

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.

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. S. Salinas, Bennie Jefferson, Tom Rowney 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 and 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 Gas Committee laid before the Council the following reply to the reply of the Austin Gas Light Company:

"A REPLY TO THE COMMUNICATION OF DECEMBER 30TH, 1920,  
FROM THE AUSTIN GAS LIGHT COMPANY TO THE CITY OF  
AUSTIN.

Considering fairly all the criticisms, denials and objections to your committee's report contained in the Company's communication, we submit that the said report still stands as a sound exposition of the conditions of the Company business and property, as based upon all data and evidence so far presented, the Company's communication not having contradicted the said report in a single point.

The Company erred in its statement that your committee's findings were based upon assumptions and theories, as we shall show by comments on the communication, taking each paragraph in sequence.

(2) If the facts as they exist are different from the committee's statement of same, then why did the Company fail to furnish the committee with the true facts; all figures used are from the Company's own statements, as shown in the report.

(3) There was no assumption by the committee of the \$700,000.00 valuation, as of December 31, 1919, the Company claimed this value and it was allowed in order to remove controversy over valuation. The Company's manager did not show this value or attempt to establish it by sworn statement, nor do we

believe he will , in view of the sworn statement of the President of the Company to the effect that the physical properties of the Company, on the same date, had a value of approximately \$350,000.00. The value of property in 1905 was obtained by taking the Company's sworn figures for the physical value and adding substantially 100% for intangibles, thus assuring ourselves that such error as existed in the intangible value was in favor of the Company. The depreciation fund mentioned was evidently withdrawn but not used for replacements, or accounted for in the assets of the Company.

(4) The statement in our report that is characterized as "some sort of assumptions and deductions not made clear in the report" is not warranted, the annual additions to value from 1905 to 1919 inclusive, are added to the \$400,000.00 value as of 1905 , and depreciation reserves withdrawn for latent depreciation are subtracted, all in accordance with the method established by the courts, this simple computation leads to the remaining value of \$550,000.00 as stated.

(5) The assumption of the Company of \$400,000.00 value in 1905 which is \$240,000.00 more than the amount of outstanding bonds at the time, and adding to this figure the par value of the bonds subsequently issued, and claiming the total without deduction during 15 years of depreciation, is contrary to the correct method of obtaining the value of Public Utility properties for rate making purposes, as established by the courts, and is also obviously incorrect as it is well known that apples and potatoes can not be added together and their sum found in terms of prunes.

(6) Answered in (4).

(7) Your committee found that a depreciation reserve was charged but that no accounting for same was shown, the money was withdrawn, and since it represented a part of the value of the Company's investment, and was paid back to the investors, it was deducted from the value of the total investment, or "fair value" of the plant.

(8) Answered in (4)

(9) The Committee made no "assumptions, deductions or theories" relating to the Company's revenues, we took the Company's statement for same and made no corrections. In the matter of expenses, the Company's statement was also accepted, but for the item of General expense outside of Austin, as this was not required in the business of furnishing gas to the people of Austin. The courts have refused to allow expenses of this kind.

(10) A reasonable amount for depreciation should certainly be deducted from the gross revenues, AND HELD FOR REPLACEMENTS as such replacements become necessary. It depends on what replacements are made at the expense of regular operating costs as to how much the depreciation reserve should be. The amount or rate of depreciation depends on the particular Company's practice. If an arbitrary amount of money is withdrawn from the Company's revenues each year, the amount should be entirely deducted from the value of property which is entitled to earn a fair return, and when replacements are made then the cost of same may be properly added to Value. These statements are not theories, but well established principles of Public Utility accounting, recognized by the Courts, and directed by

rules laid down in definite form by the Interstate Commerce Commission. The Company fails to state what its acknowledged profit of \$1.309 will be for it could not be on the bonds, because the fair return on these had been provided when the interest was well and truly paid, as it is shown to have been, but the Company claims only a value of property for rate making purposes equal to the amount of the outstanding bonds, therefore since the bond holders have, already received all they are entitled to, and that they expected to get when they invested in these securities, then the \$1.309 mentioned would be excess profits according to the Company's own showing. This excess profit would be increased by the difference between reasonable reserve for depreciation and the amount that the Company withdrew for same. We showed that such reasonable reserve for 1919 would have been \$11,300.00, but the Company withdrew \$26,396, the difference would therefore be \$15,096.00, which added to the \$1,309 makes \$16,405 excess profits earned in 1919, as shown by the Company's own showing, which is more than your committee computed these profits to be.

(11) Answered in (10).

(12) If the Company's assumption is correct, and they have a balance of \$27,706 left after all "expenses of operation, taxes, INTEREST and fixed charges" are paid then the said \$27,706 would be all excess profit, because the capital would have been paid its fair return when the interest on the bonds were paid.

(13) If the Company "know that the value of the property is not less than \$700,000" then it should show same to the City when asking authority to raise rates to protect that value, as is required by law.

(14) The law is plain in denying a utility company the right to take a single month, or even year, and ask that a rate be made on the showing for that period, without considering the previous and subsequent records of the business. The average net return over a sufficiently long period is the measure used by the Courts to determine whether the return is fair or unfair.

(15) No "theorizing, expert deductions or reductions" were made regarding the 1920 expenses, or revenues, the committee had insufficient data, although the Company was advised by the committee to furnish same, but even if the 1920 business had shown a loss due to temporary conditions, that loss would have to be balanced against previous excess profits, before it would be allowed as a basis for higher rates, since it is well established that an average fair return is to be provided by the profits

(16) An attempt is made to show that untenable theories are used for the basis of your committee's conclusions, but not one theory is mentioned in our report, nor does the Company point out any specific instance of such inconsistent theorizing by your committee.

(17) The Company's action in raising the rates before it had proved that it was sustaining a loss was a proceeding contrary to legal requirement, in that substantial evidence of the necessity for higher rates shall be furnished before such rates may be authorized. This evidence has not been furnished. The Company has failed to furnish any detail of the investments in its properties, or inventory or book account of value of

plant, replacement accounts have not been shown, depreciation reserves are taken from the business in cash, and in large amounts, and as far as shown to the committee the records of same cease with the withdrawal. The Company claim that the value of the property is the point at issue, yet no showing of this value has been made to the City of Austin, and while the Company's manager has spent some time where the records of such value are supposed to be kept, and has acknowledged that such records (of plant value) are kept, yet he failed to present them as proof of the values claimed, and the only sworn statement as to value in 1919 is the President's recorded showing that the values at that time were approximately \$350,000.00, the only other evidence that has been given by the Company of property value is the rather vague and unsatisfactory statement that the property values are as great as the par value of the outstanding bonds.

In conclusion, we submit that our report as previously presented, stands, being based upon reasonable premises, liberal to the Company and free from any theories that are vague or unfair to it. Our recommendations are not changed by the Company's presentation.

Respectfully submitted,

(Sgd) J. M. Bryant, Prof. of Electrical Engineering.

(Sgd) Frank S. Taylor, Consulting Engineer.

(Sgd) J. B. Webb.

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

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; naves, 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.

*James H. Yett*  
*City Clerk*

REGULAR MEETING OF THE CITY COUNCIL:

Austin, Texas, January 6, 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.

The Minutes of the last meetings were read, and after a correction of same, Councilman Graham moved their adoption. Motion prevailed by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The application of Chas. Ravey to construct a window projecting on the sidewalk was read and upon motion of Councilman Ward was referred to the City Engineer for his report back to the Council. After hearing the report of the City Engineer, the application was refused, by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The application of Sam T. Hill to erect an electric sign was granted under the condition that same would be erected under the supervision of the City Engineer and City Electrician, by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

The bid of Rhambo & Woodard to furnish ambulance service and coffins for colored paupers was accepted as the lowest and best bid, by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

Councilman Graham moved that the bid of Robinson Bros. to furnish stock feed be accepted, except the bid on Johnson Grass Hay, by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

All bids for hardware and cement were rejected by the following vote: Ayes, Mayor Yett, Councilmen Alford, Graham, Haynes and Ward, 5; nays, none.

Councilman Haynes introduced the following resolution:

RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN, TEXAS:

That the following emergency and provisional appropriations are made for the benefit of the several departments which they may serve: