

## AGENDA



Thursday, August 30, 2007

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

Item No. 67

**Subject:** Approve an ordinance on second reading only granting a franchise to Atmos Energy Corporation to provide natural gas distribution services.

**Amount and Source of Funding:** Estimated annual franchise fee revenue in the amount of \$500,000 is anticipated under new franchise agreement.

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

**Boards and Commission Action:** Recommended by the Council Committee for Emerging Technology and Telecommunications.

**Prior Council Action:** 1st Reading on August 9, 2007.

Atmos Energy Corporation (formerly TXU Gas Company) is a provider of natural gas service to approximately 5,300 customers in the City. The current franchise agreement granted by the City in 1987 will expire on November 15, 2007.

The first reading of this non-exclusive franchise agreement includes the following key terms:

- ? 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 the 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 some of the key terms, staff recommends approval of the second reading of the franchise ordinance due to the procedural requirements set forth in the City Charter, which includes:

1. The franchise ordinance must be passed on three separate readings by City Council;
2. Final action (third reading and final adoption) by the City must be at least 30 days after the first reading;
3. The final adopted franchise is effective 60 days following the date of final adoption.

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