A U S T I N C I T Y C O U N C I L

AGENDA



Thursday, August 28, 2008

Telecommunications & Regulatory Affairs **Item No. 63**
RECOMMENDATION FOR COUNCIL ACTION

Subject: Approve first reading of an ordinance granting a renewal of a franchise agreement to Pedernales Electric Cooperative ("PEC") to provide electric utility services within its certificated area.

Amount and Source of Funding: Estimated annual franchise revenue in the amount of $879,000 is anticipated under this franchise agreement. Related to Item #78.

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

Prior Council Action: Original Franchise Ordinance No. 960104-A

Pedernales Electric Cooperative, Inc. (PEC) is a rural electric cooperative that provides electric utility service in the Central Texas area. PEC serves approximately 20,000 customers in the City of Austin. The City annexed into the area in which PEC is authorized by the Public Utility Commission of Texas to provide service. PEC's previous franchise expired in March of 2006. The City has continued to receive franchise fees from PEC since the expiration date of March 2006 in the amount of two (2) percent of gross revenue.

Key terms of the non-exclusive franchise agreement are as follows:
* Term: 7-year initial term with 5-year extension for total of 12 years;
* Compensation: Franchise Fee of two (2) percent of gross revenues paid to the City on quarterly basis;
* A "right to purchase" provision that is required by City Charter. The provision grants the City authority to purchase PEC property in the City at 1.5 x appraisal value, within the last 5 years of the franchise term; and
* Standard Terms including:
    - Abide by City's current street-cut and other regulations;
    - City granted right to audit;
    - Indemnification for the City;
- Requirement to relocate facilities at PEC's expense to accommodate City road construction or other improvements.