

Item 32.



ATMOS ENERGY FRANCHISE ORDINANCE

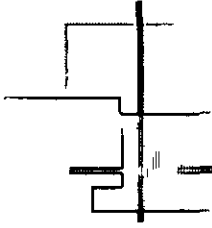
EXISTING ORDINANCE NO. 870917A

**Absent City Council Action, existing
ordinance expires by its terms on
November 15, 2007**

AUSTIN CITY CHARTER

ARTICLE XI.

FRANCHISES AND PUBLIC UTILITIES

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- Rights in Public Property May Not Be Granted Without Council Approval and Compensation
 - Power to Grant Franchise-Must include City's right to purchase
 - Ordinance Granting Franchise– 90 Day Timeline
 - Regulation of Franchise– Must impose reasonable regulations to insure safe, efficient and continuous service to the public
 - Regulation of Rates– Council has full power to regulate rates and fees of franchise holders



FRANCHISE FEES

- Must be Reasonably Related to the Rights Granted in the Franchise
- Traditionally Assessed as a Percentage of Gross Revenues
- Fiscal Year 2007 collections \$ 470,378 (est.)



IMPORTANT DIFFERENCES FROM RECENT TGS FRANCHISE

- Much smaller franchise involving annexed areas in North Austin, approx. 5,300 customers
- Atmos pays the franchise fee on the value of transported gas under existing franchise, and has done so since at least 1990.



RECOMMENDATIONS

- Franchise Fee at 5%
 - Atmos Requested Reduction to 4%
- Participation in Gas Conservation Program

Why Not Reduce Atmos Franchise Fee to 4%?

- Council determined with the TGS Franchise that 5% of gross revenues is reasonably related to rights granted in franchise
- Burden on Public Right of Way the Same for All Gas Utilities
- Reduction would be inconsistent with other gas utility franchisees
- Sole basis for requested reduction is “consistency” with other city franchises



NEXT STEPS

- City Council Action
 - August 9, 2007 - First Ordinance Reading
 - August 22, 2007 - ET&T Council Subcommittee
 - August 30, 2007 - Second Ordinance Reading
 - September, 2007- Resource Management Commission
 - September 27, 2007 - Third Reading
 - November 15, 2007 - Expiration of Current Franchise (Absent City Council Action)
 - November 27, 2007 - Effective Date of New Atmos Energy Corporation Franchise

Requested Council Action Today



- Pass City of Austin Atmos Franchise Ordinance on First Reading Only