

## AGENDA



Thursday, August 9, 2007

**Telecommunications & Regulatory Affairs  
RECOMMENDATION FOR COUNCIL ACTION**

**Item No. 32**

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**Subject:** Approve an ordinance on the first reading only granting a franchise agreement to ATMOS Energy Corporation to provide natural gas distribution services.

**Amount and Source of Funding:** Anticipated revenue is dependent on final terms of the franchise agreement.

**Fiscal Note:** There is no unanticipated fiscal impact. A fiscal note is not required.

**For More Information:** Rondella M. Hawkins, Manager (512)974-2422

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Atmos Energy Corporation (formerly TXU Gas Company) is a provider of natural gas service in the City. The current franchise agreement will expire on November 15, 2007.

Key terms of this non-exclusive franchise agreement are as follows:

- \* Term: 10-year initial term with 10-year extension for total of 20 years,
- \* Compensation: Franchise Fee of five percent of gross revenues paid to the City on quarterly basis,
- \* Provides for a natural gas conservation program,
- \* Reserves City's right to regulate rates and charges for the services of the Company to its customers as provided by State law and the City Charter,
- \* Requires adherence to the City's current street-cut regulations and right-of-way management policies,
- \* City granted a right to audit, and
- \* Indemnifies the City.

Although consensus between ATMOS and the City has not been reached on several of the above key terms, staff recommends approval of the first reading of the franchise ordinance due to the procedural requirements set forth in the City Charter, which include:

1. The franchise ordinance must be passed on three separate readings by the City Council.
2. The effective date is 60 days following the date of final adoption by City Council

Franchise negotiations continue with the goal of resolving the outstanding issues and scheduling the second reading for August 30th.