if we can get a long range supply of gas, that's what we want. I may get in trouble, but I've been appointed by this court to do two things; prosecute this rate case to its conclusion which we have done and the briefs have been filed, and the other one is the mandate from the Railroad Commission, the District Court in Austin, as well as the Attorney General's Office, to get the gas for this coming winter and I am not going to leave any stone unturned to find it. But I need the one tool to do it with and I think you can see from these figures I've given you that it's money. We have asked for a temporary rate of 34.9¢ from the Railroad Commission. We've stipulated on the records that the commission would reopen its hearings on this docket on September 24th and the intervenors and protestors can put in a full blown rebuttal case where the commission would grant us interim relief to give us the tool to get gas with. If in its final findings the commission establishes a rate lower than what we are asking for the using under the interim rate we will make refunds between what the final rate is and what we are now asking for. Now that will not be refunds in cash but it will be an adjustment in billing until everybody was even. It seems to me that in an atmosphere that has been in this business and frankly hysteria and emotion has taken the place of common sense, and I have seen it in the six weeks I have been in this position, and I've tried to get around the hysteria to try to solve this problem. Of **course we can** negotiate to settle these rates if we have five people that want to negotiate to settle. Each one has a different answer, and if people get those five to agree on one answer it would be a miracle and I'm not a miracle worker, I'm just a plugger. What we need is rate relief and whether the San Antonio Public Service Board would like it or not or the City of San Antonio would like it or not, the City of Austin, that the only thing that is going to get gas to keep your lights burning and your houses warm this winter, and that's all I'm here to do, to try to do that. I'll be happy to answer any questions.

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MR. CARLOS TREVINO (KITE): Mr. Cox, you propose to hike the rates to 34.9¢ MCF. How much more do you think you will have to go before this crisis is over?

MR. COX: I don't propose to hike the rate, I have asked the Railroad Commission to approve that rate and issue an order that sets that as an interim rate. Until some unforeseen change takes place I would think that rate would prevail for a number of years. You can't guarantee that. I've been in this business a long time and some of the time when you get into pipeline expansion there would come a time, for example, **when this LNG becomes** available. We would have to build about an 80 million dollar plant, in possibly Corpus Christi, and put this natural gas in our pipeline. If you do that, you've got to raise your rates, which is the normal process of any interstate pipeline company and I think we should operate in the same manner as an interstate pipeline company. In fact we are now installing and changing the **Lo-Vaca** bookkeeping system and moving over to the Federal Power Commission System of uniform accounts so that we'll have our books kept exactly like books are required to be kept on the interstate gas pipeline company which is the best way to keep them.

MRS. COCKRELL: Mr. Cox, in requesting this rate increase, are you proposing that this apply to all customers of **Lo-Vaca**? It would seem to me that perhaps those of us who were the older customers who have the long term contracts perhaps should be treated a little bit differently from brand new customers.

MR. MILLS COX: Well, I appreciate that position. But in rate making for electric utilities buildings, telephones, gas, water, there is no recognition between the new and an old customer. But this rate we have asked for of 34.9¢ would be available would be the rate applicable to entire system of **Lo-Vaca**. Now I might leave this thought with you. Your city made a contract, for about 24¢ and I think that contract has been in effect, 8 or 9 or 10 years. (Since 1962). Now there are calculations that have not been made, might be well to make them, is how much the City of San Antonio has saved on 24¢ gas compared to other prices in other cities in that period of time. It might be a sizable sum of money.

MR. MATTHEWS: Most unfortunately the Coastal people made low contracts with everybody, Mr. Cox, and so when you compare them they are pretty much in line with the..I mean they are all lowso we really did get an advantage over our neighbors.

MR. COX: I don't think that you'll find much 24¢ rates anywhere in the last five or six years. For example, Lone Star has filed an application with the Railroad Commission for an increase in rates, exactly the same pattern of a rate making we are asking for, and they are asking 51¢. We are asking 34.9¢.

MR. NEWMAN: Mr. Cox I know you are aware of the fact Houston Light & Power has a contract with Houston Natural Gas, 20¢ a thousand. You are aware of the fact Houston Light & Power also has a contract with Exxon, 21.1¢ a thousand.

MR. COX: Is that contract still in effect?

MR. NEWMAN: Still in effect, Yes sir. It will be renegotiated in 1975..

MR. COX: I'll take your word for that. I have not checked that. But I've spent a day with Houston Light and Power Company. Now the other side of the coin, and I don't think I'm revealing any confidence, breaking any confidence, to prepare for the coming winter, they have bought fuel oil and they have prepared their system to burn crude oil in all plants except one that can't burn fuel oil. They've gone up to \$8.50 a barrel for fuel oil which they will burn when they can't get the gas, so that equates out to much higher than 20¢ a thousand.

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MR. NEWMAN: There's no question about that, I'm only answering some of the remarks that you made regarding contracts and prices. Let's be mindful of these things. The other contract they have is with Penzoil, and it turns out to 26.5 and Pennzoil receives a large percentage of the gas...

MR. COX: I agree with you, Mr. Newman 100%, but let me make this point. I'll give you track odds. I'll give you track odds they can't go buy that gas today at those prices.

MR. NEWMAN: I know that sir, I know this. I'm not debating that part with you at all. All I wanted to do is be mindful of the facts, but when we do speak of Contractual obligations, and what not, and we are going to compare what we have saved, that's what you asked us to do, I am comparing what we have saved with Houston.

MR. COX: I agree with you. That is true. To take you further down the road, I'd like to find some 10¢ gas, but it doesn't exist.

MR. NEWMAN: Of course not.

MR. COX: And, one of my experiences, when I put Transwestern Pipeline Company together and built this pipeline to the west coast we started out with initial volume of 300 million feet per day at 42¢ delivered at the Colorado River, that's the California boundary. Before we went into operation, I tendered another 150 million feet of gas to Pacific Lighting at 37¢ which brought their rate from 42¢ to 37¢. They turned it down. Now, I've seen some of those people recently and they hung their heads and said we wish we had taken it, and if you can find us some gas for \$1.50 I'll buy it, certainly, today. So what you are saying, Mr. Newman, is exactly correct, but it is a situation that isn't appropriate and applicable to what we are trying to do now.

MR. NEWMAN: Yes I understand that. I'm very familiar with the price of gas, Mr. Cox. And all I was saying is when you suggested that we go back and compare what we've saved, you see, I am going back and I am comparing it and I'm asking you to do the same thing.

MR. COX: But I don't think you'll find the 20¢ rate for boiler fuel. I don't think you'll find the 20¢ rate for house heating.

MR. NEWMAN: Sir?

MR. COX: You won't find the 20¢ rate for house heating, you'll back down to 20¢ rate for gas for boiler fuel, but you won't find 20¢ gas through a distribution system....

MR. NEWMAN: I had reference to the sale of gas to Houston Light & Power, from Exxon, from Houston Natural, and from Pennzoil.

MR. COX: I agree with you. Except I can't fully except to what we are trying to do here today.

MR. BECKMANN: Mr. Cox I think this is probably very basic but just what effort is Lo-Vaca making today to sell to new customers?

MR. COX: The only form of a new customer is the transportation.

MR. BECKMANN: Transportation?

MR. COX: Transportation, where we have capacity.

CITY ATTORNEY BECKMANN: Where are you moving gas to?

MR. COX: We move gas for a fee, and I have been successful in that in all of them giving me the option, to take gas as payment for the fee

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instead of money, which gives us additional gas.

MR. BECKMANN: Right.

MR. MATTHEWS: I think you might state, Mr. Cox, that the Railroad Commission's order in curtailment proceedings forbids **Lo-Vaca** from taking on new customers. I mean that's part of that Railroad Commission order.

MR. COX: Well that's true, Mr. Matthews, and I'm the operating head of this company and if I can't meet my present requirements I'm sure not going to sell some more gas.

MR. MATTHEWS: Well, that's right, but I meant....

MR. COX: Regardless of any allocations by the Railroad Commission.

MR. MATTHEWS: That's right, but you are fortified though the fact that the Railroad Commission orders that this shall be done.

MR. COX: Well as far as I am concerned that's moot. That is in a vacuum, cause we couldn't do it if we wanted to.

CARLOS TREVINO (KITE): Mr. Cox, what about this new rate? What would you actually accomplish as far as the

MR. COX: As I stated a while ago, I know what it will do for six months, this coming winter. It'll let me buy 125 million feet of spot gas a day which is available every day. That's not so much the price that will buy that gas, it's the assurance that the seller has that we can pay for. Because they all feel we are in jeopardy, and I'll say we have not been in jeopardy, actually. One lawyer asked me in Austin the other day on cross examination, "What about the rehabilitation of **LoVaca**?" I said sir, you'll have to define rehabilitation before I'll answer your question, because I don't think this company needs rehabilitation. It just needs some money, to meet its needs for gas with, and it's that simple.

CARLOS TREVINO: What about after 6 months.....

MR. COX: That spot gas ends. Because that's as long as these people want to sell the gas, six months. But if at the end of six months we are through the winter and with the increased rate and the purchase gas adjustment clause that gives us tools to buy the gas everybody is competing for. If you'd been in this business back in 1948 and 49 and seen what the reserves were then as compared to now, people running these pipelines are scraping over what I call trash, actually, to get some gas, it's just trash. Twenty years ago they wouldn't even set pipe and complete them even as gas wells, actually. And at the price of gas 70¢ and 80¢ which is now reasonable which makes it profitable for these producers to produce these marginal thin gas sands. You couldn't do it otherwise.

CARLOS TREVINO: What about these reports that we've heard about new resources, and new deposits in northern parts of Texas.....

MR. COX: Could you tell me which county?

CARLOS TREVINO: No, that is what I am asking you.....

MR. COX: Well I get a daily report. We have that North Texas 36 inch system joined with Texas Utilities. They're buying and looking at the gas all through that line which runs from somewhere out in West Texas clear into Dallas and Fort Worth, and if there's any gas available out there or being discovered, our people are talking to them.

CARLOS TREVINO: Do you propose to buy it....

MR. COX: Yes sir. If it's available.

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MR. NEWMAN: Mr. Cox, when we get back and we speak of the price of gas and the attitude of the City Public Service Board regarding the price of gas, there are a couple of things I'd like to mention, that did transpire prior to the time that you came into the picture. First of all, we are very mindful of the price of gas, and keep up with it daily. We also are mindful of the position that we were getting into regarding the severity of the shortage. On not one, but innumerable occasions, by innumerable let's say that not less than four or five, Lo-Vaca was told in the past prior to the time and even after the time that this went before the Railroad Commission at their request, that we would pay more for gas than the 23.75¢ that we're paying. And that what they would do, if they would go out, they said they didn't have the money to buy it, we said we would buy it. I remember one package, for example, from Katy. This amounted to 50 million cubic feet a day. At that time the price was 55¢. Now I'm just saying this is the price we were told. We said, all right, you go buy that gas 55¢. We'll take it, and what we'll do with it, is that we'll give Austin and LCRA an opportunity to join with us, and we'll pay you the transportation cost. They said that they were not in position to buy it. We said you do it, we'll pay you, we'll go to them, and we'll handle it accordingly. Not a single cubic piece of foot of gas came to us in this manner. There were additional contracts that we said, We'll take them, at a price much higher, yet, that's what we are talking about at 23.75¢. When this went before the Railroad Commission, we felt, and feel today, that we are one entity on this system. It's absolutely true that what our responsibility is, is to look to the handling of a situation in San Antonio. But San Antonio is not going to be looked upon as just one separate entity and the 399 other people, and other communities, and pipelines and what not, handled in some other way. The Railroad Commission couldn't do this if they would, but they won't anyway. So the truth is that we have tried to accomplish it in that manner. Now I'm also quite confident that you are familiar with the situation that pertains regarding Channel Industries and Tennessee Gas and Transmission Company. There's situation where, I think that the City Council should be extremely well acquainted with too, it's very current. Channel Industries, a 100% subsidiary of Tennessee Gas, exactly as Lo-Vaca, is a 100% subsidiary of Coastal States, actually had more commitments than they had gas to fulfill them and something had to be done. Over an extended period of time they wrestled with this and they tried, first of all to renegotiate with the various ones that they were connected to and they didn't succeed. It succeeded with some but not with all, then they went before the Railroad Commission and they asked for an increase. The Railroad Commission told them to go back out and talk it over some more and come back later. And they did that. They kept on doing it. Here's a news release dated August 16, "Tenneco renegotiates Gulf Coast Gas Sales. Channel unit takes \$55 million write-off in losses." Tenneco Incorporated had improved second quarter and first quarter profits despite a pre-tax loss of \$55 million reflecting losses of a unit which will incur over the next several years because of renegotiated gas sale agreements. The unit Channel Industry Gas Company is the operator of the intra-state Texas Gulf Coast pipeline that has been operating under long term fixed price gas sales contracts requiring it to sell substantially below cost. They point of my story is that here's a situation that in point in fact, is almost identical to the situation that we are confronted with right here. We have. We must be prepared, I feel this way I'm surely no stronger than anybody else on this Board. We're awfully anxious that we see to it that we come up with the energy fuel. We know that the winter's coming. We know what month it is. We are doing everything in our power to accomplish the objective. But we have to also be in a position, in my opinion, that we can answer all the questions that can arise, first to ourselves, and then to the first person that we pass walking down the street, and there are a lot of questions that they can ask us that would be very difficult for us to answer. If we don't do, in my opinion, exactly what we would have to do even if we would have it otherwise, and that is work with the others that are on this system to the end of solving this problem. The fact is, that if you'll go back and talk to Oscar Wyatt and Rue Thomas and Gale Gallaway, and you name anybody else, and Jack Ware; I think that they would have to tell you that the cooperation that they received from the City Public Service Board in San Antonio was singular. That nobody tried harder than we have tried to work with them. These are the facts and they'll attest to these facts. I

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don't feel that, in the position that we are in today with the whole matter being laid before the Commission which was their choice, that we are in a position here to do anything other than what we are doing. That's exactly what, how I feel.

MR. COX: Mr. Newman, would you tell me exactly what you are doing, I'd like to know?

MR. NEWMAN: What we are doing?

MR. COX: Yes

MR. NEWMAN: Well, it was my understanding that there was to have been a meeting with you this week, Mr. Cox,.....

MR. COX: Well you have had a complete misunderstanding... I have made no commitment for any meeting this week except to come to San Antonio for this meeting.

MR. NEWMAN: Well, I'll tell you, Don Butler, who is the City Attorney of Austin is the source of my information, and I'll say this. That he felt that he and others were planning on meeting with you this week, as I recall specifically, he said Wednesday of this week, to discuss various ways of working out exactly what it is that you're here presenting.

MR. COX: I'm not presenting anything Mr. Newman, I'm simply telling you what I have done since I've been.....

MR. NEWMAN: I understand. We **have the problem**. I'm talking about manners or a method that would be utilized to alleviate the problem.

MR. COX: All right now let me answer your questions. I'll take them in order. First, the transportation of the gas from Katy. Now, what happened to that I don't know, because I have not involved myself in past events. That doesn't get any gas. If you get gas to transport today and tender it to me, I'll haul it for you.

MR. NEWMAN: Yes sir, without question.

MR. COX: And I'll ask you my standard question, Will you give me my money in the form of gas instead of money for the transportation fee?

MR. NEWMAN: Will we?

MR. COX: Yes sir.

MR. NEWMAN: We wouldn't have any, in fact we've been working on some deals and we are in a position to come up with some gas.

MR. COX:

MR. NEWMAN: Let me finish your question. You want me to answer whether we will pay you in gas or pay you. I don't think that we would back up at that, or that we will back up at that. It's going to be a matter of simply determining the rate at which we will pay you, over the period now a year or 18 months, they said they would transport gas at 2¢ per thousand cubic feet...per hundred miles. And we'll work it out with you, any way you want to work it out.

MR. COX: Well, if you don't want to give me the money in gas I'll take money. Either way. Now. I'll go back to your first thing. That's what we'll solve, we'll transport gas for you. Now I pointed out in a number of cases, your representative Mr. Bill Murray who's very capable, that anytime that you find gas and you can buy it, we'll transport it, but I made it crystal clear if the producer wants advances like we were making, you give them to him.

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MR. NEWMAN: Yes sir.

MR. COX: You build the connecting line.

MR. NEWMAN: Yes sir.

MR. COX: We'll buy the gas.

MR. NEWMAN: Yes sir we'll put into your line.

MR. COX: We're clear on that.

MR. NEWMAN: You bet.

MR. COX: All right, now, on the Tennessee Channel Industries what you just told me about the Channel Industries is the first I've ever known about it, that's the first I've heard. I heard that there was a case but that's all. Now, the next thing is as to meeting this week. I made no commitments for a meeting this week and I can support that. I was asked to come to a meeting in Austin this week and I said I have a commitment with the Mayor of San Antonio and those people, and that's where I'm going first. Now I'll put it right out on the table. The City Attorney of Austin, Texas made two phone calls to my attorney yesterday that this meeting in San Antonio would be counter-productive, I had no business going, that Oscar Wyatt, elected Mr. Becker Mayor of San Antonio, and I shouldn't come. That's why I said I'm not going to San Antonio until I get some other matters cleared up. Now they've got five proposals to negotiate this rate. Not one of them that I accept. The last one is as ridiculous as I'll ever see and it's got a threat in it, that if I'll accept this interim rate by the L.C.R.A. they'll agree not to sue us, sue the Commission and set the rate aside if we'll accept it. Now, that's blackmail. Agreed not to go to court to set the rate aside.

MAYOR BECKER: Excuse me, What was the attorney's name?

MR. COX: Don Butler. I had that message twice from him yesterday. My attorney got it and he can confirm it to you.

MAYOR BECKER: I'd like to.....

MR. COX: Just a minute Your Honor. I'd like to know how I can renegotiate any rate settlement in that atmosphere and under those circumstances.

MR. NEWMAN: Excuse me, I did not hear the point that you made, what else the L.C.R. came up with.

MR. COX: I said they came up with a rate that was ridiculous. The chief point is, they agreed if I would accept this interim rate that they would not appeal it to the courts. That's a fact. That's plain blackmail. The other one was that if a rate didn't prove successful in 20 months it would be set aside and we'd go back to our original 24¢ and you can't buy gas under those circumstances. That's not even a good hunting license.

MAYOR BECKER: Mr. Cox, I'm not asking you these questions in a hostile attitude, it's just to clarify the facts about it. Now, you regard it as blackmail for a party before the Railroad Commission to say they would appeal from an order that they regarded as unfair and unjust and unjustified. I don't think that's a fair statement.

MR. COX: They told me that if I would accept it they would not go to court.

MR. MATTHEWS: That's just the same thing as saying that if you put in a rate that we don't accept we're going to appeal which they have the legal right to do.

MR. COX: I'd like to make one more statement.

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MR. MATTHEWS: I don't want to argue with you about it I just say I don't think that should be called blackmail. I think that's too strong a language for it.

MR. COX: You and I both have been going down this road a long time.

MR. MATTHEWS: That's right.

MR. COX: As I've told you before I think you and I are both cut off the same bolt of goods.

MR. MATTHEWS: We've been getting along very well in our conversations during these things.....

MR. COX: I'm want to make other things clear here. This relates to your Mr. Hess, You're rate consultant. Now three weeks ago today our rate man and financial man, Mr. Bill Greehie had his last meeting with Mr. Hess in Dallas. Now Mr. Greehie came back from Dallas and I waited in my office till he got here from Dallas about 8:00 Friday night. Because Mr. Greehie had said one, that Mr. Hess was the most competent rate men he **has every dealt with** and that he was fair and reasonable. Bill Greehie came in from Dallas and he says I am very pleased. He says, Mr. Hess and I have reached a situation where I can recommend to Lo-Vaca that they accept this with a few little adjustments with no problem, and he says that Mr. Hess feels the same way about the Public Service Board of San Antonio, and I'm hopeful that we can arrive at a meeting. He said Mr. Hess is going to phone them and see what they want to do with it. And your own consultant, according to the information that I have, phoned your people and they turned it down.

MR. MATTHEWS: Let's see, you say phoned who?

MR. COX: Phoned the San Antonio Public Service Board.

MR. MATTHEWS: Turned down a meeting....between the.....

MR. COX: No they turned down the proposal that Mr. Hess and Mr. Greehie had agreed on.

MR. MATTHEWS: If anybody has ever said that they agreed on anything or you phoned anybody, I don't know who it is.

MR. COX: Well, maybe we are not on the same wave length.

MR. NEWMAN: We're not, but we haven't turned down anything,

MR. MATTHEW: We've never heard of this thing.

MR. COX: All right.

MR. MATTHEWS: I think you must be misinformed about that.

MR. COX: I think Mr. Greehie is a pretty honorable man and I know Mr. Hess is and that was the information they brought to us that they reached the point where they thought an agreement could be reached.

MR. DEELEY: We have Don Thomas here who was at that meeting.

MR. COX: But Bill Greehie said I would recommend Lo-Vaca accept it and I understand Mr. Hess is going to phone San Antonio.....

MR. MATTHEWS: What is it that you're talking about, because none of us have ever heard that.

MR. COX: Well I can't give you all the details on the figures. But they both had a figure that they thought their principals would accept.

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I checked it out with Bill Greehie and he said that Mr. Hess phoned him, that he phoned it to Sar Antonio and it had been turned down.

MR. MATTHEWS: Well you understand our attitude toward.....I think there is something wrong here because we are certainly, your talking about something certainly I never heard of, Mr. Newman or any member of the Board ever heard of and I think Mr. Deeley never heard of, as the General Manager...

MR. COX: Now that's the report that I have gotten from our financial and rate man.

MR. MATTHEWS: Let me review the conversation on this particular subject that I had with you over in Austin.

MR. COX: I'd be happy to.

MR. MATTHEWS: You remember that we discussedroom, and had two or three very amicable and I think profitable discussions and exchange of ideas with each other about this thing. In the first one of those discussions you mentioned that Mr. Greehie's admiration of our rate expert, Mr. Hess, and the possibility of working something out and I said fine that's wonderful, let's get them together. Isn't that exactly what I said?

MR. COX: Up to that point we're together.

MR. MATTHEWS: Okay. Then I said though Hess is here advising us sitting at our elbow on the cross examination of these technical witnesses and we need him and I think that I agree with you that the sooner we could get you some temporary rates, the better off you would be and the quicker we could get down the line on solving problems here. Therefore, I suggest that we ask for an adjournment of this so these two men can have the time to get together and work it out. Isn't that what I said?

MR. COX: That's exactly what you said, the second day. Let's keep this record crystal clear. I said that Mr. Greehie was the rate witness on the witness stand being cross examined. That the thing to do is to let this cross examination run its course and get through, then let these two men get back together...

MR. MATTHEWS: And I suggested in reply, "Well, if there's a probability of agreement, why do we waste our time here a couple of weeks cross examining and let that time go by?"

MR. COX: Mr. Matthews?

MR. MATTHEWS: I know you had your problems, I'm not blaming you.

MR. COX: I've been going down this road, as I said, as long as you have. You didn't ask me to recess the Railroad Commission hearing until the second day because I had left...

MR. MATTHEWS: That's right. You testified on the 20th. I talked to you on the 21st, and it was either the 21st or 22nd we had this discussion and when I had it, I said "we can't be in here cross examining and at the same time talking about settlement."

MR. COX: I'll tell you exactly my feeling about recessing. That's the oldest trick in the business, to recess the hearing, or recess the court...

MR. MATTHEWS: I assure you, it wasn't a trick on my part.

MR. COX: ...because you might go settle the case while the jury is in the jury room, but not while the trial is going on.

MR. BERG: Mr. Cox, can I ask some questions to clarify something that we're discussing here. 34.9¢ you suggested as a temporary rate.

MR. COX: Yes, sir.

MR. BERG: For some extended period of time?

MR. COX: Until such time that the Commission sets a final firm rate...

MR. BERG: I thought I heard you say maybe one year or two years, but it wasn't a matter of months, it was more a matter of years. Am I wrong there?

MR. COX: The rates?

MR. BERG: The temporary rates.

MR. COX: The temporary rates will be 34.9¢ until such time as the Commission sets a final firm rate.

MR. BERG: It could be a long period of time?

MR. COX: Yes, sir. It could be. But I don't think they would be too long in doing it.

MR. BERG: Like one year?

MR. COX: Oh, no. I don't think so. Mr. Matthews has said he's going to put on a rebuttal case.

MR. BERG: So, there will be an escalation above that 34.9¢. Is that what you're implying? Or would it be below it?

MR. COX: It would be what the Commission set. It would not be above, it would be below. We have agreed to refund if the rate is lower, we have agreed to refund.

MR. BERG: Okay, that's the point I was getting at. The 34.9¢ say, as a ceiling until a rate hearing. The Commission may come down with a lower rate or may they say -- say 34.9¢ is it?

MR. COX: They can say that.

MR. BERG: Is that right. That is substantially different, I think, than some of us understood here.

MR. COX: The Commission could also set a rate above 34.9¢.

DR. ROBERT WEST: Is it realistic to think you can live with 34.9¢ very long? I think you are giving the wrong impression to the group here that some reduction from 34.9¢ will come later on, whereas personally, in my own judgment, with the price of gas going up in the 70-78¢ range now which you mentioned, it doesn't seem realistic that the 34.9¢ would prevail very long.

MR. COX: If I gave you that impression, I didn't intend to.

DR. WEST: I think you are giving that impression.

MR. COX: 34.9¢ is what we've asked for and is a temporary rate to be set by the Commission.

MR. BERG: But, you say you can live with it, you will accept it as a continuing rate and that if the Railroad Commission says that that's the rate you've got to have, you would be satisfied with it. That's the impression I got. Is this correct?

MR. COX: We would use the 34.9¢ rate until the Commission set the final firm rate. After the complete rate hearing was concluded, which would also encompass what evidence Mr. Matthews put under his rebuttal.

MR. BERG: Would you be satisfied with the 34.9¢ if the Commission says so?

MR. COX: That's correct. Until such time, just as Doctor West says, gas prices go up it wouldn't effect the rate, because we flow that through, but increase in the cost of pipes; if we borrow money, you might pay 9% for it...

MR. BERG: There would have to be an escalation somewhere...

MR. COX: That would have to be somewhere reflected in the change in rate since its due to allow you to finance and borrow money.

MAYOR BECKER: You were talking about the winter. Isn't that correct?

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MR. COX: That's correct.

MAYOR BECKER: The spot sales for gas for this coming winter to take care of the coming cold months.

MR. COX: That's right.

MR. BERG: Would be at 34.9¢

MAYOR BECKER: That's right.

MR. BERG: Mr. Cox, does this include the transportation costs also?

MR. COX: That's the whole rate.

MR. MATTHEWS: Let me see if I can't clarify something, Mr. Cox, which, of course, is a component part of the proposed rates, and that is that it does have escalation in it for increased cost of gas on a monthly basis for additional cost for gas in the field.

MR. COX: That's correct.

MR. MATTHEWS: So that this would be escalated really on a monthly basis as you bought higher...

MR. COX: I'm glad, Mr. Matthews, that you brought that out because I was negligent in not pointing out that we have asked for...

MR. MATTHEWS: Of course, that's necessary, I'm not saying it's wrong, I'm just calling attention to the fact that the idea that this is 34.9¢ that's just where you start, and then from then on it's always up.

MR. COX: That would be the only change there would be. The change in the cost of gas and nothing else.

MR. MATTHEWS: Now, let's say, for instance, I mean I just jotted down figures that I made over at Austin during your testimony and the other testimony on this rate. You take, for instance, the permanent rate, just to give a comparison, which was the one mostly testified about, as you remember. Of course, it was based on a 22.75¢ cost of gas which was an estimated cost of a year ago or more. I mean it was just an arbitrary estimated cost and was formerly said that the 37.85¢ per MCF rate would be escalated by the increased cost of gas on a monthly basis above 22.75¢

MR. COX: Yes, sir.

MR. MATTHEWS: Okay. Now, in the testimony, it showed that in the meantime, gas, the average cost in June 1973, that's two months ago or whatever it is, was 24.6¢ so on that formula, that 37.85¢ price is really 41 and 5/10¢ per MCF price. Just on account of the increase above 22.5¢ that would automatically be applied, you see, in the formula that...this is all in the formula in the evidence.

MR. COX: That's the rate formula in the evidence. Yes.

MR. MATTHEWS: And, of course, that involves a 15.1¢ per MCF transportation charge, because 22.75¢, the 15.1¢ remains static.

MR. COX: Correct.

MR. MATTHEWS: And the 22.75 is estimated because, you see, the cost of gas, field cost of gas on a monthly basis. So, actually, what the evidence over there is that they want 15.1¢ per MCF for delivery to all customers irrespective of their take, irrespective of their location. Is that right?

MR. COX: That's correct.

MR. MATTHEWS: Now, then, that doesn't give the larger customer any break over the smallest, does it?

MR. COX: Does he deserve a break?

MR. MATTHEWS: Well, I think that the rate that they have testified to is this, and you can correct me if I'm wrong, that they couldn't put in an ordinary two-part rate that would give credit for the big taker and having a large load factor and, therefore, not monopolizing much more pipe than he actually used instead of a **fluctuating demand** where he had it sitting there and was taking a few per cent of its carrying capacity which a two part rate compensates for, of course, you know these rates are a little complicated to discuss in a public meeting. Anyway, we can't have a normal rate under these conditions, because you've got about a 40% on the average deficiency in the ability of the pipeline companies to supply the requirement to the customer. So, he doesn't have the option of taking his total requirements. So, a flat rate that they said was about the only thing you could do here until the situation developed where you were more nearly supplying the full amount. Isn't that a fair statement of the testimony in the case by the experts?

MR. COX: I couldn't say for certain, because I couldn't hear all the testimony...

MR. MATTHEWS: That's right, you weren't there when the expert...

MR. COX: I didn't hear all the cross examination...and there is no doubt about it.

MR. MATTHEWS: But, I'll assure that's in the record, and there is no doubt about it.

MR. COX: You tell me that, and I'll take your word for it.

MR. MATTHEWS: Now then, any rate, flat rate, put in would not be a fair rate if and when substantial full deliverance was made, at least that's what their experts...

MR. COX: I am looking at it this way. Whatever gas the City of San Antonio took, would take it's part of the pipeline capacity whether it was 100% of the load factor or 50% load factor. So, I see no difference between a small buyer and a large buyer. They're both using their proportionate part of the pipeline.

MR. MATTHEWS: Well, not quite. That isn't the theory of rate making, certainly, because our load factor is much higher than many industrial...

MR. COX: It may not be your concept of rate making, but...

MR. MATTHEWS: I mean with standard kind concept...

MR. COX: I can fix -- I can tailor a rate for this pipeline nobody would like it.

MR. MATTHEWS: That's right.

MR. COX: And, it would be the fairest rate that could be made.

MR. MATTHEWS: That's right, and it would be on a load factor.

MR. COX: It would be on the demand and commodity rate with a fixed load factor and take and pay for minimum whether you took a foot of gas or not.

MR. MATTHEWS: It won't work unless you can meet the full demand. It works if it was tailored on 75% load factor. The rate would be related to that, then any gas you took, you pay only the commodity and none of the demand.

MR. BERG: I'm trying to resolve this down to manageable terms. It seems like we've got two passes here to resolve, legally and non-legally. One is: we've got a contract that says so much money, you pay it. You're saying we can't pay it, we'll lose our shirt, impossible for us to do it. On the other hand, we want gas, and we need gas for the City for all purposes, etc. Gas for those purposes cost more money, as much as 70, 80, or 85¢. Okay, somewhere in between there lies a field that we've got to dig. Now, is this a legal problem? We can keep going on and on -- on this thing and I'm trying to see if we can't find a way to say, well, if we don't forgo our legal position by agreeing that some kind of a rate, and I'm not saying 34.9¢ or any other rate, but at some kind of rate to get on with this year and then not abdicate legal position and then resolve in the future after the Railroad Commission and we and you and all of us that have lived with this thing, let's say the Arabs and who ever else is causing the up and down in this thing to determine what it should be rather than to cast it in concrete at this time.

MAYOR BECKER: Isn't the first requisite of this whole situation a recognition that we're really not dealing just for ourselves, but that in the role of the City Council, we're representing a city of 900,000 people. We're the elected officials of the city of 900,000 people. As the appointed trustees of the City Public Service Board, you are representative of how ever many people that are looking just as they are to us, they are looking to you for gas for this winter. In your role of stepping in and being placed in the position that you are in Lo-Vaca, you have a multiplied number of people that are dependent upon you to bring some **semblance** of order out of what has been described as chaos. Now, I think that somewhere along the line, we're all going to have to hang our hats on the hook and say we're going to sit down here and work these things out. Now, I want to get back to these remarks here for a moment that Mr. Butler made in Austin, the City Attorney. I'll say that without equivocation that those remarks are uncalled for. And he is either one of two things; he's either thoroughly **uninformed** or wholly and completely an unmitigated **liar**. Now, one of two.

MR. MATTHEWS: Mr. Mayor, let's see if we can't...

MAYOR BECKER: Excuse me just a second please, Wilbur. On the next hand, about three months ago in the City of Austin at the invitation of the Secretary of Agriculture, John White, I attended a party there for Senator Mondall who came down from Minnesota, and at that party, I was standing with Attorney General John Hill, and Ex-Senator Charles Herring, who is the Chairman of the L.C.R.A., came up and accused me of taking money from Oscar Wyatt, Coastal State, and various things for campaign funds. Another totally irresponsible and uncalled for remark, and when I got back I **woke** up my attorney and asked him how I could proceed to sue the jeans off of this man. And I'll be very honest about it, the only reason I didn't whip him right then and there is because I didn't think it was proper for the Mayor of the City of San Antonio to be in another city and get into a knock down drag out brawl at a function where such dignitaries were present. Now, I'm going to establish once and for all, and I hope make it perfectly clear, that I don't appreciate that kind of talk. I consider it wholly inflammatory, wholly accusatory and totally and thoroughly irresponsible and child-like. I don't care whether word gets back to

Mr. Butler or not. It makes no difference to me or to Mr. Herring for that matter. They know either where they can find me or I'll accept an invitation by them to appear any place they'd like to **adjudicate this** matter in any manner they so seem to desire.

MR. BERG: Charlie, we all agree with you, but we think that there's two separate facets, not to interrupt you, but we feel that there's a wholly, a problem involving people that want to talk with or about you, but what we need to settle here, and I don't think we want to screw it up we...

MAYOR BECKER: We're not going to screw it up, Tom, but, see, I cannot let this remark go unanswered and unchallenged because of one fact. The last meeting I had at the City Public Service Board, I came out of that meeting and gave some very conciliatory glowing remarks about the meeting and my experiences in that meeting to certain newspaper reporters. Much was made of that meeting, and my remarks and one article in particular that appeared in the paper last Sunday went on to say that apparently I was made an offer that I couldn't resist or couldn't turn down or some other equally cunning, ridiculous, stupid, statement which is almost bordered on liable. **I'm tired of being placed in the middle of this thing.** I'm just making it known now that if anybody else has anything to say about what my involvement is, how I won the election, who paid for my campaign funds and all that sort of thing, all they've got to do is take me into court if that's where they want to do it, put me on a witness stand and put me under oath.

MR. NEWMAN: We, too, enjoyed that meeting, Charlie, but the remarks which you have reference to, in the first place, I didn't see it in the paper at all, but from what you had to say, I wish to assure you that those remarks didn't come from anybody...

MAYOR BECKER: I know they didn't, John, I know they didn't. But, it seems like someone's always trying to read something into any type of a situation where any of us get together and meet for the purpose of satisfying the needs of the citizens of San Antonio. Now, let's assume I was more conciliatory, tact, maybe I was doing it for a reason. Maybe I was also doing it because I want to.

But in either case, I was hopeful it would produce some type of a solution to the situation that this town, is faced with. And that is a coming winter where we **are already out of sufficient power** to burn the street lights at night, and other activities have been closed down such as night baseball and all other kind of things. And, winter is going to be even worse from what I'm told. Now, it's time that we all get our heads together and stop this ring around the rosey. Anything less than a satisfactory settlement that's in the best interest, and I believe it's in the best interest of the people, is them having the ability to go and turn on a heater or a gas stove or whatever means you have of the usage of the product and they have a right to criticize and condemn everyone of us. And should, because we've had how many months to work out a solution to this situation. How many months have we been engaging in this ring around the mulberry bush? You called me "nanny" and I called you "johnny" and "my dad can whip your dad" and all that kind of stuff. It's time for people to sit down and start acting in a responsible, intelligent adult fashion. And, I think that's what Mr. Cox is trying to do and I commend him for it. I also say at the same time I think that's perhaps what the City Council's trying to do here today. At least, I know that was why I asked Mr. Cox to be here. I would like to also say that I think that that's what the City Public Service Board's trying to do and the General Counsel and all the people that are representatives of the City Public Service Board. But, somewhere we are going to have to stop this business of picking around and pulling on this string and seeing what it will

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do to that ball of twine way over on the other side of the horizon somewhere. We're going to have to come to grips with the problem and recognize it for what it is.

MR. BERG: That's why I say, we got on one side we've got a contract, whether we abdicate legal rights or not, ought to be a lawyers' argument outside of this room. On the other side, we need the gas. There's all sorts of prices. Everybody is quoting. Everybody knowledgeable in the business knows what prices the gases are in today's market. Can we not get on with the business of finding a way of getting a temporary situation that will permit us to get on with this?

MR. COX: Let me restate this situation...

MR. BERG: Without abdicating legal jurisdiction?

MR. COX: I know that a great deal of the concern that the people have had has been the abrogation or destroying of a contract made in good faith between two parties which there is no question. There has been some contractual rights violated. Now, the relief for that is in the Courthouse and I'm not the one to cure that problem.

MR. BERG: That's why I say, can we separate these two?

MR. COX: My answer to that is, to give me, as I say, the tools to try to solve this problem, and I will stand on this. I think that Lo-Vaca has presented a good rate case to the Commission. That's where it should be presented and that's where the decision should come from. Obviously, the Commission would like to have a settlement made that everybody would agree to, but I think that we could spend another six months trying to reach a settlement. Where as if, my position is, we made a good rate case. We have stipulated that this rate, if the Commission sets a different rate from the 34.9¢ plus the purchase gas adjustment and it's lower than that we will refund every nickel that we have collected under this interim rate, when the permanent rate is set. That won't be in cash, because as you already see, we are out of cash. But, we would refund that by adjustment in the bill until everybody was even. When the Commission sets the permanent rate. Now, I think that in the long run, if the body that has jurisdiction over this matter should settle it and that's the Texas Railroad Commission. And that's why I'm willing to stand where we are now on the rate and our statement that we will refund if the rate is lower, I mean higher than the interim rate. If that could be adopted, the Commission could issue that order. I couldn't guarantee it, but I think we can come pretty close to getting your street lights to burning this winter with what we have done and with what we plan to do.

DR. WEST: Charles, may I just make a partial comment on Tom's statement? It seems to be perfectly clear that a true order of priorities has not been established on the part of anybody, and in that group, I will include the City Council, the City Public Service Board, City of Austin, L.C.R.A., and whoever else is in...

MAYOR BECKER: You are right.

DR. WEST: As I see it, the top order of priority is to get the gas.

MAYOR BECKER: Right.

DR. WEST: At whatever price, and I repeat whatever price, whether it's 34.9¢ or whether it's 75.9¢. I think that is the important thing. I think another order of priority, but significantly down the ladder from that first order of priority are the contractual rights of the various consuming entities against Lo-Vaca or Coastal States. It's almost difficult to mention the first order of priority as you have done on numerous occasions without being accused of carrying favor

with Oscar Wyatt or you're protecting Coastal or whatever. I don't think there is anybody in the City of San Antonio that I know of...

* * * *

At this point there was a power failure for a couple of minutes.

* * * *

MR. COX: We'll tell you, and we'll buy it, we'll take it. Now you tell me how you're going to get more direct than that.

DR. WEST: Well, John those specific examples which are certainly constructive, but aside from that, I think there's a general background of an attitude of animosity that perhaps it's got reason for, I really don't really have all the feel of the background and wouldn't attempt to be a judge of it, but whatever the personal hostilities and animosities are, you know they ought to be put aside. This is not important to Juan Rodríguez who lives on the west side who wants to be warm this winter.

MR. COX: I couldn't agree with you more, Bob, but the point I'm making is, and I am just going to ask you to please consider our position in this regard fairly. We've tried, God knows we've tried, but if something comes along and Coastal doesn't agree to this, we are the obstructionists. We are the people that have the wrong attitude. I don't care what it amounts to anything that stops anything, we're the people. My God, there isn't anybody that worked harder on this than we worked with Coastal and worked alone.

DR. WEST: What I'm saying, John is all that's behind now, I think all that ought to be forgotten whatever that was. I don't know what it was. I think that ought to be forgotten, and the order of priority now ought to be for people to cooperate and look ahead and not behind. I think the City Public Service Board of San Antonio has joined too much with the City of Austin in cheap attacks, and I call it a cheap attack on Charlie Becker, if those statements, you know...

MR. MATTHEWS: No one in San Antonio...is untrue. I don't think...

DR. WEST: I did not say you had been involved in it.

MR. MATTHEWS: You said we joined in attacks on the Mayor.

DR. WEST: I said joined the City of Austin in the general attitude towards Lo-Vaca and Coastal, I didn't say you joined on attacks on Charlie Becker because I don't think you have.

MR. MATTHEWS: What's your general attitude toward Lo-Vaca?

DR. WEST: Towards Lo-Vaca? I think Lo-Vaca ought to be looked on as a public service entity that hopefully in some way, and is going to be by compromise, can supply gas to the customers that are now depending on it. I don't have any emotional attitude either against or for Lo-Vaca. It's just a nondescript entity which is purely a service entity.. And I think it has got to be paid enough to keep it in business.

MR. MATTHEWS: Do you think it ought to be excused of that and sold off half a trillion cubic feet of gas in 1972 which if they had now we wouldn't even have this problem?

DR. WEST: No, Wilber. I don't think they ought to be excused for that.

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MAYOR BECKER: You could write it in the annals of history that will go down time immemorial, a millennium. But here's what Bob is trying to say, and I think here's what Mr. Cox is trying to say, and I think this is what the Council is trying to say. We think, the Council, and if I'm not speaking for the Council then they can speak for themselves, that it's high time to get on with the business at hand. Now, if the City of Austin or any other municipality or group of people or the representatives of those group of people, want to continue to play games, and call names and point the finger and all this kind of stuff, let them have at it. My first and only concern and responsibility as far as I feel is to the City of San Antonio and its environment. Now I'm going to go down right now on record as saying that and I'm not ashamed of it in the least. The people of this community are the ones that elected this City Council. Nobody in Austin, Texas voted for me. Nobody in Corpus Christi voted for me, or any place in between, or on the L.C.R.A lines or anything else that I know of. Maybe they did, I don't know the network of the dadgum pipelines. But I do know who we're responsible to and that is the people of the City of San Antonio and in that connection I include the environments what ever they may be, Bexar County or what ever the Public Service extends to. Now, we owe these people responsibility. We've got winter approaching and I think that anybody that wants to horse around any longer is welcome to it, but how are we going to solve our own particular immediate problem that pertains to us. And by us I 'use' that word to be all inclusive to encompass all the people I'm speaking of, the citizenry of this town.

MR. NEWMAN: That's exactly the same thing....

MAYOR BECKER: That's the only interest I have.....and I don't give a hoot who knows it. Pardon me John, I'm finished.

MR. COX: There is one thing I would like to discuss first. That is the apparent discrepancy between our Mr. Greehie and the Public Service Board's Mr. Hess. I think they are both highly qualified people and if I have laid the groundwork here for some misunderstanding that isn't true I want to get it corrected. I think the best thing to do there is, you talk to Mr. Hess and let me talk to our man because they're both fine people, and I certainly wouldn't want either one of them to get involved in something that I may have created because they're both nice people.

MR. MATTHEWS: You needn't worry one minute. That anything that we might disagree on about that is going to have any effect on our future relationships and attitudes.

MR. COX: I'm thinking about what I am talking about is doing an injustice to two people who are seriously trying to get matters cleared up.

MR. MATTHEWS: That will be resolved. I don't see how it could be a problem at least one that would last more than two minutes.

MR. COX: May I say some other comments here, that relates to the atmosphere that I ran into here when I took this thing on July 21st which is less than two months ago, and this is not self serving declaration, but I've done a lot of homework. And I've burned the midnight coal, because I want to save the oil. I have run into many things that puzzle me that side tracked me from what I'm to do and that's to find gas for the coming winter. I have a situation in Austin. They got me on the telephone from Houston..... and as you all know Coastal States has been suspended pending an FCC investigation. FCC lawyers in Washington got hold of the Coastal lawyers in Houston and got hold of me to correct what they heard. They said they heard in Austin that I had refused to talk settlement and that concerned the FCC. I had to go put that to bed because that was not true. Now, that doesn't solve the problem for the coming winter. Now another thing that Mr. Matthews is bothered about and I've done some investigation is this, that Mr. Wyatt sold off a number of reserves and stripped the

company. I find from my investigation one sale in particular that the amount of gas he sold from the Shell so negligible that if I had been running the operation I'd would have cut it off. And it was a high sulfur content.

MR. MATTHEWS: Well that's that very recent sale that had the Federal Power Commission.....

MR. COX: No, no this is the Shell Pawnee deal, one of the five you are talking about.

MR. MATTHEWS: Well, that's.....

MR. COX: Let me make another point here. I think that the people here in this country know and in this area there has really been no **diminution** in the reserve as I look at it of Lo-Vaca but the one unponderable unmovable fact has come into play and that is deliverability and Mr. Newman knows that as well as I do. If you can get a foot of gas today and maybe two years from now you only get a half of foot so the deliverability on these reserves has declined. Now, I'm not a deliverability expert but I know something about it because two consultants and I constructed the first **deliverability study** and exhibit ever introduced to the Federal Power Commission in 1948. If you ever saw a wild crap and bundle of papers it was that. But it met the commission's test. It was the first one ever constructed. We took every gas well connected to the Texas Eastern System and we produced a daily contract quantity starting with the bottom hole pressure as reflected in the Railroad Commission, in the Louisiana Conservation Commission, records. And we went through the gas and came up with a new bottom hole pressure till we got some of those wells to make, on an open float test make 100,000,000 feet a day. We had them down to 250,000 feet a day in the 9th, 10th, and 11th year. Now that's what happened, not only to Lo-Vaca. And I think one of the outstanding examples of this so called violation of contract is what's happened to the major pipe line companies. Texas Eastern Transmission Corporation is short 450,000,000 feet per day in the summer time for one of their biggest suppliers. Simply because the gas isn't available. Now that's what we're confronted with and the reason I **pressure** you to move if you can see your way do it. **Don't** oppose the 34.9 cent rate but let the Commission issue it. For every day that passes there are 8 or 10 buyers for every foot of gas that's available and they're out there day and night trying to buy it. And we have had an upsurge in drilling and we've had some increase reserves proven up in the Delaware Basin, the Sheffield Channel and of course we are really connected to it but in the Anadarcial Basin which is our last **frontier** to find gas. Now, give us the ability to go get that gas before someone else buys it. It is disappearing everyday. Another thing I think is of interest. The Lone Star Gas Company just abandoned a 30,000 foot well in the Anadarcial Basin. \$6½ million. They found one gas sand that they plugged back to at 19,000 feet and will produce and will sell from 200,000 feet of gas a day. That wouldn't pay for the bits that drilled the well. As you well know, Mr. Newman wouldn't pay for the rock bit. But that's what we're confronted with. The money to buy gas with and to generate the money to develop future gas reserves and that's why I said a while ago, I think that liquified natural gas is one of the most important things that we are involved in and these people came to see me, if we were interested in it. I said I'll take half of that deal right now. And it'll cost this company \$25,000 and if they haven't got it I'll steal it, to keep our foot in the door, and that's a 12 months period. To hold our position in that gas and heavens knows we may not get it. But I think I'd be **derelict** if I let it slip by and not take the opportunity to acquire for Lo-Vaca and its customers. And again I think this Lo-Vaca system has got to become a completely intra states system regulated under the Railroad Commission and completely under this jurisdiction.

MR. BERGMANN: We've identified two separate identities here that have to be settled on their **own merit seperately**. **But where do we go from here?**two hours later?

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MR. COX: May I say one more word, and then I'll shut up, because I've been talking all morning? If any group or any single customer of Lo-Vaca can see a way at least not to oppose the Commission's granting the 34.9 cent rate, that's the quickest relief that we can get. It is in the hands of the Commission, the people in whose hands it should be. In Texas, it's the Railroad Commission in the inter state gas business it's the Federal Power Commission. Both have the same purpose.

MR. MATTHEWS: May, I, Morton, asked a question? You understand that one cent even one cent per MCF in a year of our total requirements would be \$900,000 or it's really a million dollars now?

MR. COX: Yes, sir.

MR. MATTHEWS: So, that when it may look like a little amount but the rate payer has to pay it. And I mean we're not talking about anything except what the man who uses the service has to pay. Both electric and gas. So, that a difference of one cent is essentially a million dollars for him to pay, two cents is two million dollars, and so on. So it really makes, although it looks like a small amount, it actually in the **aggregate** makes a lot of difference. On this whole system it's....even at the low rate it's five million, four million well....it's 453 million is the estimated present capability without the fruits of the efforts that you're putting in to get more. So that you're talking about \$4,530,000 a year difference of one cent in these rates. So it makes quite a difference and of course, I could understand other customers, us or anybody else, wanting to see the basics on this, and talks about the rate. But that shouldn't determine us in getting on with the show about it, and getting it done and at the same time trying to arrive at a correct result.

MAYOR BECKER: Wilbur, what are the options? Burning pine knots, corncobs, household possessions, furniture?

MR. MATTHEWS: Well, I don't think it's an option to say that this is not right. (Inaudible)

MAYOR BECKER: But what are the options as far as heating a home I'm not asking you to , But I am

MR. MATTHEWS: The option in deciding it wrong, your question implies that we have to acquiesce in a wrong rate.

MAYOR BECKER: I am not asking you to acquiesce, But I am saying what are the options.

MR. MATTHEWS: The only option to have is to be right and not with great delay and not with a lot of fan fare.

MAYOR BECKER: What's today? September the 7th.

MR. MATTHEWS: That's right, and I asked that we start this two weeks ago, directly and I was turned down on it, and I'll have to say frankly, that I thought we were going to be talking about this during this week. Now, I don't say you could be making any commitment, Mr. Cox, but your attorney indicated when we adjourned over there he'd be calling us in a day or two, and we'd have an initial meeting with the group and we haven't heard from him yet.

MAYOR BECKER: Now, I don't want to raise a question about that because we are ready to meet any time. We're ready to go forward any way we can. But I'll have to say this, that in the interim, why, we didn't hear anything when we really had.....

MR. COX: Mr. Matthew, now, you've given the astronomical figures of this cost and they are astronomical if we embark on this liquified natural

gas import that's a dollar a thousand.

MR. MATTHEWS: That's right. But let's just throw our money away when it is necessary.

MR. COX: I put it in the record. The counter side, the other side of the coin on our big favor, is that the highest result in this rate that we're asking for would be a little better than twelve dollars a year in Corpus Christi, about \$8 a year in San Antonio, I think six dollars or something a year in Austin. And there's was one other city, I don't remember the figure. But Corpus Christi was the highest figure. It is in the record now that's based on this rate and what the Railroad Commission shows as the average domestic consumption per households in these cities.

MR. NEWMAN: Mr Cox, you know, I can't help but have the feeling that's been created here unmistakably that the whole answer that all the money should necessarily come from the rate payer. Now, is it not true, sir, that in the first six months of this year this wholly owned subsidiary of Coastal States did, in fact even though it sustained a loss on this particular subsidiary make a net profit of something to the vicinity of \$20 million?

MR. COX: No sir.

MR. NEWMAN: It did not? Well, what did it make?

MR. COX: I've given you the figures.

MR. NEWMAN: Well, I'm talking about Coastal States.

MR. COX: Coastal States?

MR. COX: Yes.

MR. NEWMAN: Not Lo-Vaca, but Coastal States.

MR. COX: Lo-Vaca announced a six months earning of \$22 million earnings.

MR. NEWMAN: That's what I'm talking about.

MR. BERGMAN: Now, if you're going to ride that horse....

MR. NEWMAN: I'm not riding any horse, Mr. Cox, if you'll let me finish....

MR. COX: Well, you won't have to finish because half of that profit of \$22 billion came from Colorado Inter State Gas Company in Colorado.

MR. NEWMAN: Well, just one second.

MR. MATTHEWS: Well, the paper said 5 million.

MR. NEWMAN: Are they short of gas in Colorado Inter State, by the way?

MR. COX: I wouldn't know.

MR. NEWMAN: Well, it's astonishing that you don't know, because I do know. In fact, they had a meeting out there not long ago Rue Thomas appeared and told them what the situation was and they cancelled building permits. But, be that as it may, all that I'm saying is....I don't want to leave this meeting and have everybody here think that the only person that has any money to put into this is the rate payer in San Antonio and Austin, LCRA and Penzoil, and Lone Star Gas, you know. They're not the only people that have it. This, in fact, in truth is a wholly owned subsidiary of Coastal States. Isn't that true?

MR. COX: Lo-Vaca? Yes.

MR. NEWMAN: All right. And the fact still remains according to Barran's September the 3rd, 1973 that they earned to June, 6 months \$1.01 a share and it comes out 18,676,000 shares of Coastal.

MR. COX: I'll cut through all that chaff you're talking about....I could walk up and down the halls of Coastal for month after month to get some of that money and I wouldn't get it.

MR. NEWMAN: Why not? Are they not mindful that the winter is coming on in San Antonio?

MR. COX: That's not my business.

MR. NEWMAN: Well, I'll tell you something. But see, the point I'm making is, and we've known this quite some time, so we're not just sitting back saying, "come on, you do this" or something like that, but we are mindful when we're talking about the wholly owned subsidiary of Coastal, we talk about the winter coming on, that there's someone else other than the rate payer who ought to be looking at this situation.

MR. COX: Mr. Newman.

MR. NEWMAN: Yes, sir.

MR. COX: First, I don't apologize as you said I should have known about Colorado Interstate. I don't apologize for not knowing, because that's not my business.

MR. NEWMAN: I understand, sir.

MR. COX: Then, make no apologies.

MR. NEWMAN: Well, there is no apology needed, I'm just saying that in the course of our operations here it is essential for us. We've found over a period of time to concern ourselves with everything that goes on everywhere.

MR. COX: If you're going to complain about the Coastal making \$22 million...

MR. NEWMAN: I'm not going to complain about it at all.

MR. COX: Well, then why talk about it?

MR. NEWMAN: Because we've got a winter coming on, Mr. Cox. And what I'm saying is that the whole lone subsidiary of Coastal States is Lo-Vaca. And if the parent corporation has this company and has these obligations, there ought to be some place in here where we can get together and have a meeting of the mind, that the rate payer **does something and the corporate, parent company does something.** That's what I'm saying.

MR. COX: Well, I'll tell you what. I'll make a deal with you. Just spend your energy doing that and let me spend my energy with the tools buying gas.

MR. NEWMAN: Well, then I'll tell you what I'm talking about. Money. Does it really make any difference to you, in your....in the fulfillment of your objective if all of it comes from a rate payer and none of it comes from Coastal?

MR. COX: Well, I don't like for it to come from the rate payer.

MR. NEWMAN: Well, where do you think Texas Eastern Transmission's money comes from?

MR. COX: Sir?

MR. NEWMAN: Where do you think Texas Eastern Transmission--Where it comes from is, their sale of gas.

MR. COX: I couldn't hear you.

MR. NEWMAN: Where do you think Texas Eastern's money comes from.. Tennessee Gas, Pacific Lighting, Pacific Gas and Electric.....Where does their money come from?

MR. COX: Well, I think it comes from the people that they sell the gas to.

MR. NEWMAN: That's all I'm asking. Well, then let's go back, then, to another case you weren't familiar with. Well, No, No, were going to go back now to Channel Industries. Where does their money come from?

MR. COX: I don't know.

MR. NEWMAN: Well, where the hell do you think it came from?

MR. COX: I don't know.

MR. NEWMAN: Well, do you know where it came from? From Texas Eastern Transmissions? You knew the answer to that.

MR. COX: Texas Eastern Transmissions?

MR. NEWMAN: Yes, Where do they get their money?

MR. COX: From the rate payer.

MR. NEWMAN: Well, where do you think that Channel Industries got it?

MAYOR BECKER: John, will you permit me to say something?

MR. COX: You're talking about a situation that I don't know anything about.

MAYOR BECKER: John, I don't think that what you're talking about is really productive, and I'm going to tell you why. There are three entities here that share responsibility for the acquisition of gas for the City of San Antonio. One of them is the City Council, one of them is the City Public Service Board, and the other is this gentleman who is heading up the Lo-Vaca Gas Gathering Corporation. That's the three entities that I see that's responsible for the solution of this problem. Now, I'd like to go out and blame it on Russia, China, Mao Tse Tung, it doesn't make any difference, the North Vietnamese or anybody else. But when you get right down to the final analysis of it, we are the people charged with the responsibility of solving this dilemma. Is that or is that not correct?

MR. COX: Yes, sir, it is. What do you have us do?

MAYOR BECKER: I think the three of us are going to have to work it out.. Now I say the three of us, I'm including the City Council in it, because we're getting constant reminders, admonitions and what not from the citizenry of this town by telephone and by and by public appearance and by written letter and everything else. Winter's coming, and they want to know what we're going to do about the gas. You see? Now, how do we go about solving this problem? And let's leave everybody else out of it for the time being. Now, we can go back to the groaning table and argue and debate and everything else once summer comes. Because it's an accepted fact that you can darn sure survive the summer better than you can the winter. We used to live without air conditioning all the time. And way back somewhere we used to live without heating, probably. But the most recent acquisition has been the air conditioning...that's been the most recent luxury that we've required. But, heating is necessary. Now. Let's get this thing settled one thing at a time, first things first, and then once winter's over, we can go back to the courts, we can argue, we can deliberate, we can do all the things that are necessary. And I am just saying that there's three of us present the City Public Service,

the City Council, and the Lo-Vaca Gas Gathering Company.

MR. NEWMAN: Are you saying, Charlie, what I want to know is this. Are you saying, then, that the rate payers should just go ahead and pay it and that Coastal, the owner of the company, doesn't come up with anything at all?

MAYOR BECKER: John, let me say this to you. You know and I know that if we could get it free that's the way we would be getting it. Now, let's just assume that that's a reasonable prewise to operate from. Nobody wants anybody to pay anymore for any of these utilities and commodities than they have to. But I'm of this mind that I think it's probably better to pay a little more and have some heat, than sit here and argue about who ought to pay this and who ought to pay that and go through the winter freezing to death, or chilled to say the least. Don't you agree that there's some point of reason **is** in this thing that transcends all the rest of this stuff.

MRS. COCKRELL: I'd like to make this statement. I feel the City of San Antonio through its Public Service Board has a contract for the supply of its gas as I understand it not only with Lo-Vaca but with the Coastal States also, is that correct?

MR. NEWMAN: That's correct.

MRS. COCKRELL: All right. I don't see how then we can state that we will not hold Coastal responsible also as well as Lo-Vaca. Before Mr. Newman started his line of questioning, I had planned to asked Mr. Cox the question of what the present relationship between Lo-Vaca and Coastal States is. Whether Coastal States is continuing to subsidize Lo-Vaca as it has in the past. The past year's loss has been mentioned and the fact that Coastal States had to subsidize it and I feel that this is **pertinent** in so far as the fact that San Antonio's contract is not only with Lo-Vaca but it is with Coastal States. I feel that the consumers should not have to pick up the entire burden on this. I think it's entirely fair, I agree with Mr. Newman, that Coastal States itself **would come** forward with at least a **substantial** part of this problem. The fault is not the consumers of San Antonio. The consumers as represented by their City Public Service Board have a valid contract...and the rise in prices is not the fault of the consumer. I realize that there are problems that we face today that we've not faced before. And I'm not saying we shouldn't approach these problems with an open mind. But since Coastal States is a party to the contract, I do not feel that we should voluntarily say that they have no further obligations. And I'd just like my position made clear.

MAYOR BECKER: Mr. Padilla.

MR. PADILLA: May I make this statement. If I understand what we're talking about, we're dealing with priorities here, the first thing we're faced with is a lack of gas and we must find it. I agree with Mr. Cox. I believe that he hasn't said anything that would in anyway compromise or leave us without legal recourse at the proper time and I think that if Mr. Matthews disagrees, please speak up. I think in some sort, summary what we **are** talking about, is priority one...get gas. If it costs more, and apparently it is going to, let's get it anyway because it is the only thing that we can burn for energy in San Antonio. Number two -- is that certainly the consumer in San Antonio, and here I agree with Mr. Newman and Mrs. Cockrell, the consumer of San Antonio is probably the biggest victim of this and the least responsible for the whole thing and the one we owe the most to. Now we have to have the means of getting him some relief. After we get him gas. I think you got to get him gas first. I think this is the point the **Mayor tried** to make. I think that's the point everyone tried to make. The gas comes first. If we are not in anyway and I think that Mr. Cox is asking that we not fight the rate request at the Railroad Commission for the time being. I think he is also, if I understand this thing correct, by, it goes with out saying, that

we're not surrendering any legal rights we might have. We're not prejudicing ourselves and our rights to get relief later. As Mr. Newman said, I think Coastal States because our contract is with them has some responsibility in all of it or a great deal of it. And the money should come, in the final **analysis** from them as well as from the consumer. Probably there is some sort of a formula that can be applied. I think really we're all talking about the same thing. I think Mr. Cox is talking about priority one, lets get gas. I think we all agree we must get some. Priority Two: Mr. Cox has stated that he's to have money to get gas. Right now it looks....in the beginning at least it will come from the consumer, but hopefully down the road when all of this ~~is~~ taken to the court house or wherever it has to be taken to, the consumer will get some relief. And I think to that extent we have established the fact that; one, we've got to get gas, and two, we're not forgetting the consumer in this thing. The consumer will have his day in court and hopefully the cost, the added cost of this gas will be shared ~~is~~ to some extent by Coastal States. Does everybody agree with that or is there ...

MR. BERGMANN: 34.9 ¢ sounds like the price at the gas station...

MR. PADILLA: My question.....

MR. BERGMANN: Can't we have an understanding of what rate should be a negotiable level?

MR. PADILLA: Yes, but the first thing is this in my mind. And this is the question of Mr. Matthews. If we concur in the rate application at the Railroad Commission, are we in anyway prejudicing the case of the consumer of San Antonio to get relief later?

MR. MATTHEWS: Well, Mr. Padilla we contend that we would not be prejudiced, but Coastal and Lo-Vaca contend that we'd be wiped out from then on under the contract to sue for anything. Now that's a mooted question I'll have to say. It is our opinion that we can reserve our rights. They contend if the Railroad Commission fixes the **rate**, that they have a right to change the contract and therefore there wouldn't be any breach of it, you see. We contend that under the circumstances here which I won't go into at this time because we could go on so long like forever on legal problems. **We contend that we can sue. But I don't think that we can state to you that we've got an uncontested situation, I mean, about it. Because when we do sue, you are going to find out we do have, you see.**

MR. COX: Mr. Matthews may I say one **thing**? I was well aware that in statements that have been made **that if you had in any manner waived any of our legal recourse....**

MR. MATTHEWS: I think that's right, and if we may say that by putting it in the order of the Commission that it does.

MR. COX: Well, I certainly would not oppose it. The other thing that I would like to say again, anyone who has a contract that they think has been violated gets their relief in court. Now when they are going to get it it's their concern. But the other thing also that to me is important and I'll repeat again 34.9 cent rate which would be adjusted according to the **purchased** gas increase would be set as an interim rate. Mr. Matthews can go back to the Commission on the 24th of September and present a rebuttal case and I'm certain that Mr. Matthews and his people are capable of going and presenting as good a rebuttal case we put on for our primary case.

MR. MATTHEWS: Of course, we're doing much better.

MR. COX: That doesn't mean I've got to abdicate my position either. But that's your right. Now if you can put on that case and convince the commission that **the break** they're giving us on the temporary basis is wrong. We are as...and I'm repeating again...we are on record if they fix the rate commensurate with your rebuttal case we accept that rate and start buying gas under that as fast as we can.

MR. MATTHEWS: There is one thing which I regard as very important and I think practically every party to this case or at least the attorneys regard it important and that is the element lost of the 330,000 MCS daily, November 1 under the TUFECO contract is now under attack in the court in Houston by Pennzoil pipeline and is under attack by the University of Texas through the Attorney General, City of Austin, and L.C.R.A., and San Antonio before the Railroad Commission. Now, so everyone listening to this question will know, I'll try to break down and state what the TUFECO is. That's a contract with Texas Utilities Fuel Company which is subsidiary of Texas Utilities Company up in northeast Texas. Now this contract involved the building of a pipeline from the Permian Basin, that is, from the West Texas area to the East Texas...Northeast Texas area, and provides for one trillion cubic feet to be taken out of the reserves of Lo-Vaca that would otherwise be on this system, to go to the North Texas, to the Northeast Texas area, and that from now on and indefinitely until the full pipeline is filled-the thirty six inch line is filled-that Lo-Vaca, the company you are managing, will be entitled to one half of any gas that you find-that you find and can buy-in the Permian Basin; then provides that commencing under options in it, and which are now exercised, commencing November 1, 1973 deliveries will commence out of these reserves that are now being used for deliveries to connect customers including San Antonio, 330,000 MCS daily. Of course you are familiar with that I'm sure. Now I mentioned this to you when we were having our little talks during the hearing and I hope you have looked into it and I hope your lawyers will look into it. I don't expect you to personally spend a lot of time on it because we just got a knotty legal question. Now eminent attorneys Mr. William, Shoulder, Baker and Botts, the Attorney General of Texas and others including myself...I don't class myself as one of the eminent but I agree with this, regard that contract as unenforceable and void because it was entered into between two competing purchasers of gas in that field, is voider under the anti-trust law. We all also think that the Railroad Commission has, having its extensive jurisdiction under curtailment conditions in Texas and for the public benefit, has the right to order Lo-Vaca not to permit the diversion of that gas. Now you, I think most of us will agree that 330,000 MCS is more than you are going to be buying in the next six or eight months. You would be darned lucky if you got that much. Now we're about to lose that much November 1st. Now I think we ought to cooperate on this and see if we can't do anything possible to keep that gas on this system to relieve the problems of the consumers on this.

MR. COX: I'm a month ahead of you on that.

MR. MATTHEWS: Well I was hoping you've been doing something about it.

MR. COX: I've already started. It is one of the things I am working on.

MR. MATTHEWS: Well maybe it's something we shouldn't discuss here.

MR. COX: Some arrangements I have been working on, I really wouldn't want to discuss here and I can....

MR. MATTHEWS: And we feel very strongly about that and we do have these proceedings pending and we're going to have to do something about them so we're going to have to have cooperation.

MR. COX: I want everybody that's got proceedings pending to prosecute....

MR. MATTHEWS: We have to cooperate on this before it goes....

MR. COX: You see the things that I'm circumscribed with when I came into this ball game.

MR. MATTHEWS: That's right. Now I think you've gone a long way....

MR. COX:and I'm trying every way in the world that I can and again I am not trying to make a jury speech. I am trying every way in the world I

can to buy every foot of gas particularly for this coming winter. I had one friend that told me, gave me the 100 million today for..and said I know your situation. Pay me when you can or return it when you can. Now that's spirit. We can take a step toward solving this problem. But we've got to have that everywhere and I don't think I'm asking your group anything unreasonable to not support but simply to concur or not object to what we've asked for because you can have your day in court starting the 24th day of September.

MR. MATTHEWS: Well, we want to help you. And we hope that we'll have cooperative effort to keep this 330,000 MCS, which against present deliveries, would put us November 1st with only 920,000 MCS per day on the whole system.... We really need to do something about it.

MR. COX: You're making a good point and it's a serious situation and I've burned some midnight coal on that one too.....

MR. MATTHEWS: Well I don't want to bring it under discussion unnecessarily.

MR. COX: This is not the place to, but try to counteract that, that's why I mentioned the fading deliverability. We put on 440 million feet of new gas last week but as I said I continue to live with the problem; can Lo-Vaca pay for the gas? What I need is something affirmative and the most affirmative thing I can get is the temporary approval by the Railroad Commission of Texas of this rate where we can go and they're say "now you can pay for the gas." I've got one company, The Gulf Oil Company, and I've got two friends in there that I've bought gas from for thirty years and they said to me, "We don't know if you can bring this off or not". But we are willing to sell you gas on what you've done in the past simply because you're willing to try to solve this proposition and all we ask you to do is "will you initial the gas purchase contract that Lo-Vaca is signing to show that you recognize the liability on behalf of Lo-Vaca as the court appointed manager. I said, "I'll initial anything that will buy a foot of gas.

MR. MATTHEWS: Well to refer to the TUFECO thing, 330,000 MCS per day is about 25% of the gas now on this system, 20 or 25 and I don't think we can **exaggerate** the importance of keeping that gas.

MR. COX: We can't.

MAYOR BECKER: I think you're in agreement with what Mr. Matthews says in that connection.

MR. COX: Yes sir, except I went to work on it before he ever thought about it.

MR. MATTHEWS: It wasn't because we already challenged it when you were appointed.

MR. COX: You may have challenged it, but you have not done what I've done.

MR. MATTHEWS: Well not talk to each other about what we've done.

MR. COX: That's why as I say some of these arrangements may look like a Rube Goldberg and Amos and Andy deal, but it's going to resolve in some additional energy for this coming winter.

MAYOR BECKER: You know there's a point that we're arriving at here, though, this being the 7th of September. My recollection of the winters here usually indicates to me that we'll have the first norther about the middle of October. Usually it's about the middle of October. Now, there's going to come a point where we can't resolve this thing amongst ourselves. I would even go as far as to suggest that some higher authority direct us to resolve it in the public interest.

MR. MATTHEWS: What higher authority would you suggest?

MAYOR BECKER:I have no idea. I'd call on the Lord himself if I thought it'd do any good.

MR. MATTHEWS: I think we need him badly.

MAYOR BECKER: We've needed him a long time, but let me say this, we can always go back to the court house or stay in the court house all winter makes no difference to me. I don't care if it's dragged out.....

MR. MATTHEWS: We're not in the court house at all. We're not threatening.

MAYOR BECKER: I don't care if it drags out in the legislation the rest of my lifetime and my heirs and **assigners** for that matter. The only thing I get back to this winter. And then we are going to have a summer following that and another winter following that and that sequential arrangement has always been with us too.

MR. MATTHEWS: I don't think that would occur.

MAYOR BECKER: How are we going to get off high center?

MR. NEWMAN: Now wait, please be in my opinion impartial and fair with us to the extent of turning to Mr. Cox and saying now "Mr. Cox we want you to also.....

MAYOR BECKER: How many people do you think would **think we're responsible** for coming to a solution in this thing? Three parties: Public Service **right four**.....I don't care but at least I'm **counting** the City Council, all I'm not excluding ourselves, that's why we're here today. I'm including the Public Service Board of Trustees and its managers and all and I'm including the Lo-Vaca Gas Gathering System under the head of Mr. Cox. Now that's not excluding anybody present is it?

MR. NEWMAN: No

MAYOR BECKER: I don't know how I can make it any fairer. Now if you want to include Coastal States and anybody up and down the line that's ok with me too. But the people are going to be expecting us to resolve this thing in time for the winter.

MR. NEWMAN: I agree with that, but I just want to say this. You've got a case in point, that is as current as Tennessee and Channel Industries. Identical except to the fact that nobody ever accused Channel Industries of selling off part of their reserves. In other words, now just a second, before the Commission hears the consumers arguing, here is Tennessee and their subsidiary Channel Industries and it was resolved currently, right now. It would seem to me if here's a pattern going to tell you how to cut the dress.

MAYOR BECKER: OK, say, John, if they can get all the **TUFCO** gas back, if they can get all this other gas back that they'd been selling off if they can **get vindicated of all** these contracts with all these outside deals of spot sales here and spot sales there I'd be the happiest man on earth. I'm not in disagreement with any of you on that and yet I don't have the knowledge of it that Wilbur has, or you have for example.

MR. BERGMANN: I'd like to bring up one thing.

MAYOR BECKER: I'm not arguing or quarreling with any of that stuff I'd like to have all the gas reserves that we know of at our command, to the exclusion of everybody else and **then** we could be the one to apportion it out. I'm only concerned primarily first in all with our own situation right here in San Antonio, that's all. And I hope we can recover and recoup every dollar we've been out, every penny, all that, you know, I'm not in disagreement with any of that. Yes, Tom.

MR. BERGMANN: And Mr. Cox, I'd like to go back again and see if I, we have an understanding. I think we do, it slipped away... I think everybody, our attorney, you, agree that the Coastal States contract has to be handled, adjudicated in the courts. It's not going to be settled at **the Railroad Commission**.

I think it's been agreed that, the **Railroad** Commission will set the final rate for gas. Right now your saying you want 34.9. I don't know **if it should** be, but you're saying you want 34.9, we'll have gas **now**. And you're saying also that you would not oppose our abdicating our rights, our legal rights, under the existing Coastal contract. I think you **made** that statement, am I correct?

MR. COX: That's correct. I don't think anybody has to abdicate any right.

MR. BERGMANN: Right. So, nobody has lost anything. The rate is going to be set by the Railroad Commission. Matthews is going to have to have his hearing, and talk and settle on some sort of rate.

MR. MATTHEWS: Well along with our hearing there **are 400 customers....**

MR. BERGMANN: Okay, so 400 guys are going to argue before the Railroad Commission. Okay, there are 400 guys that are going to settle the rate, but I think we've got more muscle than a lot of other people. At least I think, we like to think we have. It seems to me that we're going around, around, and around and can't we say that we have arrived at a point where we have not abdicated our rights under the Coastal contract, that we ought to let the Railroad Commission post haste settle a firm figure whether it's temporary for one year or eighteen months or whatever the period is so **you can** get on and get the gas. **We** will have the gas, **the Railroad Commission will** settle the final price and then, if we are not satisfied we can go into court to settle the thing that Mrs. Cockrell brought up that the rate payer shouldn't have done as well as others, that the rate payer shouldn't have paid the full freight.

MAYOR BECKER: Are we really saying that and saying it over and over and over and over again?

MR. MORTON: We've taken this old towel and we've chewed on it and chewed on it and chewed on it.

MAYOR BECKER: But he can't act without concurrence of I don't know how many people on the line.

MR. BERGMANN: I don't think we need a concurrence, I think we will agree that this theory exists, that, yes we would like to do it and that our attorney has been trying to do that.

MAYOR BECKER: But he's asking though, for this rate. But he's asking though for this 34.9 cents as a means of giving him the tools...

MR. BERGMANN: But the Railroad Commission has to approve it....

MAYOR BECKER: I understand. Well they won't approve it probably as long as we don't approve of it down here.

DR. WEST: City Public Service Board not oppose it? I think they ought to actively be in favor of it to give some comfort to the Commission....

MR. MORTON: Okay, let me ask, this question to you Mr. Cox. Assuming that you have to honor all the contracts that you now have in force, none of them can be **abrogated**. What is your capacity to produce on those contracts during the winter months as a percentage? Are we talking about 50%, you acquire no more gas than you have today?

MR. COX: It would pretty well stay as the Railroad Commission now has us allocated and I'm sorry I can't give you a percentage.

MR. MORTON: Okay.

MR. COX: But I will **say** one thing as to how we are living with the Railroad Commission and **under** this Court Order. I'm responsible to the

district Court in Travis County, Judge Matthews equally responsible to the Railroad Commission and I think in a great measure responsible to the Attorney General. Because those are the three people that brought this litigation. Now the commission is daily checking our deliveries of gas under this allocation order that they have issued. And our dispatchers and the commission staff. Check this daily every thing we do is sent to them daily, in accordance with the allocation order, now one thing, that brings to me. How, the Perils in this thing, with the short gas supply and however knows if there been anyway to overcome it, we would of done it. We cut off one of the first commission allocation orders 27 million feet of gas a day and some 50 or 60 new conductors found as much as 200 thousand feet of gas a day. But it doesn't sound like much. But the second day, they all swarmed to Austin, and look what you've done to us, on this allocation order and there was 4,185 people who either lost their jobs or going to lose their jobs the next day and you can't put 4185 people out of work.

MR. MORTON: Okay, If I may, on my question...In our meeting we had the other day, we came up with a figure of roughly, what, 50%? 50% if Coastal half dollar on all our contracts and they acquired no more gas. This winter they could be at about half capacity. Isn't that roughly it?

MR. MATTHEWS: Well, I think that'd be a good guess.

MR. MORTON: Okay. Again, I'm not holding anyone to this, but let's just assume that the railroad commission said, you can keep your contract, City Public Service, at 23.75 cents. What we're saying is that this is going to be good for only half of our requirements this winter -- assuming that no contracts can be allocated and they acquire no more gas. In other words this the worst possible situation we could have? So we get 50% of it at 23.75¢. Now, some of the balance we can use oil for. Can we convert that at today's oil rate through what it would be as far as gas is concerned, on up.

MR. MATTHEWS: Well, of course presumably if you bought oil, and they breached the contract, and furnished it cheaper to cover the value of the oil that's what your credit would be for.....

MR. MORTON: Let's not talk in terms of contracts, legal rights, or anything else.

MR. MATTHEWS: That's what we're talking about if you left contracts in effect.

MR. MORTON: Well, that's right. We were just saying that were not going to go up to the Court House right now.

MR. BERGMANN: There is a four to one ratio in gas and oil in cost.

MR. MORTON: Okay. So, what are we talking about today, then for gas that we're trying to buy? Are we talking about 50¢? 60¢? (Inaudible) In the 70¢ area. So, at (Inaudible) lets just assume that you used all gas and no oil to keep it simple. If we're talking about 70¢, you average that out, your coming up with a cost of somewhere around 45¢ aren't you? That's 93, 45 - 46¢. So, the point I'm making here is this. And we're looking at a situation where if we had the worst possible conditions, no new contracts on the part of Lo-Vaca or Coastal (inaudible)...No contract set aside, if the Railroad Commission said they have to honor it at 23.75, that's half of what we've got, we can't get any more out of them, I'm assuming that. Now, that may be a faulty assumption, I don't know. But what we're talking about here is 46¢--is what the gas would average out if we had to go out and buy it directly. Now, my question is this, Really, as I review the issues were talking about two issues here this morning. Number one, we do not want to lose any legal rights that we have by any compromise that we might have on the interim rate.

MR. MATTHEWS: Which we can't do for certain. Is that right?

MR. MORTON: Even if we could get an agreement by both Coastal and Lo-Vaca .

MR. MATTHEWS: Well, yes, but your not....

MR. MORTON: Well, now, have we asked them for that?

MR. MATTHEWS: Well, now, you've gotten on the settlement deal and agreeing there, everybody agreeing.

MR. MORTON: Well, again, well, I wonder sometimes if we shouldn't get the Courthouse over here. And let's talk about this one problem of gas over the next twelve months. If we could get the ideal situation, you agree, Mr. Matthews, would be to say that to set aside our losing any of our legal rights, that they will agree that if we will support them on this rate, that Coastal will agree that we have not lost any of our legal rights in the Courthouse and Lo-Vaca would agree the same thing. How do we go about getting that done?

MR. MATTHEWS: Well, let me talk about sitting here in a public meeting making an agreement through the newspaper to approve a set rate. You're going to wish you hadn't done it, if you do it. I don't know what the Railroad Commission is going to do, and what the other customers on there are going to ask for, our customers in San Antonio here today, by fixing the rates you're going to agree to, I think you're going to make a great mistake. Now, I don't say what we're going to do, but we certainly are not going to sit here today and weaken our position in the whole situation.

MR. BERG: Nobody is agreeing to any rates except the Railroad Commission.

MR. MORTON: That's correct.

MR. MATTHEWS: I think I stated something that you fellas ought to think about.

MR. MORTON: I'm very aware of that, sir.

MRS. COCKRELL: I'd just like to say this, too. I have not heard any comment on how much Coastal States is planning to put forward as it's share of this particular proposed rate settlement. All I have heard is what is to be asked of the consumer. I have not heard any figures of what is being asked from Coastal States as their share of it. Now, I'd like to hear a comment on that part.

MR. COX: I couldn't comment on what Coastal would continue to do. All the money that Lo-Vaca has that I read this morning has come from Coastal. I'll venture a hundred million dollars or two.

MRS. COCKRELL: But will the rate increase then in effect get Coastal off the hook on its continued subsidy?

MR. MATTHEWS: It's what they themselves ask, without anybody having to imput against it, that they say they need and I neither dispute it or raise any questions about it. I think that it's true though, that if you probe these rates, you're going to find that 34.9 is substantially higher than would be justified. Now then, that's a question we have to go to the Railroad and talk about, and I thought we were going to be talking about it...and instead of here I thought we were going to be talking about it with the others so that we would get a productive outcome rather than just a debating...a one customer debating situation. I think that for us to sit here and to telegraph to them through the newspapers to the news media that we're willing to give in to what you want, and your first asking would be a great mistake. As far as in the protection of the citizens and the rate payers of this community. Now, what we do about it ought not to be predicted here, and it ought not to be affected by what we say here. But it ought to be worked out on an honest, conscientious, straight-forward, factual, and justifiable basis. And I think if we ever get together working on that, I think we'll get somewhere. But I think you ought to, I think that this can't be handled by masses of people. It's going to have to be handled by people along the line representing the people.

MAYOR BECKER: Wilbur, as I sat here this morning and heard Mr. Cox mention this 34.9¢ rate, unless my ears are deceiving me, and unless I'm losing my marbles entirely, I distinctly remember him saying that if the Railroad Commission determined, or the rate setters or who ever all these people are, that that was in excess, there would be rebates made to the various customers. Now, I was just talking to John outside, John Wood, and I told him that if this thing isn't settled, and I can only speak for myself, that if this thing isn't settled to some satisfactory conclusion before winter comes, then the first cold spell people go to turn their heaters on, in their gas stoves or whatever it is they do to stay warm, and it doesn't operate--because the other night the fire went off at my house and it went off in our whole neighborhood there and I had to get the candles out and we all walked around in the dark for about thirty minutes and I thought to myself, this would be 'great' if this was a constant thing. Sure I've lived in the dark, even with the lights on sometimes I'm in the dark. But I've lived in the dark in the service for years, you know. And I survived it and all that. But we've grown accustomed to better in this world-- Now, if this condition exists, and these people do indeed come to the City Council, and that's where they always wind up--they don't come to the City Public Service Board, they come to the City Council--and start raising thunder about why there isn't any electricity. Why there isn't any gas. Why there isn't any heat. And they want to take us out and hang us. I'm going to say, "Wait just a minute. You're hanging the wrong people. Go down to the City Public Service Board down the street down there and root them out of their offices and please leave us alone."

MR. NEWMAN: Oscar Wyatt told me that he had already made up a page ad showing who is responsible and he told me that my name was on top. That's what you call brakemanship. I'm very familiar with brakemanship.

MAYOR BECKER: I know nothing about what Oscar Wyatt has done.

MR. NEWMAN: I know, but I'm telling you. He's not accusing you. I'm saying that he very definitely has in mind who is responsible. He claims that he told me, I'm sure he's told others the same. That if we don't work something out, that the baby's left, you know, at our door. The truth of the matter is, Charlie, it is a matter of our getting together. It is a matter of our working it out. It is something that we desperately tried to do, and are continuing trying to do. But it does not mean that you have to have unconditional surrender.

MAYOR BECKER: I'm not asking for that, John. I'm not asking for unconditional surrender. I'm only reminding all of us, not just you all, but all of us here, that today is the 7th of September and we've got a short time left to really get on with the business at hand.

MR. MATTHEWS: Well, now, Mr. Mayor. Let's be fair about it. What do you suggest we do? We understand it's going to get cold this winter and so forth but what do you suggest we do?

MAYOR BECKER: Do you want me to direct you as to what I think you should do?

MR. NEWMAN: Well I mean you're full of generalities here and we're all agreeing with your generalities.

MAYOR BECKER: Well I'll make one generality, Wilbur, and I made it the other day, and I'll make it again. Had this condition, this problem, this matter, been left to the hands of the City Council, it wouldn't have ever happened. That prediction I'll make.

MR. MATTHEWS: You've already settled it.

MAYOR BECKER: I have made it before, and I'll make it again. That's number one, I'll start with that.

MR. NEWMAN: Starting back when? I mean, are you back in '62 or '61 or do you mean now? Back when?

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MAYOR BECKER: I'm starting from whatever point you want to start with and more in particular October of 1971 at a meeting that we had when we pleaded and bled for the Public Service Board to become aggressive in their acquisition of more gas for the City of San Antonio. Now let's use that as a point of commencement, if you must have one. Now, number two. All I'm asking that, to be done here today, whether it makes anybody unhappy or not I can't help that, I think we'd be derelect in our responsibilities as a City Council, if we didn't request that this matter be settled as expeditiously and intelligently, both of them coupled together if possible, in view of the fact that the winter is about on us. Now that's all we're asking this morning.

MR. MATTHEWS: I think we've said that that's exactly what we're trying to do, but you keep infering that some how or another it isn't being done.

MAYOR BECKER: I'm fearful of slippage.

MR. NEWMAN: Well we can't do anything about your fears unless we know....

MAYOR BECKER: Well, by being fearful I guess what I'm really implying is that I don't know that I have complete confidence.

MR. NEWMAN: I think that's the point.

MR. MATTHEWS: Well, we don't have complete confidence in your ideas....

MAYOR BECKER: Well, I'm sure you don't, and you're both entitled to your opinion, all of it. I'm entitled to mine, you're entitled to yours, and I'll say it, I lack confidence.

MR. NEWMAN: That's all right, Charlie. Let me point out one thing to you. You see, if we'd bought gas in 1971, as Mr. Cox well knows, what would we have done with it? You cannot buy gas and just shut it in, if you buy an entire gas field and then you just shut it in, the royalty owners will say, produce it or else.

MAYOR BECKER: I realize you can't take it home with you.

MR. NEWMAN: We couldn't....we have been charged with the responsibility of finding a shoe to fit a foot we didn't know how big the foot was.

MAYOR BECKER: I understand that.

MR. NEWMAN: Here....one day we were curtailed the next day we were not. We have no underground storage to put it in. What we tried to the best of our ability was to supplement and not sub-plant what we were getting and some days we would be sub-planting it and some days we'd be supplementing it and we didn't know from day to day, for example, what we would receive the next day and never have been able to find out. As far as, I personally looking back on it and I'm telling you the God's truth, if you said, what would you do differently today? I don't know what we'd do, but I know this much and this I know for damned sure that we were the most aggressive, in fact the only group aggressive, in trying to sit down with Coastal States and work it out and every damn one of them will attest to that fact.

MAYOR BECKER: I'm not going to deny that John, but that was then and now's now.

MR. NEWMAN: Yes, sir, well, right now....of course we think, right now, that this time would be extremely well spent if Mr. Cox, and the other representatives of the other municipalities that had been decided that we're going to meet and sit down and work it out, were sitting and working it out. That's exactly what I think and that's exactly what we want to do.

MAYOR BECKER: I would like to think that is even applying to this meeting here this morning in some peculiar manner or other that there will be some good come out of this meeting this morning.

MR. NEWMAN: Yes, sir, I think some will.

MAYOR BECKER: That might help bring this thing to resolution because let's face it we have talked pretty plain here this morning to each other we couldn't have done it any plainer and still remain gentlemen at all, you know. And yet we only have one interest in mind and that's what's good for the City of San Antonio. Isn't that correct?

MR. NEWMAN: Yes sir.

MAYOR BECKER: Okay.

REVEREND BLACK: Mr. Mayor, I'd like to just respond to some of the things I've heard. Because I feel that in a very real sense the only representatives that the consumers have are here either in the Council or in the trustee, a person who has an increase in rate, has nobody to protect their interest except those persons that are here. It seems to me that I would want a greater justification of 34.9. for acceptance other than the fact that it was recommended by the company that's holding it. Particularly if the parent of that company has 22 million dollars. I mean I have to have, and it's hard for me to understand how a dependent child with a father with 22 million dollars can be broke, you know, I don't understand that concept. Maybe it's a business concept I am not acquainted with. But if you are related and you have been supplying you say you're broke and your father's got 22 million, it seems to me that there's some relationship between what you have and what your father has. Now, in addition to that I realize, if we simply receive these, where is this process going to stop. I don't know where the process of concession is going to stop because I do think that when parties like these agree that it tends to affect the decisions of agencies. I tend to respond that way when I think of people out in the community with differences and they have reached an agreement I tend to say well if you've reached an agreement I'm not going to make the issue complex by examining your agreement. I'm going to say simply go right on. I do think that it affects the agreement. If you're going to have an agreement it seems to me that if we are going to the consumer we are now recommending that you assume an increase in this, and it seems to me that we do have an obligation to say this is a justifiable increase. I have no way of resolving. I have not heard that issue discussed other than the fact of the point. I've not heard the issue resolved in terms of justification.

So I'm thinking about the 78 dollar a month senior citizen. When you increase their utilities that they cannot react to. They cannot do without that. You're going to impose some hardship on that citizen, too. I'm also thinking about the whole process of where did we stop, you know, where did we stop in this process, where did we stop in terms of.... I can visualize another occasion when we are faced with another winter and we're faced with another problem the same and somewhere along the line we can move this outside of the area of the ability of that 78 dollar a month senior citizen being able to have any heat even if it's available, because they won't have capacity to take care of them. Now, my feeling is that there is a responsibility on the part of the energy industry to reconcile, to, suppose we said, all right we can't take this because this price is too high. I think the oil industry has to assume just as much responsibility for people being cold out there, as I have to assume as member of the Council. Now, somewhere along the line our system works on that way that it's not just one party assuming responsibility. And when you talk about a company having 22 million dollars and not wanting to assume any responsibility and the person having 78 dollars a month having to assume the major responsibility of the increase it's very hard for people to understand that.

Now, my own feeling is, that if 34.9 is justifiable then I can support that in terms of the issues involved then I don't know how it's going to be presented I'm not acquainted with how you come to these kinds of figures. But if it can be placed where people who are consumers can understand it then I'm prepared to support it. But I'm not prepared to support it, I'm not prepared to add to that senior citizen's bill who makes \$78 a month, without any understanding of how you increase these rates. Why couldn't it be 70¢, why isn't it 15¢? Now, I don't know, 34.9¢ simply comes out of the air for me and I think it would be the

same thing with a number of other citizens in this community. They would simply say we committed ourselves to an increase in their monthly rate without representing their interest and I do think that we have the responsibility and the only way I represent their interest is, that I make it sure that they establish why this is justifiable. That's the only way I can represent their interest.

MR. MATTHEWS: Reverend Black, the rate making process before the commissioner is as well standardized. The Commission is there to protect the public against exorbitant rates. That's what their...that's their duty. Now we're in the midst of developing all of the factors there and that's the reason that I say we shouldn't go off half-cocked agreeing to a rate until we get all the facts and the economics of it, and be able to say this is fair and this is right, and this is necessary in order for this thing to be operated so we'll get the gas. And that's what we're working on over there and we're working on it before the Railroad Commission, a responsible state agency, and that's where I think that it has to be worked out, and we're working on it very hard and we're representing the consumers, as absolutely to the best of our abilities. Now we have no pride in what we're doing. If somebody thinks that somebody can do a better job than we're doing in this proceeding, I certainly would welcome their assistance. Then I don't know of any rate people that we can, would, could suggest but if anybody thinks they can get some well we certainly would welcome their collaboration. And so we're trying to do the kind of job you want done.

MR. MORTON: I don't think we're questioning that Mr. Matthews. Let me ask you as far as timing is concerned, at the outside, assuming that we would oppose the 34.9 ¢ rate, what are we talking about as an outside base for, resolution of a temporary rate of the Railroad Commission.

MR. MATTHEWS: Well that I don't know because the timing is so completely beyond the control of San Antonio's attorneys or San Antonio's representatives, your City Public Service Board, or your City Council, that there's no use in my making a guess.

MR. MORTON: Well, I mean are we talking about five years, are we talking about five months?

MR. MATTHEWS: I'd say no, something in that sense.

MR. MORTON: Five months?

MR. MATTHEWS: Well that's right but we think, I agree with Mr. Cox, that this thing ought to be expedited. We just have to get over there and work harder and we've got the main factor all developed and we just got to bare into it. And that's day and night work with us, I mean we don't even take a weekend off free, you know.

MR. MORTON: All right, I don't question that at all, I know that....

MR. MATTHEWS: We're going to work on it....

MR. MORTON: Well let me ask you this. Do you agree and I'm not trying to....I'm just trying to get all the facts in my own mind, do you agree with Mr. Cox on the statement that he made that he was not in the position to buy gas with the kind of rates that he now has in force?

MR. MATTHEWS: I think that is exactly correct.

MR. MORTON: You do? Then he doesn't have that arm and so then what we're going to have to do, we're going to go out and buy gas directly, is that what we're really going to do?

MR. MATTHEWS: That's what we are aware of at the same time.

MR. MORTON: We're really saying, if it takes five months it's going to be impossible for us to....

MR. MATTHEWS: It ought to be expedited and we have tried to do it and we haven't even got....to first base to expedite. We've been trying to expedite, I've explained that to you....

MR. MORTON: Yes....But what we are saying then is really we're going to have to rely on our own direct efforts to buy gas, rather than looking to them.

MR. MATTHEWS: Well we are in part, but I think what Mr. Cox is doing, if putting forth effort, I think he is an able man, and as I said in the legal briefing conference, I think we ought to back him, and I think we ought to do the things necessary but the situation....Back him by saying we'll do anything that his lawyers and Coastal States and Lo-Vaca come up with, I don't think that's the way to do it.

MR. MORTON: I wouldn't suggest that, and I hope no one here has gotten the impression that we're....

MR. MATTHEWS: Well, all we say is we're ready to go, we're ready to go into it. We think it ought to be expedited. We think that the thing ought to be resolved as quickly as possible. We want to back Mr. Cox, and his Board of Directors, a man of experience. They are our only hope of getting something done here, so we ought to try to utilize their efforts and do the things necessary to do so. But I don't think that that means give it up. I think it means getting to work on what ought to be done.

MR. MORTON: I don't....If you mistook my line of questioning a few minutes ago, giving up anything, I was not trying to go in that direction.

MR. MATTHEWS: Well, I didn't so interpret it.

MR. MORTON: Yes.

MAYOR BECKER: Well, unless there's some new ideas, new thoughts, new input, anybody have anything they'd like to say before we conclude the hearing? Well, all right.

MR. COX: May I say this, sir?

MAYOR BECKER: Yes, sir.

MR. COX: I appreciate the opportunity to come here and present this picture to the best that I can. I feel that I have had a lot of short comings in presenting it. But at least I hope something fruitful will come of it. And I will say, in closing, that I think Mr. Matthews and the Public Service Board, or any other entity, are not waiving any right to any recourse they may have. Certainly, Mr. Matthews in his, as I have said previously, in his rebuttal case if he can be as convincing as he needs to be and convinces the Railroad Commission of a different rate than what we've asked for--mind you we have not asked for this as a permanent rate, we have asked for this as a temporary rate until final adjudication is made by the Commission after all the evidence is in, and I will repeat again, if that rate is less what the temporary rate is, we will make refunds. I think we presented a good rate case, and I think that all we've got left to do is to stand on that until the Commission issues an order.

MR. MATTHEWS: I don't want to end on a sour note, Mr. Cox, but the testimony in this case as to rate base is terribly inflated, in my view, about the value of their properties, I mean just between you and me....I don't think that that ought to deter us in coming to a conclusion. I think this temporary rate ought to be determined by your need under these circumstances, supplement to the amount required to do a good job by you without reference to rate making principles.

This would be my approach to it, cut right through the whole idea about making a good or bad rate case. But to cut through it on a cash flow basis necessary for you and your Board of Directors in doing a jam off job on this, after Coastal organization had put in the maximum amount of funds of which they are capable of putting in here, after a reasonable reviewing study of it is made which would take a few days on the data we have here, and if they come forward with adequate funds, not on a basis of loaning them, where the rate payer pays them back with interest; but on a capital contribution basis to handle the capital items, the gathering lines, the treatment plant, and the revolving fund of a good many millions of dollars, with a purchase for advanced payments on gas which you have to make to meet the present competition and buy gas.

MR. COX: We know that.

MR. MATTHEWS: And you have to have that money, and our approach, and the one that I talked to you about, as you will say, is the practical approach in your getting the job done, and not the technical approach in who made a good rate case, and put this in effect for a trial period and then review it on rate making principles. And I think that's a lot better plan than one of saying we want to have the Commission.... The Commission is going to be pretty slow, I'm afraid, about determining these rates, because I've never known a rate case that's submitted to the Commission for outright decision, that it didn't take a long time. And another thing. You have the prospects of some of these 400 customers appealing and so forth. So I think that the program that we suggested in the memorandum to you, we've mentioned eleven things in that memorandum, and I believe that memorandum has been helpful to you because you've done a lot of the things in it.

MR. COX: That memorandum has been helpful to me, Mr. Matthews, just as I told you in Austin, Texas, that I thought that was the dirtiest, lowest trick I've ever seen pulled.

MR. MATTHEWS: Well, it's a funny thing, you've done nearly everything in it to some extent.

MR. COX: There's one thing I haven't done and this is what's bothering you. If you would get Oscar Wyatt you could settle this case. I'll make it that clean cut and clear.

MR. MATTHEWS: I'm not talking about Oscar Wyatt at all, him, or anybody else.

MR. COX: Oscar Wyatt and your antagonism is running you people crazy.

MR. NEWMAN: Not really, Mr. Cox.

MR. MATTHEWS: Mr. Cox, you're entirely wrong about that.

MR. NEWMAN: No, not really, we've known him a long time, hell, I knew him when he was with....

MR. COX: And you said in your thing, the paper, that I was a tool of Oscar Wyatt. It was on the front page of the San Antonio Express.

MR. MATTHEWS: Who said that?

MR. COX: It was on the front page....get the San Antonio Express.

MR. MATTHEWS: Well, turn it over to the newspaper reporters on that.

MR. NEWMAN: We didn't say that.

MR. COX: And I've found a lot of other things in there that your San Antonio paper has said, that I have puddle vision. If I've got puddle vision it's because you people are standing at the end of the puddle and I can't see out.

MR. MATTHEWS: Well, I don't think that you ought to get, I don't think that you ought to start these personal attacks on the grounds on what appears in the newspapers.

MR. COX: I'm only defending on what has been said about me in the press and people over here in San Antonio...now all....

MR. BERG: Can we get back to this nice good atmosphere we had where we said the courts were going to settle the basic contracts and other things will be presented by the Railroad Commission and out of it will come the proper rate whether it's 26¢ or 29¢ or 22¢ or whatever. The Railroad Commission is going to settle it, we're going to get gas, and we're going to get out of a job. Isn't that what we agreed to do? We were not going to settle the price here?

MR. COX: No, but Mr. Matthews said he thinks our rate case is overstated. Now the facts are, they've had access to these books for sixty days or better....

MR. MATTHEWS: The only reason I say it is, we've gone into it and if we think it's exorbitant, we'll put on the evidence to show it is.

MR. COX: That's what I'm asking you to do. Go put that rebuttal case on.

MR. MATTHEWS: That's right.

MR. COX: And if it comes out a cent and a half, I guess we'll have to live with it until we go broke, which will be the next day, but that...I want you to put that rebuttal case on.

MR. MATTHEWS: I don't think that you have been listening to what I said about temporary rate. I said it ought to be done without reference to these matters, and to meet the requirements that you have on a temporary....on a, I don't mean temporary, I mean a year or two years, and it ought to be adequate with the provision that the rates would be reviewed....

MR. COX: You and I have walked up and down that trail so that the trail is so deep, that you and me, neither one of us, can see out the top of it.

MR. MATTHEWS: That's right, but...but I think what I propose to be done quickly...whether what you propose would be done....

MR. COX: I'm going to stand on the rate that we have submitted before the Railroad Commission until you can present a better rebuttal case, but the letter you referred to about me, that you think was helpful, I want it to be crystal clear, what I said to your people in that meeting when I had not seen that letter, and I'll repeat, that I was surprised that lawyers the caliber that wrote that letter would stoop for what they did.

MR. MATTHEWS: Now, let's see what that letter says.

MR. COX: Read it, I'm not. I'm talking about the way you handled it.

MR. MATTHEWS: Now, let's just talk about what's in the letter.

MR. COX: You had it on the front page of the San Antonio Express before I ever saw it.

MR. MATTHEWS: Okay.

MR. COX: And you told me it was leaked, and I told you that you were the author, and it was in your hands, until you gave it to the San Antonio Express. Then you simply mailed it on Friday.

MR. MATTHEWS: I don't know how...I don't know how the newspapers get these things, but this is a public letter.

MR. COX: I know how they got it. You gave it to them.

MR. MATTHEWS: I think, I think that anything that's a public matter, and this is sent out to all the members of the Board, and to the Mayor, to review before it goes out. It's reviewed by staff, and people, the idea got out to the newspapers, if you resent that, you're going to have to run up a little thicker skin to handle this thing.

MR. COX: I've got the thickest skin in the country.

MR. MATTHEWS: Well, so what's there to worry about?

MR. COX: I'm not going to....I'm not going to let you make a dunce out of me by telling me you didn't leak that to the newspapers....And I'll tell you one thing....

MR. MATTHEWS: That I did?

MR. COX: Your group was the author.

MR. MATTHEWS: Well that's the Mayor, he is a member of the Board, and there's four other members of the Board and they all have staff people, and how these things get out, I don't know.

MR. COX: You said you mailed it to me on Friday and I should have had it on Saturday. I told you that, you know as well as I do that offices are not open on Saturday.

MR. MATTHEWS: Well I know you're upset about that but I really don't think you should be.

MAYOR BECKER: It's a funny thing, Wilbur, that anything that's said about me or any of our people, or anybody that's aligned with me in this situation, is always something really unimportant. If anything is said about anybody else, though, it's always highly bold.

MR. COX: I didn't say it was nothing important, I just said that I would....the point....

MAYOR BECKER: I made a statement earlier and the reason I made it is for one reason, when I said I lack the confidence, and what I mean by that statement is simply this. Of the willingness, of the willingness on your part as much as anybody's to settle this thing in....in....

MR. COX: I've been trying for two weeks to get some....

MAYOR BECKER: In some amicable....

MR. COX: And we haven't had it yet except here today in a public atmosphere....

MAYOR BECKER: In some amicable, workable, fashion that will permit this City to have gas this winter. Now, whether it makes you look good or look bad, or whether it makes me look good or look bad is really beside the point any more. That is no longer important to this issue. It's not even germane to it.

MR. MATTHEWS: What is?

MAYOR BECKER: Whether we look good or look bad at this point because winter is here and by God, it's going to be cold and when the gas isn't available and the energy isn't available I just want the public to remember that we have tried our best, to bring about and initiate some type action that would prevent anybody from going cold this winter.

MR. MATTHEWS: That's right. And I'm talking about the procedure that I suggested two weeks ago and we haven't had a conference on it yet, and I think we ought to have one....

MR. COX: And I want to make it crystal clear again, you conditioned that upon the fact that I've asked the Commission to recess that rate hearing and I'm not going to do this.

MR. MATTHEWS: Well, wait a minute, Mr. Cox. You said, "Then let's wait til the cross examination is over and we have the recess and we can get at it then", and I said, "Well I suppose that's the best we can do". And then it was recessed a week ago and we haven't heard from you yet.

MR. COX: But the next day you came to me in Austin and said, "You've backed up on your proposition and you won't talk settlement because you won't recess this hearing". And I said, "I haven't backed up."

MR. MATTHEWS: I told you that, "Well if that's the best we can do". And then I talked to Mr. Weldentall and Mr. Weldentall walked up to me when the thing was closed over there and said, "We're going to set up this meeting in a day or two", and he walked out and I haven't heard from him since, or you either. Now there isn't any question that what I'm saying is correct and I have witnesses to it that were standing by. I've forgotten who they were but I'll remember. It's some of the other lawyers. Well, one of them was Frank Dennius and I've forgotten some others.

MR. COX: We are just wearing out....

MR. MATTHEWS: That's right but the point is that I say that the way to go about getting use of immediate relief on this rate thing is the process, as I say, cut right through all the technicalities....

MR. BERG: Can I make a suggestion that since we've discussed all this now, Mr. Cox, Mr. Matthews, together, I make a motion we adjourn the meeting, and that we proceed from that point. Because I think we're just beating the same horse over and over and over again, and we're not getting anywhere.

MAYOR BECKER: Tom, I'm not disagreeing with that, but I'd just like to know just as a participant in this situation this morning....

MR. BERG: Actively get together right away....

MAYOR BECKER: When can we look forward to the City Public Service Board, the Lo-Vaca Gas Gathering people, and whoever the powers that be on the Railroad Commission, to sit down and give some kind of a relief so that we can get on with the acquisition of gas? When can we look forward to that?

MR. BERG: Is it reasonable to say that, can we have a week or more than a week, is that fair?

MAYOR BECKER: I don't know, I'm just asking you....

-----discussion among CPSB-----

MR. MATTHEWS: Now, Mr. Cox, whenever you're ready to talk to the representatives and customers on this. We've been sitting by waiting to talk to you. We've been wondering why we didn't hear from you. We've been considering a cut to this thing that I discussed with you that we stop talking about all the technicalities and go to the very guts of the things; what do you need? and what can Coastal put in? and then how much have the customers got to come up with? We've said when we get to that point, because we're going to agree to a rate to customers, and I said at the hearing and I was quoted on it, that this is a two way thing it isn't a one way thing. It's Coastal putting money into it to the extent of its ability to do so. I'm not asking you that they be required

to do something they can't do. Then I say the customers ought to come up with the rest of it and put you, not weeks from now, not months from now, but as immediately as possible in a position to go forward with the acquisition of gas. Now, if I'm wrong about that I wish somebody would tell me how I've gotten wrong.

MAYOR BECKER: Wilbur, you've asked him the question. Now will you permit him to answer it? "When can you meet with me?"

MR. COX: I can arrange a meeting next week. Mr. Matthews, I want to make this crystal clear. Every time you've discussed with me, you want to know what Coastal's going to put in.

MR. MATTHEWS: That's right....

MR. COX: I have no authority, I have nothing to do with Coastal.

MR. MATTHEWS: Well, let's just have them in there. They know what we're talking about. We cross examined everyone of their witnesses and demanded the production figures, of what they can put in, and they know what they expect, and they've known it for two weeks, that's one of the main topics we worked on on cross examination. You can't read this.... anybody that wants to can read this record, it's going to be about five or six volumes and they won't find more than ten pages, and they won't have to go through any pages other than the ten to find what we want to know, What Coastal can and should put in, is able to put in? and then we're going to do the rest.

MAYOR BECKER: All right, now, Wilbur, let's just assume that every thing you say is correct and in order....

MR. MATTHEWS: But you can assume it because it is.....

MAYOR BECKER: All right, but let's just assume it. I'd rather just assume it. You can assume it any way you want to, give me at least the prerogative of assuming it any way I want to. What if they don't put anything in? What if in all your ascertainment and desires and full....

MR. MATTHEWS: We'll ask the Railroad Commission to condition their order on their....

MAYOR BECKER: All right, what if you can't make them put anything in? Then where are we and what happens precedent or subsequent to that with respect to getting gas for this City? And that's the only thing that I'm interested in.

MR. MATTHEWS: What you're talking about now is, that we should assume we should not try to get those....

MAYOR BECKER: I have never once said that....

MR. MATTHEWS: Well, you say now, if they won't, what will we do?

MAYOR BECKER: Now listen, Wilbur. I want to tell you something. You came to the right place if you want to get into a shouting match with somebody because I'm pretty damn qualified and capable of it myself.

MR. MATTHEWS: A what?

MAYOR BECKER: A shouting match. But let me tell you something. Now just a minute, let me tell you something. What if they don't put anything in and what if the Railroad Commission can't force them? And what if it would take ten years for this Court to make them and all the rest of it, where does that leave us this winter?

MR. MATTHEWS: Well, of course, the rate payer...would come up with the whole bill.

MAYOR BECKER: That's all I wanted to know. What's that?

MR. MATTHEWS: The rate payer would then have to come up with the....

MAYOR BECKER: Has it ever occurred to you that the rate payer might be willing to do that rather than freeze to death this winter?

MR. MATTHEWS: Well, yeah, they might be willing till they got their bills.

MAYOR BECKER: The hell with that....

MR. MATTHEWS: What?

MAYOR BECKER: They're paying more for everything that they're touching these days, unfortunately it's a fact of life.

MR. MATTHEWS: All I'm talking about is trying to save, if we can do it without slopping over.

MAYOR BECKER: You don't have forever to finish it though. You don't have forever to arrive at that point....

MR. MATTHEWS:penalize the rate payer to any amount....

MAYOR BECKER: Do you have forever to figure out how to handle it between now and winter? How many weeks are there left?

MR. NEWMAN: My approach to it would be the one I stated and it certainly could be determined in a few days if you had everybody in there talking.

MAYOR BECKER: Sure, if everybody agreed with you. But what if they don't all agree with you?

MR. NEWMAN: Well, we could get in there and find out what we could agree to if we could ever get together....

MAYOR BECKER: Good Lord, you know there are two sides to every question. There are two sides to everything....

MR. NEWMAN: I want to just say one thing. We can have one attitude as Mr. Cox knows it. Funny that we in San Antonio are always picked out to be first, but I'll just say this. That if you get the rest of them and you sit them down in the same shape that we're sitting down here you might not have confidence in them either. But too bad a lot of them, and it includes Penzoil, Bob, you see, that includes Lone Star, they're in the business.

MAYOR BECKER: Where does that bring a reasonable solution to this thing, though, as far as the average guy out here that's waiting for the gas to come through that line this winter?

MR. NEWMAN: I think it leads us exactly at the point where we were, and that is, that it is absolutely necessary to sit down and see what can be worked out.

MAYOR BECKER: You know the trouble with wars is, that the guys that cause them never go to them. The guys that are leading the armies are usually living in fine hotels. They're hardly ever subjected to the discomforts that the average G.I. in the trenches, or whoever it is that's really the combatant, and this situation reminds me exactly of that. We are acting as if we were the diplomats between North Vietnamese and the United States forces and all that business. Those guys lived in Paris for four years or something before they even finally got around to figuring out how they were going to sit around the table. I think they would have come to that determination a lot quicker had they been over there in those jungles catching dry rot and everything else with all the rest of those poor devils.

MR. NEWMAN: We get cold too, Charlie....I get just as cold....

MAYOR BECKER: Of course you do.

MR. MATTHEWS: We are not fussing about how to sit at the table. We're fussing about even getting to the table at all and we assumed that we would be, and we haven't been....

MR. BERG: Did you answer the question, When Mr. Cox and Mr. Matthews are going to get together? I asked that a long time ago with a motion.

MR. COX: I want to make this again crystal clear. I'm willing to sit down and talk with all the group that wants to talk and that's five of us. But I also want to make this further crystal clear, that if Mr. Matthews is going to predicate his meeting on what I'm going to drag out of Oscar Wyatt and Lo-Vaca, there's no need to have any meeting.

MR. NEWMAN: How about having him there?

MR. MATTHEWS: We want Coastal's representatives....

MR. NEWMAN: Why not have Oscar there?

MR. MATTHEWS: Present to say what they'll do. We are not asking you to drag it out, we are asking....

MR. NEWMAN: We've got a problem, so has he. Why not ask him in on it?

MR. BERG: Do you understand why they wanted to have someone from Coastal there?

MAYOR BECKER: Have them all there, I don't care.

MR. BERG: It has been concerned that the thing has been cleaned out of physical assets and therefore left there, and they are going to have to question, "Hey, you guys have got to put something in the till to make Lo-Vaca pull?"

MAYOR BECKER: Okay, what if they say, "No!"? Then what are we all supposed to do, freeze to death this winter?

MR. MATTHEWS: No, they will give you a good high rate, and take it out of the rate payer's hide and relieve Oscar Wyatt's outfit of bearing their fair share. I suppose that's what would be the result.

MAYOR BECKER: I don't know....What if they don't want to do it, are we supposed to freeze to death this winter? That's the question.

MR. MATTHEWS: No, no, we're going to give Oscar his pound of flesh to keep you from freezing to death.

MAYOR BECKER: I'm not asking you to do that. I'm merely asking the question.

MR. MATTHEWS: What we need is to get the paper together, that has the complete facts in it, and have some authority to discuss it and see what we can come up with, and the idea that if we fail what we are going to do I don't think ought to be the first order of business. I think we ought to first have a discussion to see what happens.

MR. NEWMAN: You know, Mr. Cox, I don't believe it would be an unreasonable request if, I know that the people over there in Tennessee that I know real well know you real well and I know the boys over there at Channel also and they all speak highly of you; I don't believe it would be unfair to ask you if you would, prior to the meeting, it won't take long, review exactly what transpired between Channel Industries, and Tennessee Gas and Transmission Company and the Railroad Commission most recently, would it?

MR. COX: I'd be happy to.

MR. NEWMAN: All right. In other words, if we've got a....

MR. COX: But, I'll predicate my reason to do that--what would it do to help me get some gas to solve this problem?

MR. NEWMAN: I understand,....I'll tell you something. They're getting gas. You understand? All I'm saying is, this is exactly what they did, they got through, they are out doing it. You know they're involved in that line with the Houston Natural in West Texas.

MR. COX: Your concern was to give Oscar back to this company.

MR. BERG: Five years from now he gets back to a health company.

MR. COX: All right, but if Mr. Wyatt gets this healthy company back under terms of this Court order, you've got no problem with your lights not burning and your fires not burning in your house.

MR. MATTHEWS: Yeah, that's the idea. He's got our tail in his crack so we have to pay him off....

MR. BERG: Can't disagree with you.

MR. MATTHEWS: That's how simple, that the argument that they make....

MR. COX: That's what the Court has instructed me to do. Can't disagree with that.

MR. MATTHEWS: That's right.

MR. COX: I will do my best....

MR. MATTHEWS: I don't think we've helped our case about getting money out of Coastal States with the argument that has taken place here today.

MR. COX: I'll ask Mr. Wyatt himself. If he doesn't come, what will we do from there?

MEETING ADJOURNED

