

AGENDA



Thursday, January 27, 2011

**Austin Energy
RECOMMENDATION FOR COUNCIL ACTION****Item No. 5**

Subject: Authorize the negotiation and execution of electric service franchise agreements for the use of rights-of-way with each municipality within the Austin Energy service territory for a payment amount not to exceed three percent of gross electric revenues from customers within the municipality, for terms not to exceed ten years.

Amount and Source of Funding: Funding in the amount of \$1,040,000 is available in the Fiscal Year 2010-2011 Operating Budget of Austin Energy.

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

For More Information: Andy Perny, Assistant City Attorney, 322-6277.

Boards and Commission Action: Recommended by the Electric Utility Commission.

This request for Council action will authorize the City Manager to execute franchise agreements with those municipalities that lie within, or partially extend into, the electric service area of Austin Energy. These cities are Bee Caves, Cedar Park, Mustang Ridge, Pflugerville, Rollingwood, Sunset Valley, The Hills, Lakeway, and West Lake Hills. Franchise agreements are provided for under Texas law, and the City of Austin currently requires franchises for those non-City electric utilities providing service within Austin's city limits.

Each franchise would provide compensation to the municipality in return for the right of Austin Energy to maintain its electric service facilities in the municipality's rights-of-way. The fee paid to the municipality would be a percentage, not to exceed three percent, of total gross electric revenues received by Austin Energy from customers within the municipality during the term of the franchise agreement, which will not exceed ten years in duration. Payment to West Lake Hills would also be paid with respect to revenues received since the date of West Lake Hills's ordinance regarding franchise requirements for Austin Energy. Total gross electric revenues from customers in other municipalities within the Austin Energy service territory were \$34.46 million for fiscal year 2009-10, which would have resulted in a total maximum franchise payment to all municipalities of \$1.033 million for that year, assuming a three-percent payment amount. Payment amounts for future years can only be estimated and will be contingent upon load growth and actual electric usage in the franchise areas.