

REGULAR MEETING OF THE CITY COUNCIL:

Austin, Texas, December 30, 1920.

The Council was called to order by the Mayor. Roll call showed the following members present: Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; absent, none.

The Minutes of the last meetings were read and upon motion of Councilman Ward, the same were adopted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; naves, none.

The application of John Kreis to operate a service car was granted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; naves, none.

The application of the Western Union Telegraph Company to reconstruct certain lines in the City of Austin was read and upon motion of Councilman Haynes, the same was declined by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; naves, none.

The report of Dr. C. H. Brownlee, City Health Officer, was read and ordered filed.

The bids for supplies for the period beginning January 1st and ending July 1st, 1921, were opened and read.

Councilman Haynes moved that the bid of the Austin American for printing be accepted as the lowest and best bid. Motion prevailed by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; naves, none.

Councilman Haynes moved that the bid of Rosengren & Cook for ambulance service and coffins for white paupers be accepted as the lowest and best bid. Motion prevailed by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; naves, none.

The other bids for city supplies were referred to the heads of the different departments for report back to the Council.

The committee, composed of L. D. Lyons and others, was heard in connection with having a ward in the City Hospital set aside for the use of the colored citizens of Austin.

Councilman Ward introduced the following ordinance:

"AN ORDINANCE REGULATING THE INSTALLATION, OPERATION AND MAINTENANCE OF ELECTRICAL WIRES, APPARATUS AND PLANTS WITHIN THE CITY OF AUSTIN, ADOPTING THE RULES AND REGULATIONS OF THE NATIONAL BOARD OF UNDERWRITERS EMBODIED IN ITS NATIONAL ELECTRICAL CODE, PROVIDING A PENALTY AND DECLARING AN EMERGENCY."

The ordinance was read the first time and laid over until the next regular meeting.

The Council then recessed until 2:30 P. M.

AFTERNOON SESSION:

The Council was called to order by the Mayor. Roll call showed the following members present: Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; absent, none.

Judge Ike D. White appeared as counsel representing the Austin Gas Light Company and made reply to and criticism of the report of the Committee, and said statement was referred to the City Attorney.

> The report of the Austin Gas Light Company is as follows:
The Council then recessed.

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> Councilman Alford introduced the following resolution:
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> The resolution was adopted by the following vote:
Ayes, 5; nays, none.

The Council then recessed.

SPECIAL MEETING OF THE CITY COUNCIL :

Austin, Texas, January 3, 1921.

The Council was called to order by the Mayor. Roll call showed the following members present: Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; absent, none.

Councilman Haynes introduced the following resolution:

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

After considering the appeal of the Texas Trust Company from the assessment made by the Board of Equalization against the said Company for the taxes of 1920, as well as the personal appeal of the President of said company, we fail to find any just cause for changing the assessment made by the Board, and that it is the sense of the Council that the assessment at a valuation of 66-2/3 cents is entirely equitable and the same as other like properties, therefore the assessment as fixed by the Board is hereby approved as just and equitable.

The above resolution was adopted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The applications of Coy Middleton, John R. McCall, James Sullivan, Damacio Renteria, B. B. Salinas, Bennie Jefferson, Tom Howney and J. M. Braden to operate service cars were granted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The bid of Spalding Drug Company to furnish drugs and prescriptions to the City Hospital for the period beginning January 1st and ending July 1st, 1921, was accepted as the lowest and best bid, by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The bid of William Ulit's Meat Market to supply meat to the City Hospital for the six months beginning January 1st, 1921, was accepted as the lowest and best bid, by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The bid of the Austin Laundry & Dry Cleaning Company to do laundry work for the City Hospital was accepted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

> The Mayor laid before the Council the following resolution:

WHEREAS, on September 1, 1920, the Austin Gas Light Company of the City of Austin arbitrarily raised its schedule of rates for gas consumers in this city; and

The following reply to the report of the Austin Gas Light Company is as follows:

WHEREAS, the University of Texas Bulletin No. 1971 of December 20th, 1919, giving public service rates in Texas cities, shows the rate recently fixed by said Gas Company to be higher in Austin than in any other city in Texas, except the small cities of San Angelo and Tyler; and

WHEREAS, the City Council heretofore appointed a committee, consisting of J. M. Bryant, Frank S. Taylor and J. B. Webb, to investigate the reasonableness of said raise of rates by said Gas Company, and said Committee has reported to the Council that said Company is earning and will earn excess profits on said new rates; and

WHEREAS, said Gas Company was given a reasonable time in which to answer the report of said Committee, but within said time has failed to furnish any facts to the City Council to show that there is sufficient justification for said raise of rates;

THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

That the City Attorney be instructed to draw an ordinance fixing the rates for gas for the City of Austin at the same schedule of rates charged by said Austin Gas Light Company for and during the year 1919.

The above resolution was adopted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

Councilman Graham moved that the thanks of the City Council be extended to the Committee, composed of J. M. Bryant, Frank S. Taylor and J. B. Webb, appointed by the Council to investigate the rates charged for gas in this city. Motion carried by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The Council then adjourned.

AFTERNOON SESSION.

The Council was called to order by the Mayor. Roll call showed the following members present: Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; absent, none.

Judge Ike D. White appeared as counsel representing the Austin Gas Light Company and presented the answer of said company to the report of the Gas Committee, which reply was referred to the City Attorney.

The reply of the Austin Gas Light Company is as follows:

"Austin, Texas, December 30, 1920

To the Mayor and Council
of the City of Austin.

Gentlemen:

When your Committee, appointed to report on the justice of the rate charged by the Austin Gas Light Company for gas, filed its report, we requested time in which to analyze such report and make reply thereto. This postponement was necessary also in order that the interested parties might be conferred with and a future course determined upon.

We assume that your Committee was sincere in its purpose and honest in its conclusions and recommendations, but this report was unfair and inconsistent in our view and in the light of the real conditions and facts as they exist.

The Committee started out with the assumption that the value of the Company's properties in 1919 was \$700,000.00 and that a depreciation reserve had been set aside in previous years to replace all worn out and obsolete portions of the plant. It also started out with the assumption that the value of the Company's plant in 1905 was \$400,000.00.

By some sort of assumptions and deductions not made clear by the report, the Committee estimated the value of the plant for rate making purposes, on the date of the report, at \$550,000.00, and concluded that notwithstanding the fact that during the year 1919 the Company only made \$1309.56, after paying all expenses, depreciation and fixed charges, the Company had been earning for several years an excess profit, that is to say, a profit in excess of eight per cent on the value of its property. The conclusions of your Committee, from our standpoint are clearly erroneous and unjust to this Company.

Assuming, as your Committee assumed, that the value of the Company's property in 1905 was \$400,000.00 and that the bonded and other indebtedness of the Company at that date was in round numbers \$160,000.00, the value of the Company's property on the date of the report in question was in round numbers \$930,000.00 instead of \$550,000.00.

The present bonded indebtedness of the Company is \$690,000.00 in round numbers, from which deduct \$160,000.00 bonded indebtedness in 1905 and we have \$530,000.00 in bonds issued and sold since 1905, the proceeds of which bonds went into the enlargement and betterment of the property. To this \$530,000.00 add the \$400,000.00, the value of the property in 1905, as found by the Committee and we have a present cost value of the plant, in round numbers, of \$930,000.00, as above shown, instead of \$700,000.00, the value assumed by the Committee. How and why this valuation should be reduced to \$550,000.00 for rate making purposes is not at all clear from the report, especially in view of the fact that the reproduction value of this property would no doubt be largely in excess of the

original cost.

It cannot be contended that the property has deteriorated in value to the extent of practically \$400,000.00, since the Committee found "that a depreciation reserve has been set aside in previous years to replace parts of the plant not covered by replacements charged to maintenance when such parts lose their physical or functional value."

It will be seen that the Committee assumed that a depreciation reserve had been set aside to take care of depreciation in the value of the property and at the same time reduced the value of the Company's property practically \$400,000.00 below what the figures and data contained in the report show it cost. In other words, if the property was worth \$400,000.00 in 1905 and there has been \$530,000.00 put into it since, making \$930,000.00, the cost of the property, and if, as the Committee assumes, a depreciation reserve has been set aside to keep the property in condition, there is no ground shown in the report for reducing the value of the property practically \$400,000.00 below what it cost.

There are no sort of assumptions, deductions or theories that can gainsay the proposition that the plant and property earned gross during the year 1919, \$194,383.27. There is no dispute nor can there be any that outside of taxes, depreciation and interest, the expense of running the plant for the period last named is \$119,579.62. The taxes for that year amounted to \$8,844.00. Interest actually paid for the year amounted to \$38,253.25. This makes a total expenditure of \$166,676.87, which, deducted from the gross earnings of \$194,383.27, leaves \$27,706.40, which is less than 3% on the total cost of the property. This does not take into consideration any depreciation.

There is no reason shown in the report why a reasonable depreciation should not be deducted for the year 1919 and subsequent years. The depreciation claimed and deducted for the year 1919 was \$26,396.84, which is considerably less than 3% of the cost of the property. When this depreciation is deducted it leaves a net balance of \$1,309.56. This net profit, it will be seen, is less than two-tenths of one per cent over and above operating expense, depreciation, taxes and interest.

Assume, however, that the value of the property does not exceed its bonded indebtedness, and we still have the same \$1309.56 net profit over and above the operating expense, taxes, depreciation and interest.

Assuming that the value of the property is only \$700,000.00, as was assumed by the Committee, and that the difference between the gross earnings and expense of operation, taxes, interest and fixed charges is \$27,706.40, we have an earning of less than 4% on the \$700,000.00.

We know that the value of the property is not less than \$700,000.00 and we believe that any fair minded court or engineer, when the valuation is taken, and everything considered, will fix the value in excess of \$700,000.00.

We think that it will be conceded that the revenue for the month of October is a fair monthly average for the year, so we take that month for the purpose of the following illustration as to what would have been the effect on the revenues of the Company had the 1919 rate been in effect

during the month of October:

	1919	1920
Gross Revenue from gas sales	\$15,105.34	\$20,600.23
Total Operating Expense	<u>10,244.08</u>	<u>16,525.20</u>
Net Revenue from gas sales	\$ 4,861.26	\$ 4,075.03
Deduction for difference in rate of billing in 1920 over 1919		<u>3,147.15</u>
		\$ 927.88

In October, 1919, 10,616,600 cubic feet of gas were sold at an average price of \$1.4214, resulting in gross revenue of \$15,105.34. In October, 1920, 12,278,800 cubic feet of gas were sold at an average price of \$1.6777, yielding gross gas revenue of \$20,600.23. If gas sales for October, 1920, had been billed at the 1919 average price of \$1.4214, a gross gas revenue of \$3,147.15 in the amount actually billed at existing rates for this month. Deducting this difference of \$3,147.15 from net gas revenue for the month of October, 1920, a net gas revenue of \$927.88 would have been the result, representing a loss of \$3,933.38 as compared with the returns for the month of October, 1919, and a smaller net return for the month in 1920 than 1919.

As has heretofore been shown to the Council, the price that the Company is compelled to pay for gas oil alone for the year 1920, is \$27,000.00 more than the same gas oil cost for the year 1919. This leaves out of consideration the increased cost of coke and other materials used in the manufacture of gas. Assume that the same price was charged for gas in 1920 as was charged in 1919 and that the same amount was sold, this extra gas oil cost alone would practically wipe out the \$27,706.40, the difference between the gross revenue for 1919 and the expense of production including operating expense, taxes and interest, which would leave nothing at all for depreciation and no net revenue of any sort. This would be the result without regard to the value of the properties of the Company, had the same price been charged in 1920 as was charged during the year 1919 and practically the same amount of gas consumed. And no amount of theorizing, expert deductions or reductions can change this result, as is manifest to any average man.

One may theorize all he will, but the facts remain that irrespective of the value of the property of this Company, it could not earn enough under the 1919 rate to keep its property in condition and pay its ordinary obligations.

The Company has not undertaken to raise the rates sufficient to pay a reasonable return upon its investment, but has undertaken to share the burden of increased cost of manufacturing materials with the gas consumers of Austin and has only sought to raise the rates to a point which will make it possible for the Company to keep up the character of service it has heretofore been rendering.

If the City Council is not satisfied with the showing made then we propose, in order to save any future controversy, costs and expense of litigation, that the Company select a competent engineer, that the City select a competent engineer, each party paying its own engineer, that the two thus selected select a third engineer, the cost of the services of such engineer to be borne equally by the City and the Company. Let the three engineers value the property and the Company will be willing to base its rate upon such valuation, reserving the right to charge the full legal rate upon the valuation as found. This procedure we deem fair, just and equitable to all parties concerned.

In making this proposition we feel confident that competent engineers will find the property to be largely in excess of \$700,000.00 and that the legal rate, to which the Company will be entitled upon such valuation will be in excess of the rate now charged.

The Company will do everything in its power to facilitate such valuation and render the engineers every assistance possible, should they be appointed, in making their survey.

If the City is not disposed to have the property valued by the engineers as suggested then we would be willing for the City to appoint a recognized public accountant at its own expense to audit the Company's books and to determine whether or not the statements made by the Company are accurate. The Company will render such accountant every assistance possible. Of course, it would expect that the usual course of its business would not be interfered with any more than is necessary.

In conclusion, this Company protests that it has suffered an injustice and damage in the loss of public confidence and good will, upon which it places a very high value, through the publication of your Committee's report, which we consider inaccurate and based upon theory rather than facts.

Respectfully submitted,

THE AUSTIN GAS LIGHT COMPANY,

By (Sgd) A. T. Knies, Manager.

December 30, 1920. "

Councilman Alford introduced the following resolution:

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

That the appropriation of the sum of Two Thousand Dollars (\$2,000.00) heretofore made in the General Budget of 1920 for One 2-Ton Truck Chassis, be and the same is hereby transferred and added to the account for the purchase of Fire Hose for the year 1920.

The above resolution was adopted by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The Council then recessed.

SPECIAL MEETING OF THE CITY COUNCIL:

Austin, Texas, January 3, 1921.

The Council was called to order by the Mayor. Roll call showed the following members present: Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; absent none.