

MINUTES OF THE CITY COUNCIL

CITY OF AUSTIN, TEXAS

Recessed Meeting
of
Special Meeting
April 8, 1960

APRIL 11, 1960
10:00 A.M.

Council Chamber, City Hall

The meeting was called to order with Mayor Miller presiding.

Roll call:

Present: Councilmen Bechtol, Palmer, Perry, White, Mayor Miller
Absent: None

Present also: W. T. Williams, Jr., City Manager; Doren R. Eskew, City Attorney

MR. CLARDY, Attorney, and MR. STANLEY E. PYNDUS, president SOUTHWEST GAS SUPPLY COMPANY, along with MR. WALTER TREYBIG, Chief Gas Engineer, gave additional testimony about the Southwest Gas Supply Company.

MR. CLINT SMALL, Intra-Tex reviewed the situation concerning the contract with Intra-Tex.

MR. DOWNING expressed appreciation for the further consideration of his proposal to serve the city's Power Plant with gas.

MR. DENIUS and MR. GRENIER discussed the various contracts.

Former GOVERNOR ALLAN SHIVERS reviewed his impressions of the various proposals submitted.

Councilman Bechtol moved that the Council recess until 1:30 P.M. The motion, seconded by Councilman Palmer, carried by the following vote:

Ayes: Councilmen Bechtol, Palmer, Perry, White, Mayor Miller
Noes: None

The Council recessed until 1:30 P.M.

RECESSED MEETING

1:30 P.M.

The Mayor announced that this was a continuation of the Recessed Meeting of this morning. He thanked the group for spending the time and money to make their bids.

Councilman White stated that after hearing all of the testimony, and after discussing the evaluation of the bids with Mr. Davis, he was ready to vote. He stated Mr. Davis had recommended the Southern Union Gas Company as the lowest and best bidder.

Councilman White moved that the SOUTHERN UNION GAS COMPANY'S basic bid (five year period) be accepted. The motion, seconded by Councilman Palmer, carried by the following vote:

Ayes: Councilmen Palmer, White, Mayor Miller
Noes: Councilmen Bechtol, Perry
Absent: None

Councilman Bechtol made the following statement regarding his vote:

"We have all spent a lot of time on the proposition of this gas contract, and I was always of the opinion we were working for a long-term fixed price contract. Evidently we have given that idea up. I could get up and storm out of the room and make myself ineffective for the rest of the Council business. I would like to say that each and every member on this Council is serious in the opinion that he has reached. Their knowledge perhaps is greater than mine. Their ability perhaps is greater than mine.

"I would like to point out one thing, and let's not fool the people of Austin by saying that your domestic rates will not go up because SOUTHERN UNION has again obtained the Power Plant Contract. That is not true. We all know that Southern Union will probably be coming in and asking for a rate increase due to increased cost of gas in the field. So I hope the people of Austin realize that fact regardless of this action.

"I think any bidder could have guaranteed unlimited supplies of gas to Austin if they had been allowed to bid on a cost plus basis. I hate to see comparisons between 'guesstimates' and fixed price. It is impossible.

"Gazing into the crystal ball and into the future economy of this great nation of ours is big business. Many poop sheets, periodicals, and reports, etc., that predict what will happen in the future are published, and we all agree that not any of them are accurate beyond 50%.

"Mr. Davis and Mr. Falconer presented us a report which I studied at length, and there is no question in my mind that their appraisal of reserves, estimated deliverability, and what have you, are correct. Mr. Davis also said his cost-plus price figures were 'guesstimates' which we all realize, and I am not saying that my opinion of it is

above Mr. Davis' because it is not. But I think Mr. Davis' figures on Southern Union's cost is very conservative to say the least.

"The easiest thing for me to do would be to go along with the majority. I was on a three-member minority. Now I find myself on a two-member minority of the Council. Mr. Davis' report to the Council was very helpful as to reserves, deliverability and dedications. The spirit of competition does not enter into the picture. I feel we should reject all bids and take them over on a five year or ten year basis. There are only two companies that bid on, what I would say, contracts that would be suitable to the City of Austin--TEXAS CENTRAL, and the next was INTRA-TEX. Texas Central was the only 20 year gas supplier. Here, too, I will have to depend upon Mr. Davis' knowledge about deliverabilities and reserves, and Intra-Tex would be the next best contract.

"This Council has had more gas hearings than the Railroad Commission. It is with a great deal of humility, and I am two years shy of the experience that these three have had; but with the limited knowledge that I have, I just do not believe that this contract is what we have been trying to find--a fixed price, a long-term gas supply, and I will have to vote 'no'.

"In the remarks I made, I have no criticism to SOUTHERN UNION whatsoever, because certainly they are fine citizens. In all of our past dealings with Southern Union, they have proved to be a very fine firm."

Councilman Palmer made the following statement regarding his vote:

"I would line to reiterate. We did not give up the idea of attempting to find a long-term fixed price contract. Again, in my opinion, the only bidder that submitted a bid of that type was TEXAS CENTRAL. This cost-plus feature is in practically every other contract or the ten year period with another look in ten years. I do not feel that we could get other than possibly one bidder that was a long-term fixed price contract; and apparently, in our Engineer's opinion, the deliverability is not there to take care of Austin's requirements, and I have to vote 'aye' for awarding the contract to SOUTHERN UNION."

Councilman Perry made the following statement regarding his vote:

"For a little less than a year now, I have been laboring under the illusion that we were seeking a fixed price contract for the City of Austin Gas Supply.

"I am deeply sorry that we have again passed up an opportunity to obtain such a contract. However, I am proud that although this is my first term on the City Council of the City of Austin, and I am not a gas expert, I was able to predict the outcome of this affair. I even went so far as to make a public statement in February. I did not vote for the hiring of Mr. Davis. I even went so far as to predict to Councilman Bechtol that when the vote was finally taken on this, it would be three to two in favor of SOUTHERN UNION.

"If I do not accomplish anything else in the remaining year of this term, I feel that I have performed a service to the people of Austin by pre-warning them of the outcome of this matter. I want them to know that I am carefully watching the activities of the City Hall, and I will continue to keep them informed. I vote 'No'."

Councilman White made the following statement regarding his vote:

"This gas contract that we are about to let is very complicated and runs into \$170-\$180,000,000.

"It is something that I, and I think that all of the Council feels the same way, or did feel the same way--that we did not know enough about the gas to go ahead and let a contract of this nature, and so agreed to get a geologist, an expert in gas.

"We engaged Mr. Davis from Houston, and he took the five bids that we received back to Houston on March 21st to evaluate each of them and report to us his findings and recommendations as to the lowest and best bid. Last Thursday, Mr. Davis came to Austin and had lunch with the Council, and brought with him his findings and recommendations. Mr. Davis recommended at that time the SOUTHERN UNION GAS COMPANY as being the lowest and best bid. Friday morning we had another meeting and heard testimony all day. At the end of that meeting Friday night, Mr. Davis again told me that after hearing the evidence that he had heard all day, that he still was of the opinion that Southern Union was the lowest and best bid.

"I have been thinking very seriously on this matter because of the people of Austin, we, the Council I am sure all of us, are very anxious to save every dime that we can for the people of Austin.

"Now, this morning I was not quite satisfied. I called Mr. Davis in my office privately and asked him again if he still felt that SOUTHERN UNION was the lowest and best bid and he assured me that it was.

"Now, as I vote for the SOUTHERN UNION GAS COMPANY for this contract, I trust that my decision will be right."

Mayor Miller made the following statement regarding his vote:

"I have served up here for nearly 22 years. We kept the rates very low and left them with a nine-year contract. I have no criticism of anyone up here. I have been awfully hard on SOUTHERN UNION and UNITED all of these years. We broke them down two cents in the 1930's--from 14½ cents to 12½. Again, we made a 10 year contract at 11 1/4. We put in that contract, that at any time, any place that we had a better contract than Southern Union's, that on a month's notice to them, we could cancel out.

"We spent a great deal of time following the rainbow of 16-17-18-19 cent gas. We had not had too much competition. I would take chances with my own money, but I would not like to take chances with other people's money.

"This is the first time in the history of our country that after a great war we have had continued prosperity for 15 years after it was ended. We always had a recession. Southern Union has the contract for five years, but this means several cents cheaper than it would have been. They cut off one cent from this service charge.

"Perhaps no one company can hold their gas for five years and come back. They will have to get rid of their gas. We deeply appreciate your efforts.

"This, I believe is a fair solution. I will vote 'aye'."

Councilman Bechtol moved that the Council adjourn. The motion, seconded by Councilman Perry, carried by the following vote:

Ayes: Councilmen Bechtol, Palmer, Perry, White, Mayor Miller
Noes: None

The Council adjourned at 2:22 P.M., subject to the call of the Mayor.

APPROVED _____

Mayor

ATTEST:

Elsie Woosley
City Clerk