

Mr. MACDONALD. What yardstick do they use for setting up the rates?

Mr. SOMMERS. I think they are substantially the same as any other commission would have.

Mr. MACDONALD. Well, like what?

Mr. SOMMERS. Of course let me make this clear. In a municipal operation we are not particularly in the same category as an investor-owned utility as far as rate of return and things like that.

In other words, all of our money has to come from the ratepayer who personally uses the service, so whatever is left over after paying all of our operating expenses, bond service charges, and so on is used for the expansion of the system.

Mr. MACDONALD. You mean there is no profit in your company?

Mr. SOMMERS. There is no profit because the ratepayer substantially owns it. The city of San Antonio owns our system.

Mr. MACDONALD. As I understand utilities, don't they usually get 6 percent on their investment?

Mr. SOMMERS. Well, that is a general rule, yes.

Mr. MACDONALD. But you don't.

Mr. SOMMERS. But we don't because we don't have any stockholders to pay off or anything. The only thing is after paying our operating expenses whatever is left over is used to either retire bonds or it is used for the expansion of the system.

Mr. MACDONALD. I see.

Mr. SOMMERS. And in our case we really don't have enough left over so we have to issue improvement bonds from time to time. In fact, we are getting ready right now to have a \$30 million bond issue to pay for improvements to the system.

Mr. MACDONALD. Actually everything leans toward the taxpayer owning various things in the United States, but in this case it is actually the fact the people of San Antonio own it.

Mr. SOMMERS. The city of San Antonio is the owner. It is not the individual. It is the city of San Antonio just like the city of San Antonio owns the streets.

Mr. MACDONALD. But if you make a profit, and I don't want to belabor the point, but there is a question in my mind, does the profit go to lower the tax base of the city?

Mr. SOMMERS. Well, we do pay a substantial portion of our revenue to the city of San Antonio which in effect does reduce the tax base.

Mr. MACDONALD. Thank you. Mr. Brotzman?

Mr. BROTZMAN. Just one question, Mr. Sommers. I would assume that you are testifying because you consider yourself to be an intra-state operation. Is that correct?

Mr. SOMMERS. That is correct.

Mr. BROTZMAN. I see you say here that you have connections by the usual network of 69,000- and 138,000-volt transmission lines. You are connected to operations outside of the State of Texas, or are they all within the State of Texas?

Mr. SOMMERS. They are all within the State of Texas. I think you will have a map by succeeding people that will demonstrate what we call our Texas interconnected system, of which we are a part.

Mr. BROTZMAN. Do you furnish any electricity for emergency purposes outside of the State of Texas?

Mr. SOMMERS. No. We don't have any direct connection. We are sitting almost in the center of this system. We are 150 miles from the