

C 25 250.3/A 78/1974 DARD
ORANGE

32ND ANNUAL REPORT

FISCAL YEAR ENDED JANUARY 31, 1974



CITY
PUBLIC
SERVICE
*Your Electric
& Gas Utility*

HIGHLIGHTS OF THE YEAR

Gross Revenues increased \$6,484,174 to	\$107,098,281
Maximum Electric System Load increased 51,000 KW to	1,415,000
Distribution Substations added 225,220 KVA to total	3,124,169
87.8 Miles of Transmission Lines were added to total ..	764.4
7,818 Electric Customers were added to total	268,815
5,903 Gas Customers were added to total	225,663
115 Miles of Gas Mains were added to total	2,767

STATEMENT OF GOALS AND PURPOSES

The goals of the City Public Service Board are to provide reliable electric and natural gas service to customers in the San Antonio area at the lowest possible cost.

The City Public Service Board was organized in October, 1942, after the City of San Antonio bought the gas and electric utilities from a holding company for \$33,950,000. The purchase was totally financed through the issuance of revenue bonds.

Under state law and in accordance with the indenture securing the bonds, the CPSB is managed as a proprietary function of the City of San Antonio by a five-member Board of Trustees, including the Mayor of the City of San Antonio. Five trustees is the maximum under state law.

San Antonio's gas and electric utilities have provided extremely reliable service and have historically served customers at very low rates. According to a recent Wall Street Journal article, City of San Antonio Electric and Gas Systems Revenue Improvement Bonds and the revenue bonds of one other utility are the only two in the U.S. having the "coveted" Triple-A credit rating by Moody's. To maintain this rating the utility systems must be kept in excellent condition and the earnings must be kept high in relation to the bonded indebtedness. This means that revenue bond financing is done at very low interest rates to the ultimate benefit of the customers.

SUMMARY OF APPLICATION OF REVENUE AND SOURCE OF FUNDS FOR IMPROVEMENTS

Gross Revenue for 1973-74	\$107,098,281
Application of Revenue:	
Purchase of Gas, Electricity and Fuel	\$ 31,550,119
Other Operating and General Expenses	18,028,840
Maintenance of the Systems	6,237,060
For Debt Requirements	9,721,131
Benefits to the City	14,993,760
Allowances for Depreciation	13,856,020
Balance from Operations	12,711,351
Total	<u>\$107,098,281</u>

Amount Spent for Replacements, Improvements, and Expansion of Gas and Electric Systems	\$ 55,363,760
Amount Provided for Future Construction	8,956,346
Total	<u>\$ 64,320,106</u>

Funds obtained from:	
Depreciation Allowance	\$ 13,856,020
Balance from Operations	12,711,351
Contributions and Advances in Aid of Construction	2,738,479
Bond Construction Fund	35,001,556
Sale of Property	12,700
Total	<u>\$ 64,320,106</u>

ON THE COVER

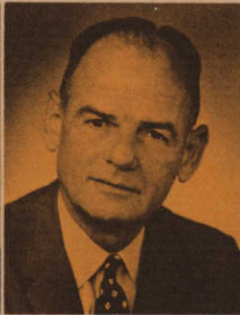
The three 223,000 barrel oil tanks pictured at the Braunig power plant have been installed in fiscal 1973-74 under a program which has increased total oil storage capability from 225,000 barrels to 1,258,000 barrels. Two additional 223,000 barrel tanks will be built in FY 1974-75. Fuel oil is burned to supplement natural gas for power generation when curtailments occur.

MANAGEMENT

TRUSTEES



John R. Locke
Chairman
Partner, Groce, Locke
& Hebdon, Attys.
Ret. Jan. 31, 1974



John E. Newman
Vice Chairman
Partner, Newman
Bros. Drilling Co.



Thomas Berg
Chairman-Elect
President & Chief
Executive Officer
Friedrich
Refrigerators Inc.



Eloy Centeno
Vice Chairman-Elect
President, Centeno
Supermarkets, Inc.



Dr. Robert V. West Jr.
Trustee-Elect
Chairman and Chief
Executive Officer
Tesoro
Petroleum Corp.



Charles L. Becker
Ex-Officio Trustee
Mayor, City of
San Antonio

MANAGEMENT STAFF



J. T. Deely
General Manager



R. M. Jolly
Assistant General Manager
for Power Resources



J. K. Spruce
Assistant General Manager
for Operations

SYSTEMS DIRECTORS

L. E. Boulden
Customer Services

J. M. Costello
Personnel

W. F. Dreiss
Operations Services

H. L. Freeman, Jr.
Controller and
Secretary-Treasurer

M. M. Hormuth
Construction

J. B. Poston
Engineering

DEPARTMENT MANAGERS

F. O. December
Maintenance of Distribution
and Production

J. K. Harz
Customer Accounts

R. C. Mecke
Operations Distribution
and Production

C. H. Oswald
Materials and
Transportation

W. F. Payette
Engineering Design

P. S. Schooler
Building Operations
and Claims

L. J. Spengler
Customer Relations

D. S. Thomas
Information Services

A. von Rosenberg
Planning and Development

O. E. Park
Special Asst. for Research

FORMER TRUSTEES

John Gatti
6-19-69 to 4-23-73

John H. Morse
1-25-65 to 1-31-73

*Leroy G. Denman, Jr.
2-1-60 to 1-31-70

Albert Steves, III
2-1-62 to 3-15-69

Charles George
11-26-62 to 1-25-65

*Gen. John M. Bennett, Jr.
1-6-50 to 1-31-64

Melrose Holmgreen
2-1-51 to 10-31-62

*J. H. Calvert
10-10-50 to 1-31-62

*W. E. Simpson
11-29-48 to 1-31-60

*W. P. Napier
10-24-42 to 2-1-51

J. H. Frost
8-6-47 to 10-9-50

D. F. Youngblood
10-24-42 to 12-31-49

*Col. W. B. Tuttle
10-24-42 to 11-29-48

Franz C. Groos
10-24-42 to 6-4-47

*Denotes Former Chairman of the Board

PROGRESS REPORT

Significant and far-reaching progress was made during Fiscal Year 1973-74 in solving the local effects of the world-wide energy crisis.

As a result of increasing oil storage capability, planning the construction of coal-fired units in 1976 and 1977, and participating in the South Texas Nuclear Project, San Antonio will greatly decrease its dependence on natural gas fuel for its power plant boilers. By 1978, over 50% of the basic kilowatt hour requirements of our customers will be generated with coal. And by 1982, another 28% of electric requirements will be generated by nuclear fuel.

A large number of natural gas curtailments have been imposed by San Antonio's supplier, Coastal States/LoVaca, during the past fiscal year, causing many operational problems. Details of our negotiations with Coastal and actions taken are contained in the following pages.

Natural gas curtailments have made it necessary to burn \$6,389,285 worth of oil, purchase supplies of natural gas from other sources, and accept a Texas Railroad Commission interim rate increase so that LoVaca could purchase additional natural gas. Since the extra fuel charges are passed through at cost by means of fuel clauses in the rates, they have had an effect on financial results. Total revenues reached a record \$107,098,291, exceeding the previous year by 6.5%, although customer use of kilowatt hours was down by 1.1% and gas by 9.8%, as compared to an historic gain each year of 9% in KWH and 1.5% in gas. The decreases this year were due to mild weather and the conservation of energy program.

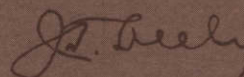
Despite the high fuel costs, operating results were satisfactory and the City Public Service Board is still in a strong financial position.

For the coming fiscal year, a construction budget of \$104 million has been proposed, up from \$54 million last year, due entirely to increased power plant construction costs. Operating budget requirements are \$83 million, up from \$55 million last year, due almost entirely to higher fuel charges.

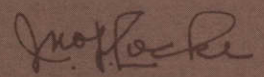
To meet escalating costs, a rate increase averaging 25% has been requested from the City Council along with authority to issue \$85 million in revenue bonds. Action by the City Council on the proposed rate increase and revenue bond issue is pending.

At the close of my years on the Board of Trustees, your Chairman wishes to express his appreciation for the cooperation he has received from the dedicated management staff, our highly qualified employees, my fellow trustees and the city government. I am confident that the highly competent Board of Trustees that I leave and the very capable staff will meet every challenge in supplying our customers with the energy they need to insure the progress of the San Antonio area. The Trustees and Management express their deep appreciation to the many dedicated employees who have increased their productivity and have performed their work with skill and dedication. Our employees are our most valuable asset.

Sincerely,



J.T. Deely
General Manager



John R. Locke
Chairman

THE ENERGY PROBLEM

The world-wide energy crisis has had more effects than it should have in Central and South Texas due to the failure of the area's natural gas supplier, Coastal States and its subsidiary LoVaca, to maintain adequate reserves to meet its long-term contractual obligations.

The City Public Service has a full service natural gas contract with Coastal/LoVaca for two trillion cubic feet of natural gas at the present price of 23.75¢/MCF, increasing by 1¢ on April 1, 1977 until the expiration of the contract in 1982. Use of natural gas under the contract has been exactly as forecasted in 1960.

After minor curtailments in 1968 and 1969, the CPS had numerous contacts with Coastal/LoVaca with regard to an audit of its natural gas reserves and other operational matters, as specified in the contract. Many verbal assurances were given, but permission for a full and comprehensive audit was never given.

Natural gas curtailments in varying amounts were imposed by LoVaca beginning in November, 1972 and have continued periodically since that time. Initially, they were attributed to operational failures. But at rate hearings initiated by LoVaca before the Texas Railroad Commission on May 1, 1973, it was revealed for the first time that the supplier did not have sufficient natural gas to fulfill its contract commitments to its 407 customers.

Subsequent audits, authorized by the Railroad Commission, confirmed this and revealed that Coastal/LoVaca had sold off sizeable reserves which should have been held to fulfill its contracts.

The CPS and the electric systems of the City of Austin and the Lower Colorado River Authority have taken the lead in pursuing these matters before the administrative authority, the Texas Railroad Commission, and in the courts. Significant actions include:

- The Railroad Commission has issued curtailment priorities to insure fair distribution of available natural gas by LoVaca.

- On July 17, 1973, the 200th Judicial Court of Travis County ordered the reorganization of LoVaca and appointed a supervisor-manager.
- On Sept. 27, 1973, LoVaca was granted an interim rate based on its average field price of natural gas plus 5¢ transportation per MCF. An additional provision was that Coastal is to provide up to \$2,500,000 a month for gathering and treatment facilities and working capital for advance payments for purchase of any new gas.
- CPS has joined a class action suit filed by Pennzoil in Houston which seeks to set aside sales of natural gas to North Texas customers. It is contended that these sales were made after the natural gas shortages were known and that reserves which should have applied to long-term contracts are being divested.

As a result of the interim rate, LoVaca has acquired additional supplies of natural gas at current market prices, paying up to \$1.25/MCF. Old gas contracts have been renegotiated upward. The net effect has been that the interim rate has escalated prices of LoVaca natural gas from the CPS contract price of 23.75¢ to 29.55¢ after Sept. 27 and 58.9¢/MCF in December, 1973. January, 1974 LoVaca natural gas was 53.7¢ and it appears that prices will increase in the future. These increases have been passed through to the customers at cost as authorized by fuel clauses in the rates.

Because of the curtailments, the CPS has had to use fuel oil to supplement natural gas in its boilers, acquire some natural gas for its own account, and take the actions described on the following pages. To date, only one very large customer has been curtailed and all other customers have had full service. A voluntary conservation program is in effect.

PLANT EXPANSION AND FUTURE PLANS

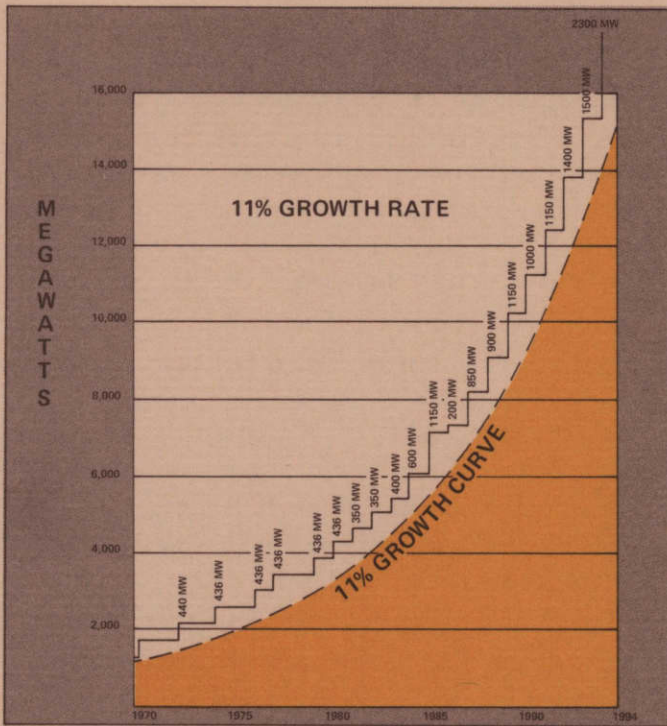
Faced with the prospects of continuing shortages of natural gas, the City Public Service Board has taken a series of far-reaching actions which put San Antonio ahead of most other areas in resolving the energy shortages.

An active natural gas acquisition program, in partnership with LCRA and the City of Austin, has so far resulted in a contract for 30 million cu. ft. of natural gas a day for ten years, presently at a cost of 95¢/MCF. This gas is divided three ways and is sold when not needed for peaking. There are prospects for other natural gas acquisitions at current market prices.

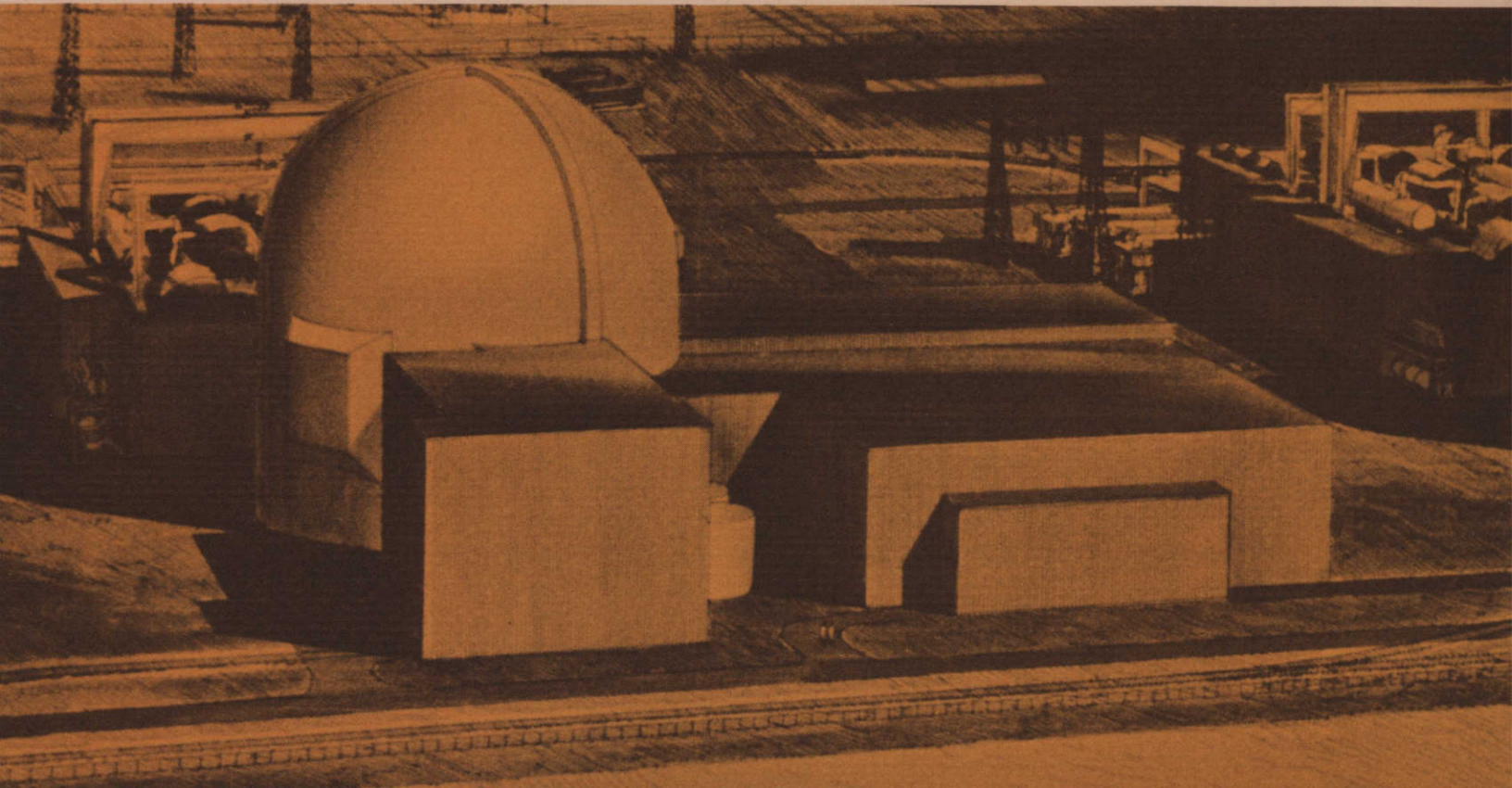
In a crash program, the CPS has increased its fuel oil storage capability from 225,000 barrels to 1,258,000 barrels and more than 400,000 barrels of oil storage will be added in FY 1974-75. At the end of the fiscal year, 1.35 million barrels of oil were in storage, including some in leased tanks.

The 16 boilers of CPS power plants were engineered before there were any prospects of a fuel shortage. They burn natural gas but all have emergency fuel oil firing capabilities.

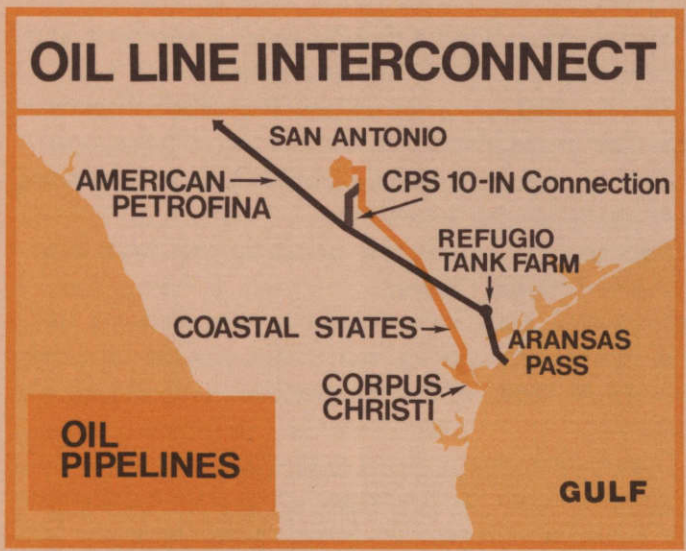
All but two power plant units can now burn No. 5 oil, which is in more plentiful supply and cheaper than No. 2 oil. The remaining two units, at the Sommers power plant, are presently being converted to a capability of firing No. 5 fuel oil. Conversions should be completed in 1974.



Planning is based on a historic 11% increase in peak use of electricity. The effects on this growth rate of energy shortages and conservation are being monitored very carefully.



TO MEET THE SHORTAGE OF ENERGY



To facilitate deliveries of fuel oil from the Texas Gulf Coast, pipeline connections with a 6-in. common carrier and a 10-in. pipeline have been built.

Oil delivery capability has been facilitated with the addition of two pipeline connections, one with a 6-in. common carrier and the other with a 10-in. American Petrofina line running within 18 miles of the Braunig tank farm. This pipeline delivery system is estimated to save \$1.5 million in transportation costs a year in comparison with the tanker-truck delivery of fuel from the Gulf Coast which formerly was necessary. A contract with Quintana-Howell Oil Co. has been signed for 7,000 barrels of oil a day from the fields of South Texas.

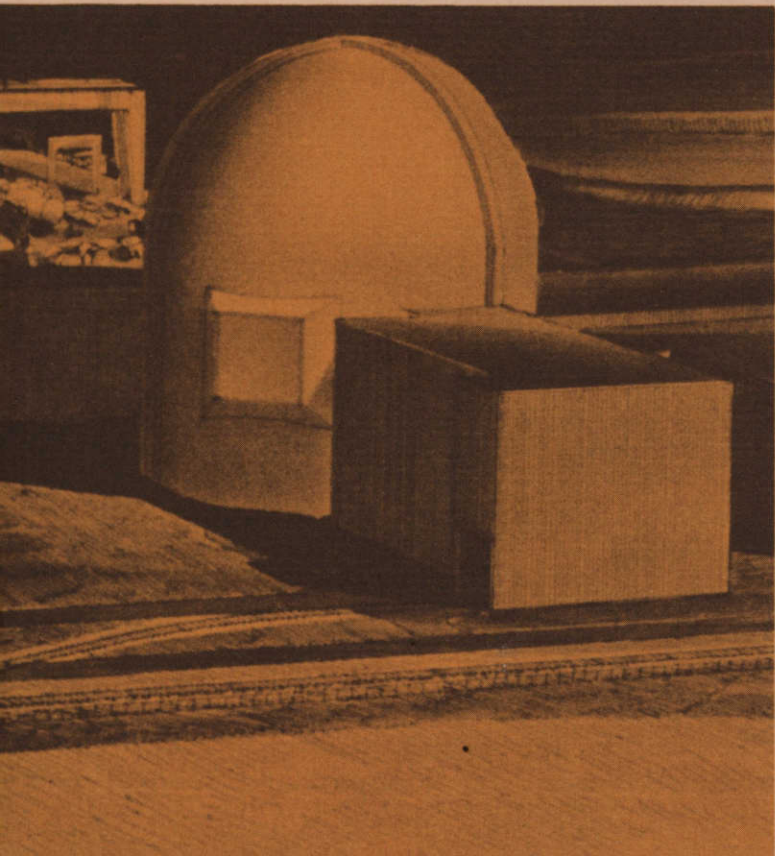
It is anticipated that with fuel oil to supplement natural gas when curtailed for power plant use, the City Public Service will be able to provide full service for all customers during summer peaks. However, rates will be higher since oil now costs as much as \$1.80 a million BTU in contrast with prices of natural gas as high as \$1.25 a million BTU.

To decrease its dependence on scarce and expensive oil and natural gas, the CPS in May, 1973, authorized a staff plan to change the boiler design on a 436,000 KW power plant unit due for installation in 1976 from natural gas or oil firing to coal or oil firing. Cost advantages result from an identical unit to be built in 1977. The total cost of the project is estimated at \$214 million. In the first year after completion, the coal-fueled units will supply 50% of kilowatt hour requirements. At year-end, commitments had been made for 385 coal cars and negotiations were proceeding for a coal contract for the 2,300,000 tons required each year.

In June, after public hearings at which advocates and adversaries of nuclear power testified, the CPSB made a commitment to participate in the South Texas Nuclear Project which will build two 1,250,000 KW units in the Palacios-Bay City area near the Texas Gulf Coast. Other participating utilities are Houston Lighting and Power, Central Power and Light, and the City of Austin. The units will be completed in 1980 and 1982. San Antonio's share will be 28% or 700,000 KW. Total plant cost is estimated at over \$1 billion. Nuclear energy will supply 28% of San Antonio's basic kilowatt hour needs after completion of the units in 1982.

The CPS planners are studying very carefully the results of customer conservation of energy and the energy shortage on the historic 11% growth curve. Future options to serve customers in the 1980's and 1990's include the addition of more 436,000 KW coal-fueled units and participation in other jointly-owned nuclear projects. Consideration is being given to installation of peaking units. And developments in the energy field such as solar power, hydrogen, fusion, geothermal power, the breeder reactor, utilization of garbage for power generation, and developing uses for waste heat all are being studied continually by the CPSB energy task force.

Artist's concept of the South Texas Nuclear Project. Unit 1 below is to be completed in 1980 and Unit 2 in 1982. In the foreground is the dyke around the 7,000 acre man-made cooling lake.





Instant information from the computer is available to customers making inquiries. Nearly all customer - CPS business can be transacted by phone.

CUSTOMER SERVICE

During 1973, 573,366 customer inquiries were processed. To continue fast, efficient service to increasing numbers of customers, present methods and processes for handling inquiries are being analyzed and refined. New Video Data Terminal displays have been studied for application on the new computer system. Microfiche records for detailed itemization of customer accounts are being installed.

The Customer Service Center is open 92.5 hours a week and 24-hour connection service is available for all existing meters. A second monitoring system has been installed to record and improve customer service techniques of contact representatives.

Subdivision planning and construction scheduling procedures for builders and developers have been improved by implementing new methods for installation of temporary meters for construction, main extensions and services.

An effective conservation of energy program has been implemented. Emergency procedures have been refined to apply to various stages of energy curtailment so that there will be minimum inconvenience to customers and due regard, insofar as possible, for avoiding job layoffs because of energy shortages.

EMPLOYMENT

Significant progress was made in the recruiting, training, upgrading and enhancing of the professional skills of the CPS's 2,904 employees. The following are notable:

On-the-job training courses were given to 1,426 employees covering 72,782 employee hours.

Two hundred and seven college and technical courses were completed under the Tuition Refund Program.

Twenty engineering and 23 other college graduates were recruited and employed.

Twenty-seven employees completed the Cadet Management Training Program.

Sixty-nine employees have now qualified for GED high school equivalency certificates through the utility's adult basic education program — 18 during FY 1973-74.

Twenty-five were enrolled in the Co-op Program.

Seventy-seven disadvantaged youth were hired under the National Alliance for Businessmen program last summer.

A very low average employee turnover rate of 0.95% per month was recorded.

CPSB employees contributed a record-breaking \$120,913 to the annual charity drive for the benefit of the United Way.

In April, 1973, pay increases of 5.5% were given to all employees as merited. Annual payroll now is \$27,904,000.

Individual attention is the key to the success of CPSB's GED high school equivalent education program.



AUTOMATION

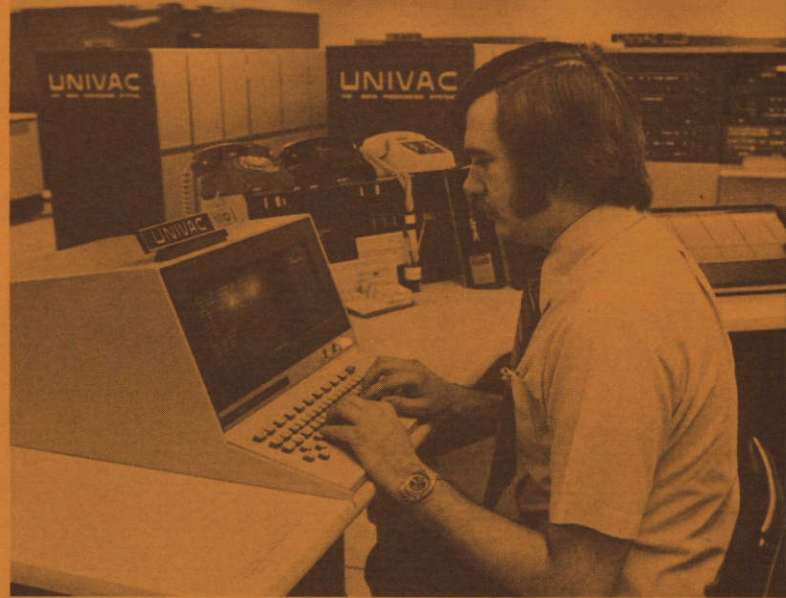
To further its goal of utilizing computers to the maximum extent in achieving efficiencies and economies of operations, the CPS installed a Univac 1110 computer system in April, 1973. The Board of Trustees had approved the purchase the preceding year because of the severe capacity limitations of the overloaded existing RCA computer.

Fortunately the computer was available in time to assist the CPS engineering planners in solving many of the problems created by the energy crisis. Among the new tools available to the engineer is ability to work directly with the computer through interactive terminals. Before the new Univac installation, engineering personnel might wait a week or longer before receiving the solutions to their computer runs. Now results are achieved usually no later than a day.

Some of the applications receiving special emphasis at this time are the gas flow analysis, electric system load flow and cash flow.

The gas flow analysis program identifies the alternative means by which CPS can meet a severe gas curtailment and thereby insure a normal flow of resale gas to the maximum number of customers.

The electric system load flow program is the cornerstone to planning the CPS transmission and distribution systems. The engineer simulates the normal and abnormal operations of the system as it exists today or is planned for in the future. With the Univac computers'



The new Univac 1110 has five times the memory capacity and ten times the speed of the RCA equipment which is being phased out because CPSB data processing needs have exceeded its capabilities.

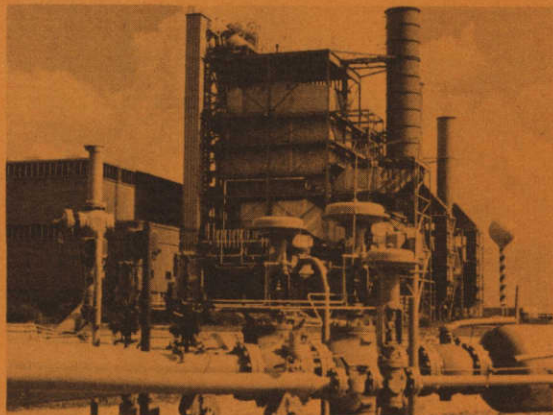
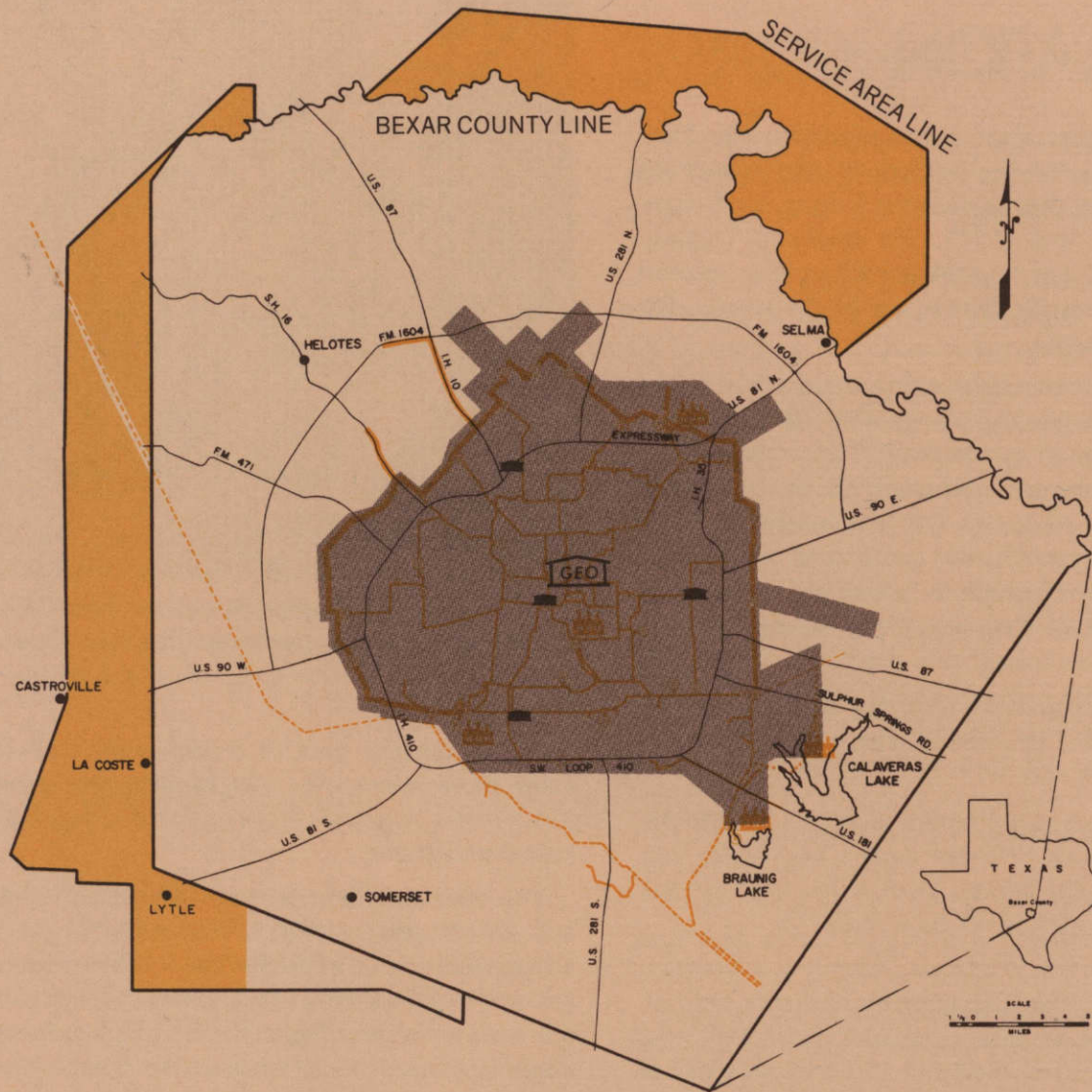
ability to process data at exceptionally high speeds, many more alternatives can be analyzed in order to devise the most efficient system to supply our customers' needs.

The cash flow program was developed in order to analyze the great number of revenue and expenditure alternatives so as to determine the most economical gas and electric changes and Board requirements over the next few years. The program supplies the bulk of information used for arriving at these most important decisions.



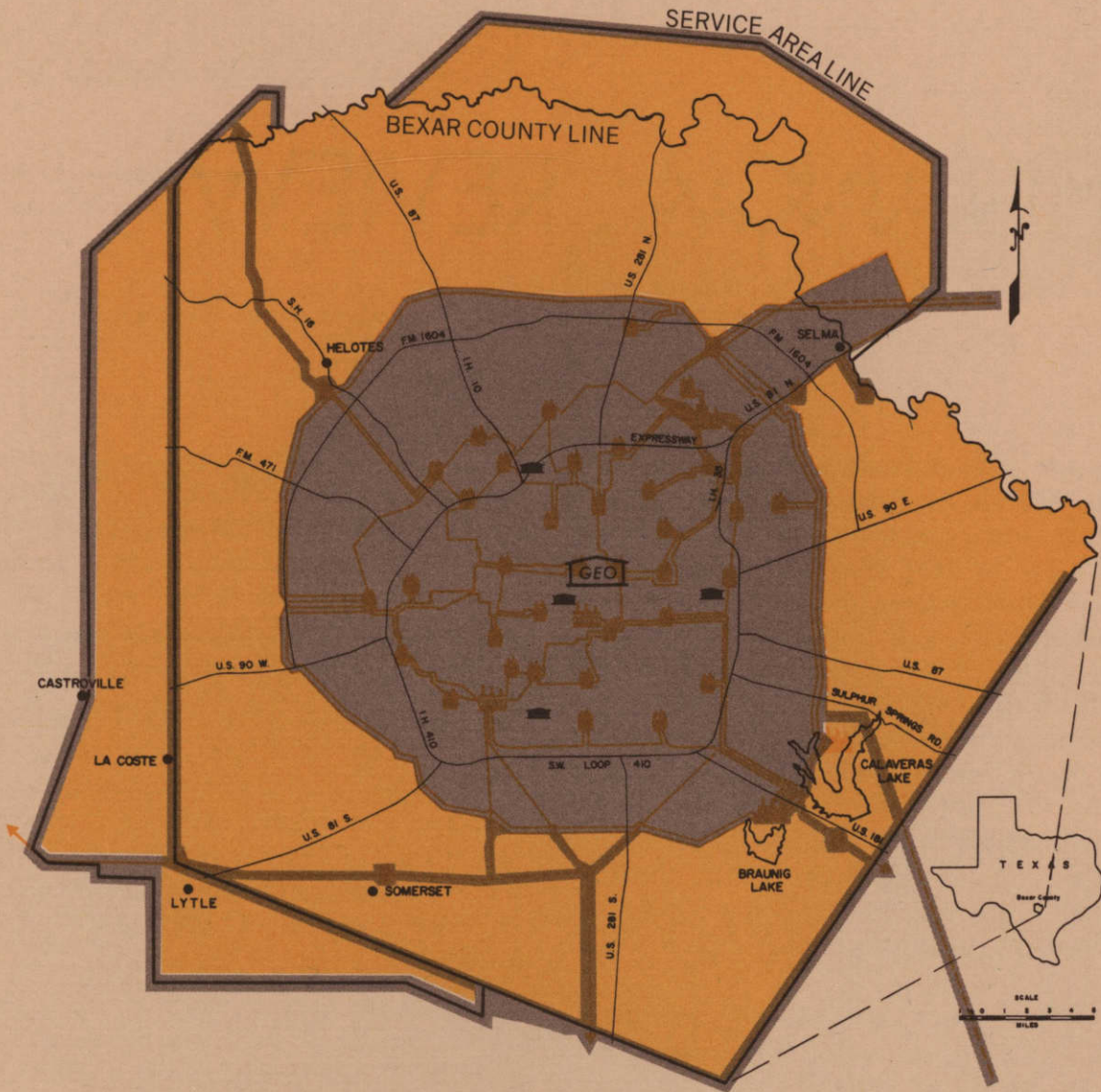
This computerized Gas and Electric Operating System controls the main components of the gas and electric systems from a central location. By the touch of a light-pen to the one-line diagrams of control points,







the operator can make adjustments to valves, switches and circuit-breakers during regular operations or emergencies. The system is a "first" in the utility industry and has greatly improved reliability of service.



GAS SUPPLY MAINS

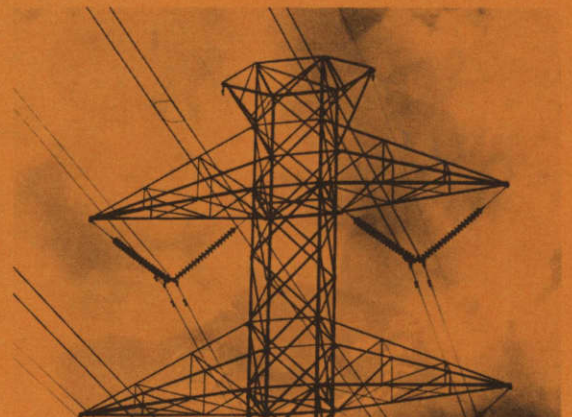
The urban customers in the San Antonio area are supplied with natural gas from a recently installed belt line which surrounds the City and connects with the two 24-in. LoVaca transmission lines from the fields of South Texas. A third 30-in. LoVaca line from West Texas natural gas fields also serves the distribution system. A 16-in. feed off a LoVaca 20-in. main provides the primary feed to the new Sommers power plant. The entire gas system is cathodically protected and can be expanded by radial mains to serve new customers in growing areas for many years.



-  TRANSMISSION LINES
 -  ELECTRIC SUBSTATIONS
 -  POWER PLANTS
-  **GEO** COMPUTER-OPERATED GAS and ELECTRIC OPERATING CENTER
 -  SERVICE AREA
 -  SERVICE CENTERS

INTERCONNECTIONS

The Texas Interconnected Systems, consisting of the nine large utilities within the state, are tied together by electric transmission lines for reliability during emergencies. Should a mechanical failure or other emergency suddenly take equipment out of service, electricity can be drawn instantly from the TIS spinning reserve, thereby providing customers with continuous electric service. Total TIS generating capability is 27,961,174 KW; spinning reserve is 1,725,000 KW. CPSB has a 500,000 KW import capability and a generating capability at this time of 2,588,000 KW. Interconnections include two 345 KV and four 138 KV lines.



FINANCIAL REVIEW

Total revenues of \$107,098,281 exceeded the previous year by \$6,484,174. Electric operating revenue increased 8.1%, amounting to \$87,467,108 despite a decrease of 1.1% in KWH sales. Electric usage for residential customers declined from 9,200 KWH last year to 8,688 KWH this year. This is in line with the national average use which declined from 8,377 KWH per residential customer in 1972 to 8,099 KWH this year. For the first time in history, the average revenue per kilowatt hour increased from 1.82¢ in 1972 to 2¢ KWH due to higher fuel costs. The national average cost per residential KWH was 2.36¢.

Gas revenues declined 1.4% from 1972-73, totaling \$16,260,149. The decrease in both gas and electric sales was due to mild weather and customer conservation efforts.

Interest and Other Income increased 6.3%, amounting to \$3,371,024 due to increased bond funds from a \$35 million issue on Feb. 1, 1973 being available for investment.

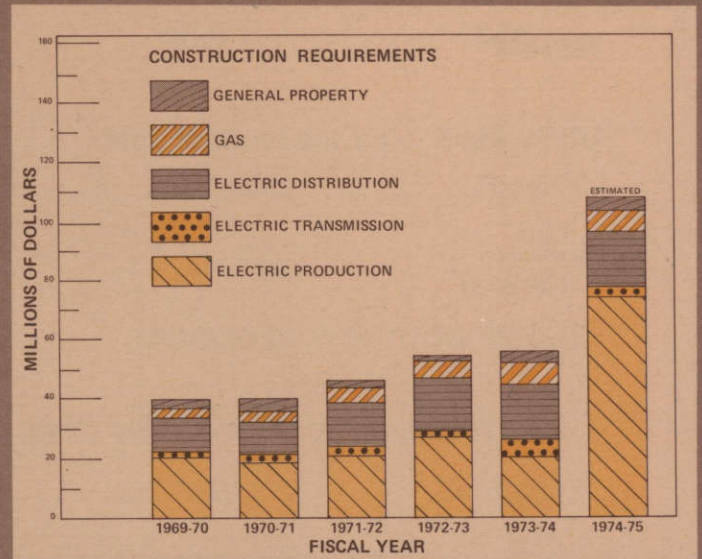
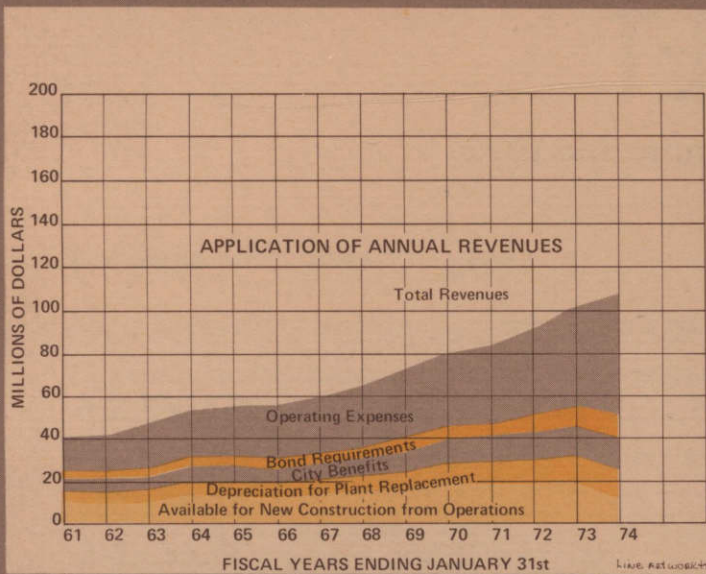
Operating costs increased by \$10,020,853 amounting to a total \$55,816,019. The major portion of the increase was from fuel and gas costs, up \$7,747,263, due to the use of expensive fuel oil for electric generation during curtailments and an increase in the price of natural gas allowed to LoVaca in September by the Texas Railroad Commission. During the fiscal year, CPS burned 999,450 barrels of fuel oil-costing \$6,389,285-for electric generation when natural gas was curtailed. The CPS also expanded its fuel supply storage to 1,350,000 barrels with a value of nearly \$10 million. The price of natural gas rose from a contract price of 23.75¢ per thousand cu. ft. to a high of 58.9¢/MCF late in the year. Other Operating and General Expense increased \$1,910,867 due to the increased costs of labor, materials, service and equipment necessary to serve the addition of new customers.

Total debt requirements were up substantially due to greater interest and principal costs resulting from a \$35,000,000 Revenue Improvement bond issue in February, 1973. This bond issue necessitated the addition of \$1,272,653 to the Bond Reserve Fund. These increased charges were partially offset by \$2,097,635 in interest charged to construction.

Payments and benefits to the City of San Antonio amounted to \$14,993,760, an increase of \$907,785 for the year. In accordance with provisions of the Trust Indenture, they amount to 14% of gross revenue. Were it not for CPS payments to the City, property taxes would have to be raised by more than 65% to obtain the same amount of money for the City's General Fund.

To meet the cost of \$55,363,760 in additions to plant, \$35,001,556 came from the Bond Construction Fund, \$2,751,179 from customer contributions and the sale of property, and \$17,611,025 from current revenues. The remaining revenues of \$8,956,346, from current year operations, were placed in the Improvements and Contingencies Fund to pay for future construction. It should be noted that \$28,796,389 more than was received from revenues was necessary to meet the year's financial requirements.

In the past, cost-saving innovations and other efficiencies have offset the effects of inflation, enabling the CPS to maintain residential electric rates which have not been raised since the 1920's. These improved management techniques can no longer offset the high costs of acquiring oil supplies and facilities, building more expensive coal and nuclear plants, and expanding the systems to meet customer needs. For these reasons, CPS has requested the City Council to authorize a 25% rate increase and the issuance of \$85 million in revenue bonds during fiscal year 1974-75.



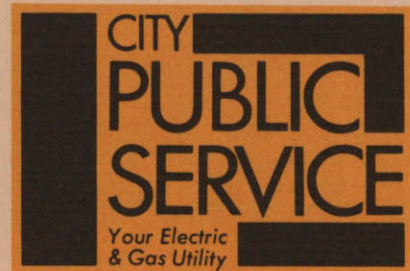
LONG-TERM DEBT REQUIREMENTS

Year Ending January 31	Principal	Interest	Total Requirements
1975.....	\$ 4,665,000	\$ 5,363,825	\$ 10,028,825
1976.....	4,850,000	5,171,340	10,021,340
1977.....	5,060,000	4,966,960	10,026,960
1978.....	5,270,000	4,747,620	10,017,620
1979.....	5,490,000	4,527,935	10,017,935
1980.....	5,705,000	4,304,840	10,009,840
1981.....	5,940,000	4,072,755	10,012,755
1982.....	6,165,000	3,839,365	10,004,365
1983.....	6,415,000	3,599,002	10,014,002
1984.....	5,660,000	3,356,295	9,016,295
1985.....	5,920,000	3,115,360	9,035,360
1986.....	6,200,000	2,847,560	9,047,560
1987.....	6,500,000	2,565,520	9,065,520
1988.....	6,810,000	2,268,300	9,078,300
1989.....	7,130,000	1,952,180	9,082,180
1990.....	5,950,000	1,618,575	7,568,575
1991.....	6,270,000	1,310,275	7,580,275
1992.....	6,600,000	1,001,950	7,601,950
1993.....	6,940,000	677,350	7,617,350
1994.....	7,320,000	347,700	7,667,700
	<u>\$120,860,000</u>	<u>\$61,654,707</u>	<u>\$182,514,707</u>
Current Maturities	-4,665,000	-5,363,825	-10,028,825
	<u>\$116,195,000</u>	<u>\$56,290,882</u>	<u>\$172,485,882</u>

BALANCE SHEET

January 31, 1974 with Comparative Figures for 1973

Assets	1974	1973
Utility Plant — on the basis of cost		
Electric	\$416,892,868	\$397,082,476
Gas	97,813,683	90,805,794
General	11,137,677	10,851,603
Construction work in progress	73,471,361	47,683,349
	<u>\$599,315,589</u>	<u>\$546,423,222</u>
Less allowances for depreciation (Note A3)	120,160,491	108,512,170
	<u>\$479,155,098</u>	<u>\$437,911,052</u>
 Restricted Cash and Securities		
Deposited with trustee under terms of trust indenture:		
U. S. Government securities at cost and accrued interest (quoted market prices \$9,971,641 in 1974 and \$8,219,761 in 1973)	\$ 10,216,209	\$ 8,409,975
Cash, including time deposits —		
Improvements and Contingencies Fund	20,319,494	11,363,148
Bond Construction Fund	-0-	700,000
	<u>\$ 30,535,703</u>	<u>\$ 20,473,123</u>
 Current Assets		
Cash, including time deposits and operating funds	\$ 7,215,163	\$ 14,595,769
Accounts receivable	5,850,189	6,196,421
Inventories (Note A4)		
Material and supplies	8,116,633	6,089,562
Fuel oil	9,887,971	144,430
Prepayment and other	1,727,593	1,333,468
	<u>\$ 32,797,549</u>	<u>\$ 28,359,650</u>
Unamortized Debt Expense	155,543	94,652
	<u>\$542,643,893</u>	<u>\$486,838,477</u>
 The Accompanying Notes are an Integral Part of this Statement		



Liabilities and Equity	1974	1973
Long Term Debt — Less Current Maturities		
Revenue improvement bonds, 1953 series, 2.9%, due serially to 1976	\$ 1,020,000	\$ 2,860,000
Revenue improvement bonds, 1957 series, 3.25%-3.3%, due serially to 1980	12,000,000	12,590,000
Revenue improvement bonds, 1962 series, 3.00%-3.25%, due serially to 1984	15,235,000	15,710,000
Revenue improvement bonds, 1968 series, 4.3%-5%, due serially to 1989	26,210,000	26,820,000
Revenue improvement bonds, 1971 series, 5%-7%, due serially to 1992	27,760,000	28,380,000
Revenue improvement bonds, 1973 series, 4.2%-6%, due serially to 1994	33,970,000	-0-
	<u>\$116,195,000</u>	<u>\$ 86,360,000</u>
Equity		
Appropriated retained earnings:		
Bond Reserve Fund	\$ 10,216,209	\$ 8,409,975
Improvements and Contingencies Fund	20,319,494	11,363,148
	<u>\$ 30,535,703</u>	<u>\$ 19,773,123</u>
Earnings reinvested in plant	357,479,994	348,721,681
	<u>\$388,015,697</u>	<u>\$368,494,804</u>
Current Liabilities		
Current maturities of long-term debt	\$ 4,665,000	\$ 3,985,000
Accounts payable	14,014,513	9,834,157
Customers' service deposits	2,140,099	2,037,655
	<u>\$ 20,819,612</u>	<u>\$ 15,856,812</u>
Deferred Credits and Reserves		
Customers' advances for construction	\$ 1,611,019	\$ 1,210,832
Reserve for injuries and damages	30,930	153,237
Other deferred credits	83,020	749,301
	<u>\$ 1,724,969</u>	<u>\$ 2,113,370</u>
Contributions in Aid of Construction	<u>15,888,615</u>	<u>14,013,491</u>
	<u><u>\$542,643,893</u></u>	<u><u>\$486,838,477</u></u>

REVENUE AND APPLICATION OF REVENUE

YEARS ENDED JANUARY 31	1974	1973
The Revenue from Operations was		
Electric sales	\$ 87,467,108	\$ 80,945,431
Gas sales	16,260,149	16,496,387
Interest and other	3,371,024	3,172,289
Total Revenue	<u>\$107,098,281</u>	<u>\$100,614,107</u>
The Revenue was Applied as Follows		
For operating and maintaining the system:		
Gas, electricity and fuel purchased	\$ 31,550,119	\$ 23,802,856
Other operating and general expenses	18,028,840	16,117,973
Maintenance	<u>6,237,060</u>	<u>5,874,337</u>
Total for Operating and Maintaining the system	\$ 55,816,019	\$ 45,795,166
For debt requirements:		
Interest and debt expense	\$ 5,527,532	\$ 3,996,702
Retirement of bonds	4,485,000	3,845,000
Addition to Bond Reserve Fund	1,806,234	533,581
Allowance for interest charged to construction (Note A2)	(2,097,635)	-0-
Total for Debt Requirements	<u>\$ 9,721,131</u>	<u>\$ 8,375,283</u>
For City of San Antonio:		
In lieu of taxes	\$ 3,960,349	\$ 3,679,859
Refund for gas and electric services	2,780,920	2,614,232
Construction of street lighting facilities	519,006	388,217
Additional payment to equal 14% of gross revenue	<u>7,733,485</u>	<u>7,403,667</u>
Total for City of San Antonio	<u>\$ 14,993,760</u>	<u>\$ 14,085,975</u>
For additions to utility plant (exclusive of street lighting facilities for City of San Antonio):		
Total expenditures	\$ 55,363,760	\$ 54,475,331
Additions to Improvements and Contingencies Fund	<u>8,956,346</u>	<u>-0-</u>
	<u>\$ 64,320,106</u>	<u>\$ 54,475,331</u>
Less funds provided from sources other than revenue:		
Improvements and Contingencies Fund	\$ -0-	\$ 18,228,713
Bond Construction Fund	35,001,556	6,127
Sale of Property	12,700	1,087,146
Customers' advances and contributions for construction	<u>2,738,479</u>	<u>2,795,662</u>
	<u>\$ 37,752,735</u>	<u>\$ 22,117,648</u>
Total for Additions to Utility Plant	<u>\$ 26,567,371</u>	<u>\$ 32,357,683</u>
Total Revenue Applied	<u>\$107,098,281</u>	<u>\$100,614,107</u>

The Accompanying Notes are an Integral Part of this Statement

AUDITOR'S REPORT



Board of Trustees
City Public Service Board of San Antonio

We have examined the balance sheet of the City Public Service Board of San Antonio as of January 31, 1974, and the related statement of revenue and application of revenue for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have previously examined and reported on the financial statements for the preceding year.

In our opinion, the accompanying balance sheet presents fairly the financial position of

the City Public Service Board of San Antonio at January 31, 1974, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Further, in our opinion the accompanying statement of revenue and application of revenue presents fairly the information set forth therein.

Alexander Grant & Company

San Antonio, Texas
March 1, 1974

Alexander Grant
& Company

NOTES TO FINANCIAL STATEMENTS

City Public Service Board of San Antonio
NOTES TO FINANCIAL STATEMENTS
January 31, 1974 and 1973

NOTE A — SUMMARY OF ACCOUNTING POLICIES

A summary of the City Public Service Board's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Basis of Accounting

CPS employs the accrual basis of accounting based upon the Uniform System of Accounts for Gas and Electric Utilities.

2. Interest During Construction

Effective February 1, 1973, CPS began capitalizing interest during construction. Formerly interest was expensed as incurred. This change had the effect of reducing expenses and increasing additions to utility plant for the year ended January 31, 1974, in the amount of \$2,097,635 and, if followed in the year ended January 31, 1973, would have reduced expenses and increased additions to utility plant by \$4,224,337.

3. Depreciation

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, on a straight-line basis. Depreciation charges amounted to \$13,856,020 for 1974 and \$12,557,956 for 1973.

4. Inventories

Inventories are stated at the lower of cost or market; cost is determined using the average cost method.

NOTE B — CONTINGENCIES

A gas purchase agreement dated June 14, 1961, with Alamo Gas Supply Company, which was subsequently acquired by Coastal States Gas Producing Company and its wholly-owned subsidiary, Lo-Vaca Gathering Company, provides for supply of the full natural gas requirements of the City of San Antonio gas and electric systems through April 1, 1982.

Beginning in November, 1972, significant interruptions in deliveries of natural gas were experienced, resulting in additional costs being incurred by CPS as the result of having to purchase alternate fuel as a substitute for gas not supplied. The added costs have been passed on to the CPS customers as authorized by the existing rate ordinance of the City of San Antonio, and part of these costs have been withheld from payments to the supplier. The supplier's responsibility for these additional costs is disputed and will be resolved through litigation. The determination of this dispute will not have any material effect on the financial position of the CPS.

NOTE C — PURCHASE AND CONSTRUCTION COMMITMENTS

Purchase and construction commitments amounted to \$95,803,900 and \$49,127,806 at January 31, 1974 and 1973, respectively.

In addition to the above, CPS has commitments under an agreement with Houston Lighting and Power, Central Power and Light and the City of Austin for construction of a joint nuclear power plant. CPS's share is estimated to be approximately \$300 million over the next eight years.

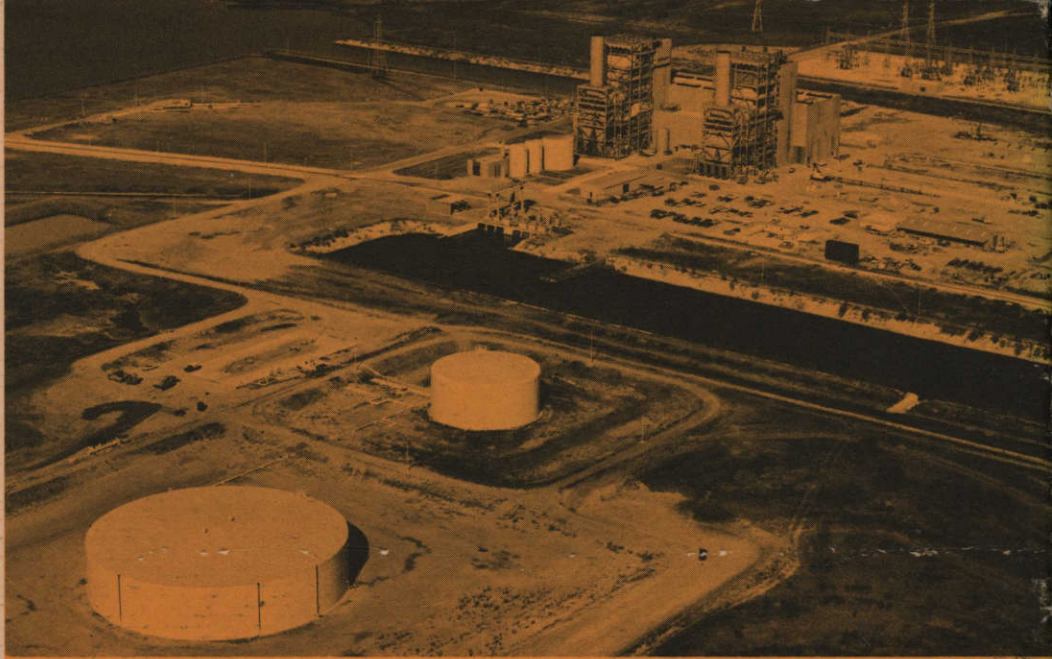
FINANCIAL REVIEW

YEARS ENDING JANUARY 31	1974	1973	1972	1971	1970
REVENUE AND APPLICATION: (000) Omitted)					
Revenues:					
Electric sales	\$ 87,467	\$ 80,946	\$ 73,064	\$ 66,024	\$ 61,991
Gas sales	16,260	16,496	14,093	14,616	14,696
Other income	3,371	3,172	3,559	2,811	2,821
Total Revenues	<u>\$107,098</u>	<u>\$100,614</u>	<u>\$ 90,716</u>	<u>\$ 83,451</u>	<u>\$ 79,508</u>
Revenues applied:					
Cost of operating systems:					
Gas, electricity and fuel purchased	\$ 31,550	\$ 23,803	\$ 19,655	\$ 18,494	\$ 17,875
Other operating expenses ..	18,029	16,118	14,147	12,871	11,637
Maintenance	6,237	5,874	5,095	4,542	3,898
Total	<u>\$ 55,816</u>	<u>\$ 45,795</u>	<u>\$ 38,897</u>	<u>\$ 35,907</u>	<u>\$ 33,410</u>
Payment and service to City:					
Payment in lieu of taxes	\$ 3,960	\$ 3,680	\$ 3,508	\$ 3,161	\$ 3,115
Refunds for services	2,781	2,614	2,435	2,299	2,196
Construction of street lighting	519	388	532	288	433
Additional payment	7,734	7,404	6,225	5,935	5,387
Total	<u>\$ 14,994</u>	<u>\$ 14,086</u>	<u>\$ 12,700</u>	<u>\$ 11,683</u>	<u>\$ 11,131</u>
Debt retirement:					
Interest and debt expense ..	\$ 5,528	\$ 3,997	\$ 4,050	\$ 2,607	\$ 2,701
Bond retirement and reserve	6,291	4,378	5,015	3,551	3,373
Allowance for interest charged during construction	(2,098)	-0-	-0-	-0-	-0-
Total	<u>\$ 9,721</u>	<u>\$ 8,375</u>	<u>\$ 9,065</u>	<u>\$ 6,158</u>	<u>\$ 6,074</u>
Additions to plant:					
Total expenditures for year ..	\$ 55,364	\$ 54,475	\$ 45,709	\$ 39,525	\$ 39,445
Addition to Improvements and Contingencies Fund	8,956	-0-	24,592	-0-	1,535
	<u>\$ 64,320</u>	<u>\$ 54,475</u>	<u>\$ 70,301</u>	<u>\$ 39,525</u>	<u>\$ 40,980</u>
Less provided from other sources:					
Bond construction fund	\$ 35,002	\$ 6	\$ 38,033	\$ 6,738	\$ 10,904
Sale of property	13	1,087	-0-	43	50
Improvements and contingencies fund	-0-	18,229	-0-	1,535	-0-
Customers' advances and contributions	2,738	2,795	2,214	1,506	1,133
	<u>\$ 37,753</u>	<u>\$ 22,117</u>	<u>\$ 40,247</u>	<u>\$ 9,822</u>	<u>\$ 12,087</u>
Total	<u>\$ 26,567</u>	<u>\$ 32,358</u>	<u>\$ 30,054</u>	<u>\$ 29,703</u>	<u>\$ 28,893</u>
Total Revenues Applied	<u>\$107,098</u>	<u>\$100,614</u>	<u>\$ 90,716</u>	<u>\$ 83,451</u>	<u>\$ 79,508</u>
BALANCE SHEET DATA: (000 Omitted) Utility Plant at Cost ..					
Annual Construction Additions ..	\$599,316	\$546,423	\$501,732	\$457,741	\$420,481
Depreciation Reserve	55,883	54,864	46,241	39,813	39,878
Annual Depreciation Allowance	120,160	108,512	103,190	93,632	85,355
	13,856	12,558	10,855	9,819	9,248

OPERATING REVIEW



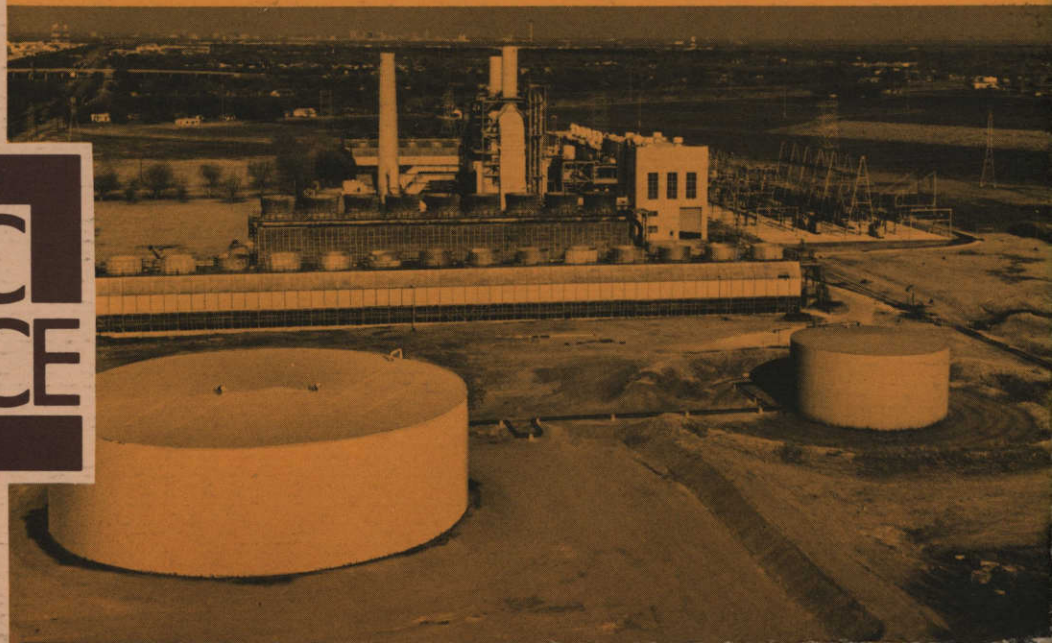
YEARS ENDING JANUARY 31	1974	1973	1972	1971	1970
OPERATING REVENUES: (000 Omitted)					
Electric:					
Residential	\$ 40,123	\$ 38,073	\$ 33,736	\$ 30,028	\$ 28,424
Commercial & Industrial	33,744	30,167	27,522	25,021	23,438
Street Lighting	2,172	2,041	1,862	1,701	1,416
Public Authorities	9,650	8,787	8,258	7,607	7,176
Other Utilities	875	1,048	969	980	906
Miscellaneous	903	830	717	687	631
Total Electric	87,467	\$ 80,946	\$ 73,064	\$ 66,024	\$ 61,991
Gas:					
Residential	\$ 10,365	\$ 10,278	\$ 8,632	\$ 9,192	\$ 9,243
Commercial & Industrial	4,907	5,197	4,616	4,506	4,545
Public Authorities	784	831	692	753	755
Miscellaneous	204	190	154	165	153
Total Gas	\$ 16,260	\$ 16,496	\$ 14,093	\$ 14,616	\$ 14,696
SALES: (000 Omitted)					
Electric—KWH:					
Residential	2,013,897	2,064,226	1,814,645	1,586,863	1,496,079
Commercial & Industrial	2,366,807	2,332,871	2,139,358	1,915,570	1,785,483
Street Lighting	67,911	65,332	61,495	57,915	53,818
Public Authorities	936,046	987,859	932,188	870,472	841,450
Other Utilities	96,152	90,770	79,518	94,926	81,290
Total	5,480,813	5,541,058	5,027,204	4,525,746	4,258,120
Gas — MCF:					
Residential	14,112	14,721	12,144	13,093	13,307
Commercial & Industrial	13,478	15,799	14,652	13,960	14,146
Public Authorities	2,122	2,418	2,059	2,280	2,296
Total	29,712	32,938	28,855	29,333	29,749
PURCHASE FOR RESALE:					
Electric (1000) KWH	-0-	-0-	980	606	4,639
Gas (1000) MCF	30,099	34,440	30,267	29,896	31,203
ELECTRIC GENERATION—					
(1000) KWH	5,784,501	5,884,187	5,334,121	4,827,311	4,524,422
ELECTRIC GENERATION					
CAPACITY—KWH	2,144,000	2,144,000	1,708,000	1,708,000	1,303,000
ELECTRIC PEAK DEMAND—					
KW	1,415,000	1,364,000	1,274,000	1,144,000	1,107,000
NUMBER OF CUSTOMERS:					
Electric	268,815	260,997	250,820	239,936	234,565
Gas	225,663	219,760	212,121	204,561	201,397
RESIDENTIAL AVERAGES:					
Electric:					
Revenue per customer	\$ 173.09	\$ 169.69	\$ 155.73	\$ 143.31	\$ 138.75
KWH per customer	8,688	9,200	8,377	7,573	7,303
Revenue per KWH	2.00¢	1.84¢	1.86¢	1.89¢	1.90¢
Gas:					
Revenue per customer	\$ 50.64	\$ 51.83	\$ 44.97	\$ 49.35	\$ 50.70
MCF per customer	69	74	63	70	73
Revenue per MCF	73¢	70¢	71¢	70¢	69¢



SOMMERS PLANT



TUTTLE PLANT and LEON CREEK PLANT (below)



**CITY
PUBLIC
SERVICE**
*Your Electric
& Gas Utility*

CITY PUBLIC SERVICE BOARD
P.O. BOX 1771
SAN ANTONIO, TEXAS 78296